

Embracing change

How can airport retail remain relevant as shopping patterns change? Aircommerce's Melvin Broekaart believes that greater collaboration and data sharing between different industry stakeholders are key to its future success.

It might be hard to believe considering that many airports appear to have turned their terminals and concourses into shopping malls over the last few decades, but airport retail, and in particular duty free shops with their tax free benefits, are in danger of being undermined by e-commerce and changes to the way we shop.

Despite the rosy picture painted by annually increasing commercial revenues, essentially caused by rising passenger numbers, passenger spend is actually declining in most parts of the world.

Travel retail will continue to evolve, of course, and airport operators will face challenges as they address a highly competitive marketplace and adapt to changing consumer behaviour and expectations.

Innovation in technology, for instance, has fundamentally changed the way businesses function and work with each other. Especially in retail.

It's no surprise then that the nature of competition has changed, driven by companies expanding their offerings along with diversifying and innovating in new sectors.

Technology giants such as Google, Alibaba and Amazon are constantly moving into new areas meaning that passengers at airports – historically considered to be a captive audience – are suddenly being reached with commercial offers directly on their mobile devices while travelling.

You only have to look at the effect technology has had on conventional travel agents – which have practically been driven out of business by online travel agencies – and the demise of high street retail across the globe to see the impact e-commerce can have on worn-out business models and ignorance.

And with customer-journey influencing decisions being made at board level every day presenting innovation as the solution for everything, the effect of technology on our travel retail industry should not be underestimated.

Any assessment of the health of the travel retail sector requires an assessment of the passenger journey, the ability to adapt and collaborate with other stakeholders in the chain.



Competition in travel retail comes not only from the neighbouring players in your space but also from those in other sectors who see an opportunity. Think of Uber (Eats) bringing a passenger to the airport together with a take away meal, and Amazon installing pick-up lockers at airports, as examples of the many businesses turning their attention to airports.

However, this can be viewed as a threat or as a motivation to collaborate and create a bigger pie for everyone to have a piece of. Or looked at another way, airport retail and F&B operators should be their own greatest competition and be willing to disrupt themselves before someone else does.

Embrace the value chain

The frequently preached, but rarely practiced trinity business approach (brands, airports and airport operators working together) is a step in the right direction, but contains just a fraction of the collaboration partners needed to truly make a difference in today's connected world.

The customer journey of the average passenger touches upon 8 to 10 collaboration partners, ranging from online travel agencies, ground transportation and airlines to airports, retailers and F&B operators.

However, all work more or less individually with the same passenger during the same journey. They individually extract data during contact and then shield it from others to safeguard imaginary potential revenues coming from 'their' passengers.

But this might all be about to change as competition forces all stakeholders within the passenger's journey to get closer to their customers. Without doubt all sides will benefit from abandoning their adversarial relationships and building a bond of collaboration. Competition creates win-lose scenarios, but collaboration benefits us all.

What is clear is that commercial interaction with a passenger should not only start from the moment they enter the airport. Contact should have been made way in advance and preferably year-round, guaranteeing a hyper-personal and relevant commercial experience.

Indeed, pre-journey, all stakeholders should be embraced as business partners to provide an outstanding and highly appreciated commercial performance.

Collaboration is the key

We have arrived at a point in time where stakeholders can analyse and act upon the huge amount of data that customer interactions create. In its simplest form, this is what everyone has been calling personalisation, but it could be so much more.

For example, Amazon made huge waves with its Anticipatory Shipping patent that predicts which products consumers will buy and ships them to a nearby hub, anticipating the purchase and allowing for delivery within the hour.

Innovations like these tap directly into what people want – immediate, exceptional and personalised customer service that goes

far beyond marketing and, in our industry, is only within reach when stakeholders collaborate to get closer to customers, providing more choices and superior service. Done right will result in 'growing the pie' for everyone instead of just growing their own piece at the cost of others.

Let's be honest, mistrust among stakeholders creates inconvenient and outdated passenger journeys and allows third parties from outside the airport industry to benefit.

Take for example the way we, as an airport industry, develop apps for passengers. Based on standard smartphone behaviour, it is highly unlikely that anyone will add more than a handful of travel apps to their smartphone let alone use them, and the truth is that many of them, according to Google Insights 2018, are abandoned or never even used.

Yet we expect travellers to download separate apps for each individual airport, airline and travel retailer that they connect with on their journey.

Collaboration between passenger journey stakeholders may sound far-fetched, but according to ATKearney, it's already happening on a small scale courtesy of 'virtual vertical collaboration', which essentially involves a changing combination of passenger journey stakeholders acting as though they are about to merge to create the efficiencies that come with merger integration. As a result, they abandon their adversarial relationship, going beyond secrecy and distrust to build a bond and make mutually beneficial business decisions.



Let's start winning as a team, and protect ourselves from losing as individuals

Think of an airline sharing arrivals data inflight with ground transportation parties like Uber or the airport express so that disembarking passengers know the easiest and most convenient way to continue their journey. An added extra could be including a home-delivery opportunity for their luggage.

Or how about landlords widening their business approach to include new ways of driving valuable traffic to airside retail and F&B locations by actively working together with online travel agencies to offer passengers the chance to purchase fast lane access through security just an hour before arriving at the airport?

It is all too easy to forget that airport retail and F&B is one of the only physical retail channels in the world where we know who is coming in advance of their arrival. We only need to listen, through collaboration, to share this information.

And why don't airport operators work together more across the concession categories? For example, why not share a special-offer for

fashion when making certain liquor purchases or to offer 2-for-1 near gate coffee when spending a certain amount at retail?

Transparency and winning as a team

Collaboration is not new. It is just rarely practiced in our industry. The value of virtual vertical collaboration lies largely in the perspective that transparency leads to insights about how to integrate more efficiently and create team wins rather than individual ones.

Although a collaboration effort can seem complex, it's really not difficult. What is difficult, however, is making the first move: deciding to engage in such an endeavour and systematically finding the right partner(s) with the right strengths to create a mutually beneficial alliance.

This requires a profound level of trust and is not something done with just any company. You need to know with absolute certainty that your objectives are mutual, and sometimes having a facilitating independent third-party as intermediary helps to create this trust and to actually start collaborating.

Let's start winning as a team, and protect ourselves from losing as individuals. As Abraham Lincoln famously said, the best way to predict your future is to create it.

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About the author

Melvin Broekaart is founder and CEO of Aircommerce Group (aircommerce.com), a global travel retail firm that includes airports, airlines, operators and brands as clients. He can be contacted at melvin@aircommerce.com