

Abington Advisory

A meaningful expertise for your specific issues in the travel retail industry

TFWA World Exhibition & Conference 2019



October 19



Travel retail is...

Today, Duty Free & Travel Retail (DF&TR) is a USD 76 billion (2018) industry that covers seven distribution channels including airports and airlines.

The DF&TR industry keeps growing fast and strengthening its position of significant international shop window. It has been the case for companies that focuses on traditional product categories such as Wine & Spirits, Tobacco and Cosmetics, upon which the industry was first founded. Indeed, it is also the case on luxury goods, including Watches & Jewelry and Fashion & Accessories, which become increasingly popular in DF&TR.

Finally, Confectionery & Fine Food will always have a natural customer base in the rapidly growing number of travelers.



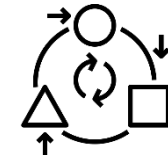
An outstanding booming industry, a 6th continent outpacing each fast growing economy



Facing new and rising challenges regarding customer behavior, digital, tourism and transportation issues



Compelled to play with a fragmented market and retail



Urged to find new, agile and innovative solutions to capture all opportunities

During the year's biggest event of the industry, the Duty Free and Travel Retail global summit (TFWA – Cannes 19), Abington is proud to share its expertise and knowledge dedicated to this very specific industry



Which are your top priorities?

Current and major trends



INTENSIVE GROWTH

- / The travels and tourism industry's growth outpaces the one of the world GDP
- / Rising tourism from low-cost air carriers with PAX shopping duty free for discounted purchases



GROWING THREATS

- / Over tourism and fly shaming
- / Uncertainty appears as some areas tend to slow tourism flow down
- / A decreasing ratio of passengers' volume / expenditures



MASSIVE DATA

- / Multiple sources of data exist: retailers, travelers, local and regional statistics or brand sales
- / Confidentiality on data remains (retailers are not likely - and probably never won't be - to willing to share data, especially during sales periods) or data quality is low with too many levels of granularity

Issues – How to ...?

- / Benefit at best from this growth?
- / Segment destinations and travelers?
- / Develop an immersive customer experience?
- / Stimulate buying power? Leverage digital and omnichannel?
- / Increase the conversion rate of regular travelers? Reward loyalty for mobile buyers?
- / Avoid strong dependency on one market?
- / Better manage sell-out data? Monitor performance relying on sell-out and not sell-in only?
- / Refocus value on analyzing to foster the growth and not on processing data?
- / Develop accurate forecasts?

Which are your top priorities?

Current and major trends



COMPLEX SUPPLY CHAIN

- / A significant SKU amount to manage from manufacturing to points of sales all across the globe
- / Important and frequent roll-out of brands and products
- / A dependence to the highly volatile energy markets



NARROWED SHOPPING TIME

- / Security requirements of air travel (security checks, passport control, gate closure) take time to customers so that average shopping time decreases of 30 minutes
- / But new tax free and more relaxed zones appear downtowns



HUGE INVESTMENTS

- / IT investments are made to increase shopping opportunities: click and collect, e-shop,...
- / Investments are made to improve the shopping experience: training sales teams, store display, stands,...

Issues – How to ...?

- / Streamline the supply chain and reduce costs to maximize margins?
- / Offer an “ATAWAD” level of service and sustainable solutions?
- / Optimize production locations regarding moving customers?
- / Initiate shopping before reaching the airport? Develop E & M-commerce? Stimulate impulsive purchases?
- / Enhance shopping experience?
- / Foster convenience of in-store experience from shopping to payment?
- / Prioritize investments regarding the stakes and the objectives?
- / Adapt product assortments and category management?
- / Implement a ROMI (Return On Marketing Investment) approach?

A proven record on each travel retail field

Products



Cosmetics



Wine & Spirits



Tobacco



Food



Luxury



Accessories



Clothes



Souvenirs

Channels



Retailers & shops



Airports



Airlines



Train



Cruises

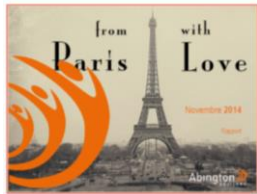


Downtowns & free zones



Borders

Global shopper Study



International tourism, Global shopper

603 tourists have been interviewed



at most famous Parisian touristic places

*Notre Dame... Boulevard Haussmann
... Faubourg St Honoré... Champs Elysées*



Topics discussed with tourists

- Country of origins
- Trip length
- Trip goals (visit, shopping, business...)
- Traveler typology (individually, in group, with friends, with family, in couple...)
- Socio professional category
- Budget (shopping, hotel, total)
- Favorite place to shop
- Purchase in duty free of Parisian airports
- Favorite brands
- Purchase motive (impulsive purchases, crush on something, brand notoriety, quality,...)



Study methodology

- Interview of 603 tourists of different nationalities: Chinese, Brazilian and Russian in most famous Parisian touristic places
- Aggregation and analysis of answers

Tax refund analysis (downtown)



French and European Tax refund market analysis

Abington analyzed tax refund industry to identify room for improvements of the customer journey map



Studied issues for plan to action

Competitive analysis

- Benchmark of major actors in the tax refund industry
- Analysis of the turnover and financial results
- Comparison of French actors financial results to European ones

Tax refund French industry analysis

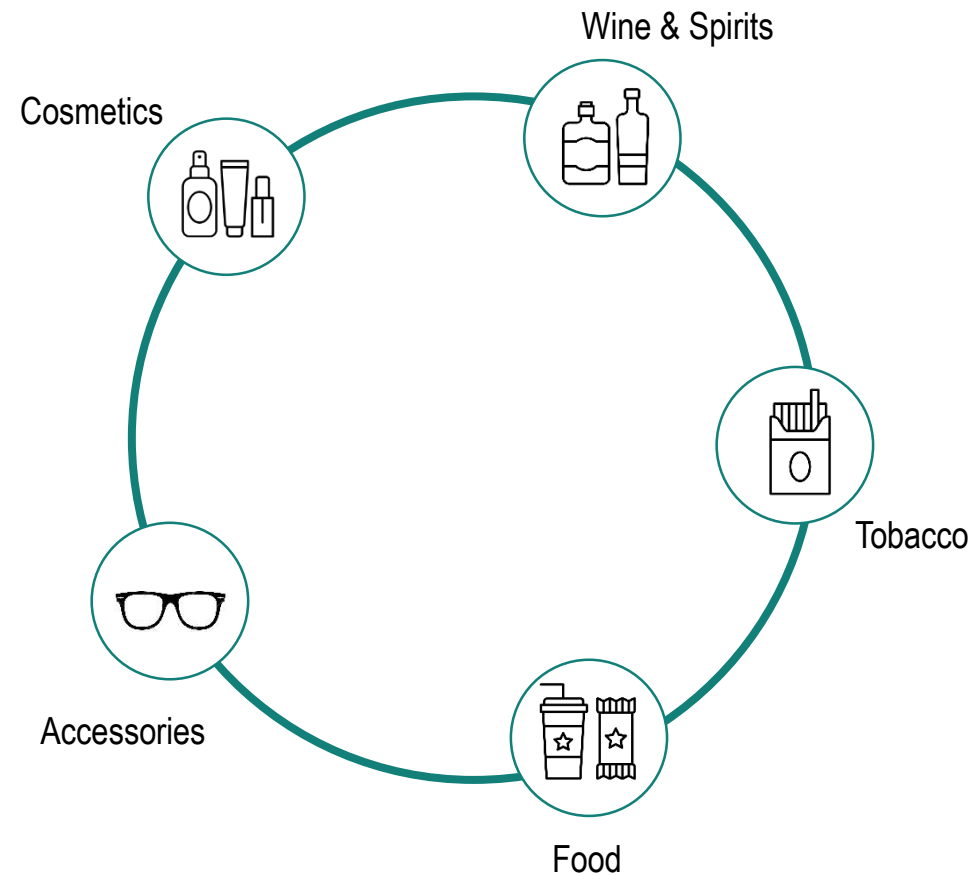
- Identify barriers to entry, and legislation impact analysis
- Assess the bargaining power of suppliers and clients
- Determine key factors of success



Method of analysis

- Interview with major actors, traders, shops, department stores, consumers, customs, ...
- Analysis of financial statement of tax refund actors and analysis

A working and sharing approach gathering TR leaders regarding the data issue in the industry



Abington benchmarked 5 brand leaders in the TR industry and gathered them during dedicated focus groups to work on data and sell-out issues

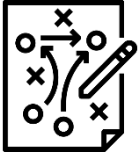
Given the DF&TR industry's fast-changing environment and the difficulty to collect exhaustive and reliable data at customers and platforms, the steering of the DF&TR activity turns out to be challenging. In this respect, and following the first agreement of the worldwide cosmetics leader to join the approach, Abington conducted a benchmark study, which objective was to share best practices in the management and analyses of DF&TR market and performance data as well as to identify the tools and methods used in sell-out management for different categories and sales.

The study put the emphasis on top issues shared by the industry's stakeholders:

- DF&TR activity and major travel retail clients
- Data collection, analysis and their use for commercial, marketing and activity monitoring purposes
- Business Analysts functions and tasks
- Activity studies and analyses conducted and other topics such as grey market

As a result, Abington could compile all these data highlighting the best practices in the industry

An agile & responsive company with a 9 areas of expertise, helping travel retail industry enhancing and sustaining its growth



Strategy



Data & Analytics



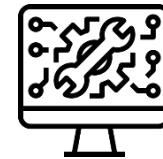
**Marketing &
Client Experience**



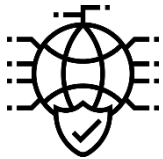
**Finance & Performance
Control**



Supply Chain



Information Systems



**Digital Trust &
cybersecurity**



Digital Transformation



Change Management

Abington is a management consulting company, established in Europe, MEA, Asia and America.

For many years, it has worked with major players of the travel retail industry.

It offers different expertise that meet the priority objectives of the C-Suites of travel retail actors - brands, distributors, companies and transport infrastructure.

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