



POV

# Digital Innovations - a necessity for Travel Retail industry in the 'new normal'

The beginning of 2020 brought with it the hopes for a new decade. The year which started with bright smiles, successful project launches, and travel plans, has now become a long haul waiting for life to get back to normal. Like many people have said, and I quote 'Virus downloaded in 2020. Need to reset', feels so true. The scene at any Airport's lounge in Feb beginning, was frenzy at the airport packed with people in restaurants, boarding gates, and duty-free shops. The predictions for the global travel market to cross \$150 billion by 2025 seemed possible and realistic<sup>1</sup>. The dominance of perfumes and cosmetics in the travel retail industry was visible with sales associates recommending products to the customers and the sheer number of cosmetic stores and sales associates in each store. As per a study, the following details made a pleasant shopping experience:



**69%**

of customers purchased items were showcased on stand out shelves/displays



**91%**

of customers looked/touched/read information about the product before buying



**48%**

tried/tested the product before buying

Come March, and the airports were relatively empty. The few people who travelled could see how the world had started to change. There were fewer fellow travelers, flights were running at below full capacity, travelers were wearing masks and gloves, everyone was trying to maintain distance and avoiding touching things. The sales associates at the counters too were seemingly less enthusiastic.

### Post COVID-19 pandemic declaration, the statistics from the same study revealed that:

**60%**

of customers will avoid contact with retail staff

Over

**50%**

of customers will not purchase at stores at all (in airports)

Around

**90%**

of customers expect more digitization

**58%**

of customers are willing to use digital devices more frequently and

**70%**

of shoppers want the use of VR for makeup and product testing

The change meant so much more to the people who spent their days within the airport. It didn't seem like the projections for the travel industry would be achievable.

Looking back a few months now, we hadn't anticipated this drastic change. Nobody ever thought that we would see a day where not a single plane would fly in the air, that there would be a global lockdown, and over 25000 aircraft fleet would be grounded<sup>3</sup>, or that crude oil would be so cheap! In May 2020, global passenger capacity was reduced by 91%<sup>4</sup>. For 2020, it is estimated that the global passenger traffic will be reduced by 4.6 billion travelers, resulting in a loss of \$97billion in global airport revenues<sup>5</sup>, and cost \$452 billion on the wider economy<sup>6</sup>. The COVID-19 pandemic has shown us a new world. While we are still trying to grasp the lifestyle changes we need to make, organizations and companies are trying to deal with the lost sales, loss of revenues they have had over the last couple of months. The new challenge has also driven the need for organizations to re-think their approach and restructure. The trust with their customers can be built now only by ensuring that safety and sanitization are maintained, which is possible only by understanding the customer's perspective. The challenge will be to revisit processes and abide by government-issued health guidelines.

At Pittsburgh International Airport, high-traffic floor areas are being cleaned and disinfected via robots using UV-C rays. JetBlue is cleaning airport terminals using a hospital-grade disinfectant and has also increased the cleaning frequency. T.S.A. officers need to change their gloves after each pat-down or on customer's request. Delta is using a mist-based disinfectant via an "electrostatic sprayer." While United Airlines has introduced their 'all in one' economy snack bag that contains a sanitizer wipe along with bottled water and snacks, other airlines are asking customers to eat food before traveling<sup>7</sup>.

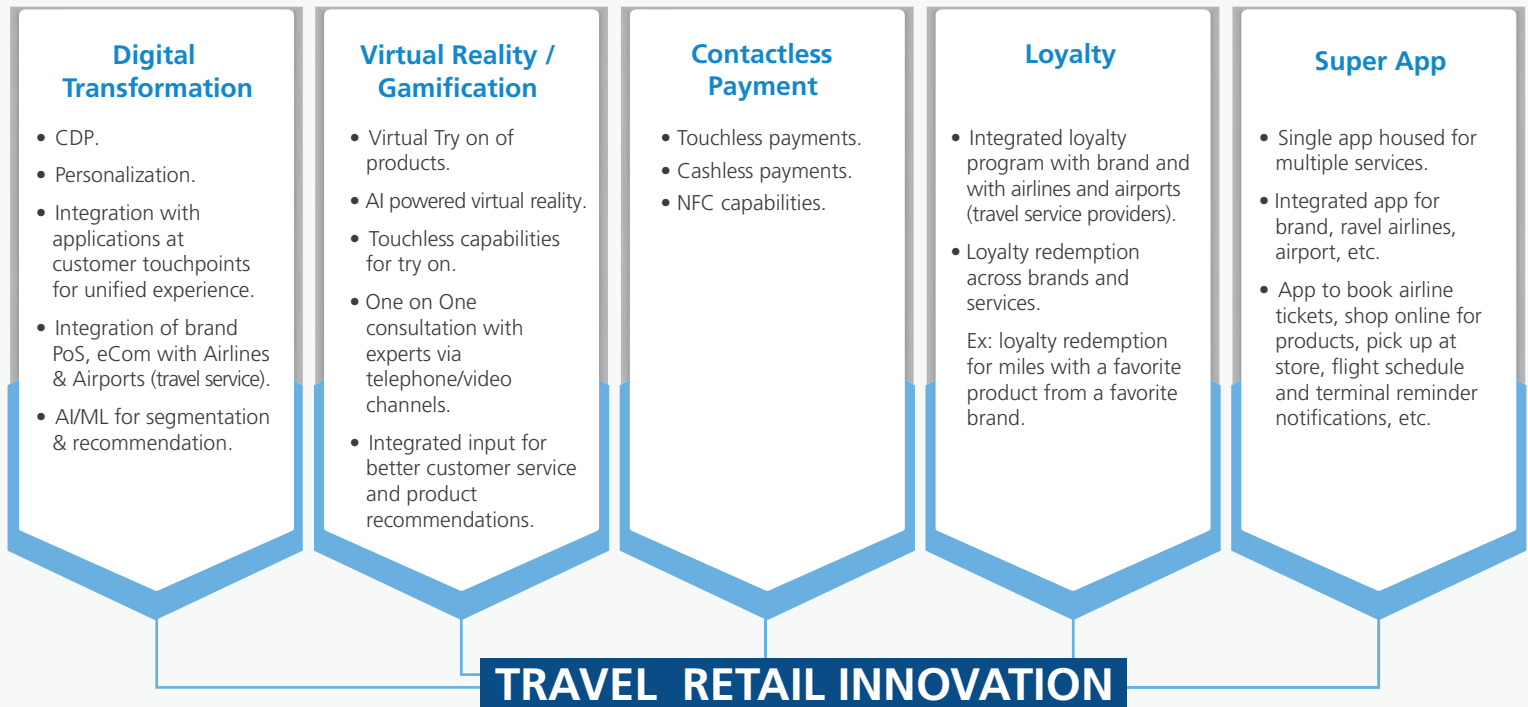
With the unknown factor of when global travel will resume, the impact on the travel industry is huge. Whenever the new normal resumes, the industry will still need to do a huge catch-up and catch-all. A 'ride it out' approach is definitely flawed since the 'new normal' is here to stay for the long term.

The pandemic has also brought attention to facts that were ignored. The retail experience within stores at the airport isn't the same as the retail experience on the high street. Retailers at airports are yet to catch-up with the innovations that are happening outside of their world. With COVID-19, the need to invest in the digital transformation has strengthened. The challenge to maintain the same experience of a product/brand inside the airport and outside remains and is solidified.



The following innovations need to be adopted by organizations and the travel industry in general to ensure the continuation of their businesses. COVID-19 has definitely pre-empted innovation, which was inevitable due to the ‘more online interaction and less physical’ preference of the millennials.

**Let’s look at these innovative transformations in detail:**



**1. Digital transformation – Digitization is the steward for transformation**

The key strategies for digital transformation are driving customer experiences with customer data platforms and personalization. Tracking customer interaction at every touchpoint within the airport, with the brands and their products enables better segmentation and predictive analytics.

For travel retail, this means integrating with enterprise systems and making the customer data (customer profile, history, interactions, travel details, etc.) available at the point-of-sale for sales associates to view and interpret and recommend products accordingly. This experience can be enhanced by integrating customer information and travel details (without the customer's need to provide it), letting them choose the point of pick up (store or kiosks or departure gate, etc.) as per their convenience. This means a well-integrated system of companies/brands with airports and travel service providers. All of these initiatives will reduce any contact with sales associates or sample testing, and boost sales of products within stores.

Example- An IoT powered skincare system called ‘Optune’ was launched by Shiseido. The AI powered system detects customer’s skin condition and dispenses a personalized formula that can be customized for 80,000 possible combinations<sup>8</sup>. Some companies enable omni-channel experience with options to buy online or pick-up at the store. While this is a common phenomenon in markets, it is rare within the airports. A Malaysian duty-free travel retail brand-Eraman has already enabled this omni-channel experience for its customers at Kuala Lumpur International airport<sup>9</sup>.

Dubai airport started the ‘Click and Collect’ initiative where customers can shop for products before traveling, provide their travel details and pick-up the products from the webshop<sup>10</sup>.

## 2. Gamification / Virtual Reality

With COVID-19, hygiene and social distancing have become the norm. Gone are the days when customers tested sample products before purchasing. The panic of the pandemic is prevalent and here to stay as a part of our life. Companies will need to think out of the box. To avoid physical contact and still ensure customer tries the product before purchasing, several tools are available in the market today. Brands have their own 'Virtual Try-on' tools and quizzes to recommend products to consumers.

Example - Guerlain invested in gamification and launched a mobile game called 'WeChat' to promote its KissKiss Matte lipstick<sup>11</sup>.

To enhance the in-store experience, Lancôme introduced 'Virtual Mirror' - an augmented reality virtual makeover app.<sup>12</sup> 'Modiface' - a Canadian AR and AI company, was purchased by L'Oréal, whose product performs virtual try-on simulations and is also enabled to support live video and photographs uploading<sup>13</sup>.

In South Korea, a brand has launched an 'augmented reality mirror' with touchless cosmetic shopping capabilities. The mirror recommends products based on the picture taken and also generates images of the customer's makeup for the customer to see and decide on which products to buy<sup>14</sup>.

## 3. Contactless payment options

As mentioned earlier, COVID-19 has emphasized the need for increased hygiene and sanitization. In stores, making cash payments is the riskiest transaction. The heightened sense of sanitization will make customers avoid such transactions. To enhance customer experience and their safety, contactless payments at retail outlets will be the new norm. Technologies like NFC can help brands to enable this.

Example – Transit cards, Apple pay, Google pay, Google wallet, NFC enabled cards, etc.





## 4. Loyalty

Most of the consumers today are driven by the concept of loyalty. However, with the multitude of choices available (and especially just a click away), brand awareness – loyalty to a specific brand is difficult to maintain. In the travel industry, loyalty is incentivized mostly through rewards, based on a point system. Especially with the gap in duty-free stores and stores in the outside world, customers are not able to leverage their loyalty programs effectively either.

Technology can definitely be used to enhance loyalty for travelers. Firstly, by integrating loyalty services commonly across all stores of the brand. Secondly, via an initiative to tightly couple loyalty programs of the brand with travel service providers (like airlines and airports). This way, consumers can see the added advantage of remaining loyal to a brand, and also enjoy enhanced loyalty since the services are integrated. Customers prefer value to price, and a tightly coupled loyalty program can definitely enable it.

Also, it is important to understand that retaining existing customers is easier than acquiring new ones. Loyalty programs need to be designed after putting in thoughts on how to maintain the customer base and encourage repeat purchases. Marketing communications can be planned to let customers know what is on offer.



## 5. Super apps

Super apps are the next BIG thing in the digital space. Especially with most consumers using multiple devices and multiple channels for varied needs – booking tickets, tracking status, tracking loyalty points for the airline, buying products, etc. If all these different apps used by the customer can be clubbed into one super app, the benefits will be immense. The customer can use the same app to book their ticket, check status (of flights or product deliveries), make a purchase of a product from the brand, and use the same app to track loyalty points (for the airline and the product purchase). This connected app will enable the customer to have everything required under one umbrella. This again requires a well-integrated system of companies/brands with airports and travel service providers.

In summary, the above innovations need to become essential in organizations' standard operating procedures to ensure that they can survive the new normal post-COVID-19. As said by Albert Einstein - 'In the midst of every crisis, lies opportunity.' This is the opportunity for every organization to stop, assess their current set-up, and measure up for future innovations. The call for a well-connected integrated world is undying and will be here to stay, just as we tackle our new normal with the COVID-19, which is also here to stay.

It is possible that in the near future, a customer journey is well-connected and integrated - to ensure a seamless and safe customer experience.



## LTIMindtree as a Partner

Big data, digital business strategy, digital business solutions, digital consulting, social media, mobile platforms, omni-channel strategy - each presents unique opportunities for gathering customer insights and generating new revenue sources.

LTIMindtree has a significant footprint across the Retail, CPG and Travel industry, and partnerships with most of the Fortune 500 companies and top organizations in this space. Our strategies help customers transform their businesses by leveraging digital technologies. We have served as a guide for our clients, helping them navigate through the maze of device proliferation and shown them how to leverage data to achieve an efficient workforce, richer customer experience and faster time-to-market. Organizations can make sense of digital disruption and outpace the competition with the help of LTIMindtree's digital strategy framework.<sup>15</sup>

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Shwetha has over 15 years of experience in the Retail and CPG spaces, especially focusing on digital programs and initiatives. She is a passionate consultant working actively on enhancing business capabilities in e-commerce and CDP (Customer Data Platform) via consumer-centric technologies, focusing on enabling the digital transformation journey for our clients.

A thought leader with multiple published white papers and blogs, she is dedicated to demystifying complex business and industry challenges to enable digital transformation.

**LTIMindtree** is a global technology consulting and digital solutions company that enables enterprises across industries to reimagine business models, accelerate innovation, and maximize growth by harnessing digital technologies. As a digital transformation partner to more than 700+ clients, LTIMindtree brings extensive domain and technology expertise to help drive superior competitive differentiation, customer experiences, and business outcomes in a converging world. Powered by nearly 90,000 talented and entrepreneurial professionals across more than 30 countries, LTIMindtree — a Larsen & Toubro Group company — combines the industry-acclaimed strengths of erstwhile Larsen and Toubro Infotech and Mindtree in solving the most complex business challenges and delivering transformation at scale. For more information, please visit [www.ltimindtree.com](http://www.ltimindtree.com).