

YOUNG AND READY TO TRAVEL (AND SHOP)

**A LOOK AT MILLENNIAL
TRAVELERS**



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Rather than stay in the lanes established by their older counterparts, Millennials are carving their own routes forward. Whether it be how they watch their favorite television shows or how they photo bomb their friends, their behaviors and characteristics are unique and fluid. These character traits can make it challenging for brands to engage with them, but only because it's tough to keep in step with a path that's being cut as its being traversed.

Given Millennials' comfort with the digital world, much has been written about the marketing opportunities across the media and entertainment landscapes. While those avenues are still vibrant, most Millennials are full-fledged adults and have established themselves as young consumers. And that means the opportunities to connect with them span well beyond their social media and smartphone screens.

A GENERATION THAT'S ON THE GO

In addition to being hyper connected and digitally driven, Millennials are focused on personal experiences. And for many, those experiences happen away from home. Notably, Millennials are very interested in travel. In fact, they travel more than any other generation, including Baby Boomers, and they'll likely travel more as their incomes and financial standings grow.

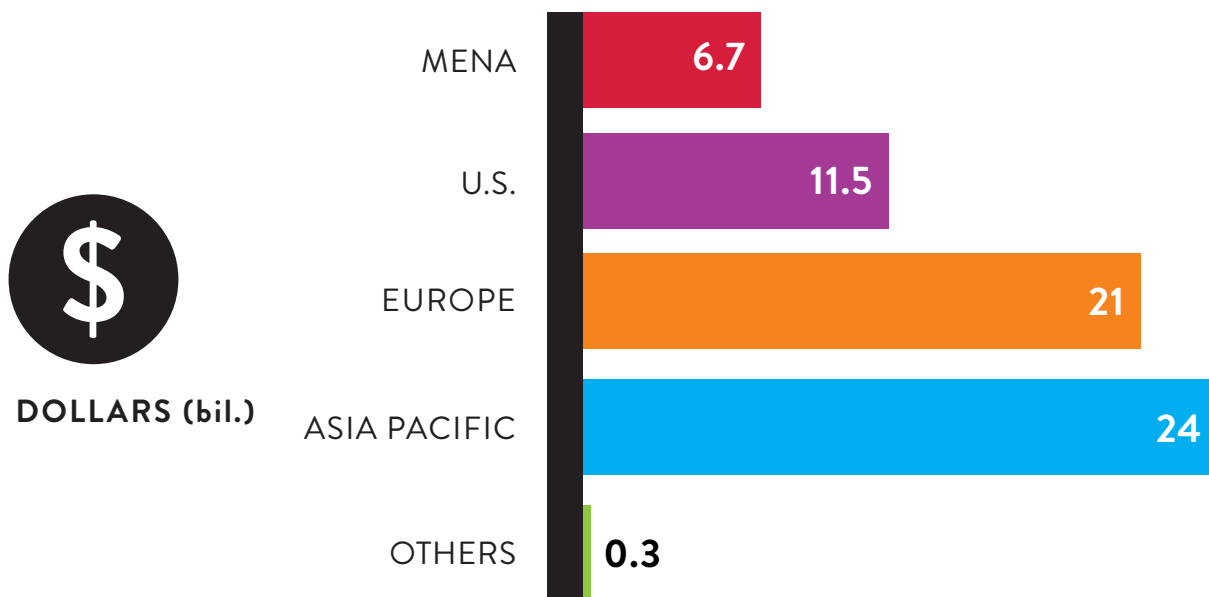
But Millennials don't simply represent another generation of travelers. Their preferences and lack of predictability make them different from their older counterparts. At the same time, this uniqueness means that the travel industry will need to adjust in order to meet their specific needs and desires—particularly when it comes to retail. That's because while the retail travel industry has evolved over time, it hasn't faced major consumption shifts. In fact, traveler shopping habits have been somewhat predictable over the last few decades. That predictability ended with this new generation of consumers. Today's Millennial travelers have distinct approaches to travel, largely because they want to control their experiences—a notable shift from how older generations were more likely to allow brands to drive their travel experiences.

Before we dive too deep into the specifics of the Millennial retail traveler, it's important to set the overall travel retail stage. First, the travel retail market accounts for \$63.5 billion in global revenue—and that figure is growing. A December 2015 report from FBIC Global Retail Technology projects that the segment will grow to \$85 billion by 2020. That's an anticipated \$21 billion in revenue growth in less than four years. Second, there are 1.8 billion Millennials on the planet, and they're traveling more than Baby Boomers, many of whom are retired and have the freedom to travel much more than consumers still in the workforce.

Currently, China is home to 400 million Millennials, but China Internet Watch, part of digital consulting company Inciteze Pte. Ltd., reports that only 4% of the country's residents have a passport. The firm, however, forecasts that this percentage will reach 12% within the next 10 years, largely due to the 74 million travel-ready students will graduate from Chinese universities over the next decade. And Goldman Sachs project that 220 million Chinese residents will travel overseas in 2025 and spend \$450 billion on travel and travel shopping, up from 120 million spending \$250 million in 2015.

GLOBAL RETAIL TRAVEL MARKET

GEOGRAPHIC BREAKDOWN OF THE WORLD'S \$63.5 BILLION RETAIL TRAVEL MARKET



Source: FBIC Global Retail Tech "Travel Retail Report" December 2015

The key takeaway here is that travel retail is big, is getting bigger and represents a massive opportunity if the industry can tap into the huge population of young travelers. The catch, however, is that this group doesn't travel or shop the way their parents or grandparents do. And that means that airports, operators and manufacturers need insight into these lucrative travelers so that they can adapt and ensure that they're poised to not only meet their needs, but grow the sector even further.

Unlike older generations that historically may have travelled for work or for special occasions like the annual family trip, Millennials are untethered when it comes to getting away. In fact, Millennials who travel say they will make a long-haul trip at least twice a year, and one-third say they make four long-haul trips each year. And they're not just traveling. They're spending. So this high rate of travel, combined with the money they plan to spend while out and about, means that Millennials account for as much as 50% of the shoppers in the total retail travel market.

A QUEST FOR THE RIGHT EXPERIENCE

As a generation that wants to be in control of what it experiences, Millennials are strongly driven by search—a quest for just the right experience that fits their mood, interest and personality. When it comes to travel, Millennials take on the planning themselves, and plan a well-thought out schedule that smartly addresses the cost of their overall trip. With this attention to planning and experiences in mind, Millennials often seek out low-cost flights and peer-to-peer accommodation sharing options instead of booking a hotel. By taking a budgeted approach to their travel and accommodations, Millennial travelers typically free up dollars that they can use on indulgences throughout their trips, including impulse buys and personal treats.

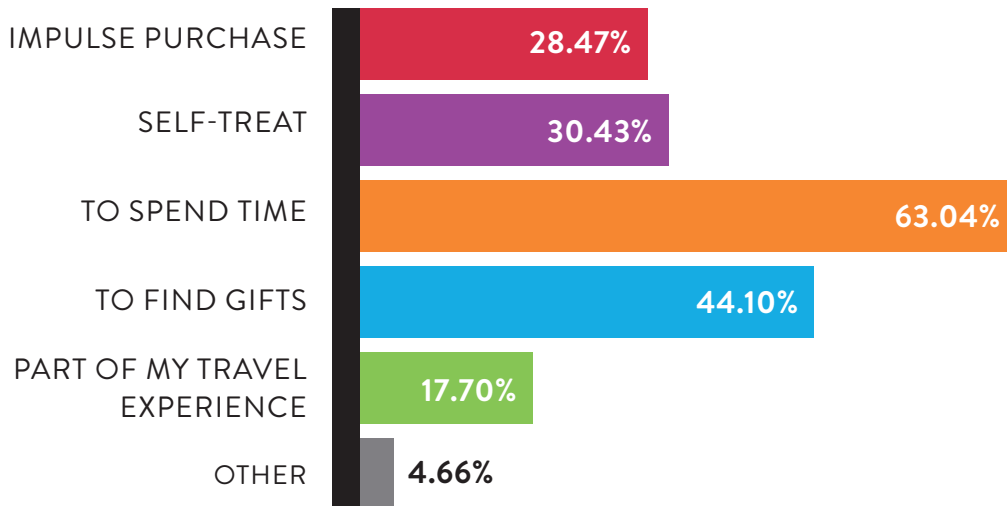
This disposition to indulgence presents an opportunity to travel retail outlets that sell luxury goods. In fact, Nielsen's recent survey of global Millennial travelers found that more than 63% have purchased a premium or luxury item in the watch, jewelry, clothing, bag, accessory or spirit category in the past year. Additionally, another 4% said they plan make a premium or luxury purchase soon. And when asked about why they visit shopping areas after passing through the security of an airport, to buy themselves a treat comes up almost one-third of the time.

REASONS TO VISIT AIRPORT RETAIL

RESPONDENTS SELECTED ALL OPTIONS THAT WERE APPLICABLE



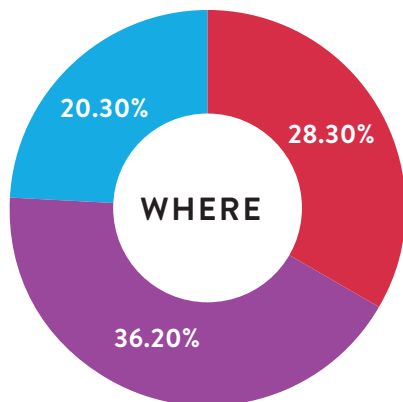
REASON



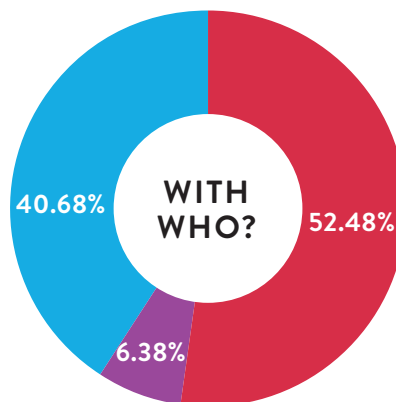
Source: Nielsen Millennial Traveler Study

And Millennials aren't just shopping as they head home from their trips. On many occasions, they're just as eager make purchases on their way out of town in addition to when they're headed home

WHEN I SHOP AT AIRPORTS, IT'S USUALLY



- HEADING TO DESTINATION
- ON THE WAY HOME
- BOTH



- ALONE
- WITH TRAVELING PARTNER
- NO PREFERENCE

Source: Nielsen Millennial Traveler Study

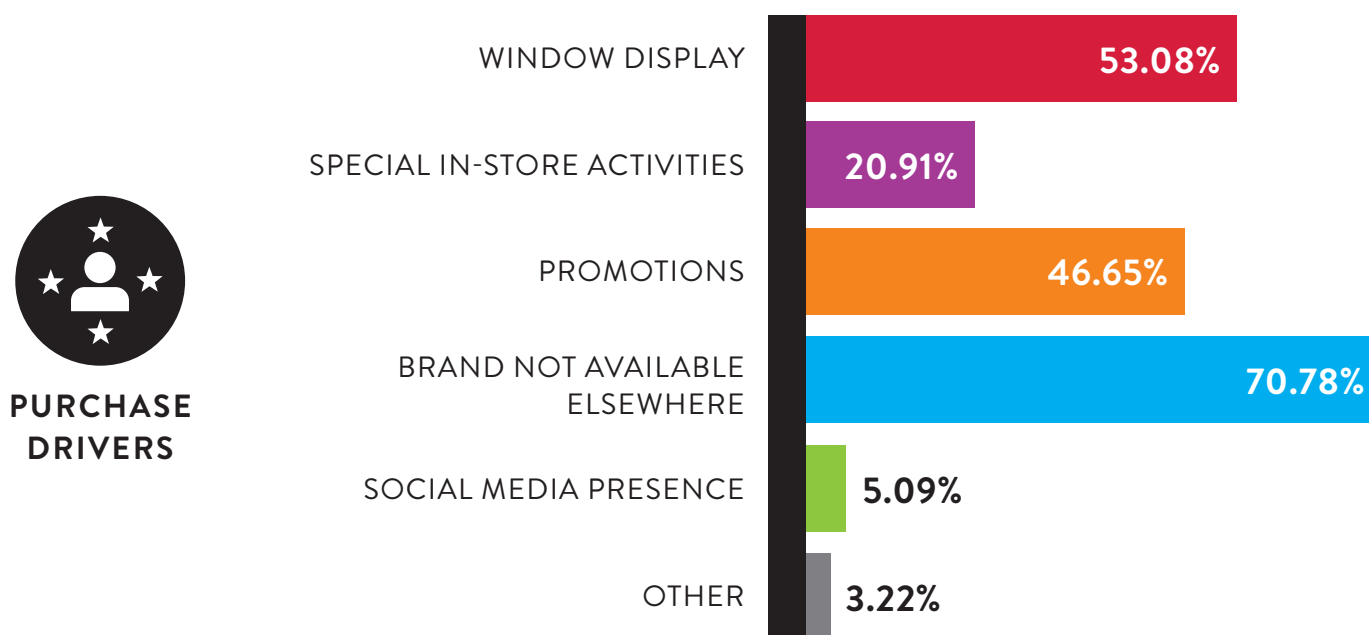
PRICING AND CATEGORY TRENDS

In our study, we specifically asked traveler Millennials what attracts them to a store in an airport and what triggers a purchase. Being able to find a specific collection at a given location was a notably strong trigger for shopping (70%). This highlights that these shoppers rarely limit their shopping universe to a specific country (like their own). Rather, they look for uniqueness at a great value—and that can be anywhere along their journey.

The study findings also show the importance of price. While not the most important purchase intent driver, promotions are extremely important to traveler Millennials. In fact, 46% said promotions are what attract them to make purchases. Storefronts/window displays are another significant driver, particularly when used in coordination with promotions. In fact, more than half (53%) of traveler Millennials say the store window/store layout is an important shopping factor. Comparatively, only 20% said the in-store experience affects their purchase decisions.

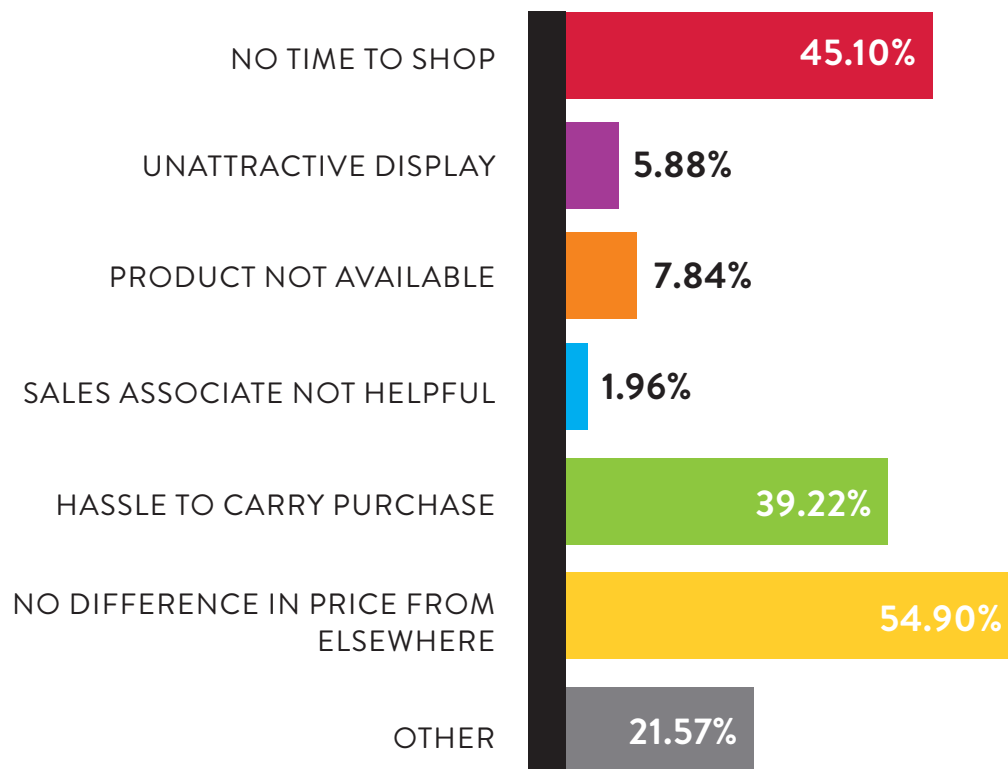
AIRPORT RETAIL PURCHASE INTENT DRIVERS

OTHER THAN PRODUCT NEED AND ATTRIBUTES, WHAT OF THE FOLLOWING ATTRIBUTES MIGHT ATTRACT YOU TO ENTER A STORE IN AN AIRPORT?



Source: Nielsen Millennial Traveler Study

REASONS FOR NOT MAKING A PURCHASE AT THE AIRPORT



Source: Nielsen Millennial Traveler Study

As would be expected, not all retail categories will perform strongly in travel settings. Specifically, items that are easily transported are far more marketable to on-the-go travelers than items that are large and bulky. As a result, traveler Millennials are most likely to buy beauty and fragrance items, with almost 50% of them keen to buy in this category. This category also correlates well with impulse buys as beauty and fragrance items often make good gifts.

From a selling perspective, travelers spend the least amount of time shopping before buying fragrance items. Consumers also say this category also features the most convenient packaging and size when travelling. Comparatively, two-thirds of the respondents said they're unlikely to buy watches and jewelry while traveling, given the time people spend before making a purchase in this category, coupled with limited watch/jewelry promotions.

AIRPORT INEQUALITY AND ATTRACTING VALUABLE SHOPPERS

From a retail (and opportunity) perspective, global airports are not homogenous. In fact, only a select handful are capturing the bulk of Millennial retail spend. From a retail sales perspective, the top five are Seoul, Dubai, Singapore, London Heathrow and Hong Kong. Among these top five, however, Hong Kong, Dubai and London Heathrow perform the strongest, with up to 70% of the Millennials who have travelled through these airports saying they made a purchase there. Comparatively, only 42% of the Millennials who have travelled through JFK (New York) and Rome report making a purchase at these airports.

In looking at feedback from Millennial travelers about their airport experiences, it's clear that many are readily engaging with the retail environments that focus on providing an experience. Yes, there is a clear revenue upside, but operators and airports have a true opportunity to develop innovative, differentiated products, services and environments that directly appeal to Millennials and new travelers.

For example, a major sunglass brand offers travelers in Hamburg with a collection of 300 SKUs in order to keep pace with what consumers can find at retail outlets and department store in the downtown area of the city. Similarly, a high-end fashion designer has opened a mega store in Seoul's Incheon Airport, while Schiphol Airport in Amsterdam features humanoid robots that can help lost travelers find their gates and connections. While these are just a few examples, many operators and manufacturers have initiated a wave of projects aimed at engaging and serving young traveler shoppers. Most of them cover the digital and connected space, with examples ranging from expanded Wi-Fi and charging loungers to click and connect services to the use of humanoid robots (like in the Netherlands).

AIRPORT RETAIL CAN BE A TRUE CONSIDERATION

Millennials purchase smartly and travel more than any other generation. They are strongly driven by the experiences they seek out, and they take great care in planning and approaching every aspect of their travel, including how and where they shop.

So what makes a Millennial traveler choose a specific route? Right now, the retail environment at the airport is not a real consideration. In fact, two-thirds say the shops are immaterial when it comes to their travel priorities. As would be expected, 44% say travel time and price remain the primary drivers of route choice. But what if the airports they used were more like Schiphol or Incheon?

Travel shopping is a strong consideration for Millennials. Currently, 63% say that their motivation for travel shopping helps them spend time in airports, and 44% are motivated to buy a gift at the airport. Additionally, one-third say that impulse buying and buying as a treat are primary purchase motivators, confirming that Millennials do plan their total travel expenses with money set aside for self-indulgence and gifts for others.

So why not give them what they're looking for?



ABOUT THE MILLENNIAL TRAVELER STUDY

Nielsen, in association with SDA Bocconi, conducted research about Millennial travelers in Europe, Asia and Americas in the summer of 2016 that led to the insights in this report. The insights were derived from the following sources:

- Analysis of current travel retail sources and secondary data and publications available at Bocconi Library. This data was used to highlight key trends, consumers, key players, emerging and relevant trends to the overall travel retail industry.
- Millennial Traveler Study: An online survey completed by 479 Millennials and a detailed analysis of responses from 373 of the respondents. The survey data was used to identify preferences and behaviors of Millennials, specifically in airport shopping.
- Interviews with luxury brand managers, interviews with airport representatives and a focus group. The interviews and focus group provided information about industry touch points and initiatives of different players in the industry.

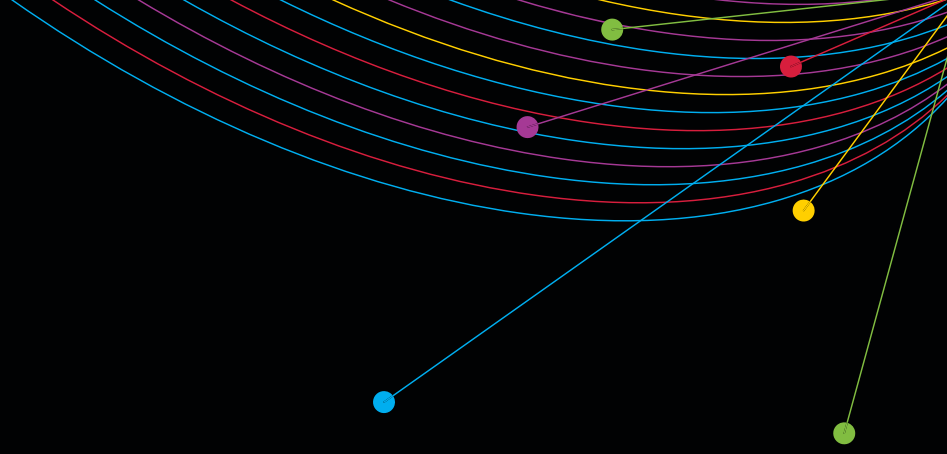
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