Everyday beauty brands enter travel retail

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Airports as malls: Everyday beauty brands enter travel retail

The rise of the 'aerotropolis' is changing the face of airport beauty brands.

In today's speed-driven, globally networked economy, the airport is developing into a hub for commerce. Similar to a traditional metropolis of a central city and its outlying suburbs, the airport is becoming the focus of a sprawl of businesses in what has been dubbed 'the aerotropolis'. What this means for cosmetics and toiletries is that airport shops will no longer be solely for duty-free gifts and indulgences. Instead, industry players will have to diversify their travel retail product ranges to cater too to the workers and residents of the surrounding 'city'.

Aerotropoli
Amsterdam's Schiphol Airport is a prime example of an aerotropolis. Around 58,000 people are daily employed at the airport itself, and the surrounding business district stretches for 15 miles and includes the regional headquarters of such firms as Unilever. Property near the airport commands premium office rental prices for the Amsterdam area too, even above those in the city's central business district. Yet aerotropoli are not merely centres for commerce; they are increasingly becoming home to the thousands of employees who work in the area. Schiphol's passenger terminal, containing an expansive mix of shopping, dining and entertainment arcades, doubles as a suburban mall that is accessible both to air travellers and the general public. Frankfurt Airport even has a hospital, Denver International has art galleries, and Las Vegas' McCarran, a museum.

From luxury to the mundane
The US$4.5 billion duty-free cosmetics and toiletries industry (based on 2004 figures) is currently dominated by high-end fragrances, cosmetics and skin care brands, all vying for business from the roughly 350 million people who take international flights across the world annually. LVMH's Christian Dior, L'OrÃ©al's LancÃ´me, and Bulgari are among the luxury labels that dominate the beauty departments of airport stores.

The aerotropolis will change all that. Local residents will require the full complement of cosmetics and toiletries, from toothbrushes to safety razors, deodorants to soap, and at a range of price points, from value-added premium products right down to cut-price bargain brands.

Catering to the two, distinctly different consumer groups will have its challenges and initiatives will have to begin with changes in airport retailing. Rather than stocking everyday beauty brands in duty-free stores, a new breed of airport shop, dedicated to the needs of the general public, must be developed. Shop placement is also key, with duty-free stores likely to migrate to within arrival and departure lounge boundaries, while residents' stores dominate the general access areas.

A long-term boon
Challenges aside, this new travel retail environment could be just the thing to protect duty-free sales from an inevitable growth slowdown. With the exception of Asia-Pacific and as yet undeveloped markets such as Africa, many travel markets are mature and the growth of duty-free cosmetics and toiletries sales reflects this. (Globally, the category grew just 5% in 2004.) Other threats to international air passenger rates include carbon taxes and rising oil prices, which could push up airfares; lacklustre economies in many key markets, including the US and Japan; and terrorist scares and political unrest, which could convince consumers that it is safer to stay at home. By diversifying their travel retail consumer base to the general public, cosmetics and toiletries brands can expect to see continued and strong demand for their products into the longer term.