

TFWA President Erik Juul-Mortensen underlines “dynamic potential of the APAC region”



TFWA President Erik Juul-Mortensen has advised travel industry stakeholders that now is the time to adapt to meet traveler expectations in order to capitalize on the dynamic potential of the APAC region.

Welcoming attendees to TFWA Asia Pacific Exhibition & Conference in Singapore earlier this week, he remarked that it was a pleasure to be back “in the Lion City.”

“Asia Pacific has powered duty free and travel retail’s growth over the last three decades and is rapidly regaining momentum following the difficult COVID years, Juul-Mortensen said. “As always, we at TFWA are grateful to you, our exhibitors and visitors, for your continued support.”

He went on to speak on how, as 2024 will be his final year as TFWA President, this will be the last TFWA Asia Pacific Exhibition & Conference he attends in this capacity. Juul-Mortensen expressed how it has been a pleasure to see Asia Pacific fulfil the potential recognized by TFWA when it first launched this event.

He spoke about the state of the duty free and travel retail industry across the Asia Pacific region.

“While this region’s dynamic potential is undoubted, the current market presents a more nuanced picture. The rate of post-pandemic recovery varies widely across Asia Pacific. Last year, passenger traffic at both Hong Kong and Macau International Airports reached just 55% of its 2019 level. In Malaysia, 2023 passenger volumes returned faster at 78% of their pre-COVID total. Changi Airport fared even better, seeing 86% of the 2019 passenger count pass through its terminals last year. Mumbai International Airport in India heads the pack however, serving 10% more passengers last year than in 2019.”

Juul-Mortensen also addressed concerns over the Chinese market, urging delegates to keep things in perspective moving forward. “Economic conditions today in China are a concern for many duty free and travel retail professionals, with a troubled property sector, weak consumer confidence and lower GDP growth than in recent years,” he said. “The country’s shoppers are understandably cautious when it comes to spending. The return to international travel after Covid restrictions has

been slow so far.

“The crackdown on the daigou market has impacted sales, particularly in Korea. Focusing on genuine travelers, rather than traders who buy on behalf of others, is vital to ensure a healthy duty free market that is viable in the long term. Korea’s recent introduction of purchase limits and regulation of bulk shipments is an important step in the right direction.

“When analyzing the Chinese market overall, I think we need to keep things in perspective. The government’s target of around 5% for GDP growth still beats most other leading economies. A recent Bain & Company report underlines China’s status as a major luxury market, with significant spending growth forecast for outbound citizens visiting Europe and the rest of Asia. Bain believes China will account for over a third of global luxury spending by 2030, up from less than a quarter last year.

“There’s also a growing pride in the quality of premium Asian brands, with 85% of Chinese consumers intending to spend more on them according to a new Bluebell Group survey. Visa-free travel to other Asian countries is boosting Chinese visitor numbers in Bangkok and Kuala Lumpur, and this trend will spread to other cities during the year. China’s recovery may be taking longer than some anticipated, but this major market will remain an industry powerhouse.”

A positive outlook elsewhere in the region - with India poised to drive duty free and travel retail sales for years to come

Juul-Mortensen then spoke about high performing markets elsewhere in the Asia Pacific region, noting that India in particular is poised to become another major source of traveling shoppers.

“There is, of course, another regional giant whose rapid development will drive duty free and travel retail sales across Asia Pacific and beyond for years to come. India currently has 149 civil airports, twice the number it had a decade ago. Nine more are approved or construction work has already started, while many others are planned. Delhi and Mumbai are both gaining second airports, and there is even talk of a third one for Mumbai. Consultancy CAPA India expects outbound international departures by Indian residents to increase from 17.4 million in 2019 to over 50 million in 2030.

“The outlook for duty free and travel retail elsewhere in Asia Pacific is positive, too. ACI World predicts the region’s passenger traffic will be back above 2019 volumes by the end of this year. Longer term, Airbus thinks Asian passenger flows will grow roughly twice as fast as the global average, and two to three times faster than Europe and North America, for the next 20 years. The indications are for plenty of footfall in airport terminals. Our collective job is to keep the retail offer to passengers fresh and relevant.

“Traveler expectations are continually evolving. Since the pandemic and the drop-off in revenge shopping, it's proving harder to raise spend per head. The current trend for travel retail exclusive products, limited editions and more personalization brings opportunities to trade shoppers up. Passengers’ desire for experiences rather than just shopping is a chance to create more engaging activations, one that some brands and retailers are seizing in impressive style. AI seems to be the flavor of the year, but beyond the hype, it may well have an important role to play in CRM and tailoring duty free and travel retail marketing more closely to traveler preferences.”

The cruise potential

The TFWA President considered the noteworthy growth of the duty free and travel retail industry within the cruise market.

“The cruise industry is achieving impressive growth, albeit from a more modest base. Trade body the Cruise Lines International Association forecasts cruise passenger numbers doubling between 2022 and 2027 to around 40 million per year. Asia Pacific accounted for a quarter of those passengers in 2022. This is a sector worth watching in Asia Pacific, especially since cruise passengers spend more on average than air passengers.”

Dependable data is essential for growth of the industry

Juul-Mortensen then touched on the importance of obtaining reliable and consistent industry data and noted his concern over the lack of reliable, consistent market data, accessible to all, that can be used to measure individual and collective performances, spot emerging trends and plan for the future.

“There is plenty of data in the industry, but there is also a deep reluctance to share it more widely. I find it a bit ironic that, while AI and machine-learning enable businesses to make better use than ever before of their sales and marketing data, duty free and travel retail’s failure to collaborate on this crucial point leaves our market intelligence stuck in the digital dark ages.

“At TFWA we are actively seeking to increase market knowledge among stakeholders in this channel. We have doubled our investment in TFWA-commissioned research this year, aiming to provide actionable insights that will benefit all our members and, through webinars and workshops like the one on Wednesday morning, the wider industry. In addition to Pi Insight’s findings on dwell-time behavior, that workshop will feature analysis of the Asia Pacific region by consultants Kearney.”

The TFWA President also outlined his second major concern; the lack of an industry-wide approach to sustainability, which continues to top the list of traveler preoccupations, especially among the Gen Z passengers who will increasingly dominate the market in the years to come.

“Of course, progress has been made on environmental, social and governance questions by industry stakeholders within duty free and travel retail, but these initiatives tend to be isolated. There is, at present, no industry-wide approach, no coherent labelling or in-store communication that shows we understand and share travelers’ strength of feeling on this fundamental point.”

The fight against illicit trade

Juul-Mortensen reiterated TFWA’s commitment to the Duty Free: Trusted, Transparent, Secure campaign. Formed by TFWA and the Duty Free World Council, the campaign aims to underline a zero-tolerance approach to illicit trade, counterfeiting and intellectual property theft across duty free and travel retail.

“Duty free and travel retail has one of the most transparent, trusted and secure supply chains in the world. We can be proud of our industry’s credentials and are committed to maintaining these high standards. Many of our industry’s leading players, such as Avolta, Lagardère Travel Retail and Gebr. Heinemann, along with key players in this region like King Power and Delhi Duty Free, have already joined the campaign, and I urge the rest of the industry to follow suit.

“The need for strong, public commitment to probity is illustrated by the World Health Organization’s misplaced efforts to link duty free and travel retail with illicit trade in tobacco products as part of its Framework Convention on Tobacco Control. The latest development in this matter is a decision in February by the Parties to the WHO’s Illicit Trade Protocol to proceed with evidence-based research to, and I quote, “ascertain the extent of illicit trade in tobacco products related to duty free”. The WHO seems to have already decided our industry is guilty and suggests it is just a question of how guilty. Nonetheless, we welcome the decision to conduct evidence-based research, as it provides us 3

with an opportunity to show we are partners in the fight against illicit trade, not contributors to it.”

The APAC region provides plenty of reasons for optimism

Juul-Mortensen concluded his speech by emphasizing the numerous factors that give the industry reason to feel confident going forward.

“To conclude, the fundamentals for duty free and travel retail are sound in this, the industry’s biggest region by turnover. Passengers are traveling again, with outbound traffic from China set to accelerate as the year progresses. India is destined to become another major source of traveling shoppers. With the mix of passenger nationalities evolving and their preferences changing, we must adapt our offer accordingly and create more engaging activations to better reach traveling shoppers. As an industry, we must get a tighter grip on our market through data-sharing, and show travelers a more serious, coherent approach to sustainability.”