

NEW OPPORTUNITIES FOR LUXURY RETAIL CHAINS TO SET UP SHOPS IN AIRPORTS



Thanks to an increasing rise in affluent travelers from countries such as Brazil, China and Russia, retailers from the United States are looking to cash in by creating stores in top airports in not only the US, but from Germany to China too.

Sales at airports are increasing more so than in the high street over the past few years, therefore chains are now focusing their efforts in having a presence here first, than anywhere else. Stores like Louis Vuitton and Estée Lauder have always had prominence at such locations, and are now being joined by other top chains, such as Tiffany & Co opening their second store at Singapore Changi and at the new airport in Berlin, thus increasing their airport store total to eight. The watchmaker, Hublot is also following suit by investigating opening a store at Frankfurt's airport.

In contrast, Estée Lauder has almost a thousand stores at airports across the globe, and is now looking to move into smaller domestic airports. It is focusing mainly in Brazilian and Chinese cities as it bids to seek out new growth opportunities, particularly in new potential vacation areas.

Indeed, CEO, Fabrizio Freda recently asked "What is the St Tropez of China?", as the company's overall growth was outpaced by its travel retail sales.

Despite the world's economic woes, figures released by Generation Research showed the sales of cosmetics, perfumes and other luxury goods increased dramatically during the years 2008 - 2011, by a whopping 28.3%. Projections by the same group show that these figures are likely to increase a further 25% to \$44.5 billion through to 2012.

Figures released by Boston Consulting Group predict that luxury goods sales should increase by 14.5% through 2014.

It is believed that the increase of middle classes in China is the principle reason for these large increases.

In China, cities such as Chongqing and Wuhan are increasing in stature and size, and are likely locations for new airports being constructed in China over the next decade. Indeed, according to the Global Business Travel Association, no less than a hundred airports are being planned within China alone.

This news, along with the fact that more designer merchandise is being bought by shoppers in China, than by westerners, is really encouraging retailers to move their attentions to the Far East. Indeed, Jean-Claud Biver, chairman of Hublot is quoted as saying "The Chinese love buying when they travel - it's a culture", this after studying Chinese buying habits in Swiss stores.

There is also interest from these chains to open stores in the US, once those airports facilities are up to European standards. As an example, at the new \$1.4 billion international airport in Atlanta, both Estée Lauder and Brookstone Inc both opened stores within its complex. Brookstone director, Chris Anderson stated that his company would open more stores in the US, once the right conditions were

met.

Despite the move to Atlanta, the potential currently is not with US airports. Samsonite International CEO Tim Parker pointed out that he feels there is little sense in creating a nice store in many of them.

Also, president of travel retail for Estée Lauder, Olivier Bottrie and other industry executives are also aware of the current global economy, but they do point to the quick recovery in travel after big events like 9/11 and the SARS scare of 2003.

He states, "It is an area that is growing in terms of traffic and therefore in terms of sales potential."

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