

LUXURY MEMO SPECIAL REPORTS

State of luxury travel retail – Luxury Memo special report

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Luxury's outlook for travel 2018 looks bright. Image credit: Aspire Lifestyles

By BRIELLE JAEKEL

As affluent consumers on travel look for more for hyper-local activities instead of amenities, luxury retailers in popular vacation destinations are migrating towards experiential offerings and heightened customer service.

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Consumer behavior in retail and travel has changed, putting the pressure on luxury retailers to adapt in highly trafficked areas during popular vacation times. Themes such as embracing local cultures, adapting to the growing number of Chinese travelers, using technology in and out of stores and other trends are becoming more popular in travel retail.

"New airports, growing disposable income in emerging markets and the expansion of low-cost carriers are all merging to drive airport passenger volume to an all-time high," said Emily Hamilton, director of brand marketing at **FRCH Design Worldwide**. "With luxury airline travel growing 12 percent in the last year compared to just a 5 percent increase for non-luxury airline spend, according to American Express, the opportunity to cater to luxury travelers is greater than ever before.

"With historic volume around the world, the focus needs to shift from making money from airlines, to making money from passengers, in terms of commercial revenue, through more engagement with unique retail, dining, hospitality and leisure experiences," she said.

"There's been a renewed focus on an elevated travel experience, and luxury retailers, in particular, need to focus more on creating compelling environments with elevated offerings to capture traveler attention and to convert travelers to loyal customers."

Top 5 trends in luxury travel retail

- Catering to Chinese travelers
Affluent consumers from China are increasing not only the frequency in which they travel but how much they spend while on vacation, prompting retailers to focus on catering to this segment.
- Local culture incorporation

Travelers want a localized experience to get an authentic look at the culture of their destination, making it important for retailers to embrace their local culture.

- Omnichannel growth
Integrating technological services into the in-store experience as well as online help retailers connect to all shoppers, even before their journey begins.
- Experiential offerings
The in-store experience in travel destinations for affluent consumers needs to be extremely high-end with interactive events as well as exceptional customer service.
- Hospitality partnerships
Retailers located in highly popular travel areas often work with hotels and resorts to offer special services to better serve these affluent visitors.

Destination luxury

When it comes to luxury travel, there are many mainstays in popular destinations for affluents, as well as those that are up-and-coming.

A recent report from Virtuoso shows that the United Kingdom, Italy, Canada, France and South Africa are the most popular countries for summer destinations.

The top growing destinations overall in luxury travel are Greece, Poland, the Dominican Republic, New Zealand and Zambia.

In addition to Virtuoso's report, Paris proved to be the most popular destination for luxury travelers in 2017, according to a survey by Luxury Hotels Guides.

Despite recent upsets to its tourism numbers following a number of terror attacks, Paris appears to be on the rebound. Destinations in Europe and Asia also proved popular, drawing luxury travelers to locales such as Amsterdam and Hong Kong ([see story](#)).

Experts in retail and travel also mention areas such as the South of France, Porto Cervo, Montenegro, Cambodia, Jordan, Croatia and, increasingly, Frankfurt as important areas to watch for luxury travelers.



Frankfurt's airport shopping is one of the many growing luxury segments in the city. Image credit: Frankfurt Airport

"The last several years have seen major market growth for luxury travel in unique and experience-driven destinations," said Taylor Rains, managing partner at [Flugel Consulting](#). "That trend has continued this year, with countries like Montenegro, Cambodia, Jordan and Croatia consistently ranking on top international travel destination lists.

"These locations, along with many of the others on these popular travel round-up lists, all have a developed luxury infrastructure capable of catering to the discerning traveler but haven't abandoned the unique character of the place itself," he said.

With changing political climates and terrorist attacks on the rise, these destinations often ebb and flow along with where these travelers originate.

Brexit and imposed tax changes from the current White House administration in the United States could be contributing factors to shifts in the luxury travel industry.

For instance, Brexit is likely the cause of an increase in traffic to Frankfurt, and imposed tariffs could make luxury buyers more timid in the United States.

"Frankfurt has quickly become a hub for luxury retail, due to increased tourism as well as Brexit," FRCH Design Worldwide's Ms. Hamilton said. "The well-known financial center has leveraged its identity to attract wealthy bankers and tourists alike, willing to spend money.

"The Frankfurt Airport, in particular, received a lot of layover traffic from wealthy Chinese travelers," she said.

Paying attention to which destinations are gaining the attention of luxury travelers is vital for retailers, as high-net worth individuals start to value travel over goods.

Affluent consumers are united in a shared affinity for travel as experiences become more important than things.

A report from YouGov finds that while consumers' preferred hobbies vary in different regions of the globe, travel comes out on top for all parts of the world. However, while travel is top-of-mind for affluent travelers, YouGov warns that the affluent are beginning to express feelings of travel fatigue, calling for brands to keep their offerings fresh ([see story](#)).

Tried and true

The first and foremost important aspect of catering to the luxury traveler in retail is providing an above-excellent customer service experience.

Bespoke offerings, concierge services and partnerships with local hospitality brands are important in providing exceptional retail experiences to the affluent.

"Affluent consumers traveling to top destinations expect the royal treatment," said David Naumann, vice president of marketing at [BRP](#). "Luxury retailers cater to affluent shoppers with elite concierge services and exclusive events that make them feel important and esteemed."

Automakers often work with hotel brands as well as airports to provide car services such as chauffeuring in special high-end models or offering rentals and loaners.

The Four Seasons recently worked with Mercedes and Porsche to provide a road trip experience in which guests were able to drive classic cars to various destinations and Four Seasons locations in the French Riviera and Italy ([see story](#)).



Four Seasons looks to create a one-of-a-kind road trip. Image credit: Four Seasons

It is important to offer one-of-a-kind experiences and unparalleled customer service on which guests are happy to spend more money.

For example, British automaker Rolls-Royce worked with the Sardinian resort in Porto Cervo where its guests were invited to create their own bespoke models while on vacation without leaving the hotel.

"The Sardinian resort of Porto Cervo is among the most exclusive in Europe," said Emma Rickett, head of lifestyle communications at [Rolls-Royce](#). "In the summer months this destination is particularly popular with wealthy clientele from all over the world who stay at the beautiful properties along the Costa Smeralda whilst mooring their yachts in its charming ports.

"Guests are invited to relax in the company of the marque in an effortless club atmosphere, where should they wish, they are able to configure their own Rolls-Royce under the guidance of product specialists," she said. "Existing and

prospective Rolls-Royce owners are able to experience the motor cars on the island's beautiful winding roads, at a time and place convenient to them.

"In essence, the marque brings the flavor of the Home of Rolls-Royce to patrons as they enjoy their summer holidays."



Rolls-Royce has a studio in Porto Cervo, Sardinia, Italy. Image credit: Rolls-Royce

Similarly, British automaker Jaguar offers up its vehicles to form the core of a luxury chauffeur service to and from Heathrow Airport in the United Kingdom.

The new Jaguar I-Pace is the flagship car of the service, with as many as 200 vehicles being used. The service will cater to affluent travelers looking for a stylish and fast way to arrive at Heathrow ([see story](#)).

Beyond automobiles, a variety of sectors in the luxury retail space look to hotel brands to help usher these affluent travelers to them.

Retailers often times will partner with nearby hotels and resorts to offer services such as product delivery, custom tailoring and personal shopping. They also collaborate to create special events.

For example, Hilton's Waldorf Astoria Hotels & Resorts recently worked with British toy manufacturer Hamleys to create a unique treat for children at three of its properties across China.

Together, the two companies presented Afternoon Tea, a series of child-friendly events featuring toys from the esteemed toymakers at Hamleys. The initiative is meant to create a special experiential event for customers who bring their children along with them to Waldorf Astoria hotels and encourage them to purchase toys ([see story](#)).



The project will be in place at three hotels across China. Image credit: Waldorf Astoria

French lifestyle brand Lalique also brought its crystal wares to new heights through an alliance with Singapore Airlines.

Through the partnership, the airline retails co-branded in-flight products such as toiletries and glassware in its suites and first class cabins. For Lalique, this represents an opportunity to introduce its brand range to a captive audience of affluent travelers ([see story](#)).

Popping up for travel

Pop-up shops are one way in which brands are able to capture the travel audience.

These temporary formats are increasingly becoming an important aspect of branding, as luxury marketers look capture audiences with unique retail experiments.

The temporary infrastructure of these stores not only allows these brands to try new and innovative experiences, but also cater to travelers in areas that are only trafficked for a few months out of the year.

In June, fashion label Chanel opened a pop-up on the Isle of Capri in Naples for a seasonal boutique as visitors come for the summer months. It will be open until October.



Chanel opens temporary boutique on Capri. Image credit: Chanel

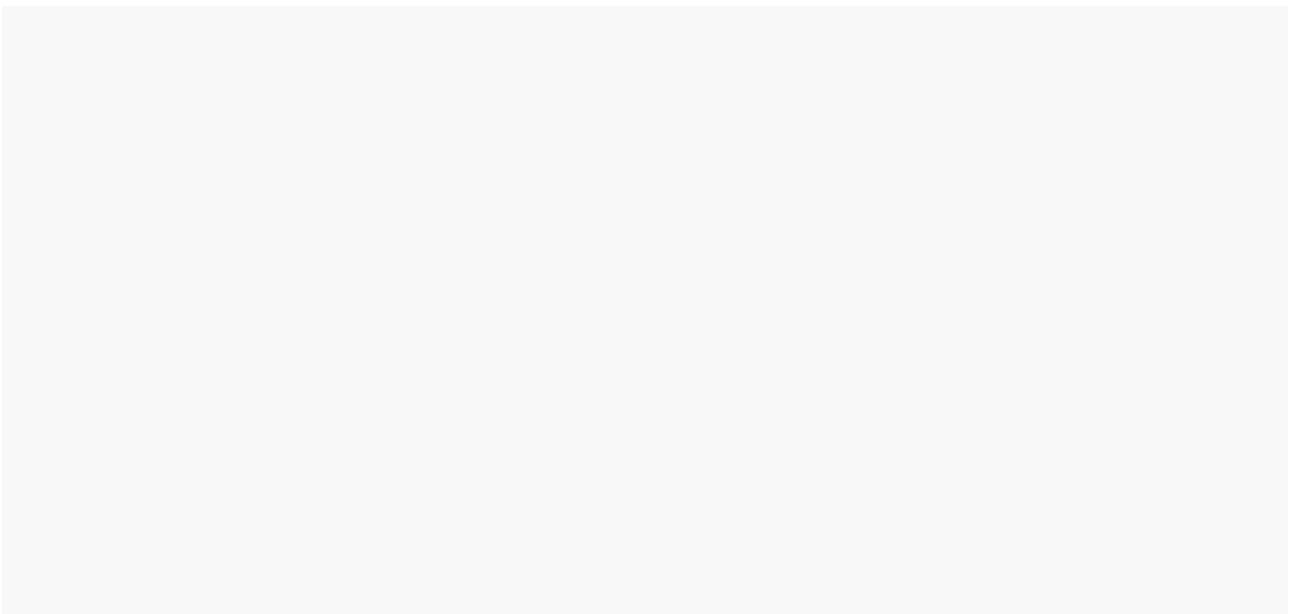
Spanish ceramic figurine maker Lladr is also operating a pop-up store named Hello Hamptons for the popular getaway location for New York's affluent during the summer months.

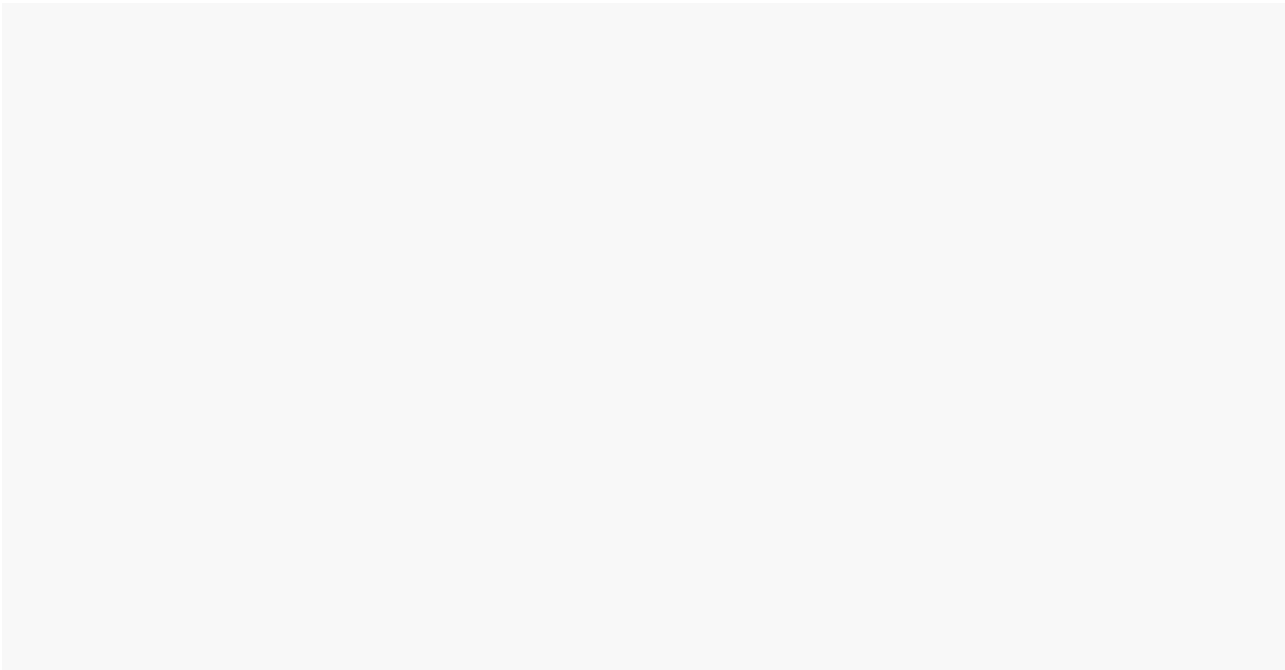
During the winter, the area is significantly less populated. The pop-up boutique allows for Lladr to gain temporary sales from the increase in foot traffic without the significant investment of a long-term location.

In 2016, Magellan Jets also established a bricks-and-mortar presence on Massachusetts' Nantucket Island for the summer season to help affluents learn more about a membership with the private air firm ([see story](#)).

Spanish fashion house Loewe ushered in summer with a pop-up shop located in Ibiza, Spain.

The Loewe Summer Shop will be installed in Ibiza and last through the 2018 season, selling a variety of products geared towards the summer months. The pop-up shop acts as part of Loewe's experiential strategy, offering more engaging limited-time ways for customers to engage with the brand ([see story](#)).





Download the #LOEWE Ibiza: Close to Paradise guide on iTunes (link in bio.) Featuring 12 iconic places and 16 prominent personalities that have each left an indelible mark on the island. Illustrated with specially sourced vintage photography from the 60s, 70s, and 80s, and featuring embedded audio interviews. Place: Es Vedra. Es Vedra and the smaller islet of Es Vedranell, are said to have emerged from the waters near Cala D'Hort in ancient times in order to stand guard over the island. In the 1960s, the hippies gathering before this mystical formation ruminated about the existence of a secret inter- dimensional portal to a higher plain.

A post shared by LOEWE (@loewe) on Jul 10, 2018 at 8:04am PDT

Mr Porter has also brought a temporary same-day delivery service to the Hamptons the last few summers, to cater to luxury consumers that stay during the season and may need last-minute purchases.

Italian fashion house Prada stationed itself at the Promenade Shops, Galaxy Macau for this past holiday season to cater to the increased flow of foot traffic.

From Dec. 15 until Jan. 14, a Prada Station pop-up took reference from the world of travel, retailing merchandise designed for different parts of a journey. This was the first of a series of train-themed pop-ups from Prada for this year ([see story](#)).

Precision-cut crystal maker Swarovski also engaged shoppers during the holiday season through environments that blended physical and digital experiences.

In Toronto and Milan, the brand digitized the store concept with spaces that featured activations such as virtual reality and digital walls. The physical store no longer needs to be tied to traditional formats, allowing brands to incorporate digital as a means of immersing consumers in their worlds ([see story](#)).

One of Swarovski's holiday pop-up shops

Embracing the culture

Beyond just establishing a presence in temporary areas, brands need to integrate with the culture.

Affluent travelers are looking for more authentic and hyper-local experiences on trips.

While hospitality brands need to embrace the local culture of their location, it is imperative for retailers in popular destinations to do the same in hopes to attract these travelers as buyers.

"In general, we've seen a shift in today's consumers valuing experience over product, and that trend transcends the luxury market," FRCH Design Worldwide's Ms. Hamilton said. "Consumers are willing spend more if an experience is presented as authentic, unique or exclusive, and travel is one of the best examples of this trend.

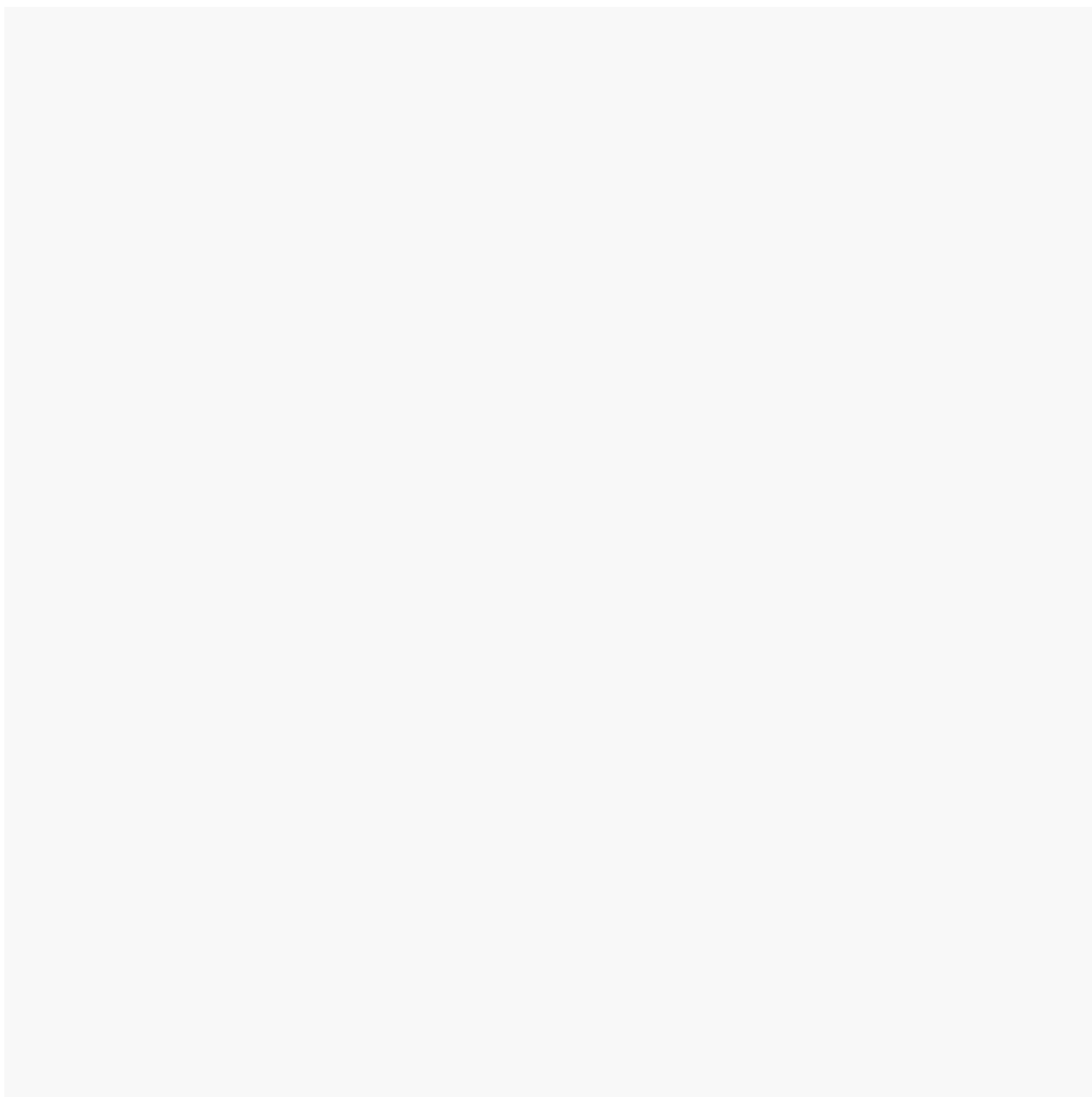
"Luxury travel retailers have the opportunity to use this desire to their advantage and create unique experiences,

offerings and partnerships that create a sense of place and cultural appreciation, leaving visitors coming back for more," she said. "No longer just transactional in nature, travelers want to make a connection with an interactive, localized experience.

"Offering these unique, destination-specific experiences, from cooking classes to virtual reality tours, allows travelers to embed themselves in the culture without ever stepping foot outside the airport."

Italian jeweler Bulgari recently dove deep into culture, supporting a local launch with an interactive global campaign as consumers become more interested in heritage with travel.

As Bulgari launched a new perfume, the brand worked with a local designer for a worldwide social contest to tout the product in its Tel Aviv airport store in Israel ([see story](#)).



N 1. You look better when you have fun, don't you? Tag the friend who is never afraid of wearing the craziest hairstyles. #justdarebulgari #fragrance @madisonbeer @amandasteele @margaret__zhang

A post shared by BVLGARI PARFUMS (@bulgariparfums) on Mar 20, 2018 at 8:15am PDT

According to a report from Sienna Charles, 45 percent of HNWIs prefer cultural experiences rather than adrenaline-

based activities, which has also been known as a growing theme in luxury travel ([see story](#)).

These local experiences need to be highly authentic, and attract consumers without creating the feeling of being over-the-top touristy.

"These travelers are looking for authenticity and experience," Flugel Consulting's Mr. Rains said. "It's important for retailers to have a firm sense of place when trying to attract these customers.

"Not in an exaggerated way but instead in a way that seems true to character to the location," he said. "Establishing that reputation and aligning yourself with popular hotels in the market is a surefire way to get a steady stream of referrals from concierges tasked with finding a typical store' for guests."

The same notion goes for the various seasons and holidays for retailers in each destination.

For those embracing the summer months in areas that are more popular during the warmer weather, incorporating the theme of this season is highly important.

For instance, in addition to its same-day service, Net-A-Porter's Mr Porter is working with The Free Ride and Dream Pops in the Hamptons, where male models will be handing out popsicles from the latter brand at various retail locations.

Italian fashion house Prada launched a new store image concept, selecting Porto Cervo, Sardinia in Italy as a testing ground, where it focused on a vacation-vibe to attract shoppers on holiday.

Porto Cervo is a popular summer destination among the world's affluent on the Costa Smeralda of Sardinia. In the summer months, the seaside city often hosts a number of luxury brand initiatives and pop-ups ([see story](#)).



Prada's Porto Cervo women's wear summer boutique. Image credit: Prada

The many retail initiatives featured during the winter holiday season also often cater to the other holidays through the Christmas theme as well as gifting.

A limited-time pop-up store for Hennessy opened in the Shops at Columbus Circle in New York. The special store engraved complimentary messages on its bottles of purchased XO in a store that brought its notes to life and catered to visitors looking for a personalized gift for a loved one ([see story](#)).

"Many luxury retailers have already customized their marketing strategies for seasonal and holiday shopping differences, such as Tiffany & Co.'s launching a new luxury fragrance Tiffany Eau de Parfum in the weeks leading up to Valentine's Day and several retailers creating special campaigns for key Christmas shopping destinations in Germany and Europe," BRP's Mr. Naumann said.

"It is also imperative to offer distinctive services to make holiday shopping easier: gift suggestions, wrapping services and shipping to destinations around the world," he said.

The new frontier

Luxury travel is changing along with the many other sectors in the retail landscape, as digital takes over, behaviors shift, millennials age, political factors emerge and geographical elements shift.

Many retailers must take note in various luxury travel destinations to weather the changing tides of the future.

Wellness is an increasingly popular theme when it comes to travel with affluent guests.

While the trend continues to be a vital aspect of luxury travel brands' experiences, the face of the health movement

has shifted in more recent times.

With affluent travelers' interest in health and wellness being an important feature in selecting their next trip, high-end hospitality brands have been forced to embrace it. However, in the past brands and consumers were more focused on fitness, but now digital detoxes and mental health are becoming more popular in catering to today's overly connected affluent ([see story](#)).

Black Tomato is one of many organizations that offers adventure travel

"As the heightened awareness around wellness continues to grow, so does the elevated experience within the luxury market," FRCH Design Worldwide's Ms. Hamilton said. "No longer just about being fit, brands that leverage overall wellness including mental and spiritual wellness are able to enhance their customer's overall experience.

"Mediation rooms, sleep pods and elevated spa offerings are becoming more common in today's airports," she said. "Brands like Roam Fitness allow on-the-go travelers to fit in a workout around their flight schedule.

"Indoor tracks, rooftop gardens, terminal step counts and yoga rooms are all ways to embrace this healthy initiative."

The city of Beverly Hills, CA has launched a district-wide initiative in response to the growing representation of wellness as a glamorous lifestyle choice.

For a citywide campaign, the Beverly Hills Conference & Visitors Bureau gathered hospitality locations and restaurants to provide special offerings in relation to wellness in tourism. The campaign also included celebrity spokespeople, a wellness forum, hotel packages and healthy menu options ([see story](#)).



Beverly Hills claims to be the city of health. Image credit: Beverly Hills

Retailers can also join the trend as well by incorporating wellness products into their stores at destinations known for these types of trips.

Many also work with hospitality brands to offer fitness accessories for those looking to work out or join wellness activities while away but who may have left some items behind.

Department stores in heavily trafficked areas with visitors in big cities such as Paris, London and New York have integrated fitness and wellness into their own buildings.

For example, Saks Fifth Avenue added more than 1,200 fitness classes to the available in-store amenities at its New York flagship as wellness takes hold of luxury retail.

Located on the flagship's second floor, The Wellery concept shop was a first-of-its-kind space that offered Saks consumers immersive experiences dedicated to wellness ([see story](#)).

Harrods embraced mindful luxury with the opening of The Wellness Clinic in London.

The Wellness Clinic occupies 10,500 square feet on the fourth floor of the famed Knightsbridge retailer and was founded on the principles of integrative beauty that combines aesthetic and holistic treatments designed by medical professionals to promote wellbeing. Mindfulness in luxury is a growing trend that leverages affluent consumers' interest in self-care and experience over material goods ([see story](#)).

Harrods' The Wellness Clinic

Millennials are often credited for this push in popularity for wellness, and they are moving many other trends in travel as well, such as digital integration and the increase in adventure while away.

"Adventure" seems to be the new keyword in luxury travel as 86 percent of travel agents report that there has been an increase in adventure travel among their high-end clients.

According to a report from Travel Leaders Group, adventure travel, which includes activities such as hiking and nature exploration as well as cultural and culinary exploration, is growing in popularity. This finding is consistent with an overall shift in luxury consumers' habits, favoring experiential purchases ([see story](#)).

Retailers can integrate this mindset into their overall strategies, similar to wellness initiatives through partnerships and in-store offerings, as well as bricks-and-mortar events in their own spaces that opt for adventure.

"The growing number of affluent travelers will support growth in the number of retailers who specialize in and are truly prepared to serve the affluent market properly," said Ron Kurtz, president of the [American Affluence Research Center](#), Atlanta. "Retailers will need to address the special interests of affluent millennials as they replace the currently larger baby boomer segment."

Digital services are also now being integrated into the in-store retail experience, especially for travelers, as millennials seek out more technology.

For instance, Japanese beauty marketer Shiseido is encouraging interaction with its products through an innovative counter concept at T Galleria Beauty by DFS, Causeway Bay in Hong Kong.



Shiseido teamed with Huang Xuan for a travel retail promotion. Image credit: DFS

DFS is a network of duty-free stores in resort locations.

To promote its neuroscience-based skincare line Essential Energy, Shiseido hosted in-store events with brand ambassador Huang Xuan. Digital has become an integral part of the beauty buying experience, with more technology being added within bricks-and-mortar experiences to help shoppers engage with and explore skincare and makeup ([see story](#)).

While millennials are extremely interested in digital services similar to these, it is not the only segment driving these technological advancements in retail spaces.

Growing Chinese tourism

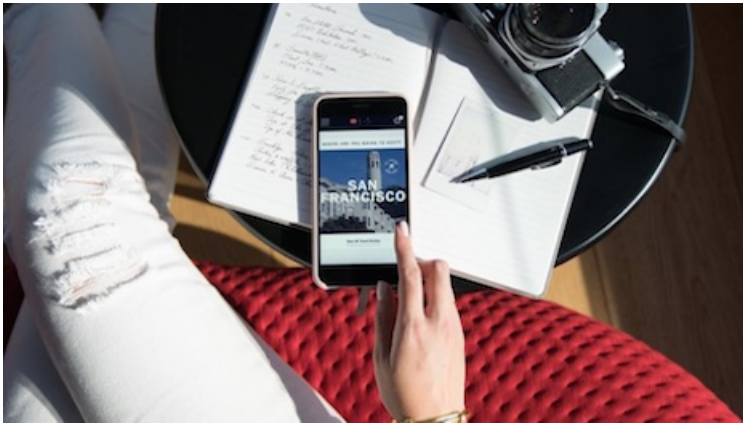
Affluent Chinese tourists are traveling now more than ever and are also spending more abroad.

This group is interested in spending significant time and money on shopping during travel, but it is also highly influenced by technology.

Incorporating payment technologies that cater to the Chinese tourist such as WeChat and Alipay is essential in making spending more convenient.

DFS Group integrated mobile payment solutions in San Francisco and Hawaii to better serve these travelers.

Through a partnership with cross-border mobile payment company Citcon, DFS has launched WeChat Pay solutions at the San Francisco International Airport and T Galleria by DFS in Honolulu, HI. WeChat Pay is the most-popular mobile payment choice of Chinese consumers, with more than 1 billion users, making it necessary for brands and retailers to offer the solution as a purchase method ([see story](#)).



WeChat Pay is now becoming more accessible, with even DFS locations at San Francisco's international airport. Image credit: DFS Group

"It is important to offer communications and Web sites/applications in Chinese languages and provide payment options that make purchases frictionless (WeChat Wallet or Alipay)," BRP's Mr. Naumann said. "Increasing awareness among Chinese consumers depends on a focus on optimizing content for Baidu, the dominant Chinese search engine, which has different rules than Google."

Many retailers are hiring more Mandarin-speaking associates and language signage to also ease the shopping process for Chinese shoppers in other countries, as well as incorporating more product offerings that will attract these tourists.



The Middle East has quickly become a prime destination for travelers from China and Europe. Image credit: Luxury Conversation

"Chinese tourists love to shop when they are abroad and many are looking to find luxury items, styles and brands they can't find at home," said the president of Americas at Alipay in an interview with *Luxury Daily* ([see story](#)).

The Chinese economy is booming right now, and North America is continuing to see an influx of Chinese travelers this year, including during the Chinese New Year in February. Luxury retailers that can effectively target these tourist-shoppers and bring them into their stores are likely to benefit from significantly increased sales.

Chinese travelers are visiting many cities across North America, including New York, Los Angeles, San Francisco and Las Vegas, to name a few ([see story](#)).

Research shows that Chinese tourists often have a specific brand or product in mind before traveling, so retailers should identify their interests and product desires and make sure they are well stocked.

"Chinese travelers represent one of the greatest opportunities for luxury retailers as the number of travelers and their spending continues to soar," BRP's Mr. Naumann said. "To capitalize on this opportunity, savvy retailers are engaging with Chinese consumers digitally to increase awareness and interest in products as they plan their trips so they include their brand on the traveler's shopping list."

Best-practice tips for luxury travel retail:

- Greg P. Licciardi, chief revenue officer of North America, Elite Traveler
 - "Make travel experiences bespoke, unique and memorable. When offering a tour to Africa, make sure

your guests get to see a leopard and an elephant flapping their ears through a rare pair of Swarovski binoculars."

- Ron Kurtz, president, American Affluence Research Center
 - "Service and more service. Providing their top clients with private phone numbers of the agent and 24/7 availability to correct problems promptly and change travel plans."
- Gotmar Giron, director of public relations and special events, Bal Harbour Shops
 - "Our emotional connection to our customers is what seems to bring them back to Bal Harbour Shops. The mix of the best tenants, merchandise, service and setting all create the ideal experience, and nowadays, 'experiences' are what are the most impactful."
- Emily Hamilton, director of brand marketing, FRCH Design Worldwide
 - "Luxury travelers are looking for elevated convenience, so brands that can offer relevant products in a compelling environment will stand out among the competition."
- Jaclyn Sienna India, founder, Sienna Charles/Voyage Magazine
 - "Best practices to cater to the UHNW are service, personalization, honesty and knowledge. For me, I've traveled to 82 countries. I never sell the same destination, trip or experience twice. Everything is about the client. I go meet them in person. Get to know them, what makes them tick and what they are looking to gain. Knowledge: never sell anything I don't know intimately. I can make X off a trip, but lose the client forever if I lie to them. I also will never lie about where I know, and where I haven't."

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