



**EXECUTIVE INSIGHTS**

## Beauty Opportunities in Travel Retail

Travel is back. Beauty and personal care companies can capitalize on this renewed interest in travel by meeting the consumer where they are, both physically and digitally, with a distinctive shopping experience. By leveraging technology, companies can create seamless omnichannel experiences that bridge the gap between online and offline interactions. Additionally, offering a unique assortment of products and services within the travel retail space can elevate the shopping experience. Overall, the goal is to give consumers what they want, when and how they want it.

### Return of consumer travel in the United States

Consumers' appetite for travel has been reinvigorated, bringing domestic U.S. air travel close to 2019 levels, with a full recovery anticipated in 2023. International air travel, while lagging domestic, is also showing steady growth toward historic levels. Revenues for hotels, rental cars, cruises and attendance at conventions have surpassed or are approaching historic levels (see Figure 1).

**Figure 1**  
Travel forecasts, indexed to 2019 levels

Sectors	2019	2020	2021	2022	2023E
<b>Airlines</b>					
Domestic (RPMs)	100%	40%	76%	94%	102%*
International (RPMs)	100%	23%	29%	69%	89%*
Total Airlines (RPMs)	100%	34%	59%	85%	99%*
<b>Hotels (RevPAR)</b>	100%	52%	82%	108%	111%**
<b>Rental Cars (Revenue)</b>	100%	71%	88%	113%	120%^
<b>Cruises (Revenue)</b>	100%	12%	50%	65%	91%^

\*Includes actuals through October 2023

\*\*Includes actuals through November 2023

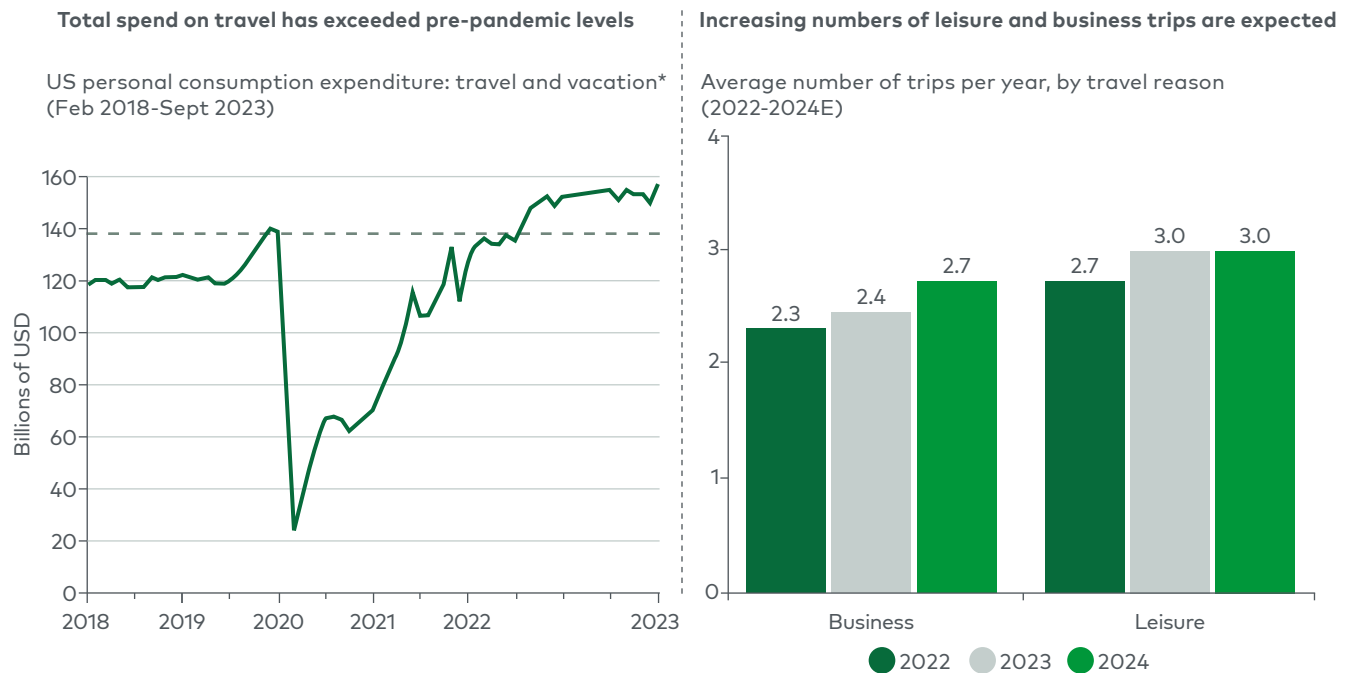
^Indicates third-party forecast data

Note: RPM=revenue passenger mile; RevPAR=revenue per available room

Source: STR; U.S. DOT; Diio Mi; IATA; Auto Rental News; Statista; Cruise Lines International Association; L.E.K. research and analysis

In addition, U.S. consumers remain bullish regarding future trips. Spend is already exceeding pre-pandemic levels (although volume has not yet recovered), as consumers look to spend more or take higher-value trips (see Figure 2). Additionally, traveling consumers anticipate that they will take more trips than they did prior to the pandemic, which is reflected in the number of passport applications received in the past year. According to the State Department, it is facing “unprecedented demand” for passports and expects to see yet another record-breaking year in 2023 for passport issuances.<sup>1</sup>

**Figure 2**  
Overview of increasing travel spend



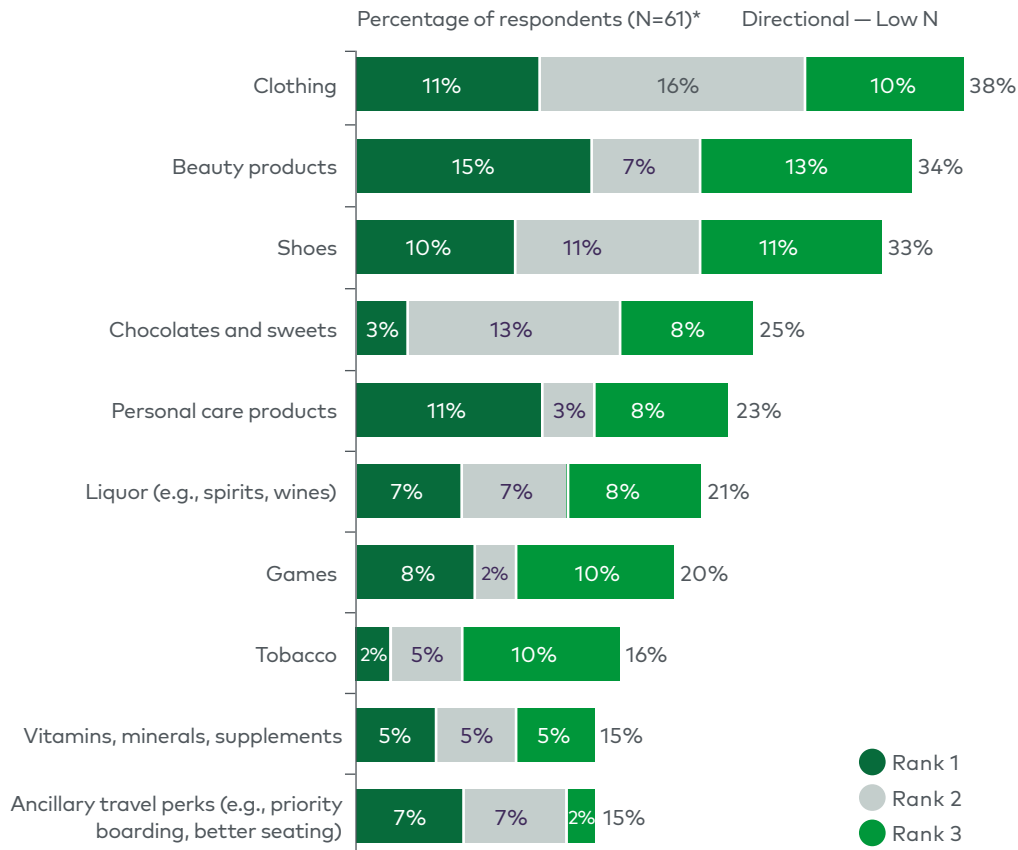
\*Not inflation adjusted  
Source: BEA; L.E.K. Travel & Tourism Survey; L.E.K. research and analysis

### The outlook for beauty in travel retail

The momentum of travel is a net positive for the travel retail channel (which includes outlets at airports, train stations, hotels, cruise ships, theme parks and recreation sites) and unlocks opportunities for beauty and personal care companies. Global travel retail was worth \$55 billion in 2021; \$31.5 billion of that is beauty products.<sup>2</sup> Fragrances and cosmetics within travel retail grew 12.4% year over year from 2020 to 2021 (USD constant rate)<sup>3</sup>, outpacing overall global beauty and personal care, which grew 8.6% over the same period (USD constant rate) (Euromonitor). Additionally, travel retail is now a significant share of prestige beauty companies' channel sales. It has grown to be about 40% of Estée Lauder's sales, up from just 6% in 2004. Shiseido's travel retail grew 14% year over year in 2022 versus 1% for the broader business. Since 2013, L'Oréal has organized its geographic zones into six "continents" (the sixth being its transversal travel retail division).

Among consumers making purchases at travel retail, beauty is the second-most purchased category. This holds true across consumer generations – from Gen X to Gen Z. Only clothing edges beauty out for the No. 1 spot (see Figure 3).

**Figure 3**  
Top prioritized products/services to spend on while traveling, by top three ranked choices



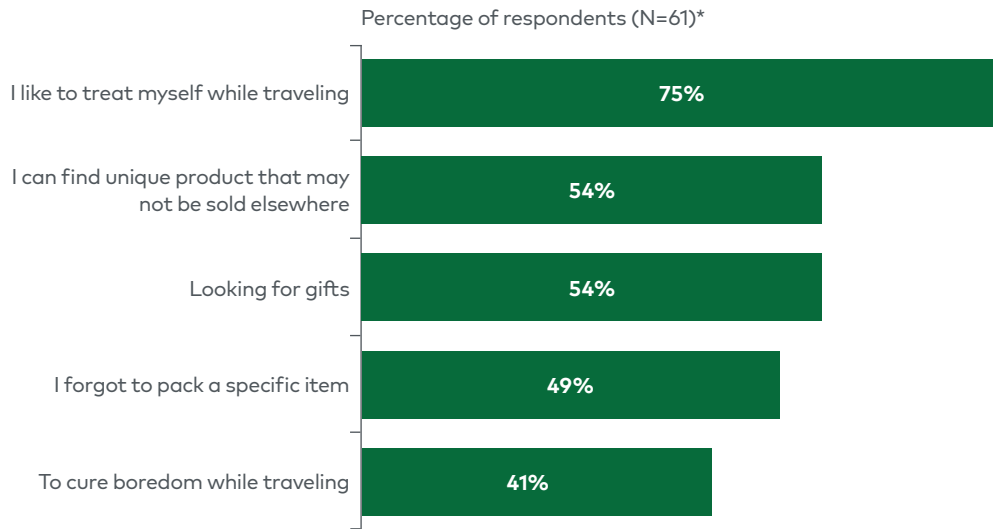
\*Survey question: When you are traveling, which of the following products/services do you prioritize spending on the most, given you may have restricted time or budget? (Please rank top three purchase categories)  
 Note: Prioritized products/services ranked any of 1-3 by respondent; Totals may vary due to rounding  
 Source: L.E.K. survey and analysis

### How beauty companies can win in travel retail

According to a recent L.E.K. Consulting survey, consumers shop at travel retail for a number of reasons, chief among them being an interest in treating themselves (75%), gift giving (54%) and an ability to find unique items (54%) (see Figure 4).

These findings suggest that brands can take advantage of consumers' "treating" and "gifting" mindset while traveling to win share of spending. Gift sets, samples and travel sizes can all be low-risk ways to drive trial and introduce a different cohort of consumers to their offerings.

**Figure 4**  
 Top reasons for purchasing beauty/personal care products at travel retailers



\*Survey question: Which of the following reasons best describe why you have purchased beauty/personal care products at travel retailers (e.g., at airport, at train station, at hotel) instead of other retailers that offer these products?  
 Source: L.E.K. survey and analysis, October 2023

**Experiential retail**

As consumers gradually return to airports, it is essential to capitalize on the increased traffic. Price and discounts are no longer a key buying argument (especially in an environment where discounts outside the travel retail channel have increased, narrowing the historical price gap with travel retail). One compelling promotional approach is to incorporate experiential elements into the purchasing process. Indeed, experiential retail is becoming a more common component of travel retail, and the words "experience" and "retail-tainment" are increasingly being used by travel retail executives.

As an example, DFS recently revealed that it would open a "seven-star" luxury retail and entertainment center in Hainan, China, by 2026. The center will cover more than 1.38 million square meters and feature over 1,000 luxury brands. Called DFS Yalong Bay, it is the largest project ever conceived by the travel-retail operator, owned by LVMH, and will also feature immersive concepts.

**Omnichannel and technology**

Including experiential technology within the travel retail channel can strengthen a winning omnichannel strategy. Consumers are demanding interactive, personalized experiences from travel retail outlets, and technology enables an immersive point of entry.

For example, at the end of 2022, Estée Lauder opened a new travel retail flagship at cdf Haikou International Duty-Free City in Hainan, China. The digital-forward store uses technology, including augmented reality (AR), virtual store maps and online purchase to link

the in-store experience with online platforms that can introduce consumers to new products and offer personalized recommendations.<sup>4</sup> Shiseido's cdf Haikou location uses interactive screens and a giant LED column with synchronized light-changing pillars to engage shoppers with custom content and provide unique opportunities to interact with products. This pivot toward technology to engage consumers had impressive results for Shiseido Travel Retail, which saw quadruple growth in net sales from 2019 to 2023 and achieved over JPY100 billion in sales for the first time.<sup>5</sup>

YSL's beauty zone in the Barcelona airport offers visitors the chance to connect with the brand through geotargeted advertising. The location also includes interactive elements to produce a hybrid marketing experience that combines digital and physical versions of YSL, with chances for consumers to win fragrance and makeup prizes.<sup>6</sup> YSL Beauty also partnered with the Hainan airport in October 2022 to launch its Scent-Station technology, which uses neuroscience to give personalized fragrance advice.

As a final example, Valentino Beauty opened a pop-up at Paris Charles de Gaulle Airport with perks such as perfume-studded bracelets and sustainable textile tote bags. Services offered include consultation via AR, ultraviolet printing personalization with unique fragrance suggestions, voice print experience to personalize a Valentino card, and a photo booth.<sup>7</sup>

### **Influencers**

Consumers who shop in travel retail can be drawn in by influencers (e.g., social media stars, actors, models) who provide a recognizable face to connect with the brand. Travel influencers were the fourth-most popular type of creator worldwide; they were followed by 11% of adults, on par with fashion and beauty influencers.<sup>8</sup>

Brands that partner with these influencers for marketing initiatives can increase their perceived relevance to consumer lifestyles.

L'Oréal Travel Retail, in an effort to capitalize on the strong purchasing power of outbound Chinese tourists from the United States, created the YSL Dare to Stage pop-up event at its location in the Los Angeles International Airport (LAX). It secured influencers, social media advertisements and WeChat articles, leading to significant increases in impressions and engagement as well as traffic to its LAX duty-free shop during the event.<sup>9</sup>

### **Strategic partnerships**

A beauty brand can also develop partnerships with airlines, hotels or cruise lines to leverage travel retail channels as a marketing vehicle. For example, a brand could offer its travel-size products to business class passengers on airlines or offer discounts for full-sized products. Or a hotel chain could include front-of-house products in their spas as a way to introduce them to consumers.

For instance, L'Oréal, TripAdvisor and Dufry formed a strategic partnership. In the long-term agreement, TripAdvisor customers in the United Kingdom are redirected to a L'Oréal Duty Free "Beauty to Go" landing page where they can reserve L'Oréal bestsellers from the Dufry site, which they then pay for and collect at the airport.<sup>10</sup> Capitalizing on the growth across the fragrance category, L'Oréal Travel Retail has continued to launch new innovations with strategic partners, such as leveraging its partnership with weather and air quality company BreezoMeter to offer customers accurate product recommendations when they are traveling.<sup>11</sup>

Luxury hotel chains across the United States are also approaching hospitality from a different angle by partnering with beauty companies (e.g., Le Labo, C.O. Bigelow) to add in-room luxury brands and a "beauty minibar" to their offerings. Equinox Hotels created a beauty minibar called RoomBar that carries over 80 products for sleep, skin care and wellness, including supplements, proprietary teas, tinctures, beauty treatments, snacks, beverages and workout wear.<sup>12</sup>

### **High-quality services**

Brands can also create a more elevated shopping experience by providing opportunities to try a product in a controlled, refined environment. Brands can utilize their retail space to offer services such as skin consultations, facials or massages.

For example, in its Paris, Copenhagen and Singapore airport locations, Kérastase has invested in airport beauty services. Its staff and products offer a personalized diagnosis for both hair and scalp while travelers wait for their flights. In addition, the diagnoses recommend specific products, including exclusive Kérastase travel sets. This venture has been credited with a 70% customer conversion rate.<sup>13</sup>

### **From heritage luxury brands to niche and indie beauty labels**

Growth drivers vary greatly from region to region. To take advantage of local consumer appeal, an offer needs to reflect in-demand categories and brands. For example, fragrances have always been a strong category in travel retail, but the recent worldwide growth in niche fragrances driven by Asian consumers needs to be taken into account when adapting the offer and experience. Brands like Creed, Parfums de Marly, Penhaligon's and L'Artisan Parfumeur represent a major opportunity for travel retail: These niche brands are increasingly popular with consumers and need their own haute parfumerie space in travel retail. Setting up travel retail venues also meets a critical need for the beauty groups that own these brands: to increase the number of doors without diluting the high-end and exclusive experience.

### **Exclusive product assortments**

Finally, brands can make travel retail a destination by offering exclusive products that cannot be found elsewhere or by allowing consumers to personalize their purchases (e.g., unique cloth wrapping, limited-edition prints). For example, Estée Lauder offers some of its most sought-after products, as well as hero products from MAC Cosmetics, Clinique, La Mer and

Jo Malone London, in travel-retail exclusive 100 mL containers at duty-free outlets across the globe. L'Occitane's "Nature Positive" Earth Day campaign — held in airports across North America, Europe and Asia — includes special Earth-themed displays, location-specific discounts, and travel retail-exclusive products such as a 150 mL bottle of Shea Hand Cream in a recyclable container and custom-made 30 mL cream kits.<sup>14</sup>

## Travel retail can pave the way for new growth and experiences

As travel accelerates around the world, beauty companies in travel retail have a unique opportunity to acquire new consumers while introducing new products and experiences. Beauty has a large share of travel retail already, but the channel comprises only a fraction of total global beauty sales. By investing in unique omnichannel marketing, offering high-quality services and providing consumers with products they cannot find elsewhere, beauty companies can use the travel retail channel to drive growth.

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## Endnotes

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