



The Millennial Traveller — Implications for Airports

Airports have a proven, successful business model, but a new breed of consumer with very different behaviours is now entering its peak spending years. 'Millennials' will change the economics of the airport sector.

This *Executive Insights* examines how Australian airports and associated sectors should respond to the rising 'Millennial cohort.'

The growing economic impact of the Millennial generation

The 'Millennial generation' is defined as those born between 1981 and 1994¹.

Millennials now account for the largest share of the workforce and are growing in number. Currently, 18-to-35-year-olds constitute 26% of Australia's total population. In 2010, they were 23%. In 2015, Millennials became the largest share of the workforce (about 34%), overtaking Generation X.

In 2020, Millennials will make up about 44% of Australia's workforce, and more broadly, 50% of the global workforce. By 2025, that number will be 76%.

Millennials now have significant spending power, and are entering their peak earning, spending and travelling years. By 2020, Millennials will account for 40% of U.S. discretionary

spending, replacing baby boomers as the generation with the highest discretionary spending power; This will be up from 20% in 2013.

Tourism and travel spending

We predict that Millennials' share of Australian domestic tourism spending will rise to over 25% by 2020, and they will make up an even greater proportion (over 30%) of inbound tourism spend. Including 'Generation Z' — the demographic cohort immediately after the Millennials — lifts these proportions to 40% and 60% respectively.

This will significantly change how businesses operate in the future. Understanding Millennials' preferences and behaviours will be critical to business success.

Millennials are significantly different from previous generations

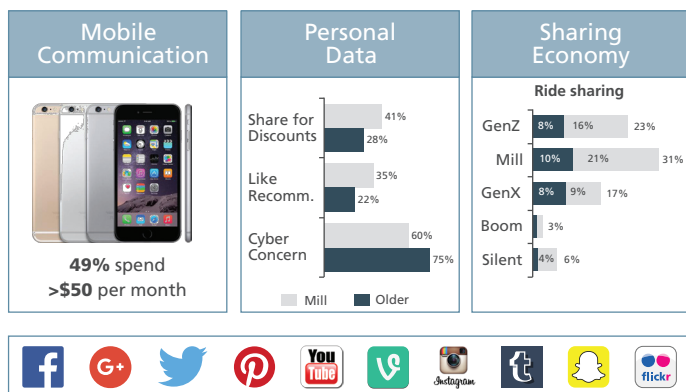
Millennials differ from non-millennials in how quickly they embrace new technologies. Their use of technology is also radically different from that of non-millennials, a result of the past 30 years of technological progress, which saw the emergence of social media and smartphones in the 2000s, and now the growing sharing economy.

In our research, we sought to prove or disprove stereotypes surrounding Millennial behaviour. We examined what Millennials spend money on, their willingness to share personal information and their involvement in the sharing economy.

Major findings

The research found that younger generations spend more per month on mobile communication than other generations do. Of the younger generations, 49% spend more than \$50 per month, compared to only 32% of older generations. Further, Millennials spend more time using social media, gaming or watching online videos than they do watching television — behaviour that doesn't change even when they have children.

Millennials engage differently with the world



Source: L.E.K. Millennials Survey, June 2016

Millennials are also more willing to trade personal information in return for discounts, better products or more targeted offers. This finding was consistent across our UK and Australian surveys. However, they want something for it — they expect businesses to improve their experience and give them better deals. Heathrow's 'Rewards' scheme, for example, provides fast and free Wi-Fi, discounts, email offers and loyalty points in exchange for registration².

The sharing economy is still gaining traction; only a small minority are regular participants. However, younger generations are more likely to have participated or be interested in participating in it as a renter or asset provider — 45% of Millennials have rented an apartment/house and 31% have used ride-sharing.

When looking at how a traveller experiences an airport or airline, it is important to start at the beginning of their journey — when they make a booking.

Millennials increasingly use mobile devices to book trips

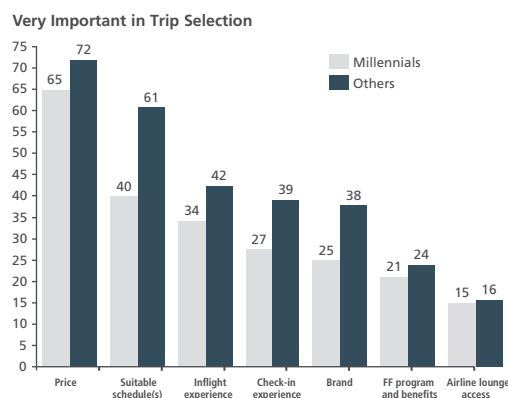
Our research confirmed that travellers from all generations prefer to use online channels when booking airline tickets, with approximately 73% of travellers using the airline's website, online travel agent or aggregator. However, a significant proportion of older generations still use travel agents to book tickets.

Air travel is increasingly viewed as a commodity

Contrary to popular wisdom, we did not find Millennials less loyal to brands than are older generations. It is true that you need to do more to keep Millennials, but once you have them, you really have them. They can be exceptionally loyal customers — provided they feel they've been treated well.

This loyalty does not appear to extend to airlines. Millennials believe that airlines have become a largely commoditised product: Our research indicated that Millennials select an airline primarily on price and suitability of schedule. Only 21% and 15% of Millennial travellers, respectively, rated frequent flyer programs and airline lounge access as having medium or high levels of importance when choosing an airline for a leisure trip.

Their attitude toward the whole trip is different



Source: L.E.K. Millennials Survey, June 2016

Impacts for airports and ground transport operators

The way Millennials and Generation Z get to the airport is different from older generations, although Australia has some important differences to other jurisdictions.

Australian Millennials still show a surprisingly strong propensity to acquire a driver's licence. NSW data shows that drivers' licence numbers per capita have not fallen. Coupled with this is Millennials' interest in owning a car as soon as they can afford one.

In addition, Millennials are receptive to public transport. They choose the most practical transportation mode for each trip and are flexible — about 70% of Millennials use multiple travel options several times each week.

However, there are relatively few high frequency public transport options in much of Australia. This may explain the surprisingly high interest in car ownership. Until there is more and better public transport, the car will remain a popular choice.

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Instead of using taxis to get to the airport, some use buses, trains or ride-sharing. However, Millennials are greater users of car travel as a percentage of travel hasn't changed: Millennials and Generation X showed similar usage patterns.

In the short term, we expect parking to remain a strong revenue stream for airports. But when autonomous vehicles become widespread, we expect Millennials to be early adopters.

Millennials use their dwell time differently

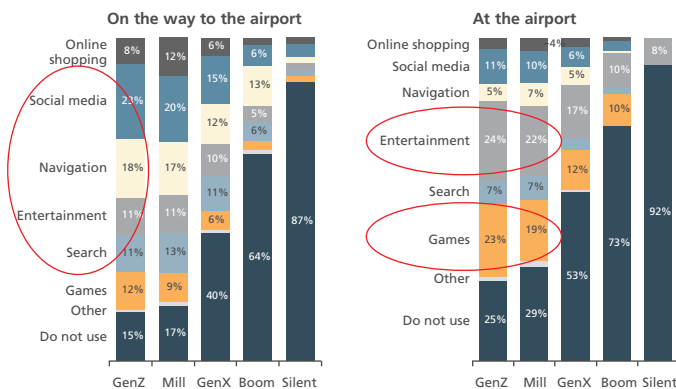
Airport dwell time is a critical period in the journey experience. Broadly, Millennials tend to browse and wander less; they are drawn to technology and devices if they are not engaged early.

What do Millennials do during their dwell time at airports?

We found Millennials spend similar amounts of time at the airport before boarding, as do older generations.

However, as soon as they have dwell time, they disengage for entertainment, gaming and social media. This is in contrast to the time spent travelling to the airport, where they use devices for social media and navigation. Currently, less than 4% of millennials use mobile devices for online shopping during dwell time at the airport.

Engaging them early is important. Once at the airport, they are hard to distract



Source: L.E.K. Millennials Survey, June 2016

How do we engage with Millennials during their 'dwell time'?

The implication of these findings is that millennials are more likely to be 'engage-able' prior to arriving at the airport. Once they are at the airport, they pivot to entertainment, which

makes it harder to reach them. Airports need to find ways to use technology to intercept millennials before they start looking to disengage, or find innovative ways to re-engage them during dwell time.

When Millennials are ready to transact, they seek experiences rather than things

The food and retail experience

An important millennial trait is an interest in 'experience'. Industry research shows that six out of ten would rather spend their money on experiences rather than material things. One aspect is the 'culinary experience'. Even though millennials (currently) have less spending power, they are a generation focused on food and dining experiences. They make more frequent purchases and go out more often than older generations do. There is also evidence that 'dining experiences' are replacing 'lounge experiences' within airports.

Our research confirmed that Millennials over-index on food and beverage, consistent with them dining while being entertained on their devices.

Duty-free

When looking at millennials' use of duty-free stores, we see a clear shift away from this category. Millennials don't see duty free as something that delivers value. They are adept at checking and comparing online and tend to be lighter consumers of alcohol than the preceding generations at the same age.

Airports need to reassess the value proposition of their duty-free stores. They must ensure that their products are of interest to millennials provide genuine value for money and consider long term category mix. And they should also enhance their use of mobile technology in order to attract millennials and make purchasing easier.

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Opportunities and challenges

Opportunities

- Wi-Fi and engagement online provides an opportunity to connect with a large cohort of new customers with growing spending power, and to win their loyalty
- In Australia at least, parking will remain a significant revenue stream for some time
- If airports offer quality culinary and retail experiences, millennials will spend freely
- During their dwell time, millennials inevitably share a lot of data, so providing information that allows the creation of differentiated — targeted offers
- Engaging millennials via a dedicated app with associated rewards has the potential to engage them before they arrive at the airport
- Millennials readily engage with targeted email offers, but this is dependent on prior registration and data collection.

Challenges

- Airports are somewhat behind on Customer Relationship Management — they typically do not know potential customers' backgrounds, let alone who those customers are as individuals
- Previously, once people walked through customs, they were captive. Airports had scarcity power borne of location. They could rely on a flood of price-blind buyers, allowing them to offer limited choices. No more.

- Customers are online, and therefore freer — serious thought has to go into retaining what has been a very privileged position in the 'offline' world
- Millennials are less impressed with airline lounges and expect to be able to eat well during their dwell time
- The airport retail mix and experience needs to be differentiated from conventional retail
- The focus on and sale of alcohol in duty-free will need to be rethought — the value prospect is diminishing.

As spending power shifts to the millennial generation, reshaping the airport experience will be key to airports' ongoing success. A good understanding of the habits and preferences of millennials and a strategic approach to planning infrastructure that caters to this cohort are imperative.

¹ From demographers Strauss & Howe in their book *Millennials Rising: The Next Great Generation* (2000). Definitions of the Millennial generation vary, but for the purposes of this analysis we have defined Millennials as those born in the period 1981–1994. Where third party data has been used it may assume a slightly different definition.

² This is currently in the news in the UK. More at <http://www.cxotoday.com/story/airport-connectivity-with-apps-is-how-traveling-will-change/>

About the Authors



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