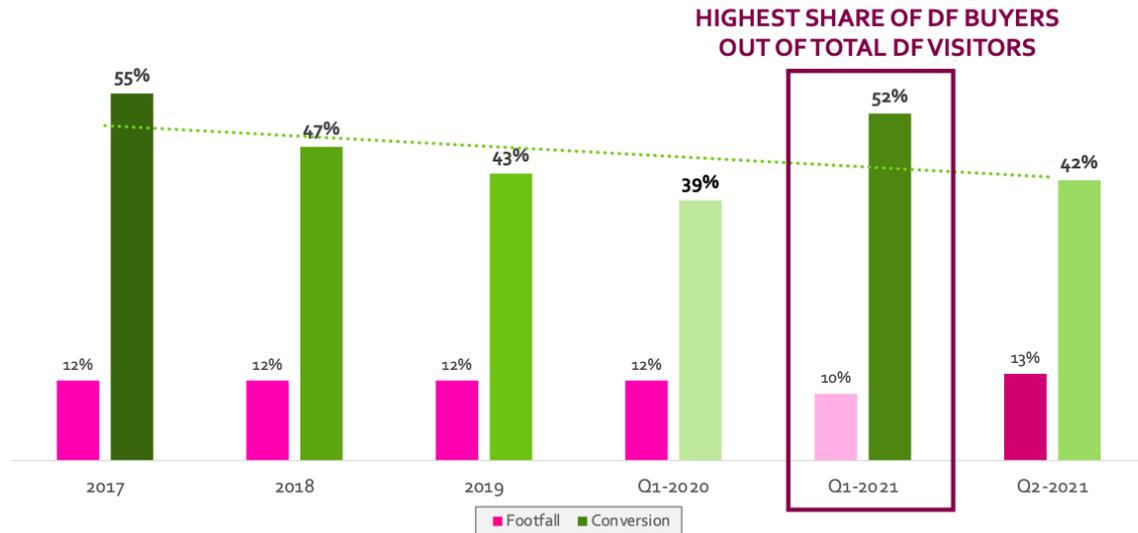


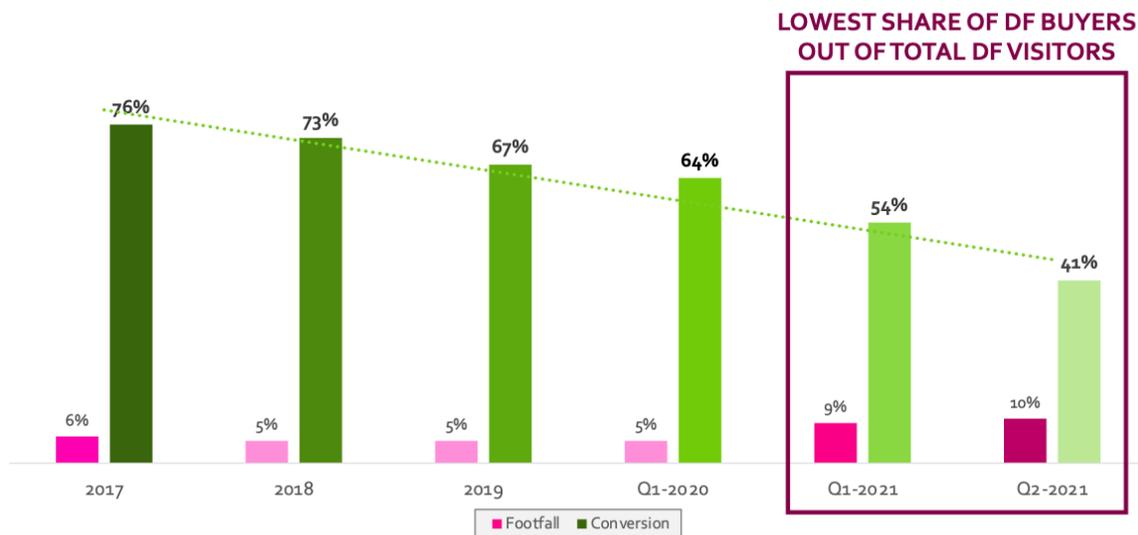
# m1nd-set S&T Report: key takeaways

## ALCOHOL CONVERSION



Q1 2021 shows the alcohol consumer to be the highest share of duty free buyers among total duty free visitors; m1nd-set reveals alcohol duty free buyers are less likely to purchase completely on impulse

## TOBACCO CONVERSION



2021 shows the tobacco consumer to be the lowest share of duty free buyers among total duty free visitors; m1nd-set reveals tobacco duty free shoppers are somewhat more likely to purchase completely on impulse and stock up on product

Leading up to the release of its Spirits & Tobacco digital report, *Americas Duty Free & Travel Retailing Magazine* connected with Peter Mohn, Owner & CEO at m1nd-set, for an update on all things travel retail. Featuring shopper insights research and retail analytics based on face-to-face and online

recruitment from around the world, the agency's current sample is made up of 120,000 respondents and covers the main regions, categories and subcategories. Following the peak of the pandemic, the agency is currently conducting interviews per quarter and focusing on international travelers based on the previous six months of activity.

According to Mohn, as a response to COVID-19, international travelers on the whole have become more comfortable spending time online and gathering information. He states many travelers have a better idea of what type of product(s) they want to purchase and how they want to experience the consumer journey. Moving forward, this shift in consumer behavior from pre-COVID will become permanent.

"A hybrid business model will only become more and more relevant. Brands, retailers and players in the spirits and tobacco category will need to clearly communicate with consumers pre-travel. Once on-site, brands and retailers can surprise visitors with in-store elements such as samplings, giveaways and excellent customer service to increase sales. Personal interaction will remain key to the consumer journey," says Mohn.

A look at the short term:

Among m1nd-set's key spirits and tobacco takeaways, it's noted that post-COVID changes registered during Q1 2021 regarding consumer profile are slowly returning to pre-pandemic levels. However, Mohn points out two current trends that travel retail can expect to continue experiencing over the next 12 - 18 months.

Firstly, with senior citizens showing no or low interest in the return of travel because of health concern - even among those who are partially or fully vaccinated - brands and retailers need to focus on catering to the Millennial and Gen Z consumer. Secondly, in line with the megatrend of practicing self-care, travelers are showing an increase in self-indulgence. Although with a return to normalcy, the idea of "treat yourself" will decline, it's believed that this trend will maintain a higher rate than pre-COVID.

Alcohol takeaways:

According to the latest research by m1nd-set, compared to Q1 2021, the alcohol consumer's profile in Q2 2021 is less skewed toward female and younger travelers. Although in Q1 2021, the share of female alcohol visitors increased, this figure is returning to pre-COVID levels. The average age of the alcohol consumer is lower vs. pre-COVID levels for both Q1 and Q2 2021; however, this also applies to the profile of overall travelers.

Footfall, conversion & demographics:

- Alcohol footfall has remained relatively stable the last several years until Q1 2021 when footfall reached its minimum (10%); this rate is normalizing in Q2 2021
- Alcohol conversion has significantly increased in 2021 revealing that post-COVID alcohol visitors are more likely to convert into buyers; this trend is reverting to pre-COVID levels in Q2 2021
- Q1 2021 shows the alcohol consumer to be the highest share of duty free buyers among total duty free visitors
- Q1 2021 exhibits the maximum level of pre-travel purchase planning and exposure to touchpoints pre-shopping

Elaborating on the agency's breakdown of the spirits category, Mohn points out that travelers shopping in this category are more likely to try something new and add an extra item or two to their cart. The m1nd-set representative states alcohol brands and retailers need to highlight in-store

elements, activate pre-travel touchpoints and communicate leading drivers of purchase such as value for money and travel retail exclusives in an appealing way to increase sales.

#### Tobacco takeaways:

On the tobacco front, the tobacco consumer's profile in Q2 2021 is less skewed toward male and younger travelers - many of who are traveling for leisure. Although the share of male and leisure shoppers increased in Q1 2021, this statistic shows to have stopped in Q2. Similarly, the average age of the tobacco consumer is lower vs. pre-COVID levels for both Q1 and Q2 2021; however, this also reiterates the reluctance of older citizens to board an airplane.

#### Footfall, conversion & spend:

- Tobacco footfall has doubled this year from 5% pre-COVID to 10% in Q2 2021
- Tobacco conversion has been following a downward trend since 2017 confirming that tobacco visitors are less likely to convert into buyers
- Tobacco spend has decreased in 2021 (especially in Q1 when average spend was \$45 USD); this trend is normalizing in Q2 2021
- 2021 shows the tobacco consumer to be the lowest share of duty free buyers among total duty free visitors

Referencing m1nd-set's latest research, Mohn explains the tobacco category is not benefitting from the current shopping pattern that indicates while passenger traffic is significantly down, those who are heading to the airport and browsing duty free tend to be visiting more retail categories than pre-pandemic. He says tobacco brands and retailers need to communicate leading drivers of purchase like price advantage and convenience and target undecided shoppers to increase impulse shopping.

With the prioritization of health and wellness on the rise, key players also need to consider all of the existing methods of tobacco and nicotine consumption and the ongoing expansion of the category. From the great availability of smokeless tobacco products to the development of CBD integration, Mohn notes that the travel retail channel is a valuable platform to initiate change. Since travelers often experience increased dwell time and a break in routine, they are more willing to temporarily change personal habits.

#### Planned vs. impulse purchasing:

To a certain extent, planning among the alcohol consumer increased significantly in Q1 2021 meaning that alcohol duty free buyers are less likely to purchase completely on impulse. As we entered Q2, this trend reverted to pre-COVID levels. Supporting the push to plan, the share of alcohol shoppers who notice touchpoints before entering duty free increased significantly in 2021; this trend had been steadily decreasing since 2017. Moving forward, category players need to present their offer via an omnichannel approach and focus on the complete travel experience. Conversely, tobacco duty free shoppers are somewhat more likely to purchase completely on impulse and stock up on product. m1nd-set recaps "to boost conversion a substantial number of in-store elements come into play when influencing the decision-making process - especially considering the increasing number of undecided shoppers and impulse shoppers." The agency concludes in-store touchpoints such as posters, leaflets, billboards, lightboxes, digital screens and promotional ads and consumer experience factors including price comparison, ease of navigation and staff interaction are powerful ways to impact on-site purchasing decisions

Visit the following link to tune into Peter Mohn, Owner & CEO, m1nd-set, discuss key 2021 takeaways and the ongoing shared desire to self-indulge: [https://www.youtube.com/watch?v=\\_liDV9Q\\_vro](https://www.youtube.com/watch?v=_liDV9Q_vro)