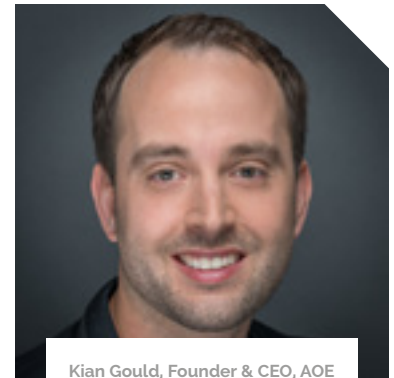


Is a fully automated tax-free shopping solution travel retail's answer to the challenge of digital disruption?

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What can the travel retail industry do to create sustainable non-aviation revenue streams in the face of digital disruption? This is the key question every industry professional would like to answer.

Travel retail needs to realise that this disruption is well underway and won't be going away. Spend per head is declining continuously, customer shopping behaviour is changing. Industry players who ignore the situation risk becoming obsolete or holding on to unsustainable business models.

The key to creating new revenue sources is providing an omnichannel commerce experience that satisfies customers' expectations regarding speed and convenience, while creating an optimal customer journey.

Disruptor or Disruptee?

Once travel retail realises that digital disruption is here to stay, the industry can choose to either directly influence the disruption or sit back and be passively influenced by it.

Many airports, airlines and travel retailers have accepted this situation and have begun to digitalise their businesses.

Fully automated, digitalised downtown tax-free shopping

An example of harnessing digital disruption and turning it into an advantage can be found at Auckland International Airport.

Auckland Airport has launched a downtown tax-free shopping logistics solution, based on AOE's OM³ Platform. The solution provides the airport's more than 20 million annual passengers with the world's first integrated omnichannel solution enabling end-to-end off- and on-airport retail.

The solution significantly simplifies shopping tax-free downtown by completely bypassing the traditional tax refund process. Customers purchase the desired products in the store, provide identification and verify flight details, and only pay the tax-free price to start with. Purchases are delivered to the airport where they can be picked up airside. Due to the fully integrated, omnichannel

approach, passengers can purchase goods up to four hours before their flight.

The retailer deducts applicable duty fees, as well as the full 15% New Zealand Goods and Services Tax (GST), therefore making refund claiming unnecessary. Essentially the solution provides an automated export of goods to airside.

The solution not only saves time and money during the actual shopping process. It also provides customers with unequalled convenience during tax refunding. Waiting in long tax refund lines, currently 18 minutes on average, is no longer necessary, as any taxes are deducted directly during shopping. Customers save additional money, as they no longer have to pay commission or fees for the tax refund process.

Airport expands retail footprint

Auckland Airport benefits from the new downtown tax-free shopping logistics solution in three major ways:

- By opening up its retail channels to downtown stores, the airport expands its retail footprint without having to enlarge its on-airport retail space or warehousing

- The airport increases non-aviation revenues through a small percentage commission it receives from the retailers for providing the service
- The airport expands its customer base and improves customer satisfaction and loyalty. At the same time, it collects valuable insights into its passengers' shopping behaviour

The downtown tax-free shopping solution at Auckland Airport is just one of numerous examples of the travel industry responding to digital disruption. Use cases around the world are proof that innovative solutions can expand the customer base and bring more customers into physical stores, while also taking the ever-growing impact of E-Commerce into consideration. The solution to the industry's challenges is an omnichannel approach, created to provide a unique customer experience with unsurpassed convenience.

The solution is currently being evaluated at multiple airports around the world. A major disruption to the extremely inconvenient tax-refund processes in place in most countries is on the horizon.

