

Omnichannel take-off for inflight retail?

What if you combined the passenger base and the consumer knowledge of a major airline with the supply, brand contacts and fulfilment capability of two inflight retail specialists? And then you married the result with one of the aviation world's most advanced omni-channel propositions. That is precisely what has happened in Singapore this week and the repercussions for inflight retailing are profound, argues Martin Moodie.

"This is a win-win-win partnership among three great companies which we expect will help us substantially grow our travel-related retail business"

—Singapore Airlines CEO Goh Choon Phong

A natural and intelligent evolution

While unable to comment on the specifics of the SIA/DFASS/SATS agreement, AOE Founder & CEO **Kian Gould** says that the inflight retail channel was in dire need of change. He spoke with **Martin Moodie**.

Q Kian, how do you view the legacy model of inflight retail?

The classic inflight cart model has been significantly challenged over the last years and we believe that its growth potential has been exhausted.

The space restrictions, brand requirements and limited selection have made it very difficult to operate profitably. It is only a natural development in our opinion to use the valuable information an airline has on their passengers to extend the shopping model outside of those limitations.

Q Extend in what way?

We expect the penetration to grow significantly beyond what is currently feasible. That will come by providing absolute last-minute-to-seat delivery via pre-order; home delivery and the ability to shop on the plane online or offline. It will utilise all the possibilities modern omnichannel solutions can offer.

Q And yet carrier after carrier has walked away from inflight retail, reasoning that it's too much hassle and distraction, there are fuel-burn issues and too much competition from e-commerce sites and airport shops.

While some airlines have given up on the inflight model prematurely rather than invest in re-inventing it, the majority of airlines have realised that non-aviation revenues are crucial to their success, if not survival.

Therefore we strongly expect a much broader push from airlines to move in a similar direction as Singapore Airlines, which has very often redefined the flying experience for passengers before the rest of the industry followed suit.

Q How complex are the logistics – from the communication of the offer right through to the fulfilment?

Kian Gould: "We expect penetration to grow significantly beyond what is currently feasible"



Doing omnichannel properly is a big challenge both technologically and operationally and none of the providers has had the necessary breadth and depth of service to achieve this in the past.

Q Can you give me an example?

From the handful of airlines that currently offer a pre-order and seat delivery service, no-one has managed to do so in the required 2-6 hour timeframe that enables purchases during the check-in or last-minute booking process. When a pre-order has to happen three days before flight, the majority of potential

buyers are already lost from the get-go.

Technology and operations have to be highly automated and efficient to achieve the needed speed and quality of service. The logical consequence to create joint-ventures and extended partnerships between travel retailers, ground-handlers, technology providers, airlines and/or airports will increasingly become a trend to mitigate that problem.

Q Some would say that this is simply a digital version of those home delivery shopping catalogues that you used to find in seatbacks of US airlines? What's different?

Some of the key aspects are:

- Last-minute delivery to the seat – we can't divulge how fast yet, but the goal is that you can still order on your way to the airport in essence;
- A significantly extended range for pre-order and home delivery. We're talking in the tens of thousands of SKUs vs the few hundred that airlines have today;
- A combination of pre-order to seat, home delivery, lounge delivery, drop shipping with third party suppliers, ordering while flying, ordering onto a connecting flight seat;
- Full travel retail offer plus extended range of home appliances, furniture, luxury goods, electronics etc.

Q What about pricing? I take it the offer will be tax paid as you can't get around the duty free issue? Is there a price advantage or is it simply a convenience offer? How does it differ from regular online sites with home delivery?

Home delivery is tax paid legally of course but the JV will create competitive pricing nevertheless. Duty free home delivery, of course, doesn't work and tobacco can't be delivered to Singapore anyway, for example. [The JV already ships liquor on a duty-paid basis –Ed.]

KrisShop will offer:

- Access to premium travel retail

brands and products you can't buy at general online stores anyway;

- Convenience due to more flexibility and faster access to products;
- Unique value proposition to have BYOD (bring your own device) offline shopping inflight with limited or no internet – remember most airlines still need three to six years to have full high speed internet coverage.

Q When I am sitting on a plane or at the airport, I can shop on many tax paid websites. How is this travel retail offer special? Is it groundbreaking or game-changing?

The system will be built so you can't order without a valid flight and will even check that you took the flight before shipping the product out. That will be the requirement for most brands to still grant travel retail margins.

To me it is more of a natural and intelligent evolution but in fact it is groundbreaking because no-one has done it to that extent. The last-minute seat delivery is much more powerful than home delivery in that regard.

Q Surely Amazon has more information on the same customers?

They do, but they don't have most of the brands of travel retail; they have no premium liquor; and they can't sell at tax free prices. 🇸🇬