Nordic Travellers in Airport, In-Flight & Ferry Duty Free Shops

Q1 2023:
FOCUS ON UNIQUENESS, DIFFERENTIATION & NOVELITY

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RESEARCH BEYOND BORDERS

Methodology

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Background

Nordic Travel Retail Group

- The NTRG has agreed on a partnership with m1nd-set between 2022 and 2025 to provide **exclusive insights of the Nordic Travel Retail market** for **NTRG members**.

- **Every quarter** m1nd-set will deliver a report for NTRG members on **one specific subject** from the survey regarding the Travel Retail & Duty Free shopping behavior.

- The **main focus of this quarter** is on **uniqueness**, **differentiation** and **novelty**; and seeks to show the impact of such factors on the shoppers' behavior and motivation to visit and purchase from Duty Free stores.

Methodology – Airport & In-Flight DF Channels

Nordic Travel Retail Group

- Data sample size and data collection: N = 1.100 representative interviews with travelers at airports in the Nordics between July 1st and August 31st, 2022.

- The airports where interviews were conducted are:
  - CPH
  - OSL
  - KEF
  - HEL
  - ARN

- The results shown in this report are for the Nordics overall, and not split by airport level.

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Methodology – Ferry DF Channel

Nordic Travel Retail Group

- Data sample size and data collection: N = 2.000 representative interviews with travelers in the Ferry channel, covering all the main ferry ships and routes between July 1st and September 30th, 2022.

- The following routes were included in this research:
  - Denmark-Germany (N=200)
  - Denmark-Norway (N=300)
  - Denmark-Sweden (N=300)
  - Estonia-Finland (N=350)
  - Finland-Sweden (N=500)
  - Germany-Norway (N=150)
  - Poland-Sweden (N=200)

- <u>The results shown in the report will be for the Nordics overall</u>, and not split by ferry routes.

Air Traffic Forecast – Nordic Region 2023

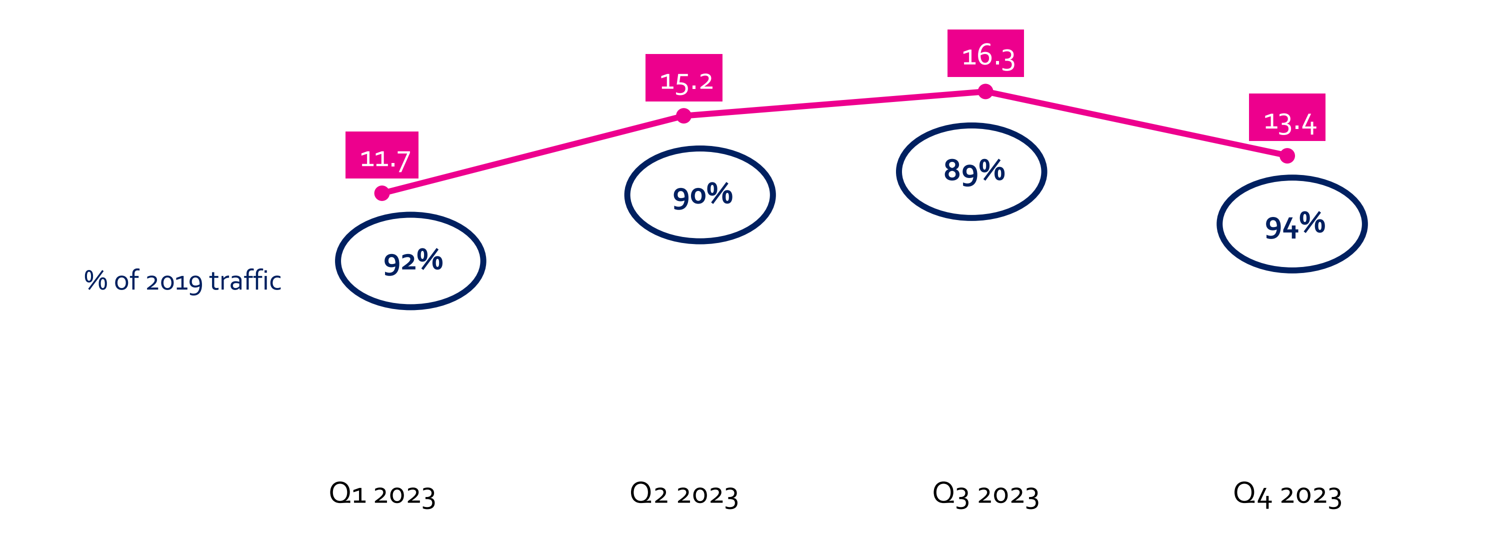
+56M of passengers are forecasted to travel internationally by air in the Nordic Region for the entire year of 2023 – this represents 90% of the traffic in the region in 2019.

AIR TRAFFIC FORECAST 2023 FOR THE NORDIC REGION – INTERNATIONAL DEPARTURES IN MILLION PAX

56.4 M

PAX forecasted to travel internationally by air in the Nordic region in 2023

90% of 2019 traffic

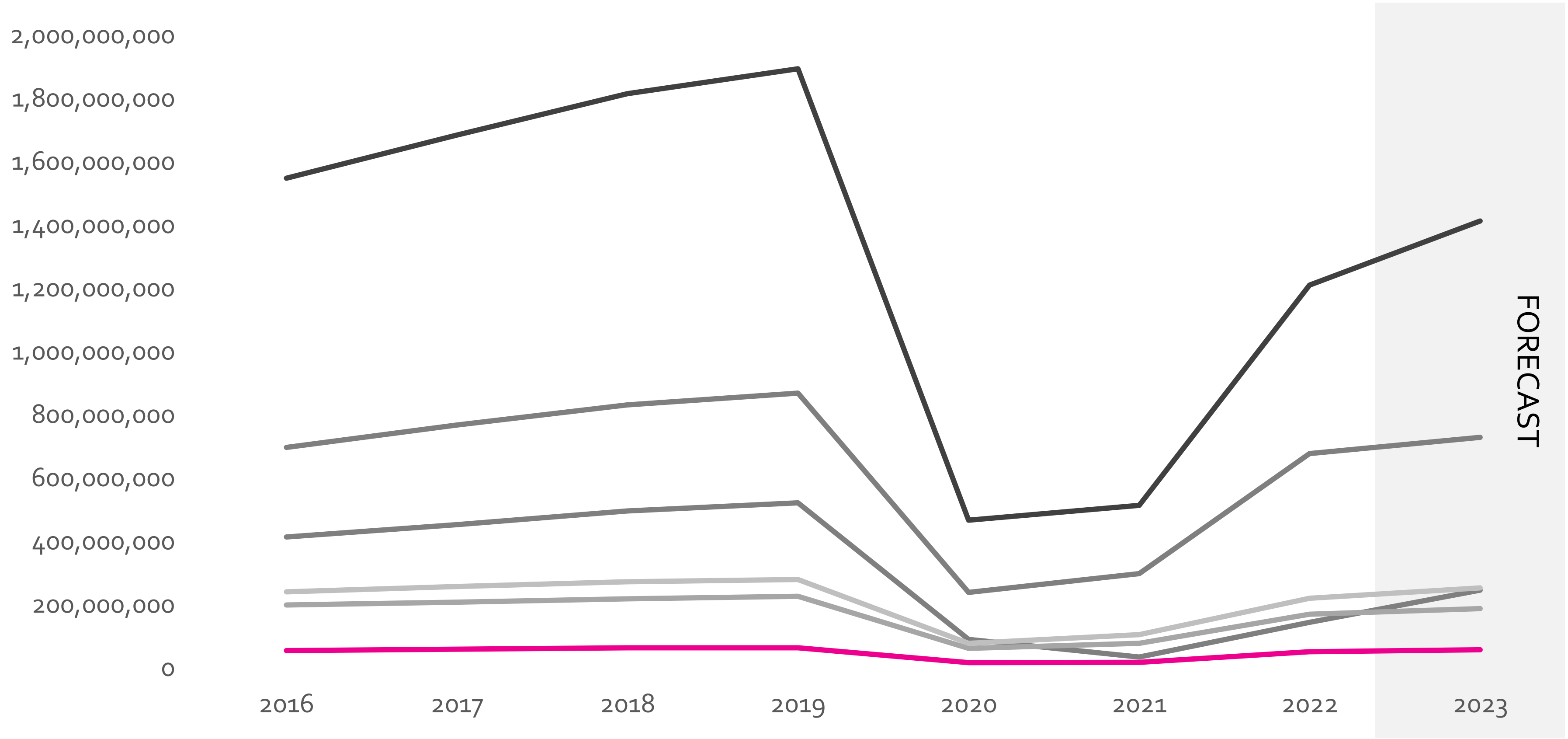


Source: m1nd-set B1S / IATA DDS

The expected recovery of the international air traffic in the Nordic Region in 2023 is above the Global average of 75%, and the European average of 84%.

AIR TRAFFIC RECOVERY GLOBALLY AND BY REGION – INTERNATIONAL DEPARTURES IN PAX

LASTEST MONTH OF HISTORIC DATA: OCTOBER 2022



FORECASTED % of 2019 traffic in 2023

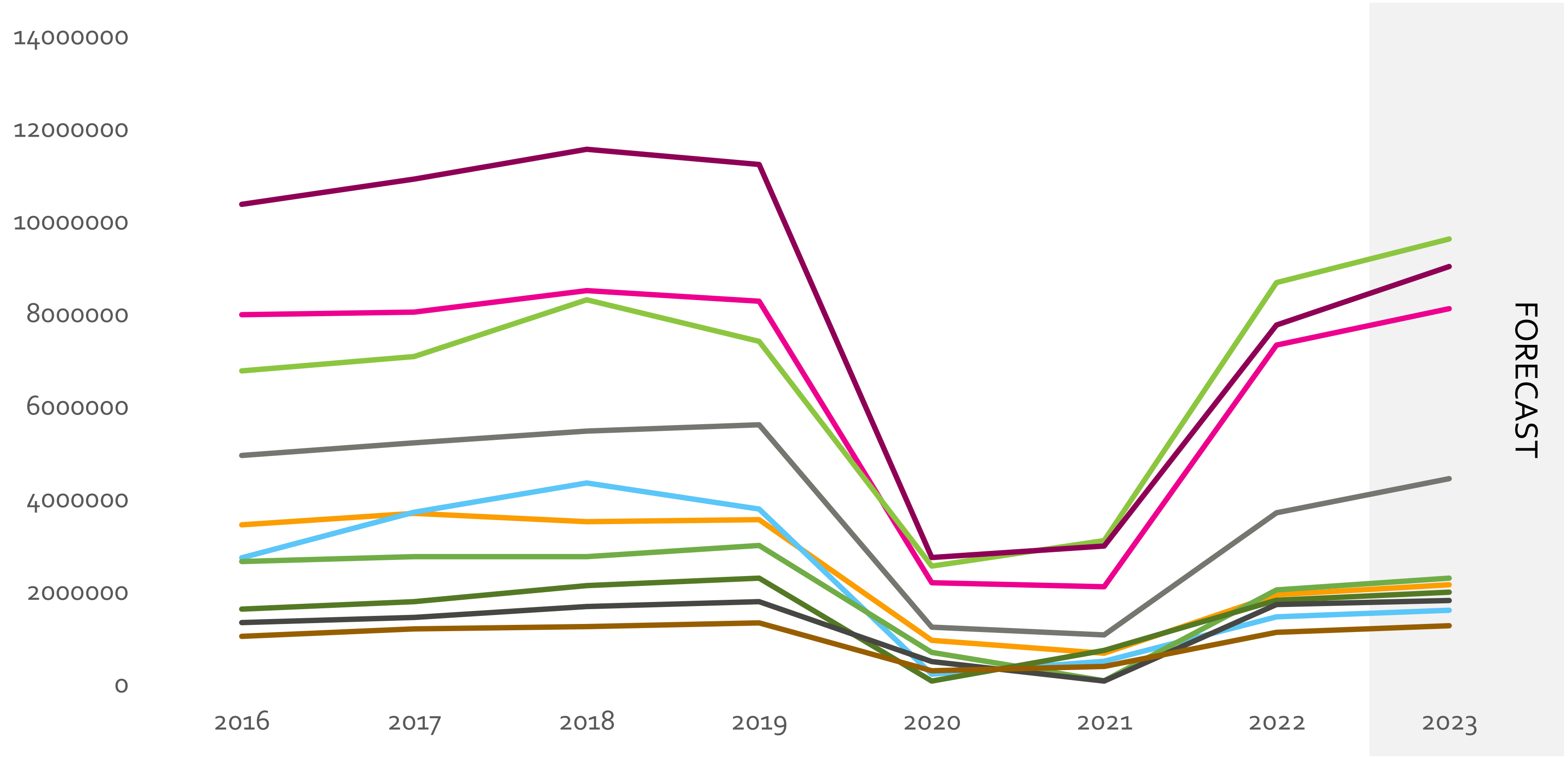
Nordic region	90%
Global	75%
Europe	84%
Asia / Pacific	47%
MEA	83%
Americas	90%

Source: m1nd-set B1S / IATA DDS

Danish traffic in the Nordic Region in 2023 is expected to recover at a faster pace, surpassing its 2019 traffic by 30%. Latvian, Norwegian and French traffic is forecasted to reach similar levels as in 2019. The recovery is slower for both Americans and British.

AIR TRAFFIC RECOVERY IN THE NORDIC REGION BY TOP NATIONALITIES – INTERNATIONAL DEPARTURES IN PAX

LASTEST MONTH OF HISTORIC DATA: OCTOBER 2022



FORECASTED % of 2019 traffic in 2023

Norway	98%
Denmark	130%
Finland	79%
United Kingdom	60%
United States	42%
Germany	76%
Sweden	80%
Lithuania	87%
Latvia	102%
France	95%

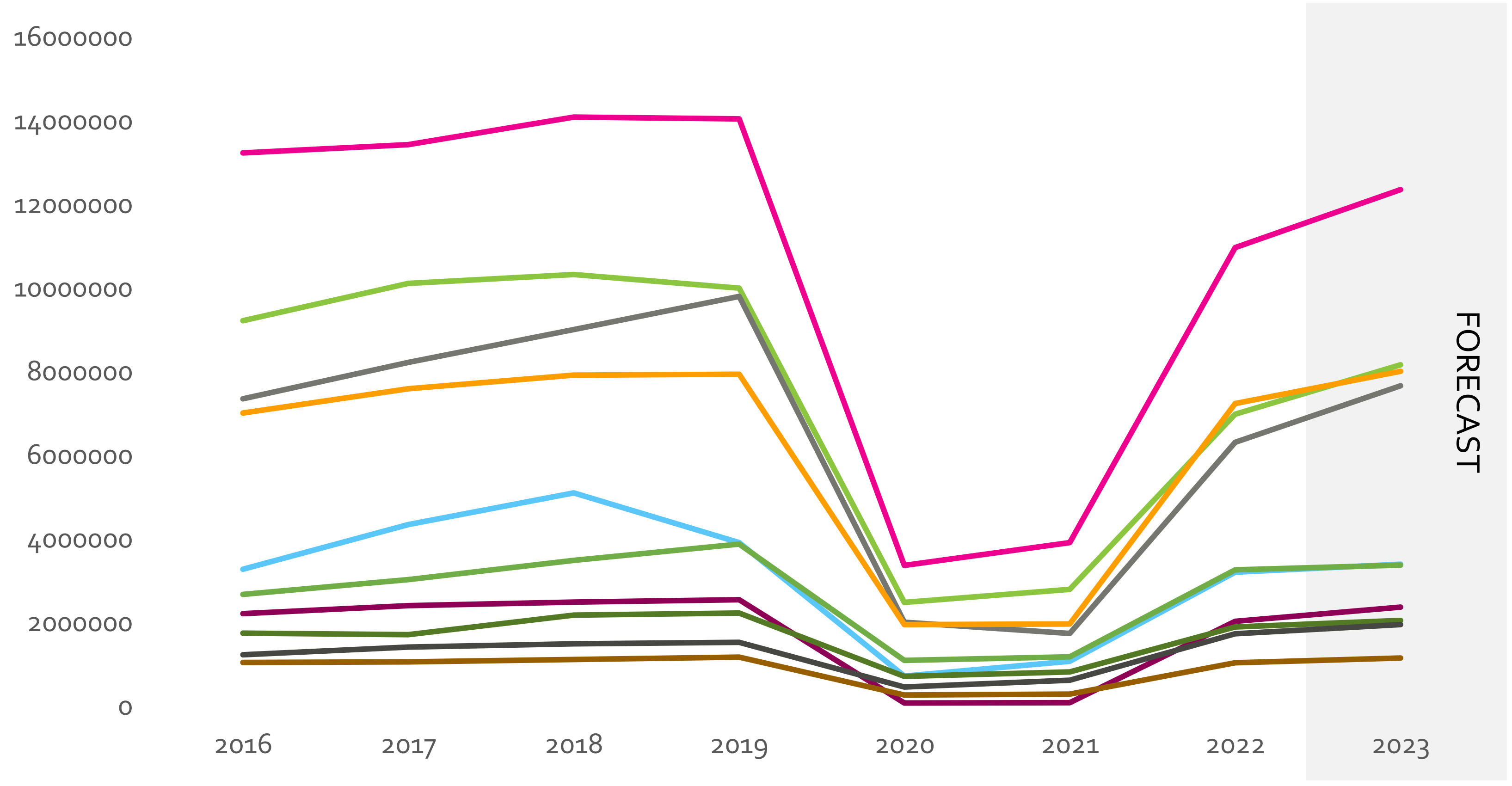
RESEARCH BEYOND BORDERS

Source: m1nd-set B1S / IATA DDS

2023 Traffic at BLL airport is expected to surpass that of 2019 by 28%, whereas OSL and BGO are forecasted to reach similar levels of passengers pre covid-19. On the other hand, the recovery will be slower in HEL and ARN.

AIR TRAFFIC RECOVERY IN THE NORDIC REGION BY TOP AIRPORTS – INTERNATIONAL DEPARTURES IN PAX

LASTEST MONTH OF HISTORIC DATA: OCTOBER 2022



FORECASTED % of 2019 traffic in 2023

CPH - Copenhagen, DK	88%
ARN - Stockholm-Arlanda, SE	82%
HEL - Helsinki, FI	78%
OSL - Oslo, NO	101%
KEF - Reykjavik, IS	87%
RIX - Riga, LV	87%
GOT - Goteborg, SE	93%
VNO - Vilnius, LT	92%
BLL - Billund, DK	128%
BGO - Bergen, NO	98%

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Source: m1nd-set B1S / IATA DDS

Duty Free Appeal Factors

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The key appeal factor of the travel retail in the Nordic region is convenience at airports, price advantage at ferries and time to kill in-flight. Uniqueness is important across the three channels, with special / format sizes as well as DF exclusives highly expected in Ferries, while products with a local touch standing out in-flight.

REASONS TO CHOOSE THE TRAVEL RETAIL CHANNEL

AIRPORT DF

 # 1 Convenience - 61%

#2 Time to kill / browse around - 56%

#3 Product's authenticity - 15%

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#4 Products with a local touch - 15%

#7 Format / sizes which can only be bought DF - 9%

#8 Offer of unique / DF Exclusives - 9%

FERRY DF

 # 1 Price advantage - 41%

#2 Better service - 40%

#3 Wider choice - 36%

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#7 Products with a local touch – 22%

#8 Format / sizes which can only be bought DF - 22%

#11 Offer of DF Exclusives - 20%

IN-FLIGHT DF

 # 1 Time to kill - 62%

#2 Price advantage - 48%

#3 Don't go into physical stores - 34%

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#5 Products with a local touch – 24%

#10 Format / sizes which can only be bought DF - 14%

#13 Offer of DF Exclusives - 7%

RESEARCH BEYOND BORDERS

Differentiation and uniqueness tend to be key reasons why senior and business travellers choose to buy at airport and ferry DF shops, while females and millennials are the most prone to prefer the in-flight DF channel for such reasons.

REASONS TO CHOOSE THE TRAVEL RETAIL CHANNEL – DIFFERENCES BY KEY GROUPS



Significantly higher for:

	AIRPORT DF	FERRY DF	IN-FLIGHT DF
Format / sizes which can only be bought DF AIRPORT DF: 9% FERRY DF: 22% IN-FLIGHT DF: 14%	Alcohol 33% Seniors 23% Business travellers 20%	Alcohol 29% Confectionery 36% Business travellers 28%	Clothing & Accessory 43% Females 36% Millennials 50%
Products with a local touch AIRPORT DF:15% FERRY DF: 22% IN-FLIGHT DF: 24%	Confectionery 33% Males 28% Seniors 46%	Males 30% Seniors 41% Souvenirs & Gift items 48%	Clothing & Accessory 43% Millennials 50% Business travellers 50%
Offer of DF Exclusives AIRPORT DF:9% FERRY DF: 20% IN-FLIGHT DF: 7%	Alcohol 33% Seniors 23% Business travellers 39%	Souvenirs & Gift items 34% Confectionery 33%	Jewelry & Watches 20% Females 18%

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Uniqueness & Novelty as a Footfall Driver

DF shoppers at airports mainly visit the store looking for promotions or to browse around. On Ferries, price advantage is the main driver to visit. Exclusivity and novelty are also important in both channels, driving around 1 out of 10 visits at airports and 2 out of 10 at ferries.

DRIVERS TO VISIT THE DUTY FREE SHOP

AIRPORT DF

#1 Looking for promotions – 23%

#2 Browse around – 20%

#3 Promotional area – 18%

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New — #11 Looking for the latest new products - 10%

#14 Looking for unique / DF exclusive products - 9%

FERRY DF

#1 Price advantage – 30%

#2 Safer environment – 24%

#3 Specific purchase in mind – 21%

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New — #8 Looking for the latest new products - 20%

#13 Looking for unique / DF exclusive products - 19%

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Millennials are the most interested in finding the latest new products in both channels, while seniors tend to visit driven by the offer of DF exclusives at ferries. Business travellers tend to have high expectations regarding both the offer of DF exclusives and of new products in ferry DF shops.

DRIVERS TO VISIT THE DUTY FREE SHOP

	AIRPORT DF	FERRY DF
Looking for the latest new products AIRPORT DF: 10% FERRY DF: 20%	Millennials 17% Skincare 27% Jewellery & Watches 17%	Fashion 38% Souvenirs Gift Items 38% Business travellers 29% Millennials 24%
Looking for DF exclusive products AIRPORT DF: 9% FERRY DF: 19%	Jewellery & Watches 14% Confectionery 14%	Seniors 28% Souvenirs & Gift Items 26% Business travellers 23%

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Satisfaction with the Offer of Unique Products / Services in Duty Free

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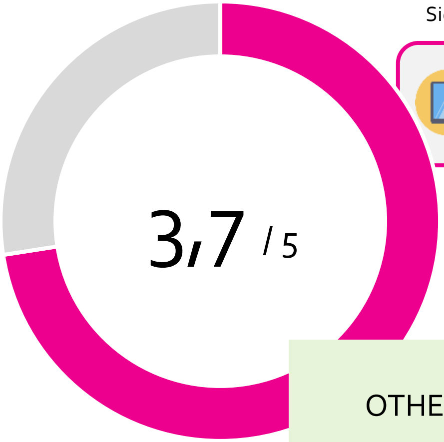
Satisfaction levels regarding the offer of unique products / services is similar in airport and ferry duty free shops, yet, the assortment of electronic products stands out at airports, whereas souvenirs & gift items are more likely to perform above-average on-board ferries.

SATISFACTION WITH THE OFFER OF UNIQUE PRODUCTS / SERVICES IN DUTY FREE

AIRPORT DF



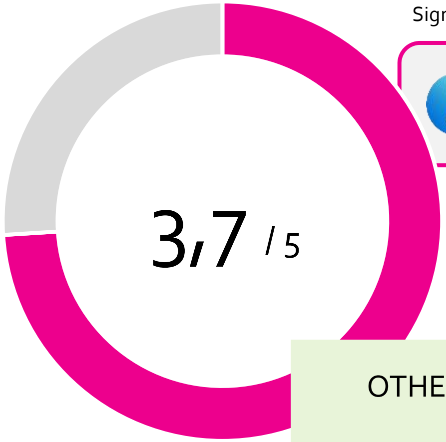
Significantly higher for:

Electronics 4,0

OTHER ASPECTS PERFORMING BETTER:

- **The service level in Duty Free** (3,9/5)
- **Value for money** (3,8/5)
- **Variety & range of products** (3,8/5)
- **Range of products suitable for gifting** (3,8/5)

FERRY DF



Significantly higher for:

Souvenirs & Gift items 4,2

OTHER ASPECTS PERFORMING BETTER:

- **The service level in Duty Free** (4,2/5)
- **Variety & range of products** (4,0/5)
- **Range of products related to travelling** (4,0/5)
- **Value for money** (3,9/5)
- **Range of affordable products** (3,9/5)

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Uniqueness & Novelty as a Purchase Driver

Value is the main purchase driver for buyers in airport and ferry DF stores, whereas convenience factors have the highest influence in the decision-making process of in-flight DF buyers. Aspects related to exclusivity / differentiation are also highly important across the three channels, driving around 4 out of 10 purchases.

GROUPED PURCHASE DRIVERS

AIRPORT DF

#1 VALUE – 67%

#2 IN-STORE EXPERIENCE – 58%

#3 SUITABILITY – 50%

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#4 EXCLUSIVITY / DIFFERENTIATION 43%

Significantly higher for:

- Jewellery & Watches 75%
- Toys 67%
- Skincare 60%
- Confectionery 56%
- Business travellers 54%
- Males 51%
- Make-up 49%

FERRY DF

#1 VALUE – 68%

#2 BRAND – 57%

#3 IN-STORE EXPERIENCE – 53%

...

#4 EXCLUSIVITY / DIFFERENTIATION 43%

Significantly higher for:

- Souvenirs & Gift Items 72%
- Confectionery 69%
- Business travellers 62%
- Millennials 60%
- Seniors 59%
- Fashion 58%
- Alcohol 52%

IN-FLIGHT DF

#1 CONVENIENCE – 51%

#3 EXCLUSIVITY / DIFFERENTIATION 35%

Significantly higher for:

- Females 58%

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When focusing on reasons related to uniqueness / differentiation, the offer of products not sold in their home country stands out as a purchase driver particularly at airports, but is also frequent in-flight. Ferry DF buyers are the most likely to be driven by the offer of special formats / sizes.

INDIVIDUAL PURCHASE DRIVERS RELATED TO EXCLUSIVITY / DIFFERENTIATION



AIRPORT DF		FERRY DF		IN-FLIGHT DF	
#5 PRODUCT UNAVAILABLE AT HOME	22%	#9 DIFFERENT FROM MY USUAL PRODUCT	18%	#5 PRODUCT UNAVAILABLE AT HOME	19%
#12 DIFFERENT FROM MY USUAL PRODUCT	15%	#13 SPECIAL / DUTY FREE EXCLUSIVE	16%	#6 DIFFERENT FROM MY USUAL PRODUCT	16%
#17 SPECIAL FORMAT / SIZE	10%	#19 SPECIAL FORMAT / SIZE	14%	#8 SPECIAL / DUTY FREE EXCLUSIVE	16%
#19 SPECIAL / DUTY FREE EXCLUSIVE	8%	#21 PRODUCT UNAVAILABLE AT HOME	13%	#19 SPECIAL FORMAT / SIZE	6%

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Business travellers tend to purchase driven by reasons related to uniqueness / differentiation both at airport and ferry DF shops. Females and middle-aged travellers tend to buy driven by these reasons in-flight. Millennials are the most likely to be attracted by DF Exclusives at airports.

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INDIVIDUAL PURCHASE DRIVERS RELATED TO EXCLUSIVITY / DIFFERENTIATION – DIFFERENCES BY KEY GROUPS



Significantly higher for:

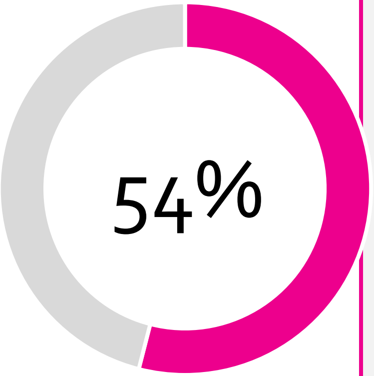
	AIRPORT DF	FERRY DF	IN-FLIGHT DF
Product unavailable at home AIRPORT DF: 22% FERRY DF: 13% IN-FLIGHT DF: 19%	Gen Z 42% Business travellers 29% Confectionery 42%	Clothing & Accessory 26% Souvenirs & gifts 25%	Middle-aged 25% Clothing & Accessory 23%
Different from my usual product AIRPORT DF:15% FERRY DF: 18% IN-FLIGHT DF: 16%	Gen Z 29% Business travellers 23% Jewelry & Watches 59%	Business travellers 34% Confectionery 29%	Middle-aged 21% Jewelry & Watches 40%
Special format/ size AIRPORT DF:10% FERRY DF: 14% IN-FLIGHT DF: 6%	Skincare 17% Senior 16%	Business travellers 22% Confectionery 41%	Females 17% Perfumes 13%
Special Duty Free Exclusive AIRPORT DF:8% FERRY DF: 16% IN-FLIGHT DF: 16%	Millennials 16% Skincare 18% Make-up 15%	Business travellers 25% Souvenirs & gifts 35%	Females 42% Perfumes 25%

Purchases of Unique Products and First Time Buyers

The share who purchases DF exclusives is significantly higher in ferries. Yet, more than half of DF shoppers purchase products perceived as unique / DF exclusive also at airports and in-flight. Business travellers and males are the most likely to purchase DF exclusives in airports and ferries, females are the most prone to do so in-flight. With regards to age, middle-aged are more prone to buy these products in-flight, while Millennials stand out at airports.

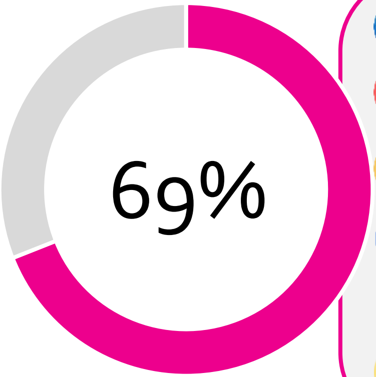
SHARE WHO BOUGHT PRODUCTS PERCEIVED AS UNIQUE / DF EXCLUSIVE

AIRPORT DF



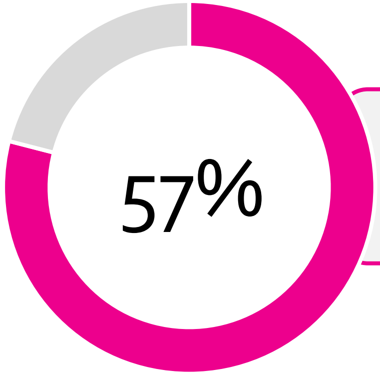
- Jewellery & Watches 94%
- Toys 85%
- Millennials 75%
- Electronics 75%
- Fashion 70%
- Males 68%
- Beauty 66%
- Business travellers 62%
- Alcohol 60%

FERRY DF



- Souvenirs & Gift Items 95%
- Fashion 91%
- Electronics 91%
- Toys 90%
- Business travellers 89%
- Males 84%

IN-FLIGHT DF



- Middle-aged 65%
- Females 61%

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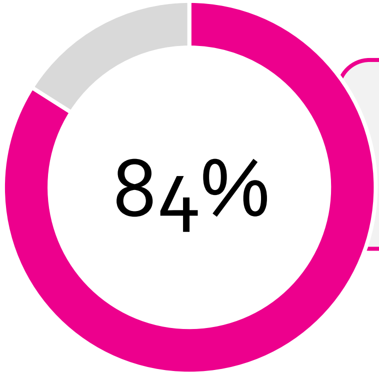
The share of shoppers that buys products never bought before (first time buyers) is the highest at airport DF shops, highlighting a great openness to discover in this channel. Yet, in ferries and to a lesser extent also in-flight, this share is also very high.

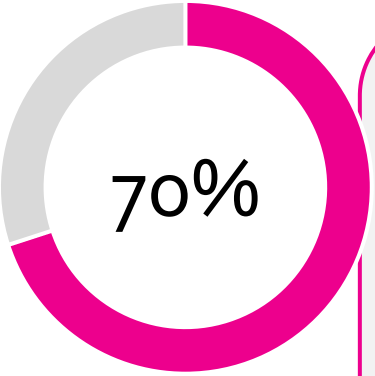
SHARE WHO BOUGHT PRODUCTS NEVER BOUGHT BEFORE (FIRST TIME BUYERS)

AIRPORT DF



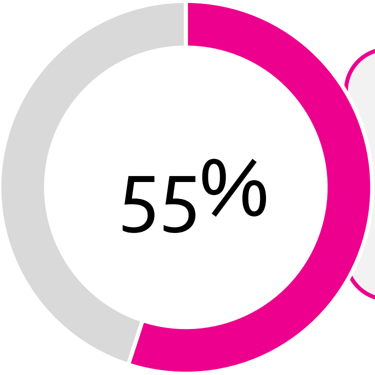
- Souvenirs & Gift Items 95%
- Toys 92%

FERRY DF



- Souvenirs & Gift Items 95%
- Toys 92%
- Fashion 88%
- Business travellers 84%
- Confectionery 83%
- Males 74%

IN-FLIGHT DF



- Females 73%
- Millennials 66%
- Business travellers 66%

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Lack of Exclusivity as a Footfall Barrier

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Airport DF non-visitors prefer to avoid physical stores in general and tend to shop online, whereas Ferry DF non-visitors simply buy elsewhere or are not willing to carry more items. The lack of local / original assortment is also a frequent footfall barrier, especially among leisure travellers (in both channels).

INDIVIDUAL BARRIERS TO VISIT

AIRPORT DF

#1 Avoid store in general – 38%

#2 Shopping Online – 37%

#3 More expensive than home – 34%

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#10 Lack of local / original assortment - 27%

Leisure travellers 32%

FERRY DF

#1 Prefer to buy elsehwere – 28%

#2 Unwilling to carry items – 26%

#3 Prefer to do other things – 22%

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#4 Lack of local / original assortment - 18%

Gen Z 30%

Millennials 26%

Females 25%

Leisure travellers 21%

Lack of Exclusivity as a Purchase Barrier

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When focusing on uniqueness & differentiation, the lack of novelties is the most frequent barrier to purchase at airport DF shops. On the other hand, ferry DF non-buyers are more likely to mention the lack of local experience and of DF Exclusives.

INDIVIDUAL BARRIERS TO PURCHASE

AIRPORT DF

#1 No intention of buying – 24%

#2 Higher prices vs other airports – 20%

#3 Higher prices vs destination – 19%

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#8 Lack of novelties	13%
#10 Too similar assortment to products at home	11%
#19 Lack of DF Exclusives	7%
#20 Lack of local experience	7%

FERRY DF

#1 Did not feel safe – 23%

#1 Staff not knowledgeable – 23%

#3 Buy elsewhere – 20%

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#17 Too similar assortment to products at home	15%
#20 Lack of local experience	14%
#22 Lack of DF Exclusives	13%
#24 Lack of novelties	12%

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Business travellers, especially in Ferry DF shops, are the most sensitive to the lack of uniqueness & differentiation.

TOP BARRIERS TO PURCHASE IN THE DUTY FREE SHOP – DIFFERENCES BY KEY GROUPS

Significantly higher for:

Barrier	AIRPORT DF	FERRY DF
Too similar assortment to products at home AIRPORT DF: 11% FERRY DF: 15%	Confectionery 30% Electronics 24% Business travellers 19%	Gen Z 26% Souvenirs & Gift items 23% Business travellers 20%
Lack of local experience AIRPORT DF: 7% FERRY DF: 14%	Perfumes 21% Skincare 20%	Clothing & Accessory 19% Business travellers 19%
Lack of DF Exclusives AIRPORT DF: 7% FERRY DF: 13%	Perfumes 28% Alcohol 17% Females 12%	Gen Z 26% Confectionery 21% Business travellers 19%
Lack of novelties AIRPORT DF: 13% FERRY DF: 12%	Electronics 36% Confectionery 28% Souvenirs & gifts 26% Senior 20%	Clothing & Accessory 21% Gen Z 18%

Key Findings

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Key Findings

- **Air Traffic** is expected to **strongly rebound** in the Nordic region in 2023, more than on a global level
- **Danish** passengers are expected to **outperform 2019 figures**, alongside **BLL airport**
- **Latvian**, **Norwegian** and **French** traffic is forecasted to reach **similar levels as in 2019**. The recovery will be significantly **slower** for both **Americans** and **British**

- Airport, Ferries and In-flight channels each display their **specific appeal factors**
- While **convenience primes in airport;** DF shoppers like ferries for offering **price advantage** and enjoy the **in-flight** DF channel as a way to **kill time**
- For every channel, aspects linked to **exclusivity** are always mentioned among the **top 10 most important appeal factors**

- More specifically, **the offer of products with a local touch** tend to be perceived as a key advantage of the **in-flight DF channel** (esp. among **millennials** and **business travellers**)
- On the other hand, those travelling by **ferry** are more likely to mention the **special formats / sizes** (esp. for **alcohol** and **confectionery**) as well as the offer of **DF Exclusives** (esp. for **souvenirs** and **confectionery**)

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The Airport DF Channel

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1 out of 10 Duty Free visits are driven by reasons related to **novelty and uniqueness**, more specifically:

- 10% enter the shop **looking for the latest new products**
- 9% enter the shop **looking for unique / DF exclusives** – particularly driven by **Millennials**

The **satisfaction of DF shoppers** with the **offer of unique products / services** could be **improved** (3,7 out of 5). Other aspects of the shopping experience display higher ratings such as: the **service level**, the **value for money**, the **variety and range of products** and the **range of products suitable for gifting**

Aspects related to **exclusivity / differentiation** are key in **boosting conversion**: more than **4 out of 10 DF buyers** purchase driven by these reasons. This is particularly high for **business travellers** and **males**

More specifically, airport DF shoppers are highly influenced in their decision-making process by **finding products not sold in their home country** (22%), or **different from their usual** (15%)

The **openness to discover in-store** is very high at airport DF shops, with **more than 8 out of 10 DF buyers purchasing** at least one product **for the first time** (i.e. never bought before). This is particularly high for **souvenirs** and **toys**

More than half purchase products **perceived as unique / DF Exclusive** to airport shopping (54%), especially **millennials**, **males** and **business travellers**

The **lack of local and original assortment** prevents almost **3 out of 10 DF non-visitors** from going into the airport DF shops. Furthermore, **not finding novelties** or **different assortment to products sold at home** make around **1 out of 10 DF visitors to leave the shop empty-handed**

The Ferry DF Channel

2 out of 10 Duty Free visits are driven by reasons related to **novelty and uniqueness**, more specifically:

- 20% enter the shop **looking for the latest new products** – particularly driven by **business travellers**
- 19% enter the shop **looking for unique / DF exclusives** – particularly driven by **business travellers** and **Millennials**

The **satisfaction of DF shoppers** with the **offer of unique products / services** could be **improved** (3,7 out of 5). Other aspects of the shopping experience display higher ratings such as: the **service level**, the **variety and range of products overall** and **related to travelling**, the **value for money** and the range of **affordable products**

Aspects related to **exclusivity / differentiation** are key in **boosting conversion**: more than **4 out of 10 DF buyers** purchase driven by these reasons. This is particularly high for **business travellers**

More specifically, ferry DF shoppers are highly influenced in their decision-making process by **finding products different from usual** (18%), **DF exclusives** (16%) and **special formats / sizes** (14%)

The **openness to discover in-store** is very high at ferry DF shops, with **7 out of 10 DF buyers purchasing** at least one product **for the first time** (i.e. never bought before). This is particularly high for **business travellers** and **males**

The share who buys products **perceived as unique / DF Exclusive** to travel retail shopping is also very high (69%) , especially driven by **business travellers** and **males**

The **lack of local and original assortment** prevents almost **2 out of 10 DF non-visitors** from going into the ferry DF shops. Furthermore, not finding **different assortment to products sold at home**, the lack of **local experience**, the lack of **DF Exclusives** and of **novelties** make around **1 out of 10 DF visitors** each to **leave the shop empty-handed**

The In-Flight DF Channel

Aspects related to **exclusivity / differentiation** are key in **boosting conversion in-flight**: almost **4 out of 10 DF buyers** purchase driven by these reasons. This is particularly high for **females**

More specifically, in-flight DF shoppers are highly influenced in their decision-making process by finding **products not sold in their home country** (19%), **different from usual** (16%) and **DF exclusives** (16%)

EXCLUSIVE

The share who buys products **perceived as unique / DF Exclusive** to travel retail shopping is quite high (57%) , especially driven by **middle-aged** and **females**

The **openness to discover in-flight** accounts for more than half of buyers (yet, the share is lower compared to physical DF shops). This is driven by **females**, **millennials** and **business travellers**