

Changing Retail Spend at UK Airports

July 2022

Prepared for:

Heathrow
Making every journey better

- In Nov'21 a study was conducted to explore the impact of Covid-19 on post pandemic revenge spending, and to understand the extent to which flyers were aware of the changes in law regarding the charging of VAT and duty on goods bought in airport departure lounge shops.
- This study was commissioned to update the learnings from the previous study and to understand the impact of rising cost of living concerns on airport departure lounge expenditure.
- To answer these objectives 5007 UK resident interviews were conducted via an online panel:
 - 2502 were nationally representative in terms of age, gender and region lived in (no other quotas were set). Of these 1160 had flown since July '19.
 - An additional 2505 interviews were conducted with adults who had flown from a UK airport since July '19

Management Summary

- Older people are returning to taking holidays abroad.
- The airport experience was significantly less positive this year – the airport was more crowded, value for money perceptions were lower, and flyers were less likely to treat themselves. The majority of LHR flyers now feel shopping at the airport is not good value for money.
- Both past and future flyers (both all UK and LHR) are increasingly concerned about the rising cost of living. This appears to be negatively impacting their spending in UK airports (the % saying they didn't buy anything in departure lounge shops rose from 14% to 24%, and in departure lounge restaurants and bars rose from 12% to 19%).
- Cost of living concerns may have an impact on the number of future flights taken, however increasing confidence and the desire to return to overseas travel may prevent this from happening. It is more likely that they will impact the type of flights taken (more short haul economy) and the amount spent at the airports. 18% strongly agree they will only buy necessities the next time they fly and 28% agree.

The overall story (cont.)

- This claim to only buy necessities will be reinforced by the perception that prices in UK airports are high (a perception not helped by the slight increase in the % of recent UK flyers who are aware of the recent change in law regarding VAT-free shopping – but 42% still believe shopping is VAT-free).
- The % of recent flyers from any UK airport aware of the Duty Free law change has risen since last year. In particular, there has been a significant increase in the % of recent LHR flyers aware of the change.
- Those aware of the Duty Free change are more likely to rate Alcohol and Tobacco as cheaper at the airports, but 30% of recent flyers are still not aware (29% of recent LHR flyers).

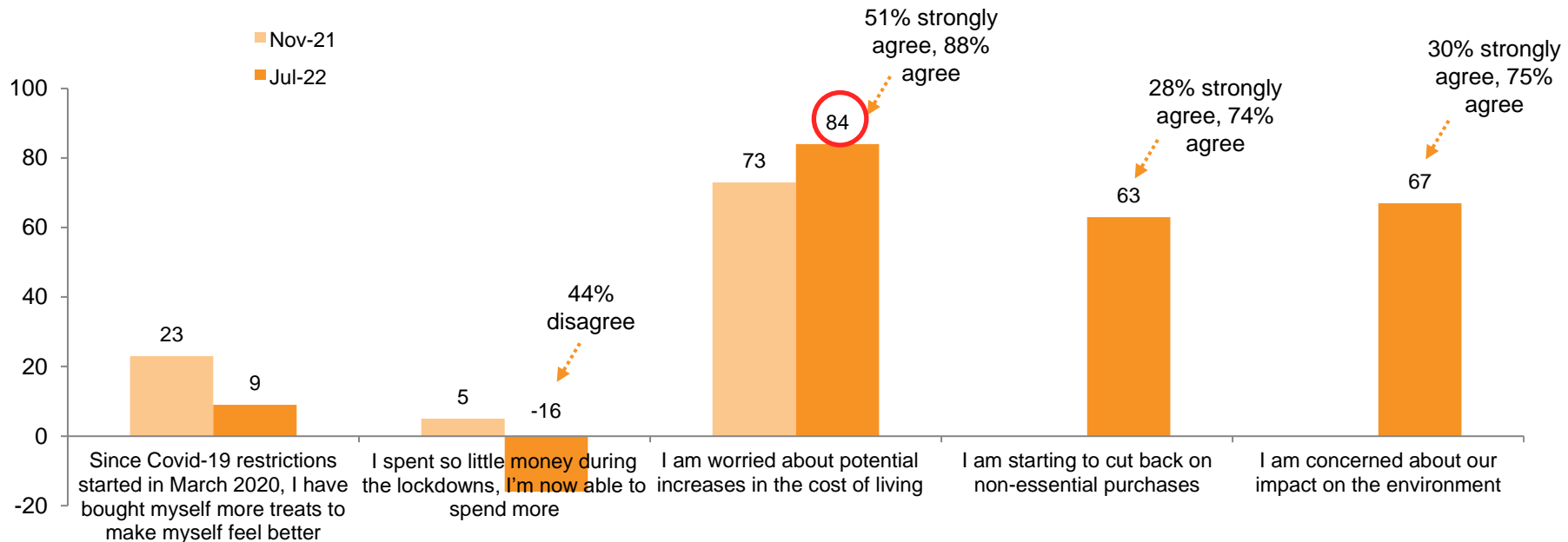
Overall recommendations

- Review ranges to focus more on leisure clothes (especially those targeted at older age groups) and feature more in comms. Also 'gifts' for those visiting family and friends overseas.
- Anything that can be done to reduce prices in the airport shops, restaurants and bars should be considered – and price reductions should be advertised. For example:
 - Work with airlines/travel agencies to develop a rewards scheme that gives “added value” incentives for their customers to shop at the terminals pre-flight
 - Develop and communicate F&B family meal deals
- Consider ways of making the airport experience more positive despite staffing challenges:
 - Work with airlines to improve ‘customer care’ perceptions
 - Use comms to show empathy with passenger journey and challenges
 - Consider small gestures (e.g. agree with airlines a member of staff could hand out coffee/drink voucher to those in queues) to create more goodwill
- Activity that promotes the change in Duty Free legislation and its positive impact on prices should be continued (reduce lack of awareness of Duty Free shopping among recent flyers from 30% to 20% by end of year?)

Changing expenditure

Overall expenditure perceptions among those flying from any UK airport since July '19: % agreeing less % disagreeing

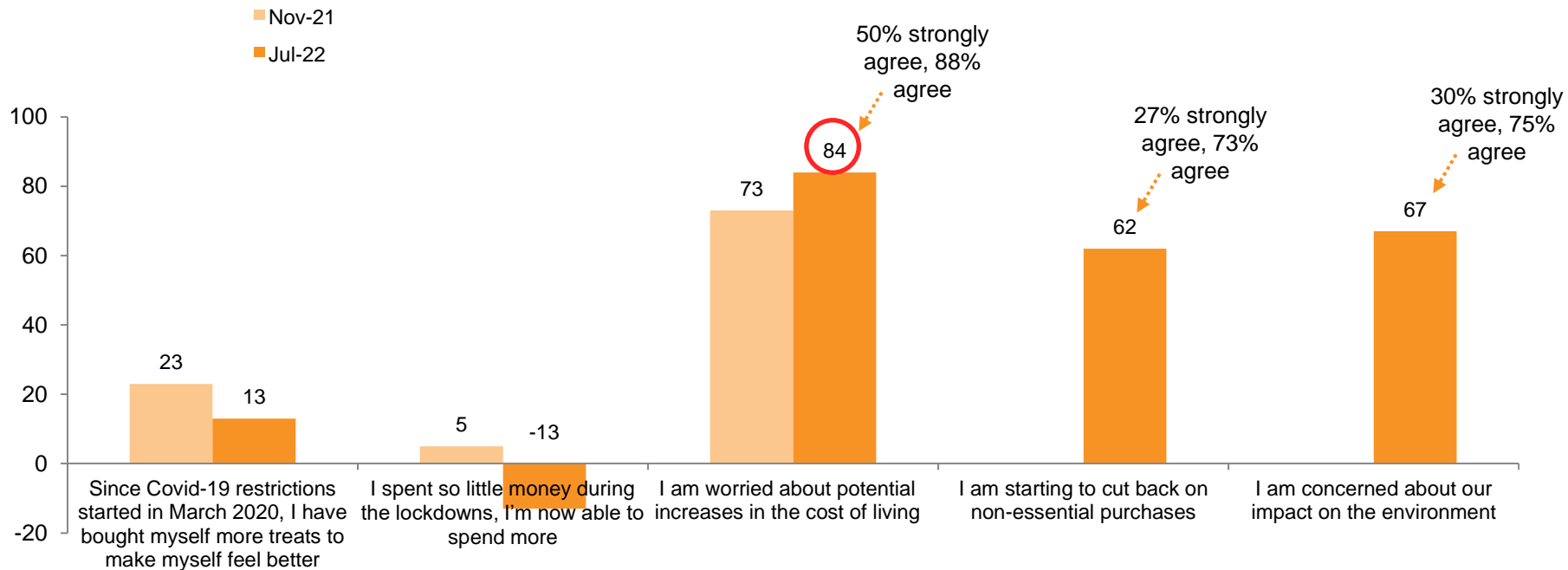
Q: To what extent do you agree or disagree with the following statements



Increase in cost of living concerns accompanied by decline in ability to spend more / buy treats, with most now cutting back on non-essential purchases. In addition, 67% are now concerned about their impact on the environment.

Overall expenditure perceptions among those likely to fly from any UK airport in next 12 months: % agreeing less % disagreeing

Q: To what extent do you agree or disagree with the following statements

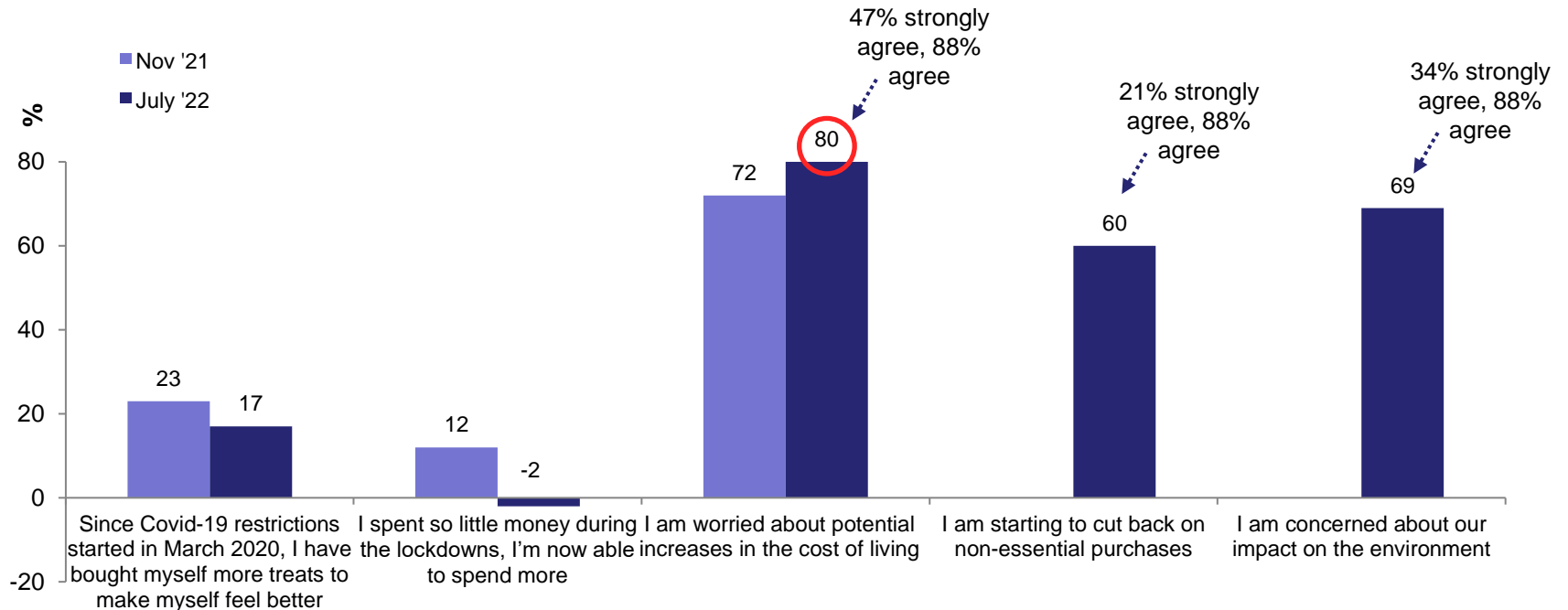


Future flyers have similar growing cost of living concerns accompanied by a decline in their perceived ability to spend more / buy treats, with most cutting back on non-essential purchases.

In addition most are concerned about their impact on the environment.

Overall expenditure perceptions among those flown from or through LHR since July '19: % agreeing less % disagreeing

Q: To what extent do you agree or disagree with the following statements

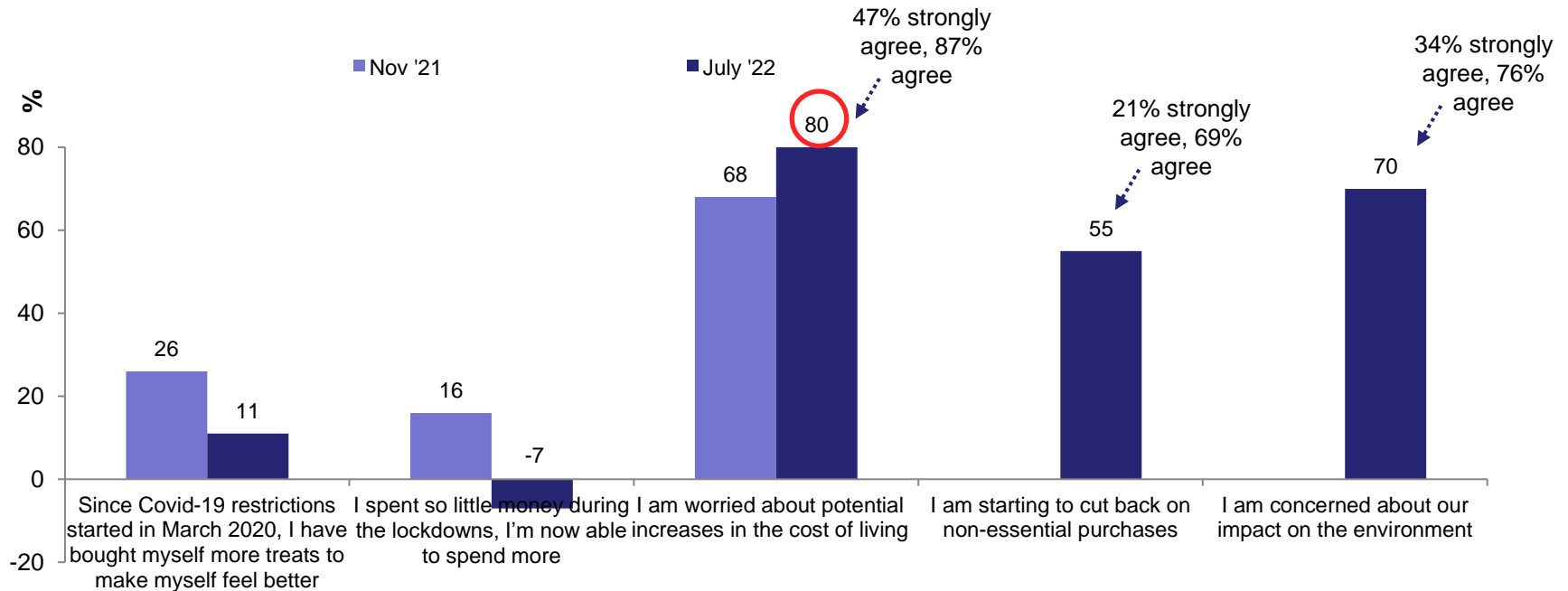


LHR flyers have similar growing cost of living concerns accompanied by a decline in their perceived ability to spend more / buy treats, with most cutting back on non-essential purchases.

In addition 69% are concerned about their impact on the environment.

Overall expenditure perceptions among those likely to fly / booked to fly from LHR in next 12 months: % agreeing less % disagreeing

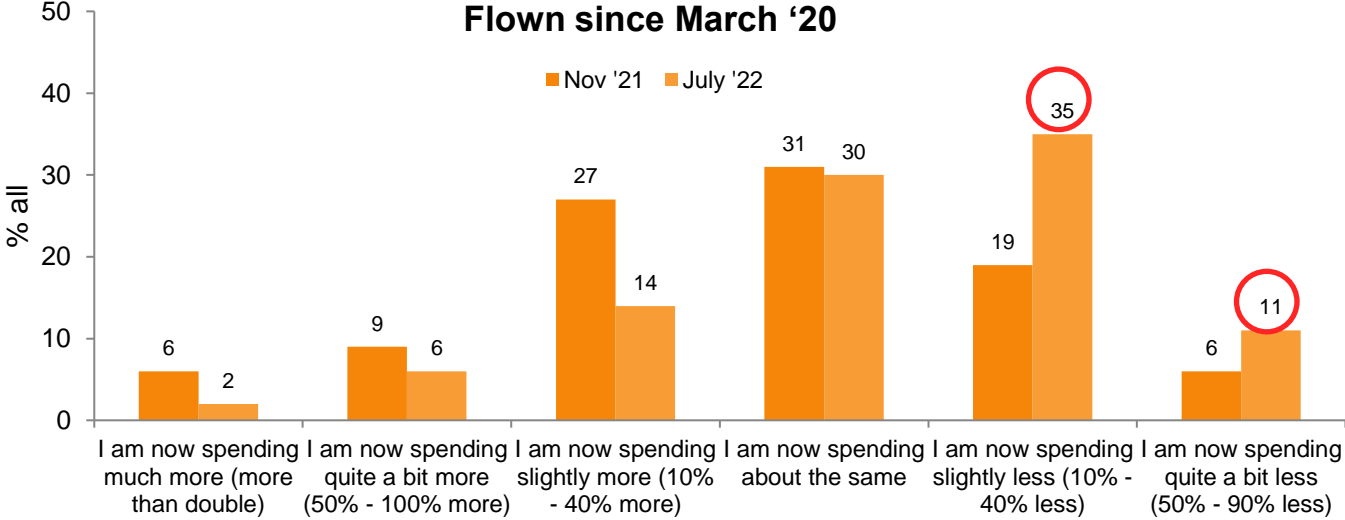
Q: To what extent do you agree or disagree with the following statements



Next 12 months LHR flyers are slightly less like to agree they are starting to cut back on non-essential purchases than all UK flyers – but 1 in 5 strongly agree that they are.

Change in claimed spending/buying: Flown since March '20

Q: Thinking of your spending / the amount you are buying now compared to your spending / the amount you were buying pre-Covid, which of the following applies to you?



This year's sample of flyers is much more likely to claim they're spending less

Base: All flown from any UK airport since March '20: Nov '21 = 1744, Jan '22 = 2713

Change in claimed category spending since March '20

Q: For each of the following categories, how does your spending in 2021 / the amount you're buying in 2022 compare to your spending / the amount you were buying in 2019 (before the start of Covid-19 restrictions)?

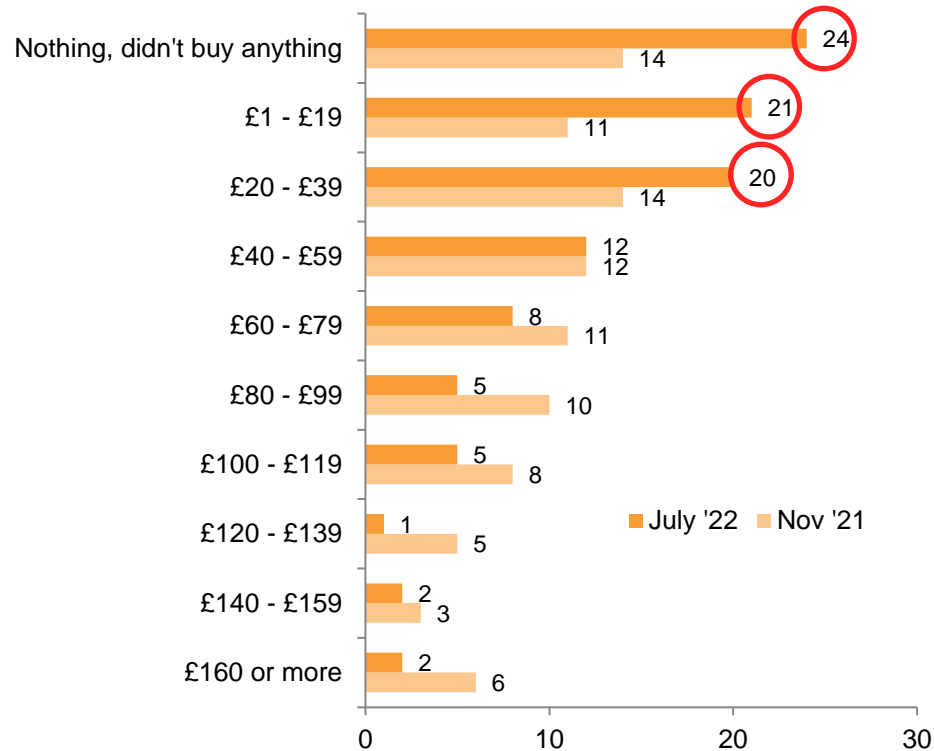
	% spending more less % spending less	
	Nov '21	July '22
Toiletries/healthcare	+31	+5
Alcohol	+22	-3
Cigarettes and tobacco	+15	-3
Sports and casual wear	+24	-11
Toys and games	+17	-11
Fragrance and skincare	+21	-12
Electronics/technology	+25	-15
Footwear	+13	-18
Eating out	+6	-18
Clothing accessories	+12	-19
Watches and jewellery	+9	-24
Luxury goods	+10	-27
Formal wear	+2	-28

Significant decline in claimed spending/buying* across all categories. This year only toiletries/healthcare shows any growth – while formal wear, luxury goods and jewellery are showing particularly large claimed reductions

* Note question wording change

Spending in departure lounge shops since March '20

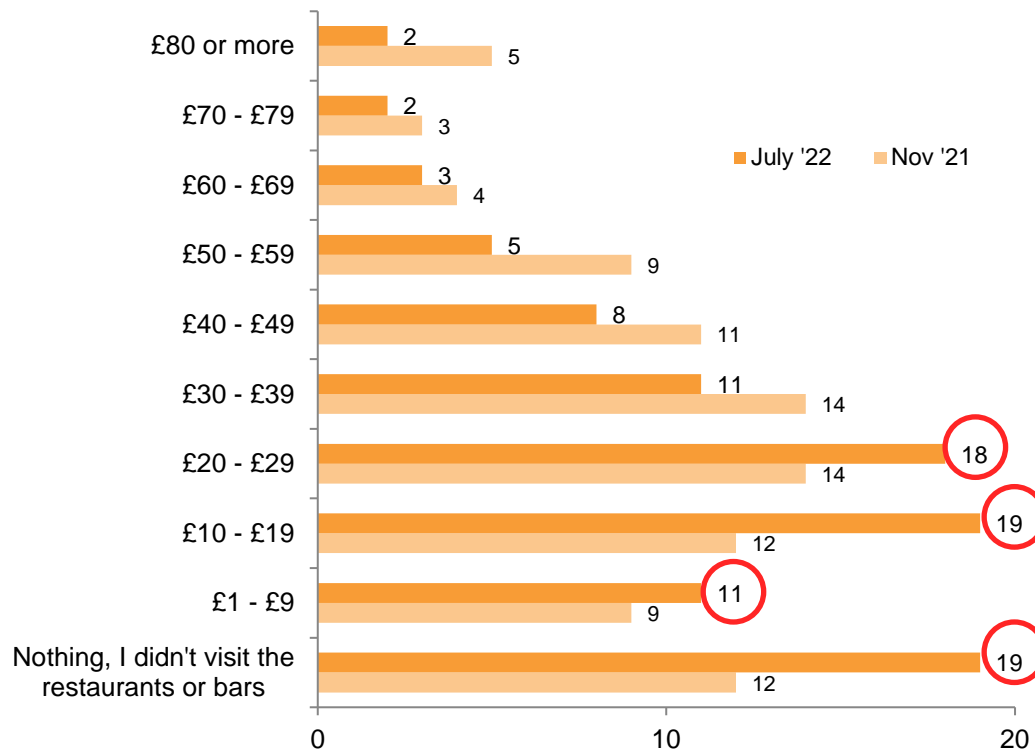
Q: On your last flight, about how much did you spend in the UK airport departure lounge shops (excluding spend in Restaurants and Bars)?



Claimed expenditure in departure lounge shops was significantly lower in July '22 – with the % saying they didn't buy anything increasing from 14% to 24%.

Spending in departure lounge restaurants and bars since March '20

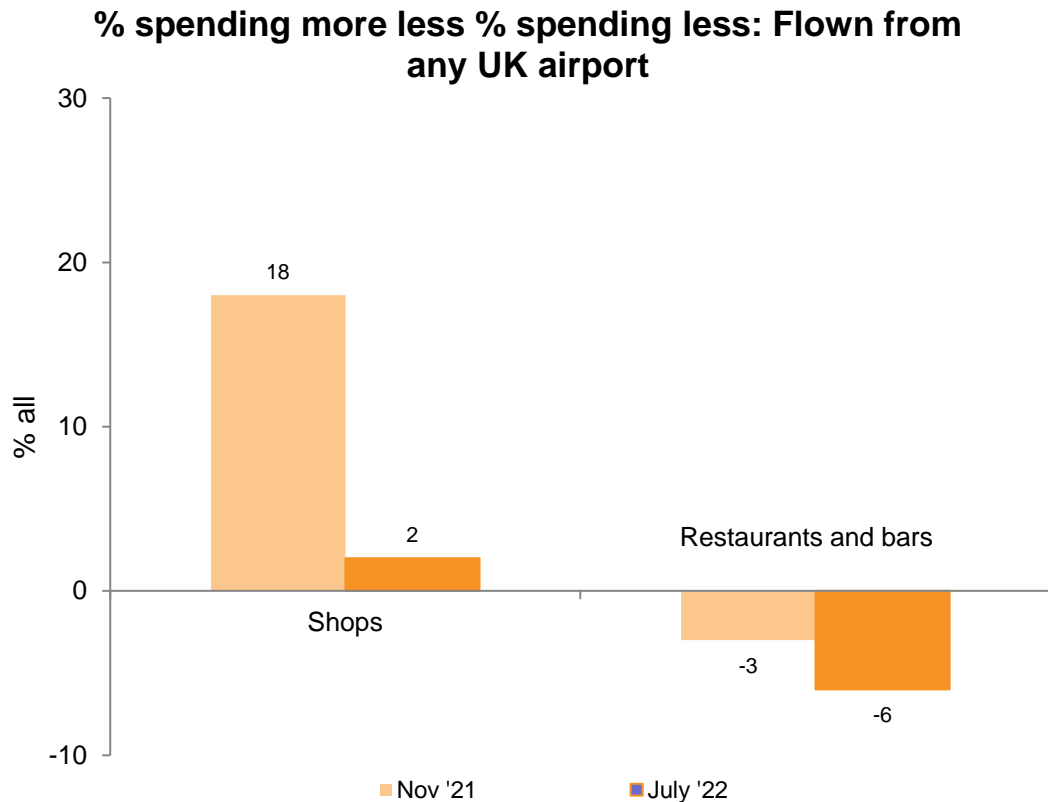
Q: On your last flight, about how much did you spend in the UK airport departure lounge restaurants and bars?



Claimed expenditure in departure restaurants and bars was significantly lower in July '22 – with the % saying they didn't visit the restaurants or bars growing from 12% to 19%.

Change in departure lounge spending: Flown since March '20

Q: Was that more, about the same, or else than you spent in UK departure lounge shops / restaurants and bars prior to Covid (before March 2020)?

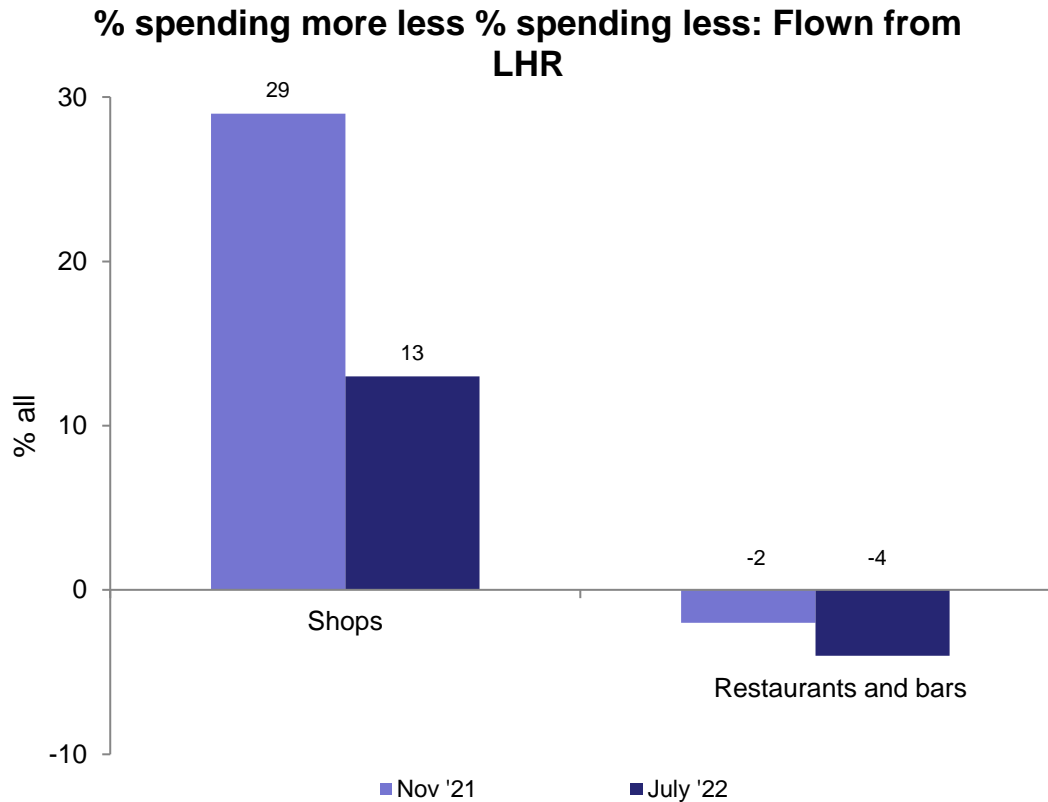


There are still more claiming to spend more in UK airport shops than are claiming to spend less, but the % difference has decreased.

There are still more claiming to spend less in UK airport restaurants and bars than are claiming to spend more, and the % difference has increased.

Change in departure lounge spending: Flown since March '20

Q: Was that more, about the same, or else than you spent in UK departure lounge shops / restaurants and bars prior to Covid (before March 2020)?

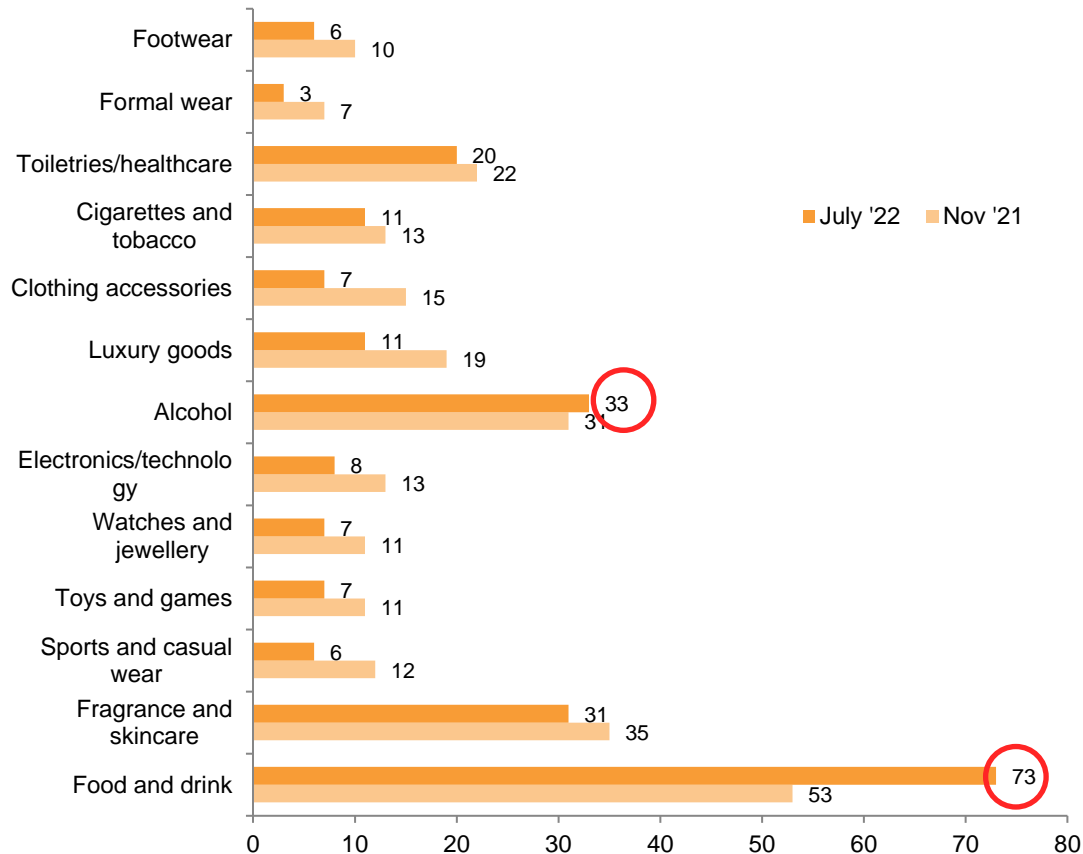


There are still more claiming to spend more in LHR's shops than are claiming to spend less, but the % difference has decreased.

There are still more claiming to spend less in LHR's restaurants and bars than are claiming to spend more, and the % difference has increased.

Categories likely to buy before next flight

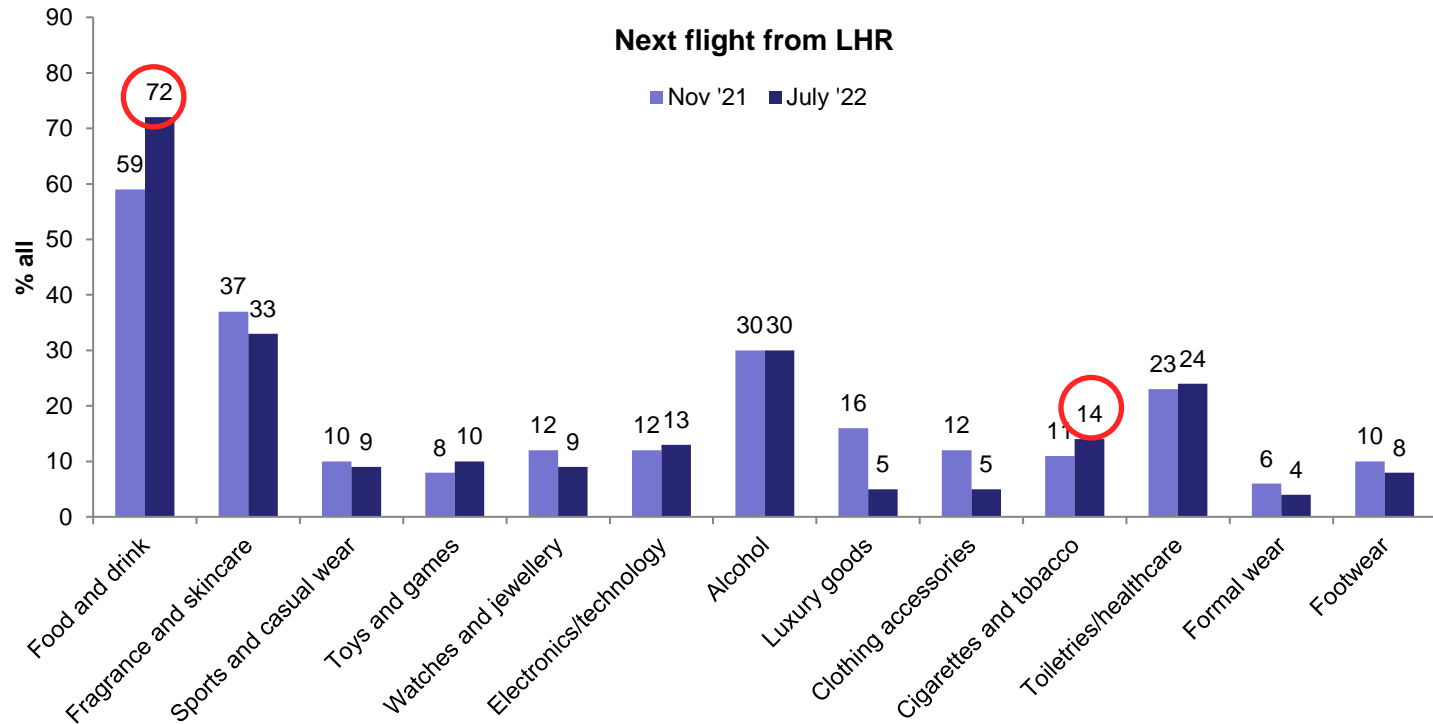
Q: Which of the following are you likely to buy when you are next in an UK airport departure lounge?



Many more likely to buy food and drink (but take out rather than from restaurants and bars?), a few more likely to buy alcohol, but fewer likely to buy all other categories except alcohol – with luxury goods and clothing accessories seeing the largest declines.

Categories likely to buy before next flight: All likely to fly in next 12 months by airport likely to fly from

Q: Which of the following are you likely to buy when you are next in an UK airport departure lounge?



Those flying from LHR also more likely to buy food and drink, and less likely to buy luxury goods, clothing accessories, fragrance/skincare and watches/jewellery. In addition, some claimed increase in cigarettes/tobacco buying. Little change for other categories.

Summary: Changing expenditure

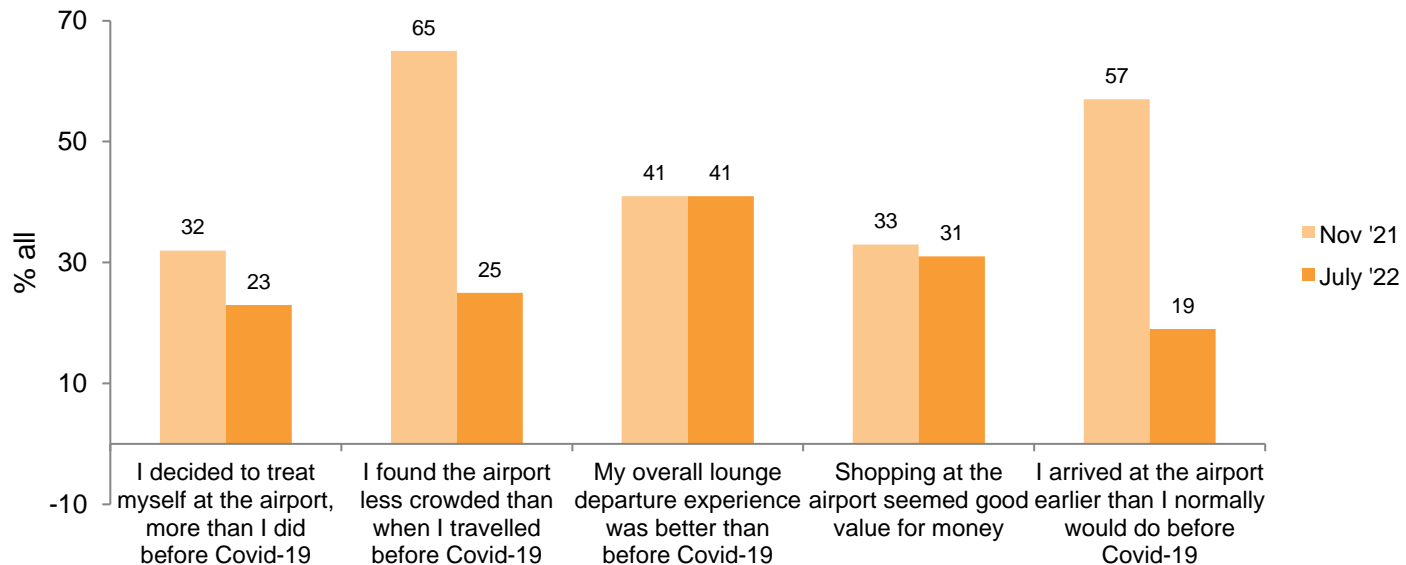
- Both past and future flyers (both all UK and LHR) are increasingly concerned about the rising cost of living. They claim they are now cutting back on non-essential purchases and are less likely to buy treats:
 - Future LHR flyers are slightly less like to agree they are starting to cut back on non-essential purchases than all future UK flyers (but 1 in 5 strongly agree that they are).
- This year's sample of flyers is more likely to claim they're spending less than last year's (in all shops and not just in UK airport departure lounge shops), with 46% claiming they are now spending less compared to 22% who claim they're spending more. This seems to be impacting all categories except toiletries/healthcare, with formal wear, luxury goods and jewellery showing particularly large claimed reductions:
 - The current trend to WFH and meeting with colleagues and clients online rather than in person will be likely to be negatively impacting the purchasing of formal wear
- They are also claiming to spend less in UK airports:
 - Claimed expenditure in departure lounge shops was significantly lower in July '22 – with the % saying they didn't buy anything increasing from 14% to 24%. The same is true for departure restaurants and bars – with the % saying they didn't visit the restaurants or bars growing from 12% to 19%.
 - There are still more claiming to spend more in UK airports/LHR's shops than are claiming to spend less, but the % difference has decreased.
- In the future, more claim they will buy food and drink in the airports (but 'take outs' rather than from restaurants and bars?), but fewer claim they are likely to buy all other categories except alcohol – with luxury goods and clothing accessories seeing the largest declines:
 - Conversely, more are claiming they are unlikely to buy all categories except food and drink when next in a UK airport departure lounge
 - Future LHR flyers show some claimed increase in likelihood to buy cigarettes/tobacco.

Changing perceptions

Post Covid-19 airport experience: Agreement all flying post March '20

Q To what extent do you agree or disagree with these statements?

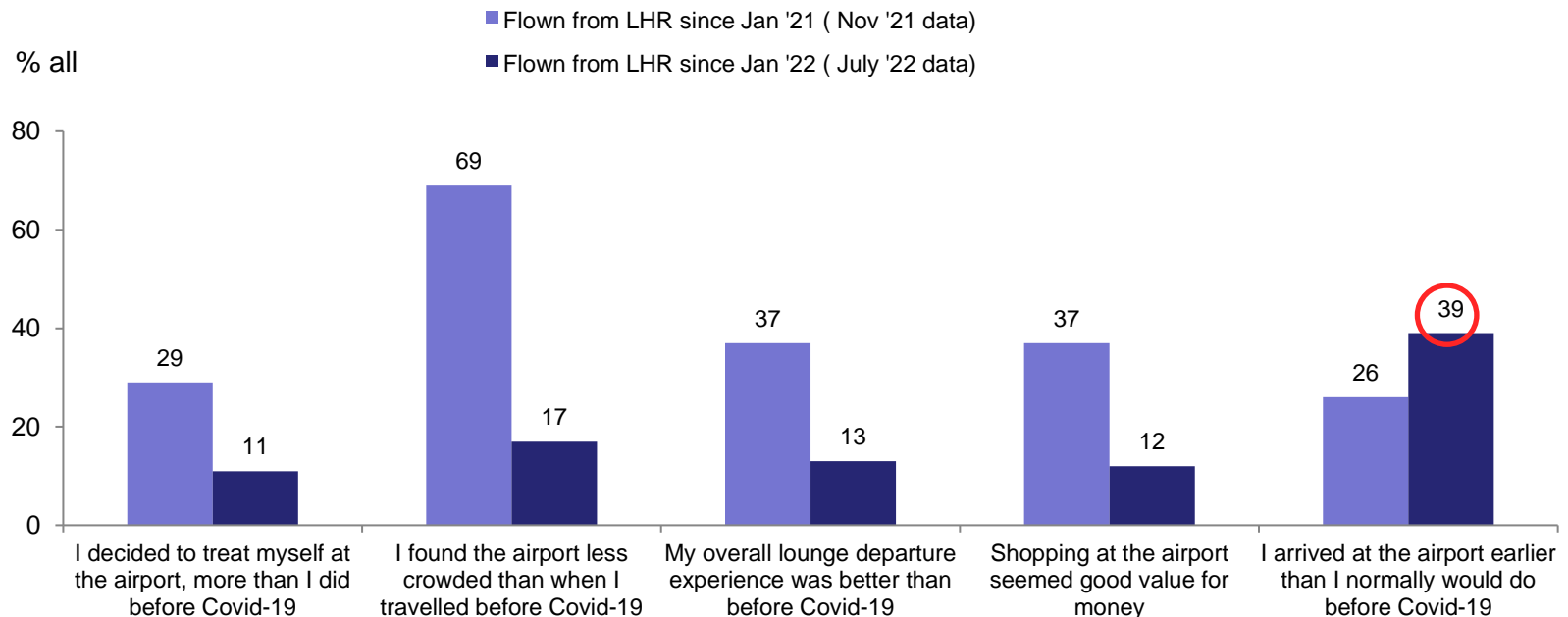
Strongly agree + Agree



Airport more crowded, and arrived earlier this year -
and less likely to want to treat themselves

Post Covid-19 airport experience for LHR: Strongly agree + Agree

Q. To what extent do you agree or disagree with the following statements



Perceptions of LHR airport experience not nearly as positive this year – and more agreed they had arrived at the airport early.

Post Covid-19 airport experience by when last flown from or through LHR: % agree less % disagree



Q To what extent do you agree or disagree with the following statements

	% agree less % disagree	
	Nov '21	July '22
I decided to treat myself at the airport, more than I did before Covid-19	+12	-19
I found the airport less crowded than when I travelled before Covid-19	+59	9
My overall lounge departure experience was better than before Covid-19	+32	-1
Shopping at the airport seemed good value for money	+17	-20
I arrived at the airport earlier than I normally would do before Covid-19	+48	+52

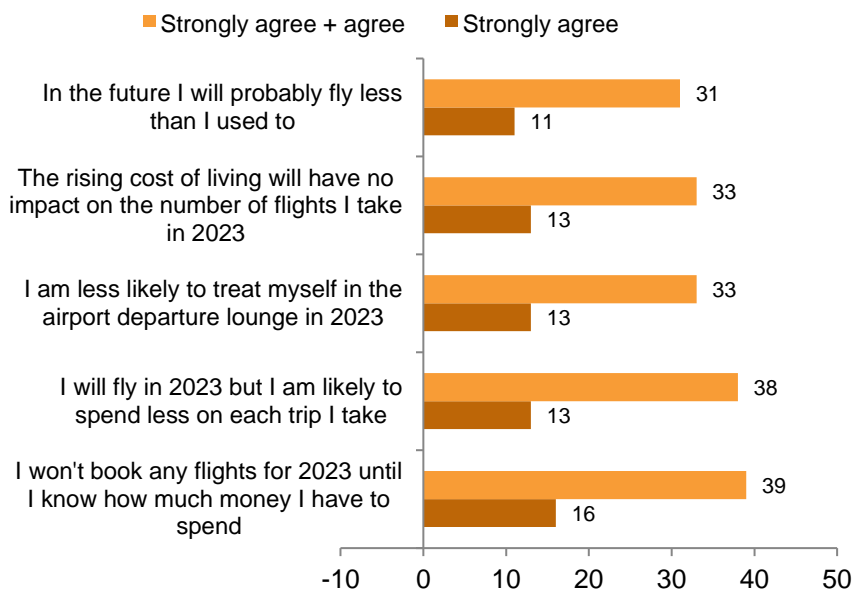
Significant shift in value for money perceptions among those travelling through LHR – now more feel it’s not good value for money. Also far less likely to agree airport experience was a positive one, and far less likely to agree that they treated themselves – more now believe they didn’t treat themselves.

Base: Flown from LHR since Jan '21 (Nov '21 data) = 473, Since Jan '22 (July '22 data) = 645

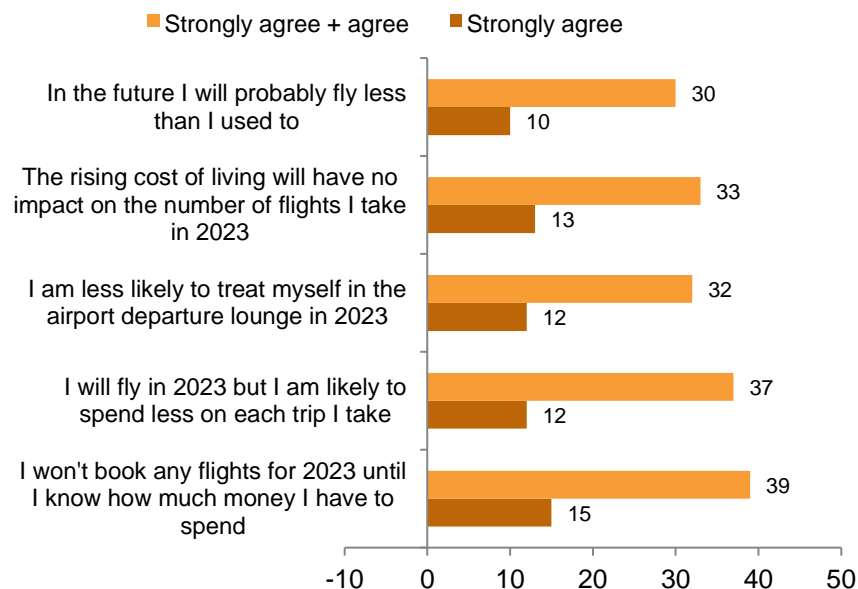
Future flying perceptions for those likely to fly from a UK airport in next 12 months: '22 data only

Q To what extent do you agree or disagree with these statements?

All flown since July '19



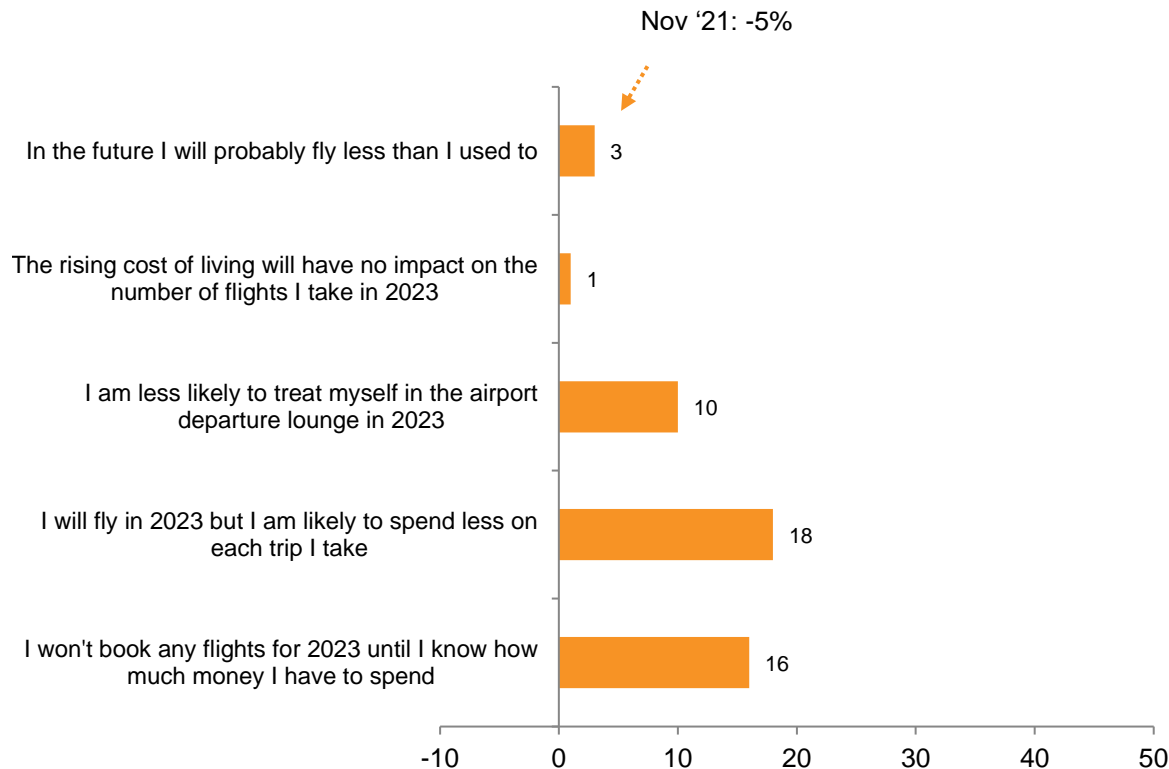
All likely to fly next 12 months



Approximately 1 in 10 strongly agree they will fly less in the future. A slightly higher proportion strongly agree they will spend less on each flight and won't book any flights in 2023 until they know how much money they will have.

Future flying perceptions for those likely to fly from a UK airport in next 12 months: % agree less % disagree

Q: To what extent do you agree or disagree with these statements?

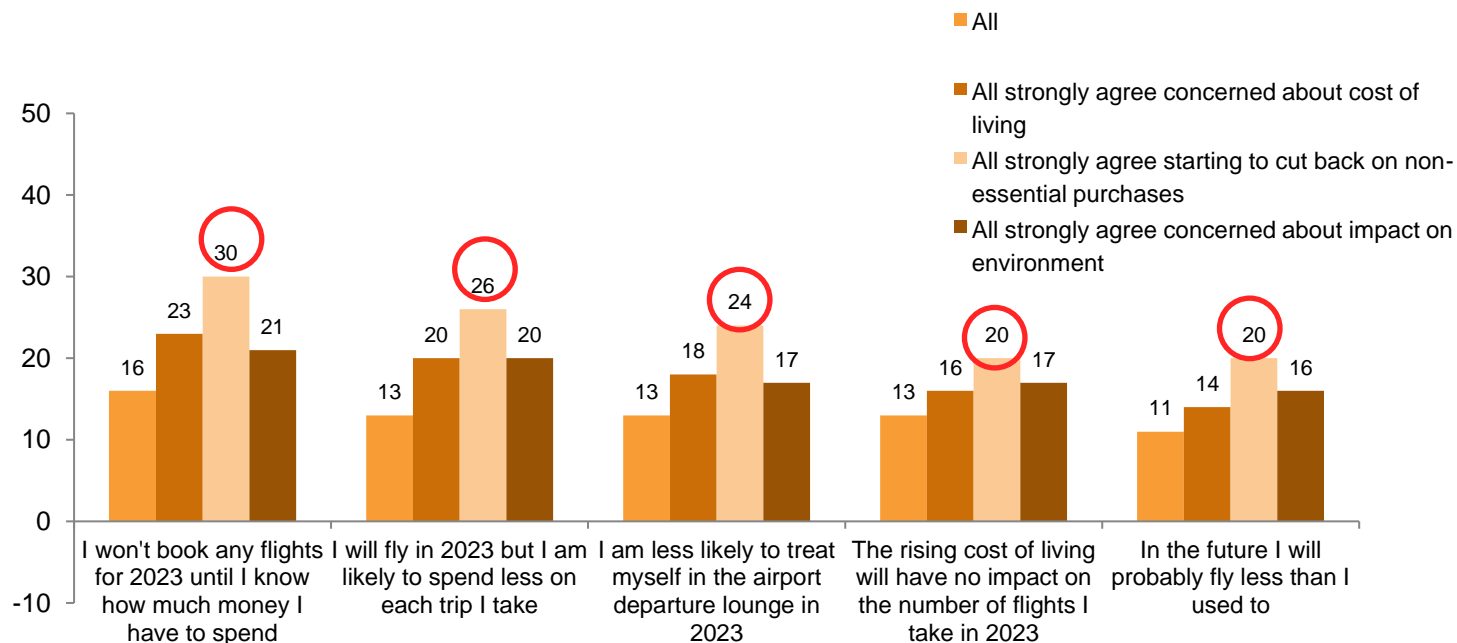


Flyers are split on whether they will fly more or less in the future. But, on balance, they agree they will wait to see how much money they have before they book any flights, and they will spend less on each trip. Also treats at the airport seem less likely.

Fewer disagreeing in this survey that they will fly less in the future → a small shift to flying less?

Future flying perceptions for those likely to fly from a UK airport in next 12 months by agreement with statements: '22 data only

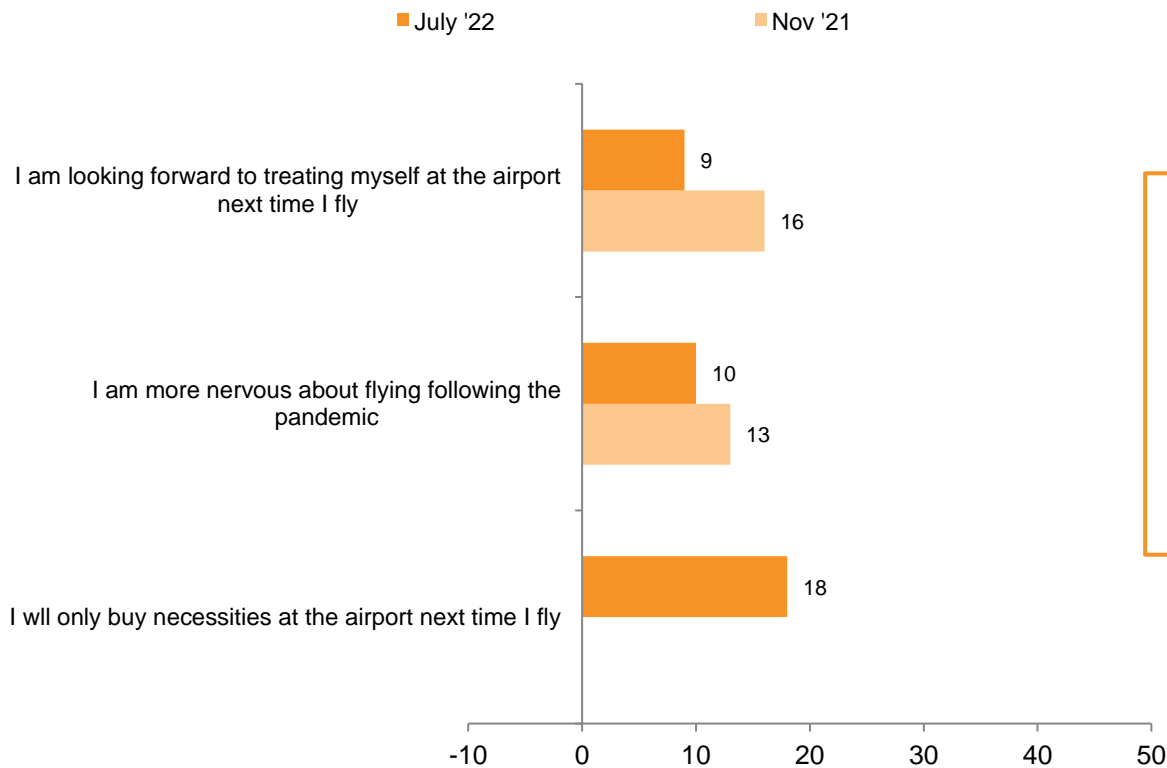
Q To what extent do you agree or disagree with these statements?



Strong agreement (with all the statements) was highest among those starting to cut back on non-essential purchases (28% of the sample)

Future flying perceptions for those likely to fly in next 12 months: Strongly agree

Q23: To what extent do you agree or disagree with these statements?

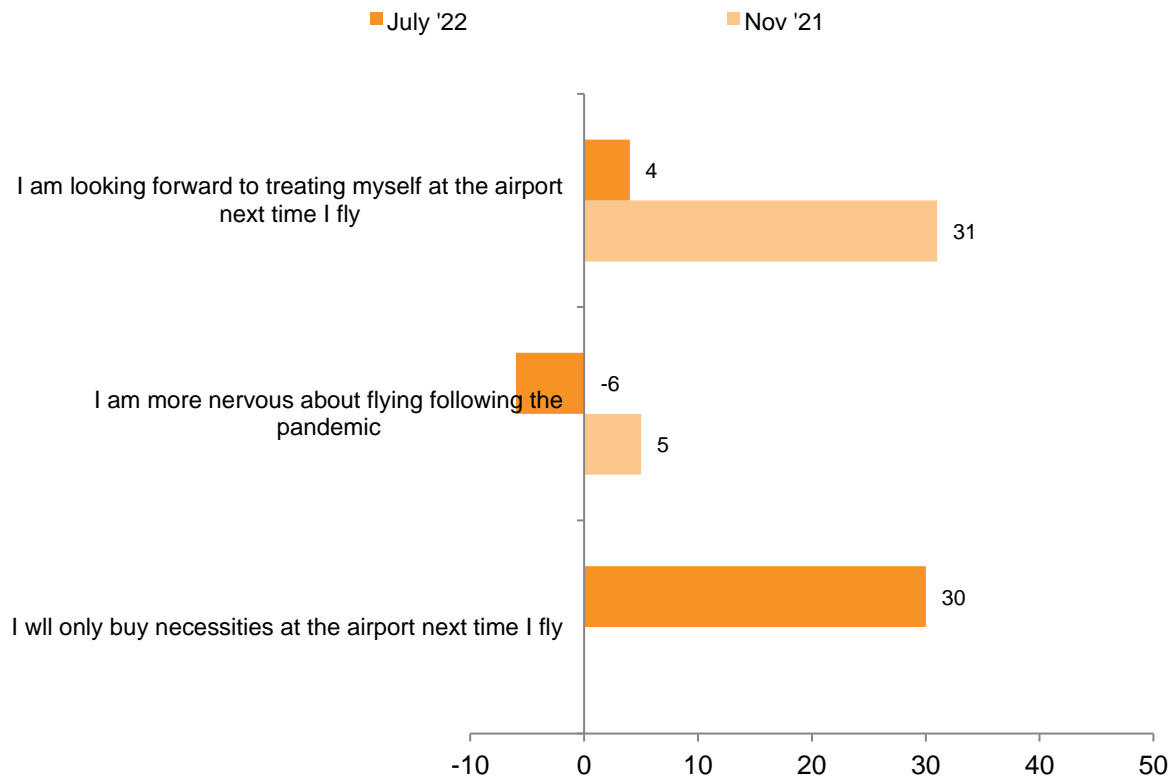


Decline in strong agreement they will treat themselves next time they fly and, to a lesser extent, post-pandemic nervousness.

18% strongly believe they will only buy necessities.

Future flying expectations for those likely to fly in next 12 months: % agree less % disagree

Q: To what extent do you agree or disagree with these statements?

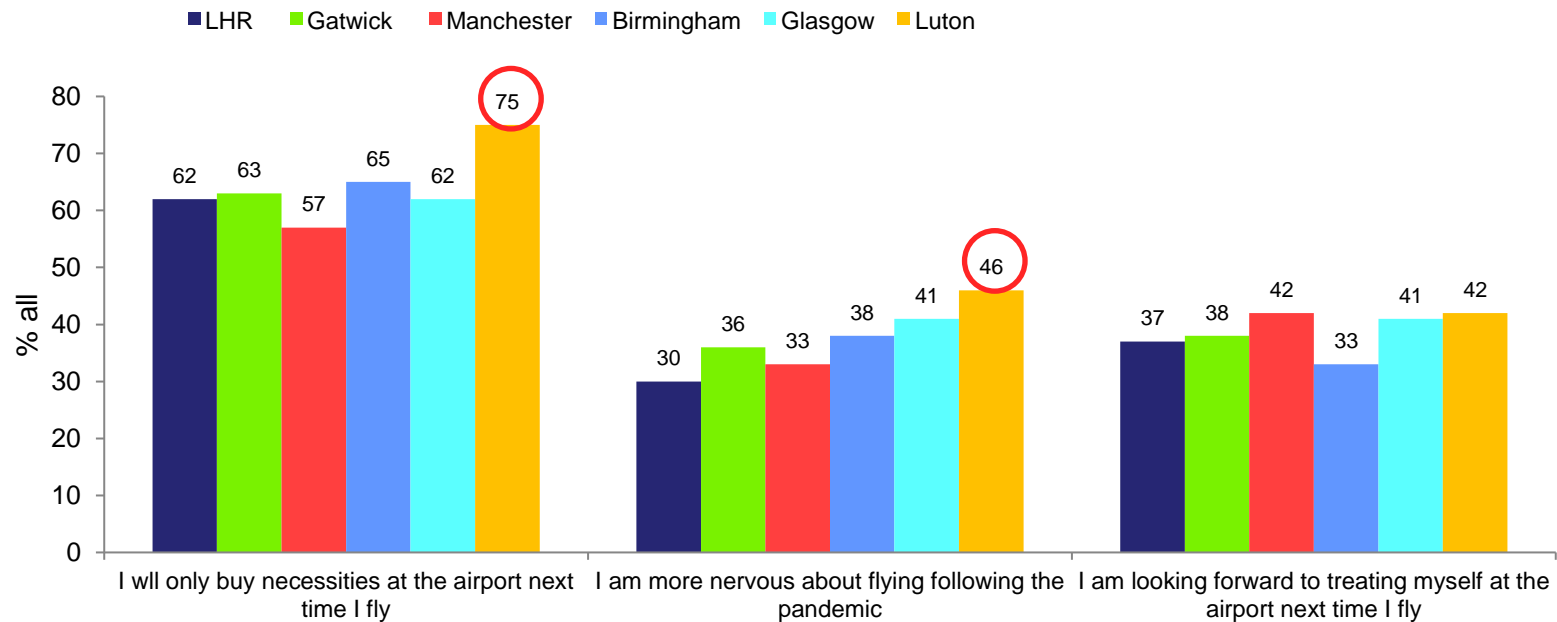


Data suggests the days of revenge spend have almost come to an end, and now many more will stick to buying just necessities.

Nervousness about flying following the pandemic has also declined with more now disagreeing they are nervous.

Future flying expectations by airport most likely to fly from ('22 data only): % strongly agree + agree

Q23: To what extent do you agree or disagree with these statements?



Flyers from Luton most likely to agree they will only buy necessities, and to be the most nervous. Flyers from LHR are the least nervous.

Summary: Changing attitudes

Recent flying experience

- The airport experience was significantly less positive this year – the airport was more crowded and value for money perceptions are lower. Flyers were more likely to arrive early for their flights and less likely to treat themselves once they arrived (or so they claimed).
- LHR flyers were similarly less positive:
 - Now the majority feel shopping at the airport is not good value for money, and the majority believe they didn't treat themselves
 - However LHR flyers were no more likely to arrive early.

Future flying

- Cost of living concerns may have an impact on the number of future flights taken:
 - Approximately 1 in 10 strongly agree they will fly less in the future (and fewer now disagree that they will fly less in the future). Agreement with this statement was highest among those claiming to be cutting back on non-essential purchases.
 - However nervousness about flying has decreased, and this higher level of confidence may help to maintain passenger numbers (particularly true for LHR flyers)
 - Also strong agreement with the statement 'The rising cost of living will have no impact on the number of flights I take in 2023' was highest among those claiming to be cutting back on non-essential purchases

Summary: Changing attitudes

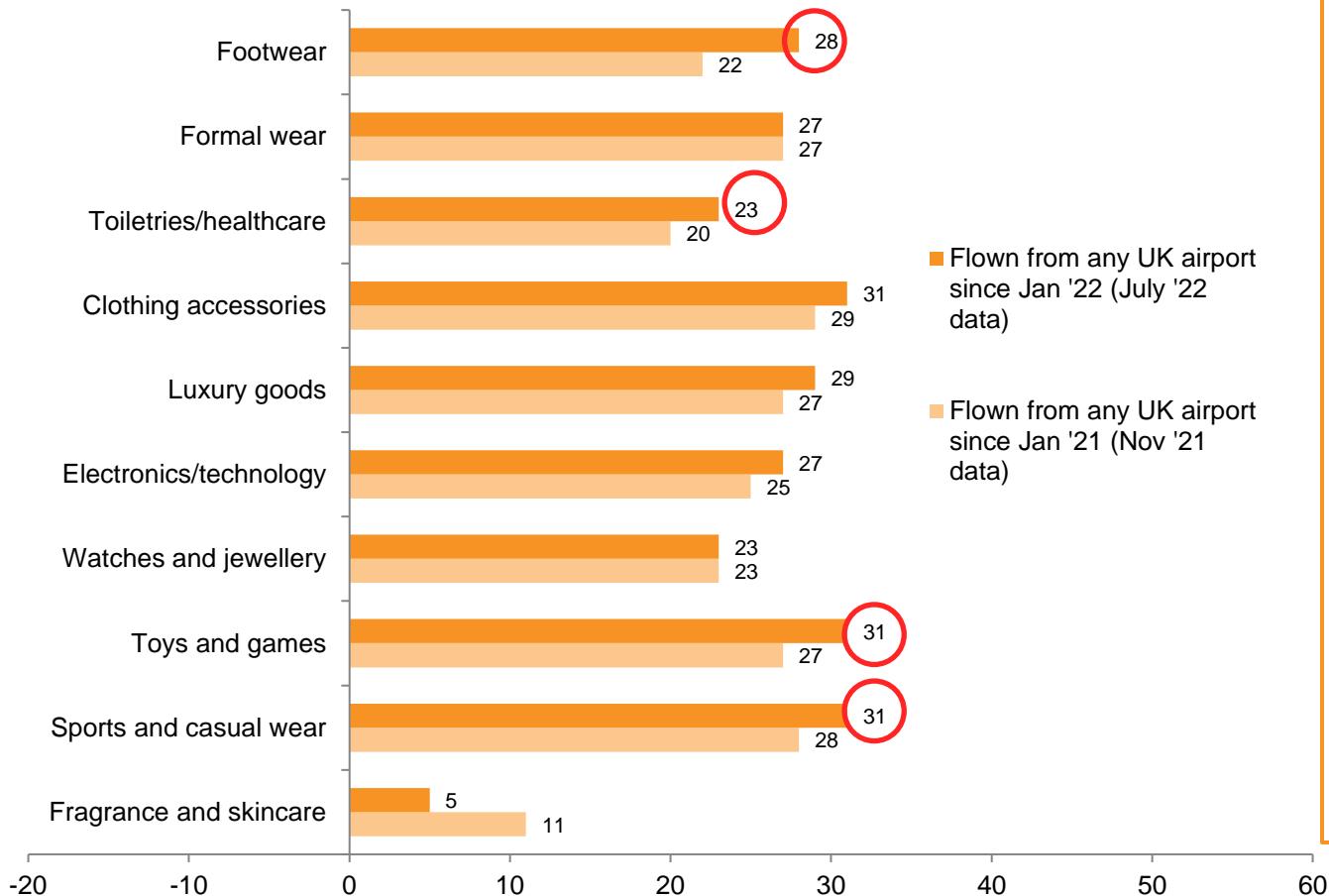
Future flying (cont)

- It seems more likely that cost of living concerns will have an impact on the types of flights taken (more short haul, more economy):
 - 37% of next 12 months flyers agree they will spend less on each trip and 39% agree they won't book any flights in 2023 until they know how much money they will have
 - Strong agreement with these statements was highest among those starting to cut back on non-essential purchases
- Cost of living concerns seem very likely to have an impact on their airport shopping:
 - 18% strongly agree they will only buy necessities the next time they fly (28% agree)
 - Strong agreement with 'I am less likely to treat myself in the airport departure lounge in 2023' was highest among those starting to cut back on non-essential purchases

Price perceptions

Price perceptions by when flown through any UK airport: % more expensive less % cheaper

Q How would you rate the price of the following products in UK airport departure lounge shops relative to the prices away from the airport?



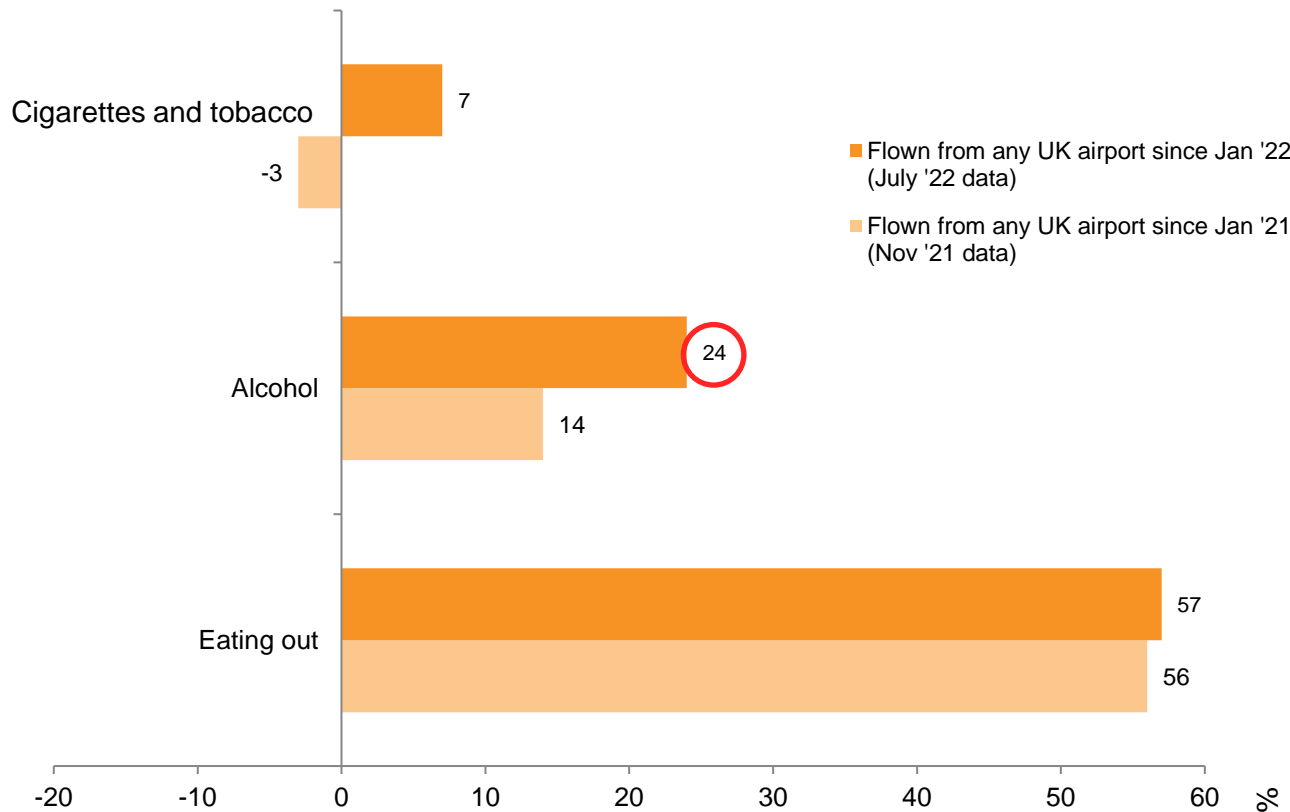
All recent flyers continue to think prices in UK airports are higher.

This year more think footwear, toiletries, toys and games and sports/casual wear are more expensive.

However, fewer think fragrance and skincare is more expensive (some flyers may believe fragrance /skincare is duty free – see page 66).

Price perceptions by when flown through any UK airport (cont.): % more expensive less % cheaper

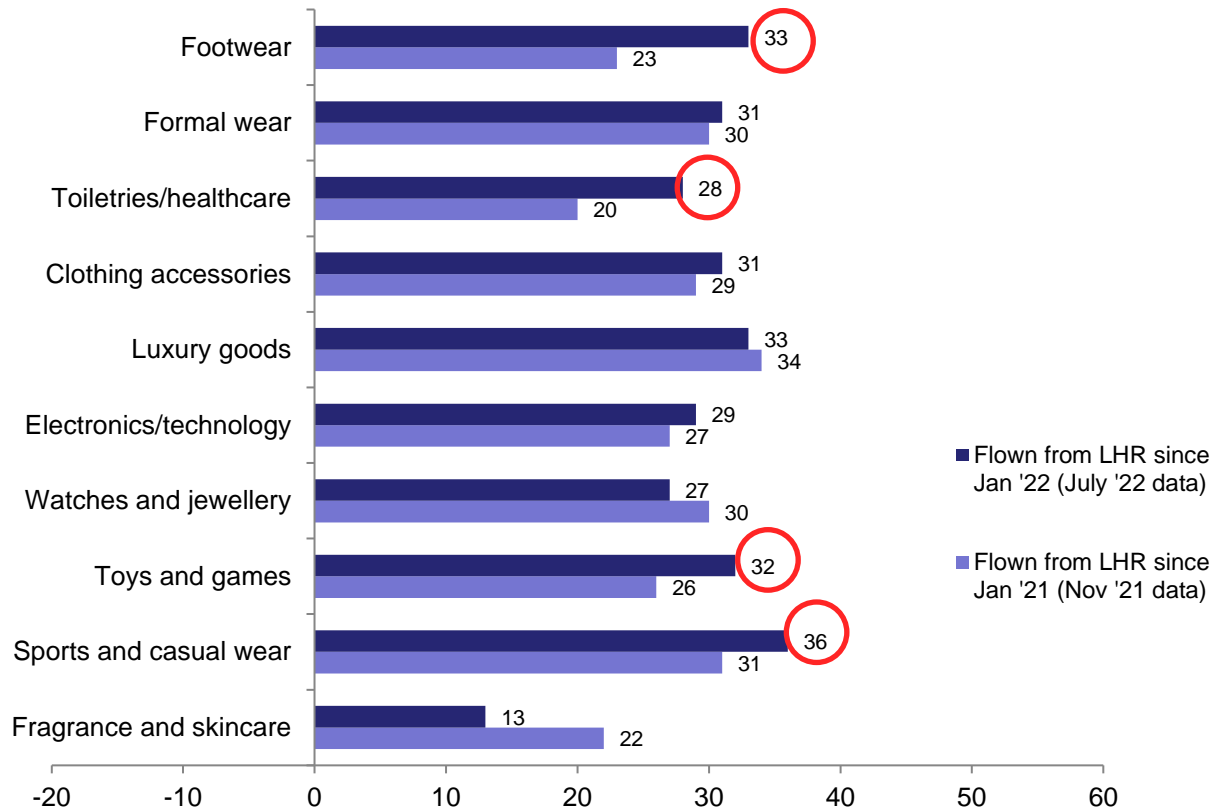
Q How would you rate the price of the following products in UK airport departure lounge shops relative to the prices away from the airport?



Relatively high price perceptions of both alcohol and cigarettes/tobacco have increased despite the change in Duty Free law

LHR flyer price perceptions by when flown from or through LHR: % more expensive less % cheaper

Q How would you rate the price of the following products in UK airport departure lounge shops relative to the prices away from the airport?

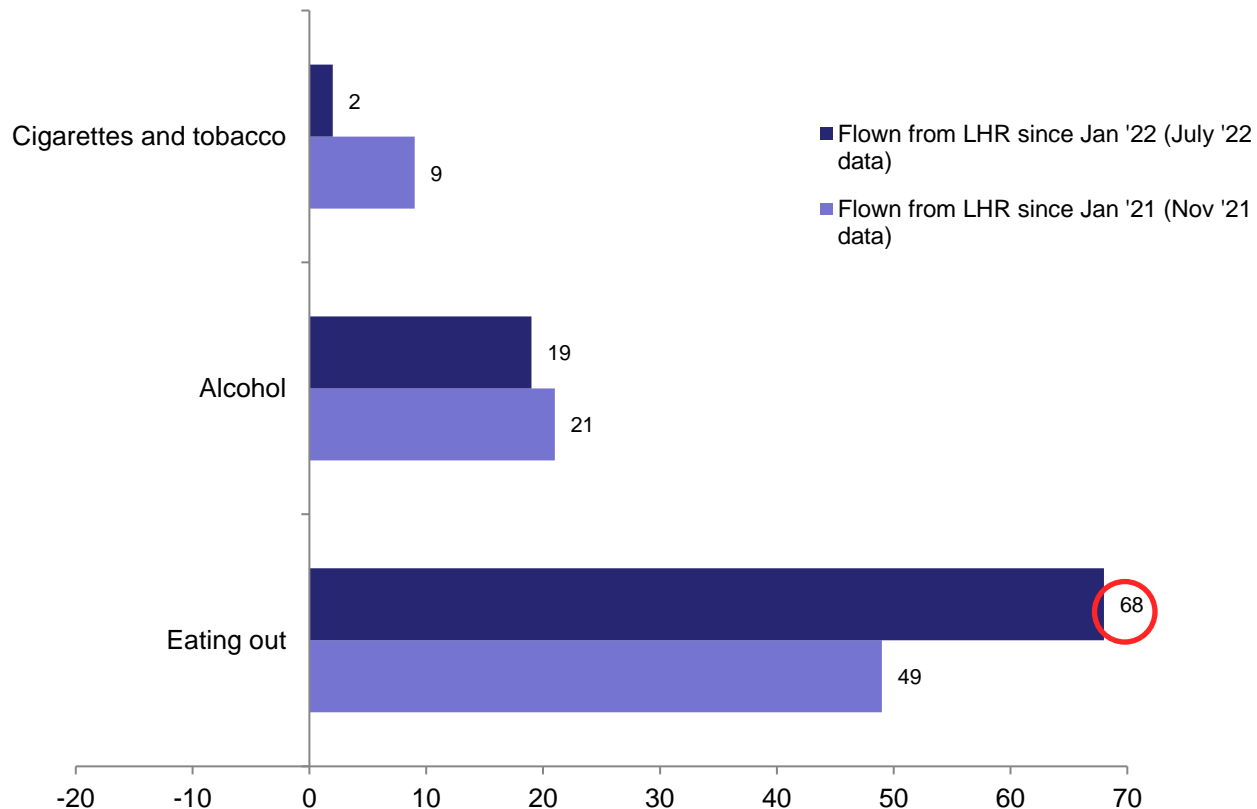


Higher price perceptions of footwear, toiletries/healthcare, toys/games and sports/casual wear have increased among recent LHR flyers.

However, fewer think fragrance/skincare is more expensive.

LHR flyer price perceptions by when flown from or through LHR: % more expensive less % cheaper

Q How would you rate the price of the following products in UK airport departure lounge shops relative to the prices away from the airport?



Among recent LHR flyers high price perceptions of both alcohol and cigarettes/tobacco have decreased. This may be a result of the increase in the % of LHR flyers aware of the law change since '21 (see page 64).

However, high price perceptions of eating out has increased.

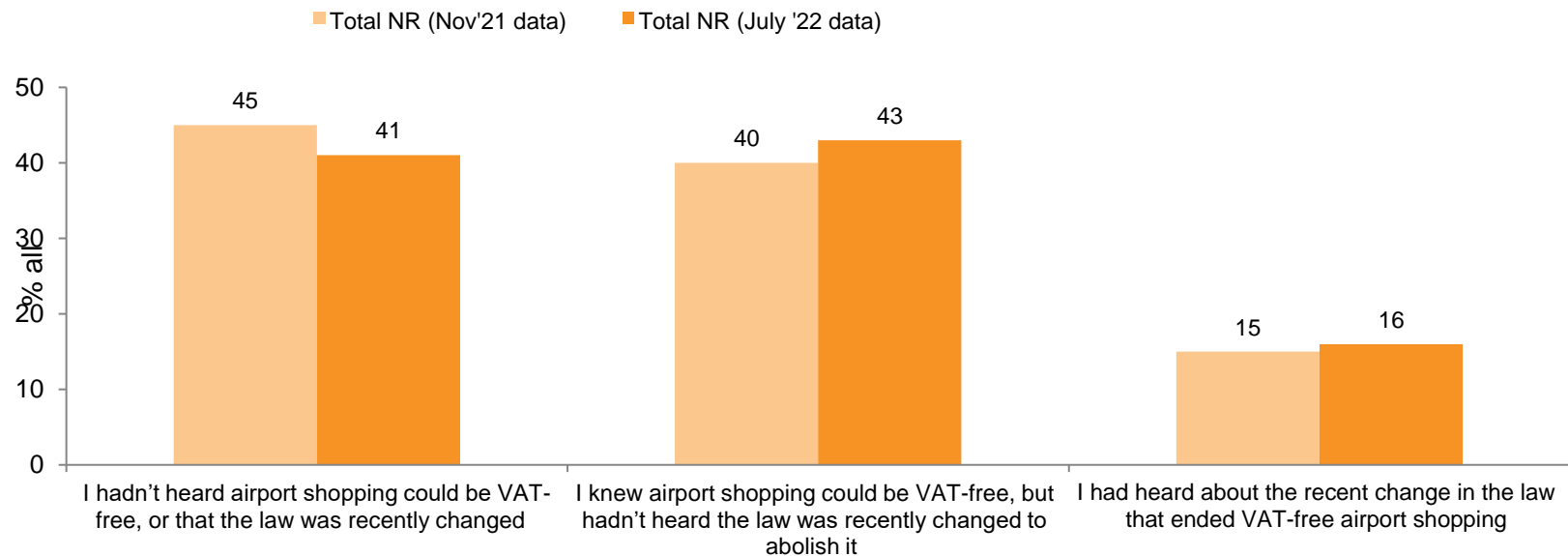
Summary: Price perceptions

- Prices in UK airports are generally agreed to be higher than elsewhere:
 - This is particularly true for footwear, toiletries, toys and games and sports/casual wear – and high price perceptions for these categories have increased among recent LHR flyers
 - But less true for fragrance and skincare
- Despite the change in Duty Free law, high price perceptions of both alcohol and cigarettes/tobacco have increased in general, but decreased among LHR flyers as more LHR flyers have gained awareness of the law change.
- High price perceptions of eating out has increased among recent LHR flyers.

Awareness and impact of tax changes

Awareness of VAT change (nat rep sample – weighted data): July '22 v Nov '21

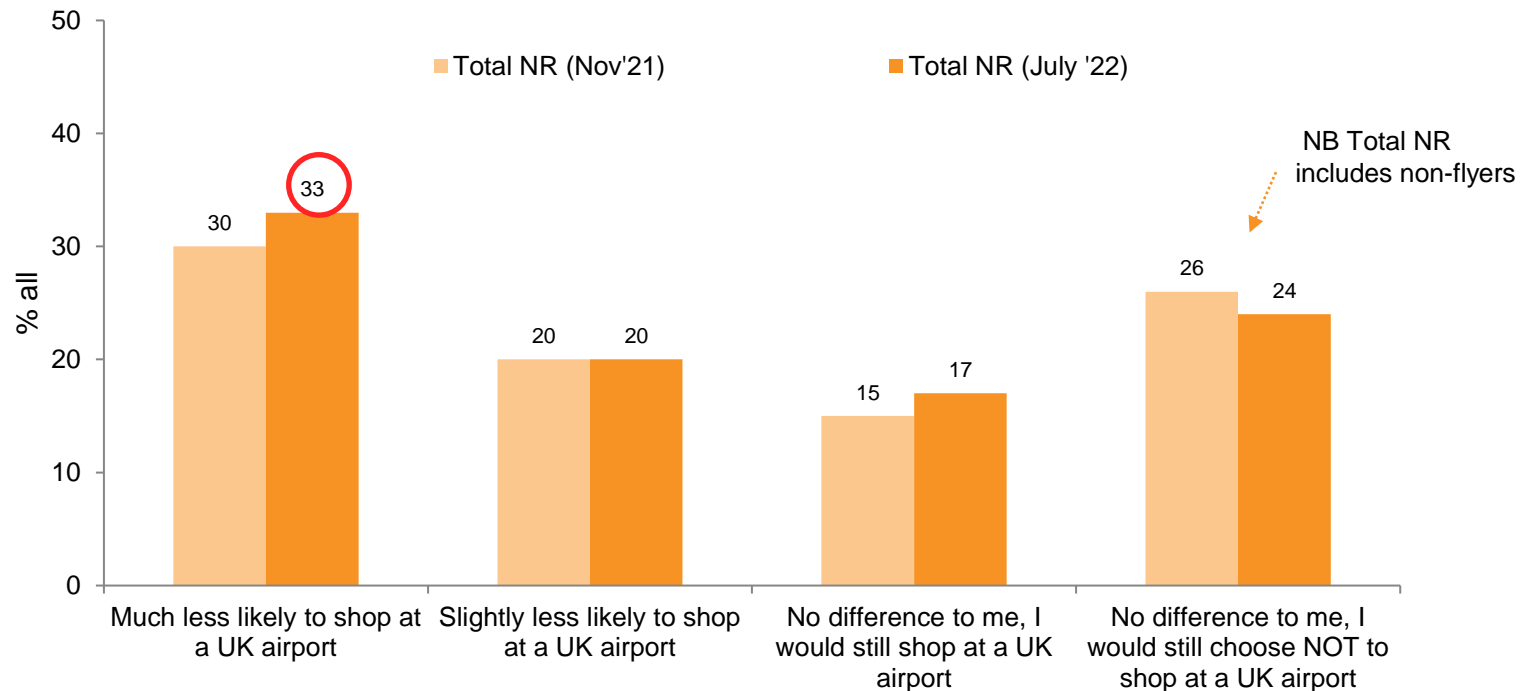
Q On 1st January 2021, the UK government changed the laws around VAT-free shopping. Previously, shops in UK airports could sell goods VAT-free to passengers travelling outside the EU. Now, VAT is required to be paid on all purchases made in airports, regardless of where you are travelling. Before today, had you heard of this change in law?



Slight increase in % of the UK population aware of the recent change in law regarding VAT-free shopping – but 43% still believe shopping could be VAT-free.

Impact of VAT change on spend (nat rep sample – weighted data): July '22 v Nov '21

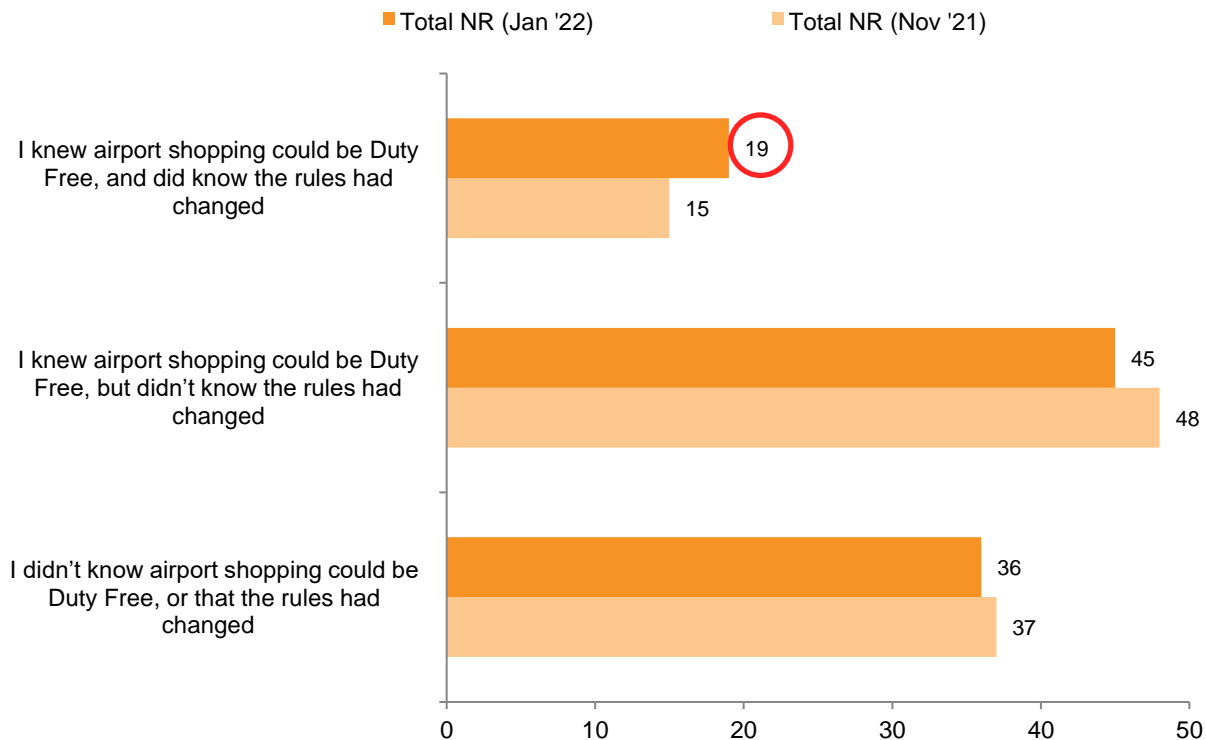
Q Now that you know airport shopping in the UK is no longer VAT-free, how do you feel about shopping for items (such as clothing, electronics, jewellery) at a UK airport?



Some increase in the % of 'those in the know' saying knowledge of the VAT change makes them less likely to shop at a UK airport

Awareness of Duty Free change (nat rep sample – weighted data): July '22 v Nov '21

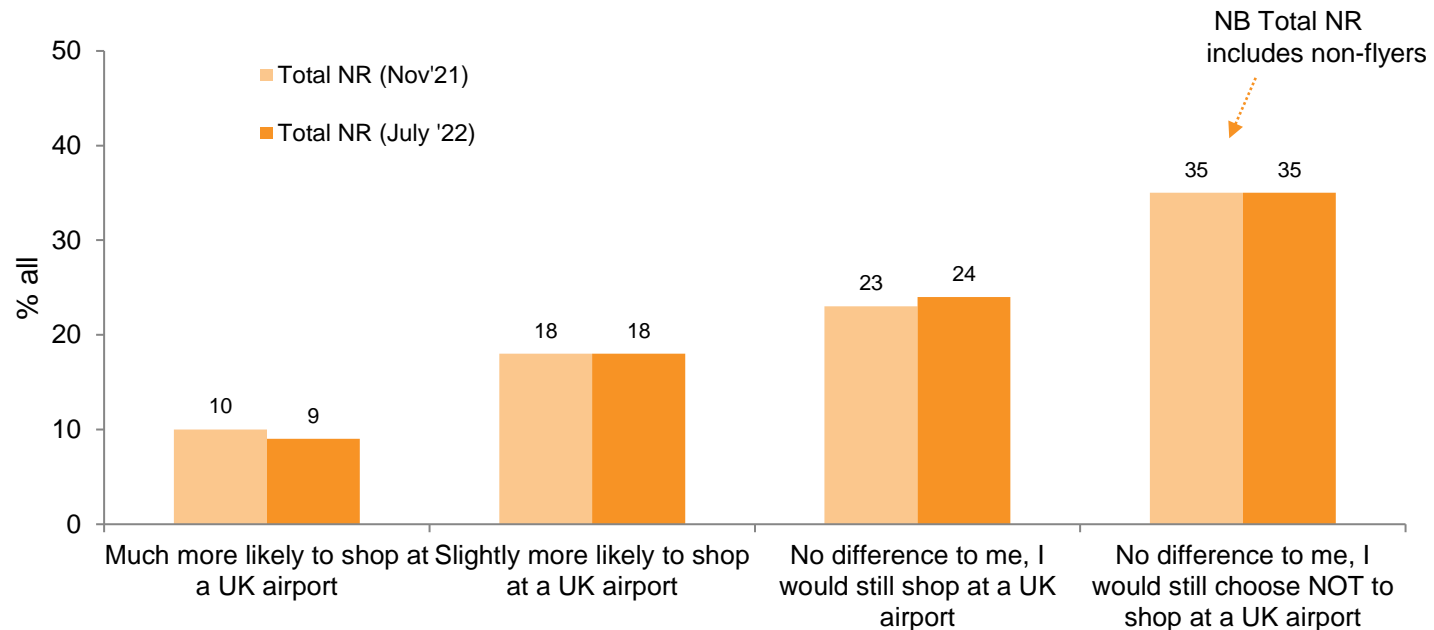
Q Also on January 1st 2021, the UK government extended Duty Free shopping on Alcohol and Tobacco to all passengers travelling from a UK Airport. Previously, shops in UK airports could only sell Duty Free Alcohol and Tobacco to passengers travelling outside the EU. Before today, had you heard of this change in law?



Increase in awareness Duty Free rules have changed, but 36% still unaware of Duty Free buying opportunities

Impact of Duty-Free change on spend (nat rep sample – weighted data): July '22 v Nov '21

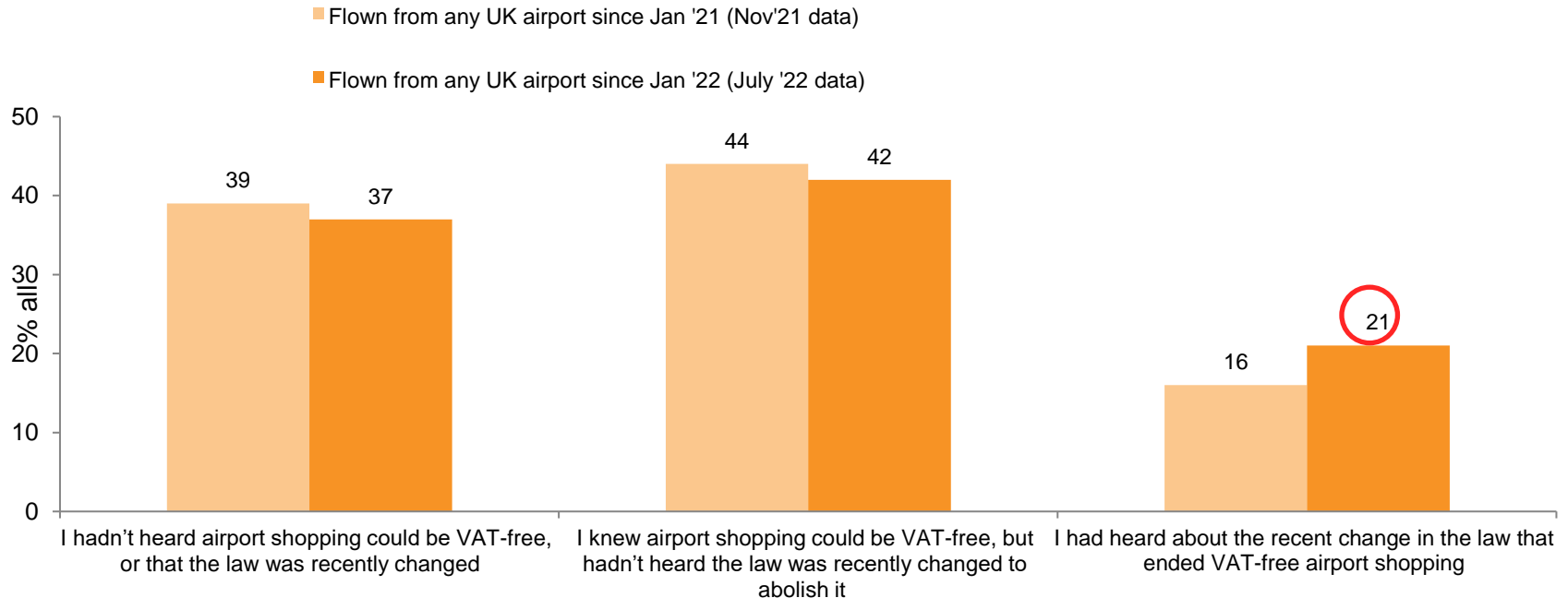
Q Now that you know shopping for Alcohol and Tobacco in UK airports is duty free for everyone, how do you feel about shopping for Alcohol and Tobacco at a UK airport?



Little change on impact to shop (among 'those in the 'know')

Awareness of VAT change (flown from any UK airport): July '22 v Nov '21

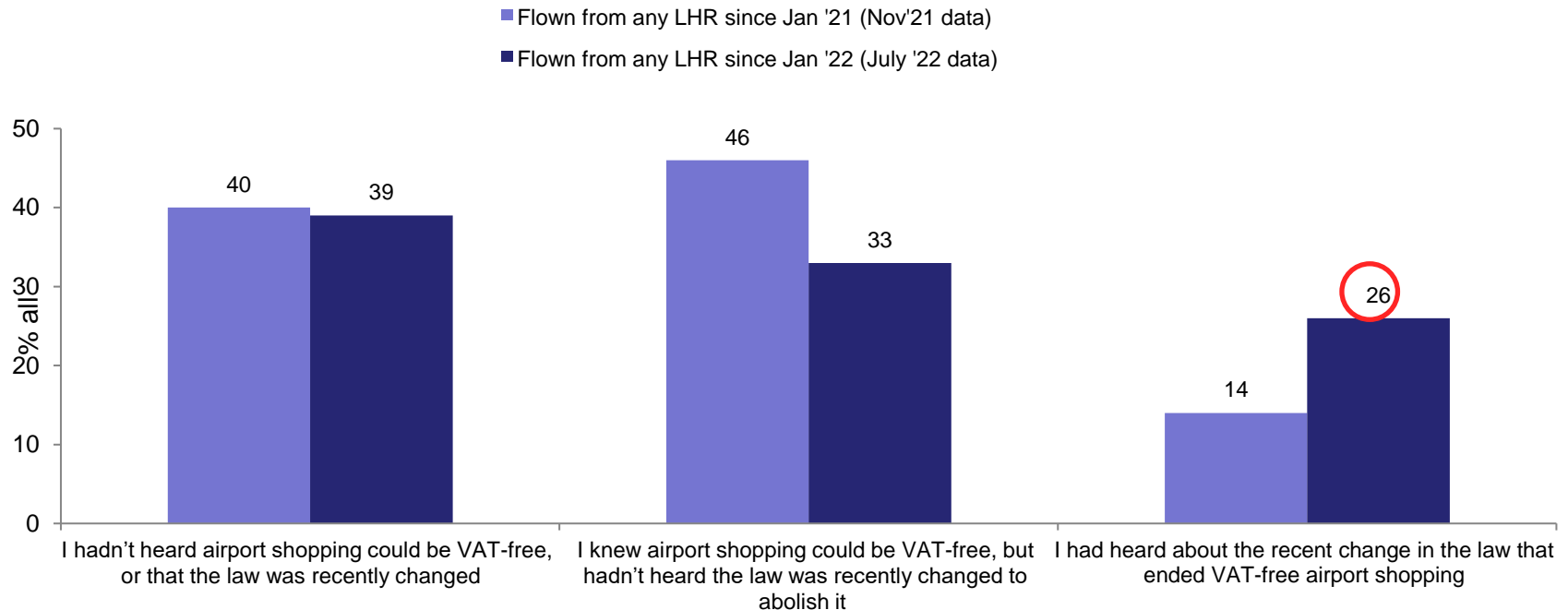
Q On 1st January 2021, the UK government changed the laws around VAT-free shopping. Previously, shops in UK airports could sell goods VAT-free to passengers travelling outside the EU. Now, VAT is required to be paid on all purchases made in airports, regardless of where you are travelling. Before today, had you heard of this change in law?



Slight increase in % of recent UK flyers who are aware of the recent change in law regarding VAT-free shopping – but 42% still believe shopping is VAT-free.

Awareness of VAT change (flown from LHR): July '22 v Nov '21

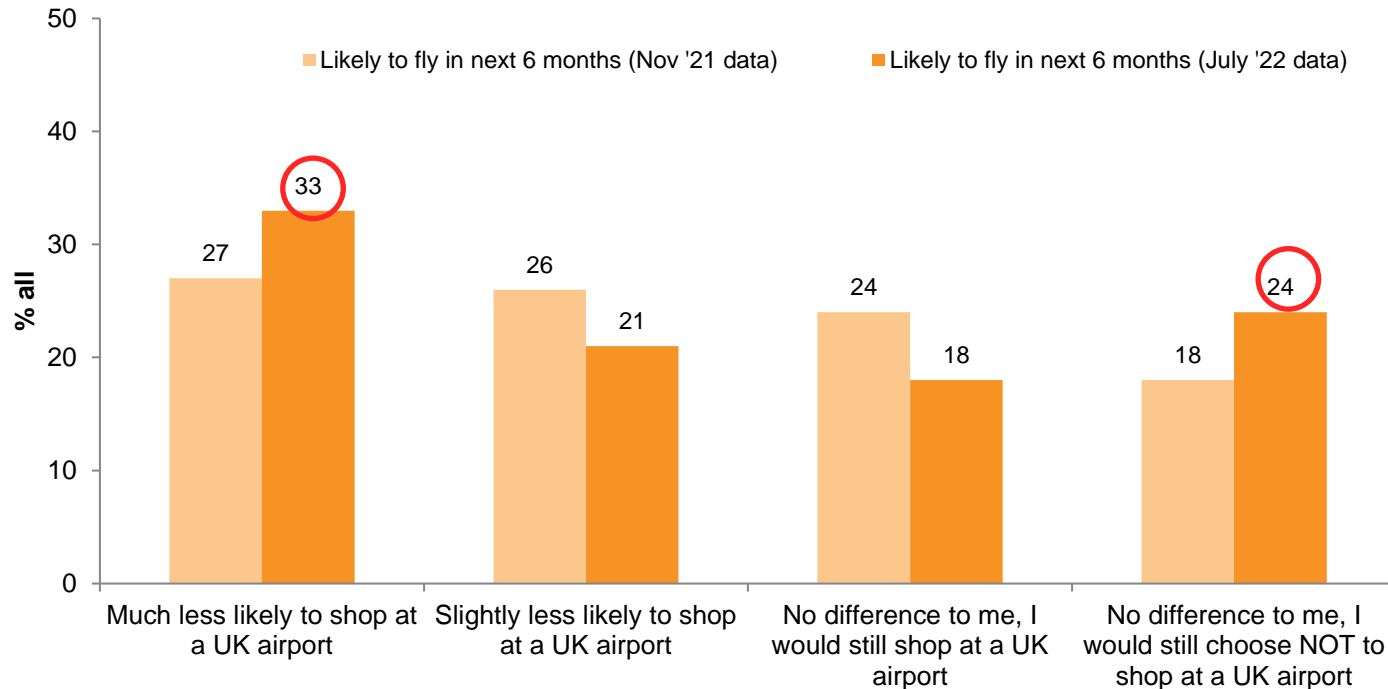
Q On 1st January 2021, the UK government changed the laws around VAT-free shopping. Previously, shops in UK airports could sell goods VAT-free to passengers travelling outside the EU. Now, VAT is required to be paid on all purchases made in airports, regardless of where you are travelling. Before today, had you heard of this change in law?



Recent LHR flyers are more aware of the law change this year, but 33% still believe airport shopping is VAT-free

Impact of VAT change on spend: July '22 v Nov '21 (likely to fly in next 6 months)

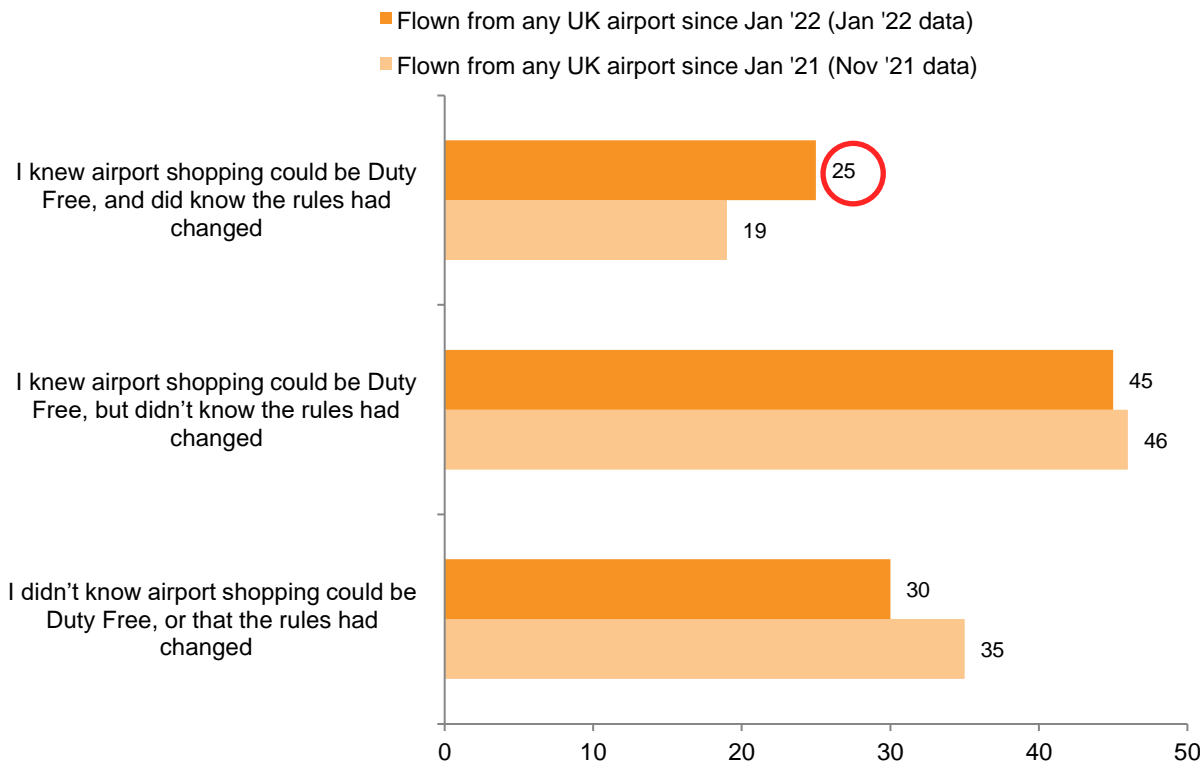
Q Now that you know airport shopping in the UK is no longer VAT-free, how do you feel about shopping for items (such as clothing, electronics, jewellery) at a UK airport?



This year, knowledge of the change in law re VAT is driving more to say they would be much less likely to shop at a UK airport

Awareness of Duty Free change (flown from any UK airport): July '22 v Nov '21

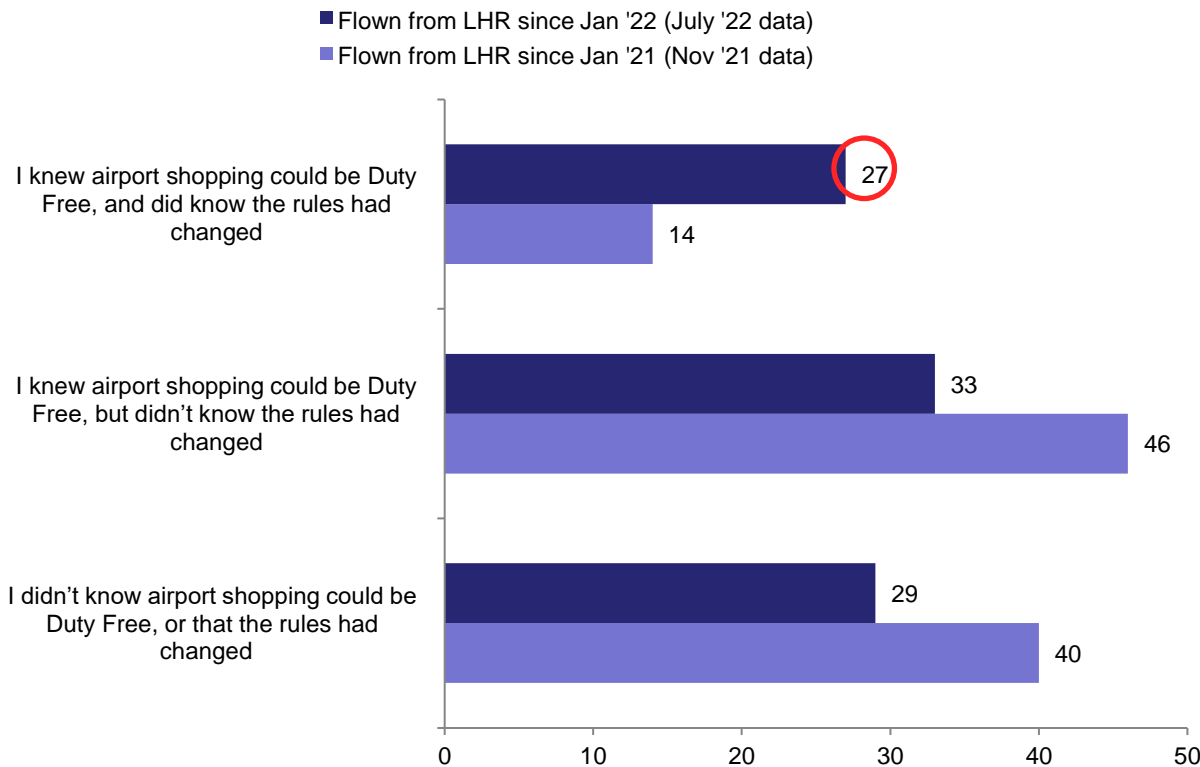
Q Also on January 1st 2021, the UK government extended Duty Free shopping on Alcohol and Tobacco to all passengers travelling from a UK Airport. Previously, shops in UK airports could only sell Duty Free Alcohol and Tobacco to passengers travelling outside the EU. Before today, had you heard of this change in law?



The % of recent flyers from any UK airport aware of the law change has risen since last year, but 30% still unaware of potential Duty Free buying

Awareness of Duty Free change (flown from LHR): July '22 v Nov '21

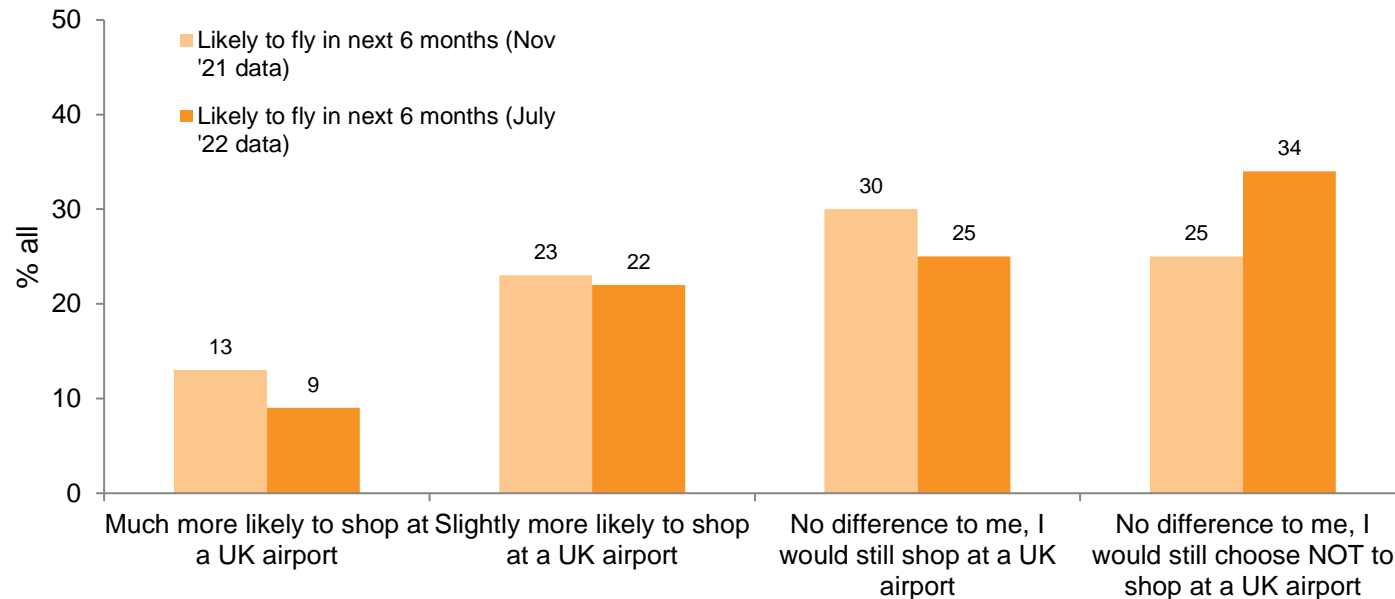
Q Also on January 1st 2021, the UK government extended Duty Free shopping on Alcohol and Tobacco to all passengers travelling from a UK Airport. Previously, shops in UK airports could only sell Duty Free Alcohol and Tobacco to passengers travelling outside the EU. Before today, had you heard of this change in law?



Significant increase in the % of LHR flyers aware of the law change since '21

Impact of Duty-Free change on spend: July '22 v Nov '21 (likely to fly in next 6 months)

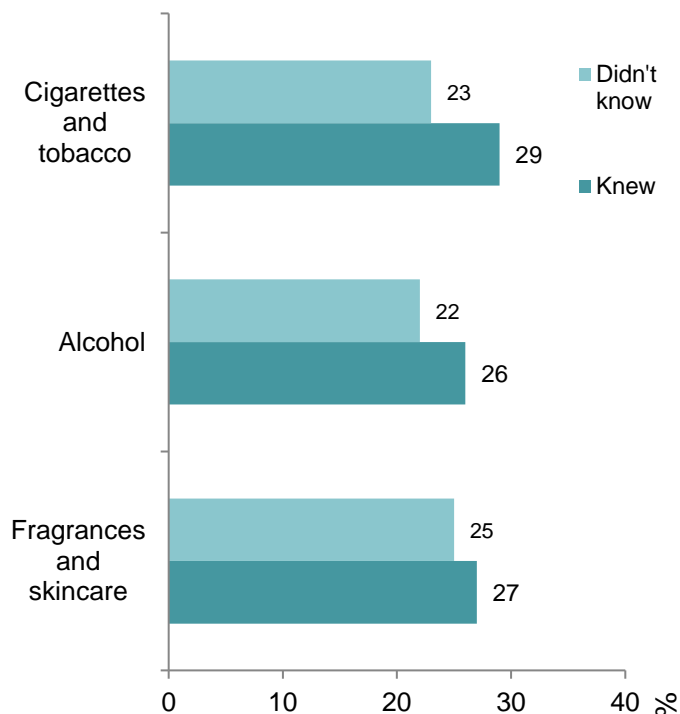
Q Now that you know shopping for Alcohol and Tobacco in UK airports is duty free for everyone, how do you feel about shopping for Alcohol and Tobacco at a UK airport?



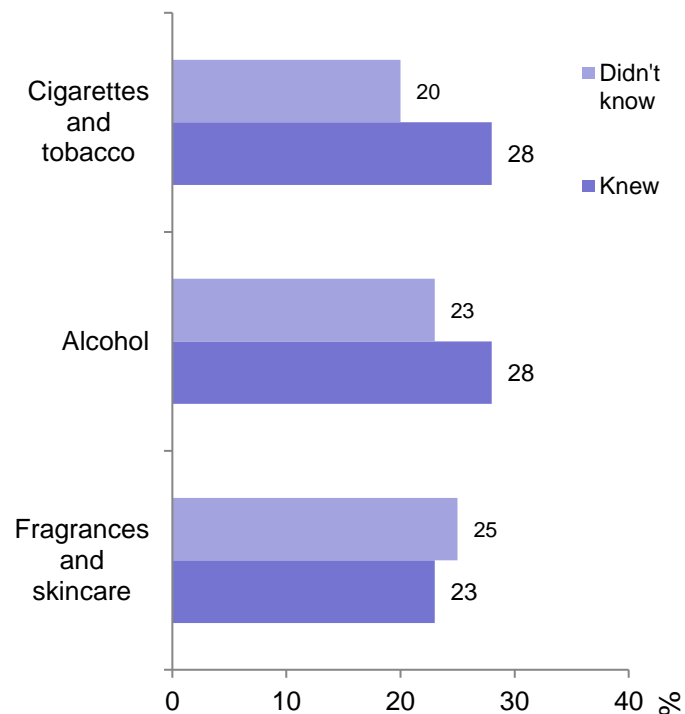
This year fewer future flyers are saying knowledge of the change in the Duty Free law will persuade them to shop at a UK airport. This may reflect a desire to cut non-essential purchases

Impact of awareness of Duty Free law change on price perceptions

% believing category cheaper at UK airports



% believing category cheaper at UK airports



Those aware of the Duty Free change are more likely to rate Alcohol and Tobacco as cheaper at the airports – also Fragrances etc at all airports but not at LHR.

Summary: Awareness and impact of tax changes

- There has been a slight increase in the % of 'since January' UK flyers who are aware of the recent change in law regarding VAT-free shopping, but 42% still believe shopping is VAT-free (43% of all adults):
 - Recent LHR flyers are more aware of the law change this year, but 33% believe shopping is VAT-free
 - This year, knowledge of the change in law re VAT is driving more to say they would be much less likely to shop at a UK airport
- The % of recent flyers from any UK airport aware of the Duty Free law change has risen since last year, but 30% of recent flyers (36% of all adults) still unaware of Duty Free buying opportunities :
 - In particular, there has been a significant increase in the % of recent LHR flyers aware of the change (but 29% still not aware)
 - This year fewer future flyers are saying knowledge of the change in the Duty Free law will persuade them to shop at a UK airport. This may reflect a desire to cut non-essential purchases.
 - However, those 'in the know' have more positive price perceptions of alcohol and cigarettes/tobacco

Conclusions and Recommendations

- **A higher percentage of this year's recent flyer sample is middle-aged**, suggesting that more families have flown since the start of the year as people return to taking holidays abroad. LHR flyers are also older (35+) reflecting older people's increasing confidence and ability to travel post Covid.
- There has been **an increase in the share taken by leisure and international flights in '22** as people become more confident about travelling overseas on holiday (and become more able to do so). It may also reflect a shift from travelling for business meetings to business meetings via Zoom (a pandemic effect, as well as being in response to cost pressures).
 - These shifts may be short term only or may be part of a longer term trend. The data suggests that over the next 12 months the share taken by leisure and international flights will increase further.



Recommendation

Review ranges to focus more on leisure clothes (especially those targeted at older age groups) and feature more in comms. Also 'gifts' for those visiting family and friends overseas

- **Both past and future flyers (both all UK and LHR) are increasingly concerned about the rising cost of living.** They claim they are now cutting back on non-essential purchases and are less likely to buy treats.
- **Rising cost of living concerns appear to be negatively impacting their shopping both in general and in UK airport departure lounge shops:**
 - They are more likely to claim they're spending less this year than last (in all shops), with 46% claiming they are now spending less compared to 22% who claim they're spending more.
 - Claimed expenditure in departure lounge shops was significantly lower in July '22 – with the % saying they didn't buy anything increasing from 14% to 24%. The same is true for departure restaurants and bars – with the % saying they didn't visit the restaurants or bars growing from 12% to 19%.
 - This appears to have had less of an impact in LHR's shops, but nevertheless still had some impact.
- Airport shopping value for money perceptions are lower this year. Now the majority of LHR flyers feel shopping at the airport is not good value for money.
- **Prices in UK airports continue to be agreed to be higher than elsewhere -** and high price perceptions for these categories (as well as eating out) have increased among recent LHR flyers.



Recommendation

Work with airlines/travel agencies to develop a rewards scheme that gives “added value” incentives for their customers to shop at the terminals pre-flight

Develop and communicate F&B family meal deals

Conclusions 3

- **The airport experience was significantly less positive this year** – the airport was more crowded and. Flyers were more likely to arrive early for their flights and less likely to treat themselves once they arrived (or so they claimed – arriving earlier may mean they end up spending more!). LHR flyers were similarly less positive.



Recommendations

Work with airlines to improve 'customer care' perceptions

Use comms to show empathy with passenger journey and challenges

Consider small gestures (e.g. agree with airlines a member of staff could hand out coffee/drink voucher to those in queues) to create more goodwill

Conclusions 4

- High price perceptions may have been impacted by the slight increase in the % of recent UK flyers who are aware of the recent change in law regarding VAT-free shopping – however 43% still believe shopping is VAT-free:
 - This year, **knowledge of the change in law re VAT is driving more to say they would be much less likely to shop at a UK airport** (the combination of higher prices and cost of living concerns is likely to have a negative impact).
- **The % of recent flyers from any UK airport aware of the Duty Free law change has risen since last year.** In particular, there has been a significant increase in the % of recent LHR flyers aware of the change
 - However, fewer future flyers are saying knowledge of the change in the Duty Free law will persuade them to shop at a UK airport, and this may reflect a desire to cut non-essential purchases
- Despite the change in Duty Free law (and the fact that now only 30% of recent flyers are unaware of the Duty Free offer), high price perceptions of both alcohol and cigarettes/tobacco have increased. However:
 - **Those aware of the Duty Free change are more likely to rate Alcohol and Tobacco as cheaper at the airports.**
 - They have decreased among LHR flyers (LHR flyers are more aware of the law change – increased from 14% last November to 27% this July)



Recommendation

Further reduce lack of awareness of Duty Free shopping (from 30% of recent flyers to 20% by end of year?)

- **Cost of living concerns may have an impact on the number of future flights taken:**
 - Approximately 1 in 10 strongly agree they will fly less in the future (and fewer now disagree that they will fly less in the future). Agreement with this statement was highest among those claiming to be cutting back on non-essential purchases.
 - However nervousness about flying has decreased, and this higher level of confidence may help to maintain passenger numbers (particularly true for LHR flyers).
 - Also strong agreement with the statement ‘The rising cost of living will have no impact on the number of flights I take in 2023’ was highest among those claiming to be cutting back on non-essential purchases.
- **Cost of living concerns may also have an impact on the types of flights taken (more short haul, more economy):**
 - 37% of next 12 months flyers agree they will spend less on each trip and 39% agree they won’t book any flights in 2023 until they know how much money they will have.
 - Strong agreement with these statements was highest among those starting to cut back on non-essential purchases.
- **Cost of living concerns seem very likely to have an impact on their airport shopping:**
 - 18% strongly agree they will only buy necessities the next time they fly (28% agree)
 - Strong agreement with ‘I am less likely to treat myself in the airport departure lounge in 2023’ was highest among those starting to cut back on non-essential purchases
 - In the future, more claim they will buy food and drink in the airports (but ‘take outs’ rather than from restaurants and bars?), but fewer claim they are likely to buy all other categories except alcohol – with luxury goods and clothing accessories seeing the largest declines.



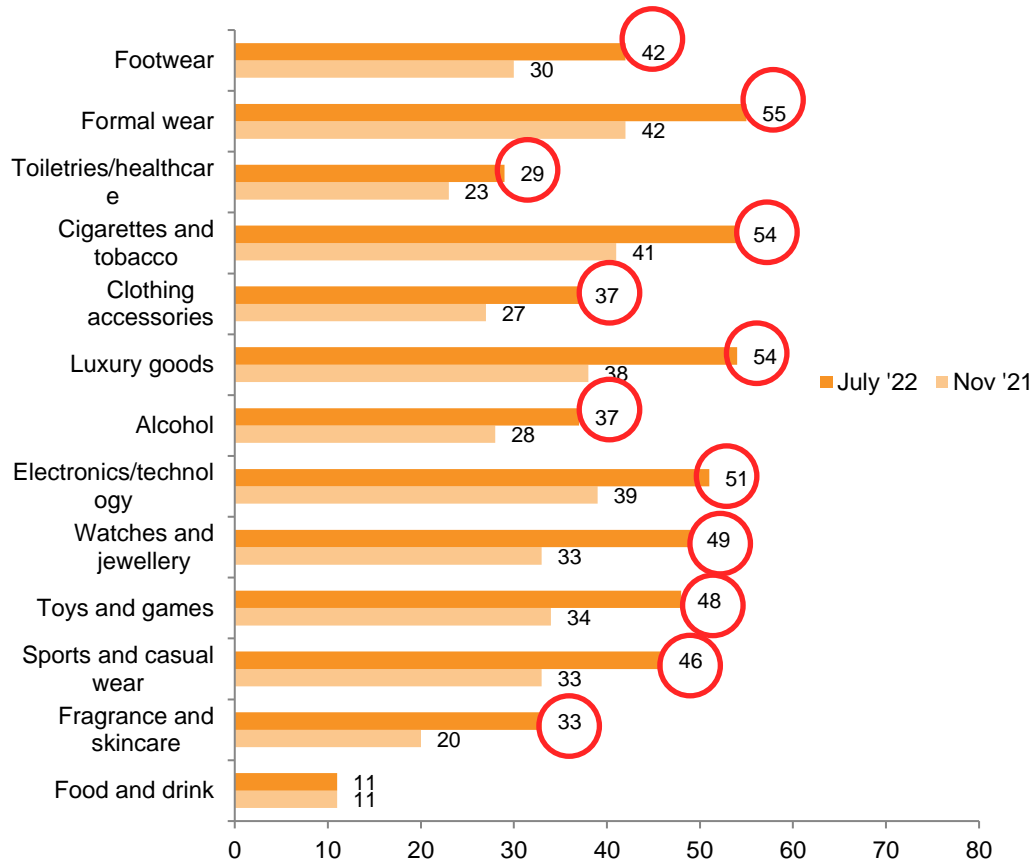
Recommendation

Further argument for developing family deals and reward schemes

Appendix – additional charts

Categories unlikely to buy before next flight

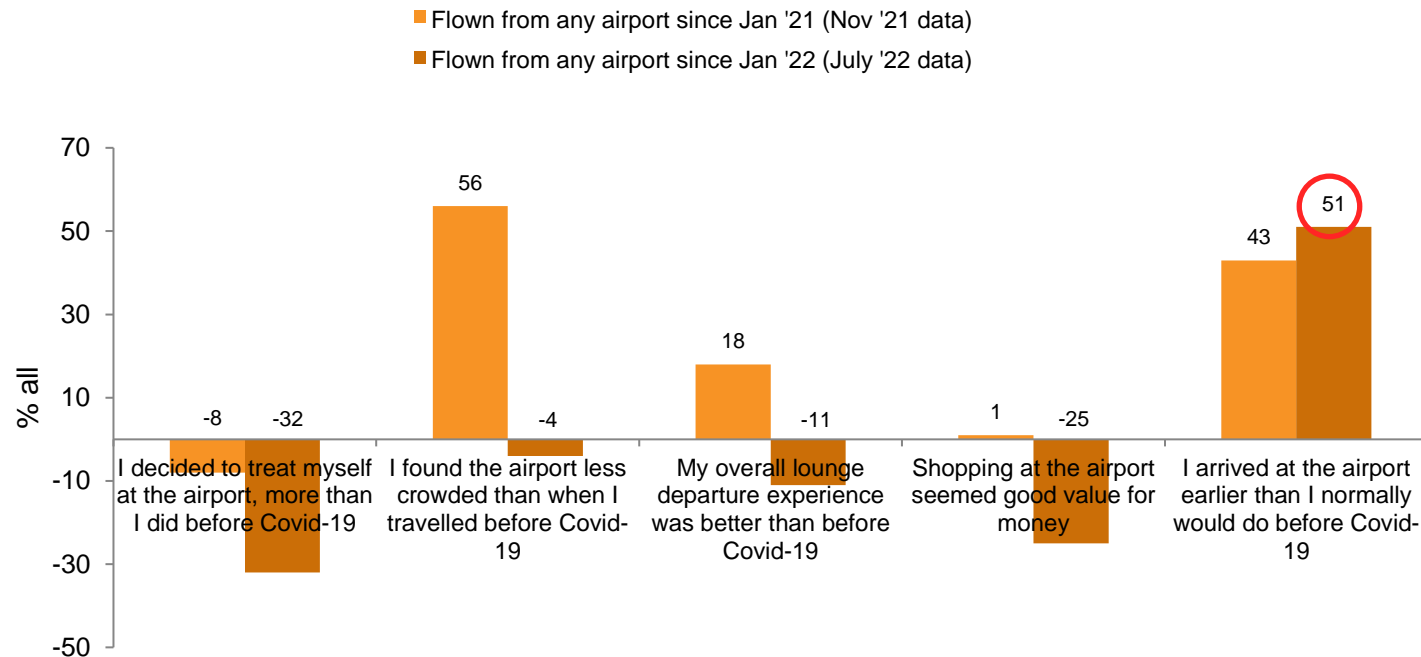
Q: Which of the following are you unlikely to buy when you are next in a UK airport departure lounge?



Those flying in the next 6 months are more unlikely to buy all categories except food and drink when next in a UK airport departure lounge

Post Covid-19 airport experience: % agree less % disagree

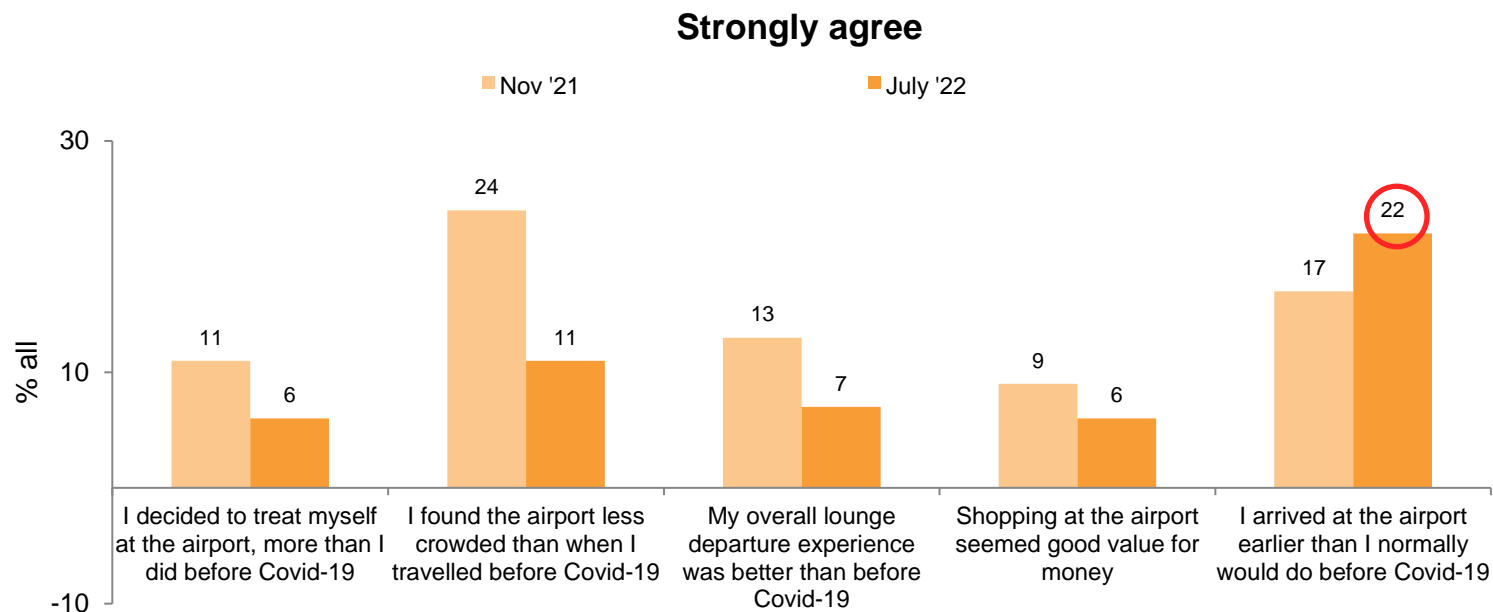
Q23: To what extent do you agree or disagree with these statements?



Increased disagreement that they had treated themselves more, that the airport experience was better, and that shopping at the airport was good value. But increased agreement that they had arrived at the airport earlier.

Post Covid-19 airport experience: Strong agreement all flying post March '20

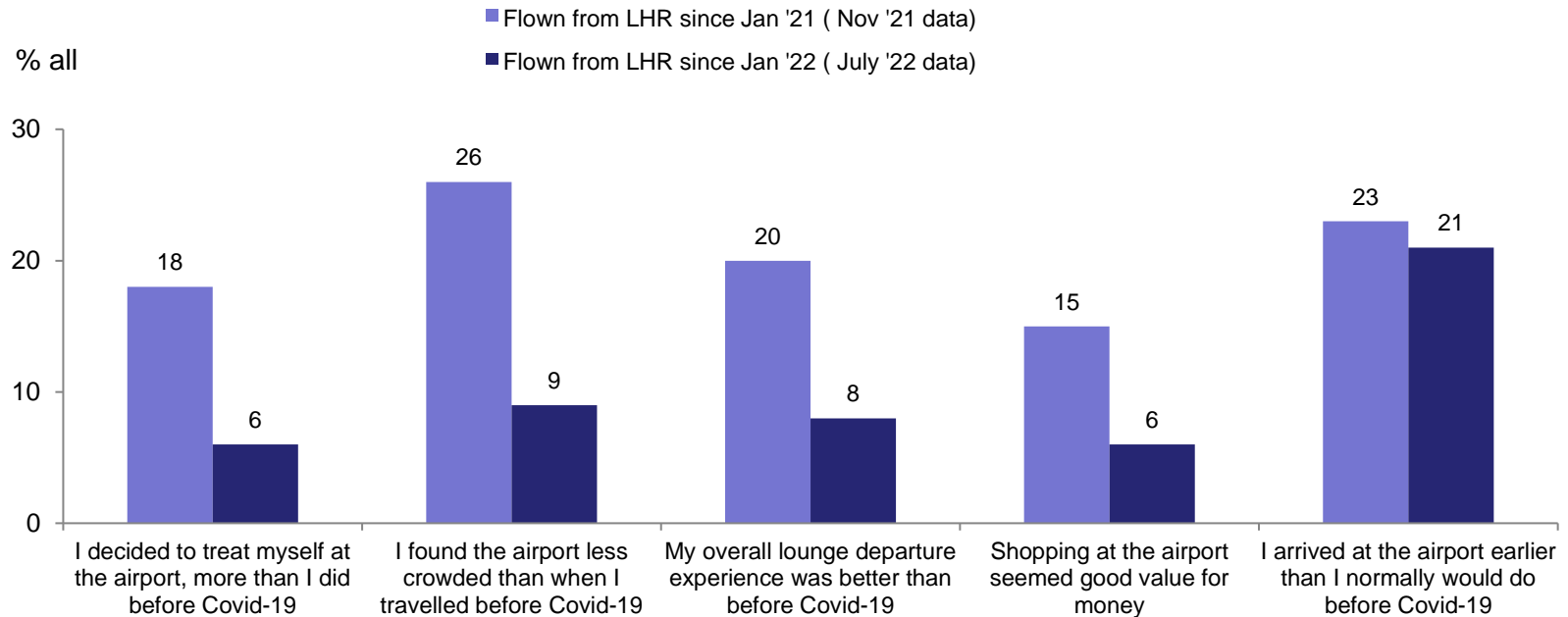
Q: To what extent do you agree or disagree with these statements?



Perceptions of airport experience not as positive and less likely to want to treat themselves this year.

Post Covid-19 airport experience for LHR: Strongly agree

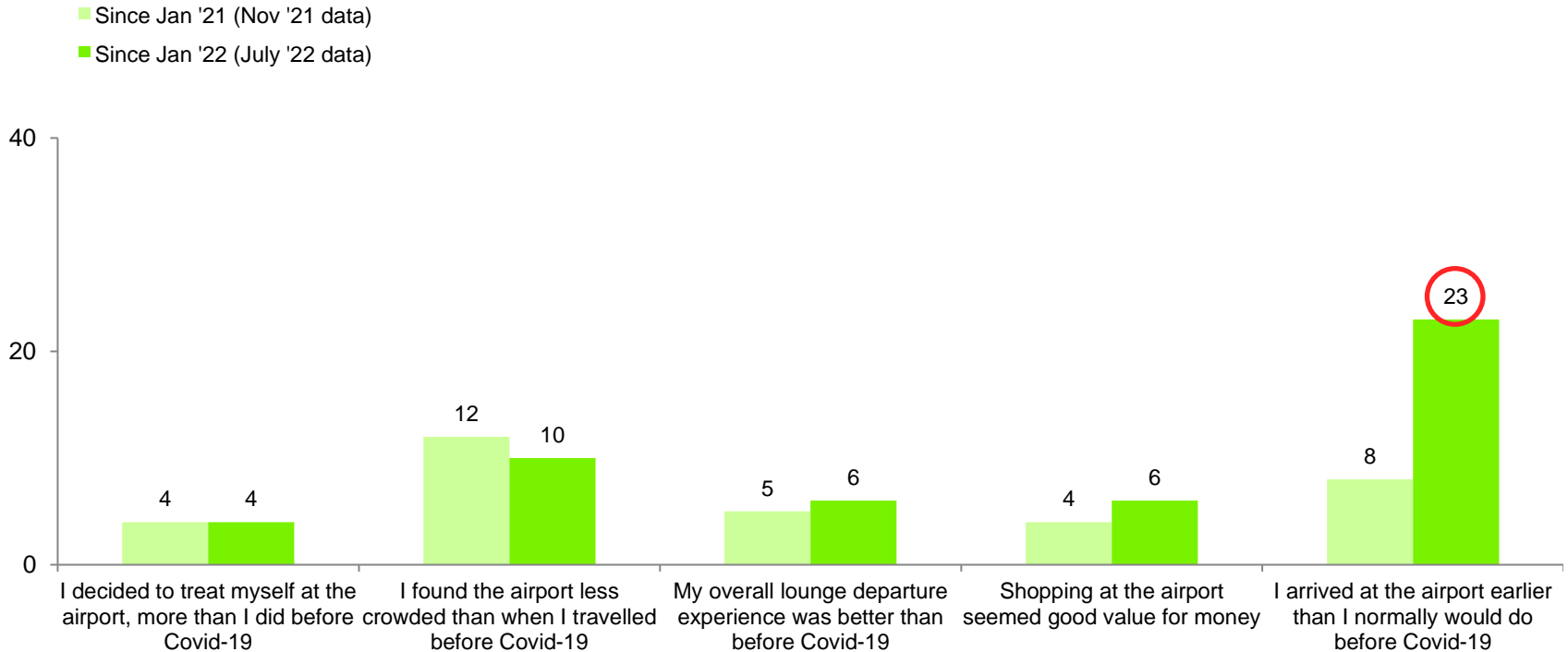
Q. To what extent do you agree or disagree with the following statements



Perceptions of LHR airport experience not as positive this year, and flyers are less likely to want to treat themselves – but they are no more likely to arrive early.

Post Covid-19 airport experience for LGW: Strongly agree

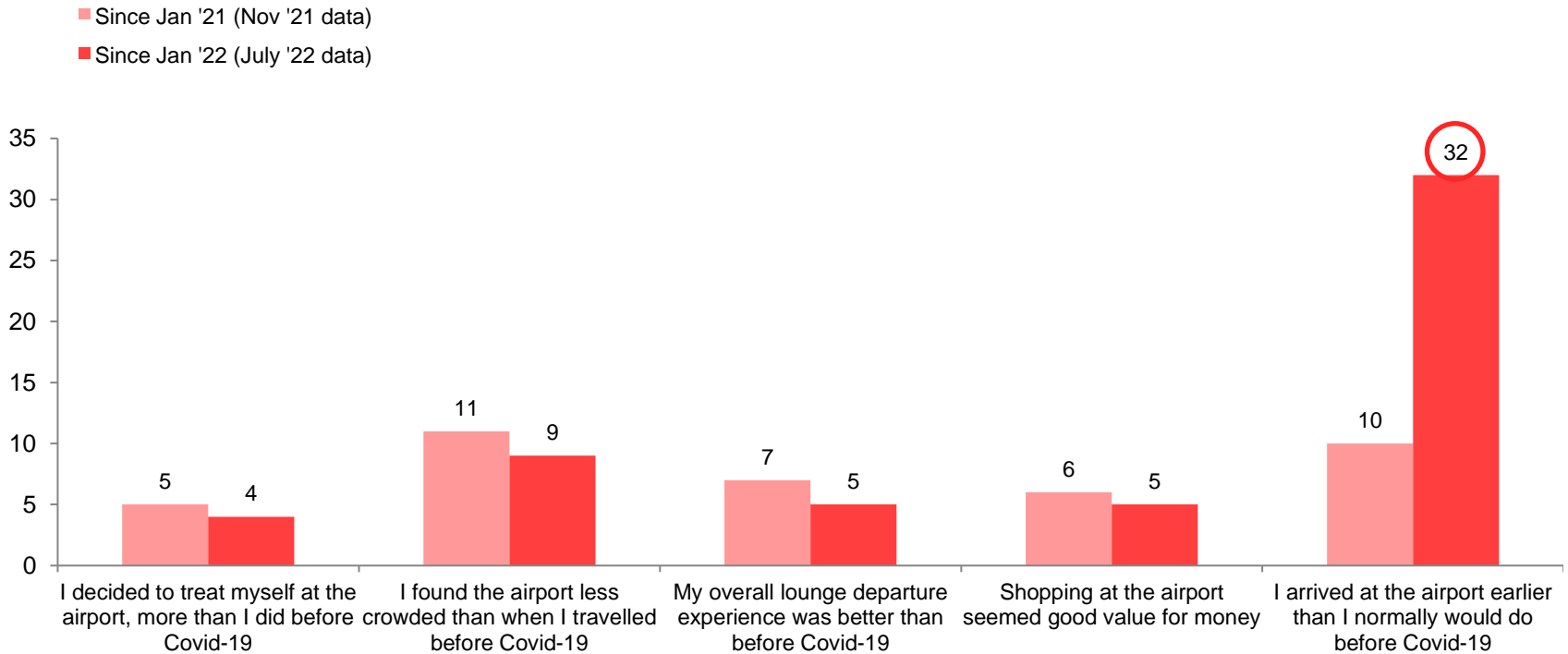
Q4: To what extent do you agree or disagree with the following statements



Little change with regard to strong agreement with statements relating to LGW airport experience this year – but they were more likely to have arrived early.

Post Covid-19 airport experience for Manchester Airport: Strongly agree

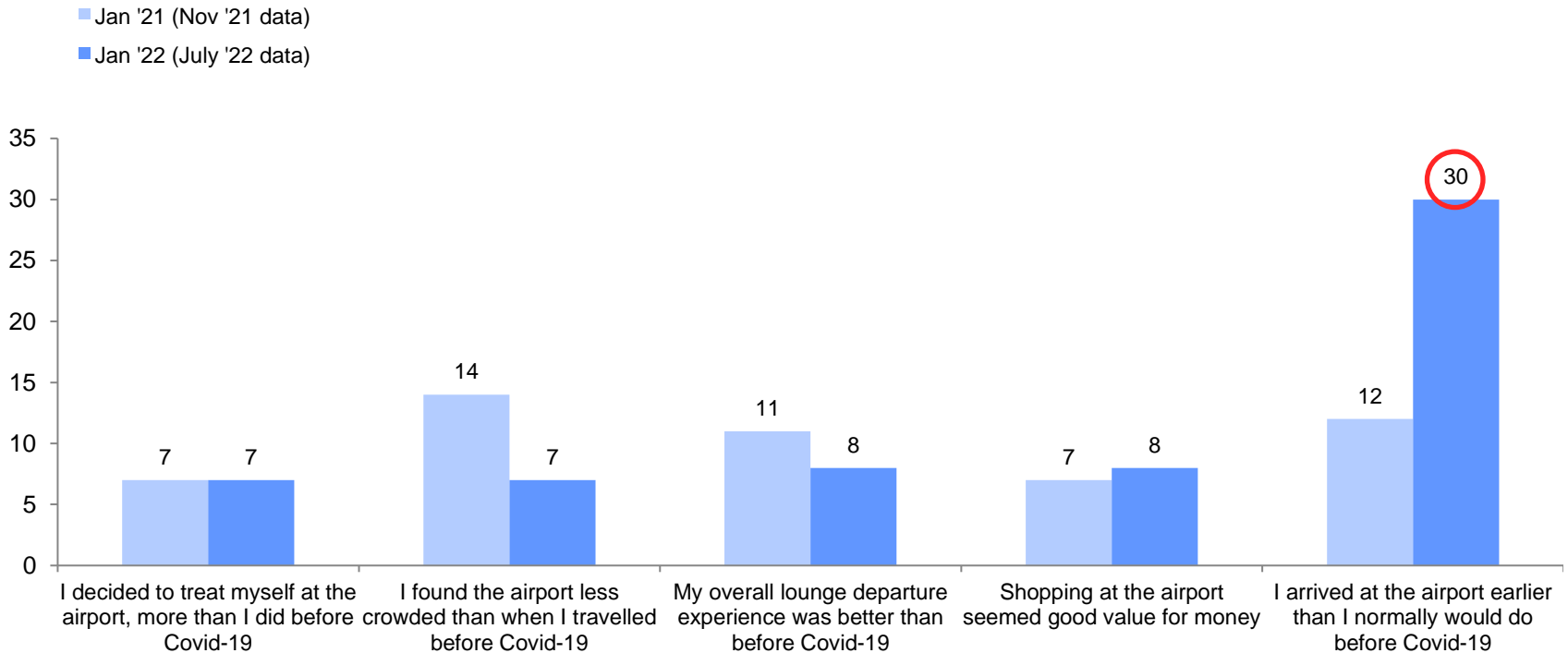
Q4: To what extent do you agree or disagree with the following statements



Glasgow attracted the strongest agreement for good vfm, and 'decided to treat', Birmingham for the overall lounge experience being better.

Post Covid-19 airport experience for Birmingham International Airport: Strongly agree

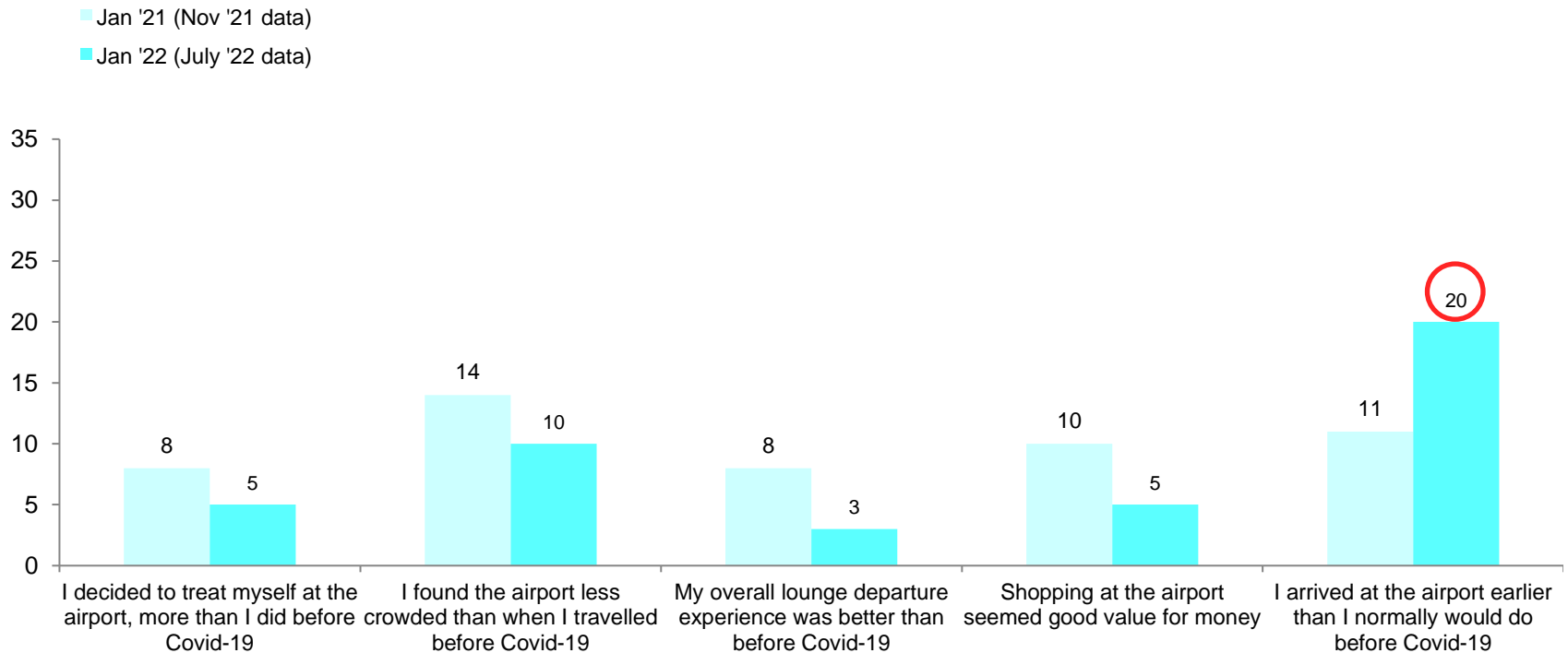
Q4: To what extent do you agree or disagree with the following statements



Glasgow attracted the strongest agreement for good vfm, and 'decided to treat', Birmingham for the overall lounge experience being better.

Post Covid-19 airport experience for Glasgow Airport: Strongly agree

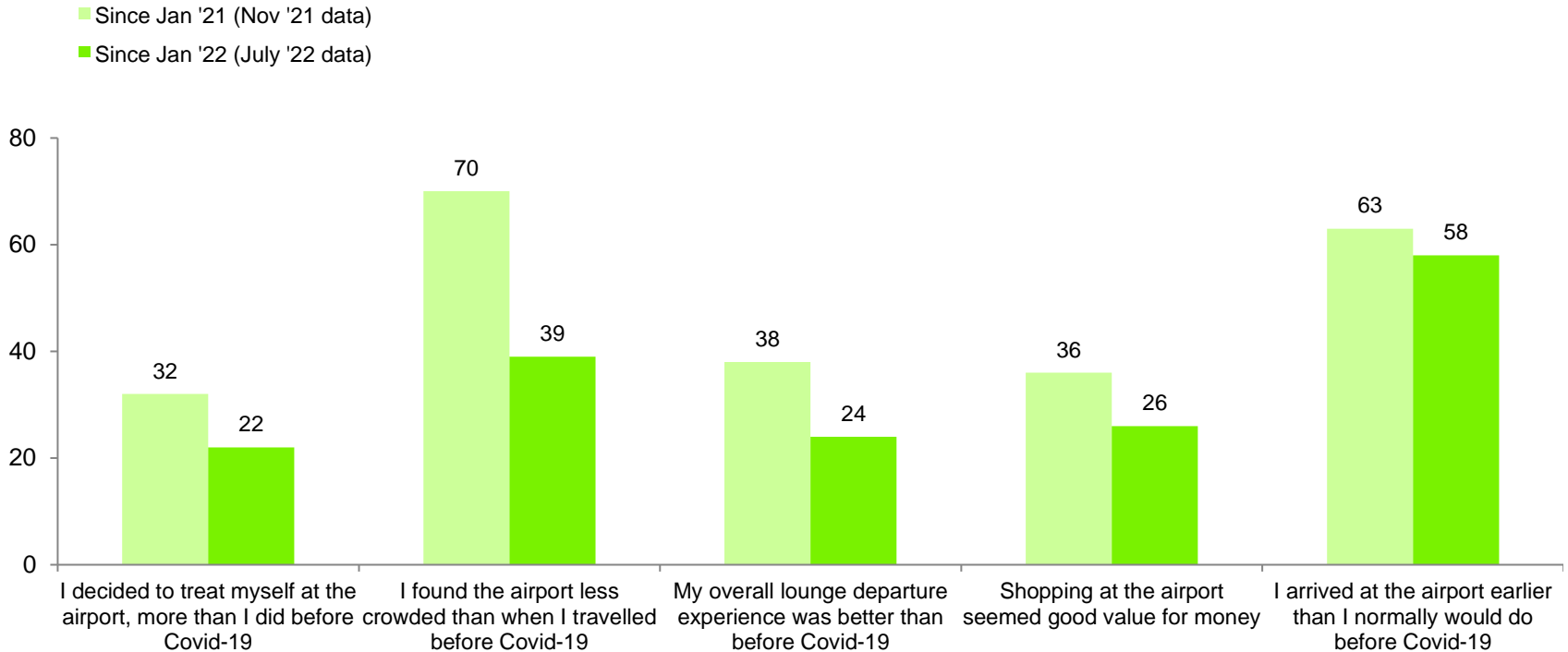
Q4: To what extent do you agree or disagree with the following statements



Glasgow attracted the strongest agreement for good vfm, and 'decided to treat', Birmingham for the overall lounge experience being better.

Post Covid-19 airport experience for LGW: Strongly agree + Agree

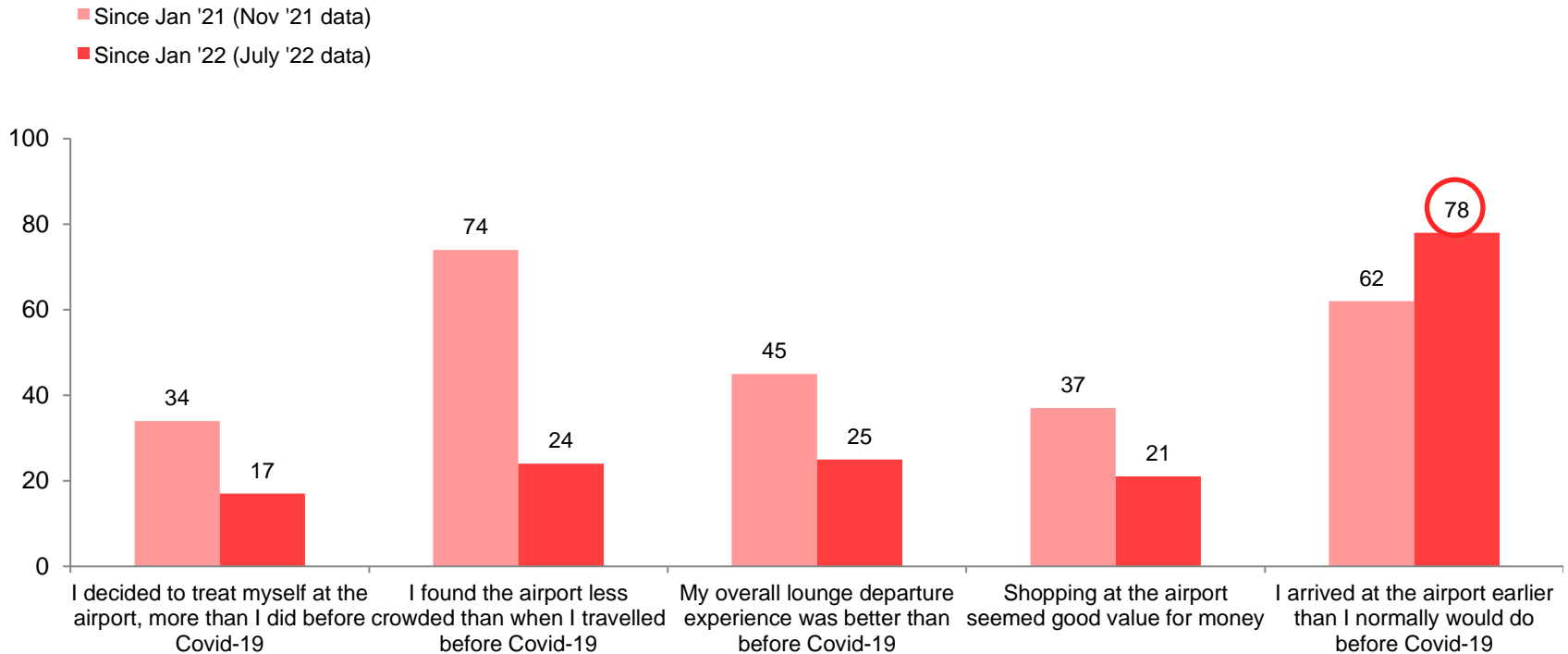
Q4: To what extent do you agree or disagree with the following statements



Perceptions of LGW airport experience not nearly as positive this year – but they were no more likely to agree they arrived early.

Post Covid-19 airport experience for Manchester Airport: Strongly agree + Agree

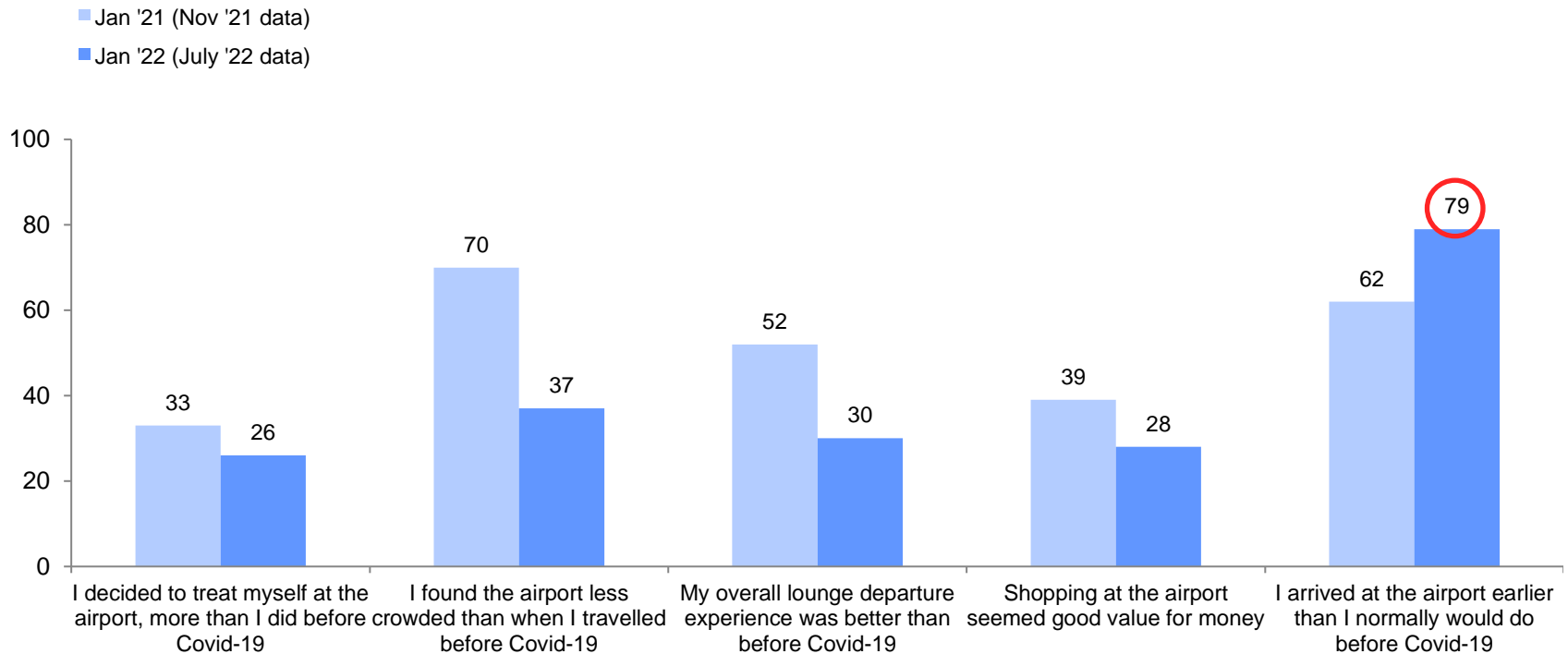
Q4: To what extent do you agree or disagree with the following statements



Perceptions of Glasgow Airport airport experience not nearly as positive this year – and they were more likely to have arrived early.

Post Covid-19 airport experience for Birmingham International Airport: Strongly agree + Agree

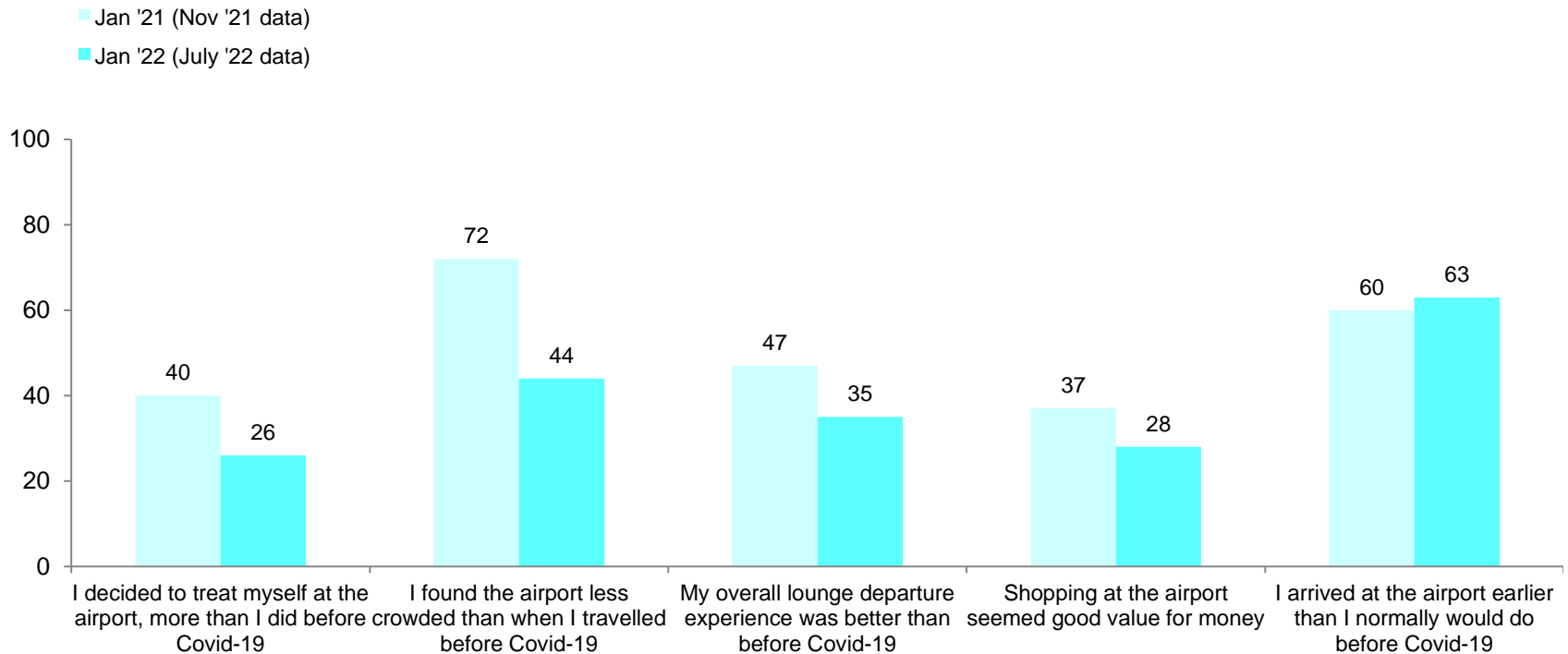
Q4: To what extent do you agree or disagree with the following statements



Perceptions of Birmingham International airport experience not nearly as positive this year – and they were more likely to have arrived early.

Post Covid-19 airport experience for Glasgow Airport: Strongly agree + Agree

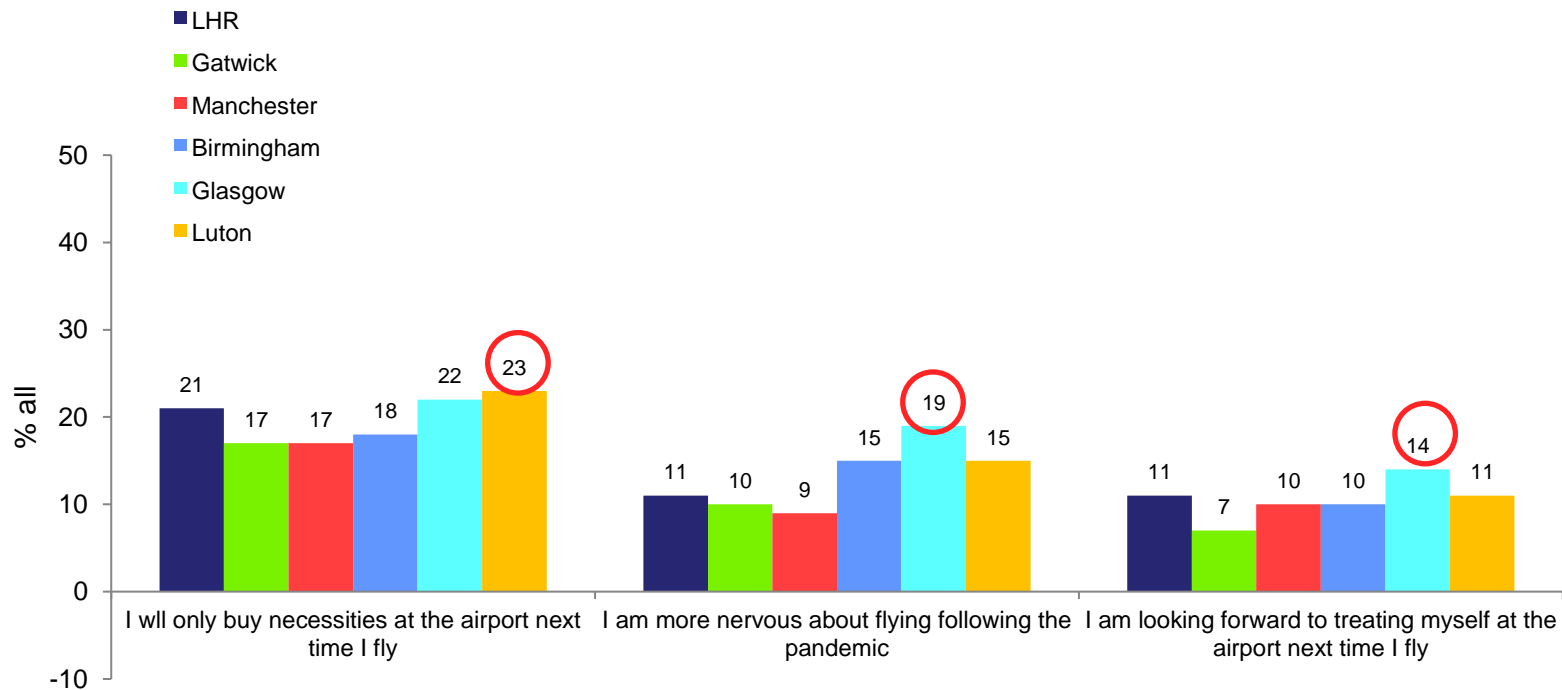
Q4: To what extent do you agree or disagree with the following statements



Perceptions of Glasgow Airport experience not nearly as positive this year – but they were no more likely to agree they arrived early.

Future flying expectations by airport most likely to fly from ('22 data only): % strongly agree

Q23: To what extent do you agree or disagree with these statements?



Flyers from Luton most likely to say they will only buy necessities, flyers from Gatwick least likely to be looking forward to treating themselves. Flyers from Glasgow are the most nervous.

Thank you

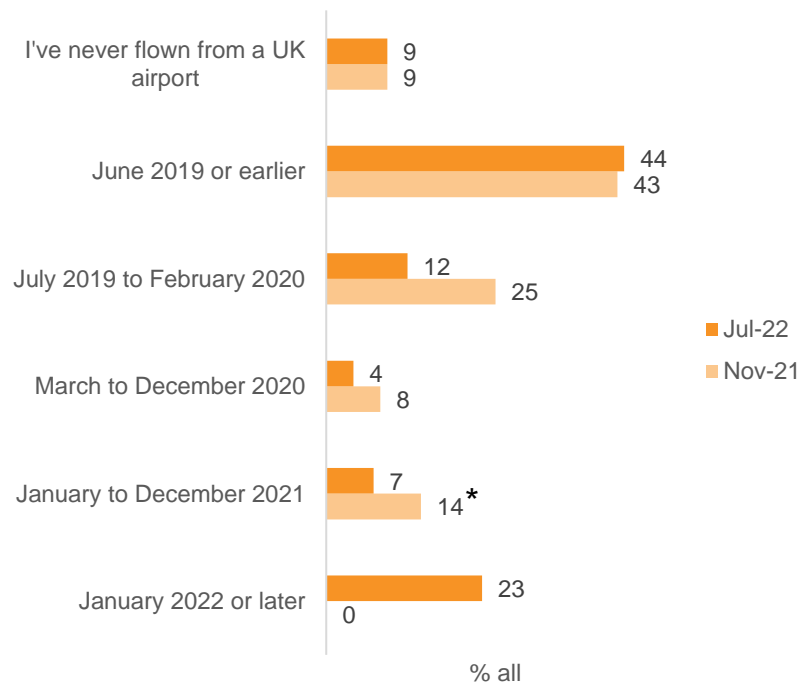
Airport usage

When last flown: Total Nat Rep Sample (weighted data)

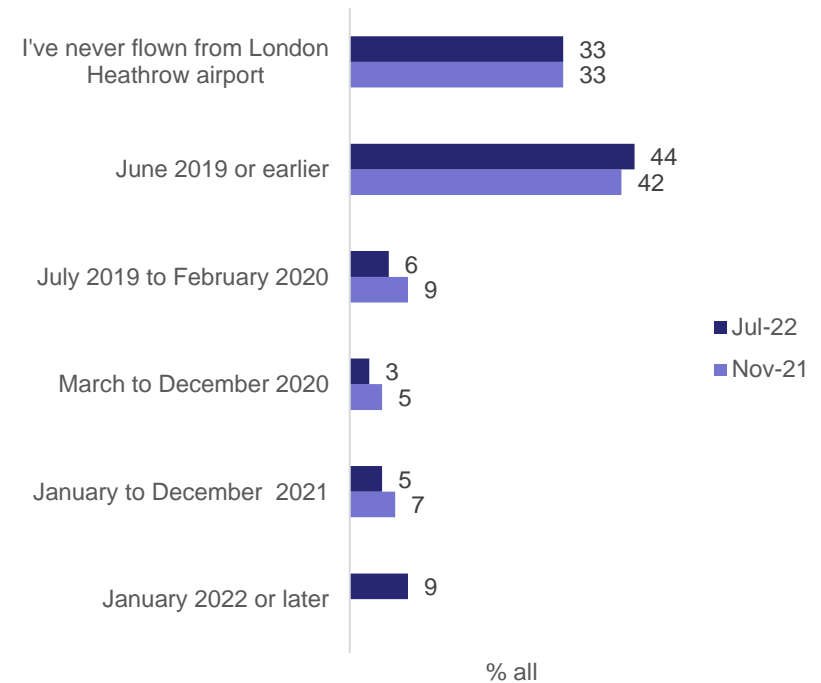
Q: When did you last fly from any UK airport?

Q: When did you last fly through Heathrow airport?

From any UK airport



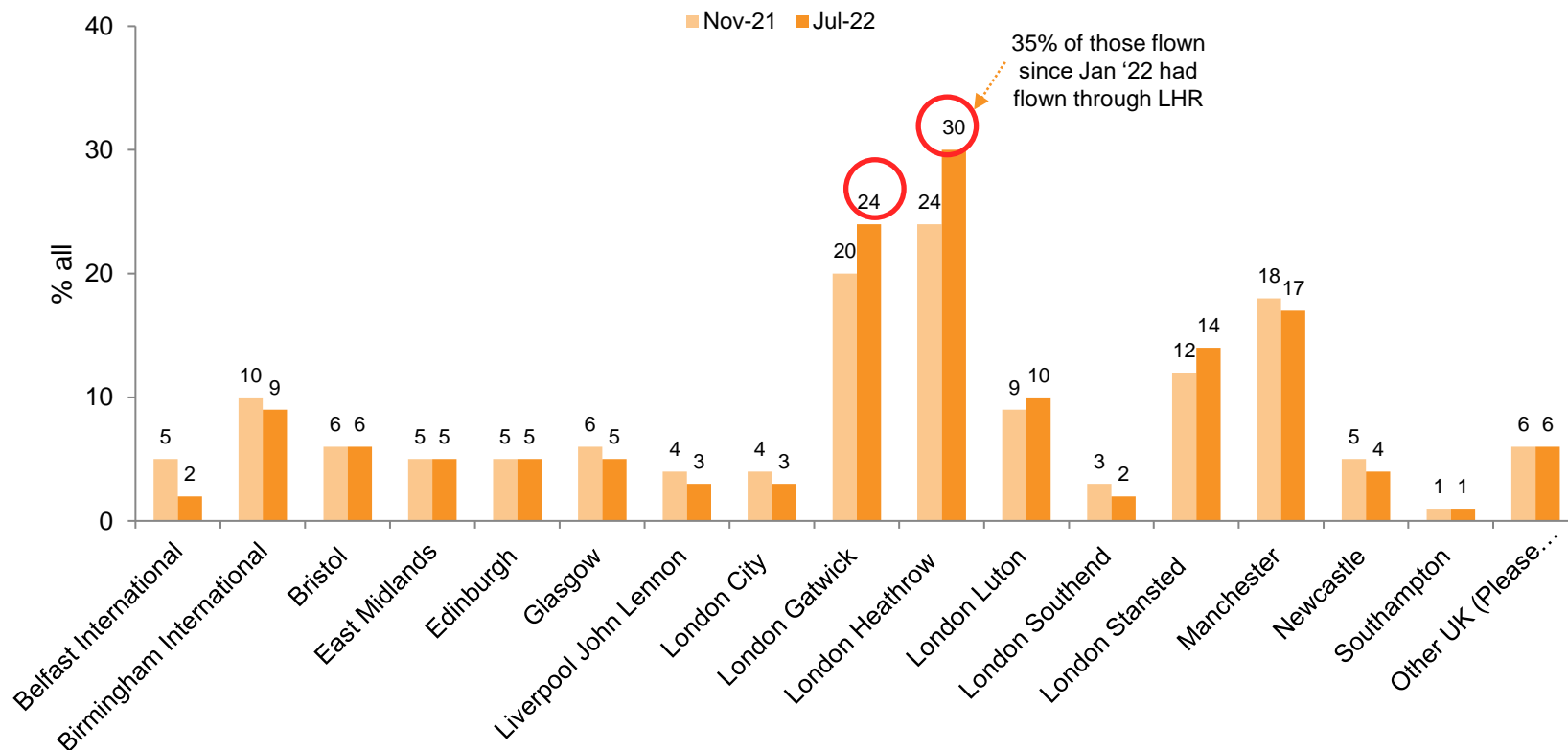
From London Heathrow airport



Inevitably more recent flyers in this year's sample

Airports flown from since July '19

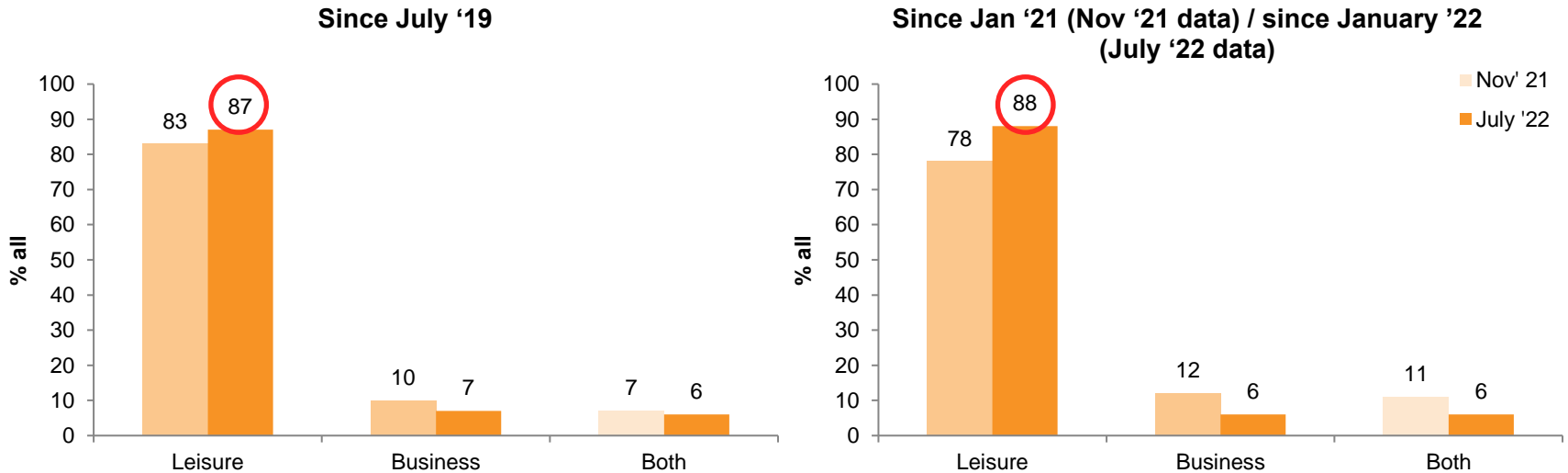
Q: Which of the following UK airports have you flown from since July 2019?



LHR and LGW were particularly popular this year (relative to last)

Last flight profile since July 2019

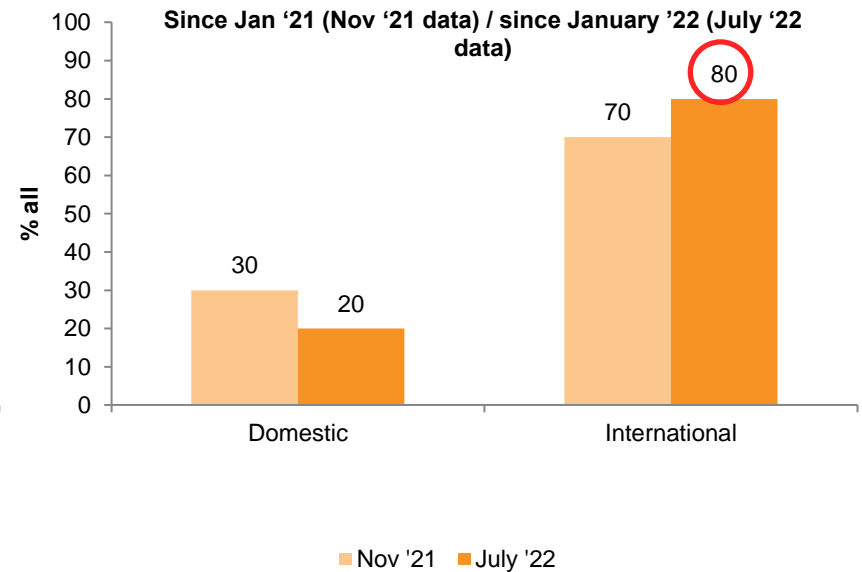
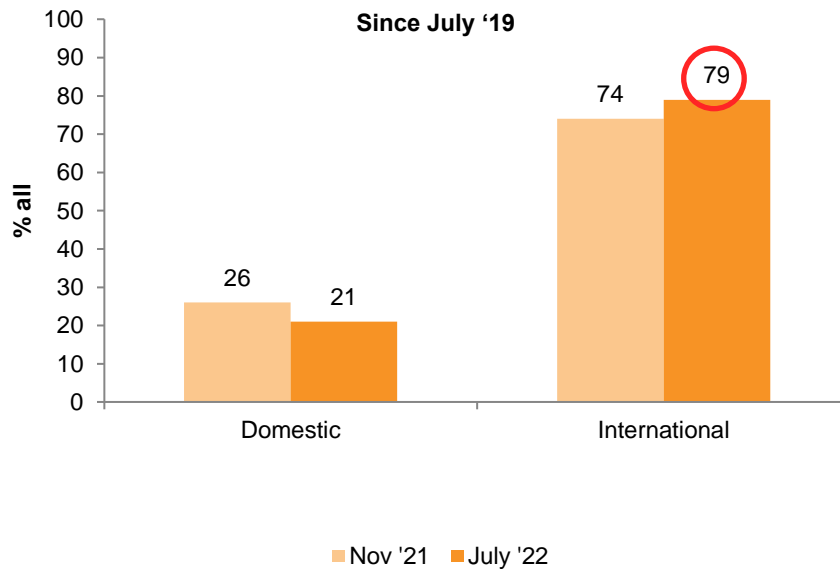
Q: What was the purpose of the last flight you took?



Significant increase in share of leisure flights in '22 (as video calls replace business travel, and holiday makers return to travelling abroad?)

Last flight profile since July 2019

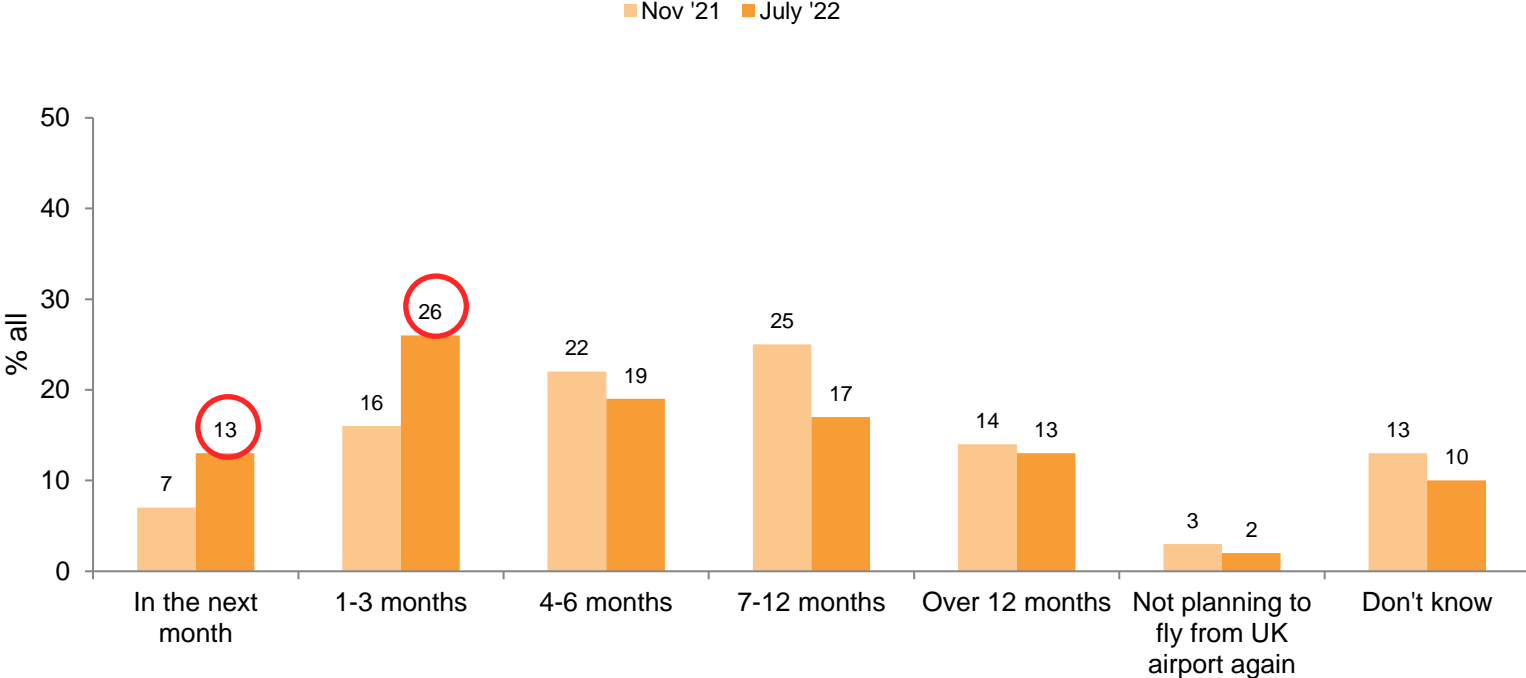
Q: Was the last flight you took a domestic or international flight?



Significant increase in share of international flights in '22 (as holiday makers return to travelling abroad).

When next most likely to fly from a UK airport: All flown since July '19

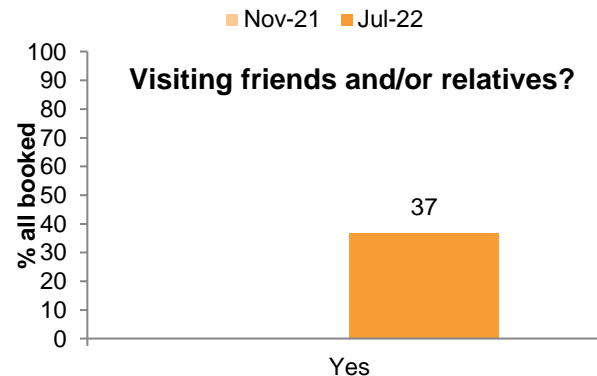
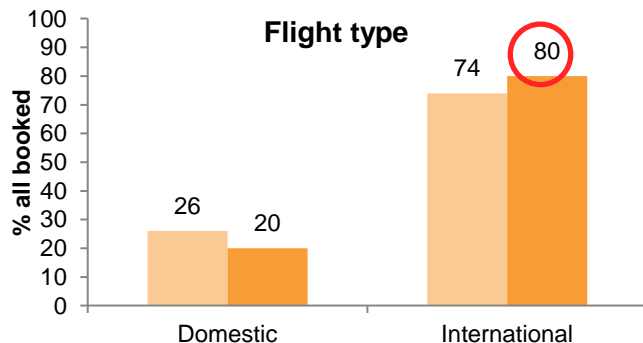
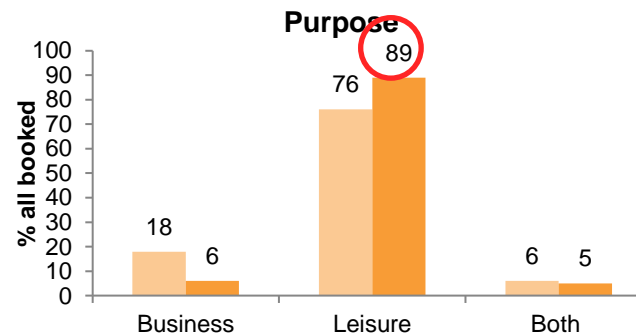
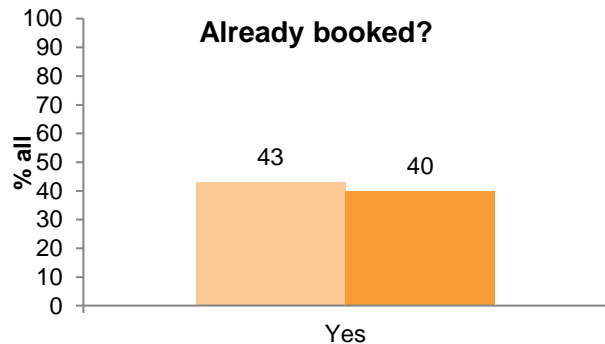
Q When do you expect to take your next flight from a UK airport?



More planning to take next flight in next 3 months. A seasonal effect?

Base: All since July '19 Nov '21 = 3770, July '22 = 3665

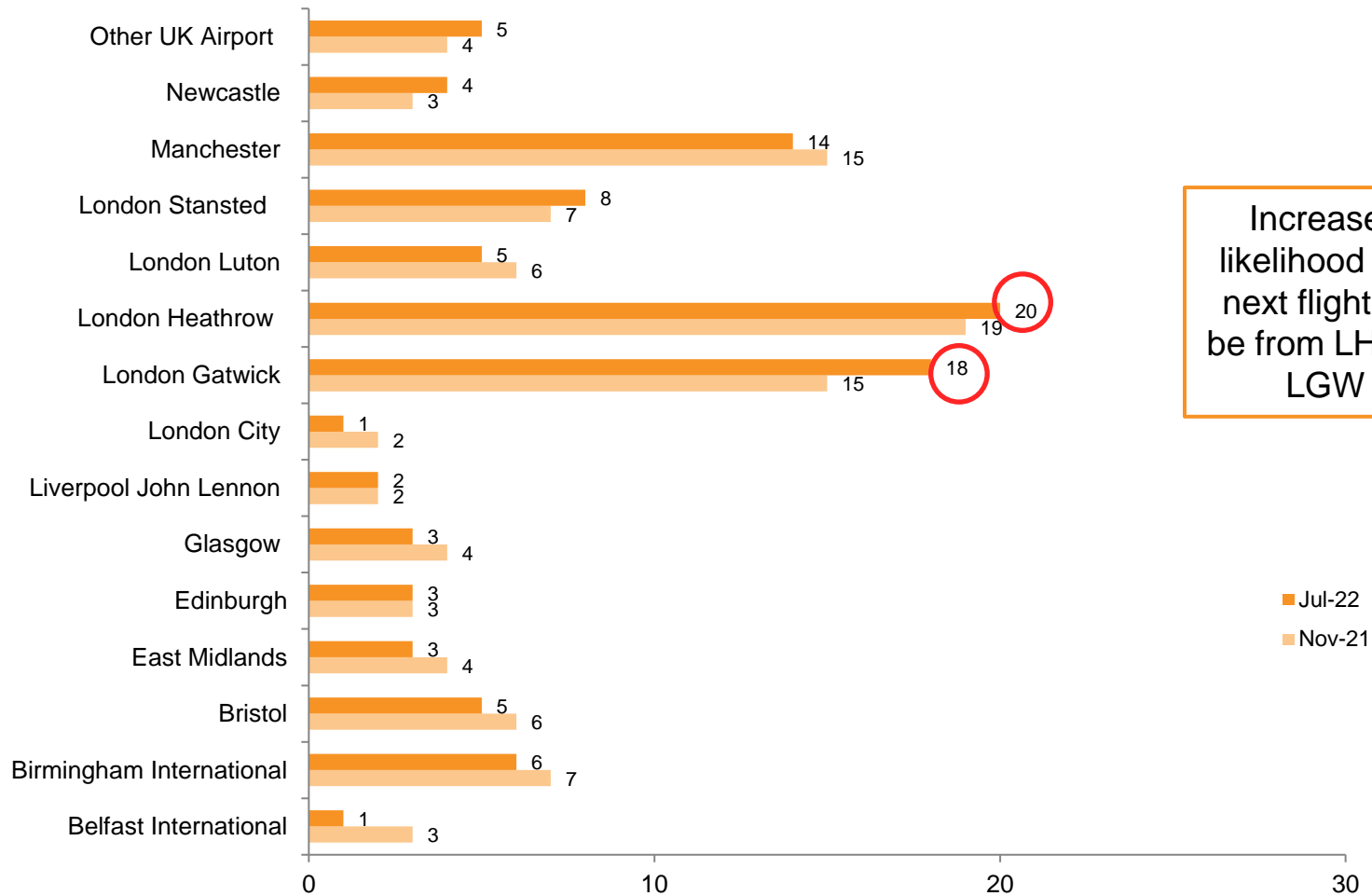
Next flight profile: All likely to fly in next 12 months



Over the next 12 months leisure and international flights may increase further, with 37% visiting friends or relatives.

Airports next flying from

Q Which UK airport is your next flight departing from / most likely to depart from?*



Increased likelihood that next flight will be from LHR or LGW

Summary: Airport usage

- Inevitably there were more recent flyers in this year's sample, as UK consumers become more confident about travelling. In particular more are planning to travel in the next 3 months (over the summer holiday period) – this is likely to be a seasonal effect as last year's survey was conducted in November.
- There has been an increase in the share taken by leisure and international flights in '22:
 - This is likely to reflect the shift from travelling for business meetings to business meetings via Zoom (a pandemic effect, as well as being in response to cost pressures).
 - It may also reflect a desire to catch up on missed holidays, and to return to seeing friends and family.
 - These shifts may be short term only or may be part of a longer term trend. Over the next 12 months leisure and international flights look likely increase further, based on this data, with 37% visiting friends or relatives.
- LHR and LGW were particularly popular this year both for last and next flight

Sample achieved

Sample achieved (when last flown): Gender and Age

Demographics achieved	Total (Nat Rep sample)* %	Flown since July 2019 (total sample) %	Flown since March 2020 (total sample) %	Flown since January 2022 (total sample) %	Flown from LHR since July '19 %	Flown from LHR since Jan '22 %
Base sample size:	2502	3665	2713	1813	1654	645
Male	49	48	48	47	51	53
Female	49	51	51	52	48	46
Non-binary	1	1	1	0	1	0
16-34	29	34	36	32	40	35
35-54	36	36	37	38	36	39
55+	35	30	27	30	24	27

This year's flyers are slightly more likely to be middle-aged females (last year 49% of the since Jan '21 sample was female, and 35% was aged 35-54).
LHR flyers are slightly more likely to be male and older (35+)

* Weighted data

Sample achieved (when last flown): Standard Region

Demographics achieved	Total (Nat Rep sample)* %	Flown since July 2019 (total sample) %	Flown since March 2020 (total sample) %	Flown since January 2022 (total sample) %	Flown from LHR since July '19 %	Flown from LHR since Jan '22 %
Base sample size:	2502	3665	2713	1813	1259	645
East Midlands	7	6	6	6	5	5
East of England	10	10	10	11	8	8
London	15	19	20	20	30	34
North East	4	4	4	4	3	2
North West	11	11	11	10	6	5
Northern Ireland	3	2	2	2	1	1
Scotland	7	7	7	7	6	6
South East	14	15	15	16	19	20
South West	8	7	7	7	7	6
Wales	4	3	3	3	2	2
West Midlands	7	8	8	7	8	6
Yorkshire and Humberside	7	9	9	9	5	5

Slightly more London flyers in this year's recent flyer sample

* Weighted data

Sample achieved (when likely to fly next): Gender and Age

Demographics achieved	Likely to fly in next 6 months (total sample)	Likely to fly in next 12 months (total sample)	Next flight departing from LHR
Base sample size:	2131	2749	283
Male	51	47	53
Female	44	52	46
Non-binary	4	2	1
16-34	36	36	35
35-54	36	37	36
55+	28	28	30

Those booked to fly from LHR more likely to be male

Sample achieved (when likely to fly next): Standard Region

Demographics achieved	Likely to fly in next 6 months (total sample)	Likely to fly in next 12 months (total sample)	Next flight departing from LHR
Base sample size:	1639	2257	283
East Midlands	5	6	4
East of England	9	7	11
London	21	27	36
North East	4	4	1
North West	11	11	3
Northern Ireland	2	2	0
Scotland	7	7	2
South East	15	16	22
South West	6	7	10
Wales	3	3	2
West Midlands	8	8	6
Yorkshire and Humberside	8	8	3

Inevitably those flying from LHR in the future are more likely to live in London or the South East

Summary: Sample achieved

- A higher percentage of this year's recent flyer sample is middle-aged and female, suggesting that more families have flown since the start of the year as people return to taking holidays abroad
- In addition, a higher percentage of this year's recent flyer sample lives in London
- This year's LHR flyers are also older (35+) reflecting older adult's increasing confidence and ability to travel post Covid