

# Changing Retail Spend at UK Airports

November 2021

Prepared for:

**Heathrow**  
*Making every journey better*

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# Background, objectives and method

- Heathrow would like to better understand retail spend per passenger in its departure lounges post Covid-19. In particular, it would like to understand the impact of:
  - Revenge spend. There is a belief that some people have been spending more based on “I’ve had a terrible year / haven’t been able to spend as shops are closed, so will splurge now”
  - The removal of the VAT free advantage
  - The change in the law regarding Duty Free
- Heathrow would also like to gain some understanding of likely future behaviour:
  - Is the 2021 rise in retail spend per passenger a short term or longer term phenomenon? (Was this summer’s spending influenced by freedom intoxication, and will this continue in 2022 and 2023?)
  - Are flyers going to reduce their spend as inflationary pressures take hold?
  - Are leisure flyers going to take fewer holidays overseas, but spend more on those they take? Similarly, are business flyers going to go on fewer overseas trips, but treat themselves more on the few occasions they do?

- To answer the objectives, **5012 UK resident interviews were conducted** via an online panel:
  - 2508 were nationally representative in terms of age, gender and region lived in (no other quotas were set). Of these, 1192 had flown since July 2019.
  - An additional 2504 interviews were conducted with adults who had flown from a UK airport since July '19 (again, no other quotas were set).
  - When the latter is combined with the former, **the total sample size of adults who have flown since July '19 was 3700.**

# Management Summary

# The overall story

- 42% of since March '20 flyers are now spending more than they were pre-Covid (in their everyday life).
- 29% more post Covid-19 flyers from LHR say they have spent more in the departure lounge shops post Covid (compared to those who say they spent less).
- Those flying in the next 6 months are more likely to agree they will treat themselves before their next flight than those flying further ahead. Hence there is likely to be a decline in 'revenge spend' over time.
- 35% of those who have already planned (but not necessarily booked) their next flight claim they will fly less in the future:
  - Increased nervousness about flying appears to be one factor (45% of these 'already planned flyers' say they are now more nervous about flying rising to 67% of those who claim they will fly less).
  - Worries about the rising cost of living (79% agree they are worried)
- Only 15% of the population are aware of the recent changes in law with regard to both VAT-free and Duty Free sales.
- The data suggests that:
  - Knowledge of the VAT change is likely to depress sales in the departure lounge shops (other than on alcohol and tobacco). 53% of those flying in the next 6 months claim they will be less likely to buy. Prices in the shops are already thought to be relatively expensive on all goods except tobacco.
  - Knowledge of the Duty Free change is likely to stimulate sales of alcohol and tobacco. 36% of those flying in the next 6 months claim they will be more likely to buy. We would recommend marketing activity that further increases awareness of the change.

# Answering the objectives

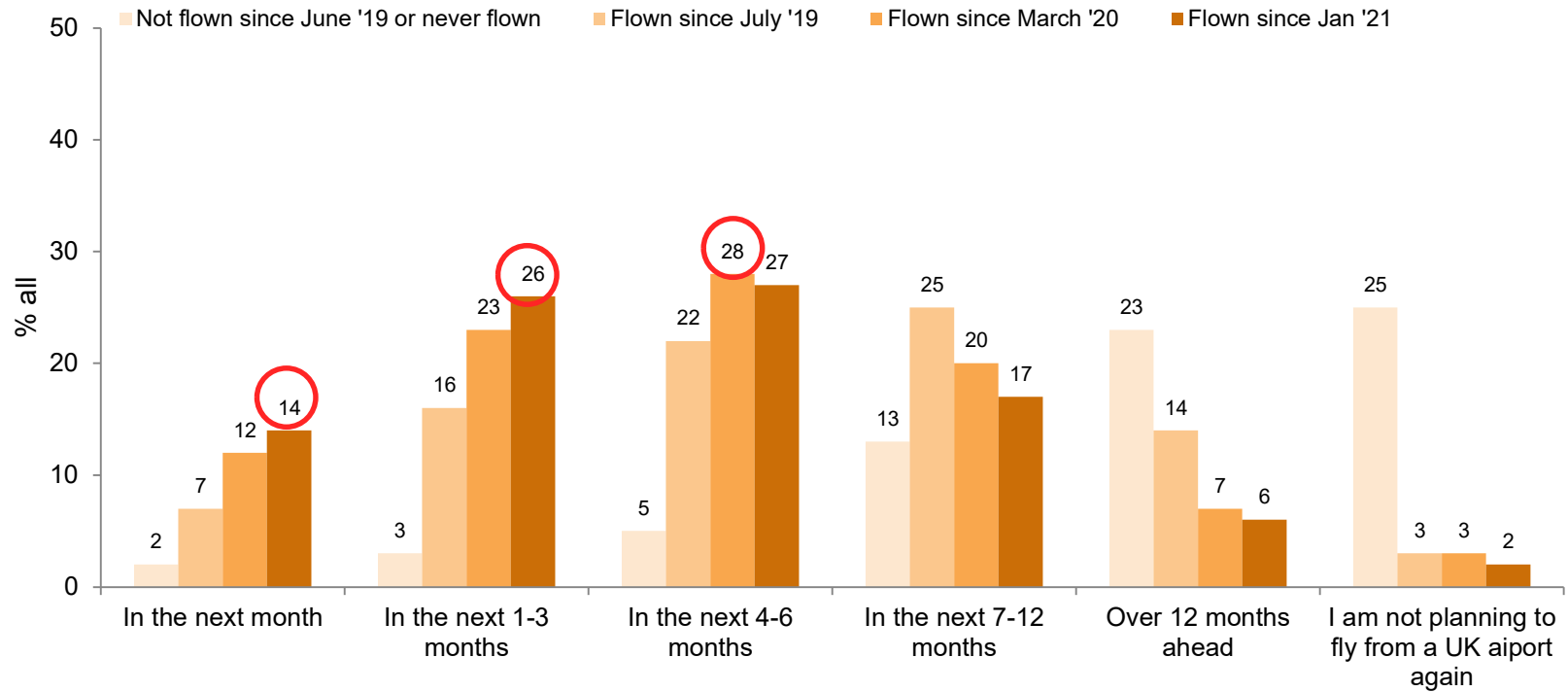
Question	Answer
Have people been spending more based on “I’ve had a terrible year / haven’t been able to spend as shops are closed, so will splurge now”?	<ul style="list-style-type: none"> <li>→ People (42%) believe they have been spending more in their everyday lives.</li> <li>→ Those flying from Heathrow post March '20 claim to have spent more in departure lounge shops.</li> </ul>
Is there a lack of awareness of the removal of the VAT free advantage?	<ul style="list-style-type: none"> <li>→ Only 15% are aware of the change in the law regarding VAT.</li> <li>→ The same % is aware of the Duty Free law change.</li> </ul>
Is there a perception that goods can still be bought at lower prices in Heathrow’s shops?	<ul style="list-style-type: none"> <li>→ Most believe that goods are more expensive in all departure lounge shops, including Heathrow’s.</li> <li>→ Only cigarettes and tobacco are thought to be cheaper.</li> </ul>
Is the retail spend per passenger likely to change? Are flyers going to reduce their spend as inflationary pressures take hold?	<ul style="list-style-type: none"> <li>→ Likelihood to buy products at departure lounge shops is lower the further ahead people are planning to fly, suggesting that passengers may be planning to ‘tighten their belts’ (the majority of flyers are concerned about the rise in the cost of living).</li> <li>→ Increasing awareness of the end of VAT-free shopping is likely to further reduce spending in shops (excl. Duty Free)</li> <li>→ However, there is likely to be an increase in Duty Free spend as awareness of the Duty Free change increases.</li> </ul>
Are flyers going to take fewer business trips/holidays overseas, but spend more on those they take?	<ul style="list-style-type: none"> <li>→ 13% of ‘future flyers’ strongly agree they will fly less in the future</li> <li>→ Those most likely to agree they will fly less are no more likely to agree they will treat themselves on their next flight.</li> </ul>

# Airport usage



# When next most likely to fly from a UK airport by when last flown

Q19: When do you expect to take your next flight from a UK airport?

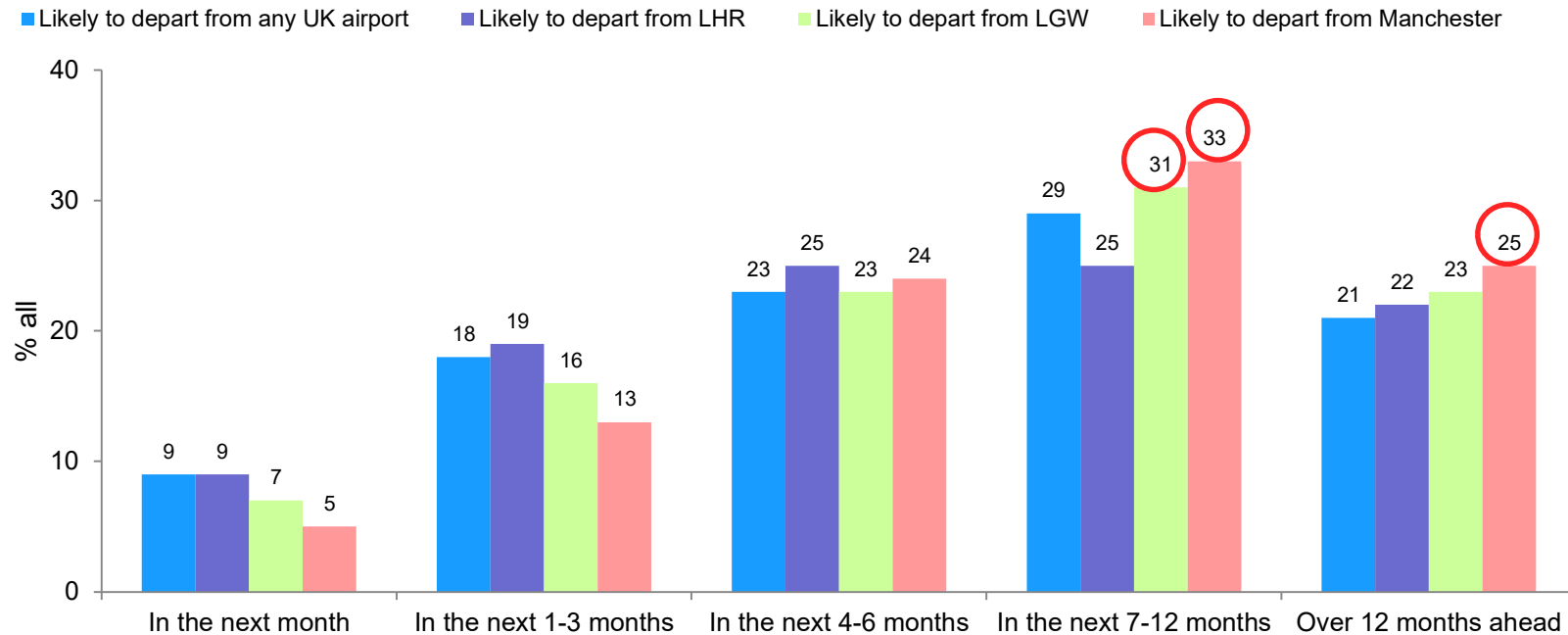


Recent flyers are the most likely to fly again in the next few months.

Base: All not flown since June '19 or never flown = 1311, All flown since July '19 = 3700, All flown since March '20 = 1744, All flown since Jan '21 = 1063

# When next most likely to fly from a UK airport by airport most likely to fly from

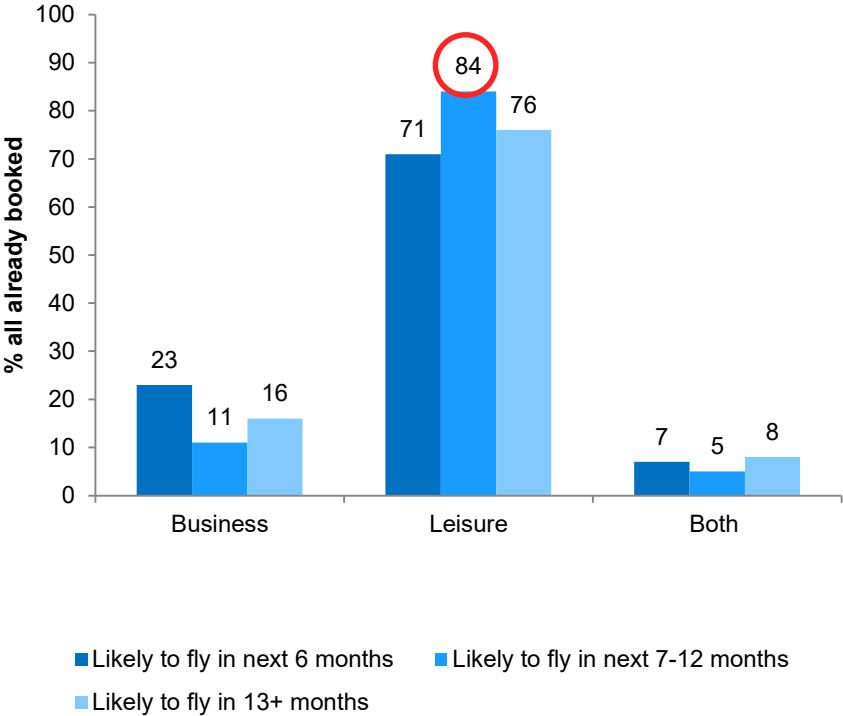
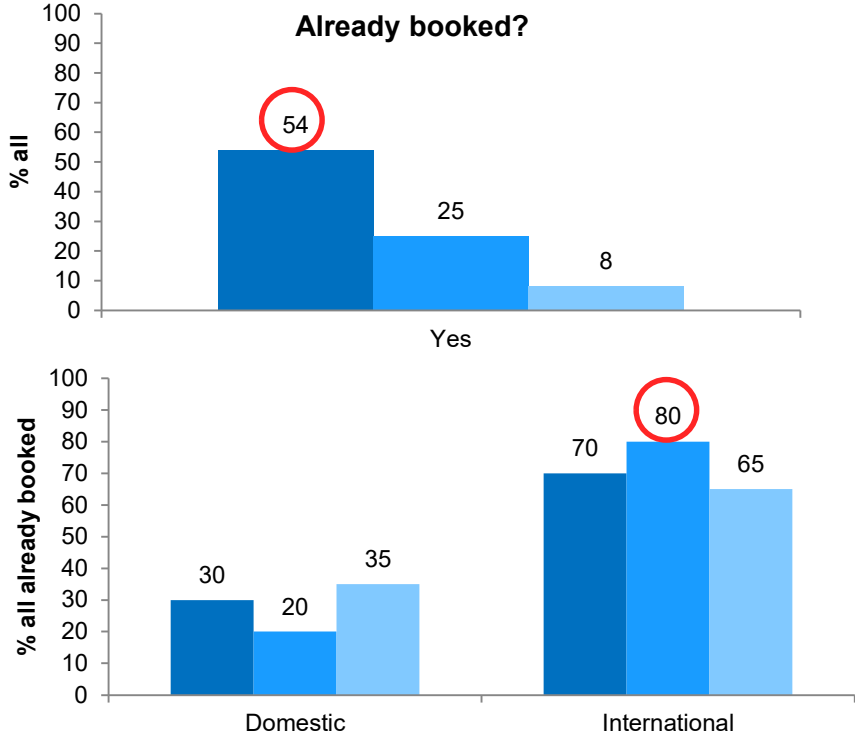
Q19: When do you expect to take your next flight from a UK airport?



Those already planning to fly from LHR are more likely to be planning to fly in the next 6 months. Those already planning to fly from Gatwick and Manchester are more likely to be planning to fly in 7 months or later (next summer and beyond?)

# Next flight profile

Q19: Have you already booked your next flight?  
 Q20: Will the next flight you take be for business or leisure?  
 Q21: Will the next flight you take be domestic or international?



Over half of those flying in the next 6 months have already booked. Inevitably, international and leisure take a higher share when the flight is likely to be in the next 7-12 months (covering the next summer period).

Base **All**: Likely to fly next 6 months = 1806, Likely to fly next 7-12 months = 1112, Likely to fly in 13+ months = 815  
 Base **Already Booked**: Likely to fly next 6 months = 982, Likely to fly next 7-12 months = 275, Likely to fly in 13+ months = 63

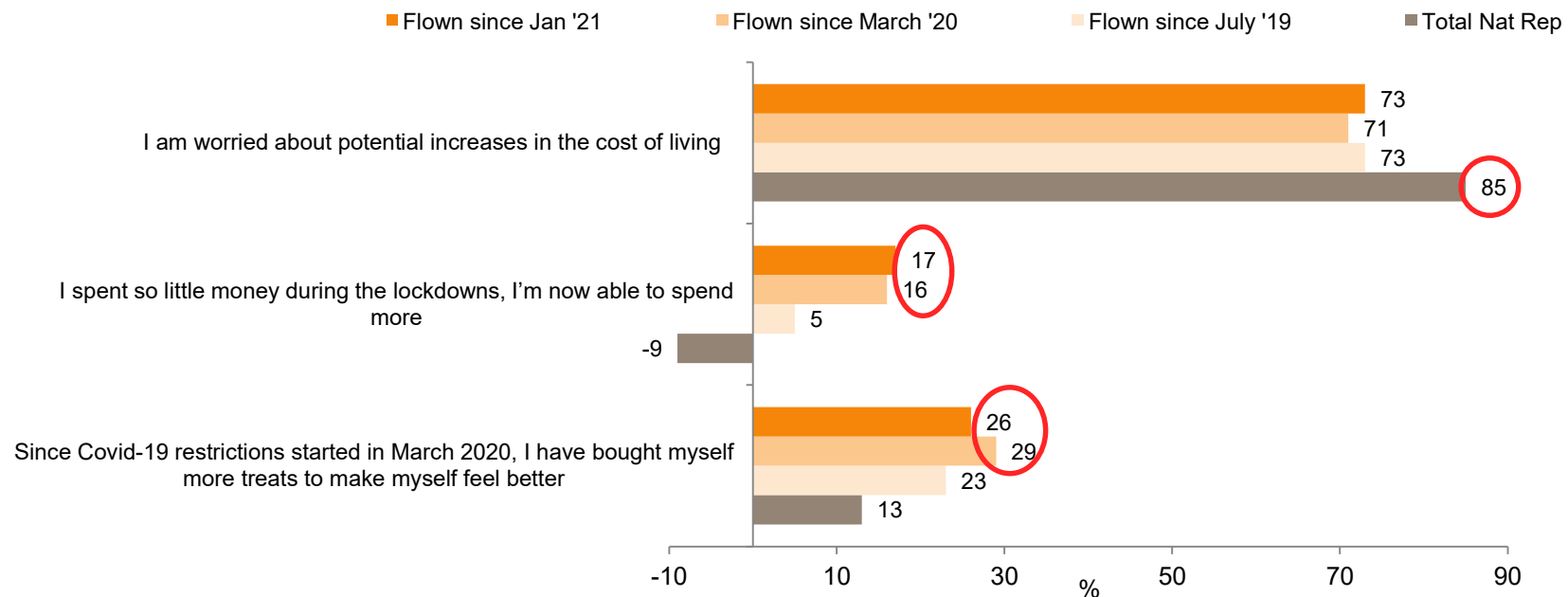
# Summary: Airport usage

- **22% had flown from any UK airport since March '20 (when the first lockdown started).** 12% had flown from LHR during the same period.
- **Heathrow was the most popular airport** (becoming more popular among recent flyers), following by Gatwick
- Since March '20:
  - Luton and Stansted saw the biggest share increases
  - The proportion of business and domestic flights increased during 2020, but has since dropped back
- **Recent flyers are the most likely to fly again** in the next few months:
  - Recent flyers are more frequent flyers?
- Over half of those flying in the next 6 months have already booked. Inevitably, international and leisure take a higher share when the flight is likely to be in the next 7-12 months (covering the next summer period).
- 50% of those already planning to fly are planning to fly in the next 6 months.
- Those already planning to fly from LHR are more likely than those already planning to fly from Gatwick and Manchester to be planning to fly in the next 6 months

# Changing expenditure

# Overall expenditure perceptions by when flown: % agreeing less % disagreeing

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

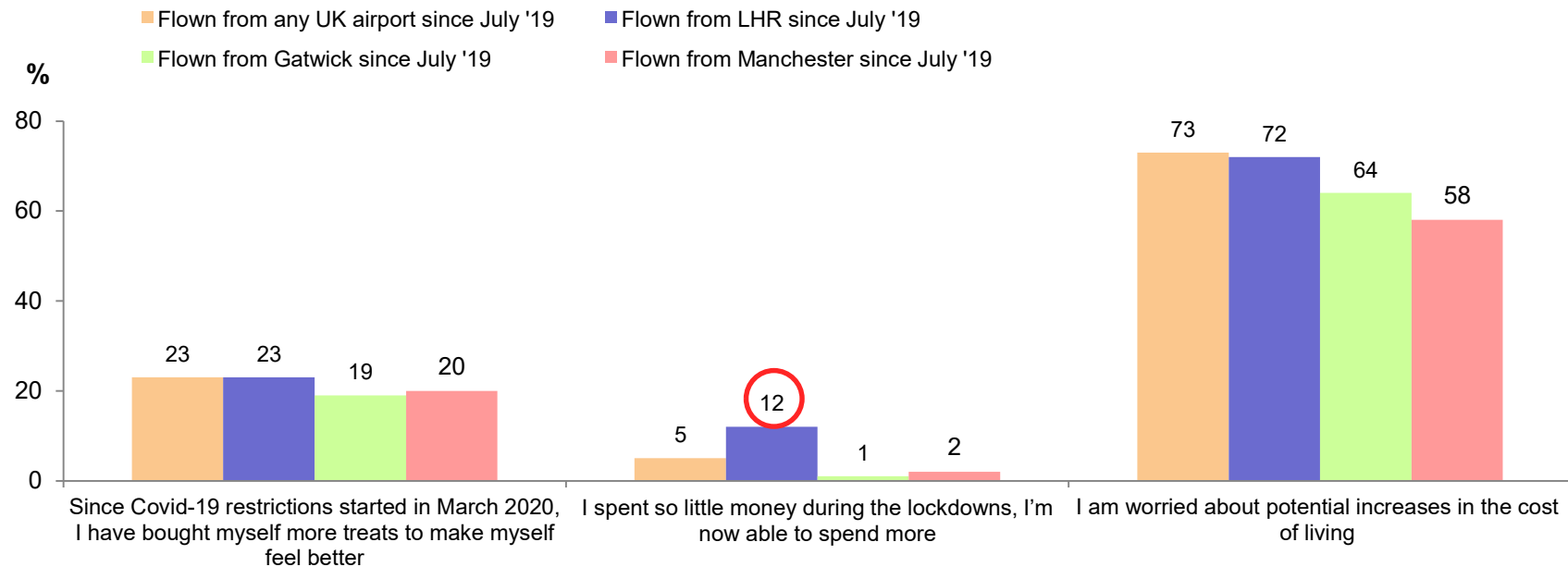


Most are worried about cost of living increases, but some recent flyers are now able to spend more and have been treating themselves.  
The population in general is far more concerned about potential cost of living increases, and far less likely to feel they can spend more or to feel they have bought themselves 'cheer up' treats.

Base: Total Nat Rep = 2508, All flown since July '19 = 3700 , All flown since March '20 = 1744, All flown since Jan '21 = 1063

# Overall expenditure perceptions by airport flown from: % agreeing less % disagreeing

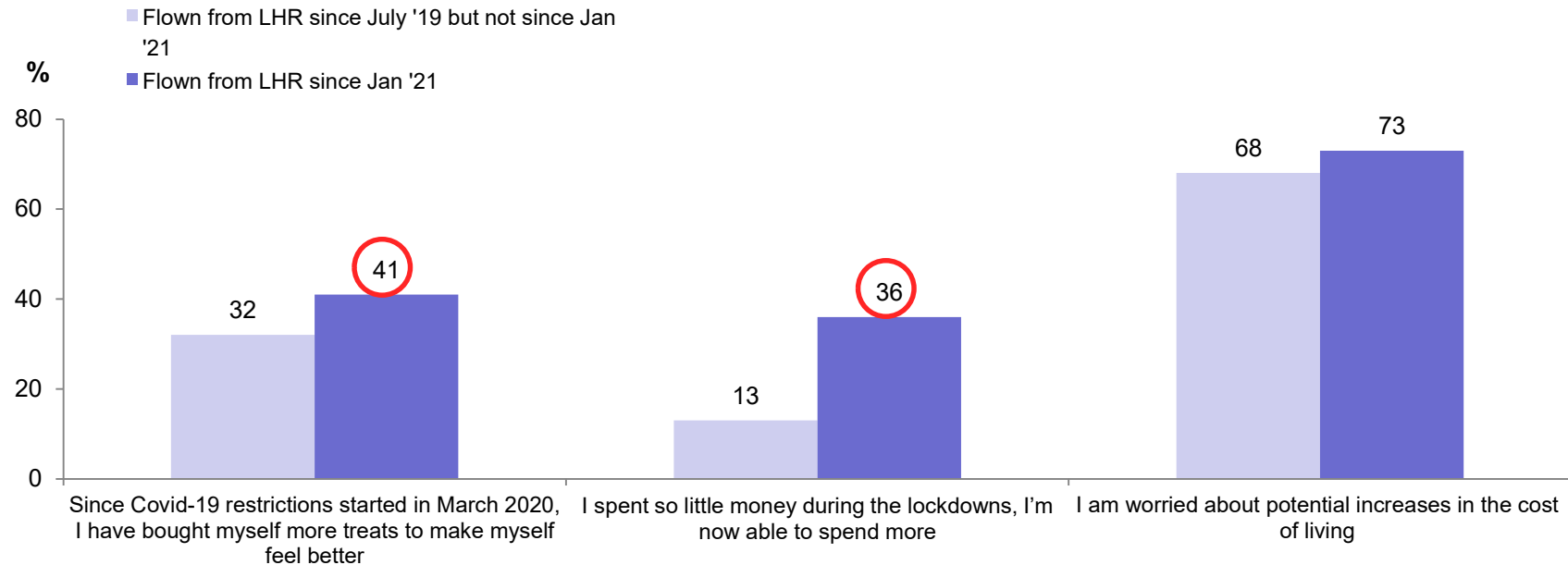
Q4: To what extent do you agree or disagree with the following statements



Those flying from LHR are the most likely to agree they can spend more now, but are also more likely to agree they are worried about cost of living increases than those flying from Gatwick and Manchester.

# Overall expenditure perceptions by when flown from Heathrow: % agreeing less % disagreeing

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

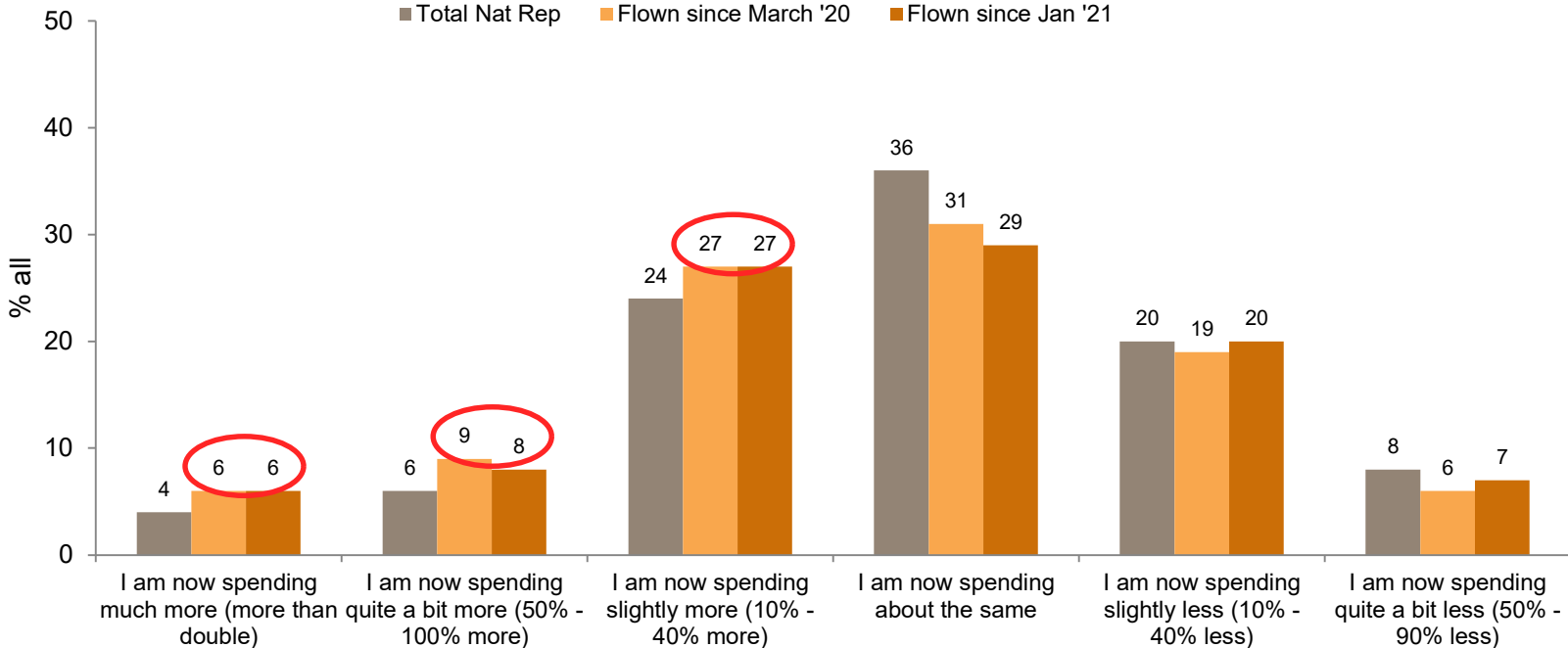


Those flying from LHR since Jan '21 are far more likely to agree they can now spend more and have been buying themselves treats, than those who flew between July '19 and December '20.



# Change in overall spending

Q5: Thinking of your spending now compared to your spending pre-Covid, which of the following applies to you?

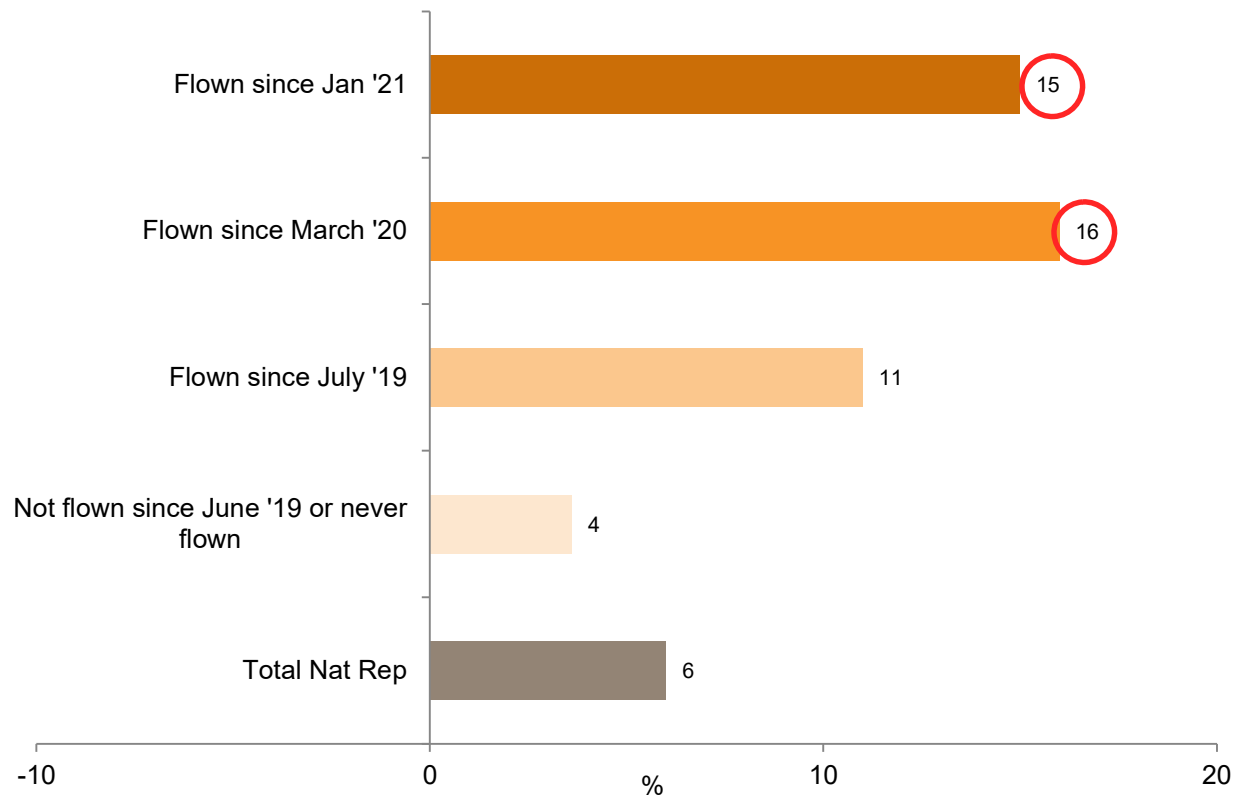


Recent flyers are more likely to claim they're spending more – but over a half are claiming to spend the same or less.

Base: Total Nat Rep = 2508, All flown since March '20 = 1744, All flown since Jan '21 = 1063

# Change in overall spending: % spending more less % spending less

Q5: Thinking of your spending now compared to your spending pre-Covid, which of the following applies to you?

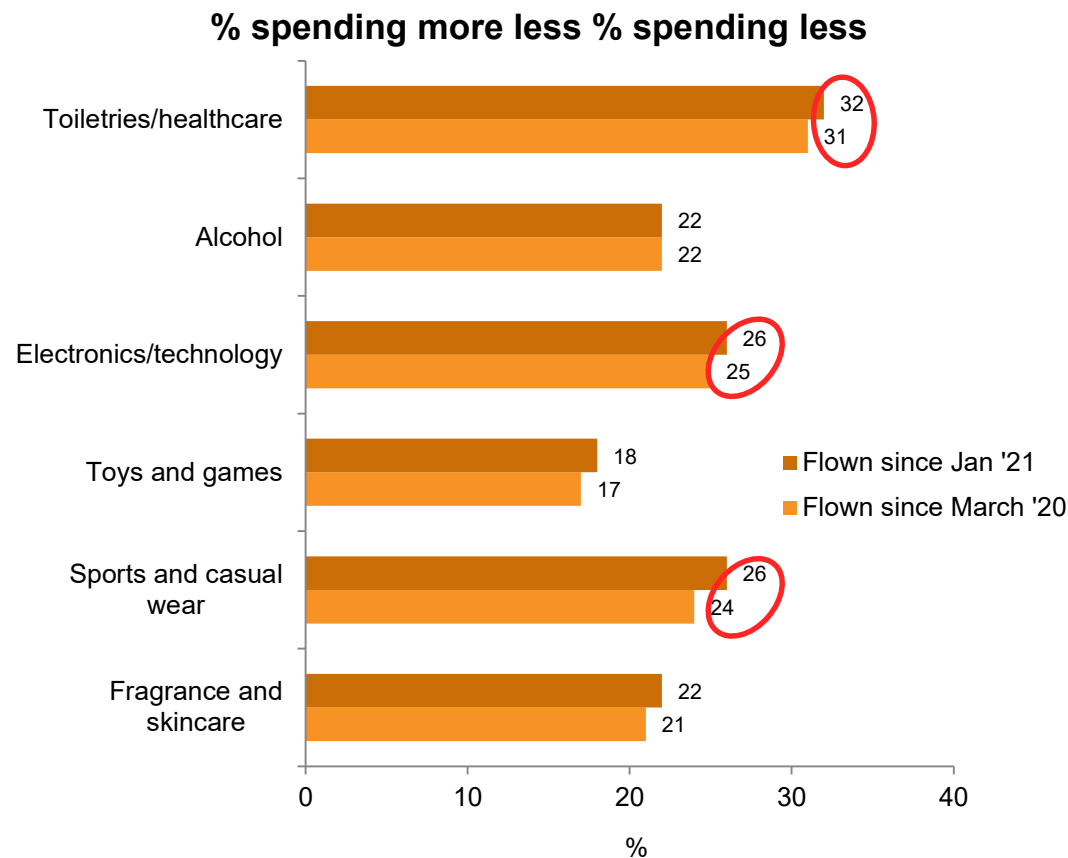


The net effect is more are claiming to be spending more (especially recent flyers). This confirms the presence of 'revenge spend'.

Base: Total Nat Rep = 2506, All not flown since June '19 or never flown = 1311, All flown since July '19 = 3700, All flown since March '20 = 1744, All flown since Jan '21 = 1063

# Change in category spending: Top 6 growth categories for those flying since the start of Covid-19

Qs6-8: For each of the following categories, how does your spending in 2021 compare to your spending in 2019 (before the start of Covid-19 restrictions)?

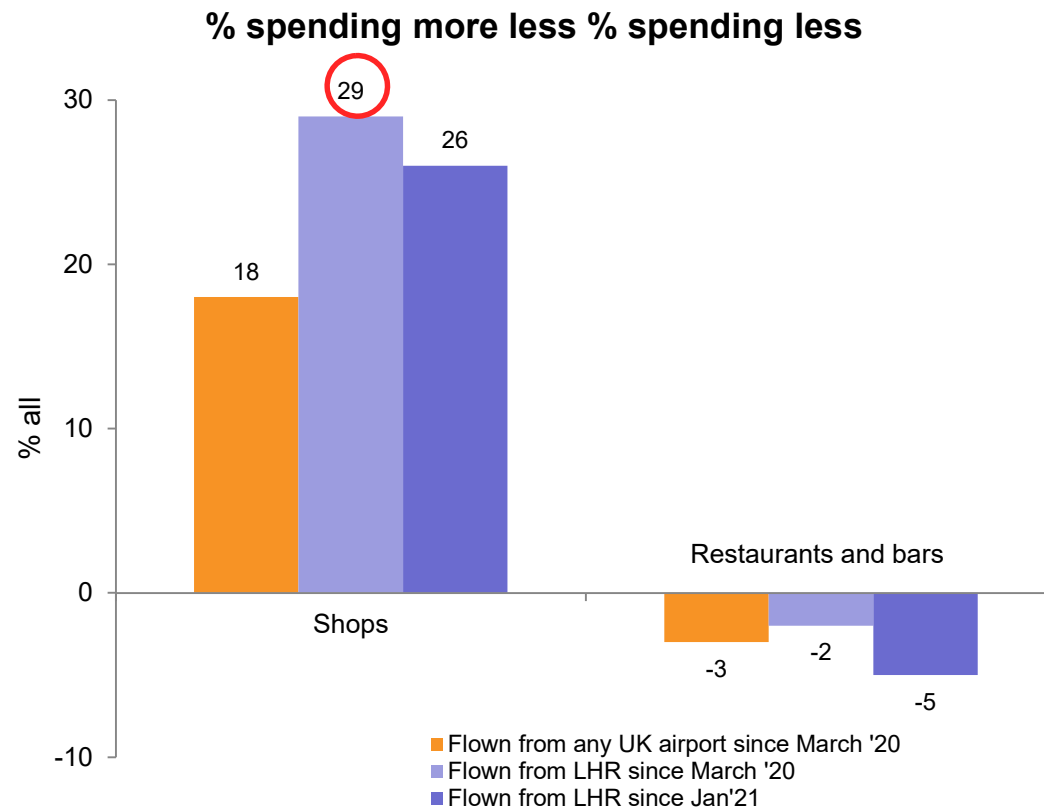


Categories attracting the greatest claimed increase in spend are toiletries/healthcare (not surprising given the pandemic?), followed by sports/casual wear and electronics/technology (more to wear and do while working from home?)

Base: All flown since March '20 = 1744, All flown since Jan '21 = 1063

# Change in departure lounge spending: Flown from LHR since March '20

Qs15 and 17: 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)?



Those flying since the start of Covid-19 claimed to have **spent more in departure lounge shops** but **less in departure lounge restaurants and bars** (due to fear of socialising?).

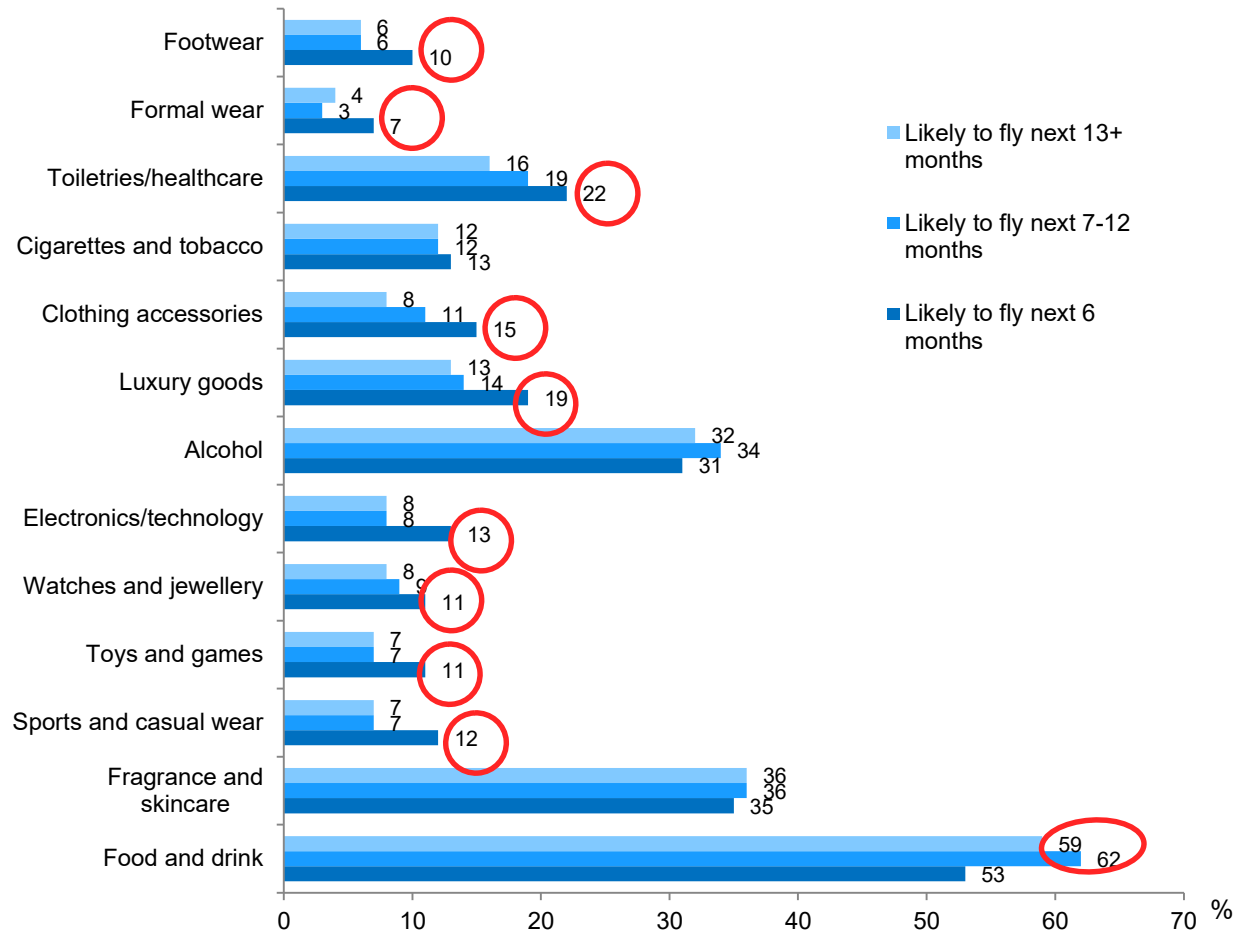
Those flying from LHR particularly likely to claim they had spent more in departure lounge shops (although the data on page 28 suggests they had spent no more money).

Those flying from LHR since Jan '21 are less likely to claim they have spent more than those flying since March '20.

(Note: Shops includes spending on takeaway 'food and drink').

# Categories likely to buy before next flight by timing of next flight

Q24: Which of the following are you likely to buy when you are next in an UK airport departure lounge?



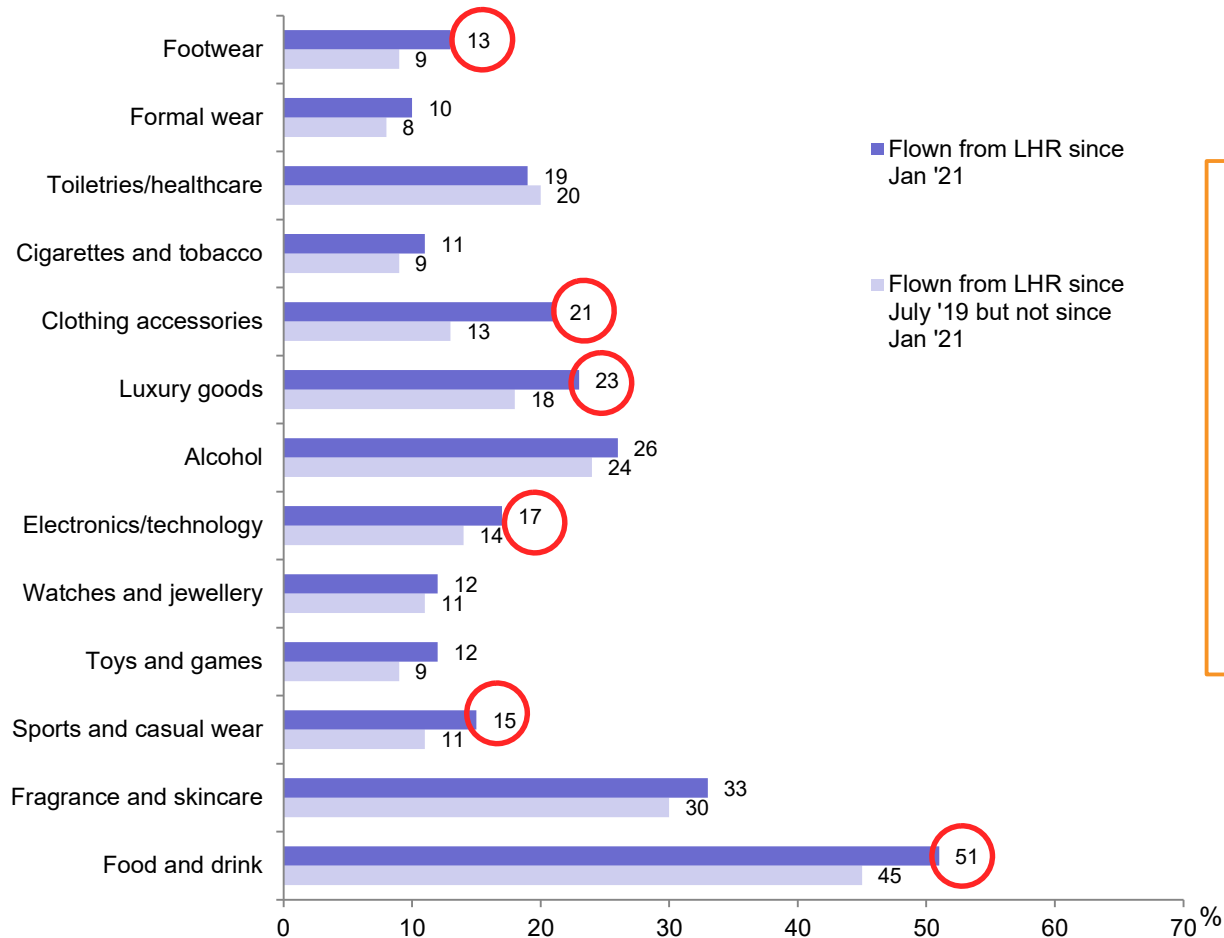
Those likely to fly in next 6 months less likely (than those planning to fly further ahead) to claim they would buy food and drink, but **more likely to claim they would buy all other goods** except fragrance and skincare / alcohol / cigarettes and tobacco.

Suggests expenditure may decline in the 2<sup>nd</sup> half of '22?

Base All: Likely to fly next 6 months = 1806, Likely to fly next 7-12 months = 1112, Likely to fly in 13+ months = 815

# Categories likely to buy before next flight by timing of last flight from LHR

Q24: Which of the following are you likely to buy when you are next in an UK airport departure lounge?



Those who have flown from LHR since the Duty Free and VAT changes are more likely to claim they are likely to buy all goods except toiletries/healthcare when they next fly, than those whose last flight took place in the preceding 18 months.

Base: All flown from LHR since July '19 but not since Jan '21 = 1314, all flown from LHR since Jan '21 = 473

# Summary: Changing expenditure

- Despite the fact that the majority are worried about the rise in the cost of living, **many recent flyers are now able to spend more and have been treating themselves (in their everyday lives) .**
  - Those flying from LHR since July '19 are the most likely to agree they can spend more now, but are also more likely to agree they are worried about cost of living increases than those flying from Gatwick and Manchester.
  - Those flying from LHR since Jan '21 are more likely to say they can now spend more and have been buying themselves treats (in their everyday lives) , than those who flew from LHR between July '19 and December '20.
- Those flying since the March '20 claimed to have **spent more in departure lounge shops** but less in departure lounge restaurants and bars.
  - Categories attracting the greatest claimed increase in spend are toiletries/healthcare (not surprising given the pandemic?), followed by sports/casual wear and electronics/technology (more to wear and do while working from home?).
  - Categories attracting the least claimed increase in spend are formal wear (not needed when working from home?), followed by eating out (not allowed for many months), and luxury goods.
  - Those flying from LHR since Jan '21 are less likely to claim they have spent more in the departure lounge shops than those flying since March '20.

# Summary: Changing expenditure (cont.)

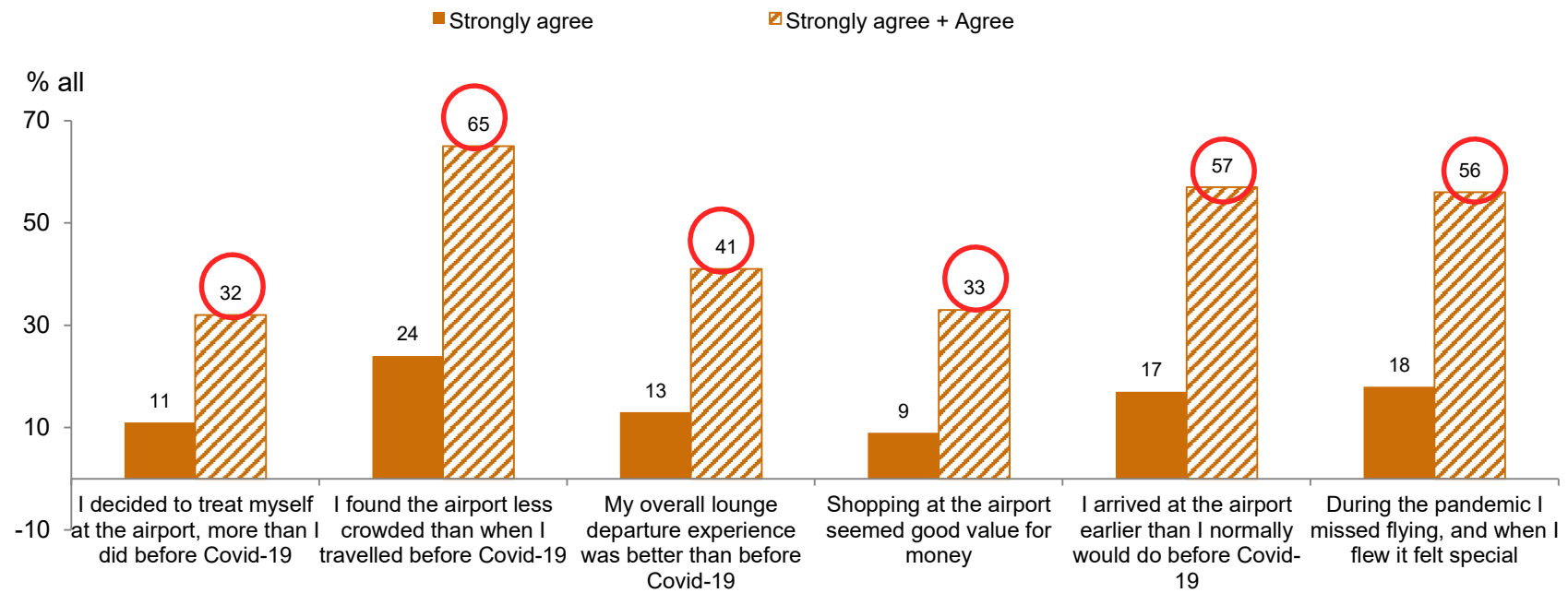
- Those flying from LHR since March '20 claimed to have:
  - Spent no more or less in departure lounge shops than those flying from any other UK airport.
  - Been less likely to visit the restaurants/bars before their flight than those using other UK airports. They were also more likely to have spent only small amounts.
- Those who have flown from LHR since the Duty Free and VAT changes (since Jan '21) are more likely to claim they are likely to buy all goods except toiletries/healthcare when they next fly, than those whose last flight took place in the preceding 18 months:
  - However growing awareness of the VAT change may dampen this enthusiasm.
- Those likely to fly in the next 6 months are less likely (than those flying further ahead) to claim they would buy food and drink, but **more likely to claim they would buy all other goods** except fragrance and skincare / alcohol / cigarettes and tobacco.
  - This suggests there may be **some drop off in spend in late '22 onwards**.
- Those flying from LHR in the future are more likely to say they would be likely to buy food and drink (than those flying from other UK airports).



# Changing perceptions

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

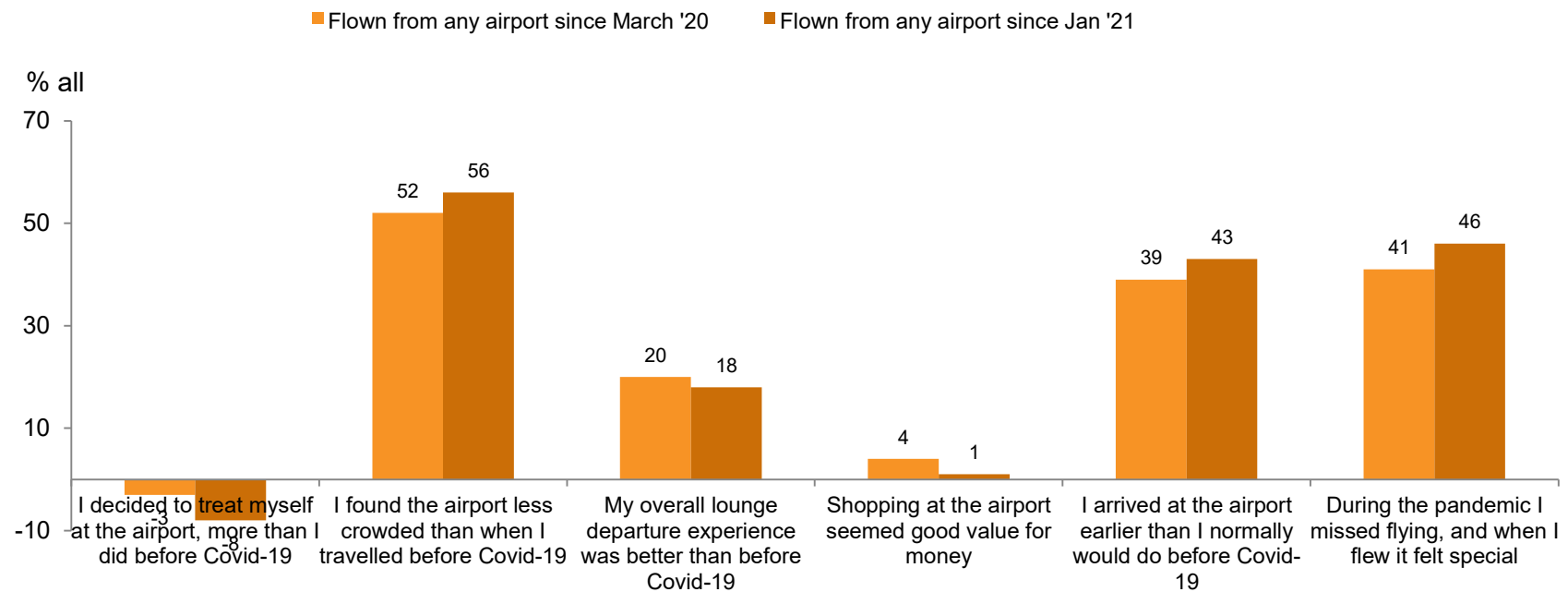
Q23: To what extent do you agree or disagree with these statements?



Strong levels of agreement with all statements – but particularly ‘I found the airport less crowded’.

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

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

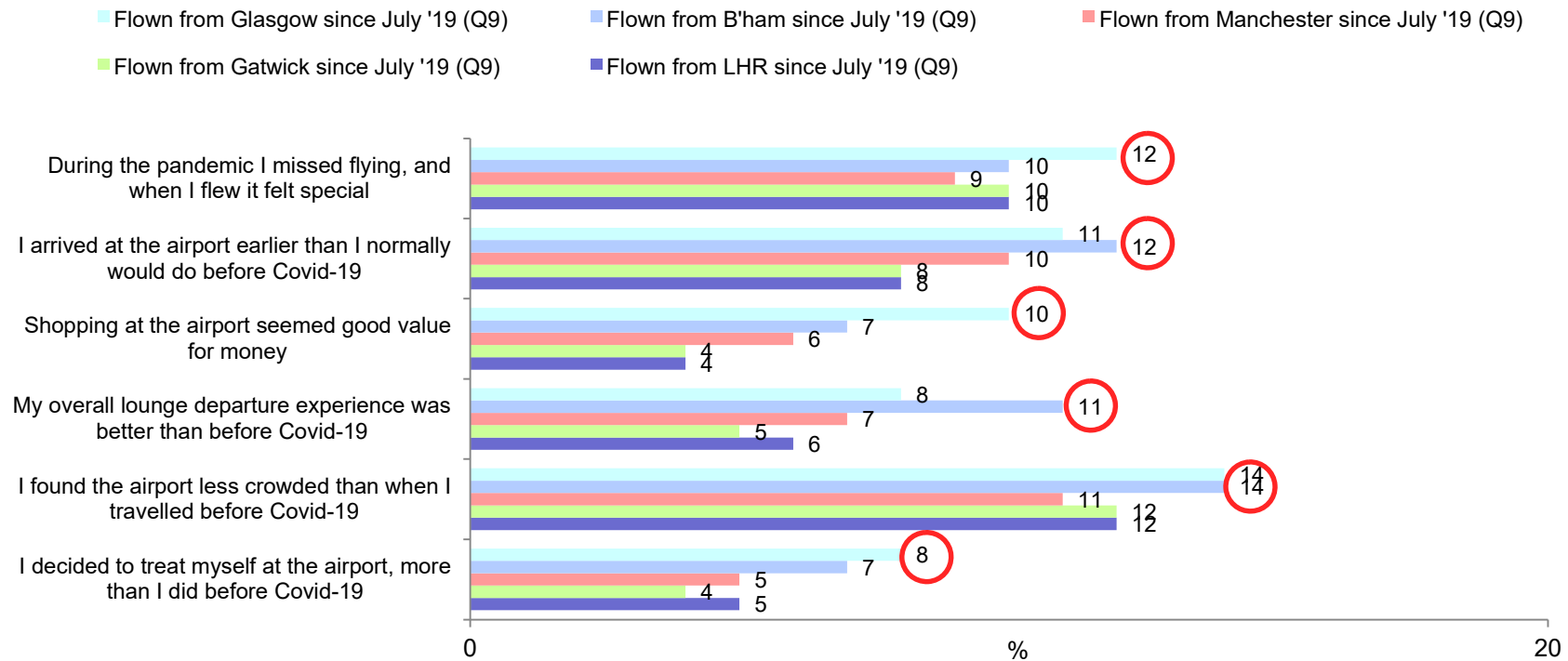


More disagreement than agreement that they had treated themselves more, but strong agreement that the airport experience was better, that they had arrived earlier at the airport, and that the flight felt special.

# Post Covid-19 airport experience by airport flown from since July '19\*: Strongly agree

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

\* Most flying between July '19 and March '20 ticked 'don't know'

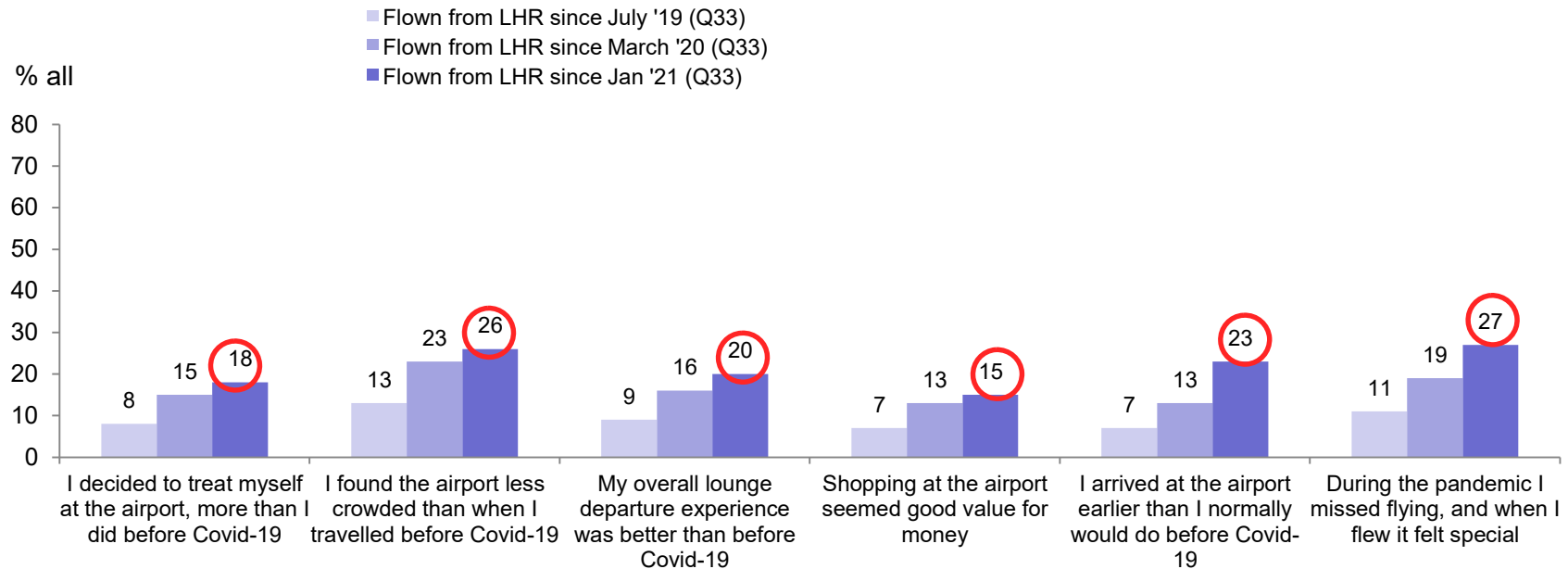


Glasgow attracted the strongest agreement for good vfm, and 'decided to treat', Birmingham for the overall lounge experience being better.

Base: All claiming flown from LHR since July '19 = 883, from Gatwick = 750, from M'chester = 673, from B'ham = 355, and from Glasgow = 235

# Post Covid-19 airport experience by when last flown from LHR: Strongly agree

Q12 and Q13: To what extent do you agree or disagree with the following statements

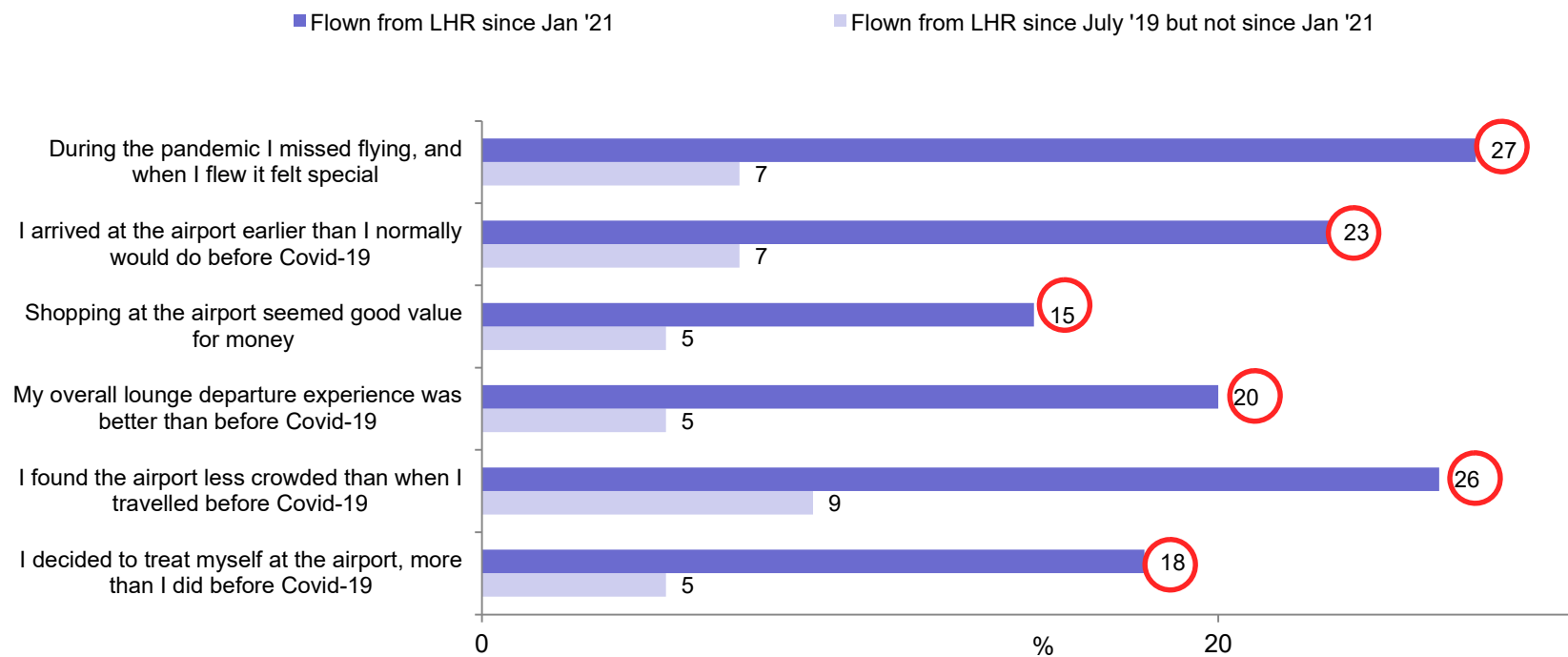


More recent Heathrow flyers were more likely to agree with all statements

# Post Covid-19 airport experience by when last flew from LHR\*: Strongly agree

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

\* Most flying between July '19 and March '20 ticked 'don't know'

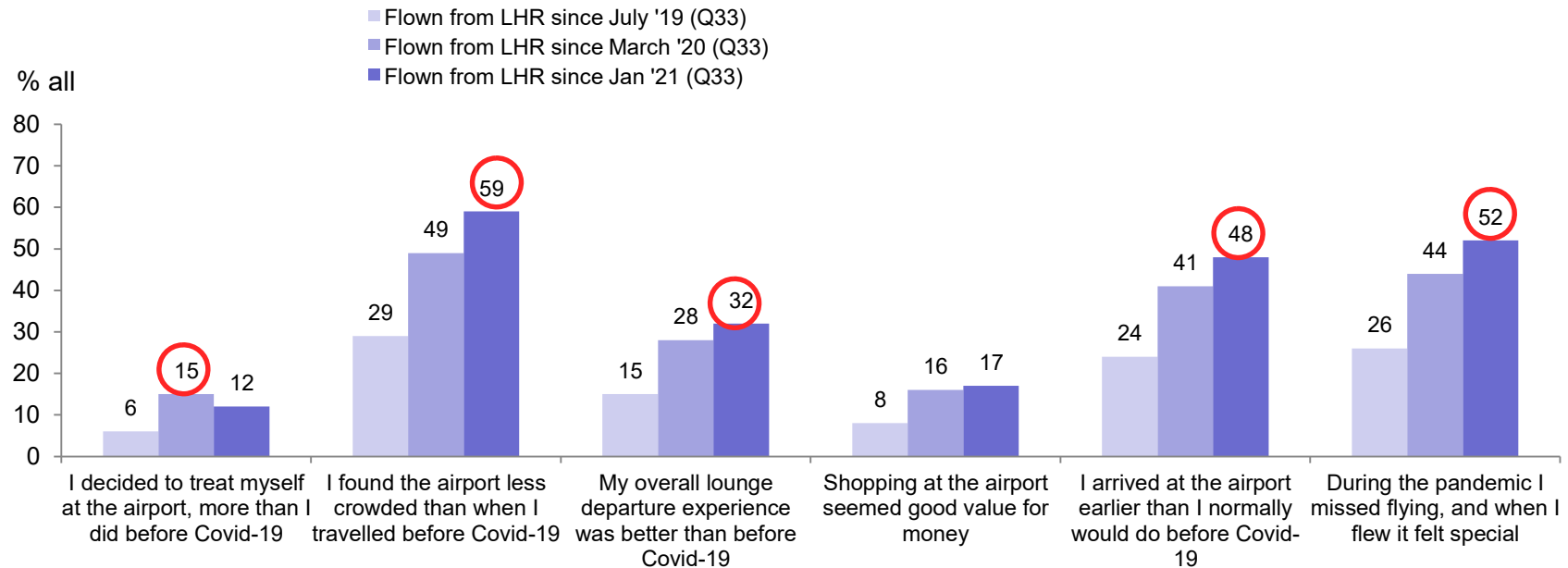


Those flying from LHR since Jan '21 were significantly more positive about the airport experience than those who had flown in the preceding 18 months

Base: All flown from LHR since July '19 but not since Jan '21 = 1314, all flown from LHR since Jan '21 = 473

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

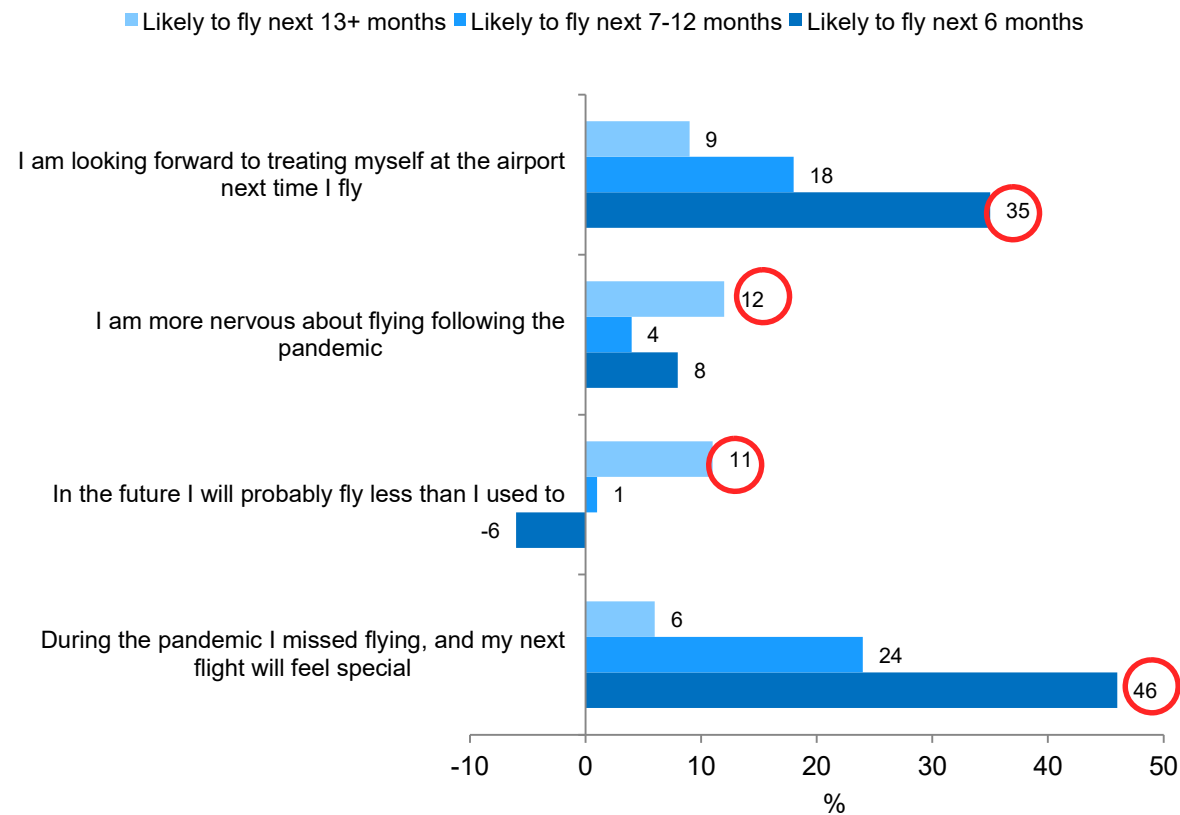
Q12 and Q13: To what extent do you agree or disagree with the following statements



Higher % of claimed treat buying among those flying since March '20, suggesting that this year treat buying may have dropped off a little. Most positive responses to LHR experience from those flying since Jan '21.

# Future flying expectations by time when next most likely to fly: % agree less % disagree

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



Subtracting the 'disagrees' from the 'agrees' tells us that **those likely to fly in the next 6 months are the most likely to claim they will treat themselves / to feel special – but the least likely to reduce their flying in the future.**

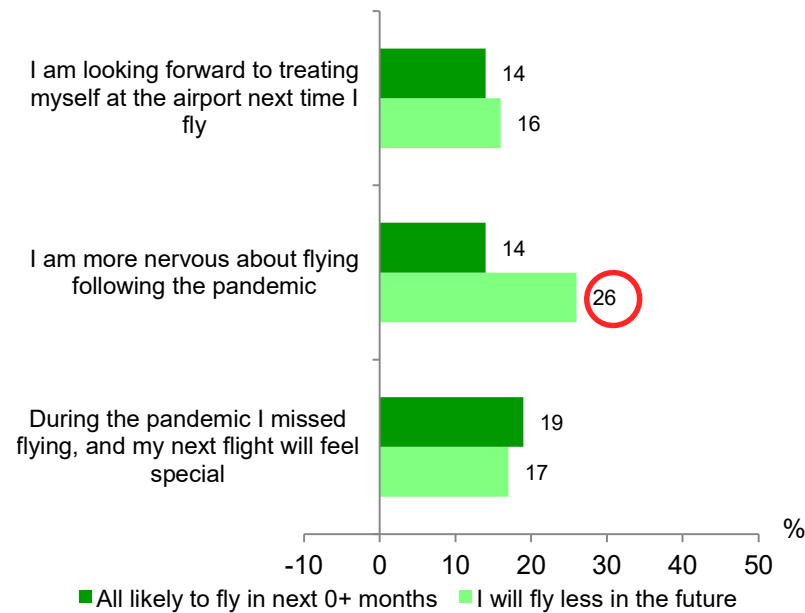
Base **All**: Likely to fly next 6 months = 1806, Likely to fly next 7-12 months = 1112, Likely to fly in 13+ months = 815



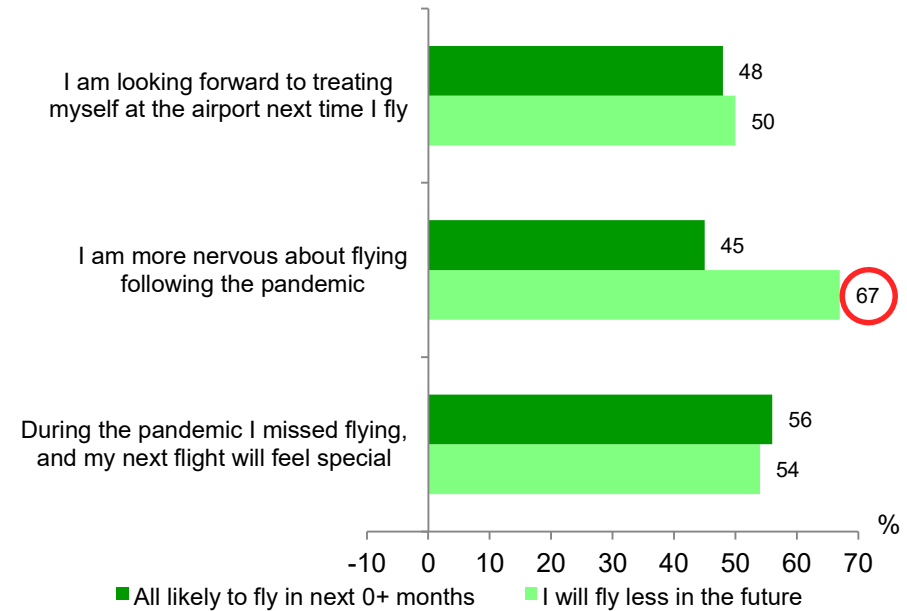
# Future flying expectations among those who agree they will fly less in the future

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

## Strongly agree with statements



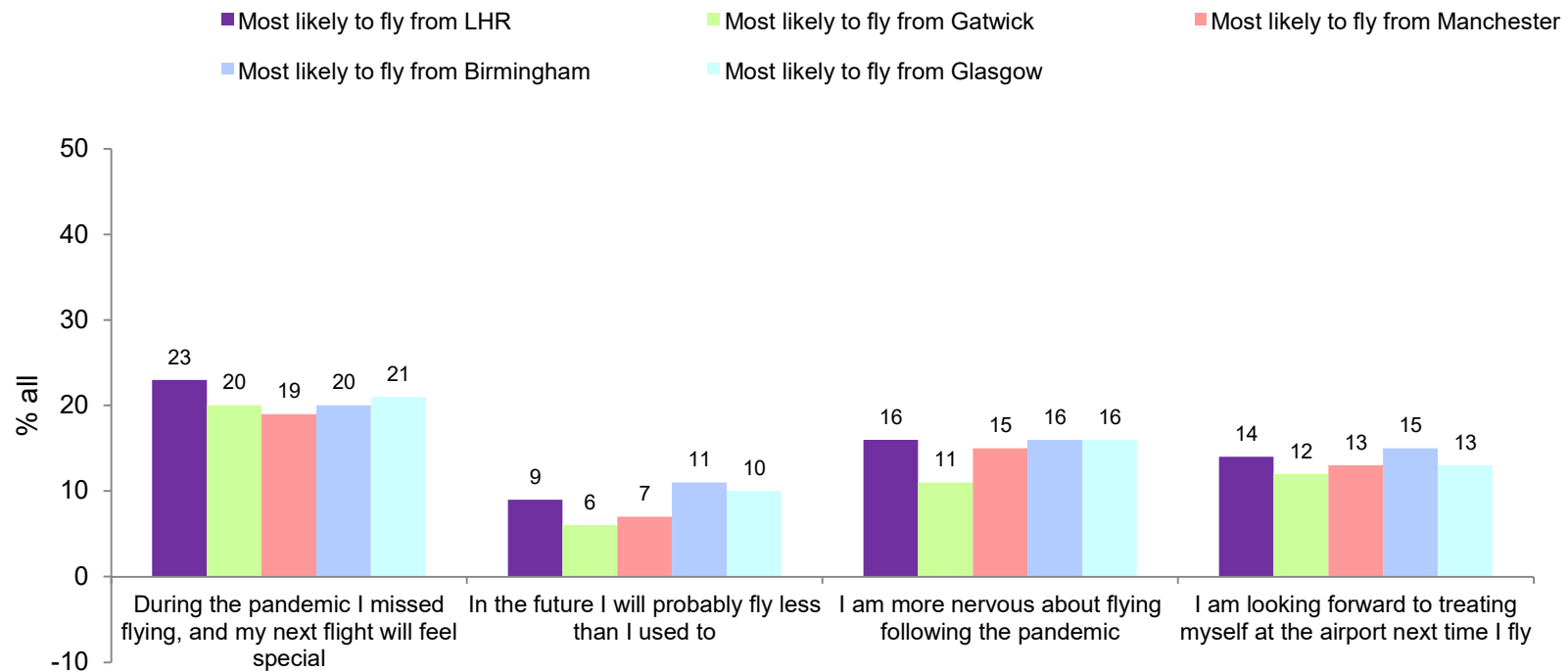
## Agree + Strongly agree with statements



One of the reasons causing people to say they are likely to reduce their flying may be increased 'nervousness'. But there is no evidence frequent flyers are more likely to treat themselves on their next flight.

# Future flying expectations by airport most likely to fly from: % strongly agree

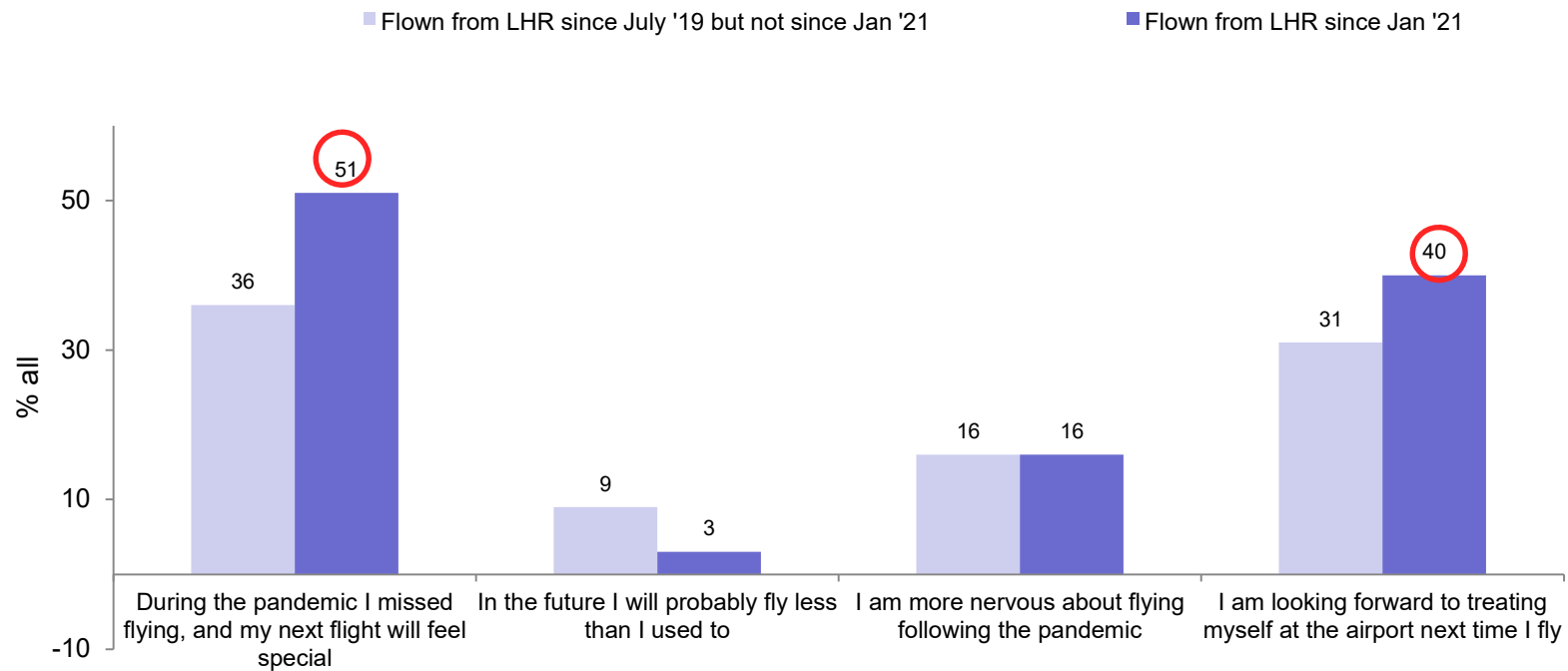
Q23: To what extent do you agree or disagree with these statements?



Similar levels of strong agreement across all airports. Those flying from Gatwick the least nervous.

# Future flying expectations by airport most likely to fly from: % strongly agree

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



Those flying from LHR more recently are more likely to agree their next flight will feel special and they look forward to treating themselves on their next flight

Base: All flown from LHR since July '19 but not since Jan '21 = 1314, all flown from LHR since Jan '21 = 473

# Summary: Changing perceptions

- Many found the **post Covid-19 flying experience a good one**. Over half agreed the airport lounges were less crowded and that the flight felt special. Also, over half agreed that they arrived at the airport earlier than normal.
- However **more disagreed than agreed that they had treated themselves** at the airport.
- Those flying from Glasgow since July '19 attracted the strongest agreement for good vfm and 'decided to treat myself', from Birmingham for the overall lounge experience being better. Both were rated relatively highly on all statements.
- Those flying from LHR since Jan '21 were significantly more positive about the airport experience than those who had flown in the preceding 18 months
- Most agreed with all the future flying statements.
- Those flying from LHR since Jan '21 are more likely to agree their next flight will feel special, and they look forward to treating themselves on their next flight, than those who flew in the preceding 18 months.
- Those **likely to fly in the next 6 months are the most likely to strongly agree the next flight will feel special**, but **also the most likely to agree they are now more nervous about flying**.

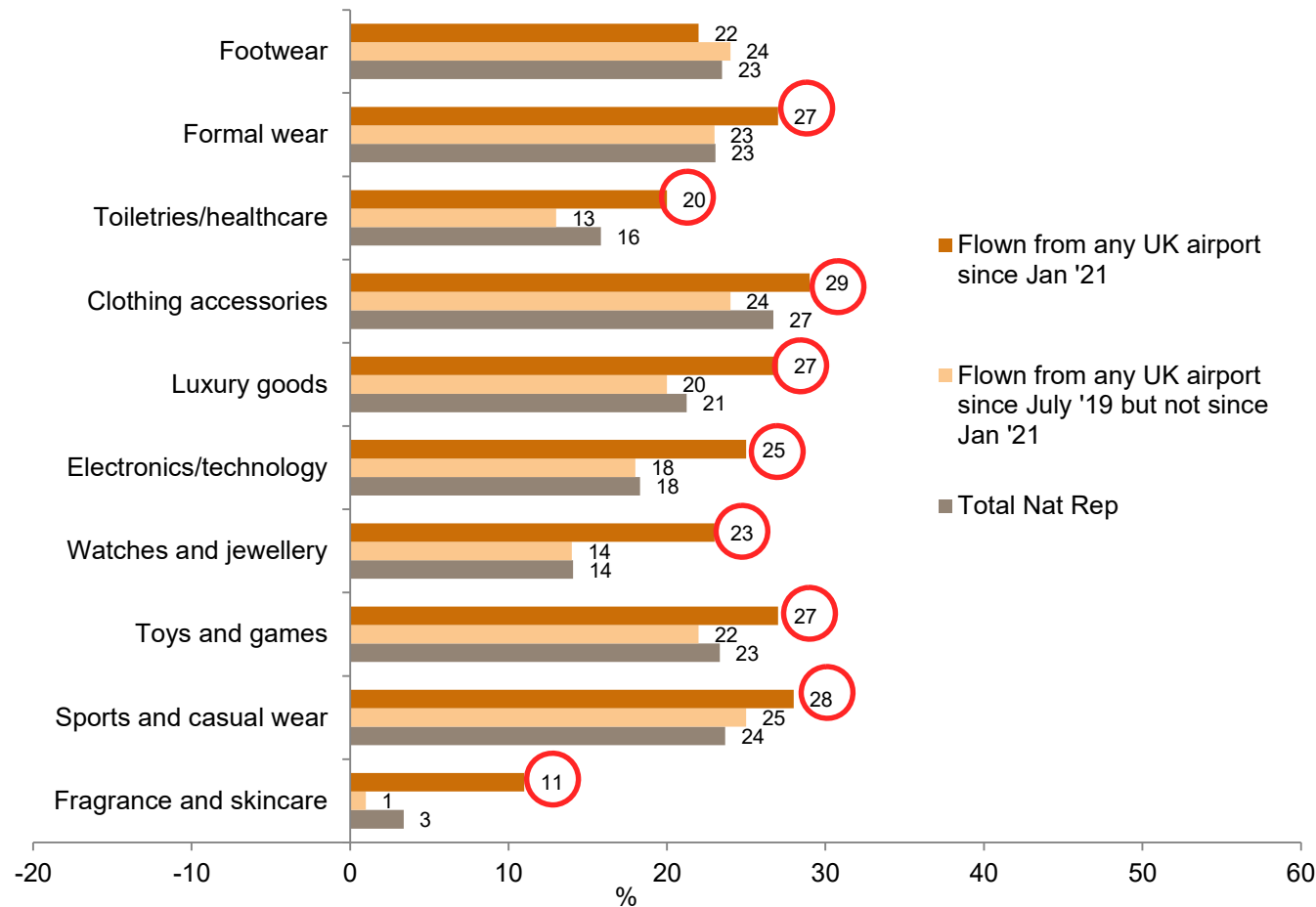
# Summary: Changing perceptions (cont.)

- Balance of agreement over disagreement that they will treat themselves / the next flight will feel special is higher among those flying in the next 6 months than those flying further ahead → **'revenge spend' likely to decline over time.**
- **6% of those flying in the next 7-12 months and 9% of those flying in the next 6 months strongly agree they will reduce their flying in the future.** While these are low numbers (frequent flyers are reluctant to give up their flying habit), they **could impact future passenger numbers.**
- One of the reasons causing people to say they are likely to reduce their flying may be increased 'nervousness'. But there is **no evidence these 'flight reducers' will treat themselves more (than others) on their next flight.**
- Attitudes to future flying are very similar across all UK airports:
  - Those flying from Gatwick appear to be the least nervous.
  - Those flying from Manchester were the least willing to reduce their future flying.

# Price perceptions

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

Qs27-29: How would you rate the price of the following products in UK airport departure lounge shops relative to the prices away from the airport?

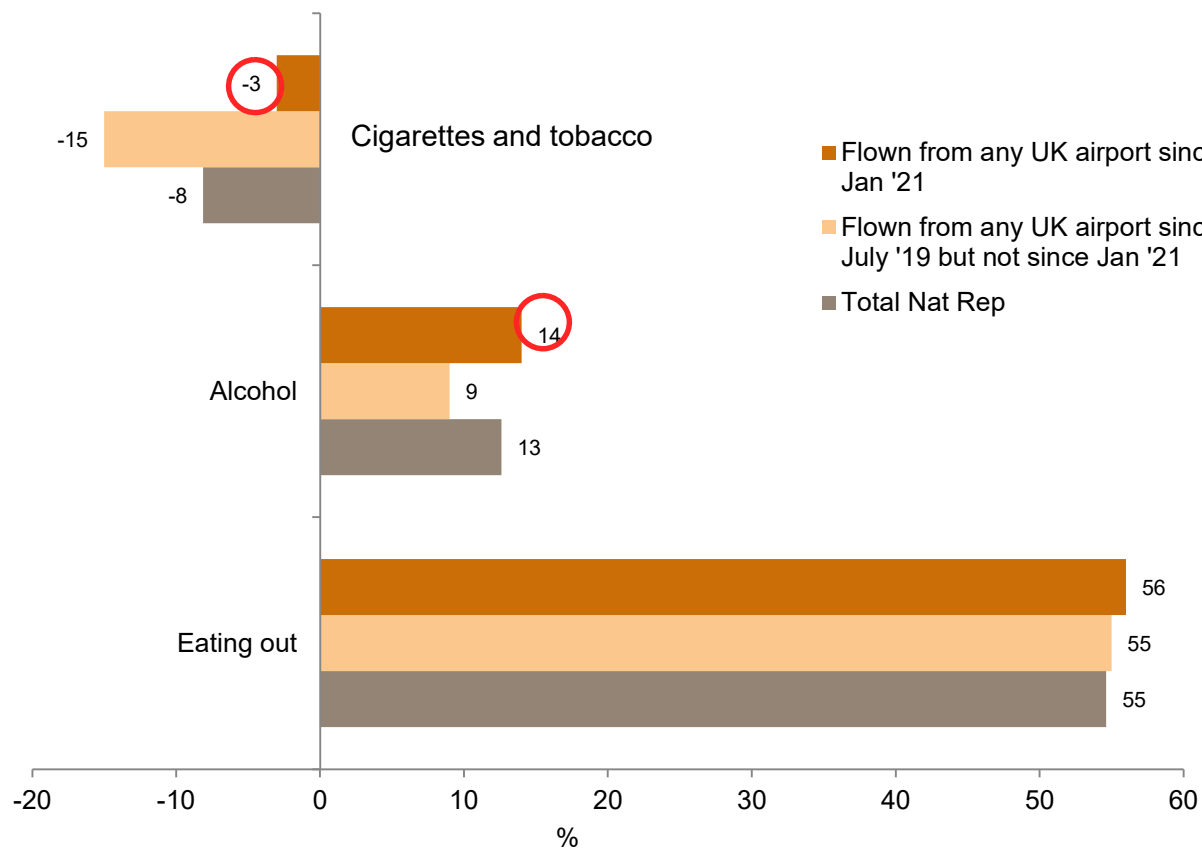


More thought prices more expensive than cheaper.

Those flown since Jan '21 were more likely to rate them as more expensive (a function of the change in law re VAT?)

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

Qs27-29: How would you rate the price of the following products in UK airport departure lounge shops relative to the prices away from the airport?



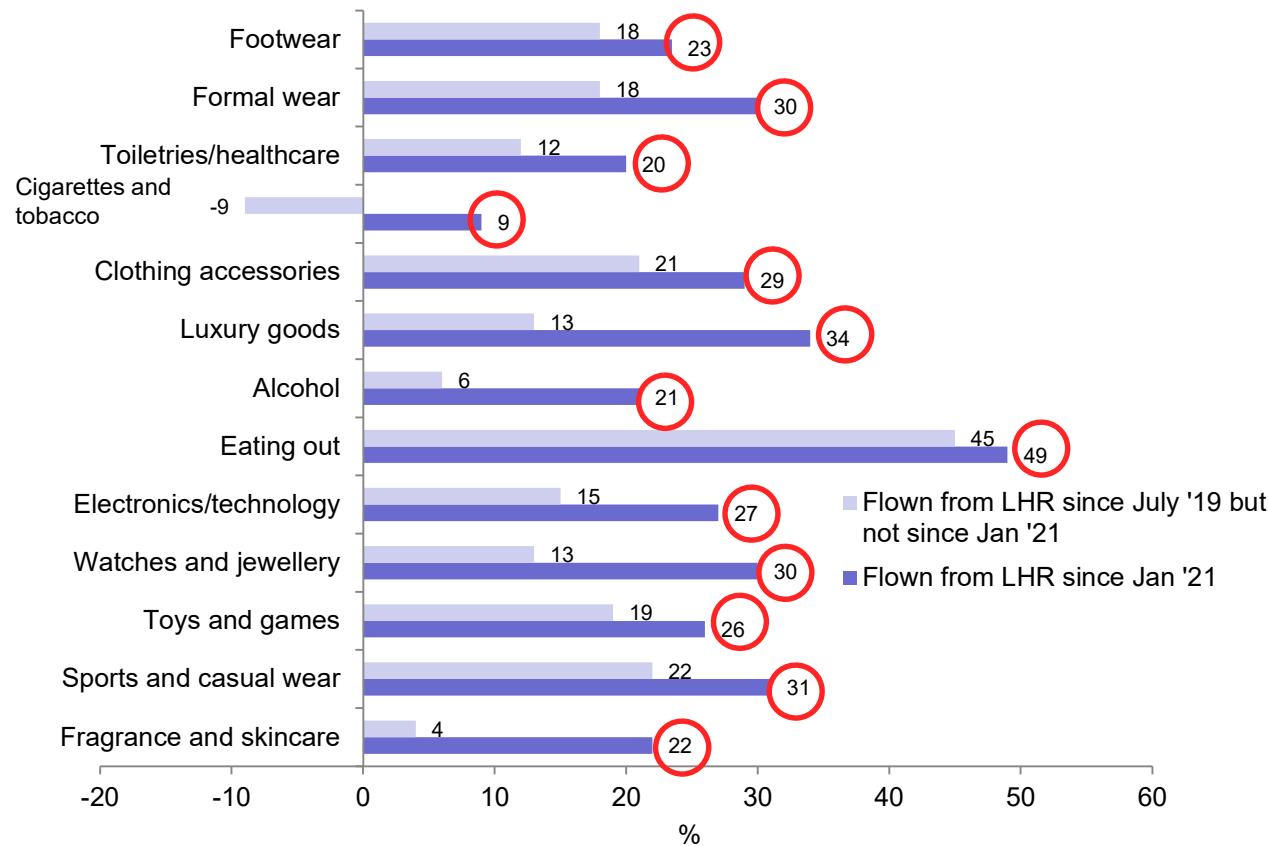
Only cigarettes and tobacco are thought to be cheaper.

Those flown since Jan '21 were less likely to rate cigarettes and tobacco as cheaper despite the Duty Free changes.



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

Qs27-29: How would you rate the price of the following products in UK airport departure lounge shops relative to the prices away from the airport?



Those who **flew from LHR since Jan '21** are more likely to rate **all goods as more expensive** than those who flew from LHR between July '19 and Dec '20.

This may be due to removal of VAT-free shopping.

Base: Flown from LHR since Jan '21 = 473 , since July '19 but not since Jan '21 = 1314

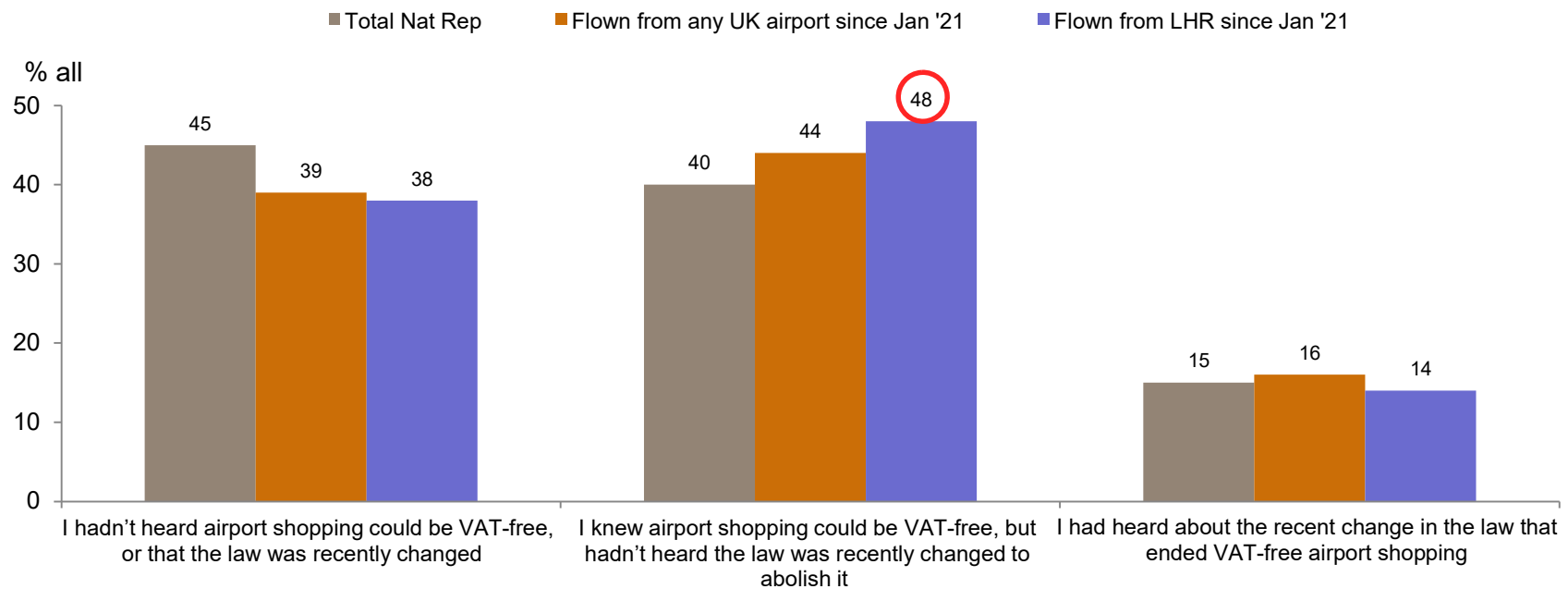
# Summary: Price perceptions

- Many believe **prices at UK airports are relatively expensive**
- Those **flown since Jan '21 were more likely to rate them as more expensive** (a function of the change in law re VAT?)
- Those having flown from LHR since Jan '21 are:
  - More likely to rate the following categories as more expensive than those flying from other airports in the same time period: Fragrance and skincare, Sports and casual wear, Watches and jewellery, Alcohol, Cigarettes/tobacco, Luxury goods and Formal wear i.e. Heathrow departure lounge shops have a particularly high price perception.
  - Less likely to rate Eating out as more expensive.
- In general, **only cigarettes and tobacco are thought to be cheaper** in departure lounge shops – and only by those flying before Jan '21 i.e. before the Duty Free change.

# Awareness and impact of tax changes

# Awareness of VAT change

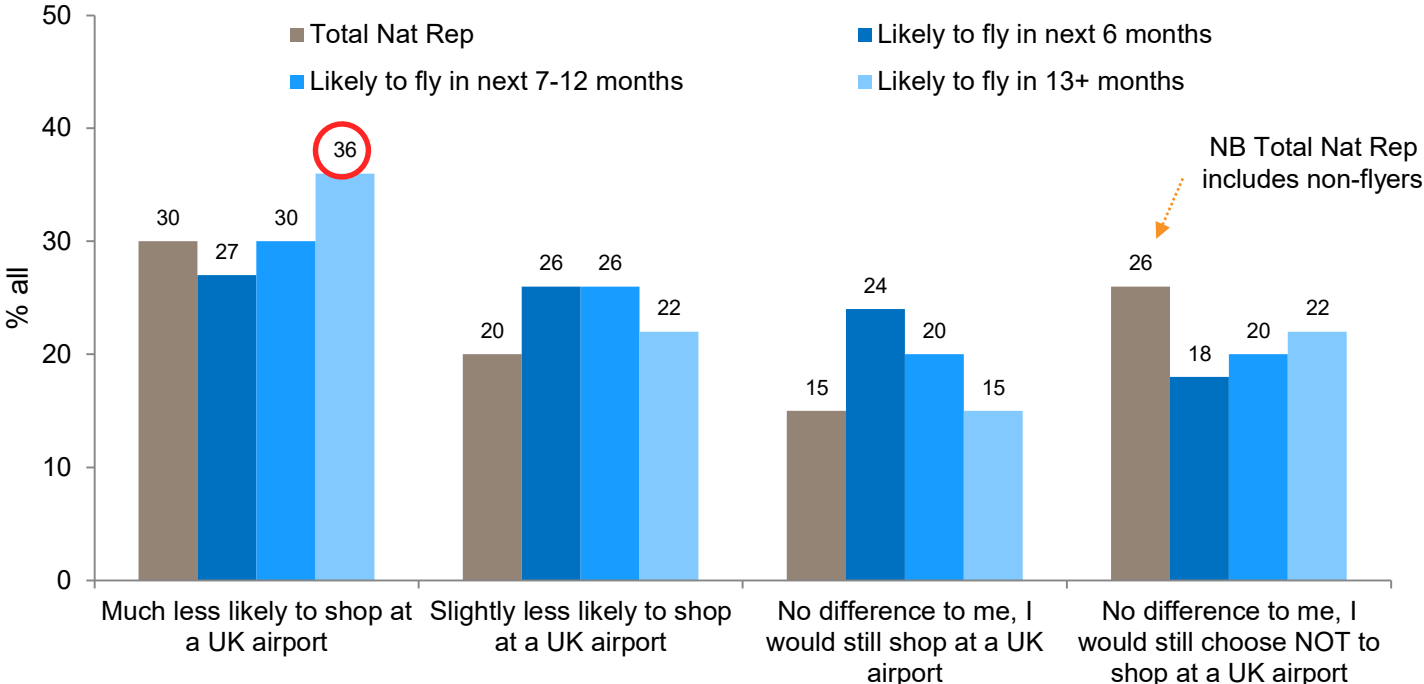
Q30: On 1<sup>st</sup> January 2021, the UK government changed the laws around VAT-free shopping. Previously, shops in UK airports could sell goods VAT-free to passengers travelling outside the EU. Now, VAT is required to be paid on all purchases made in airports, regardless of where you are travelling. Before today, had you heard of this change in law?



**Only 15% were aware of the law change.**  
Recent flyers were more aware shopping could be VAT-free. Recent Heathrow flyers had the highest awareness, but were no more aware of the law change.

# Impact of VAT change on spend

Q31: 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?

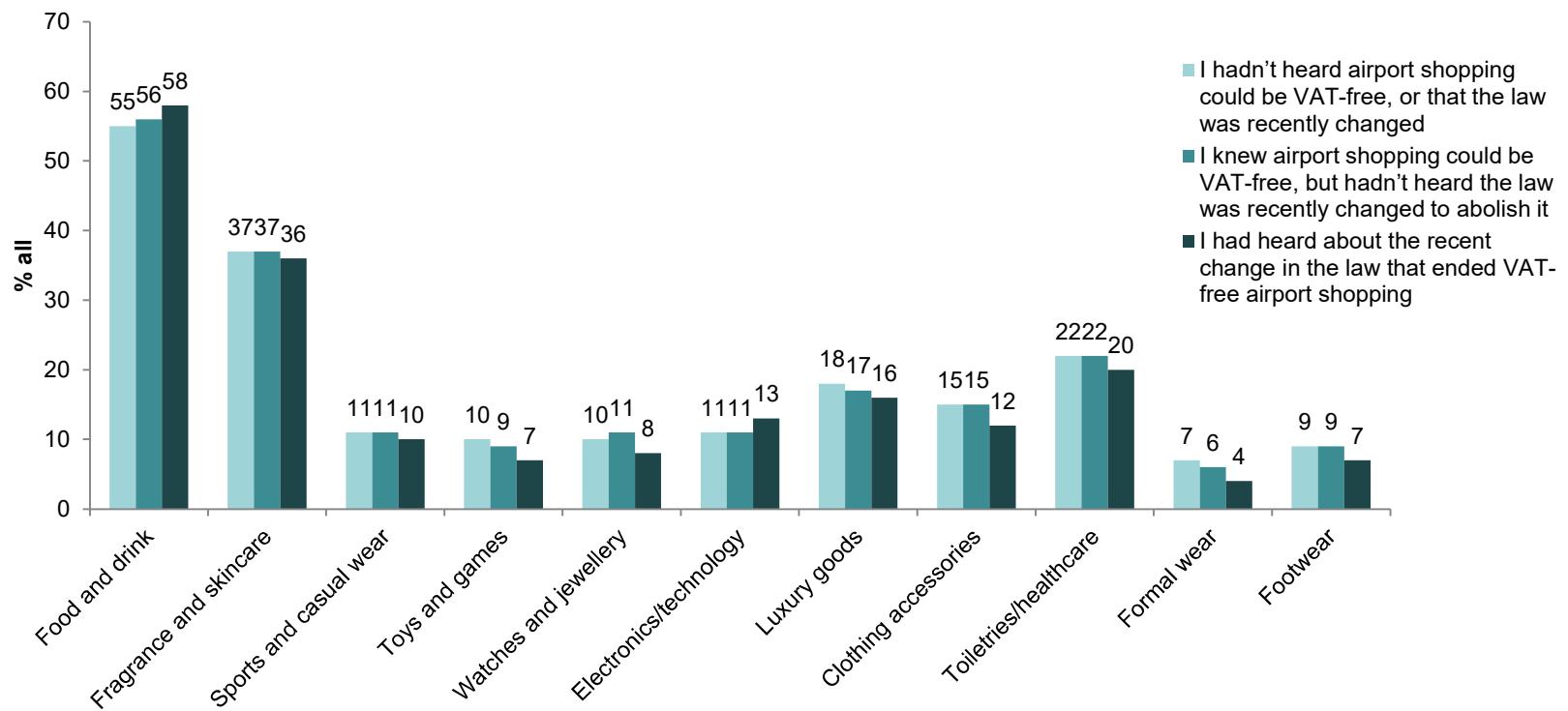


**Over half of those planning to fly in the next 0+ months claimed that the law changes would make them less likely to shop at an airport shop. But those flying in the next 6 months were less impacted with 24% saying it would make no difference to them (rising to 29% if the non-shoppers are 'removed from the sample')**

Base All: Total Nat Rep = 2508, Likely to fly next 6 months = 1806, Likely to fly next 7-12 months = 1112, Likely to fly in 13+ months = 815

# Categories likely to buy before next flight: All likely to fly in next 12 months by awareness of VAT changes

Q24: Which of the following are you likely to buy when you are next in an UK airport departure lounge?

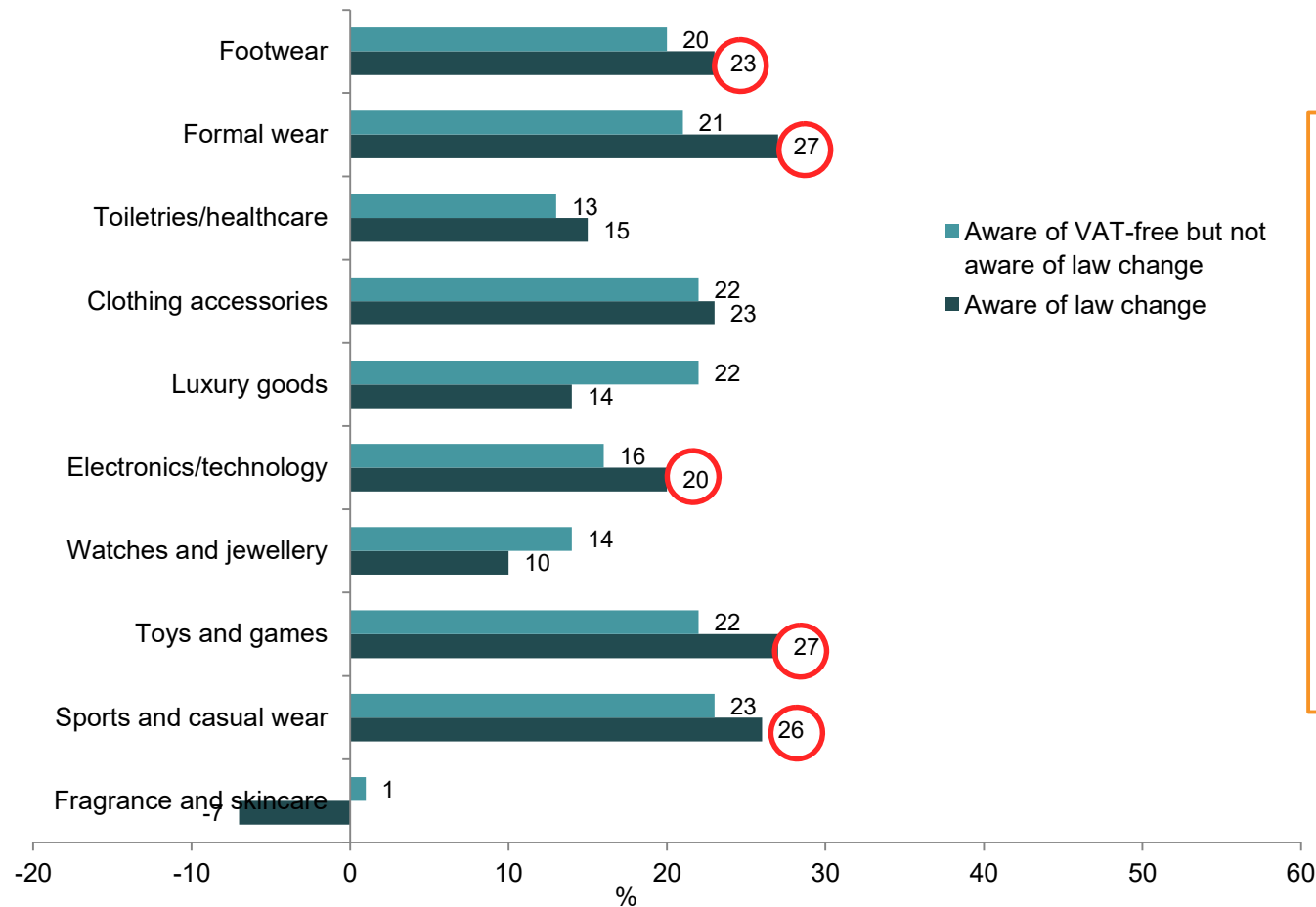


**Those aware of the VAT changes were less likely to claim they were likely to buy all goods except food and electronics/technology before their next flight. Hence knowledge of the VAT changes seems to depress sales in the departure lounge shops.**

Base: Didn't know and hadn't heard = 1143, Knew but hadn't heard = 1466, Knew and had heard = 470

# Price perceptions by knowledge of VAT-free offer and awareness of law change: % more expensive less % cheaper

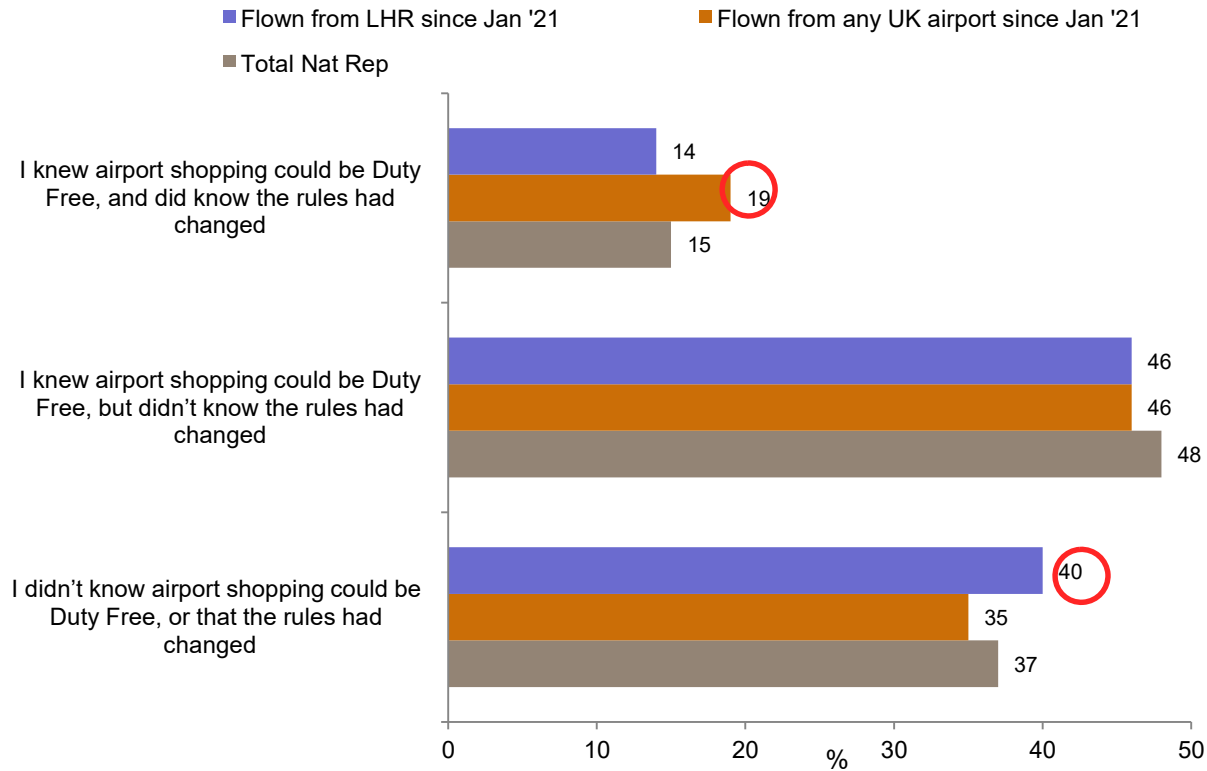
Qs27-29: How would you rate the price of the following products in UK airport departure lounge shops relative to the prices away from the airport?



Those aware of the change in law regarding VAT more likely to think all goods more expensive – except for luxury goods, watches and jewellery, and fragrance and skincare (some of the latter sold in Duty-Free area and thought to be Duty-free?).

# Awareness of Duty Free change

Q32: Also on January 1<sup>st</sup> 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?



**Only 15% were aware of the law change.**

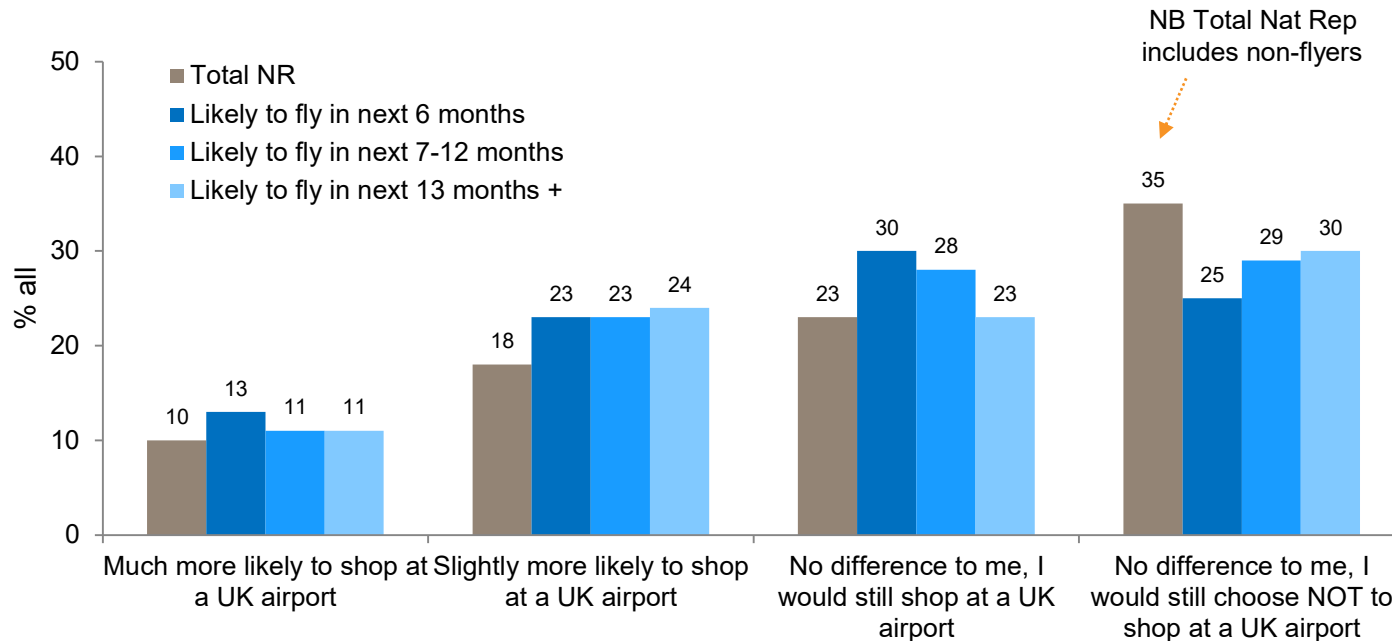
2021 Heathrow flyers were the least aware of the Duty Free offer, and were less aware of the recent law change than 2021 flyers from any UK airport.

Base: Total Nat Rep = 2508, Flown from any UK airport since Jan '21 = 1063, Flown from LHR since Jan '21 = 473



# Impact of Duty-Free change on spend

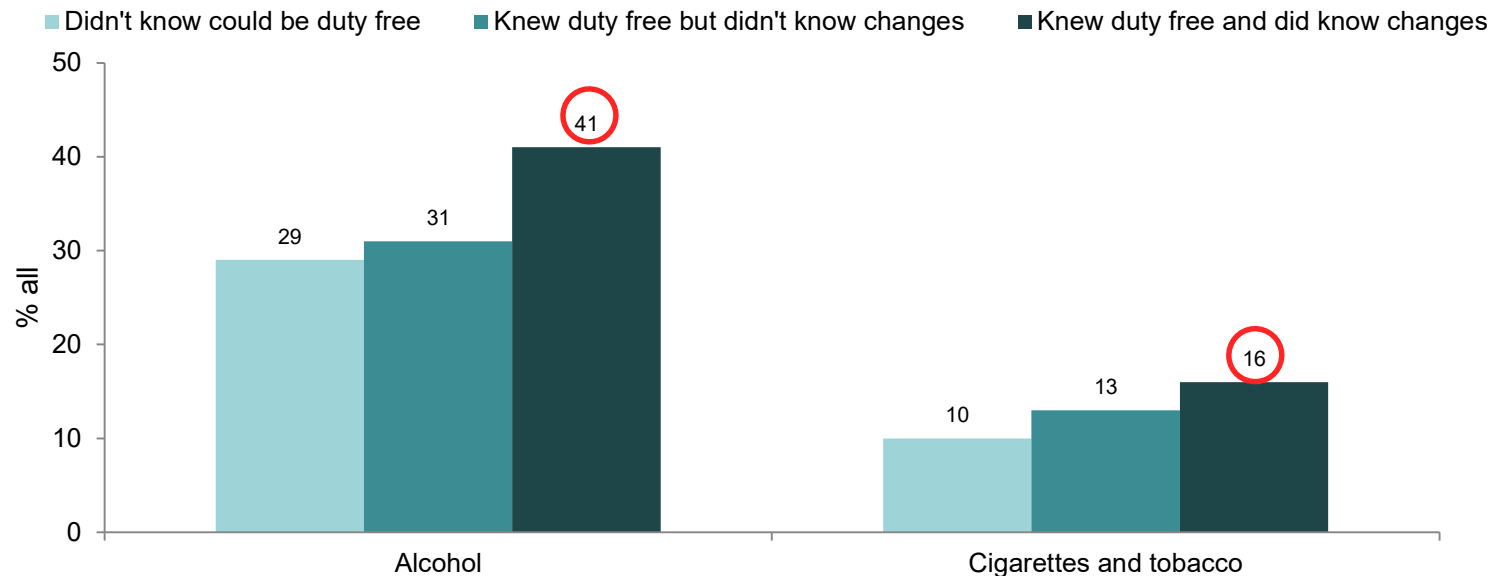
Q33: Now that you know shopping for Alcohol and Tobacco in UK airports is duty free for everyone, how do you feel about shopping for Alcohol and Tobacco at a UK airport?



Approx. 1/3 of those planning to fly in the next 0+ months claimed that the law changes would make them **more likely to buy alcohol or tobacco**. Those flying in the next 6 months were most likely to say it would make no difference to them (40% if the non-shoppers are 'removed from the sample').

# Categories likely to buy before next flight: All likely to fly in next 12 months by awareness of duty-free changes

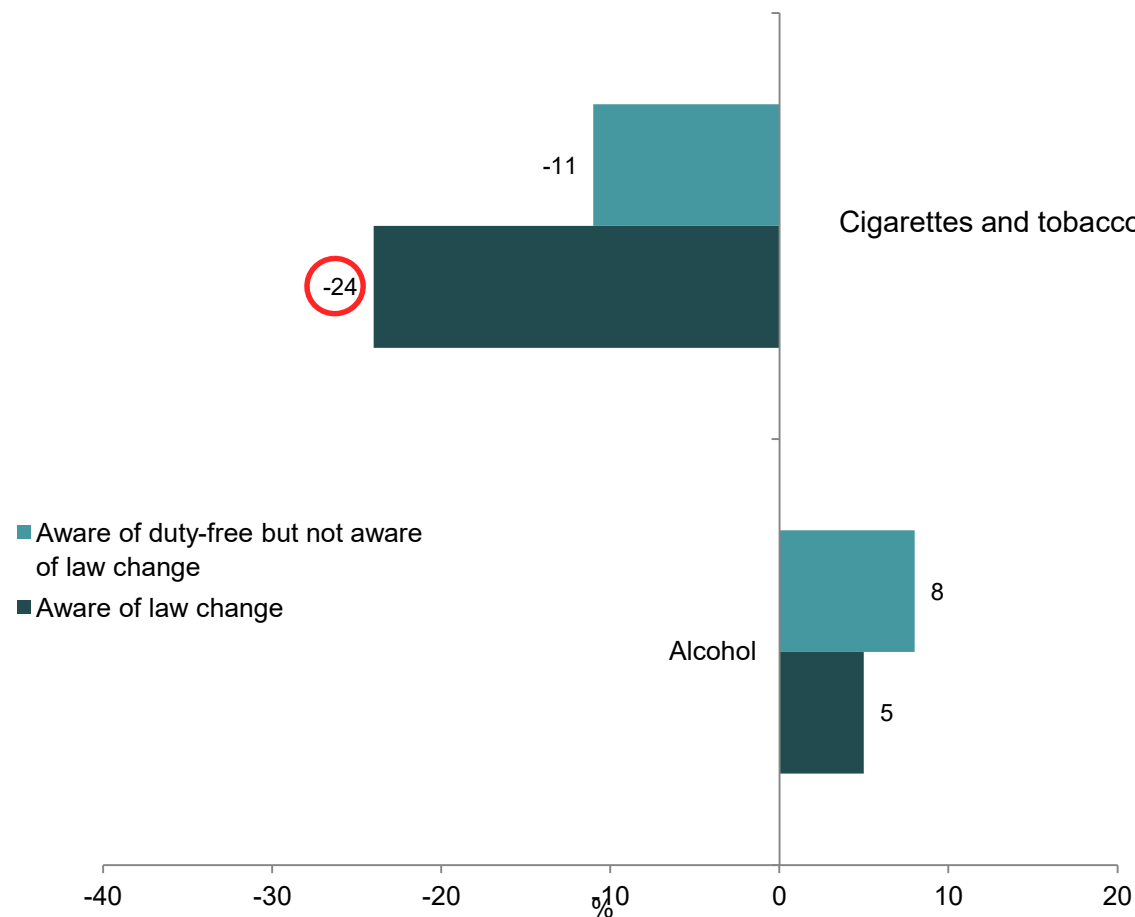
Q24: Which of the following are you likely to buy when you are next in an UK airport departure lounge?



A higher % of those aware of duty-free and knew about the changes claimed they were likely to buy alcohol or cigarettes/tobacco before their next flight. Hence **knowledge of the duty-free change may significantly stimulate sales** of these products.

# Price perceptions by knowledge of duty-free offer and awareness of law change: % more expensive less % cheaper

Qs27-29: How would you rate the price of the following products in UK airport departure lounge shops relative to the prices away from the airport?



Awareness of duty free law change has reduced price perceptions for both alcohol and tobacco – but particularly tobacco.

# Summary: Awareness and impact of tax changes

## Awareness

- Only **15% of the population was aware of the change in the law** removing the VAT-free benefit from the sale of goods in departure lounge shops. The same % was aware of the change in the law regarding Duty Free sales.
- Awareness of the previous VAT-free benefit was higher among recent flyers, particularly recent Heathrow flyers. However these **recent flyers were no more aware** of the law change.
- Recent **Heathrow flyers were less aware** of the law change than recent flyers from any UK airport.

## Impact of VAT change:

- Knowledge of the VAT changes seems **likely to depress sales in the departure lounge shops**:
  - Over half of those planning to fly in the coming months claimed that the law changes would make them less likely to shop at an airport shop (although those flying in the next 6 months were less likely to claim that).
  - Those aware of the VAT changes were less likely to buy all goods except food and electronics/technology before their next flight (question on likely to buy asked before questions on VAT changes).
  - Those aware of the change in law regarding VAT are more likely to think most goods sold in departure lounge shops are more expensive. The exceptions are luxury goods,

# Summary: Awareness and impact of tax changes (continued)

## Impact of VAT change (cont):

- Those aware of the change in law regarding VAT are more likely to think most goods sold in departure lounge shops are more expensive. The exceptions are luxury goods, watches and jewellery, and fragrance and skincare - some of these are sold in Duty-Free areas and there may be some confusion with the law change regarding duty-free.

## Impact of Duty Free change:

- Knowledge of the duty-free change **may significantly stimulate sales** of these products:
  - Approx. 1/3 of those planning to fly in the coming months claimed that the law changes would make them more likely to buy alcohol or tobacco.
  - A higher % of those aware of duty-free and knew about the changes claimed they were likely to buy alcohol or cigarettes/tobacco before their next flight (question on likely to buy asked before questions on Duty Free changes).
  - Awareness of duty free law change has reduced price perceptions for both alcohol and tobacco – but particularly tobacco.

# Conclusions and Recommendations

# Conclusions

- 22% of the sample had flown from any UK airport since the start of Covid-19. 12% had flown from LHR during the same period.
- The majority are **worried about the rise in the cost of living**, but many recent flyers have **been able to spend more**.
- Categories attracting the greatest claimed increase in spend are toiletries/healthcare, followed by sports/casual wear and electronics/technology.
- Many found the **post Covid-19 flying experience a good one**. Over half agreed the airport lounges were less crowded and the flight felt special. But **more disagreed than agreed that they had treated themselves at the airport**.
- There **may be a reduction in future flying frequency**. 6% of those flying in the next 7-12 months (the summer holiday flyers) strongly agree they will reduce their flying in the future. This rises to 9% among those flying in the next 6 months.
- One of the reasons causing people to say they are likely to reduce their flying appears to be **increased 'nervousness'**. But there is **no evidence these 'flight reducers' will treat themselves more on their next flight** (compared to other flyers).

## Conclusions (cont.)

- Those flying in the next 6 months are more likely to treat themselves than those flying further ahead → **'revenge spend' may decline over time.**
- Many think **prices at UK airports are relatively expensive**, and those **flown since Jan '21 were more likely to rate them as more expensive.**
- In general, **only cigarettes and tobacco are thought to be cheaper** in departure lounge shops.
- Only **15% of the population is aware** of the recent changes in law with regard to VAT-free and Duty Free sales. Awareness is **no higher among recent Heathrow flyers.**
- The data suggests that:
  - Knowledge of the VAT change is likely to depress sales in the departure lounge shops
  - Knowledge of the duty-free change may significantly stimulate sales of alcohol and tobacco



# Recommendations

## Recommendations

- Boost awareness of the change in Duty Free law
- Support departure lounge retailers to keep prices low
- Take steps to reassure potential flyers that it is safe to fly (so reducing the present levels of nervousness)

**Thank you**

# Appendices

## 1. Sample achieved

# Sample achieved: Gender and Age

## Total and when last flown

Demographics achieved	Total (Nat Rep sample) %	Flown since July 2019 (total sample) %	Flown since March 2020 (total sample) %	Flown since January 2021 (total sample) %	Flown from LHR since July '19 %	Flown from LHR since Jan '21 %
Base sample size:	2508	3700	1744	1063		473
Male	48	48	48	48	50	
Female	50	48	48	49	48	
Non-binary	1	3	3	2	2	
16-34	29	36	45	43	36	53
35-54	33	33	34	35	37	34
55+	36	31	22	23	27	16

Note: See page 4 for sample size explanation

# Sample achieved: Standard Region

## Total and when last flown

Demographics achieved	Total (Nat Rep sample)	Flown since July 2019 (total sample)	Flown since March 2020 (total sample)	Flown since January 2021 (total sample)	Flown from LHR since Jan '21
Base sample size:	2508	3700	1744	1063	
East Midlands	7	6	5	5	3
East of England	8	8	8	8	8
London	16	22	28	29	41
North East	4	4	3	3	3
North West	12	11	10	10	5
Northern Ireland	2	3	3	3	1
Scotland	7	8	7	7	5
South East	13	12	12	12	12
South West	7	7	5	6	7
Wales	5	4	3	3	1
West Midlands	9	8	8	8	9
Yorkshire and Humberside	8	7	6	6	5

# Sample achieved: Gender and Age

## Total and when likely to fly next

Demographics achieved	Total (Nat Rep sample)	Likely to fly in next 6 months (total sample)	Likely to fly in next 7-12 months (total sample)	Likely to fly in next 13 months+ (total sample)	Likely to fly from London LHR on next flight
Base sample size:	2508	1806	1112	815	739
Male	48	51	48	45	48
Female	50	44	49	53	50
Non-binary	1	4	2	1	2
16-34	29	43	31	28	35
35-54	33	32	34	36	38
55+	36	25	36	37	26

Note: See page 4 for sample size explanation

# Sample achieved: Standard Region

## Total and when likely to fly next

Demographics achieved	Total (Nat Rep sample)	Likely to fly in next 6 months (total sample)	Likely to fly in next 7-12 months (total sample)	Likely to fly in next 13 months+ (total sample)
Base sample size:	2508	1806	1112	815
East Midlands	7	6	5	5
East of England	8	7	8	10
London	16	27	16	14
North East	4	3	5	5
North West	12	10	12	12
Northern Ireland	2	2	3	3
Scotland	7	8	8	7
South East	13	12	13	16
South West	7	7	7	7
Wales	5	4	4	4
West Midlands	9	7	9	8
Yorkshire and Humberside	8	7	8	9

## Summary: Sample achieved

- Post Covid-19 flyers, particularly those flying from Heathrow, are **younger (age 16-34) and are more likely to live in London.**
- Those most likely to fly in the next 6 months are also more likely to be aged 16-34 and living in London, although those whose next flight is most likely to be from Heathrow are aged 18-54.
- In addition, those most likely to fly in the next 6 months are more likely to be male.



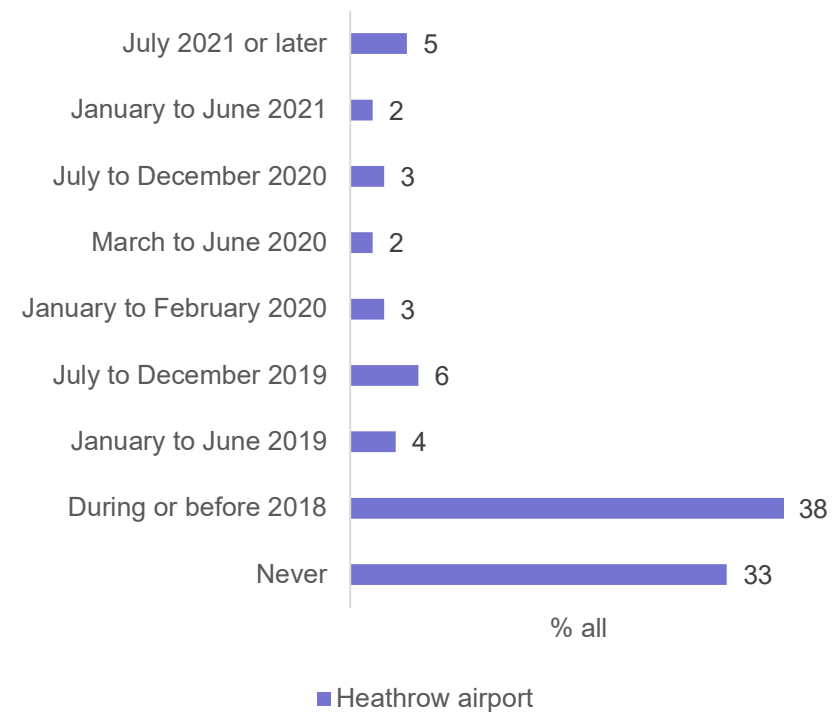
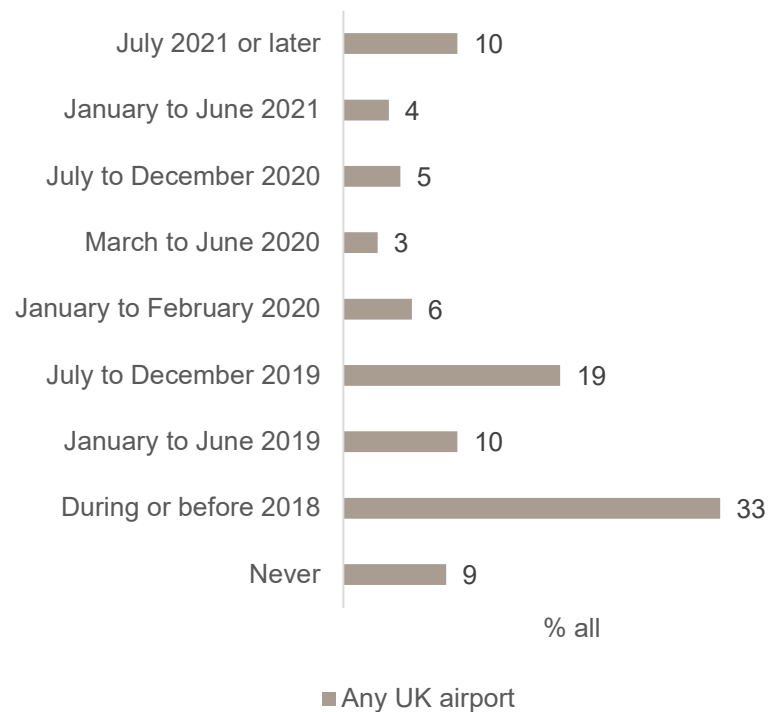
# Appendices

## 2. Airport usage

# When last flown: Total Nat Rep Sample

Q3: When did you last fly from any UK airport?

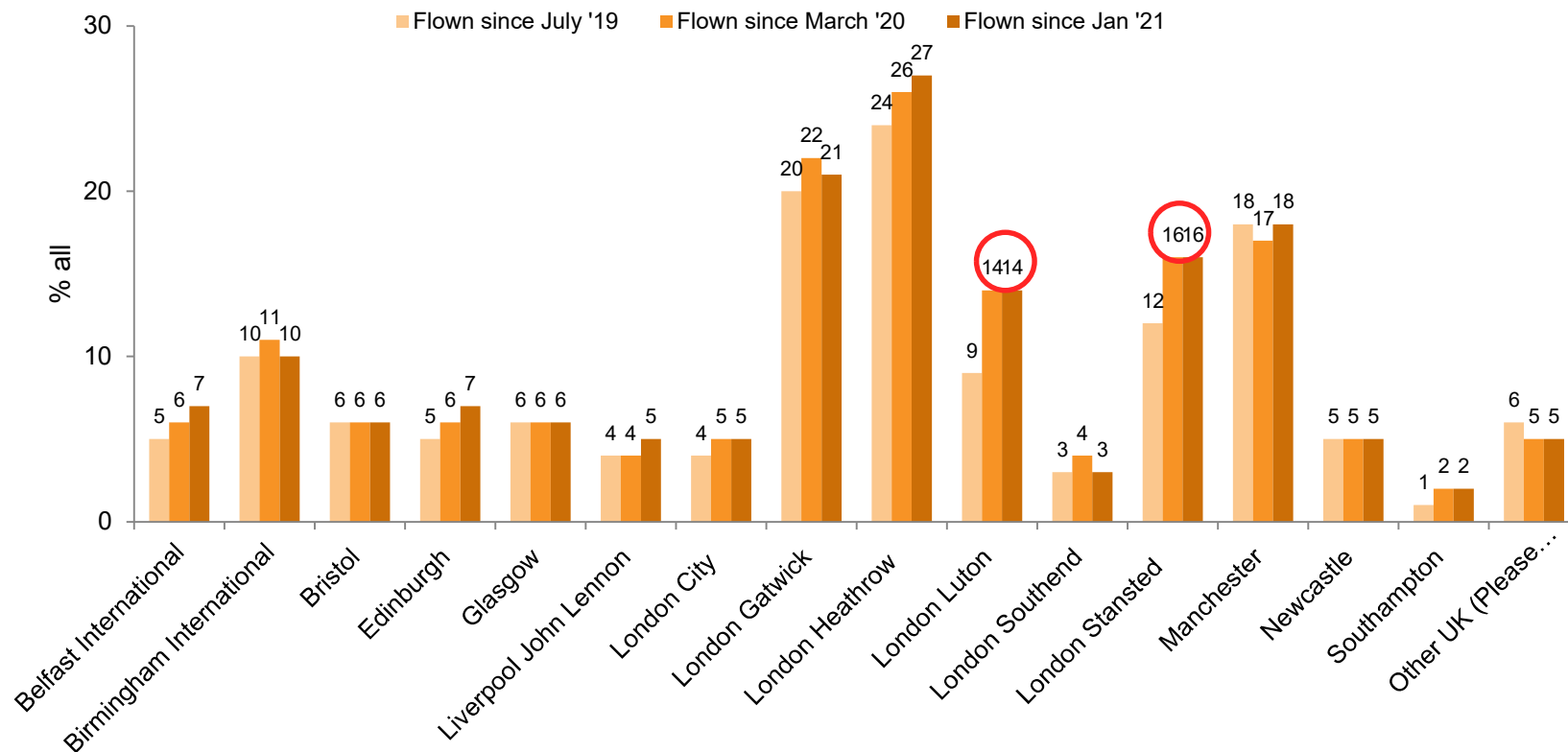
Q33: When did you last fly through Heathrow airport?



22% of the sample had flown from any UK airport since the start of Covid-19. 12% had flown from LHR during the same period.

# Airports flown from since July '19

Q9: Which of the following UK airports have you flown from since July 2019?

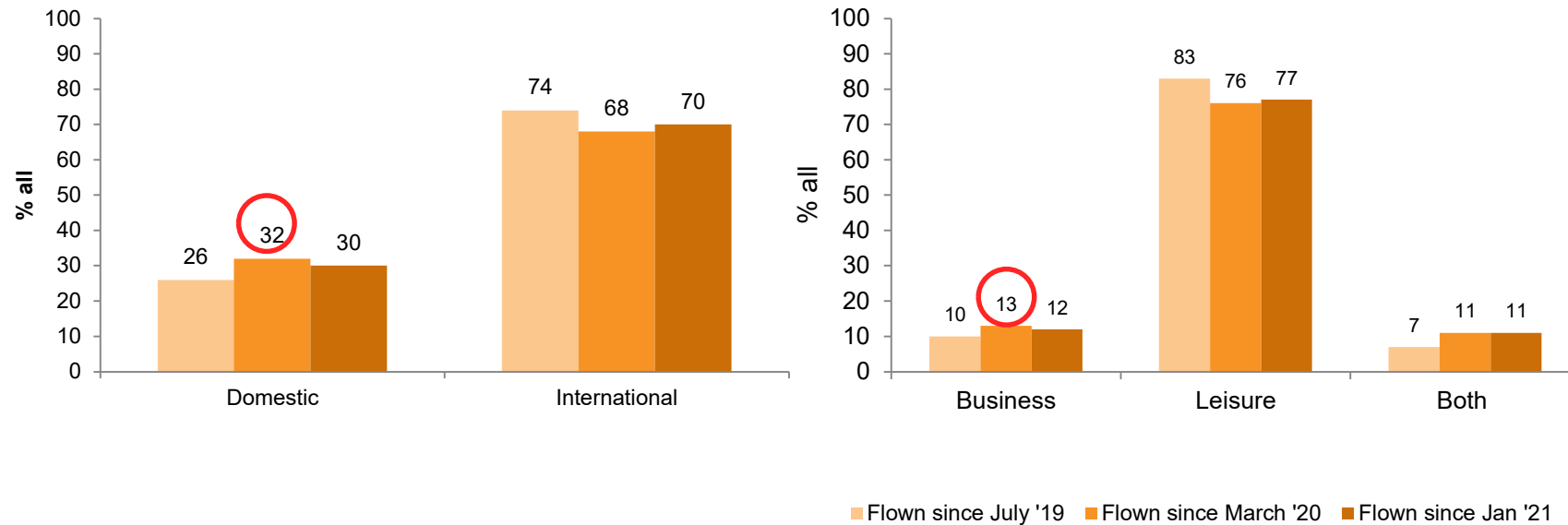


LHR was the most popular airport (becoming more popular among recent flyers), following by LGW. Luton and Stansted saw the biggest share increases since the start of Covid-19.

# Last flight profile

Q10: What was the purpose of the last flight you took?

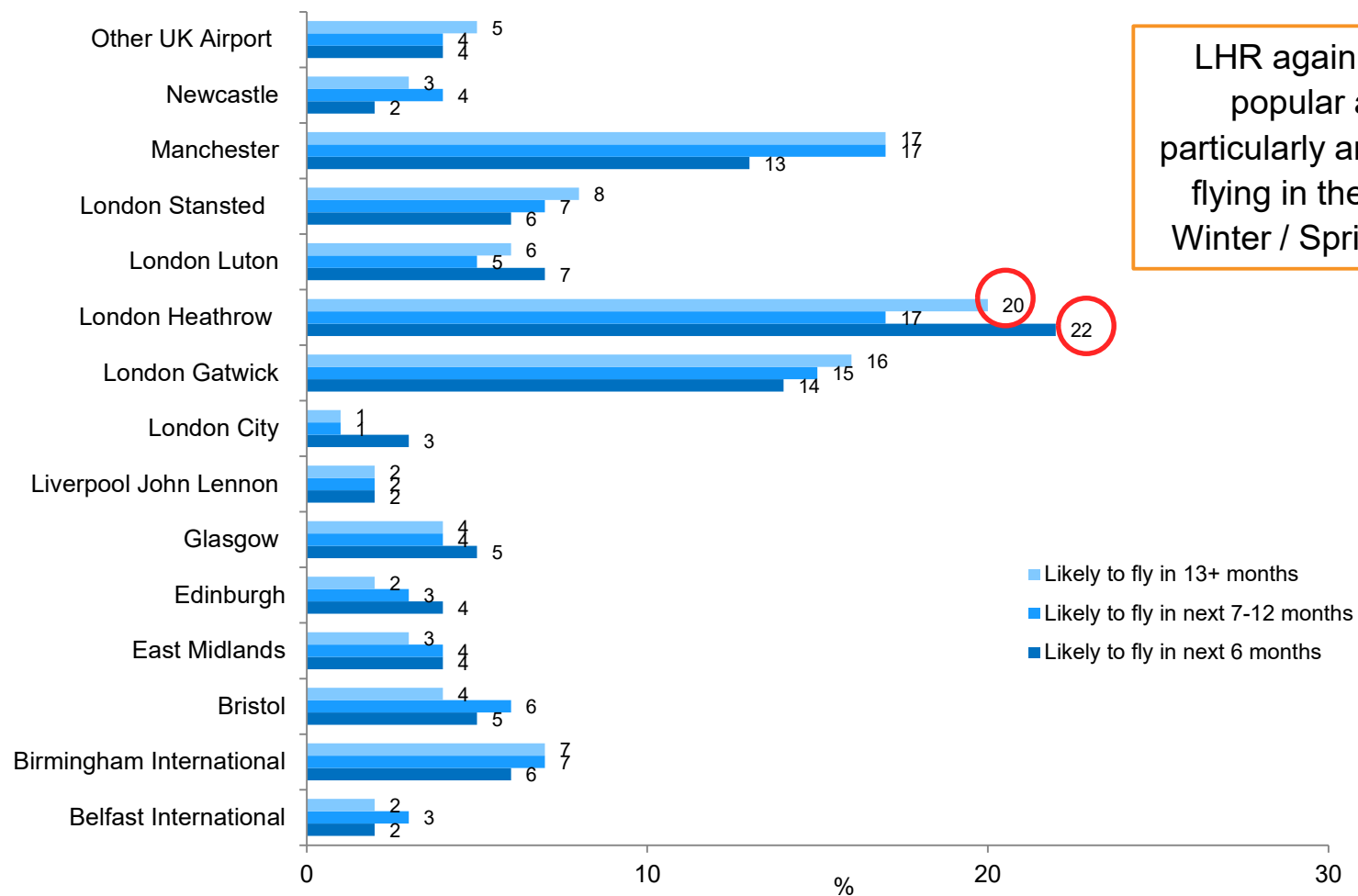
Q11: Was the last flight you took a domestic or international flight?



Drop off in the share of international and leisure flights taken following the 1<sup>st</sup> lockdown in March '20.

# Airports next most likely to fly from

Q23 Which UK airport is your next flight departing from / most likely to depart from?



LHR again the most popular airport, particularly among those flying in the Autumn / Winter / Spring months

■ Likely to fly in 13+ months  
■ Likely to fly in next 7-12 months  
■ Likely to fly in next 6 months

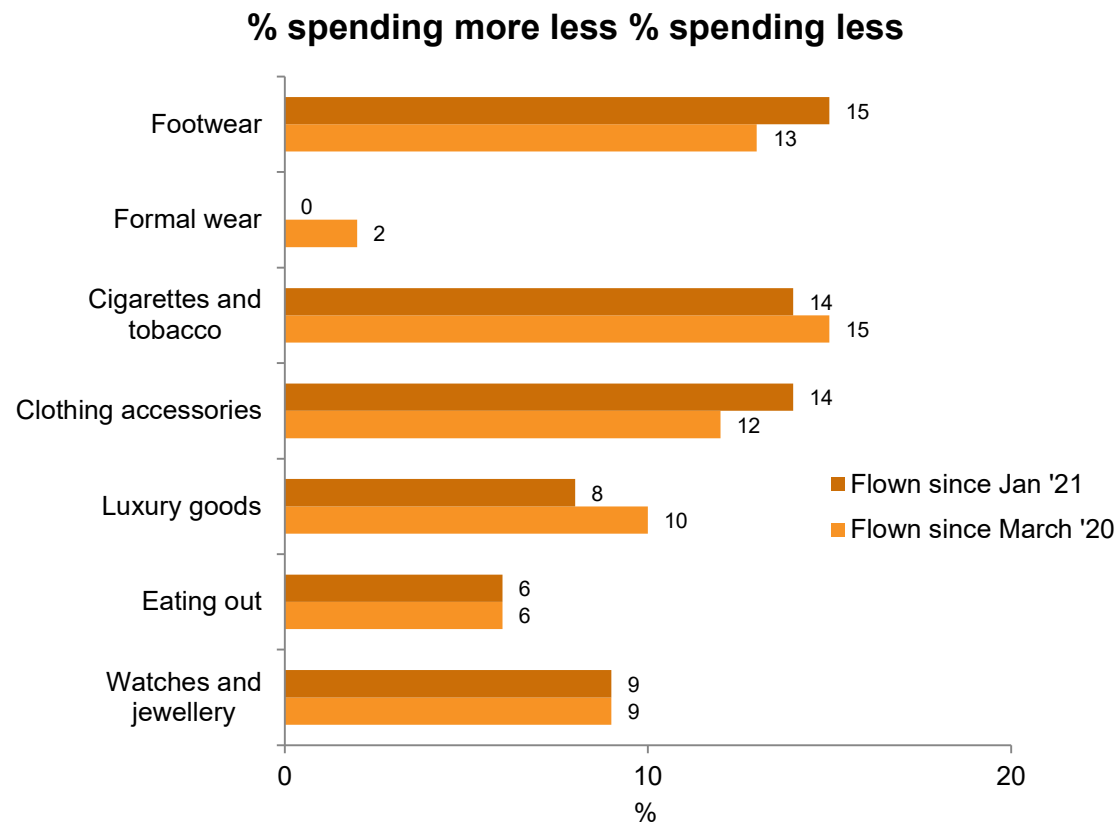
Base **All**: Likely to fly next 6 months = 1806, Likely to fly next 7-12 months = 1112, Likely to fly in 13+ months = 815

# Appendices

## 3. Changing expenditure

# Change in category spending: Bottom 7 growth categories for those flying since the start of Covid-19

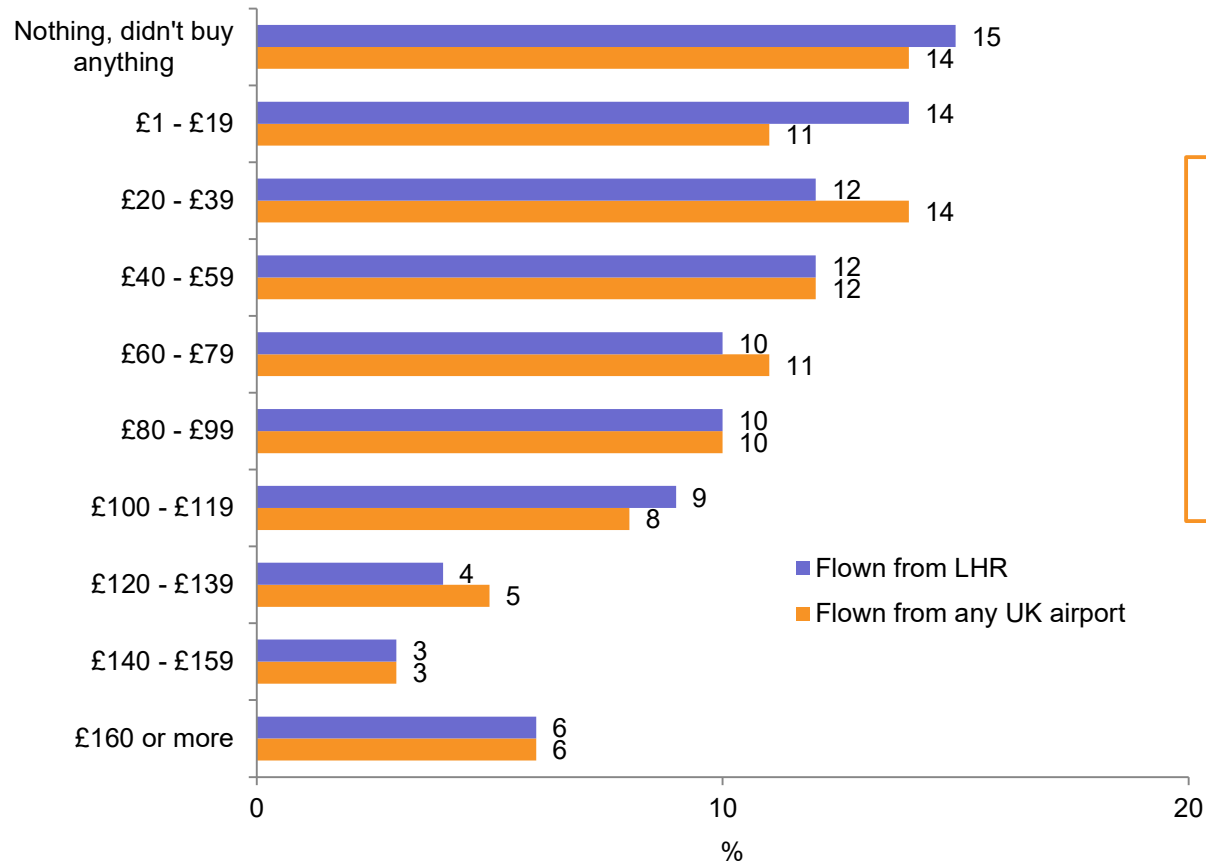
Qs6-8: For each of the following categories, how does your spending in 2021 compare to your spending in 2019 (before the start of Covid-19 restrictions)?



Categories attracting the least claimed increase in spend are formal wear (not needed when working from home?), followed by eating out (not allowed for many months), and luxury goods.

# Spending in departure lounge shops since March '20

Q14: On your last flight, about how much did you spend in the UK airport departure lounge shops (excluding spend in Restaurants and Bars)?



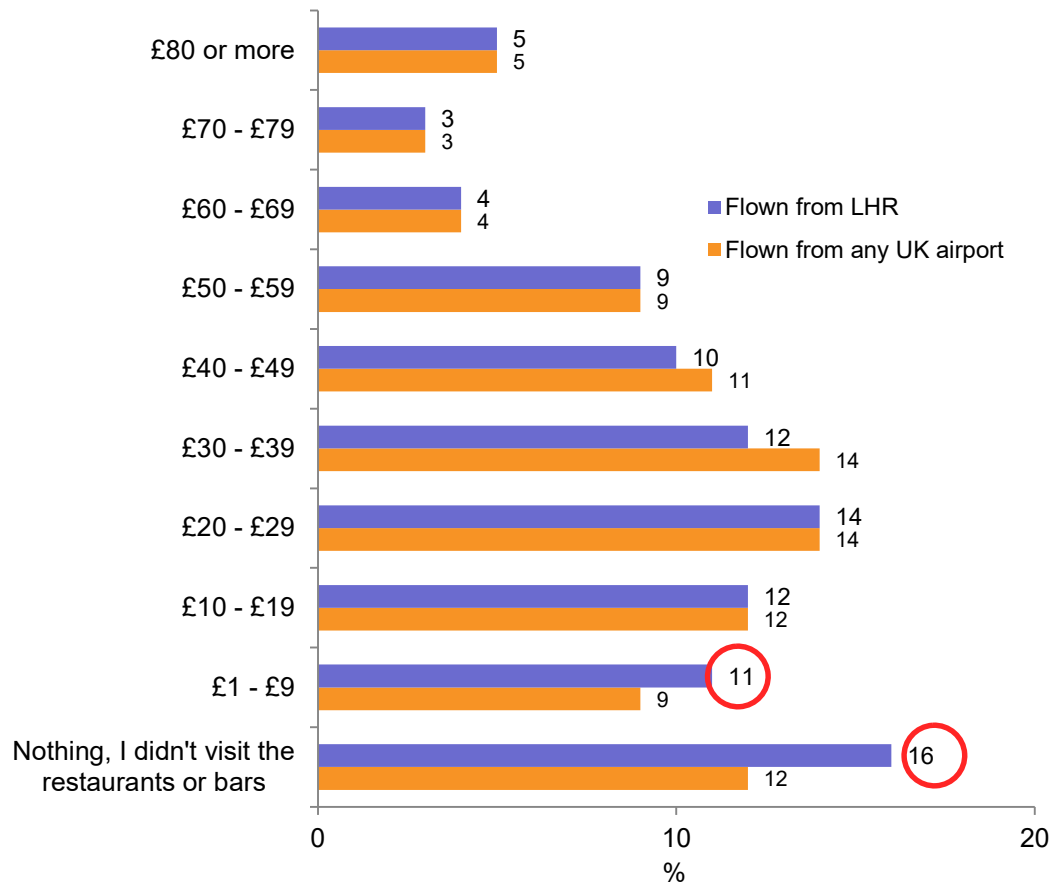
Those flying from LHR since the start of Covid-19 claimed to have spent no more or less in departure lounge shops than those flying from any other UK airport.

Base: All flown from any UK airport since March 2020 = 889, from LHR = 473



# Spending in departure lounge restaurants and bars since March '20

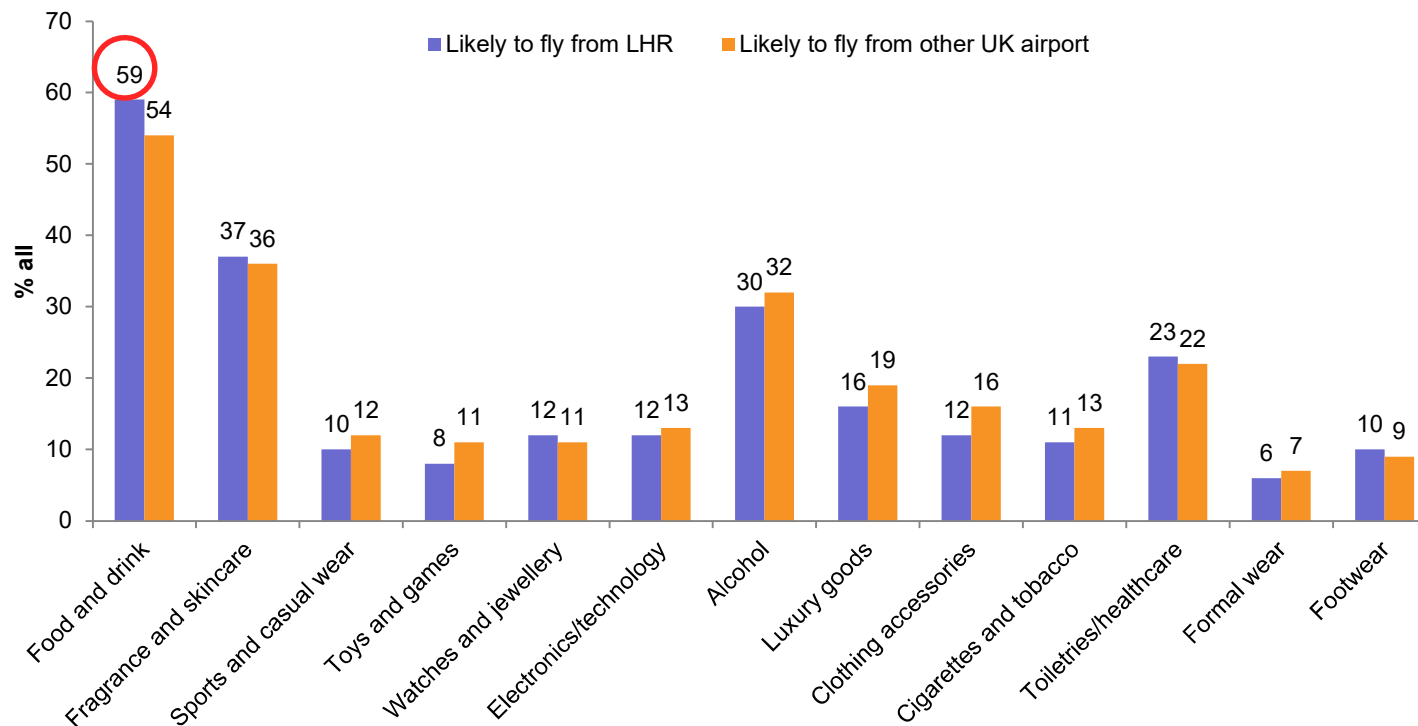
Q16: On your last flight, about how much did you spend in the UK airport departure lounge restaurants and bars?



Those flying from LHR since the start of Covid-19 claimed to have been less likely to visit the restaurants/bars before their flight. They were also more likely to have spent only small amounts.

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

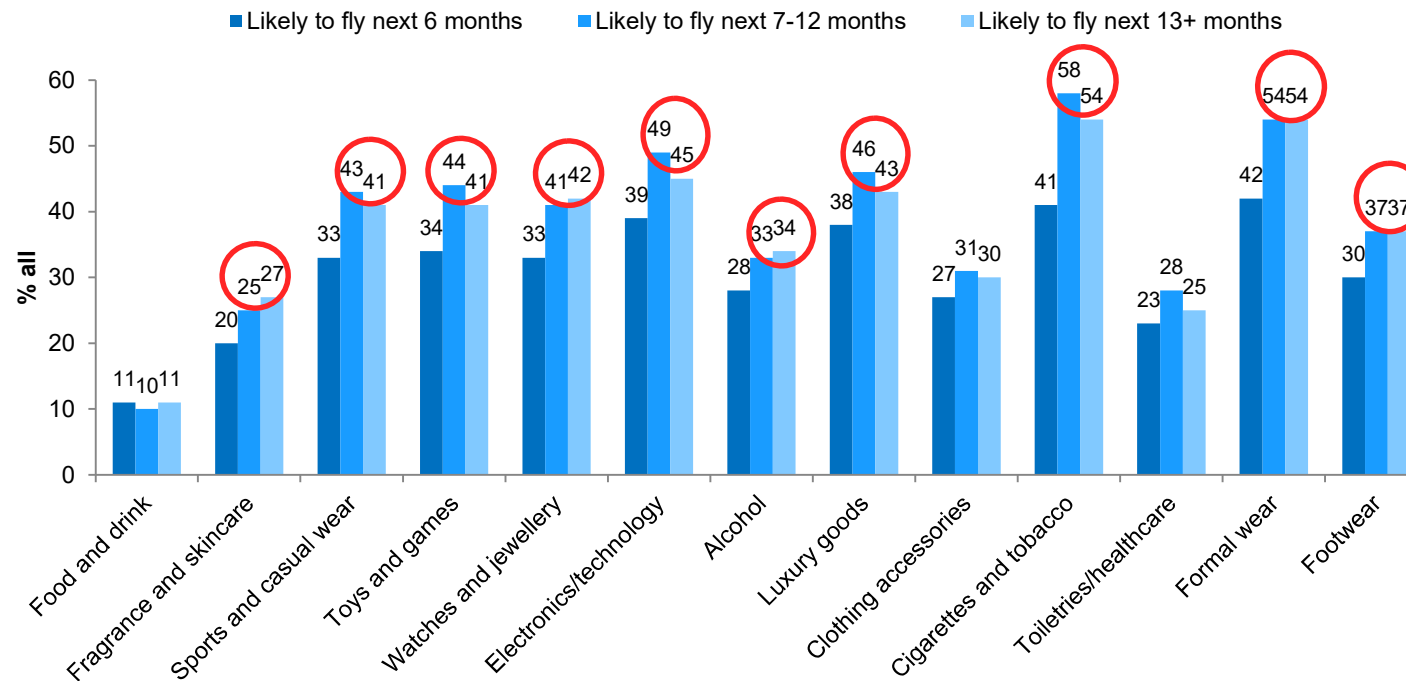
Q24: Which of the following are you likely to buy when you are next in an UK airport departure lounge?



Those flying from LHR more likely to say they would be likely to buy food and drink

# Unlikely to buy next time

Q25: Which of the following are you unlikely to buy when you are next in an UK airport departure lounge?



Those flying in next 6 months are less unlikely (i.e. more likely) to buy everything except food, drink, toiletries/healthcare (compared to those those flying further ahead) .

Base **All**: Likely to fly next 6 months = 1806, Likely to fly next 7-12 months = 1112, Likely to fly in 13+ months = 815

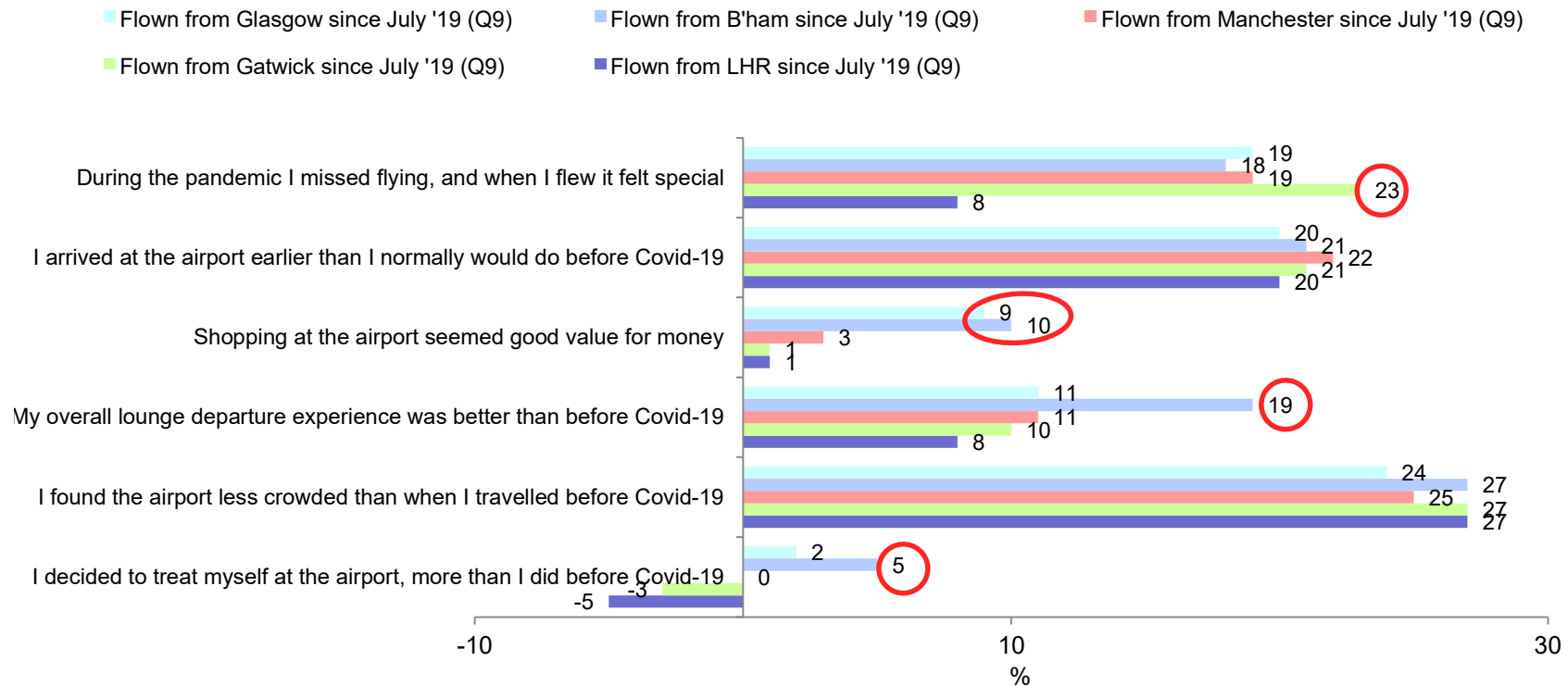
# Appendices

## 4. Changing perceptions

# Post Covid-19 airport experience by airport flown from since July '19\*: % agree less % disagree

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

\* Most flying between July '19 and March '20 ticked 'don't know'



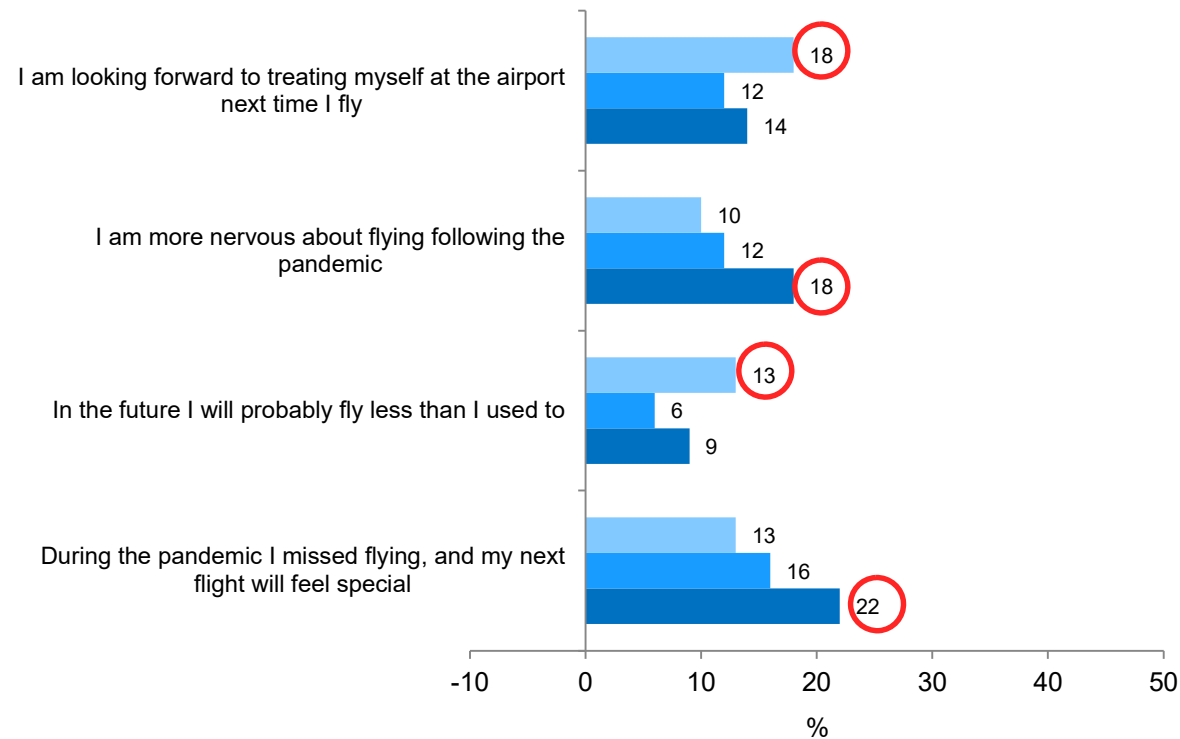
More claiming of treat buying at airports other than LHR (where vfm perceptions were highest). Gatwick flyers most likely to claim flight felt special, Birmingham flyers that the lounge departure experience was special.

Base: All claiming flown from LHR since July '19 = 883, from Gatwick = 750, from M'chester = 673, from B'ham = 355, and from Glasgow = 235

# Future flying expectations by time when next most likely to fly: Strongly agree

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

■ Likely to fly next 13+ months 
 ■ Likely to fly next 7-12 months 
 ■ Likely to fly next 6 months



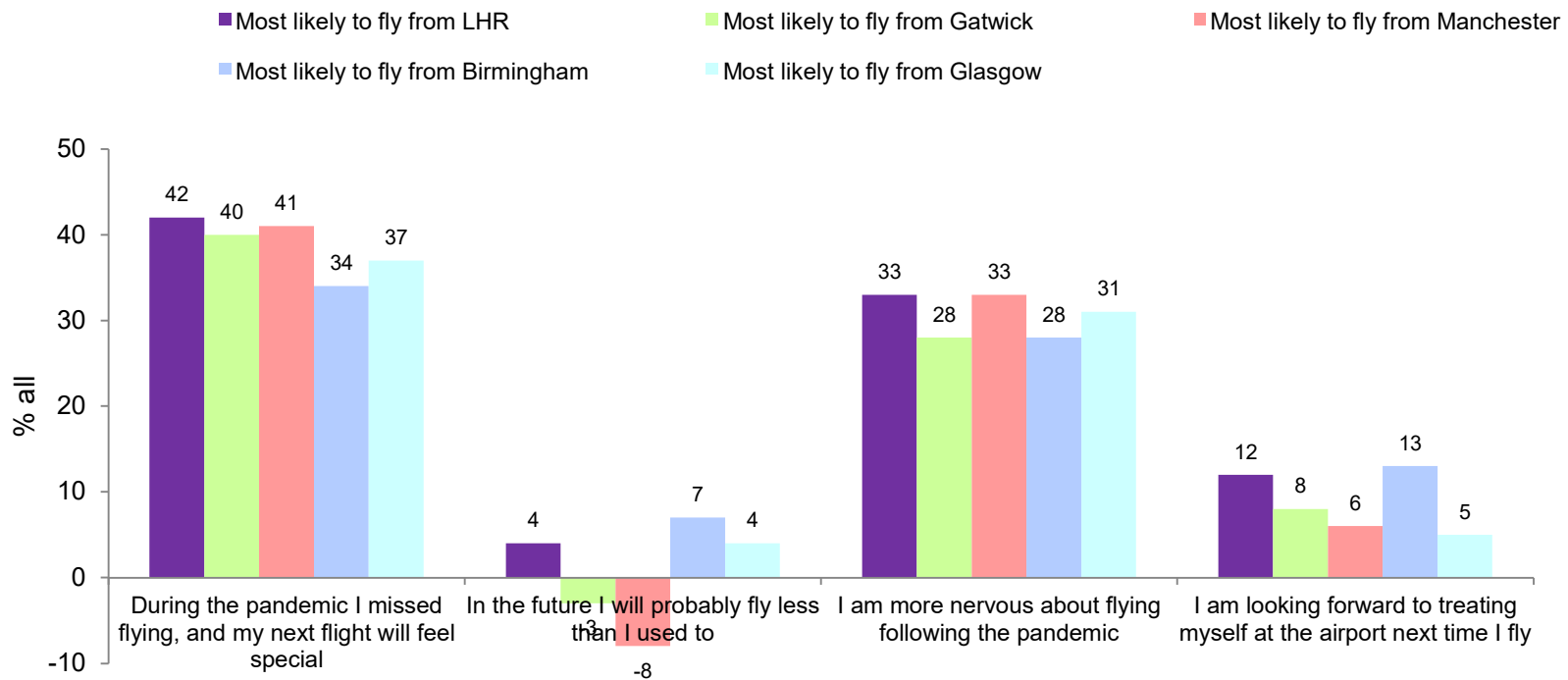
Those likely to fly in the next 6 months are the most likely to strongly agree the next flight will feel special, but also the most likely to agree they are now more nervous about flying.

Those flying in the next 7-12 months (the summer holiday flyers) are the least likely to strongly agree they will reduce their flying in the future.

Base **All**: Likely to fly next 6 months = 1806, Likely to fly next 7-12 months = 1112, Likely to fly in 13+ months = 815

# Future flying expectations by airport most likely to fly from: % agree less % disagree

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



Majority agreed with all statements except 'In the future I will probably fly less than I used to'. Those flying from Manchester were most likely to disagree with the latter.

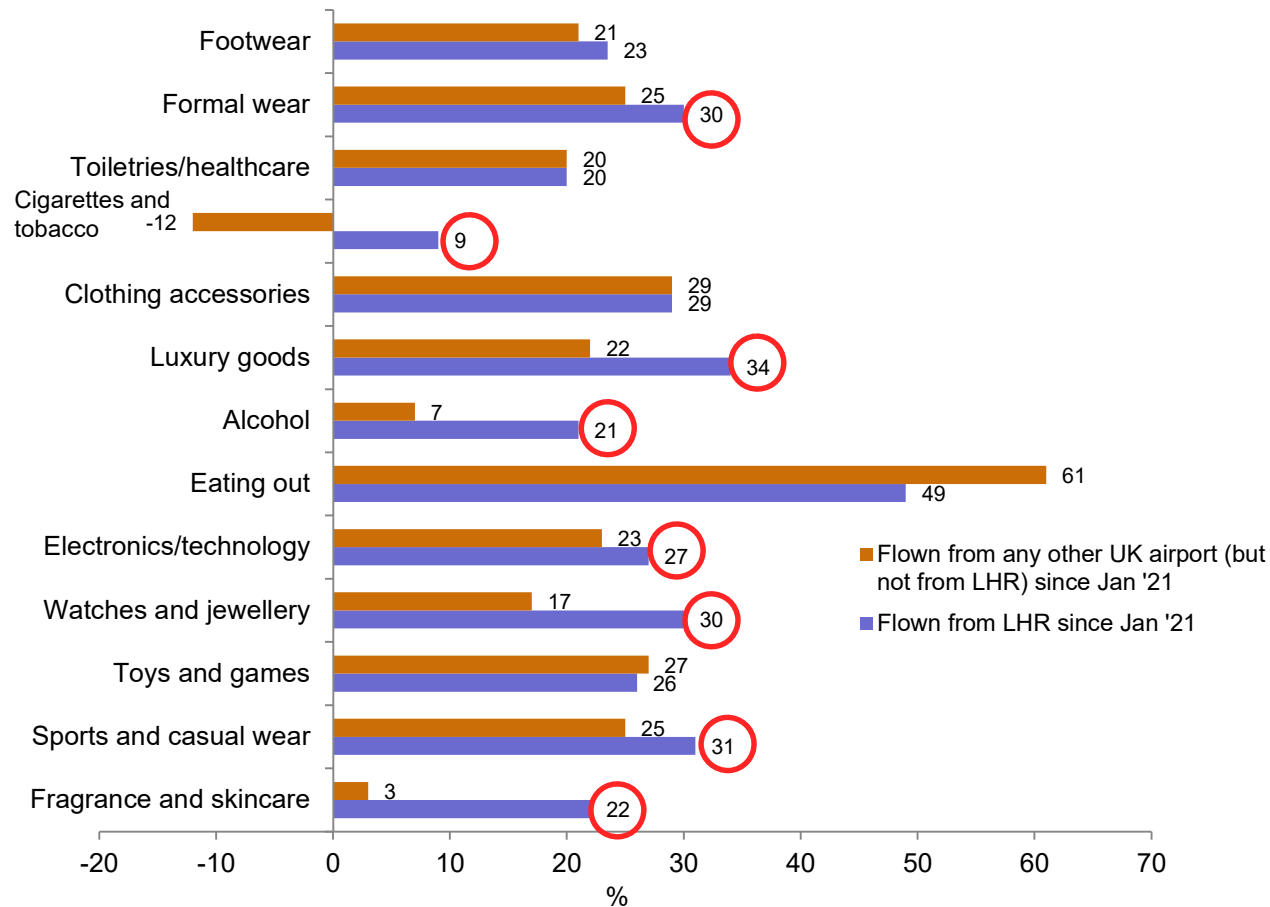
# Appendices

## 5. Price perceptions



# LHR flyer price perceptions by which airport flown from since Jan '21: % more expensive less % cheaper

Qs27-29: How would you rate the price of the following products in UK airport departure lounge shops relative to the prices away from the airport?



Those having flown from LHR since Jan '21 are more likely to rate the following categories as **more expensive than those flying from other airports** since Jan '21: Fragrance and skincare, Sports and casual wear, Watches and jewellery, Alcohol, Cigarettes/tobacco, Luxury goods and Formal wear.

However they were less likely to rate Eating out as more expensive.

Base: Flown from LHR since Jan '21 = 473 , flown from any airport except LHR since Jan '21 = 590