

PASSENGER RETAIL AT AIRPORTS: THE CASE STUDY OF THE REPUBLIC OF CROATIA

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ABSTRACT

With the rising importance of air travel and the globalization process, retailers have started to change their perception of airports as not merely being marginal settings for their business, but rather an important part of the entire retail chain. Air transport has been developing rapidly, and low-cost carriers now offer cheap and regular flights to many destinations that were off the beaten track in the past. Due to this development, retailers are trying to respond to the rising demand and are also trying to tackle the rising competition and make airports function as full-sized shopping malls. Air transport is the youngest traffic branch in Croatia, but it is also the fastest-developing one, bringing more and more tourists every year and connecting the country with the rest of Europe and the world. This paper aims at presenting key characteristics of passenger retail at airports, with special focus on the analysis of duty-free shops on Croatian airport market. The primary research aimed at exploring students' perception of duty-free shops at Croatian airports. The findings confirm that this population is highly price-sensitive and often opt for cheaper products and more affordable transport and do not therefore frequent duty-free shops at the airport as much. In addition, it has been concluded how students lack information on what duty-free shops offer, and the advantages and conditions of buying at a duty-free. Alcoholic drinks, tobacco and perfumes are the best-selling products and therefore, more affordable at duty-free shops. More effective marketing efforts and

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price cutting would result in better sales and revenues for duty-free shops and would additionally stimulate their development worldwide, especially in the Republic of Croatia.

KEYWORDS: *airport, passenger retail, duty-free shop, Republic of Croatia.*

1. INTRODUCTION

When airports first became used by tourists, they were only offering few services for the passengers. But as time went by, retailers have realized the importance of airports regarding their big role in the entire retail chain. Now, passengers are free to choose from many options at food and beverage facilities and from a wide range of products offered in duty-free shops. Airports, once considered pretty “off the grid” and only marginally included in the strategies for creating profit, are now becoming more attractive for many premium brands.¹ This notion is supported by the statistics that give confirmation of the fact that many airports generate more revenue from these supporting services than from airline fees. People are flying more, especially due to the low-cost carriers that provide cheap flights to many destinations that have been off the beaten track until now. Retailers are now trying to respond to this rising demand and also one other challenge: to the growing competition.² Quality free time and leisure have been taking on the importance and the focus is shifted away from material goods.³ It is expected that in the future airports become perfectly-functioning shopping malls.⁴

The premise that has long been imprinted in the minds of retailers is that passengers make their purchases on site i.e. they do not think about what they are going to buy before they are actually in the store. This has completely changed, and this is especially true of the big spenders. Research shows that 70% of all

¹ Davies, R.: *Why airport retailers have never had it so good*, Airport technology, 12.03.2019. Available at: <https://www.airport-technology.com/features/airport-retail-trends-2019/> (May 16, 2019).

² Bamberger, V., Bettati, A., Hoeffinger, S., Kuruvilla, T., Wille V.: *Mastering Airport Retail. Roadmap to New Industry Standards*, 2009. Available at: https://www.adlittle.com/sites/default/files/viewpoints/ADL_Mastering_Airport_Retail.pdf (May 08, 2019).

³ Entwistle, M.: *Customer service and airport retail: Stimulate passenger spending*, Journal of Airport Management, 1(2) 2007, pp. 151-157.

⁴ Littarru, G.: *Travel retail: where luxury spreads its wings*, July 2018. Available at: <https://www.luxury-highlights.com/article/travel-retail-where-luxury-spreads-its-wings/> (April 28, 2019).

passengers decide on their purchase before entering the store.⁵ In 2014, duty-free and travel retail generated €850m in sales, which is around 5.5% of total duty-free and travel retail revenues in the European region. The European airline industry has the largest regional revenues for airline duty-free and travels retail (just under 40% of global sales).⁶ Bearing in mind all this data, airport managers need to define the factors for successful sourcing policy and efficient selection process. In this way, they will ensure their cooperation with the best operators.⁷

This paper aims at presenting key characteristics of passenger retail at airports, with special focus on the analysis of duty-free shops on Croatian airport market. To achieve the goal set in the paper, primary research was conducted. The research explored how well the students are familiar with duty-free shops at Croatian airports. The value of this paper lies in investigating a field that has yet been neglected, thus representing good grounds for some future research. Based on the research findings, implications for practical application have been presented that can prove very helpful in improving students' awareness of the benefits duty-free shops offer.

2. TRAVEL RETAIL

2.1. DEFINITION OF TRAVEL RETAIL

Retail at airports is one of the fastest developing retail markets.⁸ The term *travel retail* implies selling products in duty-free shops where buyers are free of certain local or national taxes and fees, often conditioned with them buying the products and taking them abroad.⁹ This form of retail aims first and fore-

⁵ Gould, K.: *Travel retail must face new realities to survive*, ACI EUROPE Airport Business 11.10.2018. Available at: <http://www.airport-business.com/2018/10/travel-retail-must-face-new-realities-survive/> (April 14, 2019).

⁶ Bush, H., Storey, D. (2016). *The economic impact of duty-free and travel retail in Europe. A report for Duty-Free World Council*, Paris: Duty-Free World Council, 2016, p. 39. Available at: <http://www.etc.org/uploaded/downloads/dfwc-report-economic-impact-of-duty-free-and-travel-retail-in-europe--march-2016.pdf> (May 13, 2019).

⁷ Bamberger, V., Bettati, A., Hoeffinger, S., Kuruvilla, T., Wille V.: *Mastering Airport Retail. Roadmap to New Industry Standards*, 2009, p. 8. Available at: https://www.adlittle.com/sites/default/files/viewpoints/ADL_Mastering_Airport_Retail.pdf (May 08, 2019).

⁸ Thompson, B.: *Airport retailing in the UK*, Journal of Retail & Leisure Property. 6(3) 2007, p. 203

⁹ Rossi, S., Tasca, C.: *Consumer Behavior and Marketing Strategies in the Duty-Free Market: An Explorative Study on Offer, Costumer Service and Atmosphere*, Uppsala: Uppsala University, 2012, p. 5

most at departing passengers and usually implies that the buyer gives proof of travel in order to access the stores in the passenger area. In some areas, like the European Union, travel retail means selling products that are subject to taxes and fees, regardless the fact that they are sold in the passenger area. Retail surface shops give a large boost to airport retail. However, the average surface density of m² per million departing passengers does not result in offer saturation.¹⁰

Duty-free shops generate revenues to airline, maritime, tourist and trade industry. They are mostly present at international airports where they bring most profit, but they have been emerging on cruiser ships, border towns, ferry ports and international railway stations, and in some countries, they appear in city centres, where it is also required from the customers to have proof of travel. The shops offer a variety of products: tobacco and alcohol, cosmetics, perfumes, luxury products, chocolates, confectionary etc. Naturally, airport shops and other service facilities compete against each other and also against retail facilities at the airport city's stores and in other airports and city centres.¹¹

Furthermore, airports also have to compete with online retail giants such as Amazon or Alibaba. Here, they have three key advantages:

1. At the airports, there is a wide range of products that are immediately available.
2. At the airports, the passengers are on site i.e. there is a low cost of return. This cost can be between 30 and 60% in other retail environments.
3. Airports have little to no traffic acquisition costs due to their large customer base and can form valuable partnerships with their airlines and adjacent cities.¹²

Retailers that want to stay competitive need to consider consumer behaviour which can alter quickly and continuously. They have to deal with the passengers who¹³:

¹⁰ Bamberger, V., Bettati, A., Hoeffinger, S., Kuruvilla, T., Wille V.: *Mastering Airport Retail. Roadmap to New Industry Standards*, 2009, p. 4. Available at: https://www.adlittle.com/sites/default/files/viewpoints/ADL_Mastering_Airport_Retail.pdf (May 08, 2019).

¹¹ Abrams Kaplan, D.: *With more security and little storage, airport retail challenges the supply chain*, 20.08.2018. Available at: <https://www.supplychaindive.com/news/with-more-security-and-little-storage-airport-retail-challenges-the-supply/530392/> (May 06, 2019).

¹² Gould, K.: *Travel retail must face new realities to survive*, ACI EUROPE Airport Business 11.10.2018. Available at: <http://www.airport-business.com/2018/10/travel-retail-must-face-new-realities-survive/> (April 14, 2019).

¹³ Groot, M., Schölvinc, J.: *The future of airport retail | IATA Consulting, International Airport Review*, 31.05.2017. Available at: <https://www.internationalairportreview.com/article/34899/airport-retail-non-aviation-business/> (May 06, 2019).

- understand the digital community and are always online,
- are able to compare prices digitally,
- do not just want the brands/products, but valuable experience,
- want to purchase anytime, anyplace, anywhere and
- are easily influenced by their peers, social media and stories that say it is all right to spend.

Travel retail at airports began with small gift shops for tourists that return home, and it has since developed to the stage where today there are large shopping malls at the airport grounds.¹⁴ The world is witnessing the incredible growth and development of the duty-free market due to the external factors like the growth of population and economy, and the processes of globalization and internationalization. Inside the travel retail segment, travel retail chains have developed and they are expanding their business across the airports worldwide. One such retail chain is present at the Croatian market. Aelia duty-free, besides at Franjo Tuđman Airport, also operates at the airports in the United Kingdom, France, the Czech Republic, Italy, Luxembourg, Poland, Switzerland, Saudi Arabia and Australia and New Zealand. It is a part of the Lagardère group that successfully operates on all the continents, especially in North America i.e. in the United States and Canada.¹⁵ Its spread to the Croatian market is very important for the development of travel retail in Croatia. However, travel retail at airports differs significantly from traditional retail. First and foremost, it is in the service of the departing passengers and the fixed structure of departures and arrivals enables duty-free shops to provide opportunities for better service to the customers. Shops at the airports have the privilege of knowing when their potential buyers will appear, where they come from and where they travel to. After the mandatory check-in and the security screening, requiring them to arrive earlier at the airport, passengers have free time to browse and shop in the open stores with no storefronts making them physically a part of the airport. In these shops, the perception of the buyers is especially influenced by the airport atmosphere. To attract the buyers and make them spend, duty-free companies and airports cooperate to create the best possible environment and experience for the passengers.¹⁶

¹⁴ Thompson, B.: Airport retailing in the UK, *Journal of Retail & Leisure Property*. 6(3) 2007, p. 204

¹⁵ <https://www.aeliadutyfree.com/> (May 13, 2019).

¹⁶ Corvi, E., Bonera, M.: *La tendenze evolutive nelle politics di marketing e comunicazione dell' impresa Aeropostale*. Venezia: Università Ca' Foscari, 2006, p. 13

Travel retail offers many opportunities for retailers to promote their products, to boost the loyalty of their customers and expand their business into different countries of the world. Airports have become areas where certain brands with their presence in specific destinations test their possible success in new markets. Many brands offer “the exclusive tourist retail”, specialized products for passengers to encourage them to satisfy their need for exclusive products. The brands have succeeded to take advantage of the differences between the traditional and travel retail and to create a very profitable market. Each stage on the emotional pyramid is associated with a process within the airport processing system and the effective status of the passenger. Retail is considered right at the top of this pyramid. Passengers will not consider consuming until all the affective states and associated processes have been fulfilled.¹⁷ Retailers at the airports need to work very hard to assure passengers spend their money at their shops. This can be achieved through clever designing the storefronts and having a strong brand presence. The shops then become a part of the airport, much like open large-format department stores, and not just a collection of individual brands.¹⁸ Travel retail is present at all Croatian airports, and this topic will be addressed in the following subchapter.

2.2. DUTY-FREE SHOPS AT CROATIAN AIRPORTS

Duty-free means that these retail stores sell products which are exempt from usual taxes and duties with the implication that these products will be taken out of the country by the departing passengers.¹⁹

European duty-free and travel retail is very well developed, much more than is the case in other parts of the world²⁰. It has become a trend to increase the space for duty-free shops at the airports and to focus largely on specific categories of products (Perfume & Cosmetics, Alcohol and Tobacco).²¹ It is very

¹⁷ Adey, P. (2008). *Airports, mobility and the calculative architecture of effective control*, Geoforum, 39(1) 2008, p. 443.

¹⁸ Davies, R.: *Why airport retailers have never had it so good*, Airport technology, 12.03.2019. Available at: <https://www.airport-technology.com/features/airport-retail-trends-2019/> (May 16, 2019).

¹⁹ <https://www.investopedia.com/terms/d/duty-free.asp> (May 13, 2019).

²⁰ Bush, H., Storey, D. (2016). *Economic impact of duty free and travel retail in Europe. A report for Duty-Free World Council*, Paris: Duty Free World Council, 2016, p. 24. Available at: <http://www.etc.org/uploaded/downloads/dfwc-report-economic-impact-of-duty-free-and-travel-retail-in-europe--march-2016.pdf> (May 13, 2019).

²¹ Bamberger, V., Bettati, A., Hoeffinger, S., Kuruvilla, T., Wille V.: *Mastering Airport Retail. Roadmap to New Industry Standards*, 2009, p. 2. Available at: https://www.adlittle.com/sites/default/files/viewpoints/ADL_Mastering_Airport_Retail.pdf (May 08, 2019).

important for retailers to arrange the offer according to the flow of passengers to achieve better usability²²

Franjo Tuđman Airport is the largest and therefore the most significant airport in Croatia, having the most elaborate travel retail compared to other Croatian airports. At the airport area, alongside the *Tisak* kiosk and the *TisakMedia* shop, there are several other shops:

1. *From Designers With Love* retail concept is especially intended for the passenger terminal at Zagreb Airport and showcases the story of Croatian design. The assortment includes designer products, from fashion, accessories and jewellery to toys, souvenirs and kitchen utensils and products for kitchen use and dining, as well as small-scale furniture and lighting, ranging from every-day, more affordable products, to luxurious items. All products are designed and produced locally and represent Zagreb and Croatia.²³
2. *Your Fashion Place* is a newly-opened shop giving the customers the opportunity to satisfy their want for luxury products. They offer high-end world brands of jewellery, watches, sunglasses and modern handbags like Furla and Armani Jeans. The shop focuses on wealthier customers and has no Croatian brands on offer.²⁴
3. *Aelia Duty-Free* shop is a part of the Lagardère group that is present at the airports worldwide. The shop expands over more than 500 m² and offers over 9,000 most luxurious brands such as Chanel, Dior, Hermès, etc. There are also some Croatian brands on offer: Kraš, Natura, Stella Mediteranea and Aura. Adjacent to the shop, there is a space called Sence of Place where passengers can try Croatia's best-known delicacies, from the finest wines, awarded olive oils to strong flavours of the truffles and handmade candy. This retail concept enriches the offer of Zagreb Airport and gives the passengers the experience of glamour, pleasure and first-class service.²⁵

With the accession of Croatia to the European Union on 1 July 2013, the customs duties for trading goods between the EU members were lifted. Also, passengers who travel inside the EU can buy more tobacco products and alcoholic drinks, so now they can carry up to 4 cartons of cigarettes, 200 cigars,

²² Maguire, M.: *Methods to support human-centred design*, International Journal of Human Computer Studies, 55(4) 2001, pp. 587-634.

²³ <http://www.zagreb-airport.hr/putnici/u-zracnoj-luci/trgovine/from-designers-with-love/410> (May 13, 2019).

²⁴ <http://www.zagreb-airport.hr/putnici/u-zracnoj-luci/trgovine/the-fashion-place/413> (May 13, 2019).

²⁵ <http://www.zagreb-airport.hr/putnici/u-zracnoj-luci/trgovine/aelia-duty-free-art-of-the-gift/412> (May 13, 2019).

1 kg of tobacco, 10 litres of strong alcoholic drinks and 60 litres of wine.²⁶ These limitations are enforced in all Croatian airports and the prices of these products are more affordable than in traditional shops. Although the prices are displayed in Euro, the payment can be made in all currencies and with all credit cards.

There are duty-free shops in all Croatian airports, as the analysis shows, with the exception of Mali Lošinj Airport for which there is no data available. Duty-Free & Travel Value shops can be found at the airports in Split, Dubrovnik and Zadar, offering many world-known brands of alcoholic drinks, jewellery and other products. In one part of Duty-Free & Travel Value Shop, there are regional products on offer, such as olive oil, wines, cheeses, traditional smoked ham and other autochthonous delicacies from Dalmatia and the rest of Croatia. At Dubrovnik airport, travel retail has been enriched with even two duty-free shops, one on the 1st and the other on the 2nd floor of the airport building. Also, one part of each shop displays best-known brands from around the world, while the other section offers the best local products. Pula, Brač, Osijek and Rijeka airports follow the newest market trends and also offer many world-known brands as well as Croatian autochthonous products recognized throughout the world.

Travel retail and duty-free shop concepts are becoming more and more present on the Croatian market. However, although the shops are situated at the airports, it does not automatically suggest better prices for the customers. On the contrary, most perfumes, clothes and other merchandise can be bought at the same or at even cheaper prices in city malls. But, airport retail offers carefully selected products that cannot be bought in traditional shops. This leads to the conclusion that travel retail in the Republic of Croatia enriches its tourist offer and it can be expected that it will only grow and develop in the future, following the development of passenger traffic in airports.

3. RESEARCH ON STUDENTS' PERCEPTION OF DUTY-FREE SHOPS AT AIRPORTS

3.1. THE OVERVIEW OF THE EXISTING RESEARCH

The overview of the literature gives evidence that there has not yet been research directly aimed at consumer attitudes on purchasing goods in duty-free shops at airports in the Republic of Croatia.

²⁶ https://europa.eu/youreurope/citizens/travel/carry/alcohol-tobacco-cash/index_hr.htm (May 13, 2019).

In 2004 and 2006, the Faculty of Economics in Zagreb conducted research on the quality of the service and user satisfaction with the services provided at Zagreb Airport (today Franjo Tuđman Airport). A part of the research addressed the quality of the services offered in the airport shops. The respondents were departing passengers in international traffic and the research instrument was a questionnaire in both Croatian and English language. Since the traffic at Croatian airports is influenced by seasonality, this was taken into account and the research was conducted in July and November. In each month, 1,000 passengers were surveyed i.e. 2,000 in each year.²⁷ Drljača, Štimac and Vince analysed the system of monitoring and evaluation of the quality of the services supporting sustainable development at Zagreb Airport. They concluded how there were still consequences of the economic crisis felt and how the struggle for every customer was crucial for business sustainability. They also suggested how it was of great importance to investigate consumer satisfaction with all the services they provide. There is a significant space for the introduction of corrective measures with the aim of raising the service quality and also for raising average prices in certain categories such as duty-free shops at the airport.²⁸

Han et al. have focused their research efforts on senior travellers and shopping habits at the two largest international airports in South Korea. After excluding unusable responses, a total of 377 valid questionnaires were available for data analysis. Among them, 61.5% (232 participants) were senior travellers aged 55 years or older and 38.5% were non-senior travellers under 55 years of age (145 participants). The criticality of the emerging senior market in airport retailing needs to be more fully realized. A growing volume of senior travellers should be one of the most vital topics for practitioners at airports in order to build a lucrative stream of income. A market-segmentation strategy is necessary in the airport-shopping/retail industry to more effectively deal with the growing senior market and more efficient design and implement strategies for fulfilling seniors' needs and wants. For instance, airport practitioners may consider offering special prices for particular high-quality products for seniors, a greater variety of the products that elderly shoppers prefer, upscale and comfortable ambience/physical environment (e.g. air quality, aroma, temperature, humidity/dryness, music, and layout) designed to be elderly friendly, and high-quality services from well-trained employees who understand how to deliver effective services to mature shoppers – all of these will help seniors gain enjoyable/fun

²⁷ Drljača, M., Vrbanc, M., Bernacchi, Ž.: *Aspekti kvalitete na zračnim lukama*, *Suvremeni promet*, 26(1/2) 2006, pp. 145-151.

²⁸ Drljača, M., Štimac, I., Vince, D.: *Sustav praćenja i ocjenjivanja kvalitete usluga u funkciji održivog razvoja Zračne luke Zagreb*, in: Drljača, M. (ed.) *Zbornik radova*, 15. Međunarodni simpozij o kvaliteti, Zagreb: Hrvatsko društvo menadžera kvalitete, 2014, pp. 415-429.

experiences while abroad, thereby encouraging them to more actively engage in airport-shopping behaviour in the future.²⁹

Bohl (2014) investigated how airport shopping environment influences the passengers and how much time they spend on purchasing at stores. The results show the relationship between the level of consumer satisfaction and the retail area, but also between the former and the time available for shopping. The factors that influence consumer satisfaction are various: special atmosphere achieved through lighting, cleanliness and the absence of noise, along with how easy it is to get around the airport. All these factors have a slight mutual correlation probably due to the fact that customers evaluate their overall experience and cannot exactly differentiate individual environmental factors.³⁰

Bogicevic et al. have investigated airport service quality drivers of passenger satisfaction. The aim of their research was to identify which air travel factors are distractors and which factors are enhancers of passenger satisfaction. Related to the retail, in their conclusions they have remarked how passenger satisfaction increases with the growing number of different stores and restaurants and how their satisfaction also largely influences the revenues and profitability. This leads to the conclusion that the above-mentioned factors should be detected and used as guidelines for increasing the airport service quality.³¹ Omar and Kent have conducted research on international airport influences on impulsive shopping. Their research aimed at impulse purchasing habits of the passengers at London Gatwick Airport. The retailers at the airport have realized how shoppers are greatly influenced by the environment set at the airport. This environment provides the retailers with the opportunity to target groups of shoppers in a way that is different from targeting shoppers in the city's traditional shopping environment. Airport retailers have a variety of promotional tools at their disposal helping them attract the impulse buyers. They have realized that marketing is crucial for the development of airport retailing.³²

Park, Choi and Moon conducted primary research at Incheon International Airport, investigating how sales promotions influence customer behavioural intentions in duty-free shops. The participants filled out questionnaires and

²⁹ Han, H., Hwang, J., Kim, Y.: *Senior travelers and airport shopping: Deepening repurchase decision-making theory*, Asia Pacific Journal of Tourism Research, 20(7) 2015, pp. 761-788.

³⁰ Bohl, P.: *The impact of airport shopping environments and dwell time on consumer spending*, Vezetéstudomány-Budapest Management Review, 45(11) 2014, pp. 11-24.

³¹ Bogicevic, V., Yang, W., Bilgihan, A., Bujisic, M.: *Airport service quality drivers of passenger satisfaction*, Tourism Review, 68(4) 2013, pp. 3-18.

³² Omar, O., Kent, A.: *International airport influences on impulsive shopping: trait and normative approach*, International Journal of Retail & Distribution Management, 29(5) 2001, pp. 226-235.

the results show that lower prices have undoubtedly positive effect on customer satisfaction. Also, the findings confirm that customer satisfaction influences customer value, image and their behavioural intentions, which means that they will form a favourable image of duty-free shops if they offer special sales and in this way make customers feel content. All this leads them to want to buy there again in the future. The conclusion is that the perception of the value customers form about shopping at duty-free shops is the key driver of their future purchasing habits.³³

Lin and Chen have also dealt with consumer satisfaction with duty-free shops. They addressed three dimensions of satisfaction: products, staff and the shopping environment. The participants were three groups of travellers: the Taiwanese passengers, the Japanese travellers, and the other foreign passengers, and they filled out 2,000 questionnaires at Taoyuan International Airport (formerly known as Chiang Kai-Shek International Airport). The authors concluded the following: 1. The Japanese and other foreigners most often buy Taiwanese souvenirs and packaged food and the travellers from Taiwan prefer buying alcohol and cigarettes. 2. All three groups were not satisfied with the prices of the products on offer. They think the prices are too high and that there are little promotional activities and almost no discounts. 3. All three groups of travellers agree that staff should expand on their knowledge of the products they present. 4. The study also showed that cultural differences influence consumer satisfaction with the shopping environment. The hygiene and lighting are positive factors for the Taiwanese, but they are less satisfied with access to the shops. While the Japanese customers expressed their neutral stand on all seven environmental elements, showing how this nation follows very high standards and do not concede to mediocrity, other foreign travellers gave high scores to the staff, but they are also less satisfied with the flow of shopping and the product mix.³⁴

Rossi and Tasca have conducted research on consumer behaviour and marketing strategies on the duty-free market. 40% of the respondents that have filled out the questionnaire were between 20 and 29 years of age, and 24% of them were between the ages of 30 and 39. Around 40% of respondents buy at duty-free shops at airports because of the cheaper prices and around 35% of them buy because they prefer the products on offer. 65% think that prices in duty free shops are more affordable than in traditional shops in the cities and 23% of them think duty free shops offer a better assortment and gener-

³³ Park, J. W., Choi, Y. J., Moon, W. C.: *Investigating the effects of sales promotions on customer behavioral intentions at duty-free shops: An Incheon International Airport case study*, Journal of Airline and Airport Management, 3(1) 2013, pp. 18-30.

³⁴ Lin, W. T., Chen, C. Y.: *Shopping satisfaction at airport duty-free stores: A cross-cultural comparison*, Journal of Hospitality Marketing & Management, 22(1) 2013, pp. 47-66.

ally provide better service. As to the atmosphere at the shops, around 34% of the respondents think that duty-free shops seem pretty chaotic and 27% think the atmosphere in shops is relaxing. However, 50% agree that the atmosphere significantly influences the purchase. Many respondents (82%) buy regularly in duty-free shops at airports when they travel. The research was conducted on the sample of 176 departing passengers from 32 different countries and the conclusion suggests that the atmosphere is crucial for the purchase in duty-free shops and therefore, cooperation with the airport management and creation of special events and campaigns should be given special attention.³⁵

3.2. RESEARCH METHODOLOGY

A primary research was conducted for the purpose of this research and a questionnaire was used as the research instrument. The research was based on the test method via Google Form posted in students groups on Facebook. In the research, 135 respondents of different demographic characteristics from all parts of Croatia have participated. The questionnaire was posted on Facebook in mid July and was available until the middle of August 2018. It consisted of 13 main questions and 6 questions relating to demographic features. One part of the questionnaire were closed-ended questions and the other part included statements about travel retail at airports where the participants were asked to state their level of agreement (1 = completely disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = completely agree). The demographic questions related to the factors such as age, gender, residence, level of education, work status and personal monthly income.

The goal of the research was to analyse and draw conclusions on the state of travel retail at airports from the passenger perspective, to establish the level of travel retail representation at airports and to investigate the level of students' perception of duty free shops at airports, all this with the aim of identifying whether their further development influences the development of travel retail and tourism in the Republic of Croatia.

3.3. RESEARCH RESULTS

In the research, it has participated 135 respondents, but since 18 of them are no longer part of the student population, their questionnaires are considered no longer valid. The results are therefore formulated based on 117 valid question-

³⁵ Rossi, S., Tasca, C.: *Consumer Behavior and Marketing Strategies in the Duty-Free Market: An Explorative Study on Offer, Costumer Service and Atmosphere*, Uppsala: Uppsala University, 2012.

naires. Women consist of 77.8% of the respondents, while 22.2% were men. Most participants are in the age group from 18 to 25, and 1 respondent is over 35. Compared to Kwan's research on the shopping behaviour of Chinese travellers, a significant difference in demographic characteristics has been noted. Many more male respondents participated in his study because most women declined participation. However, the age structure is mostly the same in both cases. Relative frequency of socio-demographic characteristics of the respondents is presented in Table 1.

Table 1. Socio-demographic characteristics of the respondents

| | | |
|--------------------------------|-----------------------------------|--------|
| GENDER | Male | 22.2 % |
| | Female | 77.8 % |
| AGE | Below 18 | 0 % |
| | 18 to 25 | 71.8 % |
| | 26 to 35 | 27.4 % |
| | 36 to 45 | 0.9 % |
| | 46 to 55 | 0 % |
| | 56 | 0 % |
| | | |
| WORK STATUS | Employed permanently | 11.1 % |
| | Employed (fixed-term contract) | 7.7 % |
| | Part-time | 3.4 % |
| | Working undeclared | 0 % |
| | Self-employed | 0.9 % |
| | Unemployed | 23.9 % |
| | Employed via Student Service | 53 % |
| PERSONAL MONTHLY INCOME | Less than 1,200 HRK | 12 % |
| | 1,201 to 2,000 HRK | 11.1 % |
| | 2,001 to 3,500 HRK | 29.1 % |
| | 3,501 to 5,500 HRK | 17.9 % |
| | 5,501 to 7,000 HRK | 5.1 % |
| | 7,001 to 9,000 HRK | 1.7 % |
| | Over 9,000 HRK | 6 % |
| | No personal income | 17.1 % |
| RESIDENCE | Zagreb and the surrounding area | 90.6 % |
| | North Croatia | 1.7 % |
| | Slavonia | 0 % |
| | Lika, Kordun and Banovina | 0.9 % |
| | Istria, Primorje and Gorski kotar | 0.9 % |
| | Dalmatia | 6 % |

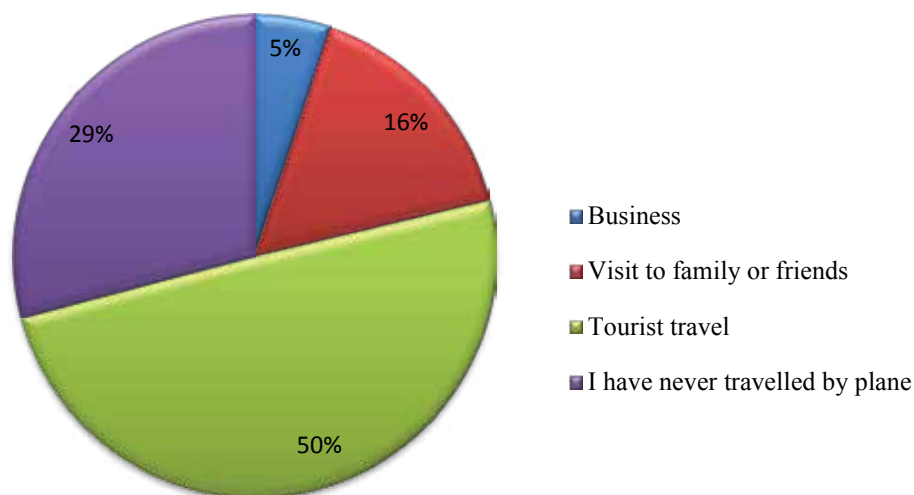
Source: empirical research

Around 90% of the participants live in Zagreb area and over half of them are employed via Student Service, where most of them earn between 2,000 and 3,500 HRK a month.

To the question “*How many times have you travelled by airplane?*” most respondents answered more than 5 times (32.5%). 29.9% said they had flown 2 to 5 times and 29.1% have never used this mode of transport. Also, 10 respondents said they had travelled by plane only once (8,5%).

Graph 1 displays answers to the question “*What motivates you most to travel by airplane?*”. Almost 50% of the respondents stated tourist travel as their main motive, then there are 29.1% who have never travelled by plane. Around 16% fly to visit their family and friends and only 5% travel for business. If we are to compare these results to those presented in the foreign research, it can be concluded that foreign passengers travel much more for business purposes, which is also their primary motivation, while here, people travel as tourists and to visit their friends and relatives. A mere 5% of Croatian youth fly for business purposes. However, one should take into account the fact that this research is about the student population, while foreign studies also encompass other populations.

Graph 1. Main motives for travel



Source: empirical research

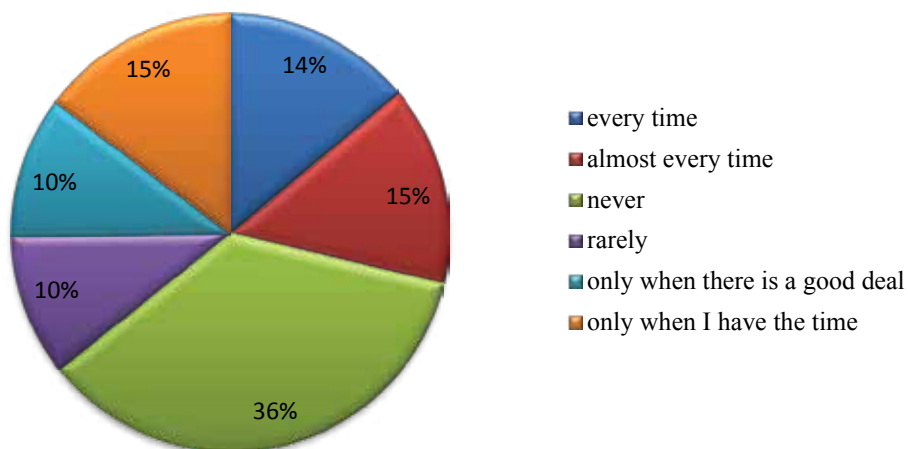
Most respondents said they flew in the company of their friends (39.3%), and only 2.6% fly with their business colleagues. The question “*Have you ever heard of the term travel retail?*” was answered affirmatively by 53% of the respondents and the other 47% said they had never heard of the term. Regarding the purchase at airports, the question “*Have you ever purchased in duty-free shops at airports?*” was answered affirmatively by 65.8% of the respondents and 34.2% claimed they had never bought anything in duty-free shops situated at airport facilities. When they were asked to state the reason for not purchasing at such shops, the most common answers were:

- “I have never been to an airport.”
- “Because it is too expensive.”
- “Because prices are more affordable in traditional stores.”
- “Because of the limited budget allocated for the travel.”

Almost 50% of domestic respondents state they have not even heard of the term travel retail, which in foreign countries is much more developed and implemented in the mindsets of those travellers due to adequate marketing activities. Most respondents feel stimulated (69.2%), and fewest of them feel relaxed (15.4%). Rossi and Tasca (2012) conclude their research with the finding of how over 50% of the studied passengers see the atmosphere at airports as the driver of purchasing activities. Therefore, a comfortable environment and positive associations stimulate purchase in duty-free shops.

To the question “*How often do you buy in duty-free shops at airports?*” 35% answered how they had never purchased there. 10.3% of the respondents do so only if they have the time and 12% buy very rarely. On the other hand, 13.7% of the respondents buy at airports every time they have the opportunity and 14.5% of them do so almost every time. Also, 14.5% of the respondents will buy at duty-free shops only if they come across a good deal (Graph 2). By comparison, in their research, Rossi and Tasca (2012) specify how even 82% of their respondents buy regularly in duty-free shops at airports.

Graph 2. Frequency of purchases in duty-free shops at airports



Source: empirical research

The most common answer to the question “*What products do you most often buy?*” is cosmetic products (32.5%), followed by the local products 31.6%. While 19.7% of the passengers buy tobacco and alcoholic drinks in duty-free shops, 17.9% buy high-end fashion brands, and 6% of them buy accessories. Others do not buy anything in duty-free shops. If we are to compare these results with the previously mentioned studies, the results correlate and these groups of products are in fact best-selling products in all airport duty-free shops.

Table 2 shows the level of agreement with the statements relating to duty-free shops at airports, where the respondents were asked to state their level of agreement (1 = completely disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = completely agree).

Table 2. The level of respondents' agreement with the statements about duty-free shops

| STATEMENTS | 1 | 2 | 3 | 4 | 5 |
|--|----------|----------|----------|----------|----------|
| The prices in duty-free shops are lower than in traditional shops. | 15 | 23 | 35 | 26 | 18 |
| The products on offer in duty-free shops are only most expensive home and foreign brands. | 6 | 22 | 48 | 33 | 8 |
| Duty-free shops accept any world currency. | 15 | 23 | 49 | 20 | 10 |
| It is necessary that duty-free shops enrich their offer. | 6 | 11 | 47 | 34 | 19 |
| I am satisfied with the price-quality ratio in duty-free shops. | 8 | 15 | 59 | 28 | 7 |

Source: empirical research

To the question “Which of the following is the greatest disadvantage of duty-free shops?” 47.9% of the respondents answered it was the unavailability i.e. only the departing passengers can access the shops. 32.5% think high prices are the main shortcoming and 13.7% think the assortment is not rich enough. The other respondents answered this question with “I do not know”.

Lagardere group and Aelia Duty-Free Shop are one of the largest and best-known duty-free shops in the world that have found its place under the sun at Franjo Tuđman Airport as well. As the research findings show, only 18.8% of the respondents answered affirmatively to the question “Have you ever heard of Aelia Duty-Free or the Lagardere group?”. To the question “Will you purchase again in duty-free shops at airports in the future?” 33.3% of the respondents gave the affirmative answer, 55.6% of them said “maybe” 11.1% said they would not be buying there.

3.4. LIMITATIONS AND RECOMMENDATIONS FOR FURTHER RESEARCH

There are certain limitations to the research on students' perception of duty-free shops at airports. The most important limitation relates to the lack of research on this topic in Croatia. None of the research directly addresses travel retail, but rather, it is only mentioned as one of the services provided by the airport. Since the questionnaire was posted via the Internet, the research could also have been influenced by the method of data collecting because it was not conducted in controlled conditions. Moreover, the questionnaire could

be accessed only on Facebook and it was posted in groups that are primarily intended for the students at the Faculty of Economics and Business in Zagreb. During their education at the Faculty, they have the opportunity to attend classes where they listen about travel retail and duty-free shops. Also, since the research was carried out during the summer months, the number of respondents is relatively small.

For the research to be without limitations, it would be necessary to carry out a survey via printed questionnaires where the passengers would fill them out on site, possibly at Croatian airports. In this way, the sample would be bigger and better insights into the perception of tourists and domestic travellers on travel retail at Croatian airports and in general would be gained. However, such research requires more financial support and time for data collection and analysis. Also, the questionnaire would have to be translated into English so that foreign passengers could fill it out as well. This research places the focus on the student population, but it is necessary to engage other social segments, too.

4. CONCLUSION

Well-Developed traffic infrastructure is one of the key prerequisites for economic growth. The Republic of Croatia is very tourist-oriented and therefore, air transport, although being the youngest traffic branch, represents a crucial connection with the rest of Europe and the world. At airports, many other services are provided and duty-free retail has also found its place there. This form of retail is specific since it is primarily intended for departing passengers and it offers many best-known home and foreign brands.

However, regarding the goal of the research on students' perception of duty free shops at airports, which is to establish the importance of travel retail development for the development of tourism and Croatian economy, it has been concluded that in Croatia, students are not as familiar with air travel and duty free shops for several reasons. Namely, due to lower living standard and low personal income, students are extremely price-sensitive and they usually choose cheaper modes of transport and cheaper products. Although air transport does contribute significantly to the development of Croatian tourism, higher presence of low-cost carriers and lower ticket prices would stimulate more students to fly inside Croatia, but abroad as well. Also, better purchasing power would contribute to higher consumption in duty-free shops at airports, which would intensify the development of duty-free shops at Croatian airports.

The results of the primary research confirm how students are very much uninformed on what duty-free shops offer, on the advantages of buying in one and

the conditions for buying goods in duty-free shops. Although the prices in duty-free shops should be lower due to no taxes being applied, which is often not the case. Alcohol, tobacco and perfumes are more affordable because these products are also the best-selling products in duty-free shops. Price correction and better marketing would boost sales and revenues for duty-free shops and additionally speed up their development worldwide, and especially in the Republic of Croatia. This would definitely enrich the tourist offer and enable better productivity for Croatian tourism and economy.

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