Concessions Coup
ARN Data Shows Strong Growth For Restaurant, Retail Sales Enhances Airports' Non-Aeronautical Revenues

Concession sales at the top 50 performing airports in North America, ranked by sales per enplaned passenger, have nearly doubled since 2001, new data from Airport Revenue News reveals. Sales per enplaned passenger of food and beverage, news and gift, and specialty retail jumped 92.21 percent to an average of $10.36 in 2013.

The data excludes duty-free sales.

Over the same 12 years, annual enplanements at the top 50 airports grew 11.68 percent to 556.59 million in 2013.

Total concession sales (excluding duty free) at the 50 airports jumped 114.61 percent to $5.95 billion in 2013, from $2.77 billion in 2001.

Duty-free sales at the top 50 airports came in at $1.04 billion in 2013, bringing the total concessions sales to just under $7 billion.

"North American airports have made remarkable strides over the past dozen years," says Ramon Lo, editorial director at Airport Revenue News. "Airports have reconfigured their terminals and added concession space to meet the traveling public’s needs and wants.

"In addition, concessionaires have really upped their games," Lo continues. "Food and beverage has moved upscale with more variety and local options, and retail has shifted in myriad ways to adapt to new demands from customers."

Excluding duty free, total concessions sales at the 50 airports grew in nine of the past 12 years. In 2001, concession sales were flat. The declines came in 2009, when the travel industry was hard hit by the recession, and in 2012, when a significant enplanements drop contributed to the lower sales.

All concessions types have shown solid growth in the 12 years from 2001 to 2013, but growth for food and beverage outpaced that of news and gift stores and specialty retail. As a result, the market share for food and beverage grew to 63.5 percent of total concessions (excluding duty free) in 2013, from 58.6 percent in 2001. The news and gift sector remained the second largest at 18.6 percent of total sales in 2013, down from 21.4 percent share in 2001. Specialty retail accounted for 17.9 percent of concessions spending in 2013, from 22.4 percent in 2001.

Concessions growth has outpaced passenger increases by a significant margin.

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Top 50 Performing Airports, Sales Per Enplaned Passenger Trends*, 2001-2013 *Excludes duty free

Passengers’ willingness to spend more is a key component, but experts say there are other factors at play.

With intense pressure from airlines to lower fees, airports have upped their collective focus on non-aeronautical revenue.

"Airports have reconfigured terminals to enhance and expand concessions spaces," Lo notes. "In partnership with concessionaires, they’ve also found innovative ways to maximize space and, ultimately, revenues."

In addition, Stephen Freibrun, principal with consulting firm ICF International, notes airports' greater emphasis of customer service and customer education.

"Concession programs should be part of, and have become more a part of, an airport's customer service plan," Freibrun says. "They know that customer satisfaction leads to greater capture rates, which leads to greater sales and revenue to the airport."

Finally, many airports have revamped and reconfigured to maximize space available for concessions, notes Kevin Kern of Kern Consulting. Although much of that redesign already has happened at airports, Kern says efforts will continue to find concession-worthy spaces.

"I think there is a push to look for spaces that have been ignored before," Kern says. "There is more impetus to utilize smaller spaces, whether it’s a temporary program or a push-cart program. Airports are always reviewing existing space so it can be re-used."

**Food, Beverage Bonanza**

Restaurants have been the main driver of concessions sales growth over the past 12 years. Food and beverage sales have more than doubled, reaching $3.78 billion in 2013, from $1.56 billion in 2001. The most dynamic growth came in the 2003 to 2007 time period, when double-digit gains were recorded each year.

More recently, food and beverage concessions have shown more modest development. After a decline in 2009, sales increased in the subsequent two years before falling slightly in 2012. In 2013, growth was back on track with a 12 percent increase.

The types of restaurants found in airports have contributed to the gains in spending. Ann Ferraguto, principal with AirProjects Inc., says airport dining has evolved dramatically.

"In the past, there was a much greater percentage of fast food, but now we have more casual dining, more bars with food, and those have a much higher check average than the fast food," Ferraguto says.

"Even fast food has been upgraded," she continues. "There are higher-priced burgers and sandwiches, fast-casual options. All of that is driving up the check averages over the years."

It wasn't that long ago that "spinning pizzas and wooden hot dogs" dominated airport cuisine, Freibrun recalls. Changes began happening in the mid-1990s and accelerated in the 2000s, resulting in sharp sales increases.

Ferraguto also notes other factors that have increased appeal.

"You now have national brands and strong local brands at airports, and that's really helped to increase the appeal of eating in airports," she says. "In many
Top 50 Performing Airports, Concessions Sales Mix*  *Excludes duty free

Specialty Retail:
- 17.9%
- 18.9%
- 22.4%

Food and Beverage:
- 63.5%
- 60.2%
- 56.2%

News and Gift:
- 18.6%
- 20.9%
- 21.4%

Year:
- 2001
- 2007
- 2013

Pie:
- $5.95 billion = 100%
- $5.07 billion = 100%
- $2.77 billion = 100%

Top 50 Performing Airports, Concessions Sales Trends*, 2001-2013  *Excludes duty free

Retail Shifts

Sales in news and gift stores in the top 50 performing airports nearly doubled from 2001 to 2013, rising to $1.11 billion from $593.22 million. The sector recorded gains most years in the period, although growth was not as dynamic as that of the food and beverage sector.

As with airport restaurants, news and gift stores have undergone major transformations over the past 12 years. Demand for “readables” such as books, magazines, and newspapers has declined as electronic readers and other devices have infiltrated the market.

“News and gift operators have had to rethink their offer,” notes Lo. “Many have expanded their selections of electronics and device-support items. Packaged foods, especially healthy options, have gained traction, as well.”

Freibrun notes that of all specialty retail categories, electronics have made the biggest splash.

Specialty retail sales in the top 50 performing airports, ranked by sales per enplaned passenger, breached the $1 billion mark for the first time in 2013. Specialty retail’s growth trajectory has been similar to but slightly less robust than that of the news and gift sector. Sales increased 71.31 percent between 2001 and 2013, with 2013’s sales total reaching $1.06 billion.

Consultants say retail concessionaires have faced a more challenging environment than food and beverage, and it hasn’t evolved to the same extent.

“There is greater impact on retail when the economy is doing poorly, and retail takes longer to recover,” Ferraguto says.

Ferraguto says the “street” influences are still apparent in food and beverage are still sometimes lacking in retail.

“If you look at the list of the top food brands in the non-airport setting versus the airport setting, many of those popular food brands are in airports,” she says. “When you look at the same list for retail, not many are in airports. Some of that is the nature of
airports – there is only so much apparel you’re going to be able to do, for instance, and only so many price points you’re going to be able to accommodate. But I think they are not hitting the mark as much on the retail side. There are more proprietary brands, more theme stores, things like that, and those typically don’t seem to do as well.”

Duty free is the final airport retail category. Because of the international passenger requirements associated with a robust duty-free program, levels of duty-free sales vary greatly. Nineteen of the top 50 performing airports ranked by sales per enplaned passengers had no duty-free sales in 2013; four had duty-free sales exceeding $100 million.

John F. Kennedy International (JFK) had the highest duty-free sales at $212.2 million in 2013. Duty-free sales at Los Angeles International (LAX) came in at $163.48 million, Miami International (MIA) had sales of $116.28 million and San Francisco International (SFO) registered duty-free sales of $104.91 million.

We’d like to hear your opinion about this article. Please direct all correspondence to Carol Ward at carol@airportrevenueneWS.com.

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