Shopping Malls, Lifestyle Centers…Airports?  
ARE AIRPORTS THE NEXT UPScale RETAIL VENUE?

by Ann Ferraguto

Let’s face it. The retail and restaurant businesses are not for the weak at heart and neither is the airport business. So why are major retailers, restaurateurs and celebrity chefs bringing their concepts and ideas to airports? Has it been worthwhile? In order to explore further the entrance of increasingly higher-end retailers and restaurateurs into the airport retail industry, I spoke with airport concession managers, retailers and restaurateurs to learn more about why these concepts and brands entered airports, how they are performing, and how certain airports purposefully developed their programs to make them attractive to these concepts.

POPULAR RESTAURANTS AND CELEBRITY CHEFS
Wolfgang Puck was one of the leaders in this segment of the airport concession industry. In developing his Wolfgang Puck brand, he recognized the benefit of the exposure to the airport market, as well as the potential revenue stream. Wolfgang Puck Express restaurants now are located in 24 airports in the U.S. As other celebrity chefs are building their brands through product lines and television, airports are one of the venues being considered.

Widely acclaimed celebrity chef Todd English, best known for his Olives restaurant, has licensed his Bonfire concept to HMSHost. There are currently two locations, one in Terminal 2 at New York’s Kennedy International and the other at Boston Logan International’s Terminal B. The 3,500-square-foot Bonfire restaurant in Boston Logan just was recognized by Travel & Leisure Magazine as its favorite airport restaurant in the country. This recognition is a result not just of the concept, but also of the careful execution of the concept by HMSHost. For this unit, HMSHost has a team of employees who are dedicated and specifically trained to work only in this restaurant.
Along with a name change from Creative Host Services to SSP America, the newly rebranded food and beverage (f&b) operator has undertaken a $4 million research project to identify and respond to the changing demands of travelers.

Parent company SSP operates in airports and rail stations in 28 countries, while its SSP America division operates in more than 42 airports in the U.S., Canada and the Caribbean. Les Cappetta, formerly HMSHost’s executive vice president business development, design and construction, joined SSP America in 2007 as the company’s CEO and president.

Cappetta pointed to SSP America’s consumer research project as an important step in the company’s plan to identify “gaps” in current airport f&b offerings and to develop products that respond to these needs.

Among the findings so far, the research indicated that consumers are demanding a higher quality experience but are willing to pay more for it. This relates to design and space, as well as the food concept, the company said.

Acting on this conclusion, SSP America has determined that its portfolio will include premium luxury brands, healthy options and quality, freshly prepared “grab and go” alternatives. The company in February announced an exclusive deal with a leading American steakhouse, the Palm Restaurant, to add this option at airports.

Similarly, the company will offer airports other premium brands such as The Caviar House and Prunier Seafood Bar. In addition, the company will address the healthy/organic niche through Camden Food Co. and European bakery brands such as Panopolis and Upper Crust.

Cappetta said the addition of these brands will “directly address the identified need for luxury and sanctuary and a general requirement to create an environment for passengers and not just a simple refueling opportunity.”

English’s first venture in airport dining was with his Figs concept at New York’s LaGuardia Airport.

When the concession management team at Boston Logan International, led by Sal Amico, manager of airport concessions, set out to develop the concessions in Terminals A and B with a blend of national brands and local flavor, they were determined. They sent out 1,000 invitations to a networking session to local and national operators, inviting them to come and find out about the concession opportunities. As a result of this effort and others, the outcome is a carefully blended mix, including local concepts and national concepts that are locally based, such as Au Bon Pain and Dunkin’ Donuts. Roger Berkowitz, the owner and operator of Legal Sea Foods, which has been a tremendous success in both Boston and Washington, D.C., airports, developed two new concepts for the Boston terminals. The result has been a success.

As celebrity chefs are building their brands through product lines and television, airports are one of the venues being considered.

One of the features of Boston’s international Terminal E concession program is Dine Boston Bar and Grill. This innovative concept was developed by D-Lew Enterprises and features a Boston-centric menu coupled with a Visiting Chef program, a rotation of popular local chefs. Chefs such as Stephen Brown from Davio’s and Kevin Crawley from Coriander Bistro have developed “tasting menus” that are offered in addition to the regular menu. The restaurant kitchen staff is trained to prepare the tasting menu items, and the visiting chef comes to the airport for a meet and greet session and a kick-off lunch with VIPs and the press.

Seattle-based celebrity chef Kathy Casey joined forces with Seattle Restaurant Associates to bring Dish D’Lish to Seattle-Tacoma International. Located in the Central Terminal, the restaurant has a fast-casual menu featuring a variety of fresh, quality sandwiches and salads — Casey’s “Food ‘T Go Go.”

When Joe Anderson, manager of concessions and business development at Minneapolis-St. Paul International, and his concession team began planning the 37,000-square-foot expansion of the concession program in the Northstar
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Crossing area, including about 20,000 square feet of food service, they set out to have “good, better, best” styles of dining available to their customers. To round out the existing mix of restaurants, they added Axel’s Bonfire and a 5,000-square-foot Ike’s Food and Cocktails. The average check now being realized at Minneapolis-St. Paul supports their goal of good, better, best. The average check at Chili’s Too is in the high teens, Axel’s Bonfire’s is in the mid-$20s, and Ike’s is in the low $30s.

Healthy and Organic Food

Healthy and organic food concepts also increasingly are making their way into airports. One of the new concepts recently introduced is the UFood Grill, a restaurant developed by George Naddaff, the founder of the Boston Market chain. Located in the food court in Terminal B at Boston Logan, the UFood Grill offers a healthy menu of items that includes all-natural, free-range bison burgers.

The French Meadow Bakery has been operating as a certified organic bakery since 1985. Now the fresh-baked breads, sandwiches and other foods are available at French Meadow Bakery and Café at Minneapolis-St. Paul International. The first unit located on Concourse F was only 1,100 square feet but generated close to $2 million in 2007. As a result of its success and popularity among airport customers, a second French Meadow Bakery was developed. This location is more than 4,300 square feet and generated roughly $4.5 million in sales last year.

Branded Retailers, Designers

The higher-end, luxury product trend also is becoming more apparent in airport retail. Designer brands and well-known luxury goods concepts are appearing more often outside of duty-free stores.

Despite the fact that Hugo Boss closed its store in the Mall of America in Minneapolis, there is now a Hugo Boss store at Minneapolis-St. Paul International that is generating about $1,000 per square foot in sales. Tumi has licensed its brand to operators in Minneapolis-St. Paul International, Kennedy International and San Francisco International airports.

The trendy and popular Lilly Pulitzer brand is opening its first airport store in Palm Beach International through a license agreement with The Paradies Shops. The Paradies Shops also has completed a deal with Vera Bradley. The first airport Vera Bradley store will open in Atlanta Hartsfield International.

According to industry retailers, popular brands and designers are interested in airports not just for the sales, but also because the locations increase the brand’s exposure and help them build their business and awareness with other retailers. Many of these brands have few stores of their own, primarily being sold through boutiques or “store-within-a-store” areas in large department or specialty stores. Brighton, another brand that typically is sold in this way, has ventured into airports through a license agreement with The Paradies Shops.

Popular international brands also are excited about airports. Muji, a very popular Japanese brand built on simplicity, is considering its first airport store, which would be only its third store in the United States. Lacoste stores, offering their signature crocodile logo apparel and accessories, now are located at Kennedy and Newark Liberty international airports.

Not all retailers, however, are sold on the opportunities offered at airports. The Lands End store that operated at Minneapolis-St. Paul International for several years recently closed its doors due to Lands End’s relationship with Sears. Although
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Lands End was generating more than $2 million annually in only 1,100 square feet at the airport, Sears was concerned that it would lose customers in its Sears stores if Lands End merchandise were available at the airport. Most retailers disagree, believing that the airport opportunities enhance their exposure, only adding to their downtown, shopping mall and online sales.

MARKETING AND PLANNING
Including major brands and popular chefs in an airport concession program does not just happen — it takes a lot of effort, typically early on in the concession-planning process. When popular brands or celebrity chefs enter an airport, they ask the same questions that they ask when considering a shopping mall location: “Where is the space located?”; “What’s adjacent to it?”; and “What amount and type of traffic passes by it?”

When the Massachusetts Port Authority (Massport) took over Terminal B at Boston Logan in 2001, officials realized that the passenger flows heading for Pier A needed to be re-oriented in order to maximize concession sales. The airport relocated the security checkpoint so that the majority of the concessions in Terminal B, Pier A now have 100 percent exposure to the passengers.

As a result of the new concepts and passenger flows, Massport has seen at least a 33 percent increase in concession sales in Pier A in Terminal B this year over last year, with sales per enplaned passenger in recent months nearing or exceeding $10.

Through a joint effort with its new tenants at Minneapolis-St. Paul International, the Metropolitan Airports Commission developed 13, 60-second “infomercials” on the newly developed concepts that have been shown on its CNN channel throughout the airport for two to three minutes every hour.

WILL THE MOMENTUM CONTINUE?
The airport retail industry certainly has come a long way in terms of being recognized by major brands and chefs. Judy Tuttle, vice president-airport leasing of Westfield Concession Management, said that when she tried to make appointments at the International Council of Shopping Centers Conference 12 years ago to discuss lease opportunities at airports, people would not even return her calls. Now, the likes of Michael Sternberg, the Washington, D.C., restaurateur who started Harry’s Tap Room, are not only doing business with airports and airport industry operators, but they are looking for additional opportunities. Many, like Sternberg, believe that the exposure at airports is valuable in itself and the “positives outweigh the negatives.” However, airports are not necessarily right for every brand, and certain brands are not right for every airport. Both airports and brands need to be selective to ensure that the potential location and market at a particular airport is the right fit for the concept and brand to be successful.

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