Airport Concession Planning: MORE CRITICAL THAN EVER

By Ann F. Ferraguto

Given the recent economic downturn and the often double-digit declines experienced at many airports in terms of passengers and concession sales, it is timely to review the essential elements of a successful airport concession program. Ideally, this is a program that not only can thrive in good times but also can survive a downturn. Those that are the most fit will survive. The key is to create a fit, stable program that will continue to stay aloft even in turbulent skies.
Space Allocation

Space matters. Airports that have more space per passenger allocated to concessions have concession programs that generate higher sales per passenger. So, why don’t all airports have large amounts of space dedicated to retail and food service? There are several reasons. First, many airports have space constraints due to older terminals and concourses. Some airport operators with newer facilities have cut their capital investment costs by downsizing the concession space in the terminal. For those airport operators that have achieved the optimal space allocation, however, the concession revenue has helped to pay for the additional space.

Among the airports researched for this article, the top third of them based on sales per enplanement allocated 23 percent more space per passenger than those airports in the bottom third of the study. Further, they generated 23 percent higher concession sales per enplanement, yielding additional non-airline revenue. On average, the top 30 airports allocated more than 9 square feet per 1,000 enplanements to non-duty free retail and food service concessions. The top third allocated slightly more, approximately 9.3 square feet per 1,000 enplanements, and the bottom third allocated an average of only 7.6 square feet per 1,000 enplanements.

Concession Mix

In addition to allocating the right amount of space to the concession program, it is critical for airports to achieve the right concession mix to optimize sales, revenue and customer service. While allocating the majority of the concession program to food service might leave the airport’s customers’ stomachs full, they still may leave empty-handed in the gift area.

The research showed that the majority of airports with the highest sales per enplanement also had the highest specialty retail sales per enplanement. The specialty retail components in the concession programs often are driving the increased sales and revenue through impulse purchases, which take advantage of passengers’ dwell time at the airport.

It also is interesting to note that a high-achieving retail segment in a concession program cannot be achieved through convenience retail or newsstands alone. Among the airports with the highest retail sales per enplanement, the majority had the highest specialty retail sales, not convenience retail sales.

National vs. Local Brands

Do national brands really matter? Can they actually have an impact on concession sales? Based on the research conducted, the answer is yes. Among the top 30 airports reviewed, an average of approximately 58 percent of the food service concepts offered were national brands. On average, the airport concession programs generating the highest food service sales per enplanement also offered the highest percentage of nationally branded food service concepts, as opposed to local or generic brands.

The top one-third of these airports offered approximately 14 percent more national brands in their programs and generated about 26 percent higher food service sales per enplanement than those in the bottom third of the airports researched. Those programs yielding the highest sales per enplanement had an average of approximately 63 percent national brands, while the airports researched with the lowest sales per enplanement had only about 55 percent nationally branded food service concepts.

The same principle regarding national brands applies to specialty retail. On average among the top 30 airports, only 44 percent of the specialty concepts were national brands. However, among the top 10 airports, 54 percent of the specialty retail concepts were national brands. These same airports had sales per enplanement that were more than 150 percent higher than the sales at the airports in the bottom third in terms of specialty retail sales per enplanement. On average, the airports in the bottom one-third had national brands for fewer than 40 percent of their specialty retail concepts.

Interestingly, the national brand principle does not seem to apply when it comes to convenience retail (newsstands). For the purposes of this article, a nationally branded newsstand is considered to be one that has a nationally or internationally recognized brand name associated with it, such as the name of a major media network or newspaper.

First, there is significantly less branding associated with newsstands. Many times, the name of the store is associated with the operator or themed for the city or region in which the airport is located. The concession programs with the highest convenience retail sales per enplanement did not have convenience/newsstand concepts with national names. In fact, fewer than 4 percent of the top convenience retail programs based on sales per
Denver’s Small Business Initiative Pays Off

Denver International’s initiative in 2008 to jump-start small business participation in its lineup of concessionaires proved successful enough that leases have been extended for the three original companies.

The airport teamed up with the Denver Office of Economic Development (OED) for the project, with the airport investing $1.5 million for the initial buildout of the spaces on level five of Jeppesen Terminal. The buildout of the space, known as the Terminal Marketplace, provided three turn-key operations, including a small seating area in front of the location. Officials anticipated that the three initial spaces would act as incubators to allow these businesses to expand into larger concession spaces in the future.

Proposing companies were required to be certified by the city as small business enterprise concessions. The initial term for each of the three selected businesses was two years, with three additional one-year options if the concessionaire met certain benchmarks annually, such as operating consistently within the requirements of the concession agreement. The three companies that inaugurated Terminal Marketplace were Amore Fiori Flowers & Gifts Shop, CoFTea Shop and Vertical Mile Market.

Vertical Mile Market, which brought in nearly $500,000 in revenue during the nine months of 2008 that it was open, and more than $700,000 during all of 2009, offers an assortment of pre-packaged snack items. Through the airport’s RFP process, the owner subsequently won a second location: Bella, a high-end cosmetic and personal care concession, which is located on Concourse B.

Amore Fiori Flowers & Gifts earned nearly $170,000 during the nine months of 2008 and boosted that total to more than $225,000 last year. The shop offers merchandise ranging from vintage-style hats to boutique-style perfumes and toiletries.

The CoFTea Shop nearly doubled its revenue in 2009 over 2008, with last year’s total topping $400,000. The shop sells a selection of cookies, muffins and other sweets made with organic ingredients, as well as coffee and tea.

Shop owner Zach McNeal praised airport officials for the opportunity to break into the market. “For us as a locally owned small business, the first time in an airport has been a very valuable experience in learning about airport concession operations,” he explained. "Denver International and the city and county of Denver should be commended for the idea of the Marketplace to give us a jump-start on airport operations." McNeal expressed enthusiasm for the idea of expanding his operation in the airport. “We are small spuds but hoping to be big potatoes," he said.
enplanement had nationally recognized names associated with the names of the newstands or convenience stores. This result is not to say that some of the individual newsstand operators are not nationally recognized. This is just a strict interpretation of a national brand and an attempt to identify whether the national/international name enhances sales.

While it is clear that national brands are important, this is not to say that developing a program based solely on national brands would be even better. Studies also have shown that airport concession programs with a good mix of national and local brands tend to be the most successful. Strong local brands are an important part of any concession program and can enhance the sense of place for a concession program and terminal. Strong local brands mixed with a significant number of national brands as described above should be optimal.

Other Key Factors
In addition to space allocation, mix and brands, there are other key factors that clearly impact the success of a concession program. Two of the most important factors are location and operations.

Location. The application of the main concession-planning principles to locate concessions is even more important during tougher economic times. Adhering to these principles will help the concession program survive in a downturn and thrive in good times.

- Concentrate the concessions in malls, streets and clusters within the terminals and concourses. This principle is especially important for specialty retail and to maximize impulse purchases.
- Locate the majority of the concessions airside, but do not neglect landside locations. Landside concessions are important for the visitor and employee segments of the airport market. At least two-thirds of the space allocated for a concession program is typically airside among the programs generating the highest sales per enplanement.
- Specialty retail needs other specialty retail. Isolated specialty retail units do not generate sales as high as those that are clustered.
- Maintain views and proximity between food service and retail concessions.
- Locate some concessions downstream, as there will always be passengers who will not venture back to the main concession clusters, or who have limited time but still need concession amenities.

- When planning a new terminal, concourse or terminal renovation, consider concessions very early in the process, starting at the programming phase of the project. If concessions are planned properly up front, they will not have to be retrofitted — a process that often results in awkward, expensive, less profitable space that lacks adequate utilities. Anchor the program with key tenants, concepts or even important airport facilities such as restrooms. Take advantage of typical passenger flows and work with them, not against them. Trying to make passengers take a circuitous route through a concession area can be difficult.

Operations. Operational issues often are exacerbated or more visible during tough economic times, and concessions with operational flaws fall to the bottom. People spending their money expect more and want to pay less. Operational efficiencies and customer service become even more paramount. Following are some of the most important operational aspects of concessions that must be addressed and perfected to ensure that a concept can survive in both good and bad times.

- Customer service. The customer must feel valued and important. Cutting staff to the bare bones is not a valid response in a downturn. Maintaining the capability to satisfactorily meet the customers’ needs and maximize sales is the key.
- Speed of service. Providing a service or product for a time-constrained customer is critical at an airport. Losing sales due to long queues during downturns should not be an option.
- Inventory. Ensuring that the right products are available for purchase is of the utmost importance. Figure out how to do just-in-time deliveries if necessary, but

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be sure the products are available and look abundant.

- **Pricing.** Reasonable prices and good value for money are incredibly important when people have less money to spend or are worried that they could soon have less. Impulse sales become both more critical to the operator and less likely on the part of the consumer. Selling techniques and fair prices are essential for success.

- **Quality.** Although extravagant purchases may become less prevalent during downturns, people are still willing to pay for quality when they do make a purchase. Those operators skimping on quality will become readily apparent and suffer the consequences.

- **Cleanliness.** There is never an excuse for a lack of cleanliness in a concession. Fewer customers should make the cleaning process easier. A limited number of customers may notice even more, making attention to detail critical.

Surviving and even thriving during a downturn is possible. It takes proactive planning, successful implementation and follow-through. You do not want to be in a reactionary mode during tough economic times — you want to be prepared fully for any event in advance. Adhering to key planning principles and getting the mix and concepts right for the airport customers will ensure survival and, ideally, make any turbulent skies feel a lot less rough.

Supporting data for this article included concession data from the top 30 North American airports based on sales per enplaned passenger (including all non-duty free retail and food service sales). Sales per enplaned passenger, space allocation, and the inclusion of nationally branded concepts in a concession mix were researched and analyzed.

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