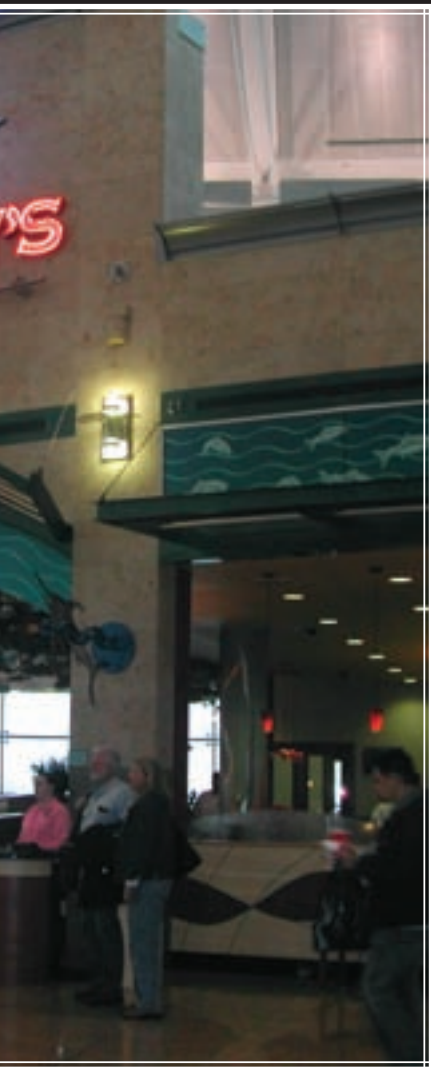


ARE YOUR CONCESSIONS PROVIDING A SERVICE?



Vino Volo (left) is one example of the emerging in-airport wine bar trend. Anthony's (right) illustrates the growing popularity of casual sit-down dining options.

Airport concessions should be more than a revenue-generator. They also play a valuable role in serving your customers—the flying public.



People are increasingly trying to travel light to avoid checking luggage and minimize their processing time at airports. In addition, passengers continue to arrive at airports a significant amount of time before their flights—averaging about 90 minutes to two hours. At many airports, the security queues move quite quickly, leaving passengers with “dwell time” in the airside portions of the terminals. As concession programs have improved over the years, passengers have begun to rely on airport concessions to meet certain needs at the airport, to provide a diversion, or to help them maximize the time spent there by accomplishing other tasks. The amount of goods and services that is provided at airports today is quite remarkable. Yes, concessions benefit an airport’s bottom line, but they also provide much-needed passenger services and amenities. Are your concessions providing a service, and which passenger services and amenities are right for your airport?

THE CUSTOMERS

It is important to understand your customers in order to figure out what type of concessions they want and need and which will provide the greatest service to them. While Baby Boomers have historically made up the majority of the airline passenger market over the last 20 years, this segment of the population is aging and they are increasingly being replaced by younger segments of the population. The preferences and desires of the various population segments differ and airport operators need to be attuned to these variations as they plan their future concession programs.

The majority of airport passengers currently fall into these population segments:

- Baby Boomers: ages 42 to 60
- Generation X: ages 30 to 41
- Generation Y: ages 12 to 29

It is important to note that the Generation Y population currently surpasses the Generation X population by about 70 percent. As this generation matures, they will become a dominant force in the market, and much of the retail and lifestyle brands will need to appeal to this sector’s

way of thinking. The Generation Y sector will grow to represent about 34 percent of the U.S. population in 2015 from only 7 percent in 2001. Additionally, the population of 60 to 70 years olds is expected to double between 2000 and 2025.

For the members of the Baby Boomer generation who “became institutions” in the 1970’s though 1990’s, brands and labels are still very important. They have developed loyalties to certain brands and have helped establish and grow those brands over the years. The people in this segment of the population are also very task-focused and like to get things done in an orderly fashion. Many have had a significant amount of discretionary income and do not mind spending it on themselves. This is especially true as the Baby Boomers age and the “toys” get increasingly expensive and they treat themselves to things like great vacations, dinners, and services. While they generally embrace technology, they use it as a tool, a necessary fact of life that helps them to be more productive and organized.

The Generation X and Generation Y segments of the population are increasingly taking the place of the Baby Boomers in business and travel. These segments of the population are much more individualistic and self-reliant. They use technology, and in the case of the Generation Y population, have always had technology as part of their lives—they assume technology. They like to multi-task and they can multi-task fast.

SPENDING TRENDS

These changing demographics are apparent in the spending trends that can be observed at airports. One of the trends is a proclivity for luxury or higher-end products. This spending pattern is driven by the affluence among a significant portion of the airport population and the Baby Boomers who prefer certain brands, maintain their signature “look,” and

consume increasingly expensive products. Brand recognition continues to be a key factor in spending trends at airports. While the Baby Boomers may be purchasing a particular brand out of loyalty, the Generation Y segment of the population is purchasing from a particular brand to maintain their lifestyle. Personal services are also gaining in popularity due to some of these same factors. The Baby Boomers want to treat themselves to an exclusive service and the younger generations are partaking to support their lifestyle or image. Entertainment incorporated into concepts, product demonstrations, and experience shopping are affecting spending trends. Finally, airport customers are more willing to spend if there is an opportunity to multi-task. For instance, if they can dine and gain internet access; shop for a much-needed item or present while waiting for their flight; or obtain a desired service rather than just sitting and waiting, their time at the airport is optimized.

All of these characteristics, changing population trends, and spending patterns need to be kept in mind to obtain a targeted mix of concessions at airports to meet the needs of the airport customers and provide the service that they increasingly expect.

THE CONCEPTS

Retail

The mainstay of airport retail programs has historically been the newsstand. Newsstands are clearly an essential and integral part of any airport retail program. They satisfy a passenger’s need for a newspaper, magazine, bottle of water, or quick souvenir. However, there are many more needs and desires being filled at airports today through numerous other concepts.

Drugstores and Pharmacies.

Drugstores and pharmacies have entered the airport market. Harmony Pharmacy is a new drugstore/pharma-

cy concept, with the first unit at Newark Liberty International Airport. They fill prescriptions and sell full-size health and beauty aids and related products.

The concession program at Phoenix Sky Harbor International Airport includes a Drugs & More concept developed by The Paradies Shops. While they do not fill prescriptions at Drugs & More, they have a good variety of products, including full-size, over-the-counter medicines and health and beauty aids.

Entertainment

Bookstores continue to provide a great service for passengers at airports. Not only do they sell “readable entertainment,” but they usually sell related products such as reading glasses (remember the aging Baby-Boomers). While many airport bookstores are operated by a large national brand or an industry operator, certain airports, such as Spokane International Airport, have managed to bring in their popular, local bookstore (Auntie’s Books in Spokane). At Raleigh-Durham International Airport, they not only have a Borders, but they also have a terrific used book store called 2nd Edition Books. Passengers can buy used books and find older and rare classics at this unique shop. Added services at airport bookstores, such as Paradies’ “Read and Return” program provide an added incentive for frequent travelers to buy books at the airport. After a passenger reads the book, they can return it and receive 50 percent of the purchase price of the book back!

In addition to readable entertainment, there are stores providing audio and visual entertainment such as Virgin Books and Records and InMotion Entertainment. These stores sell and rent CDs and DVDs to make music and movies available to passengers while they are traveling.

Apparel

If you have ever hit turbulence and spilled coffee down your front in

flight, you know that retailers like Jos. A. Bank, currently located in the Baltimore and Washington area airports, and Brooks Brothers are providing a passenger service! Not only do these retailers provide good customer service, but the stores have great inventory and ship anywhere in the country.

Luxury Items

For those who want to spend a little more—and there are plenty of people who do, higher-price point brands are showing up more frequently in stand-alone outlets—rather than just within duty free shops. Stores such as Gucci at San Francisco International Airport, Kenneth Cole at Newark Liberty International Airport, Erwin Pearl at several airports, and Tiffany's at Singapore's Changi International Airport offer products at a higher price point.

Gadgets and Electronics

Higher price-point items, such as Bose headphones, iPods, and wireless laptop cards can also be purchased through high-tech automated systems at airports. These units require very little space and can offer products whose sales might not support a full store. In one major international airport, these units generated over \$400,000 in sales in 2006, occupying only 170 square feet of space.

FOOD SERVICE

While restaurants at airports clearly provide a much-needed and desired service to the traveling public, there are concepts that are now available that successfully target specific customer needs and wants. The ideal food service program at an airport will have a variety of food service offerings that appeal to different segments of the population, such as the following examples.

Gourmet Markets

While casual dining restaurants at

airports increasingly have a take-out counter or a grab and go case for passengers in a hurry, other food service outlets are being opened that make a significant variety of pre-packaged foods available. Self-service markets selling gourmet food or high-quality food products, including freshly-made sandwiches and salads, baked goods, and a variety of beverages and snacks are doing very well at airports. Units that are currently operating at a couple of airports in the U.S. are generating over \$3,000 per square foot.

These units require significantly less square footage and infrastructure than most restaurants. The express units can be done in carts or kiosks in as little as 100-200 square feet, while the full build-outs only occupy about 600-800 square feet. The selections can include hummus, hard-boiled eggs, and peanut butter and jelly sandwiches—items not often found in airports!

Casual Dining Restaurants

Casual dining restaurants at airports have been growing in popularity and provide a great service for passengers and visitors who have a little more time and would like to sit, relax, and be served. Restaurants such as the Legal Sea Foods at Reagan Washington National Airport, the Anthony's at Seattle-Tacoma International Airport, and the Gallagher's at Newark Liberty International Airport are generating over \$1,200 per square foot. The space occupied ranges from as little as 3,300 to as much as 8,300 square feet.

Healthy Selections

Healthier choices are also a welcome benefit to travelers, especially those who travel frequently. The Physicians Committee for Responsible Medicine (PCRM) has reported that the number of healthful choices available at some of the busiest airports in the U.S. has increased significantly. According to their Winter 2006 report, "88 percent of all restaurants surveyed offered at

least one healthful entrée to their customers, representing a 13-point increase over last year." To be considered "healthful" by the PCRM, an entrée must be low in fat, high in fiber, and cholesterol-free. Freshly-made salads such as those offered at Saladworks in Philadelphia International Airport or Create Your Own Salad in Terminal 6 at Kennedy International Airport or soup from the San Francisco Soup Company are popular choices. Organic foods are available at the French Meadow Bakery and Café at Minneapolis-St. Paul International Airport.

A cereal concept has also made its airport debut. Cereality Cereal Bar & Café has opened express units in Newark Liberty International Airport. Their servers wear pajamas and offer a variety of cereals and toppings. While cereal has historically been thought of as a breakfast food, it is also a popular snack food, especially for children.

Wine Bars

Based on recent medical studies touting the medical benefits of certain wines, the trend of airport wine bars is truly a service! Wine bars can benefit the customers as well as the airport operators, as they can generate significant revenue. *Vino Volo*, the newest entrant to the market, offers glasses and flights of wine as well as a limited menu of small plates. This concept covers the food service and retail concession categories, as they also sell bottles of wine. *HMSHost* developed *Vintage Washington*, a restaurant concept featuring Washington-State wines as well as a casual dining menu, for Seattle-Tacoma and Spokane international airports.

CONSUMER SERVICES

Spas

There are an increasing number of spas to choose from at airports. Spas provide first-rate customer service, both in the products they sell and the



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Airport Magazine requested several major concessionaires to offer their views on recent shifts in airport retail/food and beverage and their outlook on emerging airport concession trends. The following are edited versions of their responses.

—Nick Biello, COO, Delaware North Companies Travel Hospitality Services:

“We have seen an increase in the growth, as well as the demand, for specialty retail in airports,” Biello said. “This growth is most evident in women’s specialty retail. This appears to be driven by two factors: more women traveling for both business and pleasure, and increased awareness by concessionaires of the demand and retail buying power of the female consumer.”

She Chic is an example of one Delaware North brand that has capitalized on this market shift toward women travelers, Biello said. The store is located in Detroit Metro and features upscale clothing and accessories, including sleepwear and handbags.

Another example of specialty retail that appeals to consumers, especially female consumers, is The Stylish Paw, also in Detroit Metro, Biello said. “Stylish Paw features a unique collection of luxury pet accessories. We are always seeking out venues and opportunities to expand on these two exciting concepts.”

Additionally, a shift in retail patterns appears to be coinciding with the growth of value airlines such as JetBlue and Southwest, Biello said. “As the prominence of these airlines increases at various airports, so does the demand by consumers for a value orientated general store-like format. Consumers are seeking a store that offers a large variety of merchandise at a value price. In essence, people are starting to look at retail outlets within airport terminals for values. Concepts that offer all items for one price, like \$10 and under, are on the rise.”

Since travelers are becoming more serious about their health, airport concessionaires are placing more of an emphasis on healthy eating, Biello said. “That includes the types of items featured on menus, as well as how items are prepared and packaged,” he explained. “We are already seeing a growth in the number of restaurant concepts emphasizing healthy eating.” More salads are being offered on menus and customers are being given more options when ordering combination meals. “A great example of this is being able to substitute a salad for chips with a sandwich or entrée item,” he noted. Vito’s Market, Green Leaf’s and Villa Pizza are Delaware North concepts that emphasize healthy fresh ingredients and healthy options. The company currently is adding healthy eating concepts to several of its airport locations.

services they provide. From massages, to facials, to oxygen, airport spas help weary travelers relax and rejuvenate. In addition to full-service spas, there are smaller, specialized operations that offer manicures and pedicures, such as Butter London in Seattle-Tacoma International airport and 10-Minute Manicure located in a number of airports.

Pet Services

While it is apparent that we can certainly pamper ourselves at airports, what about our pets? The Aviation Facilities Company (AFCO) is developing Airport Park ‘n Pet Resorts, “One-Stop-Shop” pet boarding and car parking facilities. You can drop off your pet and car at the same time and take a shuttle to the terminal. AFCO prefers land near remote or economy parking lots for these operations. The facilities being built can accommodate 200 to 250 pets (most-

ly dogs). Unlike most pet boarding facilities, this facility will be open 24-hours per day to accommodate pick-ups and drop-offs at any time. (For an example of one company’s take on airport pet services, see *Retail Spotlight* on page 35.)

Medical Clinics

Medical clinics are being developed again at airports. These clinics satisfy a number of market needs—those of the aging Baby Boomers’ increasing need for medical care, those of people who want to multi-task and accomplish things while they are at the airport, and those of the airport employees, who often have little time to venture beyond the airport perimeter during working hours. The AeroClinic and Airport MD provide medical service to airport travelers and employees, including screenings and check-ups as well as occupa-

—Laura Samuels, director-corporate communications, Hudson Group:

One of the most significant changes in airport retailing is the creation of a “gateway” environment, such as the recent award by the city of Chicago for 25 newsstands located throughout O’Hare International’s terminals, Samuels said. The newsstands will be branded as Hudson News or co-branded as Hudson News/CNN Newsstand Chicago.

Another example is the renovation of the retail space in New York Kennedy International’s Terminal 4, she said. Hudson’s objective was to create a flagship emporium that would deliver a “wow” shopping experience to customers, while acting as an unofficial gateway to welcome international travelers to the United States and to New York City, Samuels explained. The store reopened in July 2006, with the 7,000-square-foot space separated into four distinct but integrated boutiques.

Today’s hurried travelers appreciate brand names, since familiar brands assure them of quality, Samuels stated, adding that licensed brands like Crabtree & Evelyn, Roots, Sunglass Hut and Godiva are popular concepts for that reason. “Our customers also expect to find brand names inside the stores,” she said, noting that Hudson News, for example, stocks brand-name merchandise from companies like Kodak, Coca Cola, Radio Shack and Crayola, “because those are the brands that customers trust and demand.”

At the same time that customers are demanding brand names, they also want dynamic regional concepts, Samuels noted. “They want to be surprised and enchanted with products that can’t be found elsewhere.” People also want something they can use in their own home, she added.

Hudson’s newest concept is Life is good stores, which are now in Hartsfield-Jackson Atlanta International, Chicago Midway, Fort Lauderdale-Hollywood International, John Wayne/Orange County, Kennedy International, Los Angeles International and Nashville International airports. Top-selling items in Life is good include soft, cotton t-shirts in bright, colors with cartoons and sayings. Another big sell-

er is the line for newborns—onesies, booties, bibs and blankets. In August, Life is good is scheduled to roll out a new “green” line of environmentally friendly products.

Within the Hudson Booksellers brand itself, the company has adopted a new slogan: Hudson Connects. Under this umbrella slogan, the company has instituted expanded promotions that are designed to be meaningful to the traveler, such as a free canvas tote bag with the purchase of three books.

Hudson Group’s agreement with Cable News Network (CNN) calls for CNN news feeds in selected Hudson News airport locations. In addition, the two companies have created new, co-branded CNN Newsstands in airports throughout the U.S.

—Vince Modica, HMSHost Corporation senior vice president of concept portfolio, supply chain and standards:

To develop dining concepts that appeal to today’s airline passenger, the company researches lifestyle issues, among other factors, as well as reviews customer expectations and local needs. “This allows us to introduce new creative concepts that take into account health and wellness, regional and local flavors, convenience and the breakfast segment, all of which continue to grow in importance to our customers and clients,” Modica reported. “The concept plan can then be a truly innovative and exciting array of well-known concepts, local favorites and unique new brands.”

HMSHost also is targeting resources and culinary talents to develop exclusive internal concepts like CIAO Gourmet Market. Further, the company recently unveiled an upscale deli concept called La Tapenade Café that showcases Mediterranean tastes. The company soon will launch a new bar/lounge concept that will offer an extensive menu of premium adult beverages complemented by a menu developed by a celebrity chef, Modica said.

tional therapy services for airport employees.

Charging Stations

We have all seen passengers sitting on the floor or hovering near columns at airports to access an electrical outlet—perhaps you have been one of these passengers yourself. Well, there is hope. For roughly \$3, passengers can now go to a charging station at several airports and receive a 30-minute charge for their electronic devices. Certain airports like those in Chicago and the Delta Airlines holdrooms in Hartsfield Atlanta International Airport offer a free “Relax & Recharge” charging service. A charging service that is currently available in the United Kingdom and several other countries called Chargebox also provides a secure little locker in which you can place your device while it is charging, so you can freely roam the airport.

TARGETING THE MARKET


While it is impossible in the space of one article to cover all of the outstanding concepts and services that are currently available at and being developed for airports, it is possible to identify the key factors that should be considered when planning concessions to meet the needs of the changing airport market.

Concession concepts and services need to be:

- Convenient—both in terms of their location within the terminal and the time that it takes a consumer to conduct a transaction or use the service.
- Oriented toward the customers’ lifestyles. In the near future it will be especially important to consider the lifestyle trends of the Generation Y consumers, whose lifestyle is very important to them.

- Integrated to maximize the increasingly expensive real estate in the airport terminal as well as to satisfy the need to entertain passengers and provide them an opportunity to multitask. Opportunities to combine internet access with food service, some type of entertainment with food or retail, or dual retail and food concepts will help in this area.

- Technology-oriented to provide the devices and gadgets sought by the markets as well as to maximize the passengers’ accessibility and capability while they are at the airport.

- Fresh and continually updated to appeal to the markets over the long-term. Keep leases as short as feasible to provide opportunities to revisit and refresh concepts. 

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