Refining The Mix

There Are A Few Essentials, But Concessions Programs Work Best When They Are Unique

Airports embarking on new concessions programs and those refreshing their concept mixes are often looking for the “silver bullet” of concessions: the concept mix that will generate the most revenue, provide the highest customer satisfaction and will fit easily into the available space in the terminals.

It would be easier if that amalgam of shops and restaurants or even concession types was the same in every airport, but it’s not. Beyond the general premise that an airport needs to offer food and probably a news/gift option, experts say there isn’t a formula for success.

“There is no ideal mix of concepts,” says Stephen Freibrun, a principal at ICF SH&E. “One size does not fit all. What goes into developing a concept mix is a lot of art and a lot of science.”

Kent Vanden Oever, director of AirProjects Inc., says airports, more than ever before, are seeing how critical originality is to their programs.

“I think airports are really starting to latch onto the idea that, just like no two airports are the same, no two programs can be the same,” he says. “It’s simply impossible to develop a concept mix based on any type of boiler-plating.

“Even the idea of the two cores – that you need some food service and you need some convenience or newsstand items – even those aren’t possible to be identical from one airport to another,” Vanden Oever continues, “so individualizing the approach to concept mixes is extremely important.”

Doing The Research

Airport and concessions consultants say it is crucial that airports do their homework. Noting that some airports don’t recognize the value of local-user research, Richard Talbot, president and managing director of Talbot Consultants, says information is crucial if an airport wants to maximize profit potential.

“Generally, the secret to success in the mix at any single airport relies entirely on surveying the passengers, both arriving and departing, as well as the people who come to see them or pick them up,” Talbot says. “We also like to see airports survey flight crews, because obviously they are major customers, as well, and in particular employees need to be surveyed. They are stuck at the airport all day, and they are shoppers, as well.

“A broad-based survey in each airport needs to determine what the needs of those consumers are, what they’re looking for and what they can’t get in the airport today,” Talbot continues. “That’s an important question, because if there is something they would love to have and it’s not there, passengers are going through without spending any money, and that’s not a good thing.”

Surveying is often an expensive proposition, Vanden Oever notes. On surveying and data collection, he says, “I think airports are doing it to the degree they should, provided they either have the staff or the available consulting dollars.” Some data can be found through publicly available sources, he adds.

Together with market survey data, Freibrun says an existing conditions analysis and an optimal sizing analysis form a three-legged stool, providing a foundation from which to build.

“Ultimately, the data starts to drive the optimal commercial demand for the program,” Freibrun says. “How much food and beverage should there be, and how much retail? Then we start to segment: how much table service versus quick service versus walk away? Within retail, it’s news and gift versus specialty versus duty free.”

After that, things start to get complicated. Which concepts and brands
will resonate most with travelers and airport employees is largely subjective, but consultants say there are themes emerging, such as technology and convenience in retail and healthier eating in food and beverage.

“We’re looking at a demographic shift,” notes Stuart Holcombe, managing partner of Travel Retail Partners. “We have a new generation that is coming into the marketplace. As these new individuals travel more frequently, they’re going to be looking for things that are better. They’re not eating fast food, they’re looking for something unique and different.”

Holcombe says surveys indicate that 25% of people don’t make purchases at airports because shops and restaurants aren’t offering anything the traveler is looking for.

“How many people are we missing?” he asks. “There is a huge market out there that we are not catering to.”

The Current ‘Hot’ Categories

Airport concessions consultants say there are few, if any, “must-have” concepts in an airport. Beyond the general requirements of food and news, they are reluctant to point to individual concepts or even categories that they view as crucial to a successful program.

“I hesitate to call anything a must-have,” says Vanden Oever. “Those [concepts] that are trending are really dependent on the demographics and psychographics of their customers. There are no must-have concepts to the point where you simply drop it in and assume it’s a given.”

But there are trends that are resonating with passengers currently, and airports and concessionaires might be wise to take notice. For food and beverage, one key development is a continuing move toward healthier eating.

Freibrun says travelers are looking for variety and choice, and they expect to have options no matter what their individual eating habits.

“Meeting the dietary wants of vegetarians or vegans or people with gluten allergies is very important,” he says. “We need to be able to more narrowly define the concepts for certain submarkets.”

More generally, the push for healthier options has been present in airport concessions for the past several years, although customers have been slow to adopt in broad numbers. But Holcombe argues that though the shift may be slow, consumers are beginning to demand healthier options in larger numbers.

“People are focused on healthier eating,” Holcombe says. “There are new organic offerings on menus, and there are new concepts coming out that are addressing dietary needs, everything from lactose intolerant to gluten free. I think restaurateurs are cognizant of that need, and people are looking for better quality in food on the go.”

Holcombe points to the new Napa Farms Market at San Francisco International’s (SFO) Terminal 2, a concept that he describes as a “gourmet grocery store.” He says the upscale marketplace concept combines prepared food with grocery options, all with an emphasis on quality and healthfulness.

Concepts such as Napa Farms Market often bridge between food and beverage and retail. That’s a new trend that is resonating in several airports, Vanden Oever says, noting that smaller airports in particular can take advantage of the economies of scale that come from the combination, which allows more product lines to be covered in less space.

Vanden Oever points to the CNBC SmartShop at Charlotte-Douglas International (CLT) as a concept that “blurs the lines between newsstand and convenience store” by offering some traditional news and books, but trending more towards gifts, sundries, health and beauty items, and a large food selection.

Health and wellness services continue to resonate with travelers, spurring demand for spa-type concessions.
“I think it’s a terrific trend in that smaller airports can get more product lines covered in less space,” Vanden Oever says. Just as traditional newsstands are incorporating a larger food component, many are also incorporating a much larger technology component. Both take space away from newspapers, magazines and books, which have been hard-hit in many markets due to the rise of e-readers and online access. Consultants say tech products and accessories will play a larger role in airport retail going forward.

Health and wellness services are also resonating with passengers, consultants say.

“There is something called the Lipstick Effect,” says Freibrun. “During difficult economic times, people turn more towards services that make them feel better about themselves, as opposed to tangible hard goods. Massage services, personal care services and the like are very important, especially in these difficult economic times. I think there should be a larger role for wellness kinds of services.”

Holcombe agrees, noting a “growing focus on feel-good products and services.”

“You’re transitioning into being relaxed, and you have concepts like XpressSpa and Minute Suites, you have destinations where people are finding an oasis where people can get away from the fray,” Holcombe says.

Going Local

Amidst all of the concept trends, there continues to be a focus on offering local branded concepts, primarily in food and beverage but also in news and gift and specialty retail. Creating a local feel has been paramount for many concessions programs for the past decade or more, and consultants say the desire for local concepts, interspersed with national or international brands, remains strong.

“Much like any successful shopping center or main street, you need to mix national and international brands, and also local brands,” Talbot says. But the right mix isn’t always obvious. “The test really is, what does your consumer research say?”

Vanden Oever says well-known brands often appeal to a different audience than local brands.

“There’s something to not having to play the concessions version of Russian roulette,” he says. “Then there is another segment that loves to look at airports as a way to sample local shopping experiences or sample local cuisine, which is why, to some degree, local or regional flavor will be successful in airports.”

In some cases, there may be too much emphasis on local, Freibrun says. Not every airport can pull off a program heavily focused on local brands.

“I think you have to ask if there is a connection,” Freibrun says. “I think where a local story could be told, it should be told. But not all cities are alike in telling a local story.

“If there is not a connection, I think you should not place a lot of emphasis on local brands,” he continues. “And if you do, it’s really important to communicate through the storefront or through signage that this is truly a quintessentially local brand.”

The bottom line is, the mix will be different for every airport. Airports can look to capitalize on broad-based trends, but ultimately much depends on the unique characteristics of the market and its people.

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

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