



# **2010 ACI-NA Airport Concessions Benchmarking Survey**

Phoenix, AZ  
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Presented by  
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Working Group

# Outline

- ✓ Survey Methodology
- ✓ Concession Planning
- ✓ Concession Agreements
- ✓ Concession Marketing
- ✓ Concession Financial Performance
- ✓ Concession Management
- ✓ Concluding Remarks

# Survey Methodology

- ✓ Goal: to build a comprehensive database of key industry measures for benchmarking with peer airports
- ✓ Survey questionnaire in three parts:
  - ✓ Part 1: General Information
  - ✓ Part 2: Food & Beverage (F&B)
  - ✓ Part 3: News, Gift & Specialty Retail (NG&SR)
- ✓ Designed by the ACI-NA Concessions Benchmarking Working Group in February - June, 2010, launched in July to all ACI-NA airport members, data collected in July - September online using SurveyMonkey tool, last response received on Oct.8

# Survey Sample

	2009 Survey Respondents	2010 Survey Respondents			Number of Airports in US by Hub Size	% of Airports Participating
		Part 1	Part 2	Part 3		
<b>Large</b>	20	18	18	18	29	62%
<b>Medium</b>	21	21	20	20	36	56%
<b>Small</b>	13	11	9	10	71	14%
<b>Non-hub</b>	4	3	3	3	226	1%
<b>Canadian &amp; Bermuda</b>	9	8	6	6	--	--
<b>Total</b>	<b>67</b>	<b>61</b>	<b>56</b>	<b>57</b>		

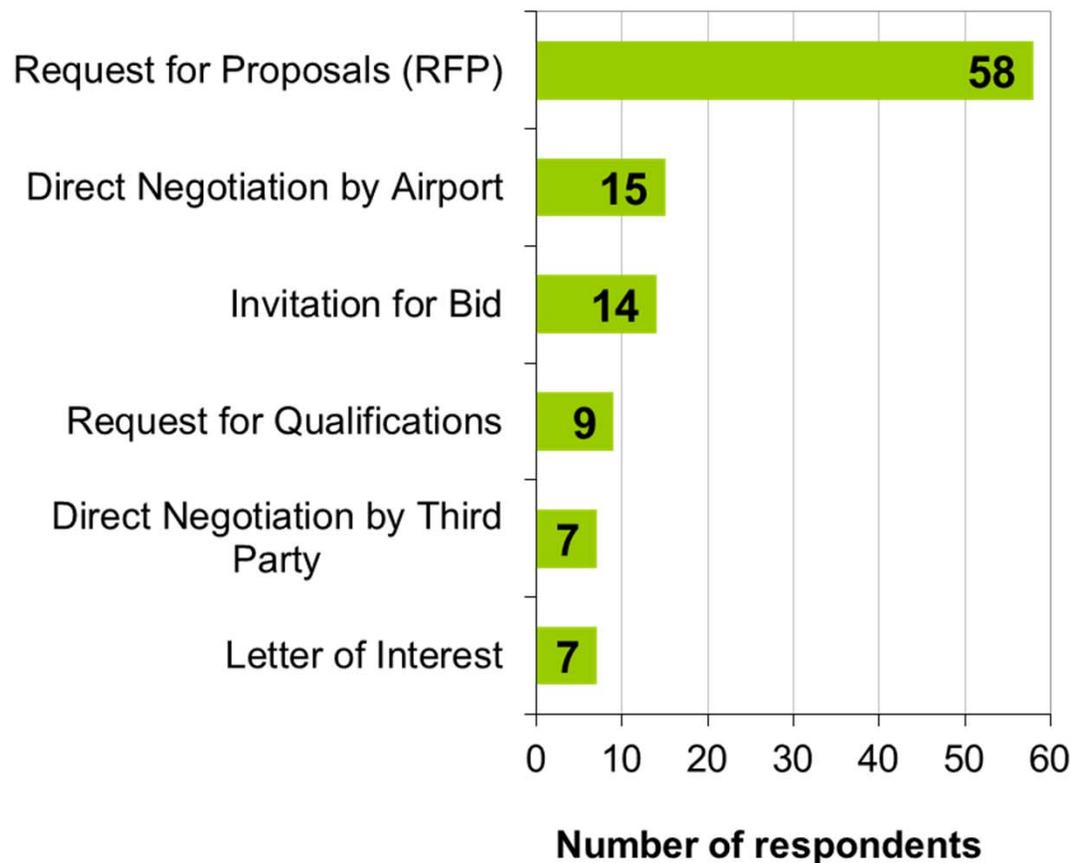
*Note:* 2009 Survey is for News, Gift & Specialty Retail only.

# Passenger Demographic Information

- ✓ 95% of airports have made efforts to collect passenger demographic information.
  - ✓ 42% of airports have updated passenger data since 2008.
- ✓ The median age of passengers is 44.
- ✓ The median household income is \$88,000, significantly higher than the national median of \$49,777.

# Concession Planning

## Methods of soliciting & awarding concession contracts

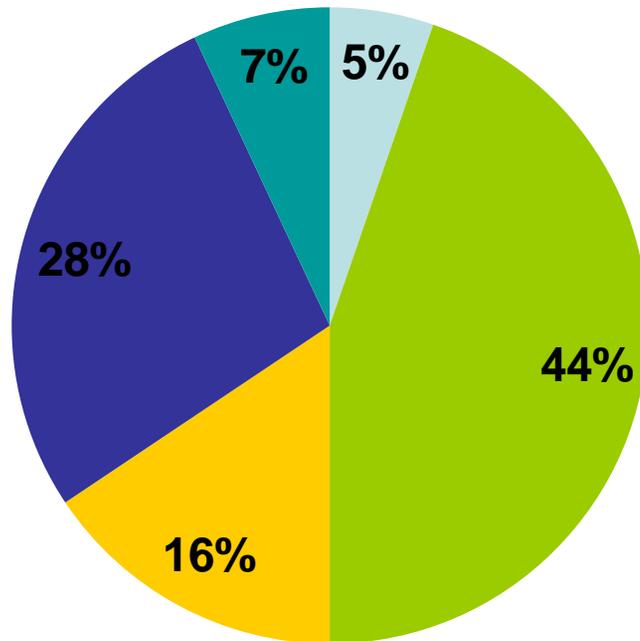


- ✓ 58 out of 65 respondents use RFPs to solicit & award contracts
- ✓ 54% of airports require minimum staffing levels in concession agreement
- ✓ 74% of airports define & control product lines sold

# Competition in Concessions

Percent of Responses	Food & Beverage	News, Gift & Specialty Retail
Have competing concessionaires	64%	52%
Have multiple concessionaires within the same terminal/concourse	59%	41%

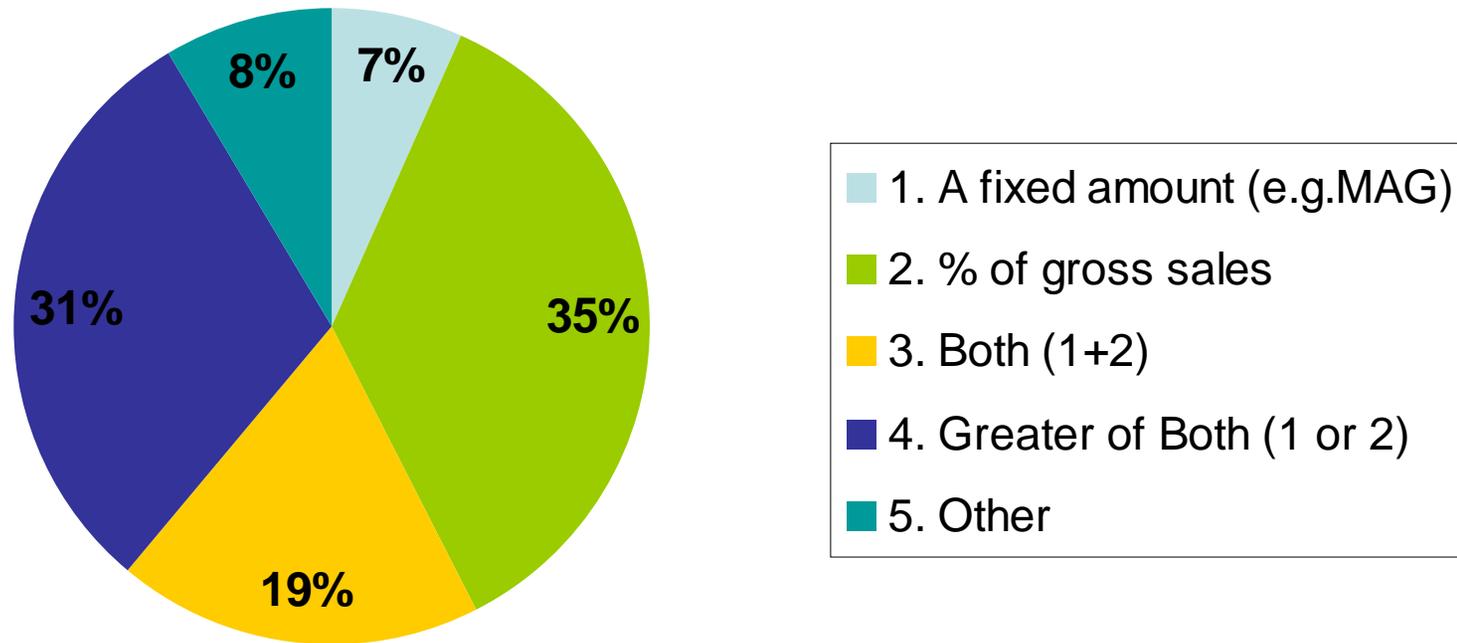
# Food & Beverage Rent Calculation



- 1. A fixed amount (e.g. MAG)
- 2. % of gross sales
- 3. Both (1+2)
- 4. Greater of Both (1 or 2)
- 5. Other

✓ Median Percentage of Gross Sales = 13%

# News, Gift & Specialty Retail Rent Calculation



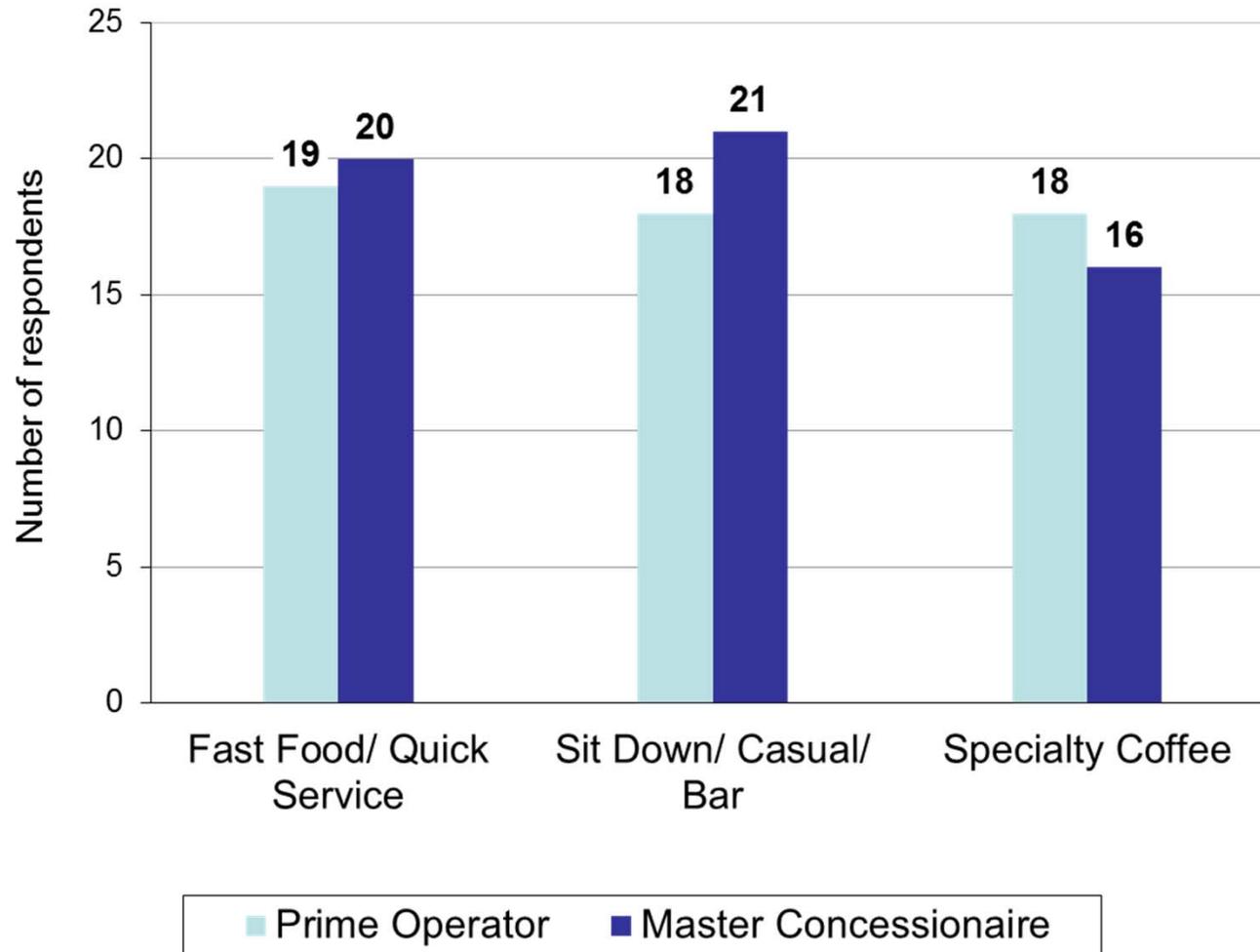
## Median Percentage of Gross Sales

- ✓ News & Gift = 15%
- ✓ Specialty Retail = 13%

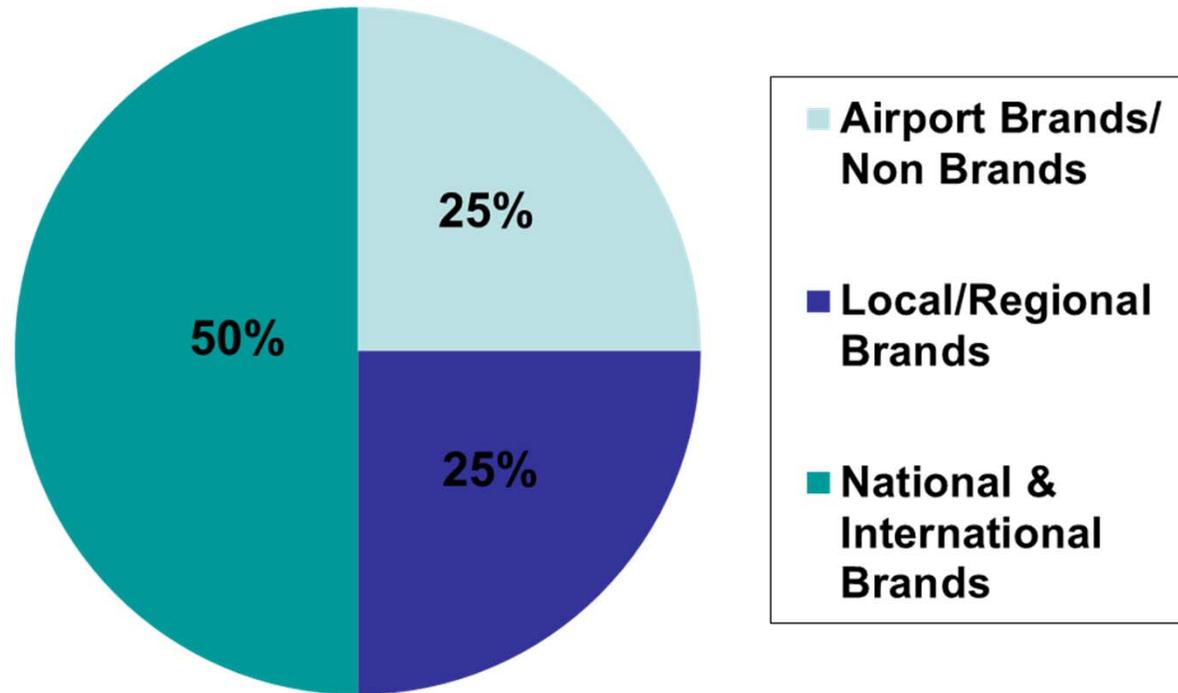
# Concession Contract Length

- ✓ The **median** length of the contracts for Food & Beverage and News & Gift is **10 years**.
- ✓ The most common length of contracts is **10 years**.
- ✓ Specialty Retail has a relatively shorter term:
  - median = 7 years
  - most airports have 5-year term.

# Management of Food & Beverage Programs



# Food & Beverage Branding



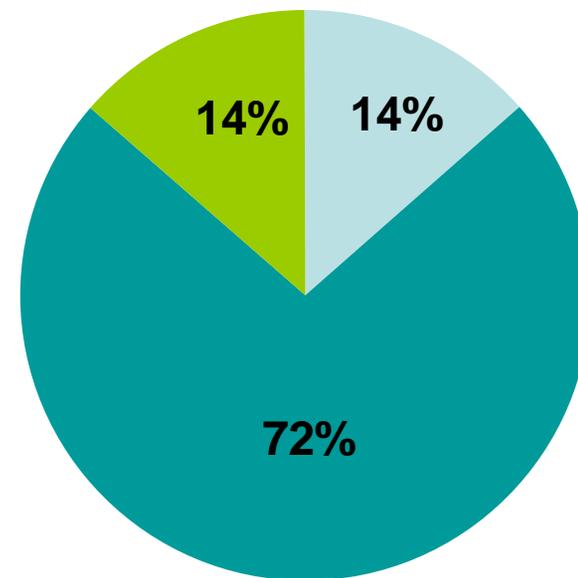
# Carts/Kiosks Program

	<b>Food &amp; Beverage</b>	<b>News, Gift &amp; Specialty Retail</b>
Presence at the airport	✓ 41% Yes	✓ 53% Yes
Status	<ul style="list-style-type: none"> <li>✓ 59% Permanent</li> <li>✓ 18% Temporary</li> <li>✓ 23% Both</li> </ul>	<ul style="list-style-type: none"> <li>✓ 47% Permanent</li> <li>✓ 13% Temporary</li> <li>✓ 40% Both</li> </ul>
Management	<p>Most common practice is for Master Concessionaire/Prime Operator to operate as part of its shop operations</p>	
MAG vs. % rent	<ul style="list-style-type: none"> <li>✓ 11% Percentage Rent</li> <li>✓ 89% Both MAG &amp; %</li> </ul>	<ul style="list-style-type: none"> <li>✓ 28% Percentage Rent</li> <li>✓ 72% Both MAG &amp; %</li> </ul>

# Concession Marketing

- ✓ 42% of respondents have a marketing program
- ✓ 34% of respondents collect a marketing fee

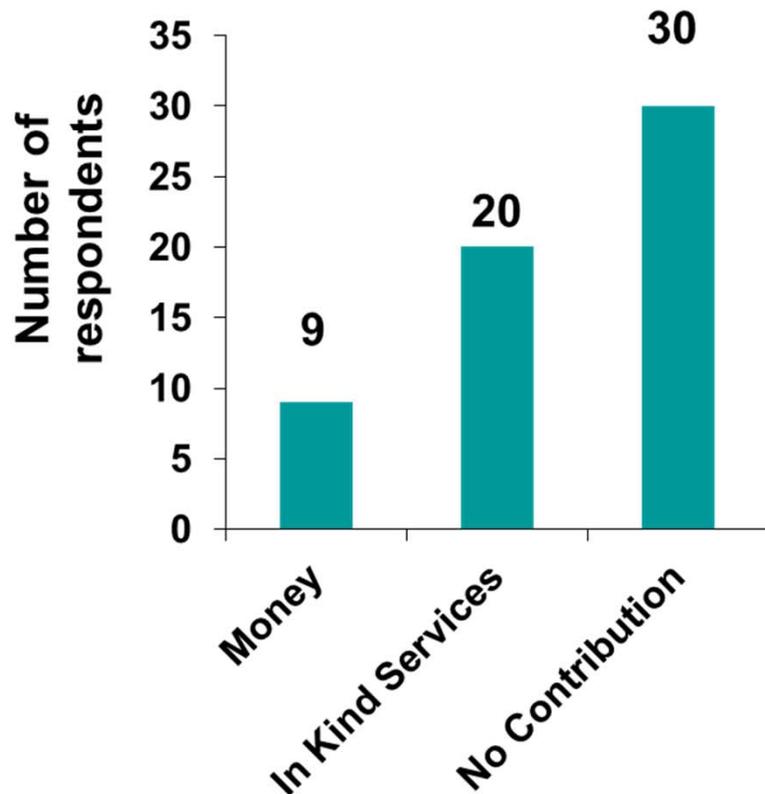
How is the marketing fee calculated?



- A fixed amount
- % of gross sales to the airport
- Other

# Concession Marketing

What Does Your Airport Contribute to the Marketing of the concession program?



Top 5 items that airports spend marketing funds on:

- ✓ Brochures
- ✓ In terminal advertising
- ✓ Print advertising
- ✓ Shopper service training
- ✓ Customer service training

# Rent as a Percent of Gross Sales

<b>Median Percentage</b>	<b>Food &amp; Beverage</b>	<b>News, Gift &amp; Specialty Retail</b>
Overall	12.7%	15.7%
Large	14.3%	16.6%
Medium	12.9%	15.7%
Small	10.9%	14.3%
Non-Hub	12.8%	10.4%
Canadian	9.5%	23.0%

# Median Gross Sales per Enplanement

	<b>Food &amp; Beverage</b>	<b>News, Gift &amp; Specialty Retail</b>
Overall	\$4.00	\$2.72
Large	\$5.21	\$3.24
Medium	\$4.43	\$2.66
Small	\$3.11	\$2.01
Non-Hub	\$2.23	\$1.26
Canadian	\$6.12	\$4.19

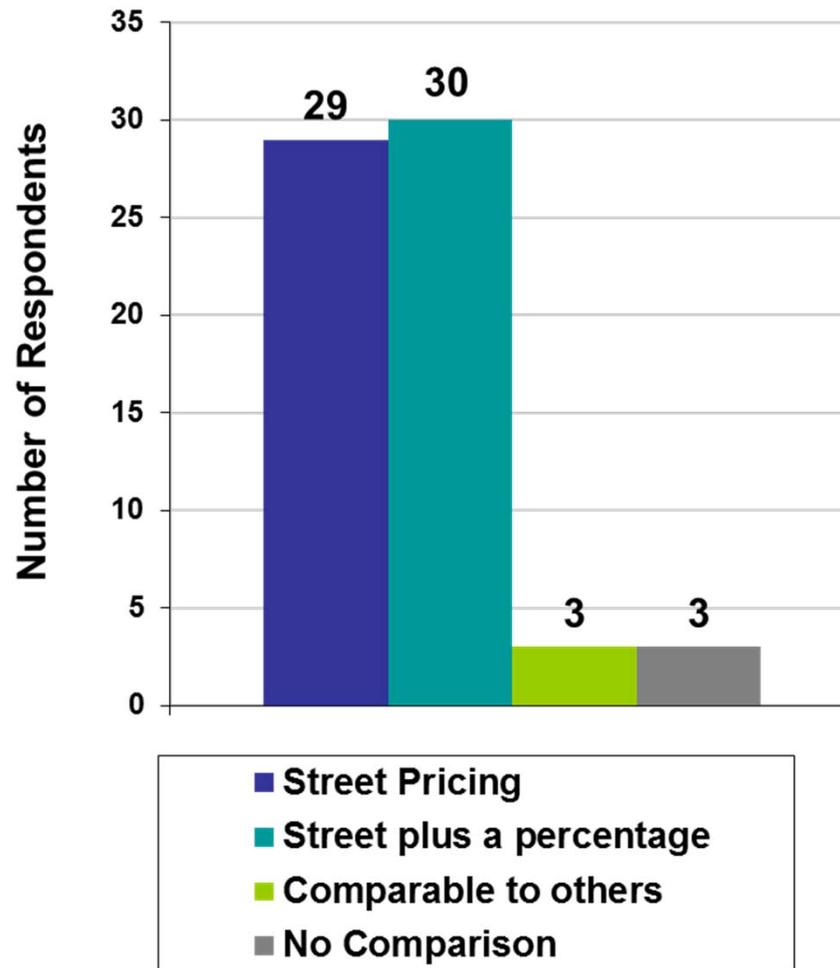
# Median Total rent per Square Foot

	<b>Food &amp; Beverage</b>	<b>News, Gift &amp; Specialty Retail</b>
Overall	\$88.94	\$130.51
Large	\$148.67	\$158.09
Medium	\$89.60	\$115.15
Small	\$30.20	\$78.70
Non-Hub	\$13.99	\$26.56
Canadian	\$91.83	\$184.81

# Top 5 Formal Concession Monitoring Programs

1. Approving changes in service hours
2. Conducting periodic price surveys
3. Conducting facility inspections
4. Conducting routine meetings with concessionaires
5. Business statistics reports

# Pricing Methodologies



# Operational/Performance Audits

- ✓ 63 out of 65 respondents perform operational/performance audits
- ✓ 86% of respondents conduct audits in house

## Top 3 audits conducted in house:

- ✓ Approve changes in service hours (61)
- ✓ Conduct facility inspections (57)
- ✓ Business statistics reports (55)

## Top outsourced audits:

- ✓ Mystery shoppers (27)
- ✓ Conduct periodic price surveys (8)
- ✓ Conduct facility inspections (5)

# Customer Satisfaction/Monitoring Programs

- ✓ 80% of respondents have customer satisfaction/monitoring programs

## Top 3 programs conducted in house:

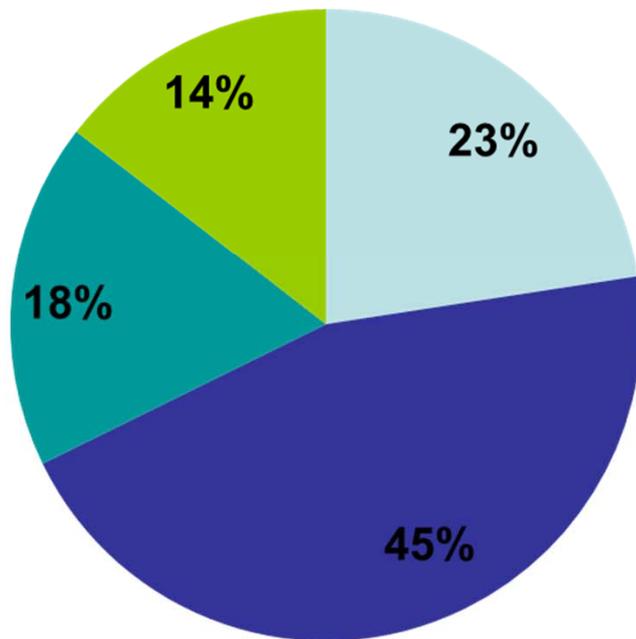
- ✓ Customer comment cards (38)
- ✓ Customer satisfaction surveys (21)
- ✓ Provide customer service training (15)

## Top 3 outsourced programs:

- ✓ Mystery shoppers (27)
- ✓ Customer satisfaction surveys (27)
- ✓ Provide customer service training (12)

# Staff Dedicated to Concession Management

Number of airport staff  
dedicated to  
Concession Management



0-1 2-3 4-5 >=6

Factors affecting staffing level

- ✓ Airport size and hub status
- ✓ Management methodology
- ✓ Number of contracts
- ✓ Monitoring requirements

# Closing Remarks

- ✓ Use survey data with caution
- ✓ Choose your peers for comparison based on a number of factors such as airports size, hub status, and geographical location
- ✓ When making decisions consider your local situation as well as what is going on nationally



# Definitions

**Airport Brand/Non Brand** - A generic brand relative only to the airport.

**Developer** - airport has agreement with a third party to develop/lease and manage the concessions without operating any directly. Developer invests in facilities directly.

**Direct leasing** - Airport leases individual locations or small groups of locations (no more than 3) directly with the operators.

**Fast Food/Quick Service** - Food is served at counters or is pre-prepared for "grab and go." Food may be quickly prepared to order, and may be branded or non-branded.

**Fee Manager** - airport has agreement with a third party to develop/lease and manage the concessions without operating any directly. Fee manager does not invest in facilities.

**Local/Regional Brand** - A brand that is developed, distributed and promoted within a defined geographical area, usually found in more than one metropolitan market that appeals to, is recognized by, and meets the specific and unique needs of the population of a particular locale or region. It may be recognized as a national brand also.

**Master concessionaire** - Airport leases all food service concessions to a single operator, who may or may not also operate retail. The Master Concessionaire may sublease some of the locations to other operators.

**National/International Brand** - A brand that is marketed and distributed nationally/internationally.

**News/Gift** (also referred to as Convenience Retail, Newsstand or Sundries Retail) - A type of Concessions Operation that specializes in the sale of magazines, newspapers and other periodicals, candy, gum, snacks, sundries, magazines, paperback books and souvenirs. Some news/gift stores may sell hardcover books as part of its product mix, but such books are not the primary item offered. Single-serve canned or bottled drinks may also be sold at such locations.

**Prime operator** - Airport leases packages of locations to two or more operators, each of which has multiple locations (more than 3) within the airport.

**Sit Down/Casual/Bar** - Typified by table service, although there may be carry-away or "grab and go" components. Food is prepared to order and restaurants of this type often include a bar. Examples include TGIFridays, Carabbas, Outback, Max & Ermas, Chili's, etc.

**Specialty Coffee** - These venues focus on coffee & may offer other beverages as well along with pastries, bakery items or other light food. The venue may have take away items such as sandwiches & bottled beverages. Includes Starbucks, Seattle's Best, Peet's Coffee or a local specialty coffee concept.

**Specialty Retail** - A type of Concessions Operations that specializes in the sale of a particular category of consumer products such as clothing, sporting goods, electronics, travel accessories, books, leather goods and luggage, souvenirs, lotions and personal care items, and home accessories. Automated retail of good that would generally be sold in specialty retail shops may also be included in this category; may be individual locations or small "stores-within-a-store" that are accounted for separately from the larger location. Stand-alone bookstores should be included as specialty retail.

**Total Rent** - Consideration received by the airport for the right to operate at your airport, not including fees paid for parking, security badging, deliveries, marketing, etc.