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CONCESSIONAIRES IN THE SPOTLIGHT

Panels Focus On
Challenges, Progress And
New Opportunities For
Operators

BY SALLY KRAL AND SARAH BELING



Right: Cheryl Nashir of SFO said the airport is open to allowing concessions operators more flexibility on menus and hours, but added that it isn't interested in giving up price control.



Passengers are back, with airport terminals and concourses thrumming with activity and commerce, but all is not well for airport concessionaires, many of whom are now faced with repaying the money they borrowed to weather the pandemic. At the same time, labor, build-out and other costs have skyrocketed.

A panel titled *Pandemic Wanes But Problems Persist – Addressing Long-Term Challenges For Airport Concessionaires* brought together four industry experts to explore solutions to these challenges and others, with the goal of finding common ground for airports and their concessionaire partners. Moderated by Ken Buckner, director of concessions planning and management for **Unison Consulting**, the panelists included Cheryl Nashir, director of revenue development and management for **San Francisco International Airport (SFO)**; Pam Dechant, senior vice president of concessions for **Denver International Airport (DEN)**; Kevin Westlye, COO and president of **High Flying Foods**; and Andrew Weddig, executive director of the **Airport Restaurant & Retail Association (ARRA)**.

The discussion began with a summary of the state of play for the organizations of each panelist. Passenger count at SFO is still down about 26%, but the airport expects to exceed 2019 levels within the next two years and capture rate is steady. DEN is fully recovered, with 2022 marking the airport's best year yet in terms of passenger count. Westlye noted that he's been pleased that the last three years have opened up much more communication among partners, which he believes will lead to healthy programs for the next decade. Weddig shared that most ARRA members are thriving, but not fully recovered. "There was a lot of damage done during

the pandemic, and now it's time to start fixing some of that damage and evolving a new business framework that's sustainable for both concessionaires and airports as we work together to serve the traveling public," he said.

Buckner then turned the conversation to term lengths, asking for the airport perspective first. Nashir noted that SFO tries to keep terms as short as possible - 15-16 years for some, 10-12 for others - while allowing the deal to be tenable. "We would rather hit some other levers, maybe even rent," she said, noting that the airport did do away with midterm refurbishment requirements. DEN is also moving away from a predetermined investment amount required for a midterm refresh, Dechant noted, and is also open to rebranding locations when it makes sense, but she said that 15-year lease terms won't happen anytime soon.

"I think for a full-service restaurant or a quick serve with a beautiful buildout, the days that a seven-year term would work are behind us, but I think ten could work, especially if there's an option for a lease extension if you achieve certain goals," Westlye said. "And obviously in addition to lease term, there's rent, MAG levels—I think we all understand now that they have to work in unison together to make the deal work. It isn't as though one is the magic bullet that's going to make it work, they all

have to be coordinated." Weddig said he hopes to see a smarter use and sharing of capital costs going forward, such as sharing the costs for things like building utilities.

Buckner asked if airports should be more open to flexibility around concepts when it comes to menus and hours. Nashir asserted that yes, SFO is open to this flexibility, though Dechant noted that DEN can't be as flexible with hours due to high passenger counts. Weddig noted that flexibility within parameters would be ideal, including flex menus and flex prices at certain times.

Evolving pricing policies is another area that could help. While SFO isn't interested in giving up price control, DEN is open to allowing a surcharge. "It's something that comes up in discussions with our concessions frequently," she said. "And what I've learned from other airports that are adding surcharges is that customer complaints seem to be relatively low if there are any at all because it's becoming more normalized on the street."



Opposite page: Andrew Weddig (far right), executive director of the Airport Restaurant & Retail Association, speaks on stage with moderator Ken Buckner (far left), director of concessions planning and management for Unison Consulting, and panelists (l-r) Cheryl Nashir, director of revenue development and management for San Francisco International Airport (SFO); Pam Dechant, senior vice president of concessions for Denver International Airport (DEN); and Kevin Westlye, COO and president of High Flying Foods.

Right: Kevin Westlye of High Flying Foods hopes more airports will consider sharing capital costs going forward.

Concessions Alternatives

While airports around the country continue to grapple with the best way to partner with concessions operators going forward, a panel titled *New Strategies For Optimizing Airport Concessions Programs* spotlighted three airports that are doing things differently.

James DeCock of **J. DeCock Consulting** led a panel that included Deven Judd, vice president and chief commercial officer, **Greenville-Spartanburg International Airport (GSP)**; Brian Mulcahy, assistant executive director and director of finance for the **Des Moines International Airport Authority**; and Daniel Cappell, consulting commercial officer for **Ontario International Airport (ONT)**. The panelists agreed that regardless of the agreement between airports and concession operators, the biggest priority was to settle on shared goals, a clear understanding of profit and loss expectations, and key performance indicators to monitor progress.

"Our focus is on establishing long-term partnerships where the core discussion is driving gross revenue," said Cappell of ONT's decision to utilize both a 50/50 split model with some vendors, a temporary kiosk contract for others, and a 20-year agreement with SSP America. "We believe we've solved the MAG (Minimum Annual Guarantee) issue," added Cappell. "Not only



Above: James DeCock of J. DeCock Consulting (left) led a panel that included (l-r) Deven Judd, vice president and chief commercial officer, Greenville-Spartanburg International Airport (GSP); Brian Mulcahy, assistant executive director and director of finance for the Des Moines International Airport Authority; and Daniel Cappell, consulting commercial officer for Ontario International Airport

have we recovered from COVID, but we are forecasting an increase over 2019."

For Judd and the GSP team - who had previously operated on a single prime concessionaire model - instituting a buyout and taking on an increased day-to-day hand in quality control, customer service management, and instituting their own in-house catering led to a 402% increase in monthly sales, 28% increase in average sales per enplanement, and a 91% increase in average sales per transaction. "Essentially, I'm now an airport concessionaire," said Judd, adding that the experience gave him a renewed appreciation and insight into the logistical challenges his concessionaire colleagues face on a daily basis.

Mulcahy's team at **Des Moines International Airport (DSM)** had been considering adjusting their concessionaire agreement model long before the pandemic, settling on a management agreement contract with **Aero Service Group** in 2017. While he acknowledged that there is increased risk to the airport with a simple management contract, Mulcahy said the revenue bump has been significant.

Concessions at DSM generated nearly as much revenue in the pandemic-impacted 2020 as they did before the airport partnered with ASG. "It's been effective from our perspective as an airport," said Mulcahy, adding that he believes the model is "was worth exploring from the airport and concessionaire side of the table."

Left: Deven Judd of Greenville-Spartanburg International Airport shared the pros and cons of his airport's approach to concessions.



Though all three agreed that adapting their individual concessions agreements was not without risks, the speakers noted that there were also significant opportunities for new growth, such as an easier entry for ACDBE-certified businesses and a sense of mutual investment in concessions-airport partnerships.

"There's no one thing that is going to solve everything, there's a dashboard of ideas and solutions," said Judd. "It's something that you should research, evaluate, research some more and talk to other airports on how they're doing management agreements," he added. "Don't be afraid to pivot, don't be afraid to try something new, or have that entrepreneurial spirit to do something."

ACDBE Input

While the airport-concessionaire relationship continues to evolve, ACDBE-certified operators are more important than ever in the concessions mix. A session titled *ACDBE Evolution: Strategies From Program Leaders And Graduates* highlighted a few ACDBE-certified operators that have made significant progress in a highly competitive field.

Moderated by Eboni Wimbush, president and CEO of the **Airport Minority Advisory Council**, the panelists included Peter Amaro, CEO and co-founder of **Master ConcessionAir**; Pilar Guzman Zavala, CEO of **Half Moon Empanadas**; and Greg Plummer, CEO and managing partner of **Concord Collective**.

The discussion began with each panelist sharing their story. Guzman Zavala noted that Half Moon Empanadas began as a failing streetside concept but today, thanks to her mentors and the ACDBE program, the business is one of the top sellers at **Miami**

International Airport (MIA). “When we opened, people said, ‘We didn’t think you were going to sell \$500 a day,’ and today we make \$21,000 per square foot in a tiny 200-square-foot kiosk,” she said, adding that the brand will be entering **Denver International Airport (DEN)** and **Ronald Reagan Washington National Airport (DCA)** soon, with more airport locations to come.

Plummer shared his airport journey next. After 12 years working with CMS Hospitality under the mentorship of CEO and industry legend Clarence Daniels, Plummer formed his own ACDBE in 2016 that was a minority joint venture partner of **SSP America**. When SSP decided to exit its leases at **Los Angeles International Airport (LAX)** in 2020, Plummer purchased the leases and formed Concord Collective, becoming the first ACDBE to take over the entire portfolio of a major concessionaire.

Amaro then offered his story as CEO of one of the rare ACDBE companies that has graduated from the program. He started in the airport business in 1994 with a contract with **HMSHost**—his locations quickly exceeded revenue goals, launching him into a mentorship joint venture with

HMSHost. His company grew steadily, developing proprietary brands, locking in national brands and eventually expanding from its home base of South Florida to have a national footprint.

Wimbush then posed to Amaro, “If you had the sole authority to remove the single greatest impediment to minority participation, what would that be and why?” Amaro said that he believed the answer was simple: “It’s the uniformity of the documents that you’re preparing. I think a big challenge for people is that once they start the ACDBE filing process in one location and move onto the next, the forms suddenly don’t look the same, they’re not in the same order, the expectations aren’t the same. But it’s a federal program—once you’re certified in one state, you should be certified everywhere.”

Guzman Zavala noted that the program needs to evolve with the times, noting that with the increased cost of construction right now, for instance, the personal net worth limitations shouldn’t be the same as they were years ago. Plummer offered that he would like to see the word “disadvantaged” removed from the program name due to its negative connotation.

The panelists then discussed what airports and primes can do to help ACDBEs more. Plummer noted that education is the most important in his mind. “I think oftentimes small companies don’t understand how the process works, so that education is critical to bringing them in, making sure they’re informed and making sure that they know the expectations so that when the opportunity presents itself, they’re ready to perform,” he said. Adding to this, Guzman Zavala noted that the mentorship she’s received has been the key to her success, and advised other ACDBEs to go out there and make use of their mentors and contacts. “It’s just like any endeavor you do as an entrepreneur; it’s just another way you have to hustle,” she said. “It’s about asking those questions, knocking on doors, making those calls.”

Below: Panelist Peter Amaro, CEO and co-founder of Master ConcessionAir (left), shared how his company graduated from the ACDBE program. The panel also included (l-r) moderator Eboni Wimbush, president and CEO of the Airport Minority Advisory Council; Pilar Guzman Zavala, CEO of Half Moon Empanadas; and Greg Plummer, CEO and managing partner of Concord Collective.

Right: Pilar Guzman Zavala of Half Moon Empanadas shared her journey to become a successful ACDBE operator as moderator Eboni Wimbush of AMAC looked on.

Lower Right: Greg Plummer of Concord Collective called for more education for new ACDBE players.



Traveler Insights

The success of concessionaires and their airport partners is reliant on travelers. The traveler journey is constantly evolving, and along with that their needs and expectations are evolving. In a session titled *The Transforming Airport Revenue Landscape*, industry executives gathered to discuss the ever-changing world of airport revenue, guided by new data findings from an independent travel survey conducted by **Airport Dimensions**. Moderated by Chris Gwilliam, vice president of global business development for Airport Dimensions, the panelists included Alex Anson, chief operating officer for **3Sixty Duty Free**; Ashley Hari, director of airports leasing for **Unibail-Rodamco-Westfield** (URW); Stephen Hay, global strategy director for Airport Dimensions; and Jeff Livney, chief experience officer for **Servy**.

The session began with Gwilliam sharing the overview of Airport Dimensions' independent research study. "We commission this research annually with the object of providing actionable insights on how airports should be planning to meet the changing demands of the future traveler," he said. "Therefore we're going to focus on the insights of the younger generations, specifically the Millennials and the Gen Zs, and what they're telling us they want from their airport experience."



Above: Chris Gwilliam, vice president of global business development for Airport Dimensions, shared insights from young travelers about their expectations for the airport experience.



Above: Jeff Livney, chief experience officer for Servy, suggested that the retail and food and beverage offers need to mesh more fully in the airport environment, providing a "double dip" for operators.

The main takeaways of the study are that younger travelers are embracing experiences, they're looking for a different or reinvented retail experience, they have strong interest in airport lounges, and they're seeking new loyalty models, including paid and subscription propositions, which present considerable opportunity for data collection to understand traveler behavior and adapt future optimizations.

Following Gwilliam's data presentation, he asked the panelists what retail trends they're seeing now and how they are thinking about the future. Hari noted that today's passengers are looking for different experiences in the airport and they're not gate hugging as much, so the key has been to differentiate offerings to give travelers new ways to shop and engage with the airport. Anson noted that U.S. domestic travelers make up the biggest market in the world and are largely underserved, so 3Sixty has been focusing on serving these travelers more. "We've done this by expanding both in brick and mortar stores in domestic terminals as well as in e-commerce solutions," he said. "We're very excited about how those solutions are evolving."

Livney noted that there's finally a blending food and beverage and retail happening in the digital space that's been happening physically in the airport for a while now, but there's still a lot of untouched opportunity there.

"Today when people sit down at most full-service restaurants in the airport they're using technology to place their order—that's an opportunity to ask, 'What can we do from a retail experience perspective to bring in other types of offerings?' Because we know it's a captive audience and they're

not going to leave the restaurant until their meal is done," he said, referring to this as an opportunity to "double dip."

Hari said that URW has seen success with its digital airport marketplace. "We've seen incremental sales figures from a larger, more robust digital tool," she said. "Ultimately what we want is for people in the airport to be able to engage with the offer the same way that they would on the street. What the data and research is telling us is that that's what they want."

Hay pointed out that we all use digital solutions every day and we rightly expect them to be easy and seamless, but that this unfortunately isn't often the case in airports, with many only offering a fragmented experience with each concessionaire having their own app. "From our data we learned that 71% of passengers surveyed said that a single app across the airport journey would improve their experience," he said. "If we put friction on the journey, people spend less money."

He added that **Singapore Changi Airport** (SIN) is a leader in this area with its single marketplace ecosystem, but Livney pointed out that Asia is a much simpler market with fewer airlines and hubs than the U.S., so creating a digital platform that works across the whole U.S. will be a big challenge ahead. Anson noted that U.S. infrastructure does indeed pose a hurdle and since it's unlikely to change, the solution will involve thinking outside the box. "It presents a critical opportunity that can only be addressed through e-commerce," he said. The panelists agreed that making an omni-channel retail solution a reality in the U.S. will require airports making it a priority if not a requirement. ■