

# **2015 ACI-NA Concessions Benchmarking Survey**

## **Summary Results**



April, 2016

# Overview

The ACI-NA Concessions Benchmarking Survey was launched in June, 2015 and sent to all ACI-NA airport members. Data was collected during June – October, 2015 online using a survey tool, with the last response received on November 3, 2015.

- **Survey Methodology**
- **Survey Participation**
- **Survey Sample**
- **Concessions Statistics Overview**
- **Commercial Management Operations and Programs**

# 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
  - Part 3 Duty Free, News, Gift and Specialty Retail

# Survey Sample

Hub Category	2013	2014	2015	% of Airports Participating (2015)
Large	25	30	26	87%
Medium	28	27	21	68%
Small	27	25	19	26%
Canadian	9	6	10	--
Total	89	88	80	

The 2015 survey incorporates data on concessions revenue from 80 airports, reflecting 84 percent of passenger traffic in the United States and 73 percent of the traffic in Canada.



# General Information

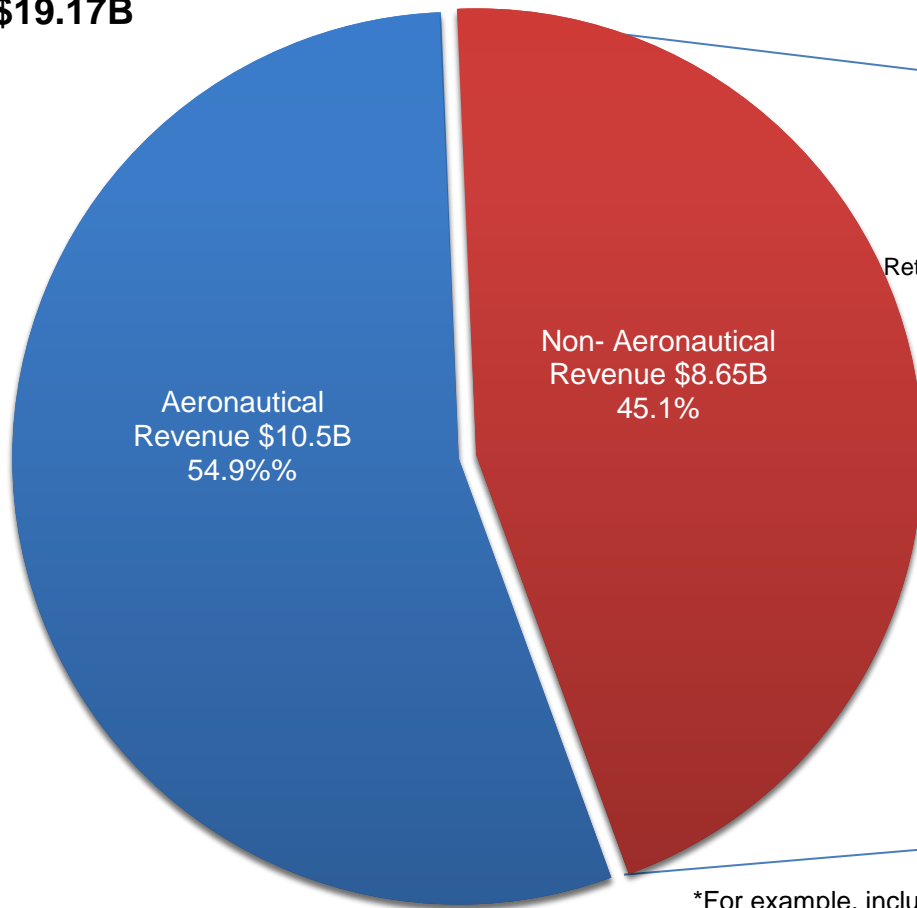
April, 2016

# Big Picture of U.S. Airports

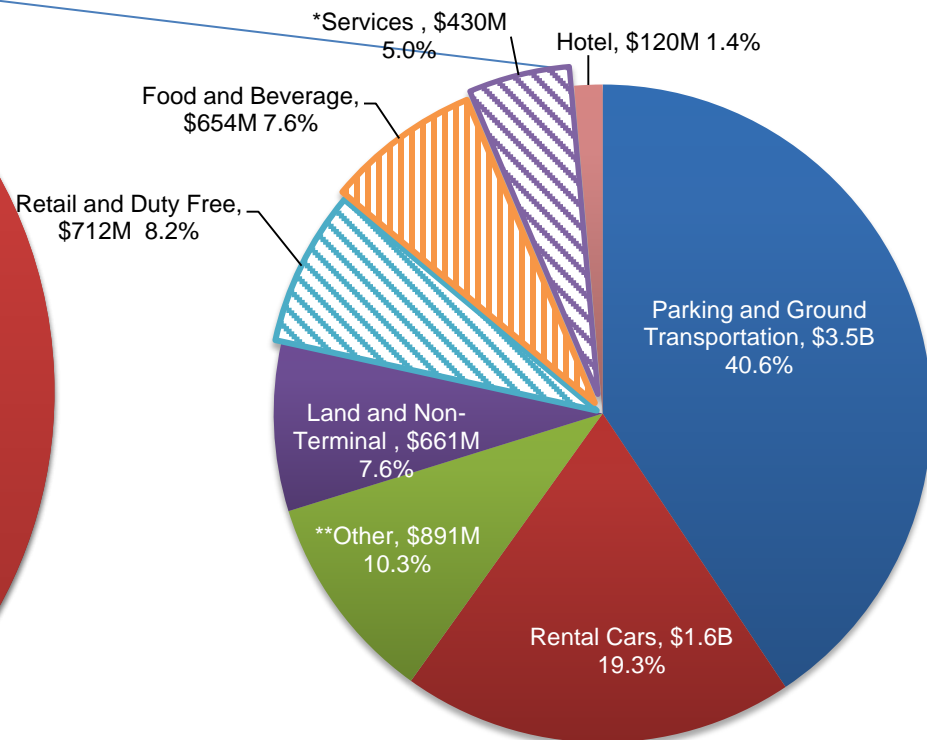
## Aeronautical vs. Non-Aeronautical Revenue

### FAA 2014 Summary – Revenue to U.S. Airports

**Total Operating Revenues  
\$19.17B**



**Total Non-Aeronautical Revenues  
\$8.65B**



\*For example, includes revenues for services such as telecommunications, internet access, advertising, barbershops, shoeshine stands, spas.

\*\*All other non-aeronautical operating revenues earned from the non-aeronautical use of the airport

# Distribution of Non-Aeronautical Revenues

Region	Retail concessions	Food and beverage	Car parking*	Rental car concessions	Advertising	Fuel and oil	Aviation catering services	Utility recharges	Property and real estate revenue or rent	Other
Africa	37.1%	1.3%	15.1%	3.9%	7.1%	3.2%	0.3%	4.4%	14.9%	12.6%
Asia-Pacific	39.7%	3.4%	9.2%	1.2%	4.5%	1.7%	0.5%	4.1%	27.9%	7.9%
Europe	34.6%	4.8%	15.1%	2.2%	2.2%	0.8%	0.3%	5.6%	18.7%	15.7%
Latin America-Caribb.	25.3%	6.0%	8.9%	2.6%	4.7%	3.6%	0.4%	1.8%	13.1%	33.6%
Middle East	48.6%	4.9%	7.7%	2.2%	3.0%	7.0%	1.4%	2.7%	10.7%	11.9%
North America	8.3%	7.1%	39.3%	16.6%	5.7%	N/A	N/A	N/A	13.5%	9.4%
World	27.7%	5.2%	20.3%	6.2%	3.9%	1.1%	0.3%	3.4%	18.3%	13.7%

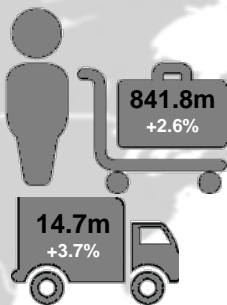
Source: ACI Airport Economics Survey (2014)

\*Car Parking revenue includes revenue from airport-operated parking lots and car parking concessions revenue

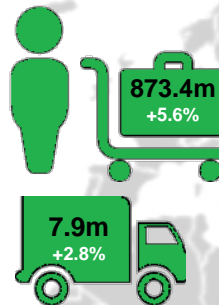
# World Scheduled Passenger and Freight Traffic - 2014

In million passengers and tonnes

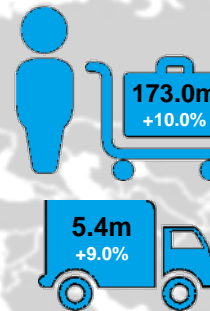
## North America



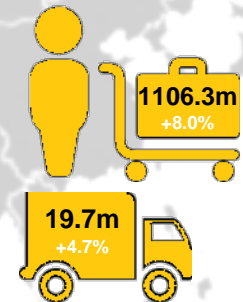
## European



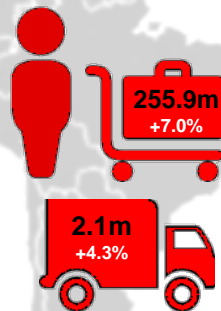
## Middle East



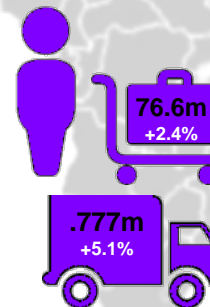
## Asia



## Latin America

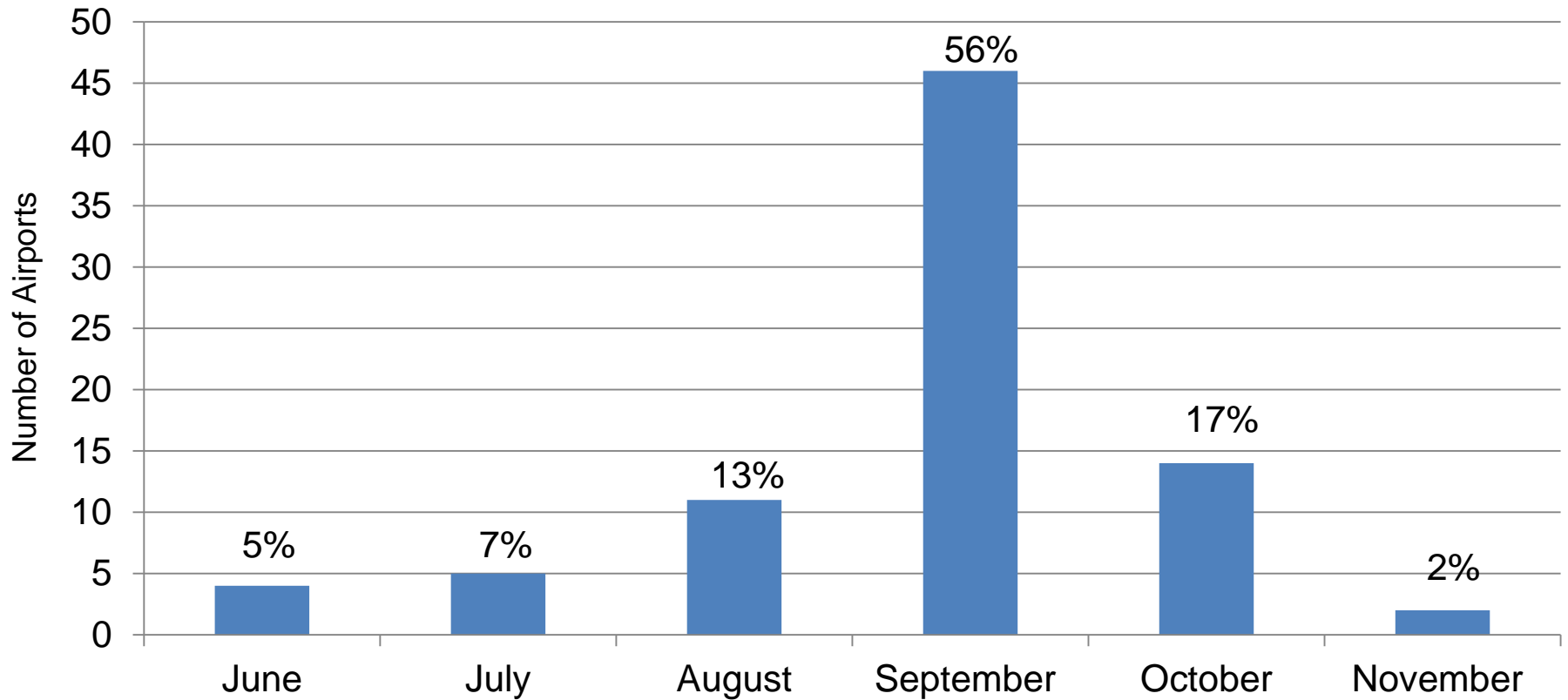


## Africa





# Response time



→ 69% (57 airports) of responses met ACI-NA's deadline

# Passenger Demographics

- ➔ 88% of airports have made efforts to collect passenger demographic information.
  - 84% of airports have updated passenger data since 2014.
- ➔ The median age band of passengers is 35-54.
- ➔ The median household income is \$75,000 - \$99,999, significantly higher than the national median of \$53,657\*.
- ➔ Business travelers account for 41% of passengers.

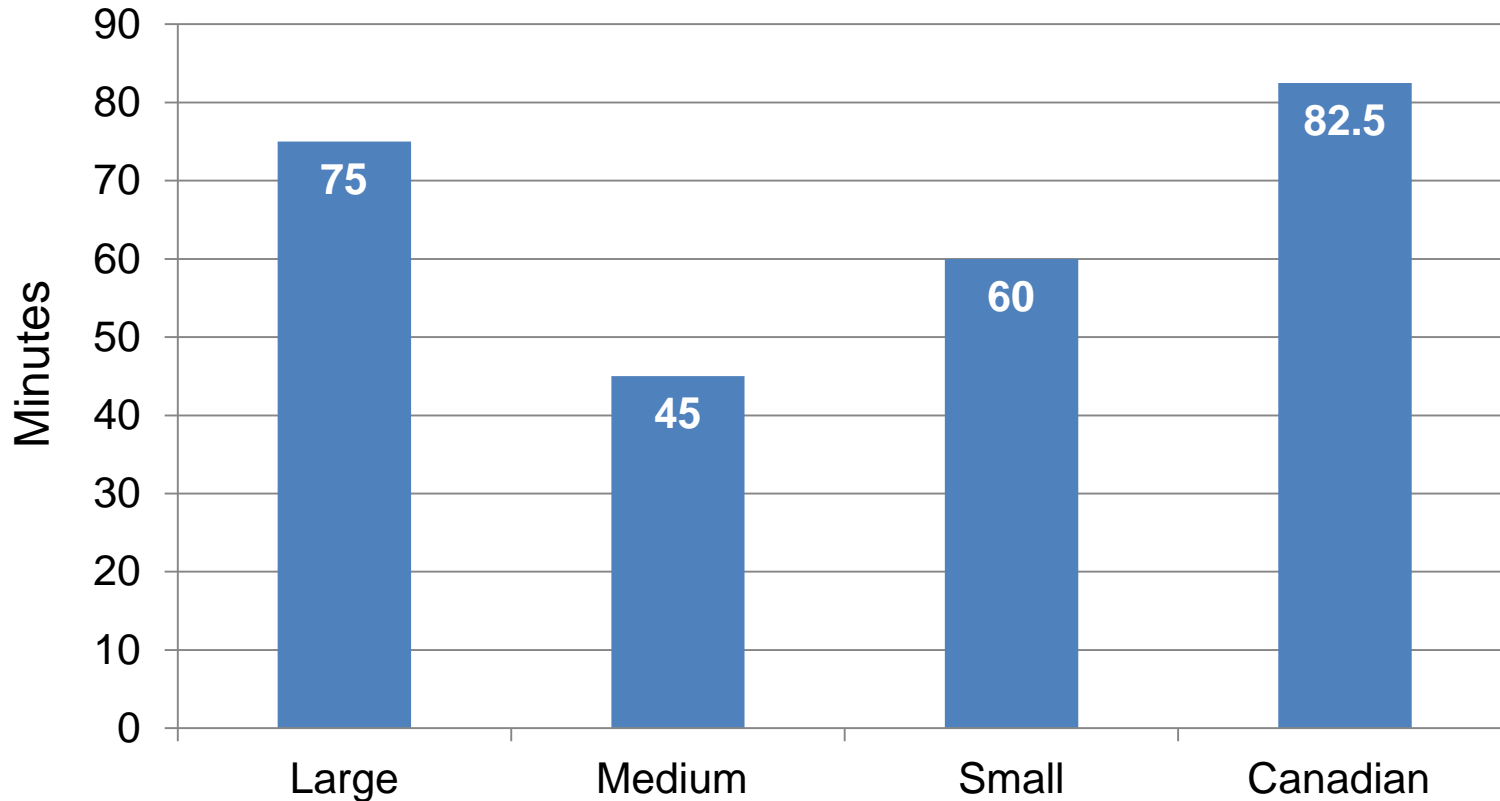
*\*Note: 2014 data from U.S. Department of Commerce (update)*



# Concessions Statistics Overview

April, 2016

# Average Dwell Time

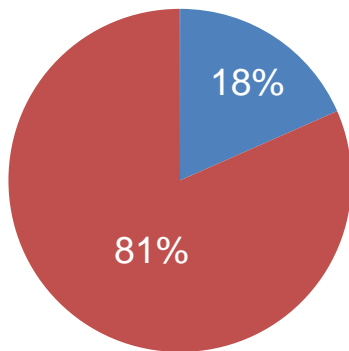


The average dwell time is much higher at large hub airports because of the international traffic, which requires an earlier check in time. The same applies for Canadian airports, as they see more international traffic. Medium and small hubs have relatively smaller dwell times due to the point to point connecting traffic passing through.

# Concession Square Footage Relative to Security

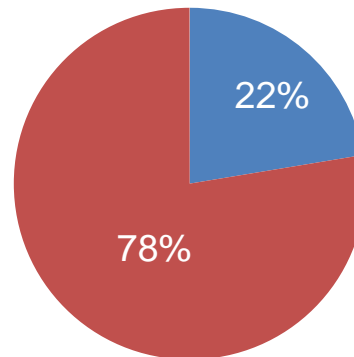
## Large

■ Pre Security ■ Post security



## Medium

■ Pre Security ■ Post security

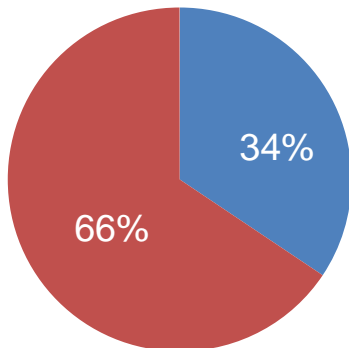


The majority of concession space is located post security, regardless of hub size.

Canadian airports average, have the highest percentage of concession square footage before security, standing at 39.5%

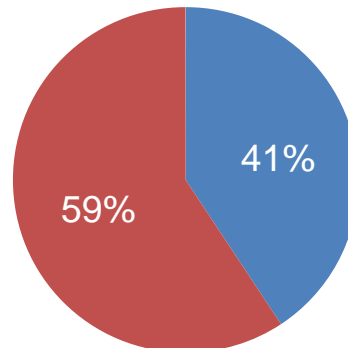
## Small

■ Pre Security ■ Post security

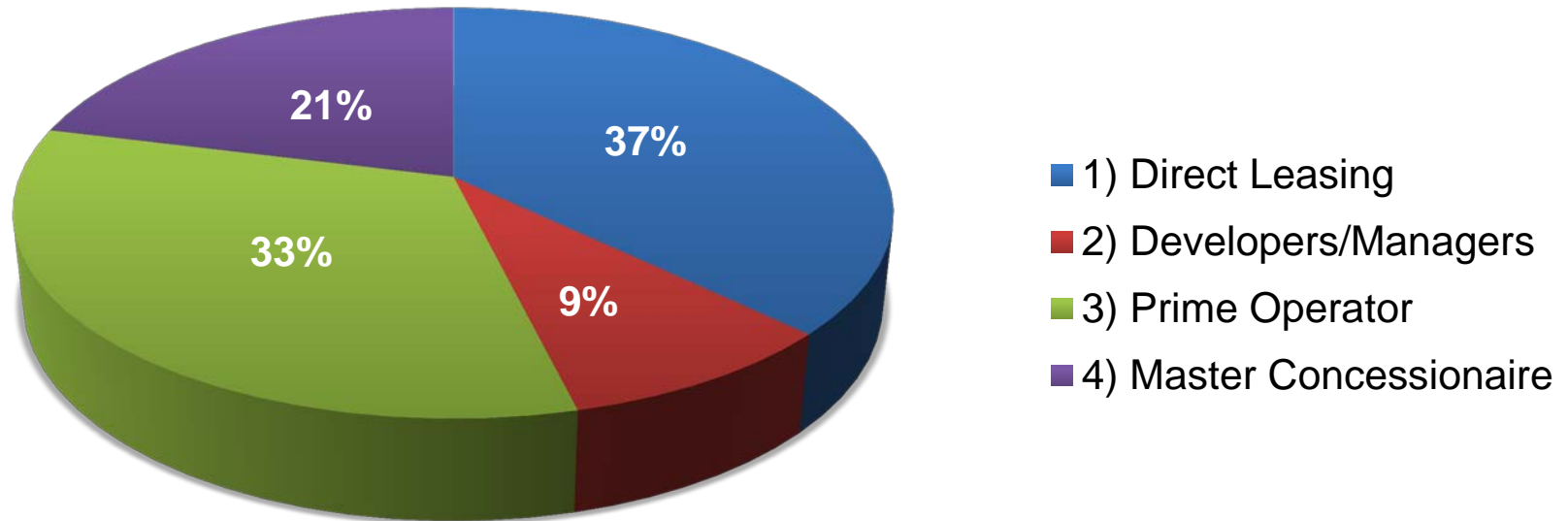


## Canadian

■ Pre Security ■ Post security



# Type of Concessions Agreements



- 1) Direct leasing - Airport leases individual locations or small groups of locations (no more than 3) directly to the operators.
- 2) Developer - Airport has agreement with a third party to develop/lease and manage the concessions without operating any directly. Developer invests in facilities directly.
- 3) Prime operator - Airport leases packages of locations to two or more operators, each of which has multiple locations (more than 3) within the airport.
- 4) 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.

*Note: Combined Food & Beverage and News, Duty Free Gift & Specialty Retail Concessions Agreements*

# Where Passengers Spend The Money...

**Median\* Amount per Enplanement Spent at Airports in 2014**

**Food & Beverage**

**\$6.30**

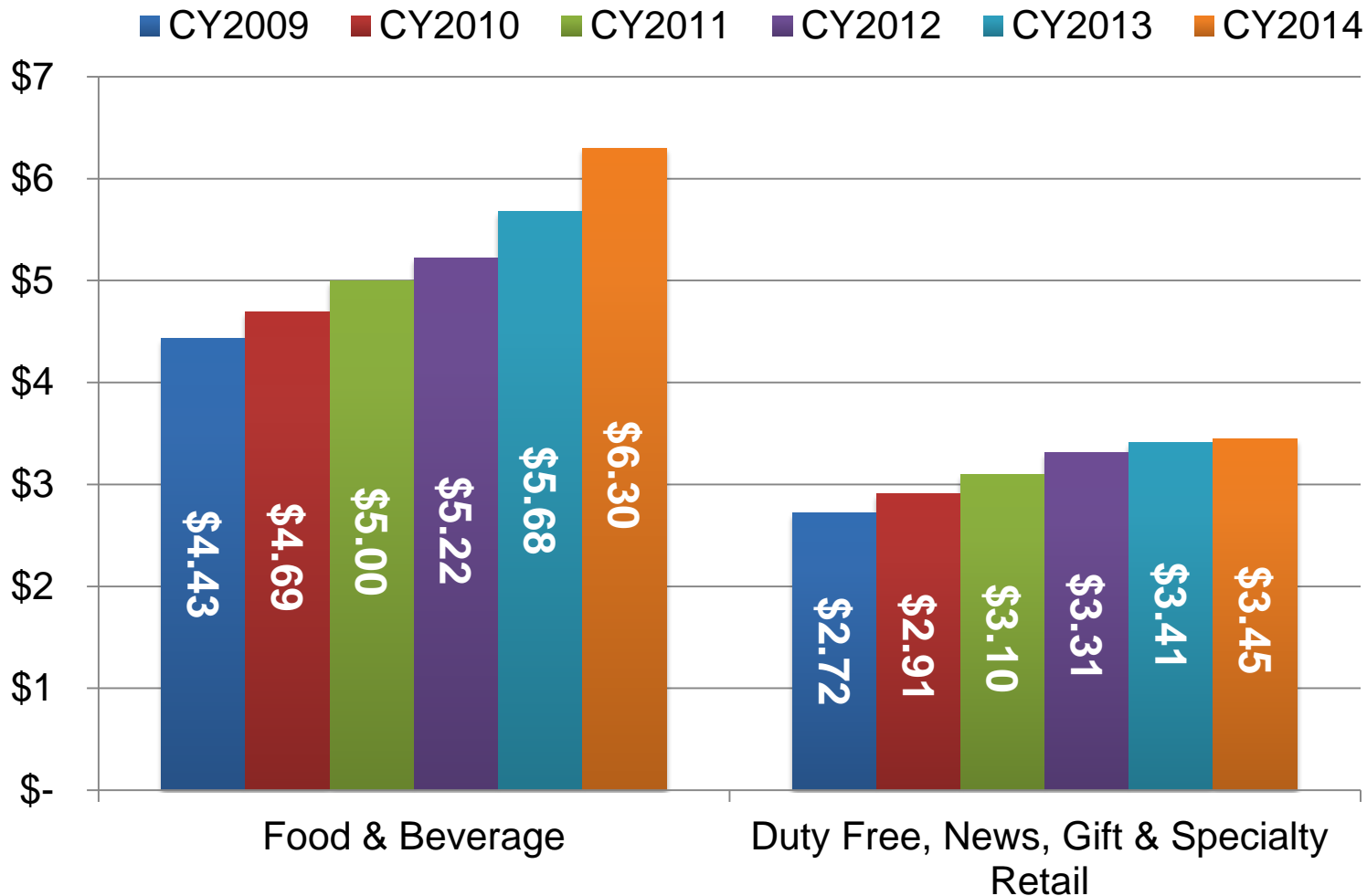
**Duty Free, News,  
Gift and Specialty  
Retail**

**\$3.45**

*\*Median is determined by ranking the data from largest to smallest, and then identifying the middle value so that there are an equal number of data values larger and smaller than the number.*

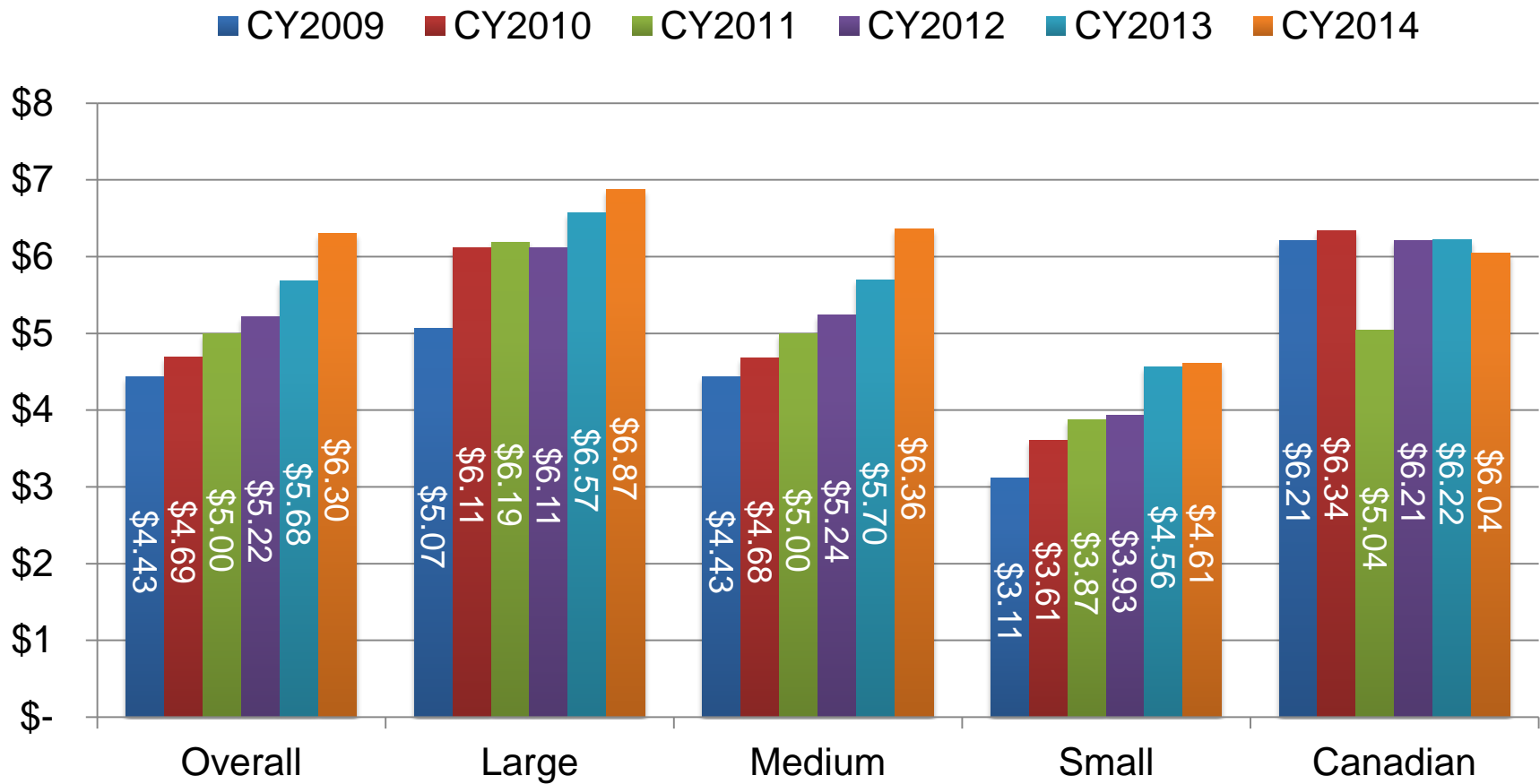
# Passengers Spending More at Airports

## Median Gross Sales - Per Enplanement



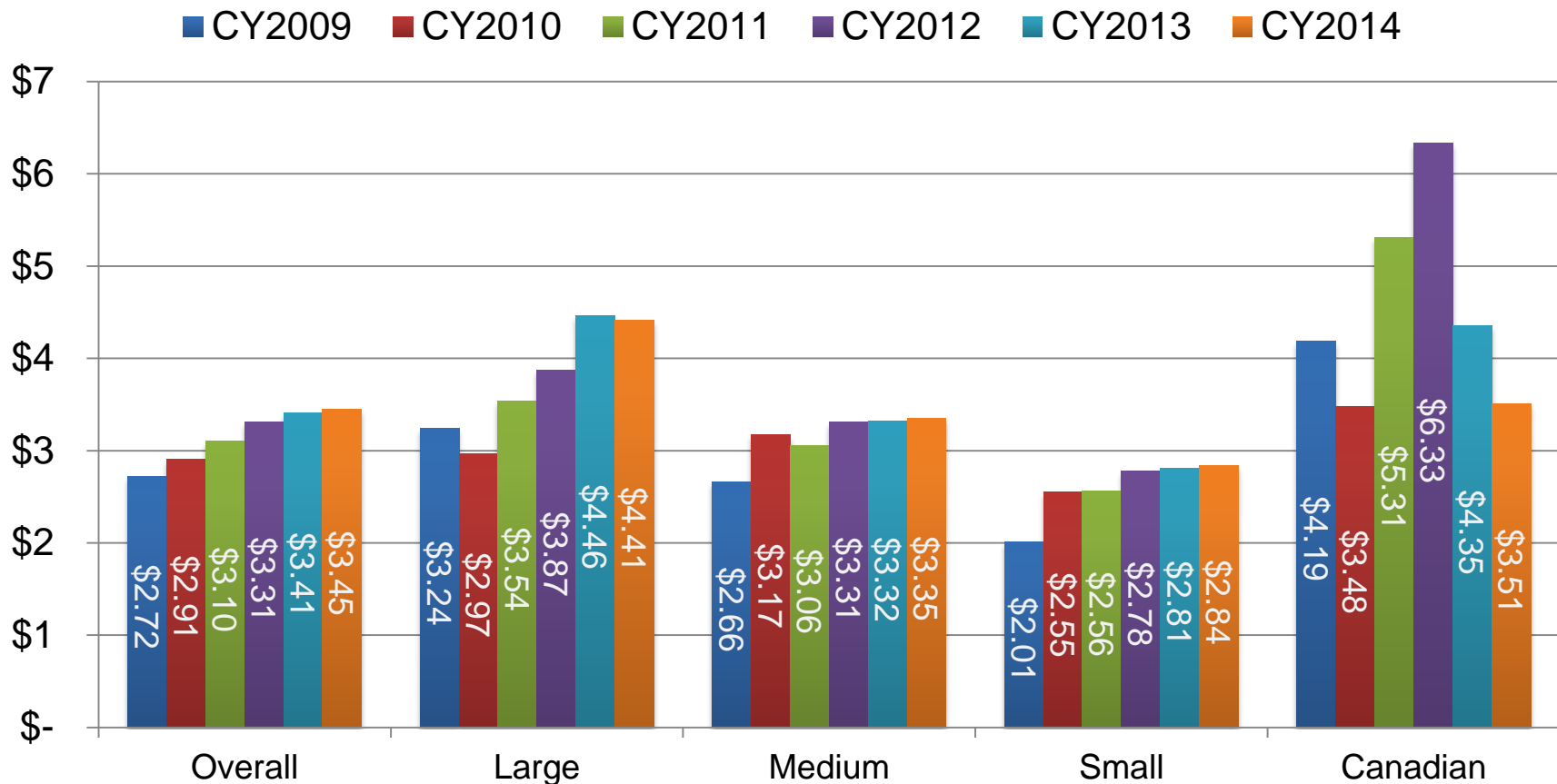


# Food & Beverage Median Gross Sales - Per Enplanement



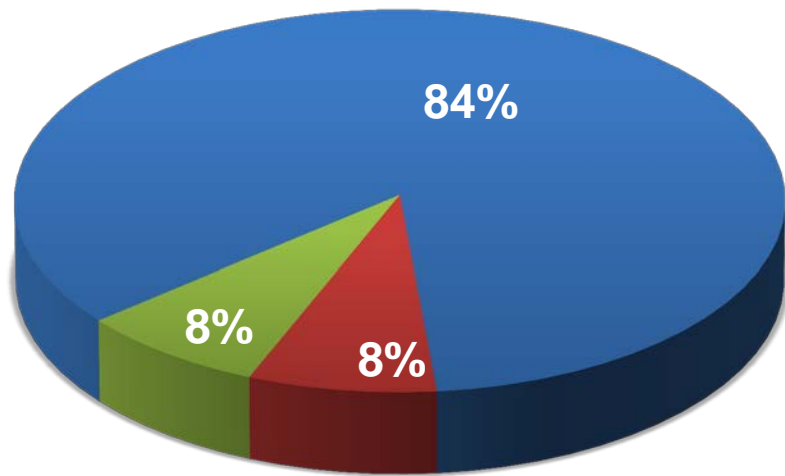
The overall Food & Beverage median gross sales per enplanement is \$6.30 compared to \$5.68 in 2013. All hub sizes across the board have seen an increase in gross sales per enplanement since 2009, apart from Canadian airports

# Duty Free, News, Gift and Specialty Retail Median Gross Sales - Per Enplanement



The overall Duty Free, News, Gift and Specialty Retail median gross sales per enplanement is \$3.45 compared to \$3.41 in 2013. Most hub sizes across the board have seen an increase in gross sales per enplanement, apart from Large hubs in 2015.

# Food & Beverage – Rent Calculation



- MAG or % gross sales, whichever is greater
- A percent of gross sales
- Other

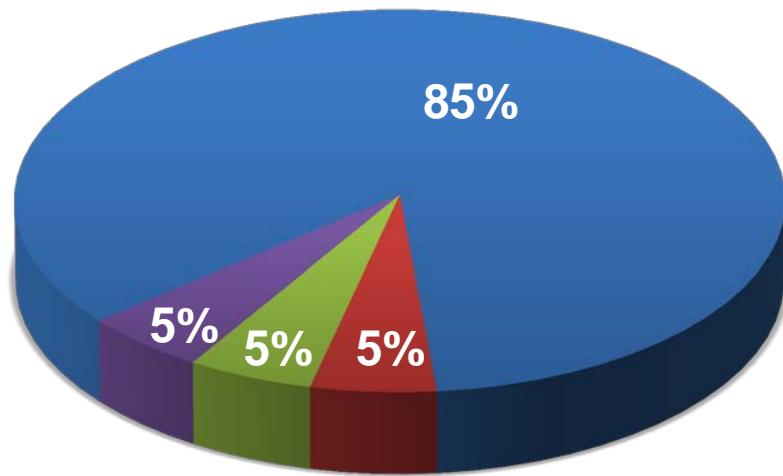
**Median Percentage of Gross Sales, if rent is calculated by percent of gross sales:**

→ Food & Beverage – 12%

**Median Percentage of Gross Sales, if rent is calculated by Minimum Annual Guarantee (MAG) or percent gross sales, whichever is greater:**

→ Food & Beverage – 13%

# Duty Free, News, Gift and Specialty Retail – Rent Calculation



- MAG or % gross sales, whichever is greater
- A fixed amount (e.g. MAG)
- A percent of gross sales
- Other

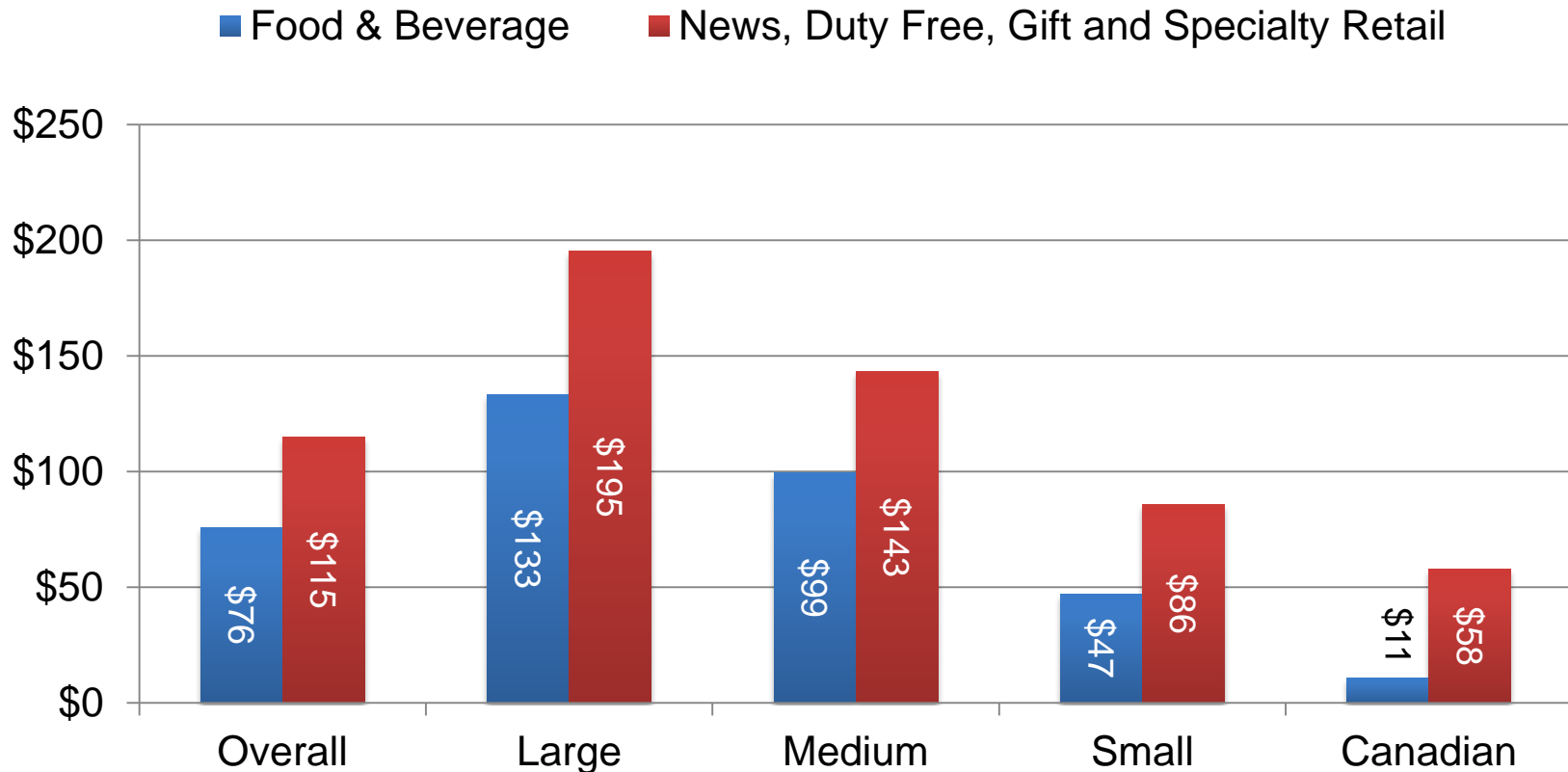
**Median Percentage of Gross Sales, if rent is calculated by percent of gross sales:**

→ Duty Free, News, Gift & Specialty Retail – 18%

**Median Percentage of Gross Sales, if rent is calculated by Minimum Annual Guarantee (MAG) or percent gross sales, whichever is greater:**

→ Duty Free, News, Gift & Specialty Retail – 16%

# Median Total Rent per Square Foot



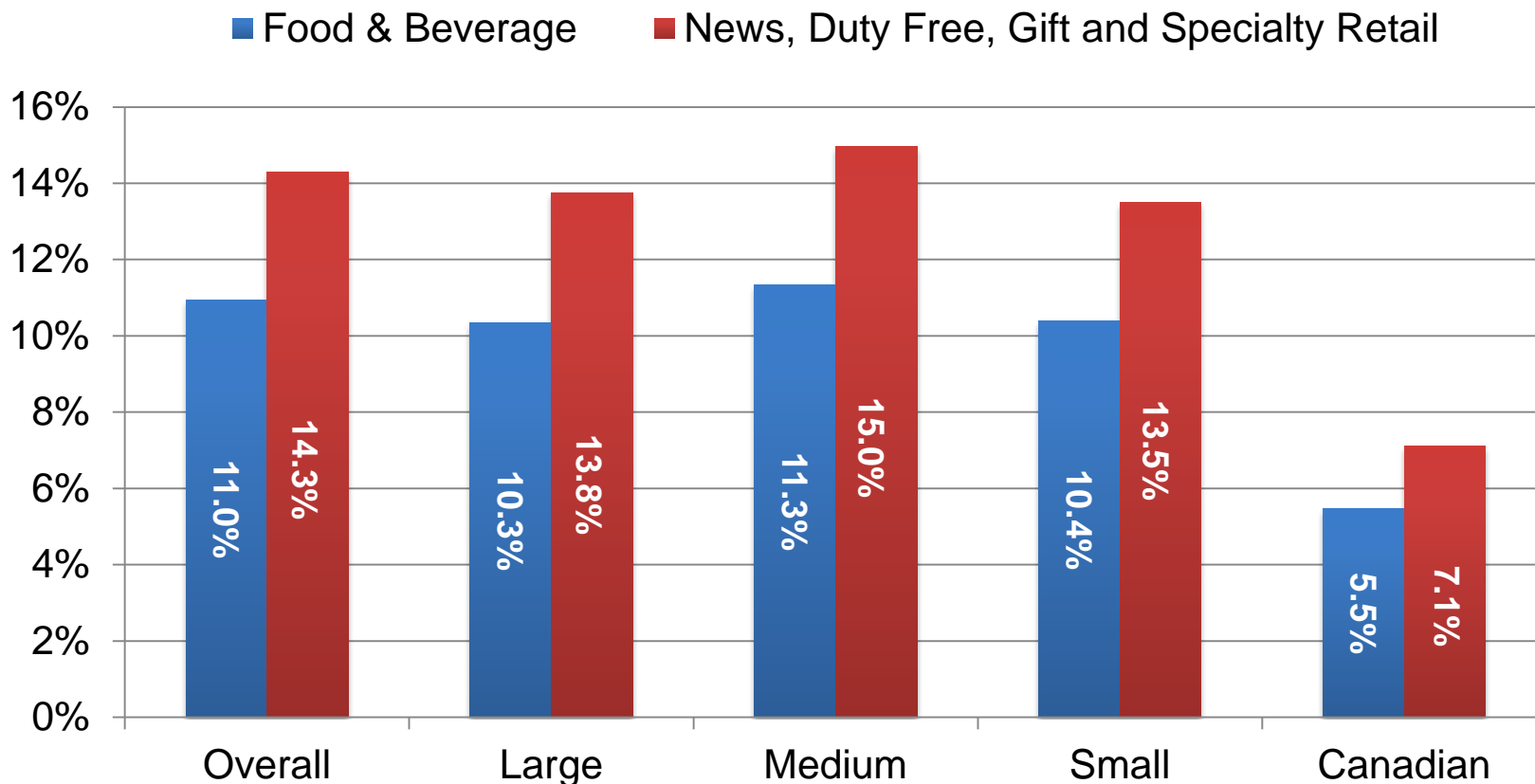
Overall, the median total rent per square foot is \$75.98 for Food and Beverage, while the median total rent per square foot for Duty Free, News, Gift and Specialty Retail is \$114.97. Across all hub sizes Duty Free, News, Gift and Specialty Retail has a higher median rent per square foot.

*Note: Included separate airport responses from airports with different terminal management (i.e. PANYNJ – JFK Terminal 5)*

*All figures in USD (\$)*

*Note: Some U.S. airports indicated that they don't have the information broken down into categories ACI-NA provides. Also, Canadian airports are restricted to disclose specific financial information such as concessions rent, that can be deemed confidential.*

# Rent Percent of Gross Sales



Duty Free, News, Gift and Specialty Retail have a higher rent percentage of gross sales across all hub sizes. The average rent, 11% of gross sales, relates to Food and Beverage, while Duty Free, News, Gift and specialty Retail accounts for 14.3% based on rent as percentage of gross sales.

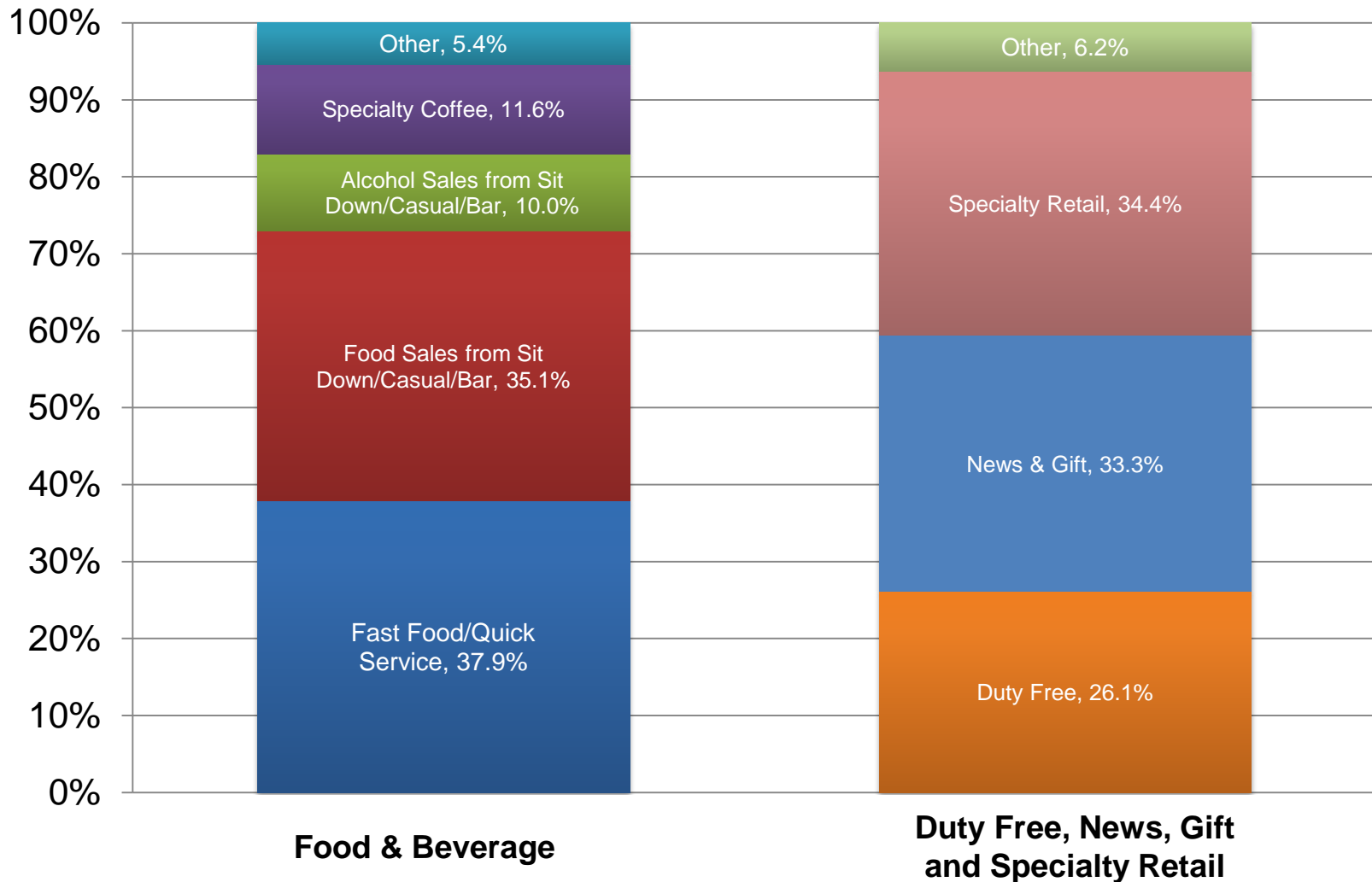
*Note: Some U.S. airports indicated that they don't have the information broken down into categories ACI-NA provides. Also, Canadian airports are restricted to disclose specific financial information such as concessions rent, that can be deemed confidential.*

# Concessions Contract Length

- The most common length of airport concessions contracts is 9.5 years.

	Minimum	Median	Maximum
Fast Food/Quick Service	3 Years	10 Years	28 Years
Sit Down/Casual/Bar	3 Years	10 Years	28 Years
Specialty Coffee	5 Years	10 Years	28 Years
News & Gift	2 Years	10 Years	30 Years
Duty Free	1 Years	8 Years	20 Years
Specialty Retail	1 Year	7 Years	27 Years
Other	2 Year	7.5 Years	20 Years
<b>Overall</b>	<b>2 Year</b>	<b>9.5 Years</b>	<b>27.5 Years</b>

# Percent of Gross Sales Breakdown by Category





# Maximizing Non-Aeronautical Revenue in Small Spaces

## Total Percent of Airports With Carts & Kiosks Programs

**35%**

**Food & Beverage**

**47%**

**News, Gift &  
Specialty Retail**

**63%**

**Kiosks are  
Permanent**



Airports' carts and kiosks programs provide small businesses the opportunity to have an increased presence in concession programs as well as enable airports to cater to ever-evolving market trends and demands.

# Carts/Kiosk Program

	Food & Beverage	News, Gift & Specialty Retail
<b>Presence at the airport</b>	➤ 29% Yes	➤ 30% Yes
<b>Status</b>	<ul style="list-style-type: none"> <li>➤ 61% Permanent</li> <li>➤ 11% Temporary</li> <li>➤ 26% Both</li> </ul>	<ul style="list-style-type: none"> <li>➤ 63% Permanent</li> <li>➤ 5% Temporary</li> <li>➤ 30% Both</li> </ul>
<b>Automated Retail Program</b>		<ul style="list-style-type: none"> <li>➤ 62% Yes (48 airports)</li> <li>➤ Median – 4 units per airport</li> <li>➤ Median Gross Sales per Automated Retail Unit - \$93,393</li> </ul>
<b>Management</b>	<ul style="list-style-type: none"> <li>➤ Master Concessionaire/Prime Operator operates them directly</li> <li>➤ Airport leases directly to vendor(s)</li> <li>➤ Master Concessionaire/Prime Operator/Developer leases directly to vendor(s)</li> </ul>	

# Growing Trends in Automated Retail at Airports



**Percent of Airports with  
Automated Retail Units**

**62%**



**Average Annual  
Gross Sales per Unit = \$93,393**

Automated retail units are becoming increasingly visible at airports. They help airports generate revenue from spaces that otherwise are too small to accommodate traditional retail outlets. These units provide immediate access to essential items any time of day: envision upscale vending machines where you can buy cosmetics or personal electrical items at the press of a button.

# Airport Duty Free

Responding Airports Have Duty Free Stores

50%

Offer Duty Paid Stores to Domestic Passengers

72%

## Duty Paid Stores are for all passengers:

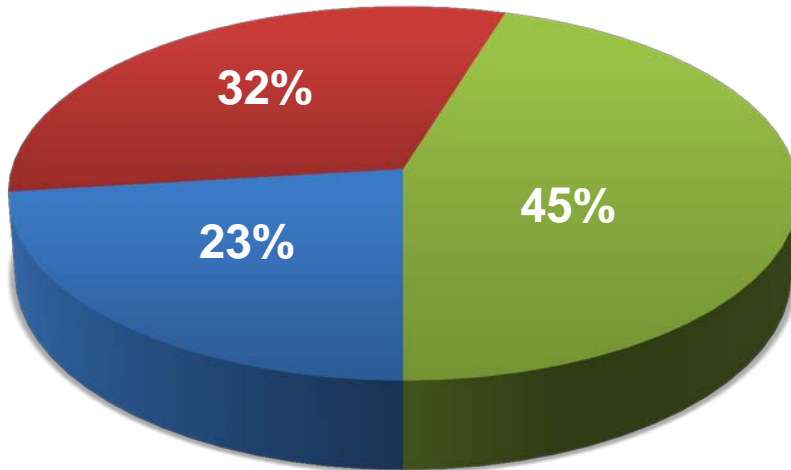
- International passengers can purchase all goods exempt from sales taxes.
- Domestic passengers can purchase anything except liquor and tobacco. Domestic passengers are not exempt from sales taxes.



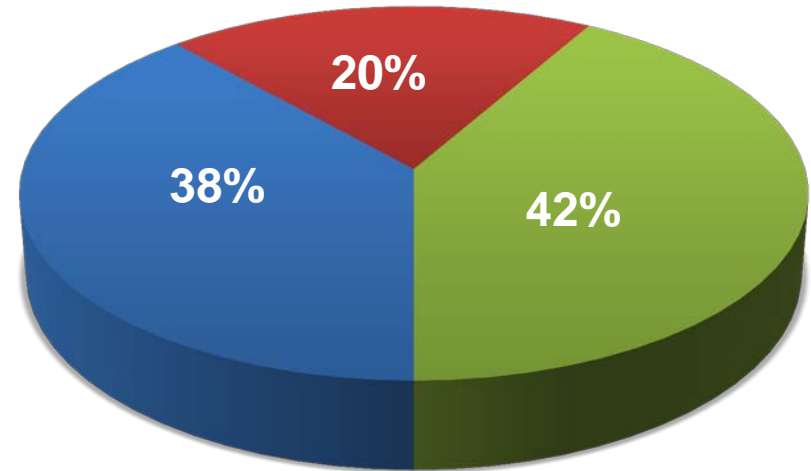
# Concessions Branding

■ Airport Brands/ Non Brands   
 ■ Local/Regional Brands   
 ■ National/International Brands

**Food & Beverage**



**Duty Free, News, Gift and Specialty Retail**



- ➔ Airport Brand/Non Brand - A generic brand relative only to the airport.
- ➔ Local/Regional Brand - A brand that is developed, distributed and promoted within a defined geographical area.
- ➔ National/International Brand - A brand that is marketed and distributed nationally/internationally.

*Note: 2014 Concessions Benchmarking Survey – Food and Beverage Concessions Branding*  
 (Airport Brand/Non Brand: 27%) (Local/Regional Brand: 30%) (National/International Brand: 43%)

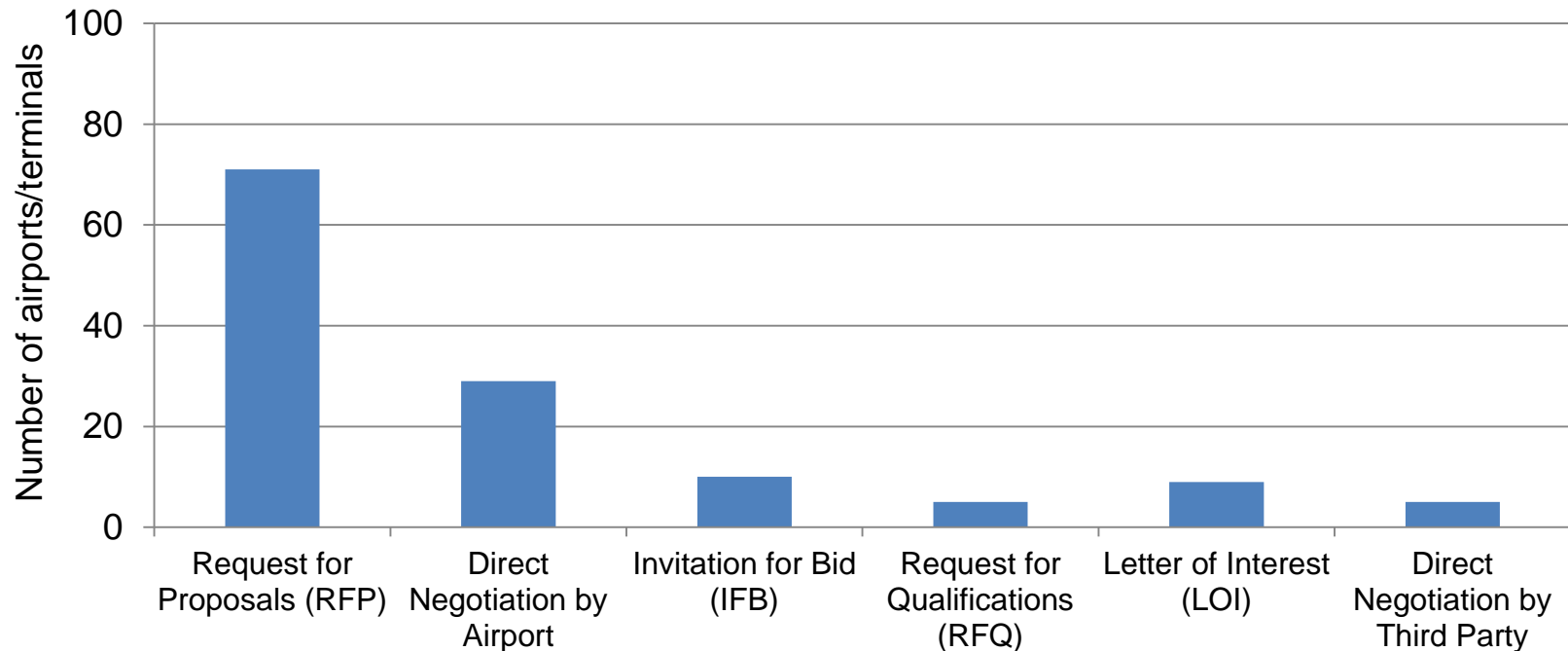


# Commercial Management Operations and Programs

April, 2016

# Concessions Planning

**Methods of soliciting & awarding concessions contracts**



The most common method of soliciting and awarding concessions contracts is by Request for Proposals (RFPs). However, many airports often use a mixture of methods. In addition, 42% of airports require minimum staffing levels in concession agreement, while 86% of airports define & control product lines sold.



# Concessions Marketing Program

- **45% of participating airports have a marketing program for airport concessions.**
  - 92% of these airports collect a concessions marketing fee.
  - The majority of airports calculate their concession marketing cost by a percent of gross revenue to the airport.
  
- **Top 3 in-kind services airports contribute to the marketing of the concessions program:**
  - Marketing materials preparation/printing/distribution
  - In-terminal advertising
  - Market research
  
- **Top 5 items airports spend marketing funds on:**
  - Second language training
  - In terminal advertising (CNN monitors, etc.)
  - Social media
  - Shopper service (mystery shopping/award)
  - Customer service training



# Monitoring Customer Satisfaction

Airports use a range of customer satisfaction/monitoring programs for concessionaires

**Mystery Shoppers**

**51%**

**Social Media**

**83%**

**Customer  
Comment Cards**

**70%**

**Customer  
Surveys**

**68%**

**Website  
Feedback**

**80%**

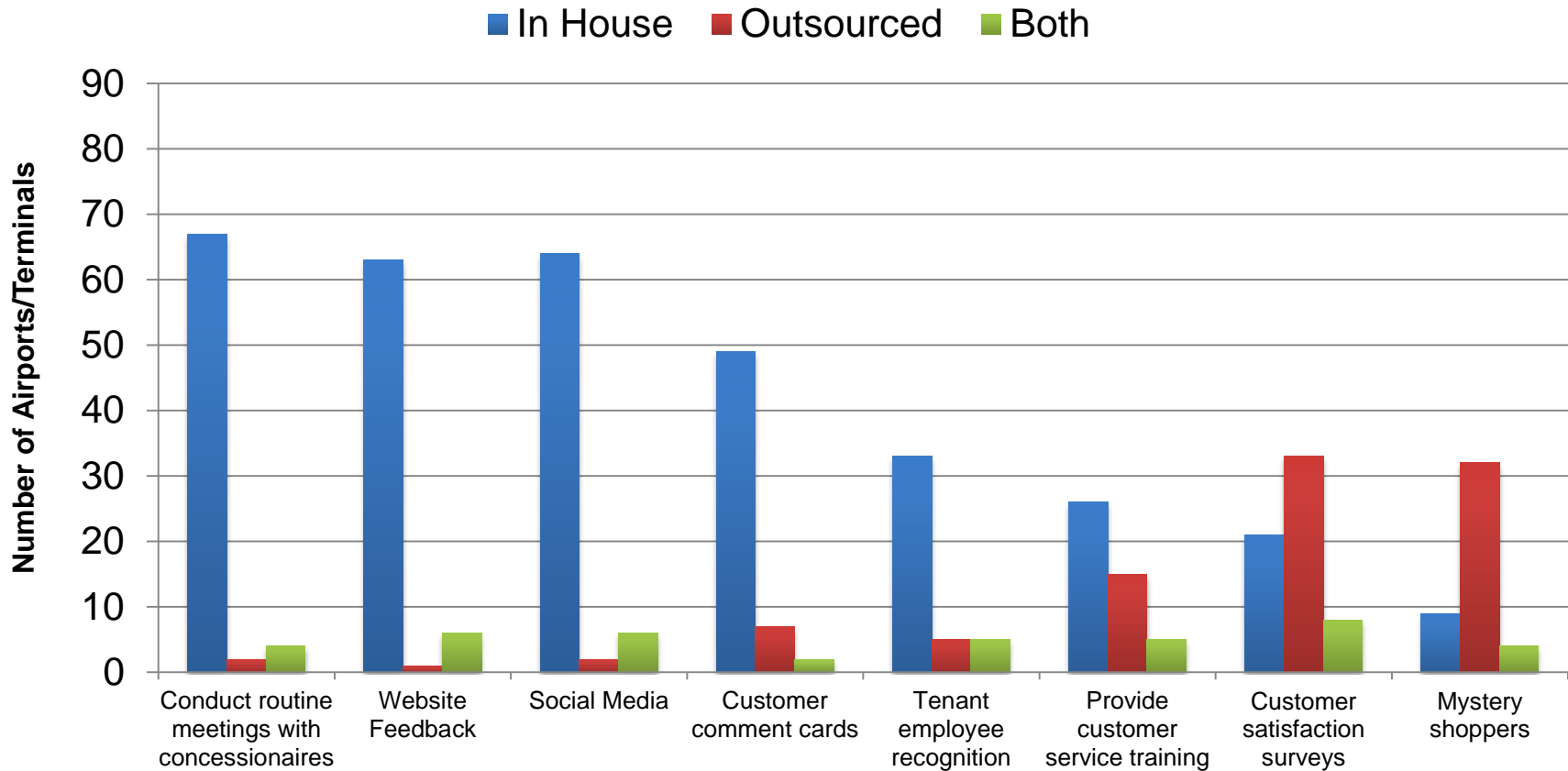
**Tenant  
Recognition  
Programs**

**48%**

**Routine Meetings  
with  
Concessionaires**

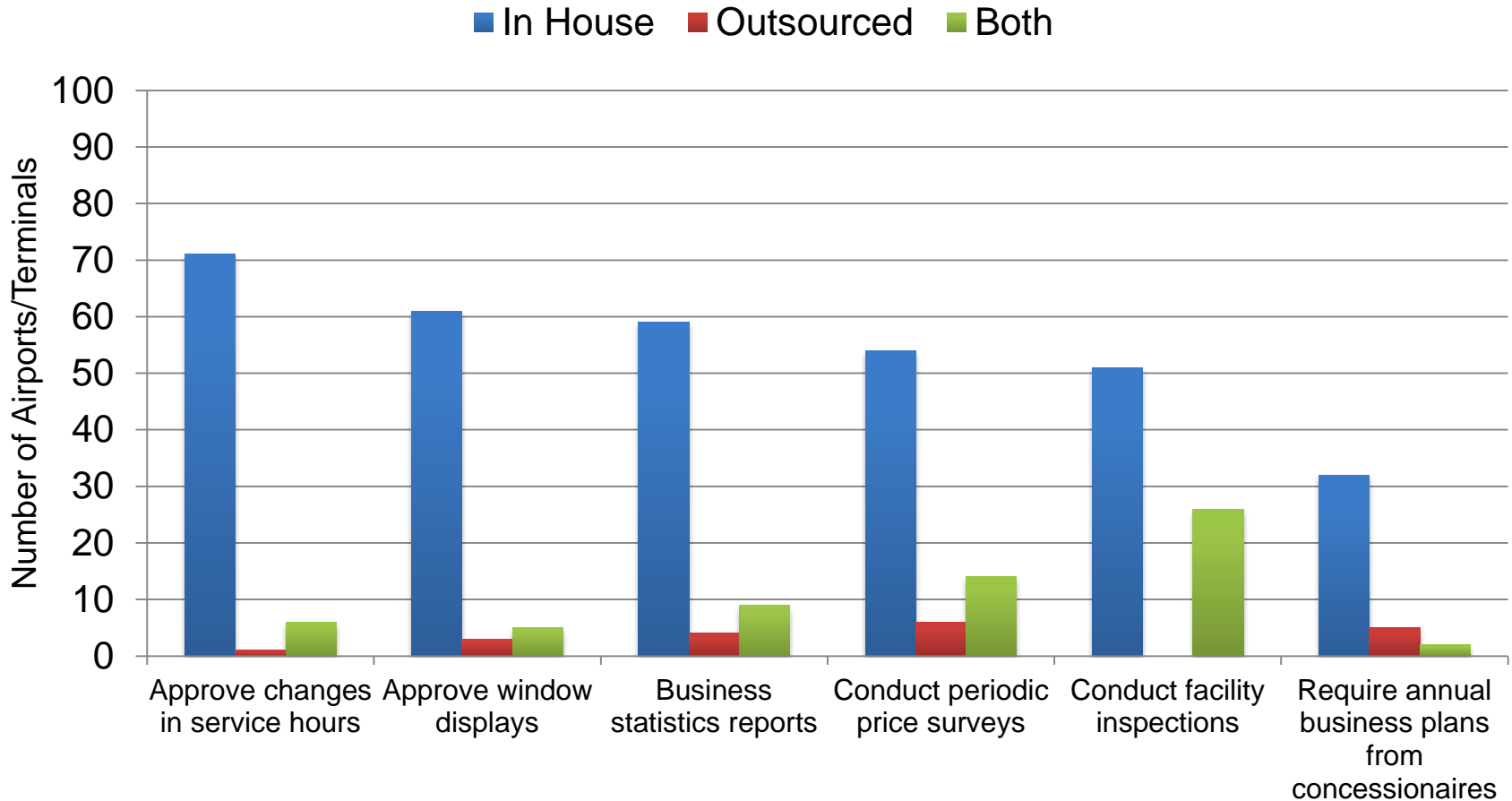
**86%**

# Customer Satisfaction/Monitoring Programs



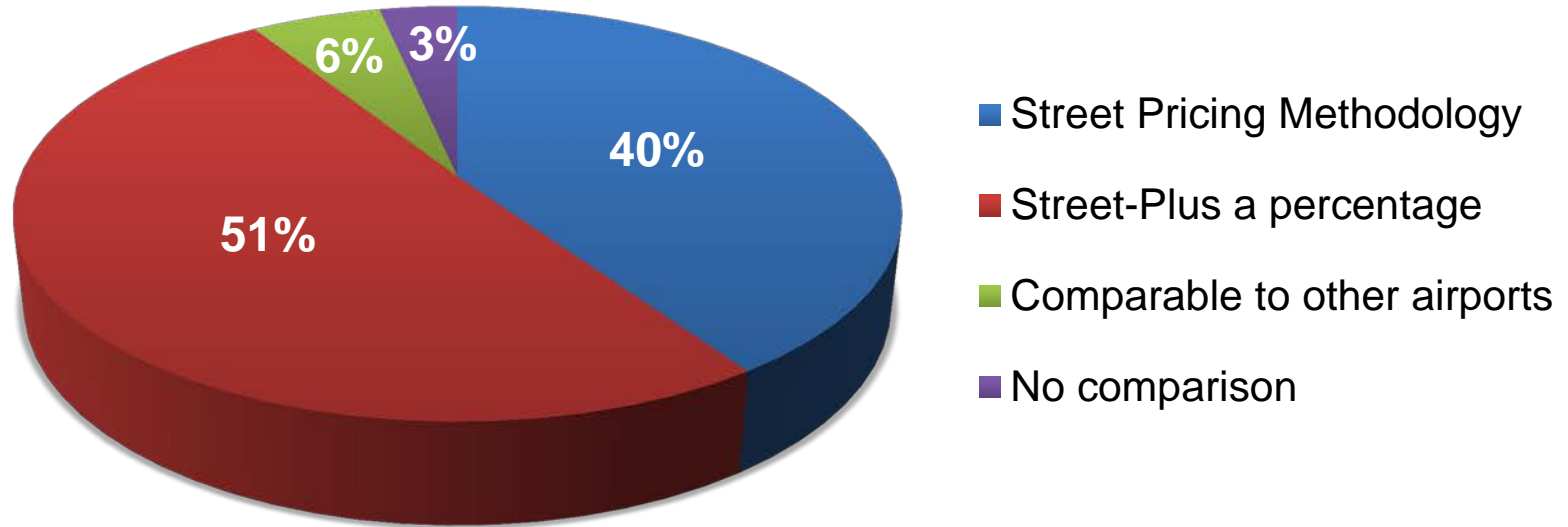
Airports use a variety of customer satisfaction/monitoring programs for concessionaires. The most common include frequent meetings with concessionaires, website feedback, customer comment cards and, more recently social media.

# Operational/Performance



All respondents perform operational/performance audits. While 80% of respondents conduct operational/performance audits in house. In addition, 57% of airports have fines tied to these audits for non-compliance.

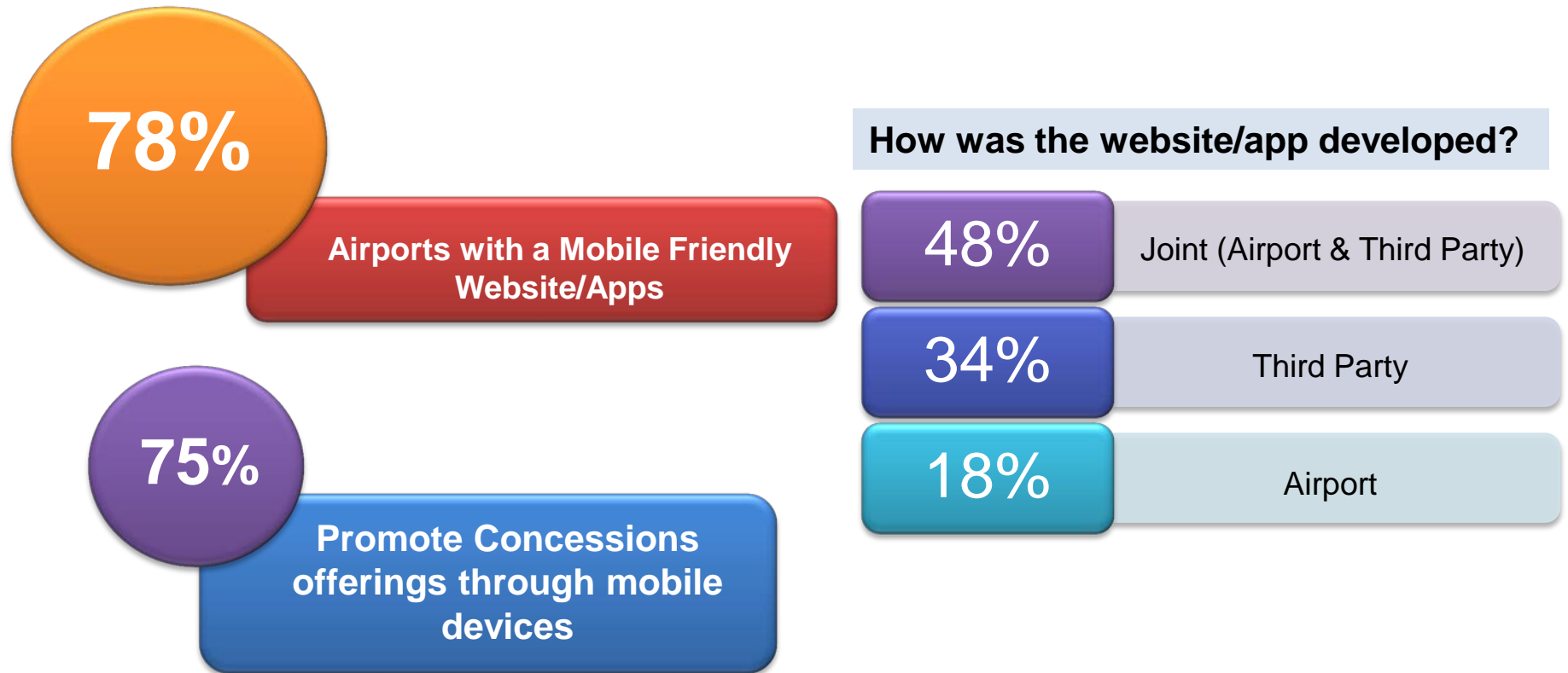
# Pricing Methodologies



The majority of airports use street-plus or street pricing methodologies. These two pricing methodologies are used by 91 percent of responding airports. Only three airports have no comparison, all of which are small hub airports. Street pricing or street-plus pricing methodologies are often used in conjunction with other airports based on airport size or geographic location.

# Smartphones

**Smartphones better meet the needs and expectations of air travellers**

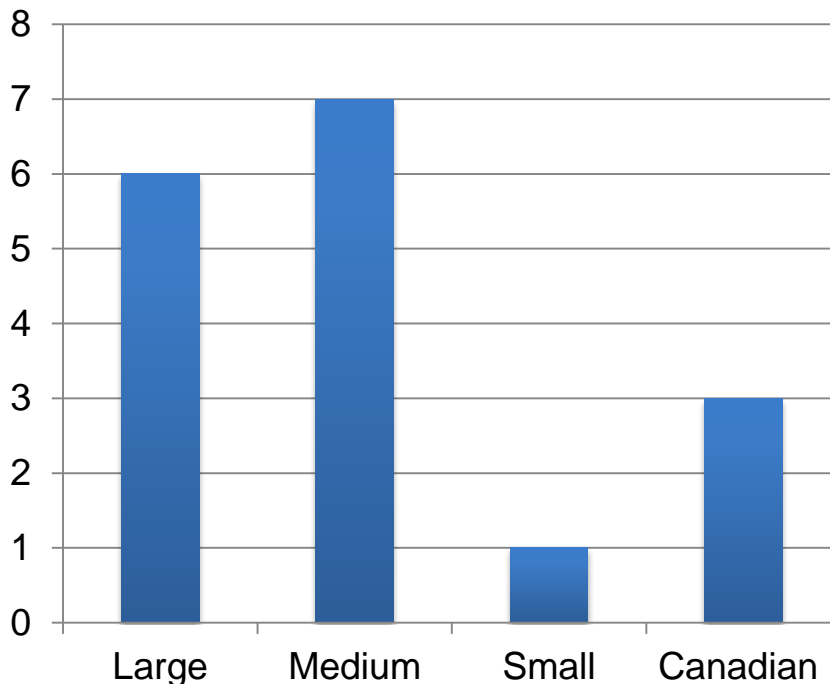


As with any other industry, mobile devices are becoming the most important digital gateway in airports. Passengers can now navigate through terminals and order food on the go to make those tight connections.

# Central Distribution Center

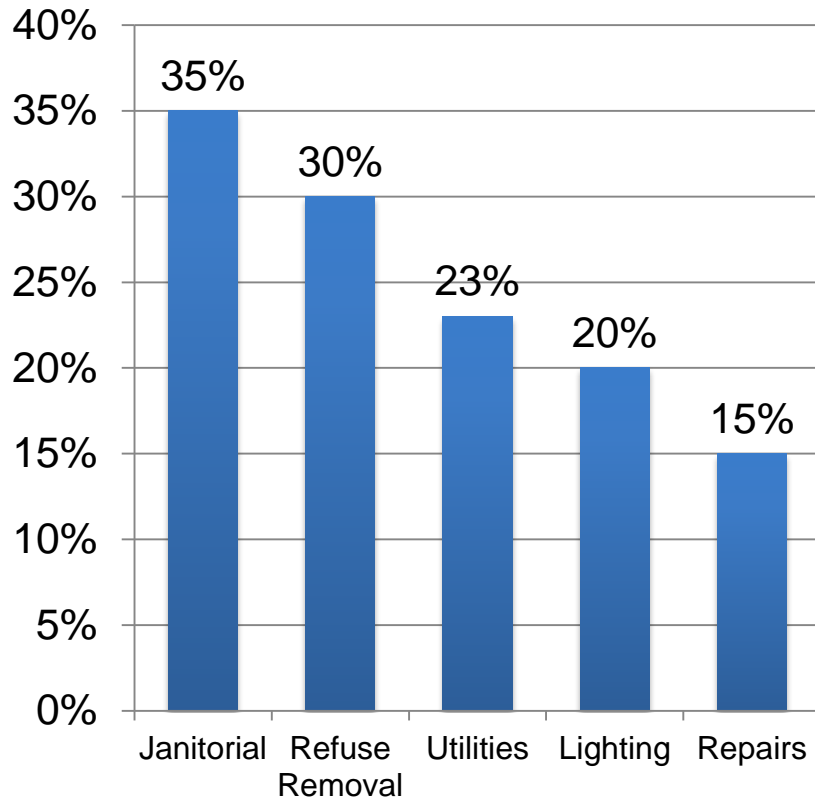
**Central Distribution Center** - Is defined as a location for the receipt, staging, and handling of most goods and supplies delivered to the airport and the distribution of the goods and supplies to all concessionaires, other tenants, and aviation departments as deemed appropriate, whether operated by an airport third party tenant or other.

**Number of Airports that have a Central Distribution Center**



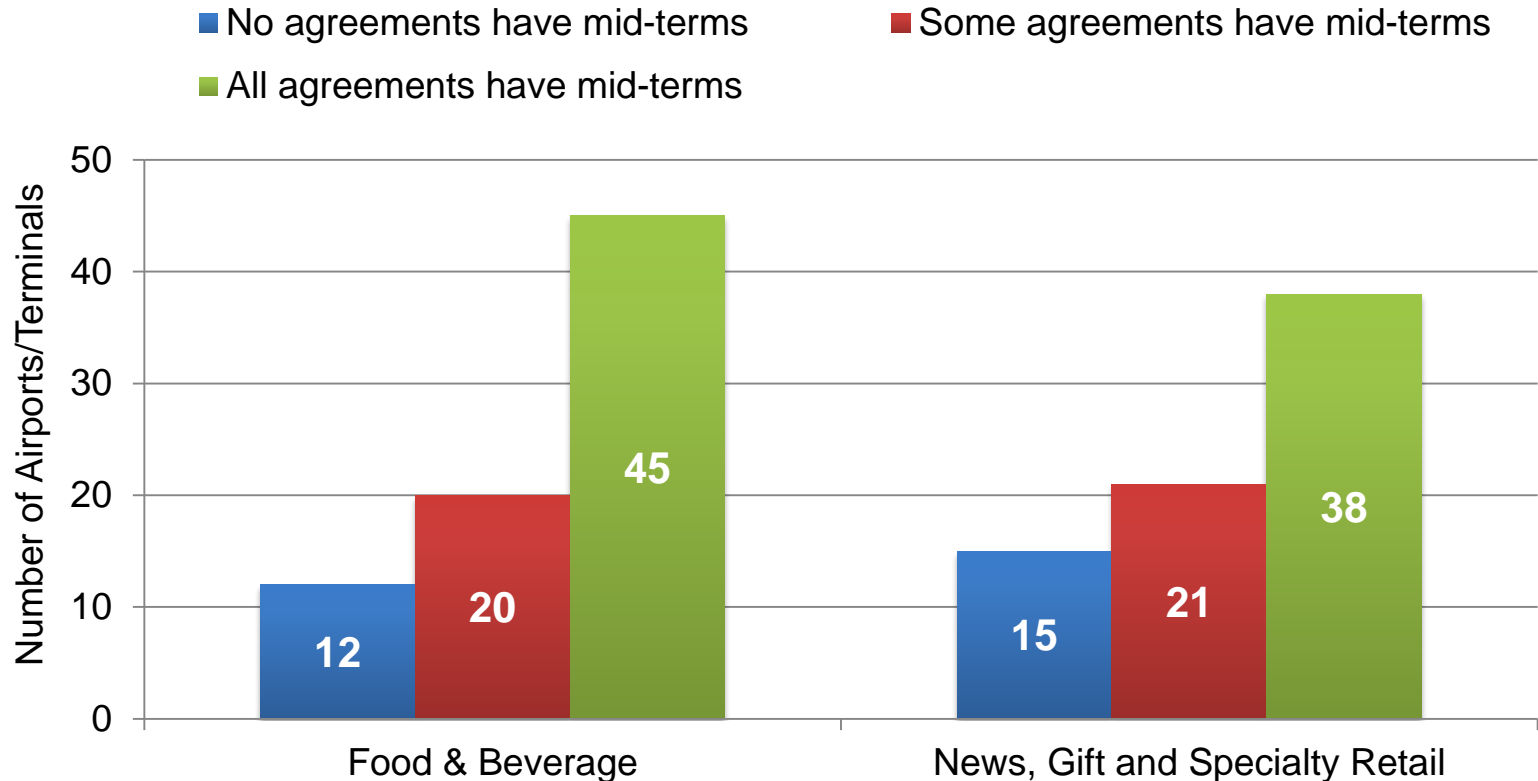
- ➔ Only 17 out of 78 airports have a Central Distribution Center.
- ➔ Meanwhile the majority of airports have a **recycling program** for airport concessions
  - ➔ Both Airport & Tenant – 65%
  - ➔ Airport – 32%
  - ➔ Tenant – 3%

# Common Area Maintenance Charge Food & Beverage Concessionaires



- ➔ **Common Area Maintenance Charges** are paid to the airport or to another concessionaire as reimbursement for the maintenance of common (shared) areas, such as food courts.
- ➔ A large number of airports/terminals levies a Common Area Maintenance charge on food and beverage concessionaire(s).
- ➔ The most common charge is for janitorial services, which accounts for 35% of total airports/terminals that levies this charge.
- ➔ Other Common Area Maintenance charges include Refuse Removal, Utilities, Lighting and Repairs.

# Refurbishment Requirements



All agreements usually have mid-terms refurbishment requirements, particularly for Food and Beverage. Airports prefer mid-term requirements rather than annual refurbishment requirements for Food & Beverage and New, Gift and Specialty Retail.



# Closing Remarks

- Use survey data with caution, because airports may have different reporting mechanisms.
- 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.
- Airports who participated in the survey are provided with an interactive database of key industry metrics and measures for benchmarking with peer airports.
- Airports will be able to filter raw data responses for all questions.

# Participating Airports

## Large Hub 26 Airports

ATL  
 BOS  
 BWI  
 CLT  
 DEN  
 DFW  
 DTW  
 EWR  
 IAH  
 JFK  
 LAS  
 LAX  
 LGA  
 MCO  
 MDW  
 MIA  
 MSP  
 ORD  
 PDX  
 PHL  
 PHX  
 SAN  
 SEA  
 SFO  
 SLC  
 TPA

## Medium Hub 21 Airports

AUS  
 BUR  
 CLE  
 CMH  
 CVG  
 DAL  
 HOU  
 IND  
 JAX  
 MCI  
 MKE  
 MSY  
 OAK  
 ONT  
 PIT  
 RDU  
 RSW  
 SAT  
 SJC  
 SMF  
 SNA

## Small Hub 19 Airports

ALB  
 BOI  
 BTR  
 CHS  
 DAY  
 DSM  
 FAT  
 GEG  
 GRR  
 GSP  
 ICT  
 IWA  
 MSN  
 RNO  
 SAV  
 SDF  
 SRQ  
 TUL  
 TUS

## Canadian 10 Airports

YEG  
 YMM  
 YOW  
 YQM  
 YVR  
 YWG  
 YXE  
 YYC  
 YYJ  
 YYZ

**Note: (\*Separate Responses)**

JFK - T1  
 JFK - T4  
 JFK - T5  
 JFK - T7  
 JFK - T8  
 LGA - TC

# Definitions

**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.

**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 a 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.

## 2015 ACI-NA Concessions Benchmarking Survey



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