

Balancing Act

Neglecting Pre-Security Development May Mean Missed Opportunities

BY CAROL WARD

Southwest Florida International (RSW) in Fort Myers, Fla., already had a fairly robust pre-security concessions program when its new terminal building opened in September 2005. **The Paradies Shops** offered news and gifts as well as a PGA Tour Shop and Brighton Collectibles, while **HMSHost Corp.** concessions included a Chili's To Go restaurant and Starbucks coffee.

Airport executives recently decided more was needed.

"We learned after a couple of years of operation that we weren't meeting the demand landside for the meeters and greeters and those dropping off passengers," says Robert Ball, executive director.

The area's demographics play a key role. The generally well-heeled, older residents in the area have time and money.

"We happen to have a market that is 80%-85% leisure and tourism, and we also have a tendency toward a large meet-greeter ratio," say Ball, noting that many

of the area's senior citizens either arrive very early for their own flights or take advantage of the airport's pre-security offerings when seeing off visiting family.

Ball says the solution is more landside concessions to appeal to those lingering outside the secure area. Last year, HMSHost expanded the Chili's and added a Nathan's Famous and Quiznos. Paradies also agreed to new leases and has two Dunkin' Donuts, two Beaches Travelmart's and a :10 Minute Manicure under construction. Post-security concessions still outnumber those located pre-security, but the new offerings pre-security are expected to bring a better balance to the program.



Left: HMSHost's Ciao, situated pre-security, has been able to attract deplaning passengers and airport staff, as well as some enplaning passengers.

Below: Southwest Florida International recently contracted with HMSHost for additional landside concessions, including Quiznos and Nathan's.



A CORRECT BALANCE

While concessions located post-security usually outperform their pre-security counterparts, some industry executives say there is a case to be made for more robust pre-security programs.

"After 9/11 a lot of airports made a big effort to make sure there was more available airside," notes Pat Banducci, senior vice president of business development for HMSHost. "I think some actually overdid it, in our minds, and we have seen the pendulum swinging back. There is a need to have some balance with some pre-security offerings, if they're the right offerings."

Stuart Holcombe, executive vice president of business development for



Unlike many U.S. airports, Southwest Florida International has specialty retail shops at pre-security locations, such as Paradis' Tropical Expressions; these retailers tap in to departing passengers, as well as meeters and greeters, well-wishers and arriving passengers.

HDS Retail North America, agrees, noting that airports with large origination and destination markets, as well as markets with large populations of people of certain ethnic backgrounds, may be underserved landside.

"We do think that in some locations we have overlooked the need," he says. "The program doesn't have to be large but it has to be well-positioned – not necessarily adjacent to where the security checkpoints are but within a visible line of sight. People are still apprehensive about how long it will take to get through security."

Bruce Feuer, vice president of business development for The Paradis Shops, agrees.

"The No. 1 goal for passengers is still to get through security as fast as they can," he says. "The large majority of travelers are still stressed when it comes to security, therefore they may not take the time to shop landside. That being said, some airports present unique opportunities for landside stores, particularly for meeters and greeters."

A given airport's pool of meeters and greeters, as well as well-wishers, can make or break a landside program. Other unique market dynamics also play a role. For example, Rich Carlson, senior manager of **SH&E**, says in certain markets with high tourist concentrations, such as Orlando, Fla., the hotel check-out deadline drives many people to the airport, where they'll often linger for hours before their flight. Similarly, cruise ship passengers are forced to disembark at a set time, and

most go immediately to the airport regardless of their flight time. Landside programs can thrive in those markets.

Airport employees can also drive sales pre-security, as can arriving passengers. Banducci points to HMSHost's Ciao gourmet market at **Chicago O'Hare International (ORD)** as a concept that attracts those groups.

"It's a great success, to the point where a lot of the frequent travelers who are arriving and heading home are stopping to pick up a meal or snack on their way," he says. "It's not just catering to meeters and greeters or potentially departing passengers, it's picking up that elusive deplaning passenger."

"Pre-security can't be neglected," Banducci adds. "There is a market of airport employees and meeter-greeters, and then the enplaning passengers who have knowledge of the time it's going to take to get through security. There are also deplaning passengers, who are hard to capture."

Holcombe adds that in some larger markets, there is a substantial pool of taxi or limousine drivers who gather in the arrivals area waiting for fares. They can add incremental income to a program.

Because of those dynamics, the product mix of a pre-security program is crucial. Food and beverage, in limited amounts, is an obvious requirement. But retail is a bit less of a necessity, so programs need to be targeted.

"On the retail side, especially in some of the Canadian operations, we sell services like the lottery, which does well with a lot of airport employees," says Holcombe. He also noted services like dry cleaning, saying, "Sometimes the airport as a whole is looking at services to provide to the staff, so it becomes a need base more than a real money-maker," he says.

Banducci says HMSHost has had big

success with concepts such as Starbucks in pre-security locations both at the ticketing level and the baggage claim. Retail is more difficult.

"I'm not certain yet about specialty retail, but on the news and convenience side there is definitely opportunity," Banducci says. "There has been a trend in the industry with more convenience stores pre-security. We have a few up in Canada, called Travel Express, which do well. It has typical newsstand items but also a broader array of grab-and-go snacks, and appeals not just to passengers but to airport employees."

RSW could be considered a bit of an anomaly in the concessions world, with thriving specialty retail shops pre-security.

"Our pre-security shops, like Brighton Collectibles and the PGA Tour shop, do very well," says Ball. "We're kind of an upscale market. We have a lot of meeters and greeters and we're also getting purchases from deplaning passengers."

Other airports are more skeptical about the prospects for specialty retail airside.

Tampa International (TPA) has a relatively strong landside concessions program, but Diane Pryor-Vercelli, senior director of properties and contracts, notes that the newest retail concepts, and the specialty concepts, work better post-security. Still, she says, "we need to maximize the people on the landside regardless of who they are: passengers or meeters and greeters."

SEASONED TRAVELERS

Attracting meeters and greeters and well-wishers isn't enough to sustain a vibrant pre-security program. It's crucial that passengers be comfortable enough to linger landside, and that means a relatively seamless security experience.

Changing security requirements can add a wrinkle to the plans of even the most frequent travelers, but under normal circumstances, seasoned travelers often have a good sense of how long the security process will take, particularly at their home airport.

“People have settled into the new routine and aren’t quite as anxious about clearing security as they once were,” says Stephen Freibrun, managing director of SH&E. “I think a new normal has sunk in.”

That’s part of the thought process that went into the design of the new **Indianapolis International** (IND), which is slated for opening in late October. Jeremiah Wise, director of new airport business development for the Indianapolis Airport Authority, says the current airport’s passengers are accustomed to spending their money both pre- and post-security, and airport planners and staff are confident those habits will carry over.

“Our airport is primarily an O&D market, and not only that, about 50% of the market share is business travelers,” says Wise. “We have very sophisticated customers, passengers who are flying multiple times a year and they’re very used to the security process at

Indianapolis, which is very efficient.”

The current airport has food and beverage and news and gift both pre- and post-security, and retail is all pre-security. Currently, about 50% of food and beverage revenues come from pre-security concessions, while just under

what we currently have.”

The pre-security program at the new airport is designed for maximum exposure.

“The pre-security space in the new airport is centralized, so 100% of incoming and outgoing passengers have to pass through what we call the Civic Plaza,”

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– Stephen Freibrun, managing director of SH&E

50% of news and gift revenue is generated pre-security, Wise says.

“With the new airport, we’ve shifted toward more post-security than we have at the current airport,” he continues. “We have about as much space pre-security in the new airport as we have at the existing airport. We expanded the post-security offerings, particularly with retail and some quick-serve food, to be more robust than

Wise says. “With the new traffic pattern we think our pre-security program can be even better in the new airport.”

MAKING IT WORK

While some programs have been designed post-Sept. 11 with a significant portion of concessions pre-security, others are making do – and sometimes

thriving – with programs designed prior to the changes that have made security such a hassle for passengers. JFK-International Air Terminal opened its state-of-the-art Terminal 4 at **John F. Kennedy International** (JFK) just prior to the 2001 terrorist attacks with the almost exclusively landside program. Designed to resemble a railroad station, the terminal has a massive great hall for concessions and seating with linear concourses mostly devoid of concession space.

Janice Holden, JFK-IAT's chief commercial officer, remembers the early days of Terminal 4 operations.

"Many concessionaires negotiating space in Terminal 4's landside program backed out of their deal," she said at the February Airport Revenue News conference. "The newly opened international terminal was left with a partially leased, 100,000-sq.-ft. pre-security hall and very little post-security offerings on the concourses. The terminal was virtually empty, and the layout of that great railway stations with nothing on the platform became the wrong layout at the wrong time."

Seven years later, the program is thriving despite the security concerns. Holden says food and beverages drive the

program, with spending per passenger exceeding \$6 for food and beverage alone. JFK-IAT's data also shows that about 70% of passengers patronize the food and beverage concessions, and well-wishers and meeters-greeters are also important in the mix.

With an average dwell time approaching four hours, passengers have plenty of time to shop as well as eat. And the largely international crowd is currently finding huge bargains in the Terminal 4 retail shops due to the dollar's weakness against key foreign currencies.


"Critical to our program is enticing passengers to remain pre-security by focusing on shopping," says Holden. "We all know what happens to shoppers when passenger queues are long. At Terminal 4 the queuing process [happens] right in front of the shops. Passengers drop their purchases or drop what they're eating and run out to join the queue.

"Managing the checkpoints is critical part of our landside program," she continues. "We're watching them, measuring them, timing them and correcting them hourly through close cooperation with the" Transportation Security Administration.

In the case of Terminal 4, the pre-security program works, but industry executives almost exclusively agree that a program weighted toward airside concessions is the best way forward. For new programs, Freibrun advises getting the concessions planners involved early.

"We may get involved too late in the process," he says of new terminal-design projects. "In instances with long linear terminals, where there is not enough square footage to create a density of shopping neighborhoods, you're primarily left with creating a program that is essentially mostly landside."

And all things being equal, airside is more desirable to concessionaires, and potentially more profitable for airports.

"There still is an average 95-minute dwell time once you're airside," notes Banducci. "I think airside is still going to be the most desired place for the higher percentage of concessions, but there is still a market for landside and it can perform very well." 

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

