



Concessions Solicitation Review

Discussion Objectives

- Present Findings from Latest Tasks
- Review Past Work
- Determine Next Steps

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garvinm@stlouis-mo.gov
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Discussion Topics

- Current Program Highlights
- Comparative Airport Analysis
- Solicitation Review
- Concession Policies
- Next Steps

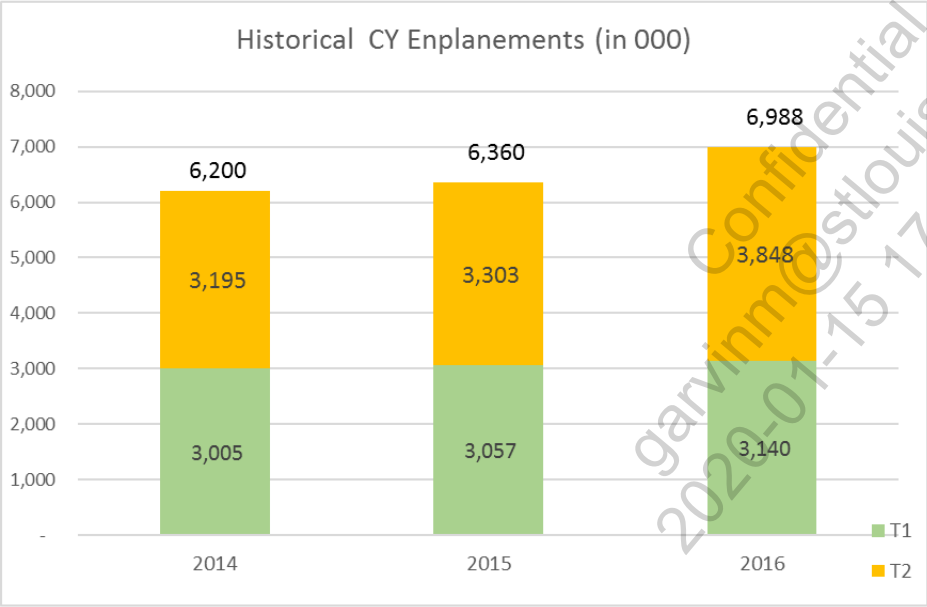
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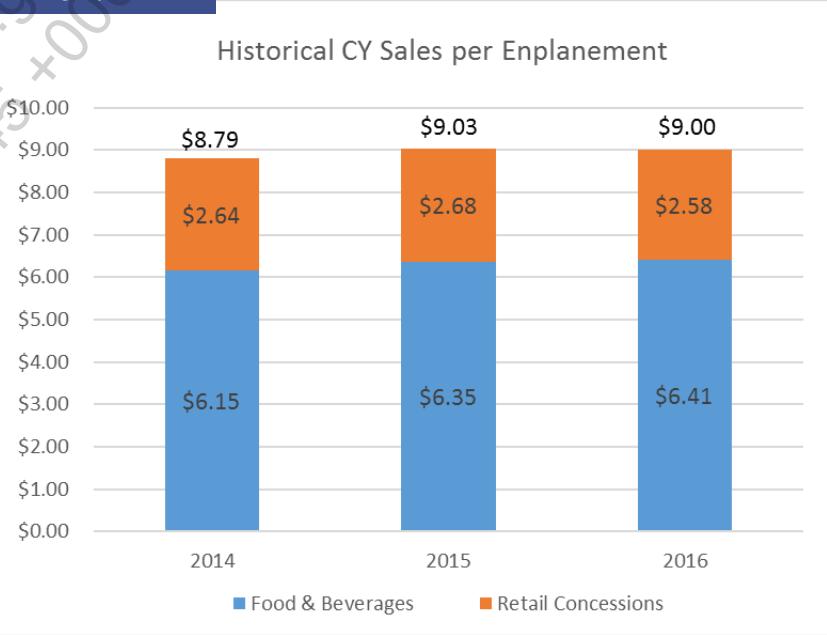
Current Concessions Program Highlights

Enplanements Grew Steadily but Concession Sales per EP were Flat

Average Annual
Growth Rate
is 6%

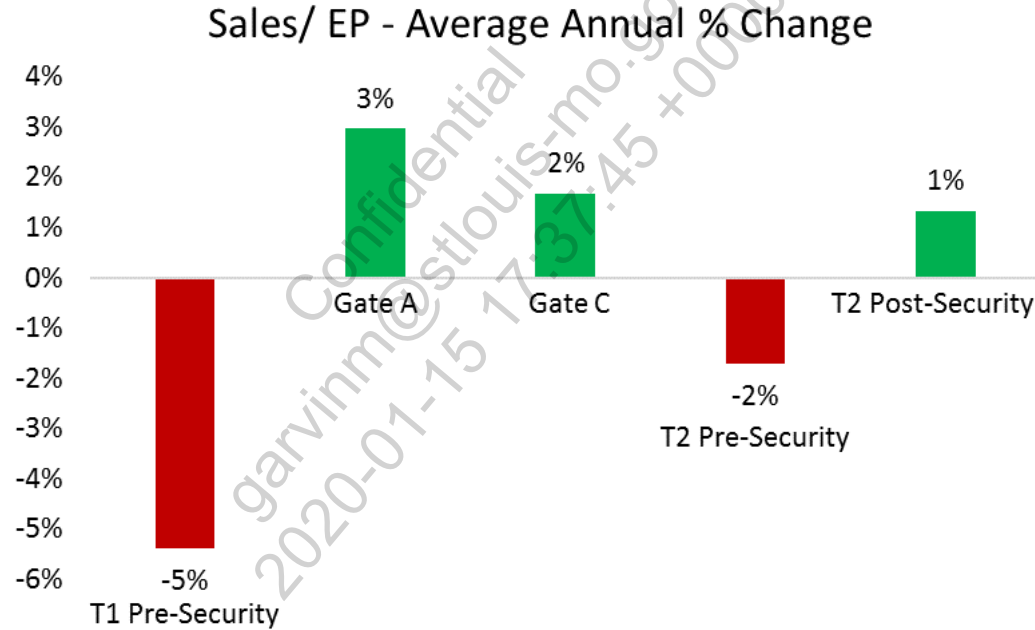


Average Annual
Growth Rate
is 1%



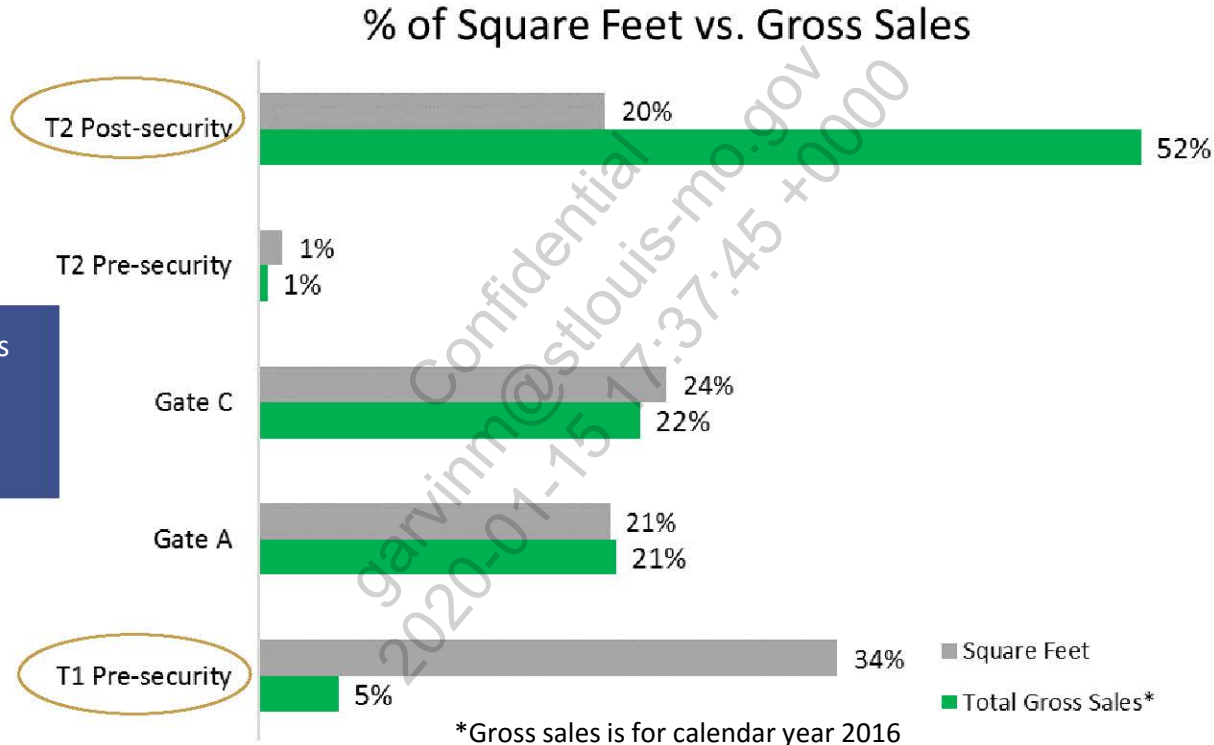
Historical Concession Sales per EP (CY 2014-2016)

- Pre-Security sales declined
- Post-Security sales are steady



Misallocation of Space → Potential Loss in Sales

- T2 Post-Security is Undersized
- T1 Pre-Security is Oversized



CY 2016 Statistics Reveal Program Challenges

- Pre-Security Program is Oversized
- T2 Program is Constrained
- Imbalance of Space:
 - Pre-Security (35%) vs. Post-Security (65%)
 - Retail (20%) vs. Food & Beverage (80%)

Three Performance Metrics are Reviewed:

- Sales per Enplanement
- Sales per Square Foot
- Space Utilization Factor ("SUF") = SF per (1,000/EPs)

Concession Statistics	SF	% of Total SF	Gross Sales	CY 2016 \$/EP	\$/SF	SUF
Food & Beverages						
T1 Pre-security	19,293	29%	\$2,059,369	\$0.66	\$107	6.14
Gate A (Post-security)	11,360	17%	\$9,498,658	\$6.11	\$836	7.31
Gate C (Post-security)	9,867	15%	\$9,443,411	\$5.95	\$957	6.22
T2 Pre-security	945	1%	\$321,693	\$0.08	\$340	0.25
T2 Post-security	10,654	16%	\$23,499,992	\$6.11	\$2,206	2.77
Total	52,119	80%	\$44,823,123	\$6.41	\$860	7.46
Retail Concessions						
T1 Pre-security	2,894	4%	\$906,751	\$0.29	\$313	0.92
Gate A (Post-security)	2,102	3%	\$3,638,694	\$2.34	\$1,731	1.35
Gate C (Post-security)	5,772	9%	\$4,591,371	\$2.89	\$795	3.64
T2 Post-security	2,627	4%	\$8,914,933	\$2.32	\$3,394	0.68
Total	13,395	20%	\$18,051,749	\$2.58	\$1,348	1.92
Total Program						
T1 Pre-security	22,187	34%	\$2,966,121	\$0.94	\$134	7.07
Gate A (Post-security)	13,462	21%	\$13,137,351	\$8.45	\$976	8.66
Gate C (Post-security)	15,639	24%	\$14,034,782	\$8.85	\$897	9.86
T2 Pre-security	945	1%	\$321,693	\$0.08	\$340	0.25
T2 Post-security	13,281	20%	\$32,414,925	\$8.42	\$2,441	3.45
Total	65,514	100%	\$62,874,872	\$9.00	\$960	9.38



Comparative Airport Analysis

Criteria for Comparative Airport Analysis

- Criteria for Selecting Comparative Airports Based Upon One or More of the Following:
 - Southwest Airlines is a dominant airline carrier
 - Primarily O&D market
 - Relatively small number of international enplanements
 - Airport configuration is similar to STL
 - Range of enplanements between 4.0 to 12.0 million enplanements*

*Source: ARN Fact Book is based on 2016 statistics, as provided by airports

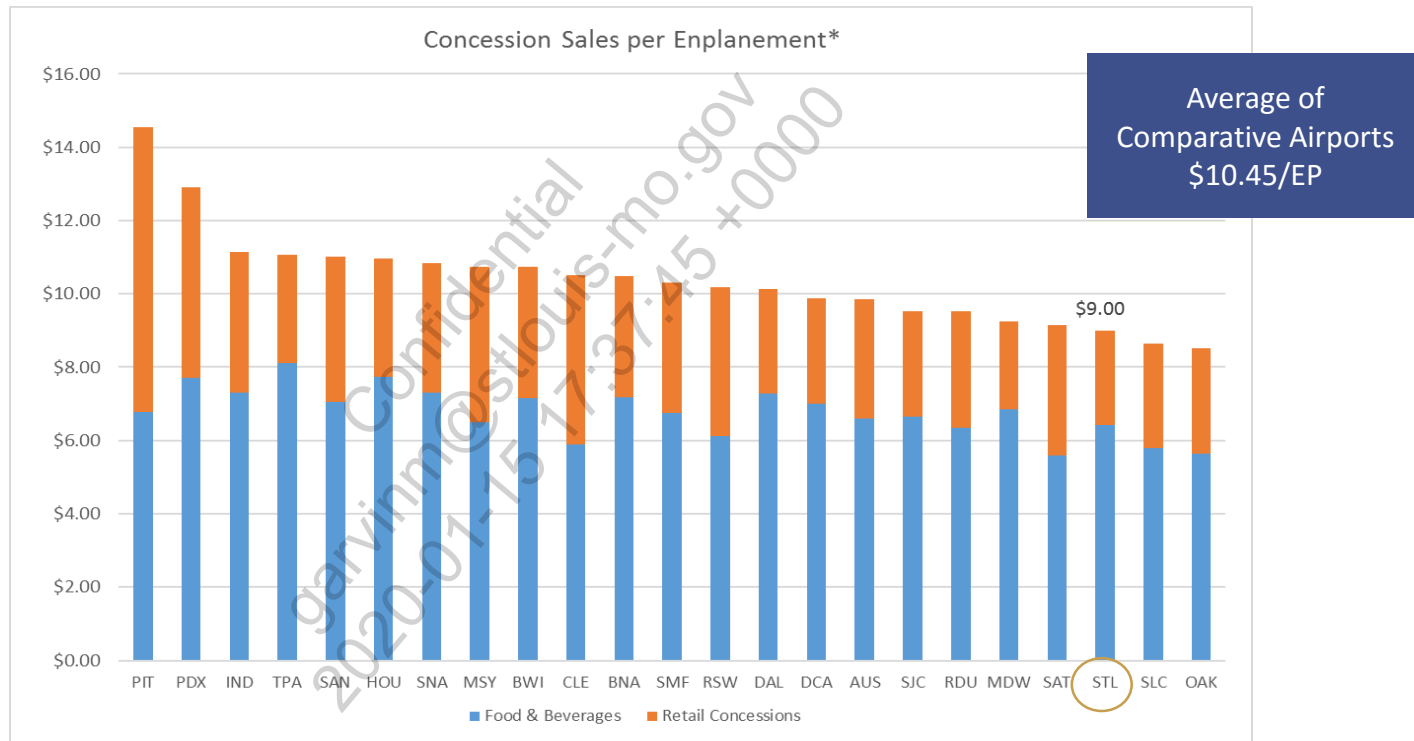
Summary of Comparative Airports*

FAA Ranking	AIRPORT	CODE	HUB SIZE	PRE-SECURITY	POST-SECURITY	TOTAL EPS	INT'L EPS	GROSS CONCESSION SALES
22	Baltimore/Washington Int'l Thurgood Marshall	BWI	Large	19%	81%	12,551,906	207,175	\$134,624,338
23	Ronald Reagan Washington National	DCA	Large	45%	55%	11,739,792	165,246	\$116,076,837
24	Salt Lake City Int'l	SLC	Large	4%	96%	11,582,517	375,693	\$100,104,003
25	Chicago Midway	MDW	Large	1%	99%	11,232,440	392,182	\$103,773,859
27	San Diego Int'l	SAN	Large	17%	83%	10,377,537	379,569	\$114,433,006
29	Tampa Int'l	TPA	Large	39%	61%	9,490,783	421,569	\$105,058,915
30	Portland Int'l	PDX	Large	44%	56%	9,174,957	329,523	\$118,441,977
31	Dallas Love Field	DAL	Medium	3%	97%	7,805,637	0	\$79,066,349
32	Lambert-St. Louis Int'l	STL	Medium	40%	60%	6,988,151	120,809	\$62,874,872
33	Nashville Int'l	BNA	Medium	5%	95%	6,489,739	0	\$68,101,231
34	William P Hobby	HOU	Medium	10%	90%	6,474,432	406,935	\$70,938,576
35	Austin-Bergstrom Int'l	AUS	Medium	7%	93%	6,180,464	129,261	\$60,963,933
36	Metropolitan Oakland Int'l	OAK	Medium	9%	91%	6,041,455	195,475	\$51,411,960
37	Louis Armstrong New Orleans Int'l	MSY	Medium	38%	62%	5,572,101	46,575	\$59,814,647
38	Raleigh-Durham Int'l	RDU	Medium	12%	88%	5,538,855	130,399	\$52,798,038
40	Norman Y Mineta San Jose Int'l	SJC	Medium	6%	94%	5,377,433	338,018	\$51,284,417
41	John Wayne Airport - Orange County	SNA	Medium	5%	95%	5,243,852	170,821	\$56,827,825
42	Sacramento Int'l	SMF	Medium	25%	75%	5,066,042	112,321	\$52,175,391
44	Southwest Florida Int'l	RSW	Medium	40%	60%	4,332,997	188,683	\$44,140,460
45	Indianapolis Int'l	IND	Medium	44%	56%	4,239,928	28,271	\$47,237,427
46	San Antonio Int'l	SAT	Medium	17%	83%	4,305,979	201,716	\$39,392,257
47	Cleveland-Hopkins Int'l	CLE	Medium	4%	96%	4,175,739	97,896	\$43,884,970
48	Pittsburgh Int'l	PIT	Medium	8%	92%	4,151,628	101,488	\$60,343,031
Average:						7,136,277	197,375	\$73,642,101

*Note FAA ranking is based on enplanements

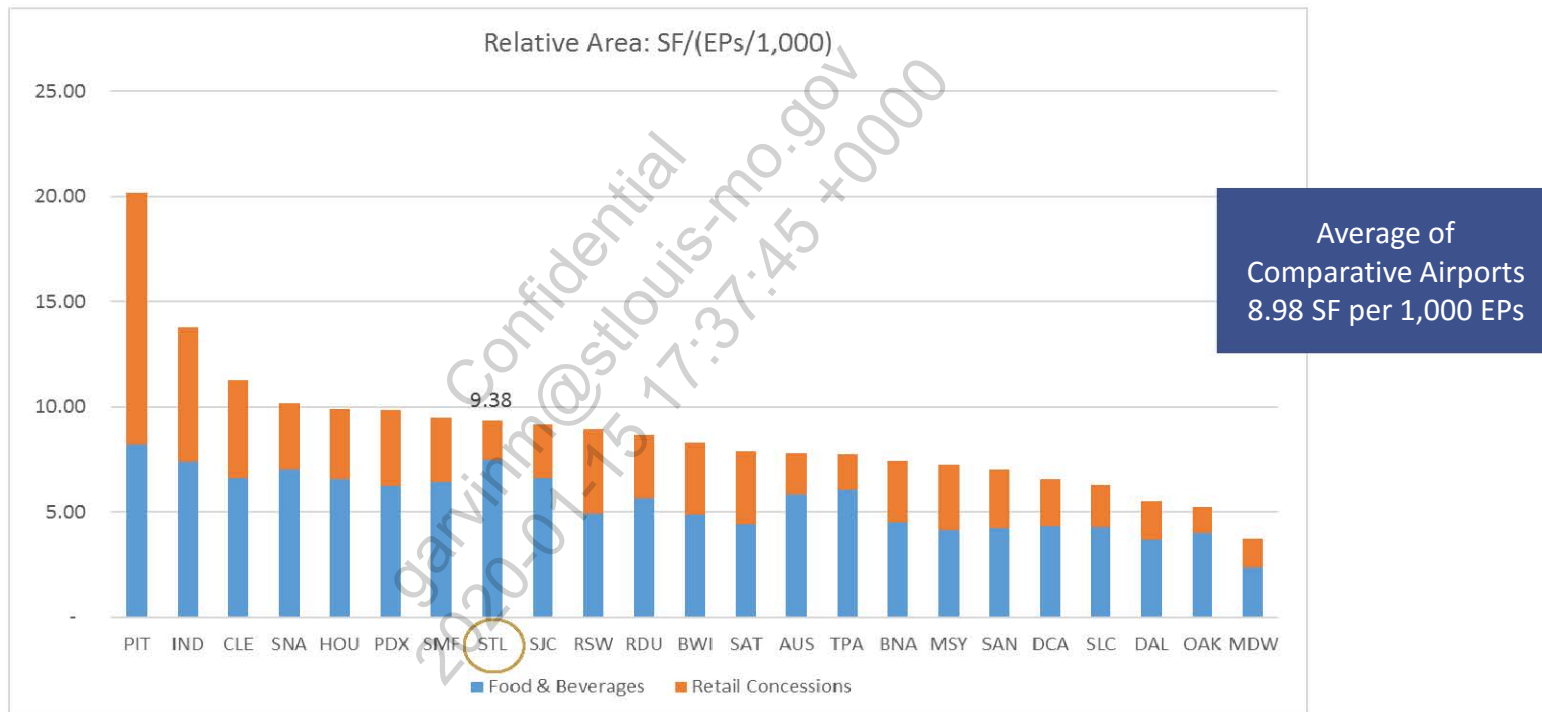
Source for Comparative Airports: ARN Fact Book is based on 2016 statistics, as reported by airports. Sales per enplanement reflects program performance, as shown on next slide.

STL's Sales/EP are Below Average



*Source : ARN Fact Book is based on 2016 statistics, as reported by airports. STL's sales per EP for calendar year 2016 is provided by Airport Authority.

The Size of STL's Overall Program Exceeds the Average of Comparative Airports



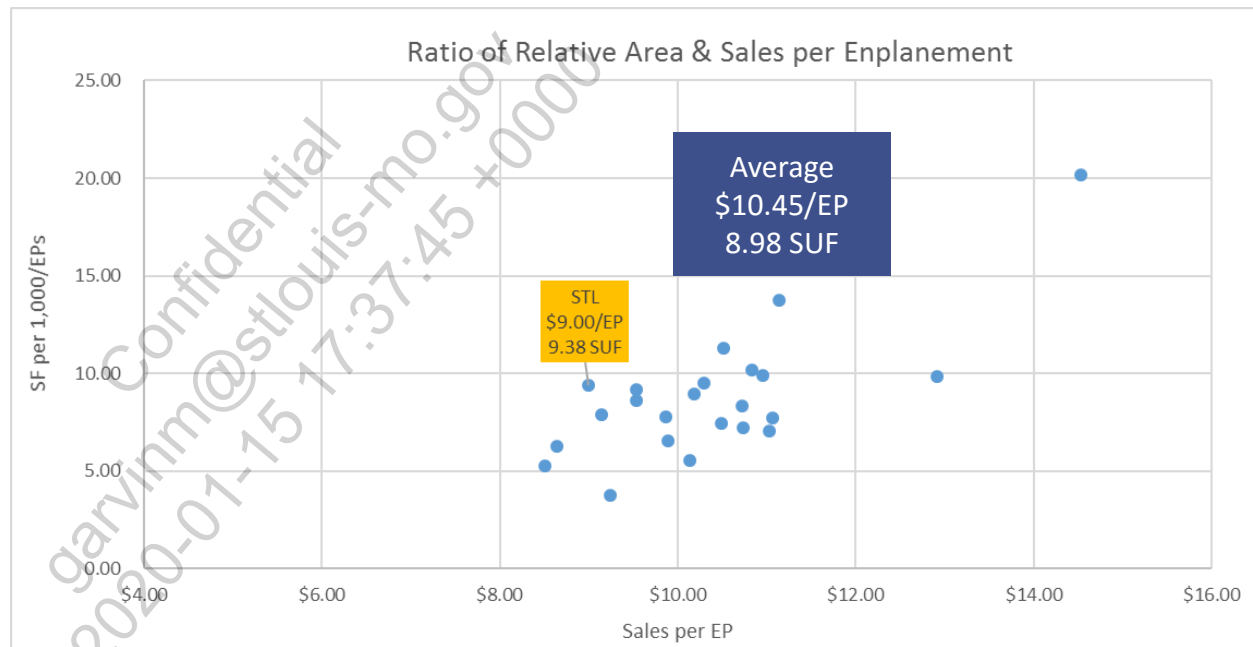
*Source : ARN Fact Book is based on 2016 statistics, as reported by airports.

Analysis Indicates Operating Inefficiencies

- Total Program has More than Enough Square Footage

BUT...

- Sales per EP is Below Average of Comparative Airports



*Source : ARN Fact Book is based on 2016 statistics, as reported by airports

STL Concessions Program is Comparatively Lagging

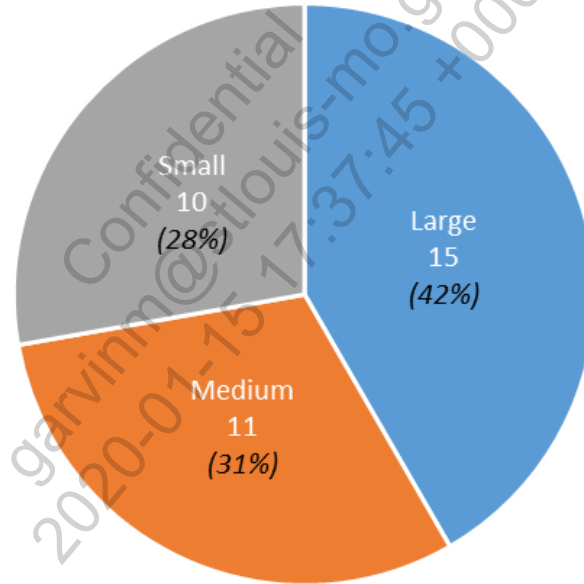
- Retail concessions represent only 20% of total square footage compared to 36% at comparative airports
- STL's Terminal 2 concessions is undersized, as evidenced by its sales ratios: high sales/EP and sales per SF but low SUF
- STL's pre-security concessions accounts for 35% of total space but only 5% of total sales
- Pre-security concessions sales per enplanement decreased by an average of 5% annually from 2014 to 2016



Solicitation Review

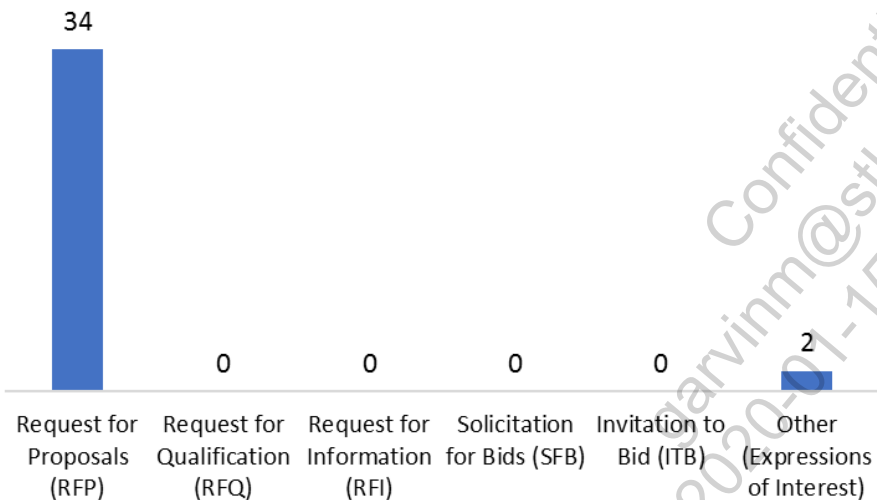
Concession Solicitation Survey Includes a Wide Range of Airports

36 Participating Airports

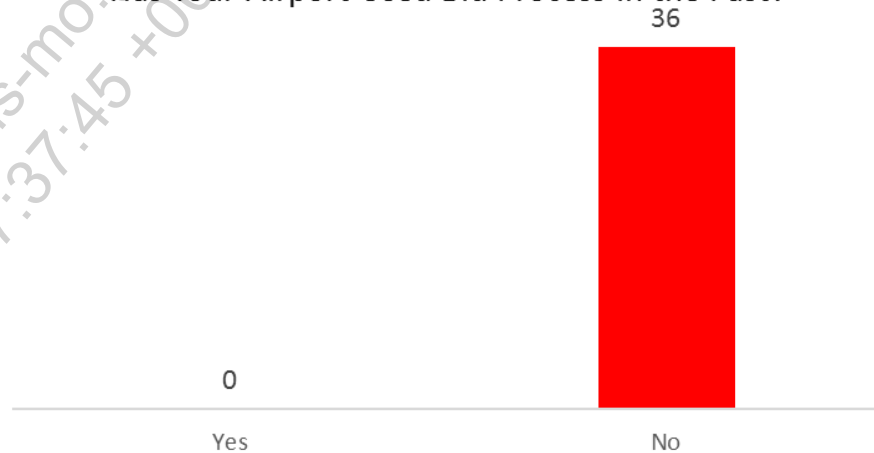


Request for Proposals (RFPs) are Overwhelmingly Preferred by U.S. Airports vs. Bid Solicitations

What Solicitation Method Does Your Airport Use?



Has Your Airport Used Bid Process in the Past?



Summary of Airport Results

Airport	Most Recent Solicitation Info	Solicitation Process Used						Prior Use of SFB / ITB Process	
		Request for Proposals (RFP)	Request for Qualification (RFQ)	Request for Information (RFI)	Solicitation for Bids (SFB)	Invitation to Bid (ITB)	Expression of Interest	Yes	No
AUS	April 2017 - Retail and F&B	●							●
AZA	September 2010 - Retail and F&B	●							●
BNA	March 2014 - F&B	●							●
BOI	January 2014 - Retail and F&B	●							●
BOS	2016 - Program Manager	●							●
BWI	2002/2003 - Developer	●							●
CHS	August 2013 - Retail and F&B	●							●
CLT	October 2009 - Retail	●							●
CVG	February 2017 - F&B	●							●
DAL	2011 - Retail and F&B	●							●
DAY	RFP will be issued in 2019	●							●
DCA	January 2013 - Retail and F&B	●							●
DEN	October 2016 - Retail and F&B	●							●
DTW	2014 - F&B	●							●
ELP	August 2006 - Retail and F&B	●							●
FLL	2013 - F&B						●		●
GRR	April 2016 - Retail and F&B						●		●
IAD	January 2013 - Retail and F&B	●							●
IAH	October 2014 - F&B	●							●
LAX	October 2016 - F&B	●							●
MCI	2002 - F&B	●							●
MCO	November 2016 - Vending	●							●
MSP	June 2015 - Retail and F&B	●							●
MSY	October 2016- Retail	●							●
PBI	November 2007 - Retail	●							●
PHX	May 2017 - F&B	●							●
RDU	October 2016 - Retail	●							●
RNO	July 2017 - Retail and F&B	●							●
SAN	2011 - Retail and F&B	●							●
SAT	2017 - Duty Free	●							●
SDF	September 2015 - Retail and F&B	●							●
SLC	August 2010 - Retail and F&B	●							●
SMF	March 2016 - Retail	●							●
SNA	March 2010	●							●
TUS	March 2016 (no category given)	●							●

Request for Proposals ("RFP") Overview

Airport Issues Request for Proposals

- RFP contains:
 - Minimum requirements (Pass/Fail)
 - Description of concession opportunity
 - Airport market data
 - Process for evaluation and pertinent dates
 - Selection criteria
 - Draft lease agreement
 - Supporting documents: tenant design standards, concessions manual, and/or airport rates and charges
- Proposals can be sent via mail, electronically or in person
- Selection committee reviews proposals based on selection criteria and minimum requirements
- Recommendation for concession award is presented to governing bodies for approval

Request for Proposals ("RFP") Overview

RFP Approval Process:

- Director of Airports
- Airport Commission
- Board of Estimate and Apportionment
- Board of Aldermen

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Request for Proposals ("RFP") Overview

Selection Committee will be comprised of the following members:

- Director of Airports or his/her designee, who will act as chairperson
- One person selected by Director of Airports
- One person selected by Mayor
- One person selected by Comptroller
- One person selected by President of the Board of Aldermen

Request for Proposals ("RFP") Overview

- Minimum requirements establish baseline for qualifying
- Selection is based on ranking of ALL factors (Qualitative and Quantitative)
- Selection criteria may be weighted to focus on goals most important to the Airport
- ACDBE participation may be enhanced as opportunity is not primarily driven by proposed Minimum Annual Guarantee ("MAG")
- Opportunity to increase productivity — and the ability to offer a more relevant concept mix — increases the overall sales potential within the program, which may ultimately yield greater sales and revenues to the Airport
- **Opportunity to negotiate terms and program flexibility**

Qualitative factors impacting program success:

- Concepts/Brands
- Presentation
- Design Innovation
- Management & Operating Plan
- Strength of Local Concepts
- Customer Experience Plan:
 - Strategies to Optimize Service
 - On-going Training
 - Mystery Shopper Surveys

Quantitative factors are considered:

- Minimum MAG
- Capital Investment Requirements
- Feasibility of Pro Forma Analysis

Solicitation for Bids ("SFB") Overview

- Airport issues solicitation for bids
- Bid document contains:
 - Minimum experience and operational requirements
 - Airport market data
 - Basis for award
 - Draft lease agreement
- Since the focus is the highest MAG, less emphasis is given to merchandise plan, concepts and products offered, and customer service
- Bidder meeting minimum requirements and offering "best & highest bid" is awarded concession by Airport Commission
- Concession agreement must be approved by Director of Airports, Airport Commission, Board of Estimate and Apportionment, and Board of Aldermen
- **No opportunity to negotiate terms or program flexibility**

Solicitation Model Comparison

RFP Advantages	SFB Advantages
<ul style="list-style-type: none"> Allows for the objective evaluation of both quantitative and qualitative criteria to achieve highest level of customer satisfaction and enhance the overall customer experience at the airport 	<ul style="list-style-type: none"> Selection of the highest financial bid (MAG) is typical
<ul style="list-style-type: none"> Acknowledges that meeting minimum requirements does not equate to a potentially high performing program 	
<ul style="list-style-type: none"> Incentivizes proposers to offer the latest and most creative brands/concepts/formats 	
<ul style="list-style-type: none"> Discourages reliance on a proposer's basic proprietary brands 	
<ul style="list-style-type: none"> Optimizes sales and revenues to the airport based on overall stronger program (beyond the minimum requirements) 	
<ul style="list-style-type: none"> Avoids unrealistically high MAG bids, resulting in cost cutting, poor performance, and ultimately an underachieving program 	
<ul style="list-style-type: none"> Reduces incidence of request for MAG relief based on unachievable sales 	
<ul style="list-style-type: none"> Provides greater opportunity for ACDBE/local participation as program is not primarily driven by MAGs 	

Solicitation Model Comparison

RFP Disadvantages	SFB Disadvantages
<ul style="list-style-type: none"> Highest <u>proposed</u> MAG may not always be selected 	<ul style="list-style-type: none"> Because selection is focused on highest bid (MAG), operator may cut corners to maintain profitability (i.e. offer limited selection, fewer brands, reduced service)
	<ul style="list-style-type: none"> Terms of the merchandise plan, concepts and products offered, and customer service is de-emphasized since the focus is on the highest MAG
	<ul style="list-style-type: none"> Impedes long-term success for the program since operators are not incentivized to be creative or offer innovation. Operator is simply required to meet minimum qualifications and offer highest bid.
	<ul style="list-style-type: none"> Sales potential is limited, which can ultimately impact revenues to airport
	<ul style="list-style-type: none"> Encourages bidders to advance their most basic and generic concepts to mitigate risk of higher MAG proposal
	<ul style="list-style-type: none"> Often times winning bidder(s) seek MAG relief from airport after a few years of operation due to unrealistic high MAGs originally proposed that are not sustainable over the term of the contract
	<ul style="list-style-type: none"> Limits participation with ACDBE/ Small/Local operators
	<ul style="list-style-type: none"> No ability to negotiate terms and program flexibility

Key Considerations to Change from SFB to RFP Process

- RFP Process Offers Greater Advantages
- SFB Challenges Impede Long-Term Program Success
- RFP Model Best Meets Goals of Concessions Program

Traditional Concessions Program Goals:

- ✓ Enhance Passenger Satisfaction
- ✓ Offer Innovation and Technology Features
- ✓ Encourage Healthy Procurement and Program Competition
- ✓ Provide an Efficient Operating Environment
- ✓ Support Concessionaire Financial Success
- ✓ Increase Non-Aviation Revenue
- ✓ Highlight the Local Area Through Design and Product Offerings
- ✓ Provide Greater Opportunities for ACDBE/Small/Local Operators
- ✓ Provides Opportunity to negotiate terms and program flexibility



Concession Policies

Concession Policy is the Blueprint to Achieve Goals

At a minimum, the contents should include:

- Document Purpose

Internal direction for Authority/Airport staff as the primary purpose of the policy, along with other statements regarding protocol.

- Goals/Objectives for the Concessions Program

Concessions goals or a vision statement for the concessions program, that define a set of principles upon which the program will be planned and merchandised

- Code of Conduct / Ethics

Code of conduct or ethics rules regarding Authority/City solicitation process

Composition of selection committee is defined

Concession Policy is the Blueprint to Achieve Goals

Recommended contents should include:

- Delegation of Authority within Organization
- Compliance with ACDBE and other Fed Requirements
- Terms of Contracts (Term Limits)
- Methods of Advertisement for Solicitations
- Full & Open Competition vs. Direct Negotiation
 - What constitutes the need for one versus the other
- Policy for Incubator Program, such as temporary or "pop-up" concepts
 - Guidelines for consideration and selection process
- Types of Solicitation Methods Eligible for Use
 - Reasons/rationale for why/when each method is employed
- Solicitation Process
 - Composition of Selection Committee
 - Step by Step overview of the process for each solicitation method
 - Evaluation and Selection Process
 - Contract Approval and Execution
- Protest Process



Next Steps

Next Steps

1. Present Study Findings

- Engage with key airport stakeholders to request consideration of adopting an ordinance change to allow RFP versus SFB for concessions at STL

2. Formalize Airport and Concession Program Goals and Objectives

3. Develop Concessions Policy for STL



409 W. Huron, Suite 400
Chicago, IL 60654
www.unison-ucg.com
