



AIRMALLED: Failures of the Airport Concessions Developer Model

Less Rent Generated Under the Developer Model

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Passenger sales are an essential part of the success of an airport’s concessions program. The higher the spend-per-passenger, the greater the resources available to be shared by airport stakeholders, including concessions operators, the concessions workforce, and the airport system itself. Revenue collected by the airport system from its concessions operations helps to cover airport operating costs not covered by airline revenues.

Each concessions redevelopment process is an opportunity to improve an airport’s non-aviation income by increased concessions sales. However, the success of the concessions program should be ultimately determined less by overall sales and more by the overall benefit to the airport system itself. Airports should seek to ensure that they capture a fair portion of the concessions volume in rents reflective of the U.S. airport industry.

An analysis of rents collected by airports from Airmall USA indicates that both the overall percentage rent and rent per enplaned passenger do not measure up under Airmall’s management structure.

Rent paid by Airmall USA at its respective operations in 2009¹

Airport	Percentage rent / sales	Rent per Enplaned Passenger
Baltimore Wash. International (BWI)	11.6% ²	\$1.00
Boston Logan International (BOS)	10.4%	\$1.27
Pittsburgh International (PIT)	10.1%	\$1.39
Cleveland Hopkins International (CLE)	9.8%	\$0.57
OVERALL PERFORMANCE	10.7%	\$1.04

*The **Airport Group** is the Airport and Infrastructure Research, policy and development arm of UNITE HERE, the labor union for airport food and beverage and retail workers.*

¹ Based on 2009 sales and rent data provided by respective airport authorities. Passenger data taken from Airport Revenue News Fact Book 2010.

² Sales data taken from Airport Revenue News Fact Book 2010. Rent data provided by Maryland Aviation Administration.



While on average, other major non-developer airports collect about 15% of total concessions sales generated, airports utilizing Airmall USA bring in only 10.7% of total sales under Airmall's management. An analysis of the U.S. airports without private developers in ARN's 2010 Top 50 Performing North American Airports list indicated that the average rent per enplaned passenger was \$1.33, as compared to the \$1.04 per passenger collected by airports from Airmall's operations.³ Baltimore Thurgood International Airport generated \$1.00 rent per enplaned passenger in 2009. Failure to achieve the average rent per enplaned passenger rate of \$1.33 amounted to \$3.5 million in uncaptured rents to the State of Maryland in that year alone, revenue that would have benefited the airport's operations and could have been used to reduce overall aviation related costs.

Recommendation

Most airports manage and develop successful, revenue-generating concessions programs themselves. These airports hold an advantage in having direct control over their concessions operations and capturing higher overall returns from resulting sales. Airport markets with private developers should be valued negatively when compared against markets with this advantage.

*This is the first of the Airport Group series:
Airmalled: Failures of the Airport Concessions Developer Model.*

Throughout 2011, the Airport Group will be assessing performance and consequences attributable to the concessions developer model.

³ Based on the 25 U.S. airports without a private developer on this list which provided rent figures in the Airport Revenue News Fact Book 2010.