



# Retail therapy

Beaches, mountains, ski slopes – airports are the gateways to just about anywhere, but rarely thought of as a destination in their own right. Passenger experience in airports is closely tied to the quality of retail opportunities, and these are worth investing in, according to **Connie Mundzak** of Tampa International Airport. Even when passenger numbers are low, having the right shops can provide an important revenue stream.

**C**apturing non-airline revenue is crucial for any airport that wants to prosper, but with pressure in the wider economy pushing passenger numbers down and squeezing margins, doing so is no easy task.

One way of tackling this problem is by providing a carefully considered blend of retail opportunities that match the needs of passengers, a method that many airport owners are using to prop up their figures.

It's something they're putting into practice at Tampa International Airport in Florida, US. The airport's retail revenues fell 2.5% last year, a drop cushioned by the fact that it was the local airport for the Super Bowl in February 2009 – the airport sold \$1.2 million in Super Bowl goods in that month alone. But, says Connie Mundzak, the airport's concession and business development manager, the figures are quite good considering that passenger numbers are also down by 3%.

The airport has been promoting itself as a shopping destination in recent years, and increasing the number of branded outlets that are familiar to passengers – and their meet-and-greeters – has been a central part of

its strategy. The past two years have seen names like Harley-Davidson, Brookstone, TGI Friday's and Carrabba's Italian Grill take up residence as part of a \$13.8 million retail and restaurant remodelling project funded by HMS Host International, the airport's long-standing contractor.

"In 2007, we renegotiated an extension to our bar and food retail contract to bring in more branded concepts on the airside, especially on the transfer level," says Mundzak. "As well as the people sitting by the

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gates and waiting for flights, we found that we had a ratio of two meet-and-greeters to every passenger, so we wanted to capture that revenue.”

But despite the success of the refurbishment, the airport wants to bring fresh thinking into its retail strategy, and intends to start looking for a new contractor.

"Now, there is more retail airside than landside. We're working with HMS Host International through to 2015, but in 2012 we are going put out a request for proposal (RFP) for a new concessionaire. We want proof of revenue production, experience and creativity. We haven't done an RFP before because HMS Host has been our partner for a long time. Many of the players rely on national contracts, but we are looking for a big player with local and regional contracts. There are lots of people interested in working with Tampa," Mundzak adds.

## Local knowledge

Tampa International is a relatively small airport compared to the local competition. Its outbound passenger numbers peaked at 9.6 million in 2007, falling to 8.5 million in 2009. Orlando International Airport processed 33.7 million passengers last year. This means Tampa has to be shrewd in its investments, particularly

on the retail side. Fortunately it benefits from a successful design project that took place more than a decade ago.

"Everyone has to go through the main terminal, and we have a bonus there in terms of layout," says Mundzak. "Everything is very accessible. Our facility is perfect in that it has short walking distances, and in 1997 we gutted and renovated the transfer level, putting in glass units so that the area does not look cluttered.

"About 70% of our revenue is non-aeronautical, and we want to keep that percentage. It helps us to keep the per passenger costs down for the airlines, so our non-airline tenants are very important to us."

Good design and the right blend of brands and restaurants are not the only thing an airport the size of Tampa needs to do well, however. Knowledge of the local market has been an equally influential part of Tampa International's success in maintaining retail revenues, as has a willingness to learn from strategies that have been employed at other airports.

"To maximise revenues we need to look at trendsetters like Heathrow, which leads the way in bringing in branded concepts," says Mundzak. "Shoppers want known commodities, foods and retail brands. We believe that retail revenue would have seen double-digit growth were it not for the period of financial difficulty in the broader economy."

But the airport has stopped short of hiring external consultants, who could end up charging to apply a formula that does not necessarily suit its specific qualities, in favour of developing ideas in-house from people who have first-hand knowledge of the local market.

"Our philosophy is to use the creativity of the staff who know the airport instead of looking externally. Consultants might be able to help with issues such as branding, use

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of space or product displays, but with passenger numbers down we don't have that kind of money to spend. We hope to be able to do so by 2012, but for now we have to work around that limitation. But we can use our good instincts as shoppers to determine the right blend of retail opportunities."

#### **Successful formula**

An in-depth understanding of the local market has proven its worth in recent decisions about which retail brands to introduce to Tampa International. The airport had previously brought in United Colors of Benetton, a highly popular brand in Europe and northeast

US. Florida, however, has more retirees than anywhere in the US, and the kind of skimpy clothes stocked by Benetton did not suit a market where 60% of the population is more than 40 years old.

"A similar thing happened with a store that sold flip-flops, which closed in less than two months," says Mundzak. "So instead we have brought in a high-end pet supplies shop, Dog-E-Works, because we know we get a lot of pet lovers in the airport. You must know your demographic."

Following the RFP to choose a new contractor, Tampa International will be able to explore new opportunities to build on the expanded retail presence it has already built up. New ideas, coupled with the airport's in-house knowledge, will enable it to keep things fresh while still responding the needs of its customers.

"It will be beneficial to look and see who is out there. A new contract could be way more exciting. An RFP of this magnitude is a hassle, but we want to procure competitively," says Mundzak. "Improving passenger experience and increasing retail revenue go hand-in-hand." ■

