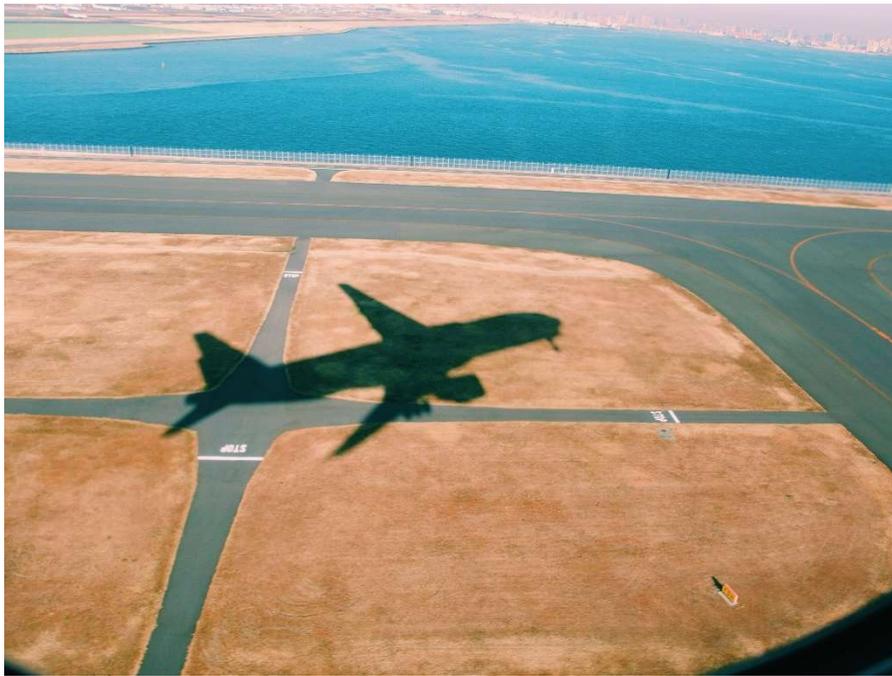


# Quick-Guide to the Airport Retail and Food & Beverage Industry

MSource Ideas, 2018





## Summary

This is a brief overview of the U.S. and to some extent, global, airport industry for consumer products companies, retailers, food and beverage and restaurant operators, who would like to learn more about operating their businesses in airports.

### **We provide an overview of:**

- 1/ Industry Structure
- 2/ Leading Businesses and business types operating in the industry
- 3/ Media groups, trade associations, conferences and trade shows supporting the airport retail industry



## 1/ Industry Structure

### **Government Entities**

Airports are government entities; they all receive federal funding from and are regulated by the Federal Aviation Administration and are also funded by the state and city where they are located.

The food & beverage and retail concessions in airports are there to provide a service to consumers, and the rent revenue those retailers pay goes to offset the cost of operating

the airport, which reduces the landing fees airlines pay. Ultimately the revenue subsidizes air travel and goes to capital improvements in the airports.

### **How Leasing Decisions Are Made**

The retail concessions in airports are leased out, usually terminal by terminal, under long term leases.

Because leasing of these spaces are essentially government contracts, they follow formal bidding processes, using a request for qualifications, (RFQ) and request for proposal (RFP) process.

The dates of expiration of current leases for each terminal at all major US airports can be found in the ARN Fact Book (Airport Revenue News – see below for details).

Any business can ask to have themselves put on the email update lists for notices about upcoming Requests for Proposals for space.

In some cases, airports have decided to use commercial real estate companies to manage the leases for them. An example of this is Westfield, which is a major shopping mall owner and manager in the US, Europe and Australia. These companies bring their retail expertise and retail relationships to the airport retail market to create a shopping mall type experience at an airport.

However, Westfield only handles a few airports; they manage some of the terminals at JFK, Newark, Boston Logan, Chicago O'Hare, Miami Intl, Orlando Intl and Los Angeles (LAX) and Houston Intl.

Another example of this is Marketplace Development that manages the retail concessions at Philadelphia Intl airport, LaGuardia, NY C Main terminal, Reagan Intl (Washington DC) and Dulles airport (DC)

In some cases, airports will lease a large area, say an entire terminal or several terminals to a 'Master Concessionaire', which would be a large airport food & beverage/retail operator such as World Duty Free Group, Areas, or Dufry.

Those Master Concessionaires may in turn be required to re-lease or subcontract a certain % of their master contract to smaller operators, or Disadvantaged Business Enterprises (DBE's). So, the large airport retail companies are looking to form partnerships with reliable, qualified DBE companies.

### **More about DBE's**

Disadvantaged/Woman Owned Business Enterprises (minority and woman-owned businesses) are a factor in airport retail. Because of the role of federal and state funding in airports, many airport retail programs are required to allocate part of their retail space to DBE companies.

Airport leasing decision makers will allocate a certain %, say 15% of their retail space/contracts to DBE's. In some cases, they may have a goal to achieve their DBE target % if they can find enough qualified DBE's.

In some cases, as described earlier, Master Concessionaires (large global operators such as World Duty Free Group) may be awarded large parts of an airport retail space, but to do so they may in turn be required to re-lease or subcontract a certain % of their master contract to DBE's. So, these large players are looking to form partnerships with reliable, qualified DBE companies.

In some cases, they may be able meet the DBE % requirement by using DBE vendors

### **Freedom of Information**

Because airports are all government funded entities, they are obligated to be transparent about information, under freedom of information laws. So important business and financial information, including sales information of existing airport retailers, traffic information, rents etc. are usually available for airports if you make the inquiry as a 'freedom of information request' to the right parties. It is sometimes time consuming to find the right person to ask, but it can be done.



## 2/ Leading Global Airport Businesses

The airport retail industry is fairly consolidated, with large global, often European based companies operating at multiple airports throughout the world. Many of them grew by acquiring smaller airport players. For example, Autogrill, Italy, purchased a group of European travel retail companies around 2000 and also acquired HMS Host in 2000 and is now the World Duty Free Group. Dufry, a major Swiss player acquired Hudson News in 2005, and acquired Nuance, last year.

Here are some of largest global airport food & beverage, and retail companies, many of which have North American operations.

### **World Duty Free Group (formerly Autogrill)**

The Italian company owns WDF in the UK (with limited airport retail operations in Europe), and Aldeasa in Spain, which has substantial airport concessions in the Americas (including Canada, Mexico, Peru and Chile) and Jordan.

A recent consolidation of management and other operations at the two groups has led to their joint renaming as World Duty Free Group.

### **Aer Rianta International (ARI)**

ARI is the international division of Dublin Airport Authority and has a travel retailing history dating back to the establishment of the world's first airport duty free facility at Shannon Airport over 60 years ago. It was also a pioneer duty free operator in the former Soviet Union.

Today, ARI manages airport retail operations in North America, the Caribbean, Eastern Europe, Russia, Ukraine, Cyprus, India and the Middle East, including Bahrain, Muscat, Oman and Qatar. The company also owns a 20% stake in Düsseldorf Airport in Germany.

### **DFS Group**

The retailer, majority owned by LVMH, is primarily a downtown duty-free retailer with less than half of its revenues coming from airport locations, which include Los Angeles, San Francisco, Hawaii and Hong Kong airports.

Recently, the company has expanded into the Middle East at Abu Dhabi's Terminal 3 and Mumbai-Chhatrapati Shivaji International Airport in India. DFS has a stated aim of "moving toward high-end products", which means that its airport activities are likely to be limited to large hubs.

### **Dufry**

Dufry operates more than 1,160 shops globally at airports, seaports on cruise liners and other tourist locations. The company has been very acquisitive since its IPO in 2005.

It bought the very profitable Brazilian airport retailer Brasif, floated it and finally merged it with the main company last year. The year before it acquired airport retailer Hudson Group (Hudson News) with 550 shops in 69 airports in the US and Canada, and this year the company bought Interbaires, the top airport retailer in Argentina, plus smaller players in four other countries.

### **Gebr Heinemann**

Germany's family-owned Gebr Heinemann operates over 230 Travel Value/duty free shops at 48 international airports in 19 countries, with a strong geographical focus on Europe, Eastern Europe in particular, and Turkey.

It also has operations in South Africa and is expanding its presence in Asia having opened an office in Singapore. The company often works in joint venture with local partners.

## **LS travel retail**

This division of Lagardère Services, part of France's giant Lagardère Group, is focused on airports in Europe and Asia.

LS travel retail includes Aelia, an airport retailer primarily operating at French airports as well as locations in the Czech Republic, Poland and the UK. The company has expanded fast in Asia with the addition of 14 new outlets bringing the number of stores there to 67.

LS travel retail has a strong presence at Sydney Airport plus stores at Melbourne and the four main airports in New Zealand.

Much of the revenue comes from the Relay brand's 1,200 press and convenience shops. In 2015, LS Travel Retail acquired Paradies, an Atlanta, GA based U.S. airport news and gift retailers with over 500 stores.

## **Areas**

Areas is a global Travel Retailer based in Spain, but with operations throughout Europe, South America and North America.

Their US division is Areas USA, based in Miami, FL

## **Smaller Companies**

Besides the large global companies there are large and medium sized North American Groups like Delaware North, Buffalo, NY with airport concessions contracts throughout the U.S.

In addition, there are smaller, regional or local companies that are DBE's that operate News and Gift stores and Restaurants in one or more airports, perhaps also operating a franchised food concept. Examples of these types of companies are English Concessions, from Cleveland OH, I Love L.A. from Gardena, CA, Shellis Management Services, Atlanta, GA and Newslink, Miami FL. There are many more.

Most of the major and smaller airport food & beverage and retail companies are listed in the ARN Fact book (see below for details)



## 3/ Industry Associations and Conferences

### **Airport Revenue News (ARN)**

This is the leading media group for the airport retail industry. ARN publishes an online and print magazine and hosts an annual conference and trade show for the retail industry in airports. Their fact book that they update yearly, is a very valuable collection of information about retail in airports.

**[www.airportrevenuenews.com](http://www.airportrevenuenews.com)**

## **ARN Fact Book**

- More than 100 participating North American airports
- More than \$8 billion of total sales data
- Contact information for key concessions leaders
- Lease expirations through 2040
- Terminal-by-terminal tenant details
- Profiles of key airport food & beverage and retail operators

## **Airport Minority Advisory Council (AMAC)**

This is a very important organization for understanding and breaking into the whole DBE business aspect of airports.

### **AMAC Mission**

The mission of the Airport Minority Advisory Council is to promote the inclusion of minorities and women in employment and contracting opportunities throughout the aviation industry.

### **Regional Associations of AMAC**

AMAC has regional associations that you may be able to get involved in.

- Eastern Region: New York, New Jersey, Pennsylvania, West Virginia, Virginia, Delaware, Maryland, District of Columbia
- Northeast Region: Massachusetts, Connecticut, Vermont, New Hampshire, Maine, Rhode Island

**amac-org.com**

## **Airport Councils International**

This is an association that has many annual conferences throughout the year, most of which are not concerned with airport retail, but other aspects of operating airports. However, some of their conferences and events are to do with the retail side of airports.

**aci-na.org**

## **TFWA World Exhibition**

Founded in 1984, TFWA is the world's biggest duty free and travel retail association, providing the industry with high-quality exhibitions, acclaimed conferences and workshops, and in-depth market research.

**Tfwa.com**

## **Middle East Duty Free Association MEADFA Conference**

Organizers: MEADFA & TFWA

this is an association of airports in the Middle East, which holds an annual conference.

**meadfa.com**

### **Travel Goods Association**

This is an association with an affiliated trade show for the travel goods industry. This is a wholesale trade show where retailers that sell travel goods i.e. Luggage and associated products, shop for merchandise.

**[travel-goods.org](http://travel-goods.org)**

### **International Association of Airport Duty Free Stores**

**[iaadfs.org](http://iaadfs.org)**

### **Asia Pacific Travel Retail Association**

**[aptra.asia](http://aptra.asia)**



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