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How to land in an airport

By Beth Mattson-Teig

It is easy to see why airport stores are a hot commodity: The coveted locations generate big sales numbers, plus promote the brand to millions of potential customers.

"We do very well at airports and think it's a really great opportunity for the brand to be showcased in a different way," says Jennifer Durham, the interim chief development officer and vice president of finance for Tampa-based Checkers. "You have the ability to take that brand and bring it to folks who may never have experienced it." Checkers currently has two franchise locations at Buffalo Niagara International Airport in New York and Hartsfield-Jackson International in Atlanta. The hamburger chain also has a third location under development at Baltimore/Washington International Airport.

According to Airport Revenue News, the top 50 performing airports in North America produced a total of 550 million enplanements in 2009 with passengers spending an estimated $4.9 billion in the terminals' stores and restaurants.

Although passenger traffic and sales can vary widely depending on the individual airport, as well as the location within an airport, operators are drawn to these non-tra-

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ditional venues for the lucrative sales figures. For example, food-and-beverage tenants at Hartsfield-Jackson Airport generate sales that average $1,970 per square foot, while specialty retailers generate sales of $1,296 per square foot, according to fiscal 2011 data. That volume is well above the current mall average of $405 per square foot for all tenants and even significantly higher than mall food court sales of $799 per square foot, according to data supplied by the International Council of Shopping Centers.

With such high-sales numbers, it is no wonder that airports charge premium rental rents. Typically, airports charge straight percentage rent versus a cost per square foot with a net effective rent percentage ranging between 10 and 22 percent. Yet most brands find that airport locations outperform traditional stores even with the higher operating costs. For example, rents for Checkers' airport locations range from 10 to 15 percent of sales, which is about 50 percent more expensive than a traditional lease at a freestanding store or shopping center location. However, that expense is more than offset by higher sales.

Gaining a toehold

It isn't easy to access airport locations, but franchisees are proving those opportunities do exist. Airports are unique landlords with their own requirements, processes and approval systems. Oftentimes, airports issue requests for proposals or put concession opportunities out for a competitive bid situation. Many airports prefer to work with the large concession operators such as HMSHost or Master ConcessionAir that have the track record, expertise and brand relationships already in place.

Atlanta-based Rising Roll Gourmet was contacted by four different concession operators who were putting together proposals for the Hartsfield-Jackson Airport, which is the busiest airport in the world with more than 36.5 million passengers per year. Rising Roll Gourmet opted to partner with HMSHost, and the brand is waiting to hear if it will be part of a winning bid that will land the sandwich chain its first airport location.

"One of the trends that is emerging across many airports is that airports want to stock their concourses with retail and restaurant tenants that have a local flair. That is an opportunity for a company like us," says Mike Lassiter, president of Atlanta-based Rising Roll. In the case of HMSHost, they did a great job in gathering strong name-brand companies that are based in Atlanta to be in their RFP, he adds. The Atlanta Airport Review Board is reviewing proposals and is expected to announce its decision later this fall.

Airports also are willing to work with individual franchisees with proven airport experience and have the ability to bring in multiple brands. "It is hard for a franchisee of a freestanding location to go into an airport. So we have been focusing on existing franchisees that already have that experience," says Durham.

Franchisee Mack Wilbourn opened a Checkers location at Hartsfield-Jackson about six years ago. Although Wilbourn was the highest bidder for the one-store restaurant contract, he also had proven airport experience with a presence at the airport since 1996. His company, Mack II, also operates a Popeyes Louisiana Kitchen on Concourses B and C and an Edy's Ice Cream in the Atrium.

Adapting to small spaces

Having proven experience is essential as franchise operators have to adapt to the different conditions and requirements that airport locations command that range from hours of operation to customer service. "One of the big differences is the amount of space you have to work within," says Wilbourn. Every square inch is valuable, and you have to maximize that space for everything from storage to producing and delivering product to the customer, he adds.

Food and beverage tenants also need to provide a variety of offerings that appeal to customers on the go at all times of the day. Checkers developed a breakfast program, and also has expanded the menu at its airport location to include fruit and salads. "Because it is not a traditional location, customers want everything from A to Z," says Wilbourn.

One downside of airport locations is a large portion of flights depart prior to 10 a.m. "Unfortunately, ice cream is not popular as a breakfast item," says Dan Ogiba, director of franchise development for Häagen-Dazs Shops in Minneapolis. Häagen-Dazs currently has eight franchisee-operated airport locations in Miami, Dallas-Ft. Worth, Denver and Chicago.

"We do have smoothies, baked goods and coffee in our airport locations to try to pick up some of that business, but the main part of our business is in the afternoon and evening," says Ogiba. Another challenge is stores are reactive to any changes that happen within the airport. "So, as airlines move gates or the airport changes some of their flight schedules or where flights depart from, that can have a dramatic impact on your business – positively or negatively," he adds. FT