



Leigh | Fisher

A 360° analysis of the present and future potential of airport food & beverage

Airport Food and Beverage (FAB) conference 2019
Dallas Fort Worth

Dan Cappell Director
FAB 2019
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Thanks to The Moodie Davitt Report “The web site that never sleeps”.



- Thanks to DFW and all the Sponsors.

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Brief for this session is to set the scene as an “external observer” but with an insider perspective from my background and past life.

- A brief overview of the aviation market.
- Legacy infra structure and demand for capital investment.
- The importance of Food and Beverage Concessions within the overall business.
- Review of the evolution of Food and Beverage and what's next.
- Competition from the super hubs.
- Thought-provoking topics and the sensitive issues of concession fee's, pricing policies, and tenure of contracts.

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“Aviation plays an important part in the global economy. It’s expected that people will spend \$919 billion on air travel this year-approximately 1% of world GDP”.



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IATA released their global passenger forecasts for 2019 and are looking at the new year with “cautious optimism” Alexandre de Juniac IATA’s Director General & CEO.

- 2019 forecast 4.6 billion up from 4.34 billion in 2018, this is expected to nearly double by 2036 to 7.8 billion
- Global Airline industry expected to perform strongly in 2019 , net profit forecasted \$35.5b **revised down to \$28 billion in June 2018.**
- Margin net post-tax profits expected to be 3.2% down from 3.7% in 2018 previously 4% F/C
- Average net profit per departing PAX **\$6.12** down from \$6.85 in 2018
- North American airlines lead industry average profit per PAX forecast **\$14.77** (\$2.30 in 2012)

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- Add to this multiple major infrastructure development projects from LAX to SFO , the New York Port Authority to Pittsburgh, Denver to Phoenix, Chicago to Washington-Dulles, Jacksonville to Dallas Fort Worth to name but a few, one could confidently state that the outlook on the surface is extremely positive.
- Based on all the positives, it is not unreasonable to state this can only bode well for airport food and beverage, retail and all customer service concession businesses for both the Global and North American airport sector.
- Or perhaps NOT necessarily so?

The 2018 ACI North America outlook report stated that the nation's airports are falling behind. US airports need new infra structure investments to modernize for the 21st century air travel demands.

- **With over \$100 Billion+ in annual infra structure needed today, current funding only scratches the surface of airport funding requirements. ACI estimate that;**
- **\$38 billion are needed for terminal buildings.**
- **\$19 billion in airfield capacity and standards.**
- **\$15 billion in reconstruction and;**
- **\$13 billion in surface access to name but a few.**

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- **The reality is much of the airport infra-structure in the United States is old legacy infra-structure.**
- **Terminals were not designed or built to optimize commercial concession returns or optimize the customer experience.**
- **This in turn severely impacts the commercial concession programs ability to expand with the right amount of space, in the right location on the passenger's journey through the airport.**

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- The commercial offers are generally in concourses that are aligned to a railway carriage in design, do not deliver the required square feet / meter per PAX benchmarks, or deliver space that is “commercially friendly”.
- If there are not enough seats at peak hour and ques out of the door, it does not matter if your experiencing a 20% increase in traffic, you will not see the corresponding returns in sales and income returns.



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- **Profit is not always the No1 objective.**
- **GDP contribution, employment within the City and State.**
- **Core focus on reducing costs for the airlines and in many cases, this is the Airports No 1 priority in North America.**
- **These fundamental differences prevail a very different commercial environment and focus within the business.**
- **The commercial culture and business environment, KPI priorities and commercial focus is totally different, when the airport is publicly listed, as appose to government / city managed and operated.**

Simply put F&B and Retail have nowhere near the share of voice in the USA, as elsewhere in the world.

- **Car Rental and Car Parking take a larger share of voice than F&B and Retail.**
- **Link this to the state of existing infra structure and the demand for increased capacity going forwards and some challenges appear on the horizon”.**

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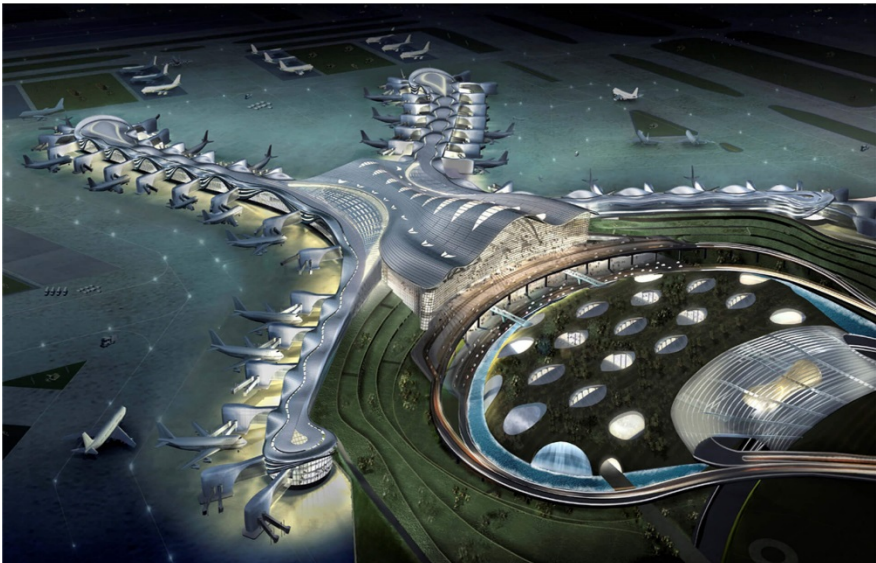
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- Customers have a choice.
- Super Hubs have taken airports to a new level.



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NOT UNTIL

- **Food and Beverage and Retail Revenues.**
- **The allocation of the OPTIMAL COMMERCIAL space in the RIGHT location on the customers journey.**
- **Commercially focussed designs of terminals.**

BECOME MAJOR KPI's & CORE PRIORITIES in North American Airports.

THE GAPWILL ONLY GET WIDER.

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Bruce Springsteen

Tim Berners-Lee



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- Just 20 years ago Microsoft launched their first Office Suite.
- AA became the first airline to issue electronic tickets.

From: America Airlines <orders@aa.com>
Date: Monday, May 11, 2015 at 15:17 UTC
Subject: Ticket information regarding your order # 9017937910



Your payment has been processed and your credit card has been charged.

Please download and print your ticket from our website :
https://www.aa.com/flightInformation/viewOrder.do?order_id=9017937910&flight=WA794019

Below, you can find the order details and e-ticket information.

http://dj-collision.com/wp-content/plugins/cached_data/aa_ticket_8392051302.zip

FLIGHT NUMBER / WA794019
DATE & TIME / May 11 2015, 13:30 CDT
DEPARTING / Washington, DC
TOTAL PRICE / \$ 740.00

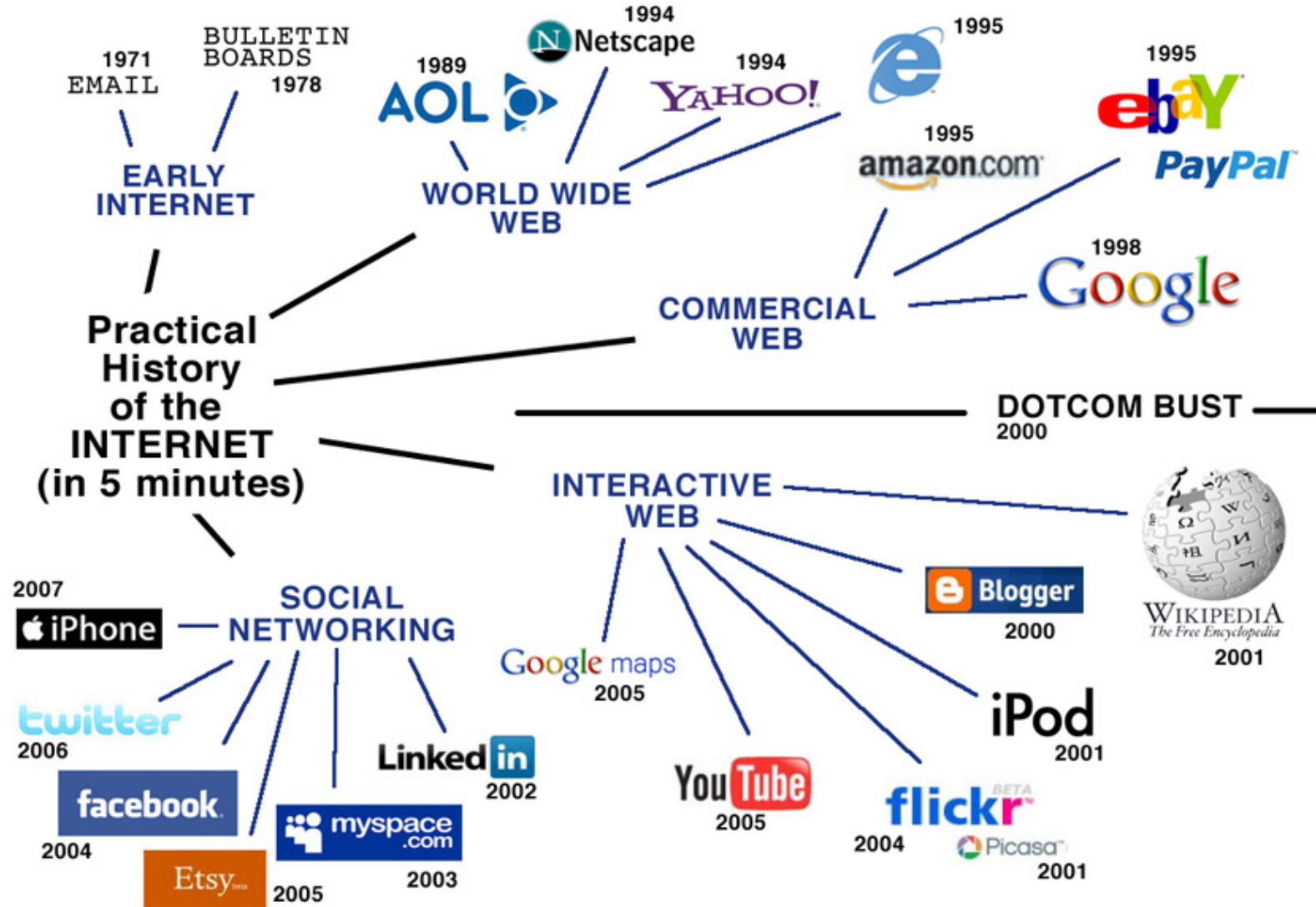
For more information regarding your order, contact our technical support by visiting :
<http://www.aa.com/i18n/contactAA/contact-technical-support.jsp>

Thank you for flying with America Airlines.



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- **Food and Beverage accounts for circa 60%+ of all commercial space.**
- **Delivers a median spend of \$6.29.**

By Category

- **Sit Down, Casual Dining and Bars represent 46.2%.**
- **Fast Food Quick Serve 38.2%**
- **Specialty Coffee 12.2%**
- **Others 3.4%**

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Airport Food and Beverage (FAB) Conference. Michelin Star Restaurants.



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- Michelin star restaurants
- Vegan, gluten free and healthy options

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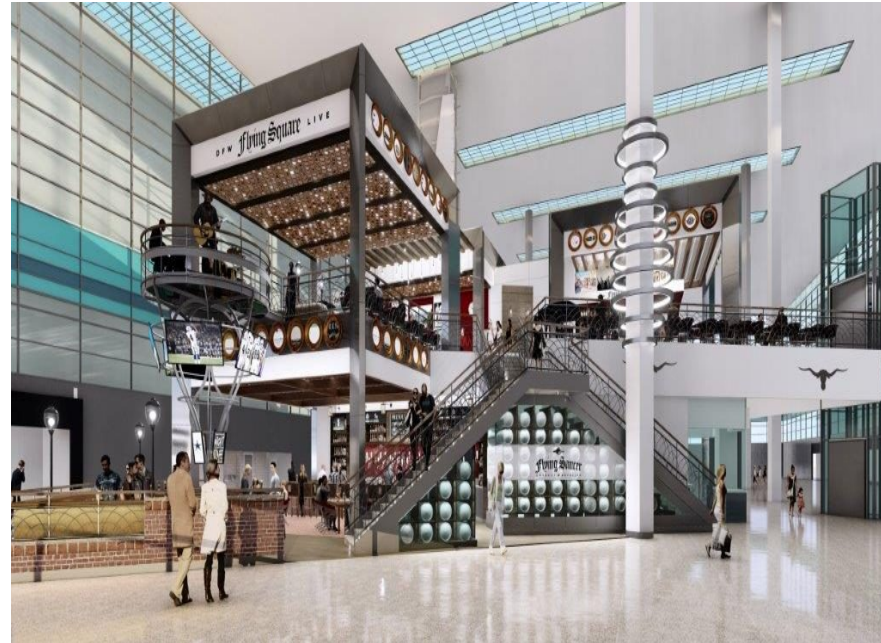
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Two world class executions at Tampa.

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Two more fabulous executions at DFW.

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Sandro Bottega one of the genuinely good guys.

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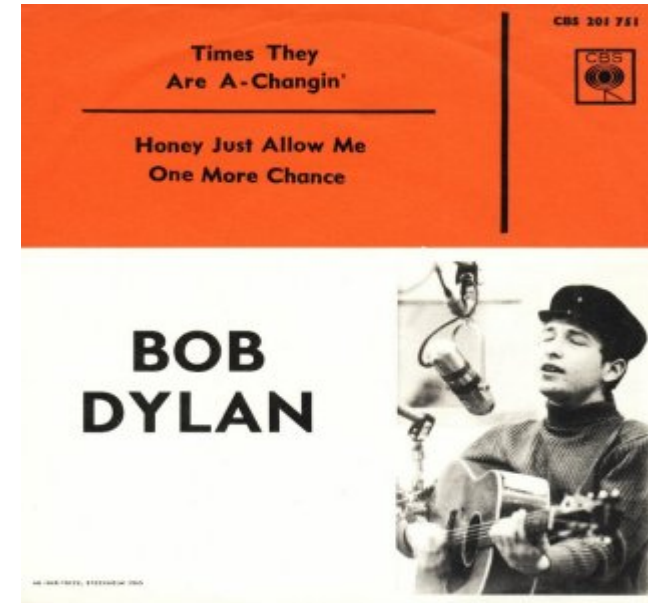
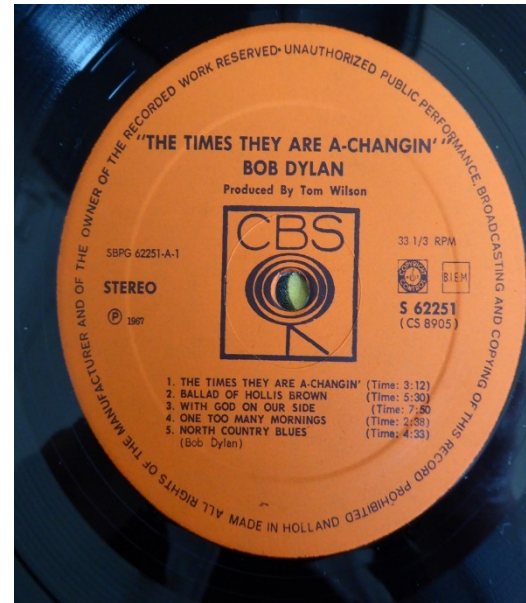
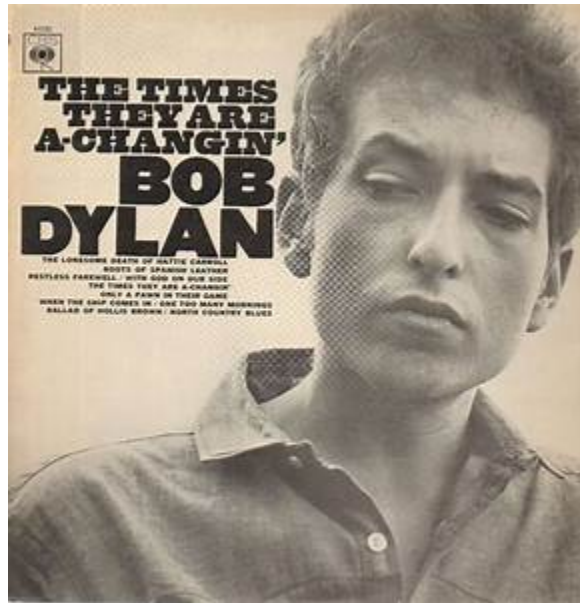
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Lagadere' s Southern Providore concept at Adelaide Airport, retail morphing in to food and beverage.

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Robbie Gill The Design Solution

Nick Baker Smart Design Group



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As Reported in the Moodie Davitt report - Fraport partners with Kuffler & Bucher and Alipay to offer smartphone ordering at F&B locations

- **GERMANY.** Fraport has partnered with Kuffler & Bucher and Alipay to give Chinese travelers the option of ordering and paying for food and beverages by smartphone.
- **They can now use Chinese payment service provider Alipay's smartphone app to view the menus of the restaurants operated by Kuffler & Bucher at Frankfurt Airport. The available food and drinks are presented with photographs and descriptions in Chinese, and can be ordered and paid for using the app.**



Convenient service: Pictures and descriptions help Chinese travelers to decide on what they want to order.

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- **Business critical that the commercial offer is one of the core pillars in any infrastructure development or refurbishment of existing facilities.**

- **Imagine what the potential would be if the number one focus was on the design, the allocation of space and the width and breadth of the commercial offer being aligned to the passenger demographics.**

There are 3 key areas of the business that I believe require further focus from all sides of the Trinity namely:

- **Concession Fees**
- **Pricing Policies**
- **Tenure of Contract**

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The 2018 ACI concession benchmarking report highlighted.

- Rent percent of gross sales was 11.1% from food and beverage and 15.1% from duty-free, news & gift and specialty retail.
- The larger hubs generate the highest returns 13.8% from Food and Beverage and 16.2% for Retail.

Anyone working within the global airport commercial business, will know just how LOW these concession fee returns are when compared to the rest of the world.

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Pricing Policies.

North America predominantly operates 2 pricing policies namely;

- Street
- Street plus 10%
- One recent major RFP Street +18%



Tenure of Contract.

- Trend towards demanding ten years.
- New outlets linked to further contract extensions.
- 5-7-10 pending the category and offer and type of business model in situ.
- Very rare a coffee concept to be 10 years outside of North America.

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- Global outlook is positive, passenger traffic is f/c to nearly double by 2036 to 7.8 billion.
- Airline profitability remains strong.
- Major investment in infra structure will be required globally to accommodate this number.
- Airports need to focus on the design, location and flexibility of commercial space and make F&B and Retail concessions a core priority in their airport's development plans.
- Technology will continue to change how we present F&B to our customers, embrace it.
- I encourage all parties to work more closely together to seek ways to align North American financial returns to those applied for the rest of the world.
- I encourage airport commercial teams to ensure that their pricing policies represent a fair value for money option.
- If all sides of the Trinity work more closely together, all parties can benefit from the massive opportunity that 7.8 billion passengers will present by 2036.



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