

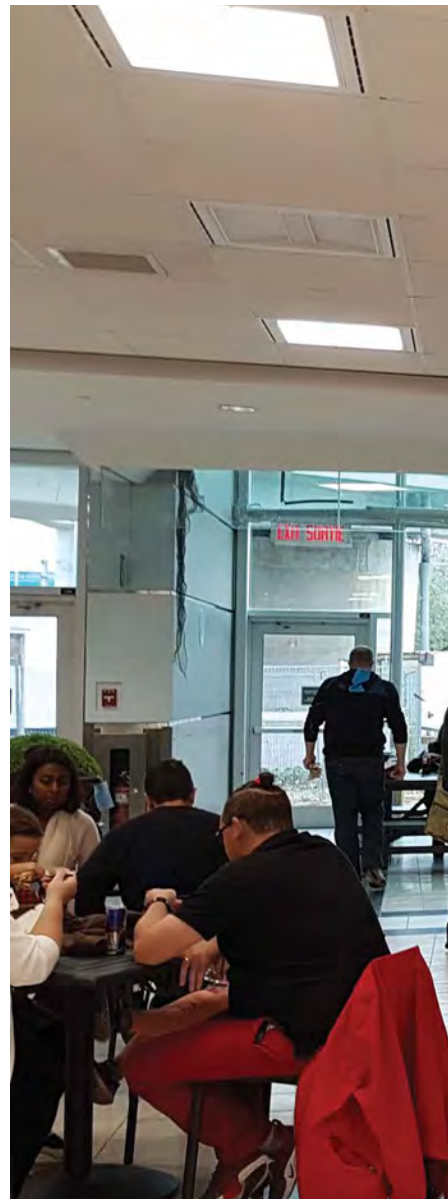
Right: Smoke's Poutinerie currently has two airport units in Toronto Pearson International Airport (Terminal 3 Arrivals Hall location pictured). The company hopes for massive expansion because the revenue potential and exposure opportunities of airport locations make them highly desirable.

The Brand

PERSPECTIVE

Airports Offer Brands Reliable Business, Ultimate Exposure

BY SALLY KRAL



To hear Mark Cunningham of **Smoke's Poutinerie** tell it, the Toronto-based company has its eyes on a very big prize. "We want to be in every airport and every city in the world," says Cunningham, who is the Smoke's global chief operational and business development officer. "I'll repeat what our founder Ryan Smolkin has said since the beginning: the ultimate goal is global domination."

For the moment, Smoke's Poutinerie is making the most of its two airport units in **Toronto Pearson International Airport** (YYZ), and plans to open at least two new airport locations by the end of the calendar year. Cunningham couldn't disclose more details about these new units at press time, but he's optimistic about the company's future. "We have a very exciting 2020 development plan and hopefully we'll double and triple our airport numbers in

the years to come and continue to grow on that base."

Nicholas Schaefer, senior vice president for **Einstein Bros. Bagels**, also has airport expansion on the brain. The brand currently has 21 airport locations, as well as five combination Einstein and **Caribou Coffee** airport locations, in North America. With a focus on expanding those figures, the company is introducing a new Express model. "With these stores, we've pared down the menu to feature the 8 or 10 percent of items that traditionally do 80 to 90 percent of sales—which decreases ticket time by about 30 to 40 percent—and we've simplified the back-of-house process by removing about 50 percent of the labor," Schaefer says. "The two things that hinder sales and customer experience are speed, plus training and staffing labor. Einstein Express is our



answer to these challenges: It's about reducing complexity, increasing speed and making it easier for people to staff it with less labor."

Schaefer adds that the company is opening two to four of these new stores in non-traditional markets, including hospitals, smaller college campuses and certain travel plazas, with the ultimate goal of introducing it in airports, where speed of service and labor costs are top priorities.

Airport locations generally pose many unique challenges for operators, especially compared to more straightforward street units, so why are so many food and beverage and retail brands willing to jump through the necessary hoops to expand their airport businesses? According to many, the consistent revenue stream and the brand-building opportunities make all the obstacles well worth the time and effort.

Right: Einstein Bros. Bagels is rolling out a new Express model in non-traditional markets, including hospitals, smaller college campuses and certain travel plazas, with the ultimate goal of introducing it in airports. The company hopes this model will be appealing to airports, where speed of service and labor costs are top priorities.





Above: Beecher's Handmade Cheese is an artisan cheesemaker and retail shop with street locations in Seattle and New York City, and airport units in Seattle-Tacoma International Airport and Paine Field Airport.

Benefits Abound

"I think the number one attraction is that airport locations can be very lucrative," Schaefer says. "In the right spot you should do twice your street volume or maybe more." And part of that is tied to the amount of exposure an airport location affords you, Schafer adds.

High exposure means more foot traffic, and also a greater chance that consumers will grow to recognize and become loyal to your brand. "Most airports are open seven days a week, 365 days a year, with usually 18 to 20 operating hours each day," Cunningham of Smoke's Poutinerie points out. "When you're in the business of footfalls and driving transactions and top-line sales, those operating hours play into the value of an airport environment that any brand would jump on."

Cunningham adds that although there are certainly busy seasons for air travel, such as the holidays and the summer, in general airport units show consistent sales every day of the year. The two Smoke's Poutinerie units in YYZ are the company's top performers.

Schaefer also notes the benefit of the year-round sales in airports, noting that while Einstein has more than 260 college campus units, the company has to contend with the fact that about 80 percent of those units temporarily close when school is not in session. He adds that travel plaza locations are closer to the airport model in operating hours, but they still don't see the same number of travelers as an airport.

"Our airport locations are some of the most coveted and desirable in our organization," says Chris Anderson, vice president of business development for **Beecher's Handmade Cheese**, an artisan cheesemaker and retail shop with street locations in Seattle and New York City, and airport units in **Seattle-Tacoma International Airport (SEA)** and **Paine Field Airport (PAE)** in Everett, Washington. Both of the airport locations also include Caffe Vita coffee shops, and the PAE unit also features an Upper Case bar serving local craft beers, regional wines and cocktails.

"Airport locations are amazing engagement opportunities for us and they help drive awareness and sales of our products when passengers see them in their hometown grocery stores and restaurants," Anderson adds. "The consistent customer flow and fact that travelers eat at all hours of the day also mean that our team members stay busy and engaged, which actually leads to improved morale and lower turnover."

Unique Challenges

Operating in an airport isn't without its difficulties, of course. Perhaps most notable from a business standpoint is the high cost of operation. "To put it in perspective, when I started in the airport business in the mid-2000s, it probably cost \$500 to \$600 a square foot to build a restaurant, and rent was about 12 percent to 13 percent of sales. Now it costs north of between \$800 and \$1,000 a square foot to build, and rents have gone up with that," Einstein's Schaefer says. "The financial rigor of running these restaurants is not for everybody."

He adds that a lot of people don't realize how much more expensive it is to open an airport restaurant compared to a street unit. "There's a ton of fixed costs and minimum rents and labor costs and all of those add up to a higher cost basis than a street store," he says. "It's really an art to find the right airport locations and build them out in a way that's as economical as possible and run them as efficiently as possible because it's a pretty skinny margin game."

Then there's the space restraints an airport poses. Even for a big national brand, like **Chick-fil-A**, this is a concern. "Most of the menu items at Chick-fil-A are freshly prepared in the restaurant kitchen, so fitting that required equipment into the smaller airport footprint can pose a challenge," says Matt Sullivan, senior principal program lead of new restaurant growth for the company, adding that Chick-fil-A has more than 30 licensed airport locations across the country, making up roughly 10 percent of its non-traditional license portfolio.

Megan Wycoff, director of travel retail for **ThreeSixty Group**, which owns the **FAO Schwarz** and **Sharper Image** brands, notes that space and time are the biggest challenges for the retail operator. "There isn't enough space to offer customers a wide assortment, so a clear focus is key, but you're also trying to attract travelers with little time to shop so you need to offer something more or different to grab their attention," she says. "Engaging customers without taking too much of their time is certainly every airport retailer's challenge."

Erica Brown, vice president of wholesale for **Peet's Coffee**, also notes that standing out in the crowd is a necessary factor of success in an airport. "Trying to deliver a great consumer experience is key, particularly when passengers have many options to

choose from,” she says. “Moreover, there are operational considerations like line queuing in a space-constrained environment, travelers’ luggage with foot-traffic flow or limited seating capacity.” Peet’s has 46 licensed locations across 18 U.S. airports with the greatest density on the West Coast, where Peet’s was founded.

Cunningham of Smoke’s Poutinerie adds that while offering fast service is imperative in an airport, it has to be balanced with quality control. “You want to be able to deliver on all aspects of your brand. Speed of service and the quality of the product you’re putting in the customer’s hands has to be top priority for you.”

Schaefer notes that when that balance seems off, it’s usually because someone made a bad financial deal. “Maybe somebody got into the business and realized they can’t afford the labor but they also can’t afford to raise their prices so they try to control food costs by buying lower quality ingredients or they employ fewer people and the service suffers,” he explains.

The Transportation Security Administration (TSA) poses another unique obstacle when running an airport business. “All of your food, employees and construction people have to clear TSA every day,” Schaefer points out. “Labor in



Above: Peet’s Coffee has 46 licensed locations across 18 U.S. airports (San Francisco International Airport unit pictured) with the greatest density on the West Coast, where Peet’s was founded.

Below: Chick-fil-A has more than 30 licensed airport locations across the country (Dallas/Fort Worth International Airport unit pictured), making up roughly 10 percent of its non-traditional license portfolio.

the restaurant business is tough anyway, but getting someone to come to an airport and park and go through that security process every time they go to work is an added challenge. You always have to be looking for and recruiting people because of the long TSA approval process.”

And while operators understand the importance of these security procedures, they desire more consistency from airport to airport. “For example, in one airport it might take a week to badge a team member while at another it could take a month,” says Anderson of Beecher’s. “We attempt to train and onboard new team members at our street locations, but being able to keep team members engaged as they navigate the badging process can really be a pain point.”

Chick-fil-A’s Sullivan agrees that the varying procedures are often a headache. “Finding ways to streamline some of these—for example, the badging process—could help provide an easier and more efficient experience.”

Valuable Relationships

To help manage the everyday hurdles that airports pose, many brands partner with prime concessionaires who then work directly with the airport to place bids on spaces, negotiate terms and assist with building and operations. “Concessionaires understand the logistics and the security and construction aspects of the airport environment,” Schaefer says. “The more you’re able to leverage their management, human resources, finance and legal teams plus their supply chain, the better off you are.”





Above: ThreeSixty Group partners with Hudson News for its FAO Schwarz retail brand in LaGuardia Airport (pictured), Norfolk International Airport and Chicago Midway International Airport, with more to come.

Schaefer adds that working with concessionaires is also a benefit because once they get to know your brand and its value, they often become companies you can do repeat business with. Einstein partners with various top concessionaires, including **SSP America**, **Delaware North**, **Concessions International**, **Mission Yogurt** and more.

Beecher's is somewhat unique in that it runs its own airport locations, which are leased directly from the airports. But Anderson notes that as the company grows, this approach will change. "The reality is that our goals of expanding outside our two hometowns of Seattle and New York will require us to partner with concessionaires and developers," he says. "As a small operator, packages that include multiple concepts necessitate partnerships with teams that will uphold our high quality and purity standards. There are some really

great operators out there, so we're excited about this prospect."

ThreeSixty Group's Wycoff views the chance to work with specialized retail operators as a big benefit to working in the airport, pointing to the company's partnership with **Hudson Group** to open locations of its FAO Schwarz retail brand in **LaGuardia Airport (LGA)**, **Norfolk International Airport (ORF)** and **Chicago Midway International Airport (MDW)**, with more to come. Wycoff adds that the company is partnering with **Marshall Retail Group** to open an airport location of **The Sharper Image** in the near future. "Selling to the traveling consumer is a very specialized retail channel that requires a level of expertise and know-how that we don't have," she says.

Cunningham of Smoke's Poutinerie, which partners with **HMSHost** for its two YYZ units, notes that balancing all the different partnerships involved with running an airport business is essential. "There's an airport authority, there's a concessionaire, there's a brand and at the end of it there's a customer—you've got four distinct entities that all have to work together very well to be successful."

What can an airport do to ensure these relationships remain strong and mutually beneficial? Anderson of Beecher's says it should start with listening: "The current system is really reaching a tipping point with

rising construction costs, rising rents, rising labor costs and short lease terms making it harder to find attractive opportunities. I hope that airports and developers will continue to hear these challenges from operators and that a balance can be struck that continues to improve the passenger experience and allows for greater participation of businesses of all sizes."

Brown of Peet's would like to see continued focus on offering a variety of local, regional and national brands. "Consumers want choices - [brands that are] unique to a local market, but also well-known and beloved national brands. Ensuring this variety exists will provide more opportunities for brands to consider airports in and beyond their local market."

Schaefer notes that in recent years airports have grown much more willing to work with interesting local brands, which he thinks makes the airport a more attractive environment. He adds that airports have also gotten better about having a clearly defined request for proposals process. "I think that airports understand the revenue potential of a great brand offering, so they're trying to streamline their processes to make it as efficient as possible to come in, especially for new businesses," he says. "Airports realize that if they want to attract top talent that is local or new, they have to make sure people understand that the process can work for them." ■