

# Beyond the lease: True partnerships between airports and concessionaires

Received: 6th November, 2017



Pady Regnier

## PADY REGNIER

is the Founder and CEO of St. Croix Airport Retail, Inc., an award-winning airport concession operator based in Minnesota and with stores in five US airports and with 27 stores in development in three additional airports. St. Croix offers airports global and proprietary brands in specialty, travel convenience and in 2018 St. Croix will launch its first food and beverage concepts at Minneapolis Saint Paul International Airport (MSP) in partnership with HMS Host. St. Croix continues to win numerous awards for customer service, best retail specialty concept, sustainability and business innovation. St. Croix is known for its cutting-edge concepts, laser focus on passenger customer service and finding great talent for its operations.

## Abstract

*Airports and concession operators are naturally aligned in their mutual goal to provide great customer service that drives passengers' traffic and higher revenue. Airports must lead this effort with concessions and other operational stakeholders to initiate measurable programmes. Mutual focus on engaging passengers with memorable experiences, along with a strong sense of place is associated with increased sales and airport traffic. To increase non-aeronautical revenue, one must create happy passengers — and that is in everyone's interest. Innovative programmes such as CSAC (Customer Service Action Committee) at Minneapolis Saint Paul International Airport (MSP) and the Premium Value Program at Denver International Airport (DEN) are two best practices that strengthen relationships and deliver results. Key ingredients for success include creating programmes that build relationships within an airport, defined programmes, firm scheduled meetings, measured results, identify stakeholder problem solving, and always celebrating success. Programmes that identify barriers such as airport 'hassle factor' for employees and passengers, individual labour markets issues and operational challenges are also fostered when disparate airport teams come together. Airport management alone can bring the various stakeholders together to support and drive customer service excellence and communication within an environment of cooperation. These programmes build strong airports.*

## Keywords

*customer service, travel retail, concession partnerships, MSP customer service, airport partnerships*

## INTRODUCTION

There are exciting partnerships happening between airports and concessions. The travel retail industry is innovating, and let us face it, airports are one of the very few places where retail and restaurant traffic and revenues are strengthening. Today's street-side restaurant and retail business models are challenging. In this tough environment where brands, trends

and tastes are changing rapidly, airports can boast of robust growth. In addition, airports have coveted, sought-after target market customers walking their concourses. Where else is that happening? Are airports the new, better malls of today and providing the ultimate brand showroom experience? Many agree that North American airports often lag behind new consumer trends. Is

**Pady Regnier,**  
St. Croix Airport Retail, Inc.,  
4300 Glumack Drive, LT3209,  
Saint Paul, MN 55111,  
USA

Tel: +1 952-236-6777  
E-mail: Pady@airportretailers.com

that about to change? True partnerships between airports and concessionaires can push innovation and responses to new trends. New partnership models have emerged between airlines, airports and concessionaires. Whether it is traditional concessionaires, developers or new hybrids that work directly with airlines and airports, these new models are bringing fresh eyes on how to deliver innovation with fresh new concepts that engage passengers. It is an exciting time to be in the airport and concessions business.

Airports and concessionaires collaborate today around two main goals: (1) drive revenue; and (2) creating memorable and unique passenger experiences through their airport building that airports brand. We are all in the 'create a memory' business.

This takes a 'boots on the ground', people-focused approach. Concession operators are the primary human face passengers see, and airports want that face to be a true representation of their unique community. The two partners are aligned with a natural competitive tension that can bring the best ideas to life. Both parties need strong communication and flexibility to build great programmes.

Airports set the stage for success by leading the efforts to drive excellence in passenger experience. The case study about Customer Service Action Council (CASC) at Minneapolis Saint Paul International Airport (MSP) presented in this paper showcases a best practice effort bringing all stakeholders, both in front of passengers and behind the scenes, to the table to measure, problem solve, innovate and deliver excellence in the day-to-day challenge of providing memorable customer service. Airports want their facility to stand out and reflect all that is great and unique about their

community. Concessions operators want to grow and develop strong deep relationships with airports, and the brands concessionaires bring want the value of the coveted travelling customer demographic and coveted travel retail customers. Everyone's business grows. A new concessionaire also knows that bringing innovation is the only way to get a seat at the table. The bottom line is concessions operators show up for initiatives when airport leadership is at the table.

## **COMMUNICATION EFFECTIVENESS IN BUILDING AIRPORT PARTNERSHIPS**

The importance of ongoing consistent communication builds the strongest relationships. Concessionaires that just show up when they want something will not get far. Consistent scheduled meetings, either individually or in group meetings, between the parties are a vital source of contact, yet true collaboration has to reach beyond the tenant meeting. Brainstorming and 'what if' meetings build excitement, ideas and trust that bring the passenger experience to the next level.

In all partnerships there are opportunities and challenges. 'The relationship between an airport and a concession partner is like a marriage' (telephone interview: 30th October, 2016), says Susan Stiene, former Concessions Director at Vancouver and now a consultant with Optimas:

We are both driven to solve problems and when parties work together and it's a formidable partnership with great results. And let's not forget it's fun to share a win. Great friendships are formed. But the devil is in the details and by communication and with strong relationships we overcome these hurdles. (telephone interview: 30th October, 2016)

Carleen Kerr, Assistant Manager of Concessions, Houston Airports System says,

We are always working with our partners to find ways to elevate the experience for everyone coming to Houston Airports. We understand the needs, challenges of our partners because we make a commitment to open communication with monthly meetings, continuous contact and interaction, and an open dialog that promotes the honest, and complete sharing of information. This keeps information flowing in both directions. We are working together to provide a world-class level of customer service. Our 'Houston Friendly' program takes that idea to a higher level. It's not just the concessionaires participating in the program – it's the entire airport community. (telephone interview: 31st October, 2016)

Yet it all starts at the beginning, says Roderick McOwen, Executive Vice President of Business Development for MRG Retail Group,

At least six months ahead of an RFP it is important to engage the concession community on the goals and operations for any new offering. This gives airports and concessions a real chance to collaborate at the beginning. For example, it was great to see SLC reach out before the new terminal is even built. That can have a big impact on the success of a program literally from the ground up. Also, airports providing early outreach sessions to local businesses that have an interest in the airport concession business is helpful. (telephone interview: 27th October, 2016)

Joe Waller, CEO of PGC agrees,

At SFO the airport concessions team thoughtfully scheduled outreach meetings with the industry looking for feedback, ideas and solutions. The airport

took the time to listen, and not just to consultants. That openness brings strength and transparency to a program and I would argue a better result. (telephone interview: 24th October, 2016)

Airline management is a crucial component to add to the partnership. Passengers start with airlines and that experience sets the stage. Airline performance for the most part is uncontrollable for both airports and concessions. Airlines hold the data keys on passenger demographics and needs. In the MSP case, study airlines have recognised the value of contributing and involvement in airport customer service programmes because participation enhances their internal programmes. More work needs to be done on a process of communication between airlines, airports and concessionaires.

## THE NEED FOR FLEXIBILITY

From a concessionaire point of view, having flexibility around the tyranny of the use clause and the bright red line of the lease line are areas most often cited as hot topics. How can airports be more proactive in their efforts to refresh programmes with long leases and high capital costs of building and operating in an airport? That is where the upfront communication with airports and concessionaires are important and save time and money, and provide for better outcomes.

Peter Amaro, CEO of MCA Concessions says,

Our industry is ever changing, traffic, brands, habits and the ups and downs of the economy. It is in the best interest of airports and operators to have more flexibility. We need to be able to change space layouts, locations and brands, etc. When there is too much red tape, by

the time decisions are made, it's almost always too late. (telephone interview: 3rd November, 2016)

Some longtime airport rules and regulations that have been on the books for decades should be revisited for today's fast-paced reality. With today's brands and trends changing by the hour, flexibility and change should be included in new lease agreements. Discussions around how to handle this will be robust and lively for both parties. Having open, transparent discussions about what should and can happen if a concept needs to be replaced before the lease ends is a topic worth exploring upfront.

Concessions do understand the public process and requirements of a secure airport facility. Communication of each airport's process is crucial for concessions, because if 'you know one airport, you know one airport', as the adage goes. Airports are dramatically different in their approach to awarding, executing and operating leases. Ingrid Hairston, RDU Concessions Director says,

Process matters, we have an agreement and structure and they should know those requirements and meet them... if you need something you need to ask further out and understand it takes time for approvals. We want to partner with (concessions) to be successful and to communicate to them so they can help us understand how their businesses work. (telephone interview: 3rd November, 2016)

The 'Premium Value' programme at Denver International Airport (DEN) has provided a strong incentive for concessionaires to collaborate with airports. The premium value concessions (PVC) goals are to identify those concessions that, within their assigned merchandise categories, achieve and maintain the

highest levels of sales, given their leased square feet, while also considering their concourse locations. Additionally, the PVC programme seeks to recognise concession sales growth, recognise customer service and maintain concession agreement compliance. Concessions distinguishing themselves in these areas will earn the PVC Program Benefit for their respective concessionaires. In this programme, a concessionaire has a chance to directly re-lease their existing space, or at the airport's discretion, a new similar space. DEN and the operator can also collaborate on an entirely new concept and the parties mutually can agree on the best offering. This programme does is rewards and recognises an excellent operator by providing a powerful incentive for concessions to bring their 'A' game every day. The reward is a new direct lease that does not go out for request for proposal (RFP).

Having flexibility in use clauses may be in everyone's best interest. Who could have predicted even five years ago that grab and go food is sold next to newspapers and earbuds? The passenger will continue to take us on a journey and as partners we can help guide that journey. Susan Stiene says,

Sometimes we have to show passengers what they want. I think terrific lessons can be learned from other travel retail venues such as cruise lines. How can we learn and apply those ideas and lessons with a goal of making travel enjoyable, relaxing and memorable in airports? (telephone interview: 30th October, 2016)

## **PEOPLE: THE NEW REALITY OF FINDING GREAT PEOPLE TO WORK IN AIRPORTS**

The true secret sauce to passenger experience is finding great people to work at

airports. It is everyone's problem when labour markets are tight. This is a perfect area for collaboration. Airports can and are developing initiatives to help bring the best and brightest talent to work at airports. Why not have a goal of working together to solve this problem through joint outreach with the goal of making airports jobs coveted? Looking at the barriers that are in place to recruit and retain great employees, it is in the interest of concessionaires and airports to work together to tackle problems. When a restaurant has poor service due to hiring issues, this is everyone's problem and with tight labour markets, all must engage. What can this partnership do to reduce and smooth out the 'hassle factors' of transportation, badging issues, daily security lines, English as a second language classes, childcare, and most importantly, making working at an airport fun? It is more than pay and benefits; it is building a community of shared values and identifying how to make work lives better. What can airports, airlines and concessionaires do to engage and communicate Transportation Security Administration (TSA) on safe and secure employee friendly security? There must be more dialogue and understanding here. Airport Service Quality (ASQ) scores measure the facts: great employee experiences provide great passenger experiences. Labour collaboration is destined to grow quickly between airports and concessions. The industry will need to focus time and energy on helping frontline employees by identifying ways to make airport work lives better.

DEN has been collaborating with the concessions managers in funding job fairs and so does MSP. MSP has instituted a Jobs Committee that uses the resources

of the airport not only for job fairs, but also with engagement with community organisations. This committee has also forged transportation relationships with government agencies to assist in getting transportation at times and places that serves workers. Liz Grzechowiak, Assistant Director of Concessions and Business Development at MSP explains,

Responding to hardships experienced in recruiting employees to work at the airport, we decided as an airport to form a jobs committee. This committee was an outcome of CSAC determining we had a need with our tight local labor market. MSP leads this effort and we know it benefits our passengers' experience. We work with our concessions community to recruit, retain and reward the best talent to work at MSP. We include outreach in our community where jobs are needed and where we can help with transportation by partnering with local transportation agencies. We want concessionaires to know that MSP has the spirit of collaboration and wants to partner with our tenants by fostering the best atmosphere for doing business. That means we need to have a seat at the table as a partner to help when we see a problem. (personal communication: 3rd November, 2016)

Cutting edge technology, with the ease and efficiencies that smooth out the nuts and bolts of getting on a plane, is now expected by many but difficult for many, too. As airport customers we expect great wireless connections in airports and when we do not get them, we are disappointed. The personal touch is what we remember; the terrific customer service, likely by a concession employee, who went the extra mile makes a passenger's day. Yet in an instant, this great experience can be ruined if the toilets are dirty.

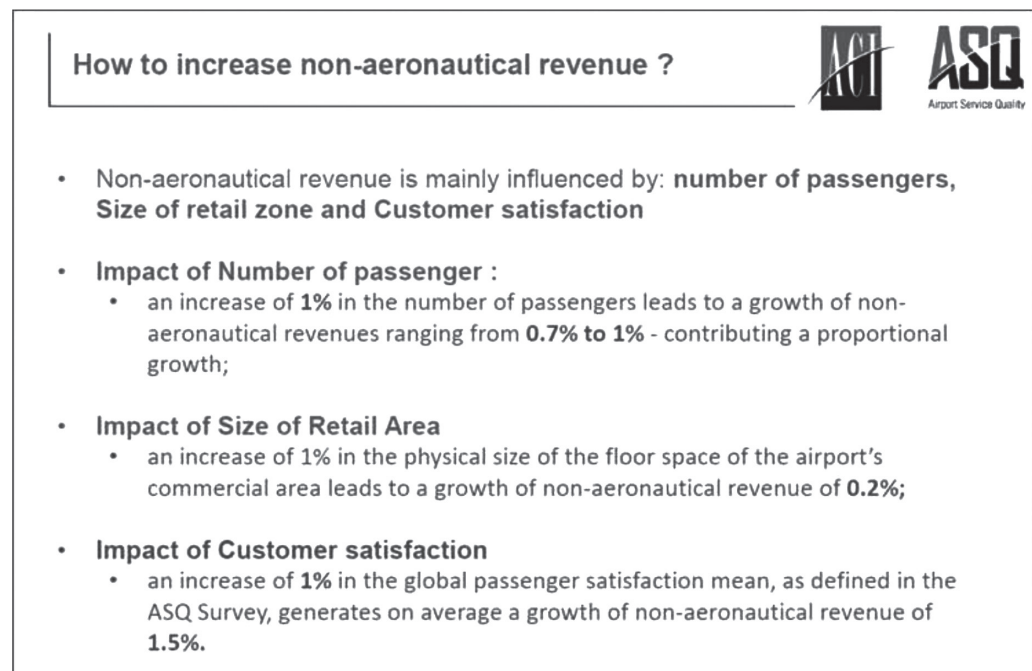


## CASE STUDY MSP: CUSTOMER SERVICE ACTION COUNCIL

How can airports and concessionaires address holistically all these different areas to partner? A programme that stands out is the CSAC programme at MSP. In 1999, MAC created the Customer Service Action Council (CSAC) in response to a State of Minnesota 'quality' initiative that charged the council with leadership of its strategic effort to provide world-class, customer-oriented air transportation services at MSP. MSP is overseen by a commission of 15 members that are appointed to their posts by mayors from Minneapolis, Saint Paul and the Minnesota governor. There are two key factors that make CSAC a success: (1) commitment of senior management of both airport, concessions along with all stakeholders including airlines, airport operations, concessionaires, TSA,

police and service teams, maintenance, design, construction and architectural departments (crucial during disruptive build cycles) and transportation; and (2) scheduled monthly meetings around a specific vision, goals and brand promise. From these two factors, a comprehensive customer service culture that touches all areas of the passenger experience and provides front line staff with a way to deliver and measure results has grown. MSP uses the ACI-World ASQ programme to measure and report its results quarterly (Figure 1).

'We try to focus and improve customer service in all aspects of the airport, not just concessions. The outgrowth has been developing a culture of customer service and active committees where a great cross-section of stakeholders are engaged in making the passenger experience great.' says Denny Probst (telephone interview:



**Figure 1** ASQ customer satisfaction

Source: ACI (2016) 'Airport service quality ACI ASQ survey — Overview', 30th November, Naples, Italy, p. 42.

22nd October, 2016), former MSP Chief Operating Officer and Chair of CSAC (recently named Vice President of Revenue at SAN). As Chair of CSAC and COO of MSP, Denny began each meeting with the phrase: ‘Welcome and it is my absolute privilege to Chair this Council’.

Since its beginning, the MSP commission and executive leadership has made CSAC a top priority supporting the programme with significant resources. As a concession operator, visibility at CSAC meetings and involvement in programmes develops important internal relationships that makes trust and problem-solving fast and easier. Meetings are targeted at including front line staff, from managers and supervisors to employees at all levels. If your company is not there it is noticed and someone will be asking you why.

Airport World has measured an association with customer satisfaction; ‘Based on the ASQ annual global survey, the analysis found that an increase of 1% in global passenger satisfaction average generates an average growth of 1.5% in non-aeronautical revenue.’ This should be a crucial reason for airports to fund these programmes. It makes more money when customer satisfaction and excellence is top of mind every day.

## **Components of the CSAC programme**

### *Scheduled meetings*

In its early days, CSAC tried scheduling meetings as needed, which turned out to be not often enough and attendance was poor. Programmes could not get traction if done quarterly, and engagement and initiatives did not have a measurable impact. There was a loss of interest and initiative without a monthly meeting. The preset monthly meeting for CSAC started making a difference: same time,

same place without fail, every second Thursday for precisely one hour.

This monthly format for all front line and management teams operating in the airport has streamlined communications and decision making. A case in point was a recent decision made by TSA to change the flow and passenger type using the security locations. It was immediately clear that it was negatively affecting passengers; with the strong support of CSAC members, the decisions were altered with full TSA partnership within a matter of days, not weeks.

### *Who attends*

All stakeholders at MSP, including airlines, concessions, service providers, airport maintenance, architectural and construction (very important for understanding changes in infrastructure), TSA, police, airport leadership and transportation — all functions of the airport are generally represented.

### *Have a vision*

The MSP vision is, ‘Providing your best airport experience’. This is the rally around which all passenger-touching programmes are based. A vision gives meaning and context that is easy to understand.

### *Have a mission*

The CSAC mission is, ‘To improve our customers experience at MSP’.

### *Have an annual goal*

Each year, CSAC defines its clear and specific goals, and at each meeting there is a review of the actions that are meeting those goals. One that was hard to keep was, provide concessions and construction updates.

*The MSP brand and internal brand promise* ‘MSP Nice, one experience at a time.’ The brand gave this programme its face, message and started a new culture at MSP. It was built over time and with thoughtful focus.

### Resources to make CSAC work

MSP leadership has made a strong resource commitment by spending the time and money, and assigning both leadership and staff to the manage and drive the programme. There are two staff members that manage CSAC as part of their responsibilities. There is a Research Director, Steve Gentry, who compiles, analyses and reports on ASQ scores that serve as the basis of programme measurement. These data are in depth with ‘meat on the bones’ statistics and is always presented in a lively, engaging fashion.

Additionally, there is a dedicated Customer Service Specialist, Katlyn Kaiser, who supports the outreach, reward and recognition programmes, and serves as the internal liaison within the airport community. She also executes with public

affairs the ‘surprise and delight’ campaign initiative of CSAC. A few favourite ‘surprise and delight’ programmes included: real snow shower in the main rotunda during the holiday rush that melted before hitting the tile (kids could not stop looking up at the snow); and the ‘Bee’ Sustainable Earth Day outreach where MSP staff (and one of their dogs) dressed up like bees, handed out stickers to kids and brochures to adults about the MSP Sustainability programme. There are other great surprise and delight programmes, which are loved by passengers and employees alike (Figure 2).

### Secret shops

Generally, these secret shop programmes are paid for and instituted by individual concessionaires. Few airports pay for a uniform, universal programme. MSP pays all expenses for the secret shop programme, and all concession establishments are shopped monthly. In the budget, there is a monthly lunch (sponsored by a concessionaire) and each 100 per cent secret shop recipient receives a US\$100 Visa gift card and they are included in

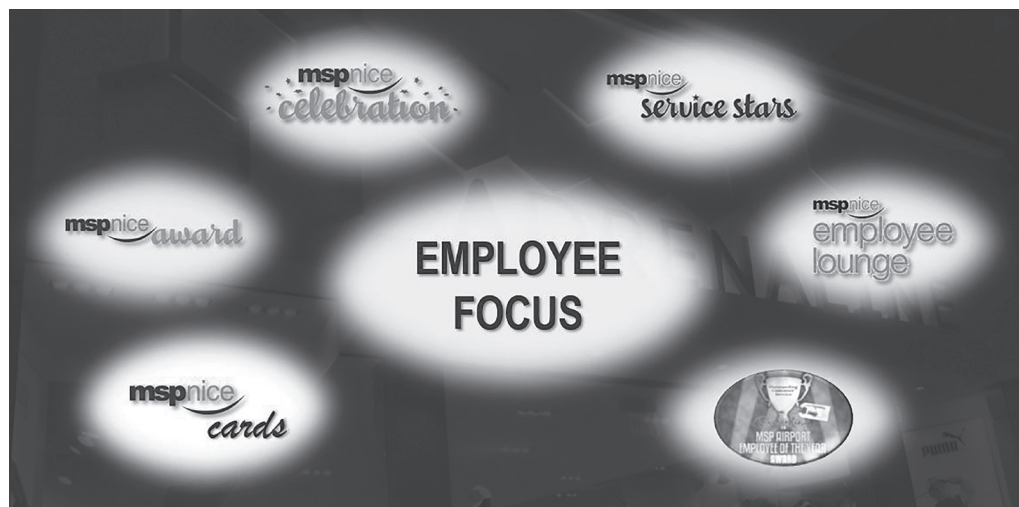


Figure 2 Employee focus



an additional draw at the luncheon for another US\$100 Visa gift card. All is budgeted and paid for by MSP. What a great way for airports to use their marketing fee percentages.

### *MSP Nice Cards and Awards*

The immediate recognition programme, MSP Nice Card, catches employees being good. Whenever anyone sees an employee from any operation provide great service, they hand out a MSP Nice Card. It could be as simple as an employee picking up litter, walking a passenger to an information booth, anything a bit special. Concessions sponsor the cards for a free soda or coffee at participating concessions. MSP Nice Cards provide an instant reward for a job well done (Figure 3).

The MSP Nice Awards recognises each compliment that is e-mailed, written or texted; via social media or comment-cards from visitor booths. Employees are recognised with an MSP Nice Award, including a certificate of appreciation, a US\$10 gift card, along with special recognition at their workplace by a member of the airport management team and their manager. Often, passengers chime in with applause when the employee is surprised at their workplace with this award. In addition, the employee is then automatically invited to the annual MSP Nice Celebration.

### *MSP Nice Celebration*

The MSP Nice Celebration is a party once a year to have fun and celebrate MSP Nice Award winners. This party

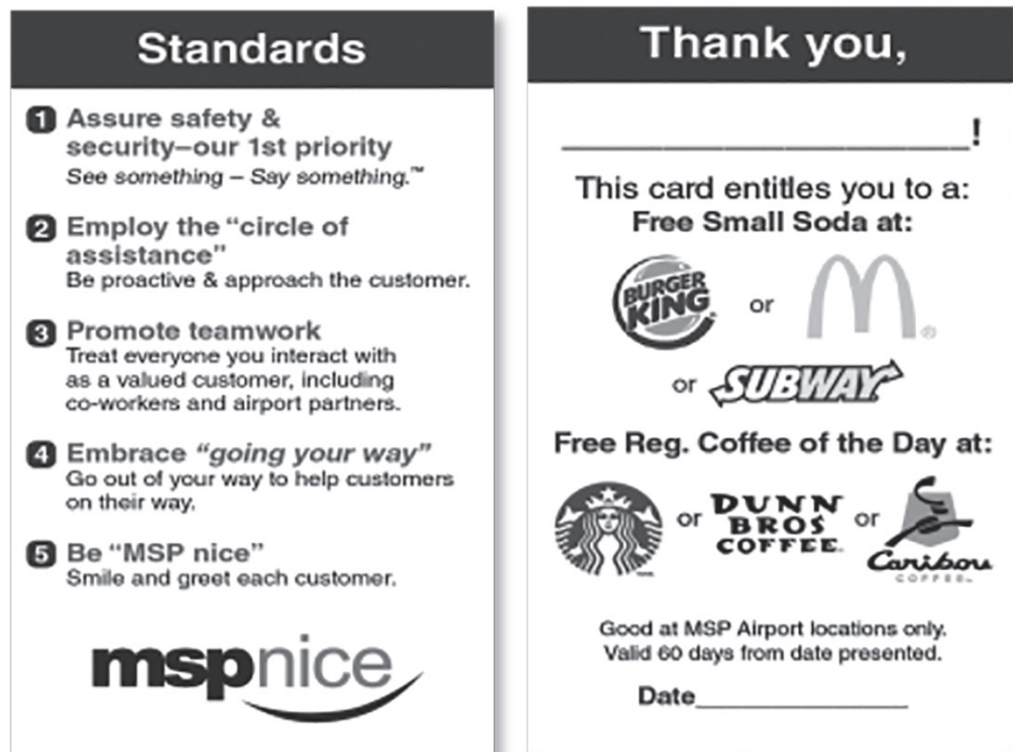


Figure 3 MSP Nice Card

is sponsored and hosted by concessions and facilitated by the airport. Is a dress up affair, meant to represent a red carpet, academy awards feel with live entertainment, photo booth, great concession food and coveted prizes (iPads and large screen televisions, along with many other prizes). Winners are encouraged to bring their family and friends. In 2016, there

were over 300 winners from all areas of the airport. It has become the must go event of the year (Figures 4 and 5).

**Complaints recording and resolution**

MSP tracks complaints and compliments, and has established a ratio. Complaints will always be greater than compliments



Figure 4 MN Nice Celebration photo: party

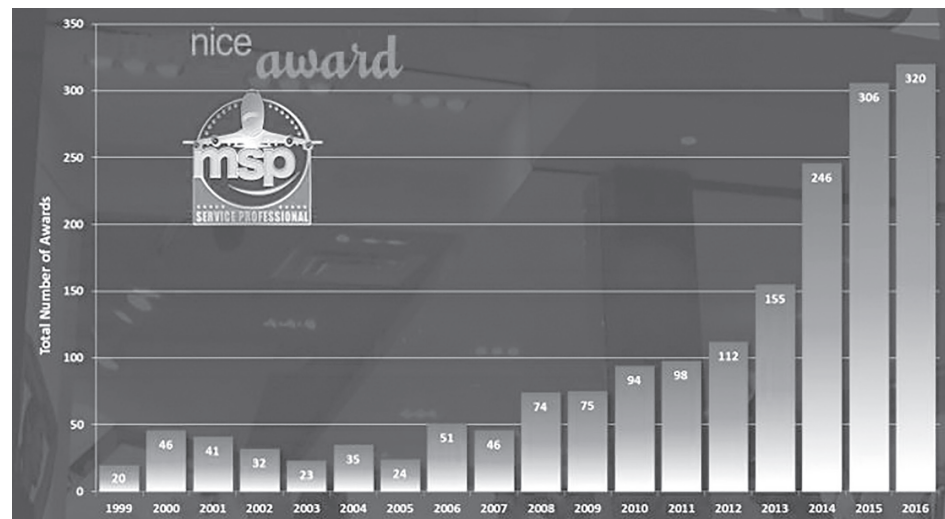


Figure 5 Growth of MN Nice graph

yet by establishing, over time, the ratio of complaint to compliment, results are tracked and measured and this is useful. MSP can also track complaints in the exact area they are reported. MSP had problems closing complaints and 30 per cent of complaints would remain unresolved, which is unacceptable. CSAC instituted a process of communicating resolution and now nearly 100 per cent of complaints are reported closed. Communication and process saved the day.

### **Celebrating success**

Each month on the agenda is a time to 'celebrate success'. The chair selects a few letters and reads them to CSAC attendees. The ones chosen by the chair and are usually impactful and bring context to CSAC's mission. They highlight the impact employees make on passenger's lives. A favourite story is about the elderly couple. The TSA discovered a handgun in the husband's jacket pocket. He had forgotten it was in there. Airport police arrested him. The couple missed their flight and were detained as required by law. His wife, who was wheelchair bound, was separated from him and became quite anxious and afraid. He recognised his mistake but was so thoughtfully treated by officers and his wife so well taken care of the CSAC committee received a thank you note from him on his arrest experience.

### **Employee of the year programme**

Three employees are chosen each year and each receive special recognition at the commission meeting, a US\$1,000 cash award and a trophy along with their pictures on the flight information display (FID) screens all year long.

### **Committees**

Committees have been formed to address and provide continual feedback and engagement in all aspects of the airport. The standing committees are:

- Benchmarking Committee: this team conducts visits to North American airports.
- Forum Committee: develops public forums featuring topics around customer service and aviation topics; a memorable one included a survivor of the Sully crash in New York.
- MSP Nice Celebration Committee.
- MSP Nice Committee: promotes the internal brand and focuses on training.
- MSP Jobs Committee: identifies employment barriers and outreach.
- Travelers Advisory Committee and Travelers with Disabilities Advisory.
- Building on Success and Airport Customer Service Hero Committees.

CSAC, by its very nature, has created a culture of partners and collaboration. The programmes created are powerful and over the years have created a culture of excellence.

Denny Probst, said

We know it's working. We are going through major construction delays and renovations in the last two years and yet we are seeing some of our highest ASQ scores ever. It's actually pretty unbelievable. In 2016 MSP won Best Airport in North America (25–40 million passengers), and just recently MSP was named #7 by Conde Nash as one of the best airports in the world. (telephone interview: 22nd October, 2016)

When asked what advice he would give other airport directors on how to implement a programme like this Denny said, 'Just start right now and stay at it.'

Make sure your leadership and board support it. We have learned for a fact that happy customers drive revenue. Programs like CSAC make this a great place to work' (telephone interview: 22nd October, 2016).

### **CONCLUSION**

Programmes like CSAC and Premium Value are vehicles for engaging passengers for memorable experiences in our airports. These programmes can be the secret

weapon that makes individual airports stand out. This can only occur with true partnerships between airports and concessions (and other stakeholders). Airports, by initiating, leading and budget-supporting these programmes will assure their airport will reap benefits and results. Yet, make no mistake: airports need to lead the partnership charge. When they do, it is guaranteed that concessionaires will be their 'wingman', and that will make working and travelling through an airport so much better.