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# Merchandise Guidance

Presented by Bryan Touchstone  
November 15, 2011



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# Overview of Presentation

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- Merchandise Guidance
  - Definition
  - History
  - Summary
- Metrics
  - Used in Guidance
  - Provide insights into decision making
- Future
  - Updating the Merchandise Guidance



# Merchandise Guidance- Definition/History

- Merchandise Guidance
  - Plan versus guidance (PVCP impact)
  - History



# History

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2007 - Development of Concessions policy

2007/2008 - Development of Merchandising Plan

2008 - Casual dining terms lengthened

2009 - Development of Merchandising Guidance

2011-12 RFP's issued, 6 awarded

2007 - 6 RFP's issued

2008 - Overhaul of DIA RFP policy

2008 - Start of PVC Policy

2010 - RMU RFP issued/awarded



# Strategy

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- Add gross concessionable space
- Improve under-performing retail concepts, keep top-performing
- Continue to strengthen F&B performance by broadening consumer choice
- Create sense of place



# Merchandise Guidance- Summary

- Terminal
  - Retain existing concessionaires/stabilize
  - Temporary leasing where possible
  - RMUs for ski season and vacations
- A Con
  - Re-concept under-performing spaces
  - Expand outer core newsstands
    - Smaller spaces limit offerings
    - Specialty retail spaces may present opportunity
  - Specialty coffee in outer cores to meet demand

# Merchandise Guidance- Summary

- B Con
  - Improve specialty retail mix to appeal to business traveler
  - Center core- Premier fine dining with bar
  - Convert under-performing retail
  - Outer core- right size News, Coffee, Quick Serve, and Specialty Bar
  - Inner core- Casual dining with bar, News, Retail and Snack



# Merchandise Guidance- Summary

- C Con:
  - Expand Specialty retail mix in the center core
  - Add Quick service with Bar concept
- Airport-wide
  - Brands are key
  - RMU Program
  - Focus retail in center cores, but staples should be represented throughout the airport

# Tactical Execution

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Tactic	Implementation
Stabilize terminal concessions through lease holdovers	Locations have been extended or held over
Increase retail offerings with RMU program	Implemented largest RMU program of any airport in North America
Improve specialty retail mix to appeal to business travelers	Added Johnston & Murphy, Brookstone, I-Tech, numerous RMU's
Add premier fine dining concept on Concourse B	Awarded Elway's concept
Convert under-performing retail to higher use upon lease expiration	Negotiated early termination of under-performing retail locations, issued/awarded RFP's for new concepts
Add quick serve with bar on Concourse C	Issued RFP for casual dining with bar
Combine smaller spaces to offer better customer experience and increase sales	Combined 2 food and beverage locations to make 1 larger location (Udi's)
Ensure basic offerings available in all concourse areas	Added New Belgium Spoke to regional jet facility offering food, snacks, news, bar

9

# Merchandise Guidance Inputs

- Quantitative Inputs
  - Customer Intercepts
  - Originating passenger demographics
  - Airport historical sales and enplanement data
  - Industry historical sales and enplanement information
- Qualitative inputs
  - Airport stakeholder commentary
  - Outside airport concessions management
  - Airport concessions management
  - Expert review

# Quantitative Examples

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- Gross sales
- Sales per square foot
- Sales per enplaning passenger
- Ratios indicating space utilization
  - Pre versus post security
  - Food/Beverage, retail and services
- Number enplaning passengers
  - Enplaning passenger assumptions
- Survey results
  - Passenger satisfaction, spend habits, and wants
- Some information is available on an industry wide basis

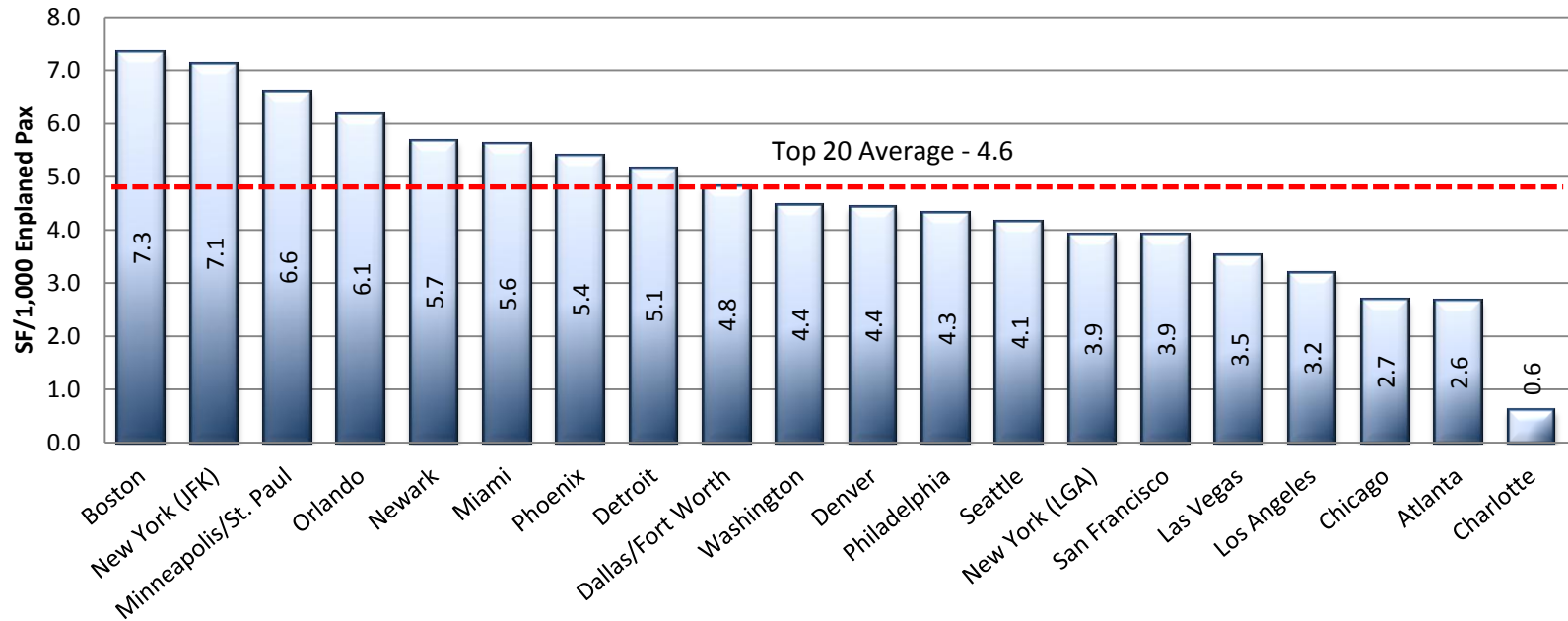
11



# Quantitative Examples - cont'd

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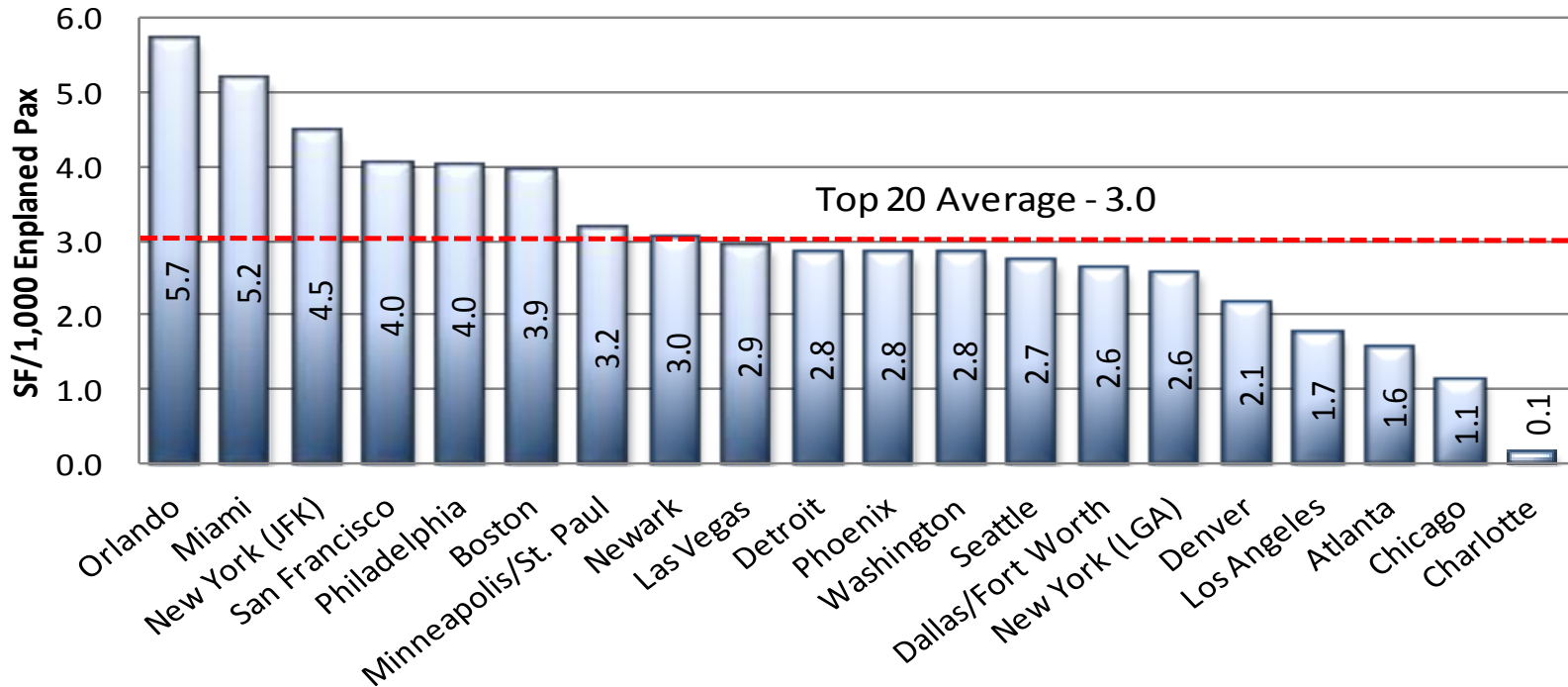
## 2010 - Top 20 Airports Food & Beverage



# Quantitative Examples – cont'd

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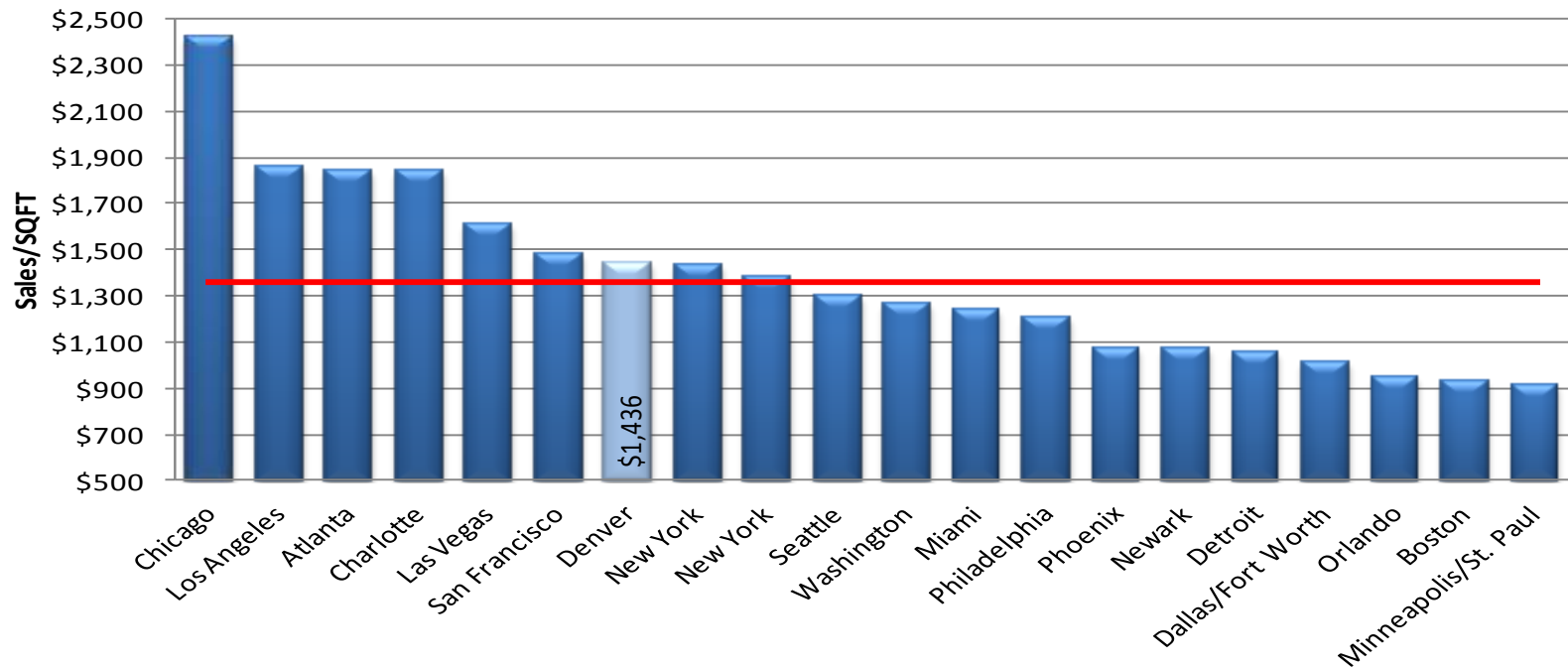
## 2010 - Top 20 Airports Retail



# Quantitative Examples – cont'd

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**Concession Sales Per SQFT 2010  
Food/Beverage and Retail  
Top 20 Airports Average \$1,364**



# Example Impact Analysis – A Con Center Core

	2007	2011 (proj)	% Chg
Center Core Sales	\$ 20,591,724	\$ 23,976,730	16.4%
Center Core Sales w/CB and CH	\$ 22,785,110	\$ 29,472,385	29.3%
Center Core \$ PSF	\$ 2,342	\$ 2,727	16.4%
Center Core \$ PSF w/CB and CH	\$ 2,184	\$ 2,379	8.9%
Enplanements	7.1	7.15	0.7%

# Quantitative Examples – cont'd: Concessions Mix - 2010

Top 20	Airport	Code	F&B SQFT	Retail SQFT
1	Atlanta	ATL	63%	37%
2	Chicago	ORD	71%	29%
3	Los Angeles	LAX	65%	35%
4	Dallas/Fort Worth	DFW	65%	35%
5	Denver	DEN	67%	33%
6	San Francisco	SFO	49%	51%
7	Las Vegas	LAS	55%	45%
8	Phoenix	PHX	66%	34%
9	New York	JFK	61%	39%
10	Charlotte	CLT	64%	36%
11	Miami	MIA	52%	48%
12	Orlando	MCO	52%	48%
13	Newark	EWR	65%	35%
14	Minneapolis/St. Paul	MSP	68%	32%
15	Detroit	DTW	64%	36%
16	Seattle	SEA	60%	40%
17	Philadelphia	PHL	52%	48%
18	Boston	BOS	65%	35%
19	New York	LGA	60%	40%
20	Washington	IAD	61%	39%



# Example RFP Analysis – cont'd

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		# F/B Loc	SF	SF/1000 enpl (annualized)	12 mos 2010		Gross Sales (millions)	
					\$/ep	\$/SF	12 Mos 2010	FY 2009
A Con	All Locations	13	22,265	3.0	\$5.29	\$1,815	\$38.5	\$35.8
	Center Core	10	13,658	1.8				
	Out Core	3	8,607	1.1				

		# F/B Loc	SF	SF/1000 enpl (annualized)	12 mos 2010		Gross Sales (millions)	
					\$/ep	\$/SF	12 Mos 2010	FY 2009
B Con	All Locations	30	46,509	3.9	\$6.00	\$1,532	\$74.5	\$69.2
	Center Core	13	25,563	2.1				
	Out Core	17	20,946	1.8				

		# F/B Loc	SF	SF/1000 enpl (annualized)	12 mos 2010		Gross Sales (millions)	
					\$/ep	\$/SF	12 Mos 2010	FY 2009
C Con	All Locations	11	16,334	2.3	\$5.17	\$1,912	\$33.1	\$29.7
	Center Core	6	8,654	1.2				
	Out Core	5	7,680	1.1				

# Example RFP Analysis – cont'd

Decision	Reasons	Results
Add food and beverage concepts to Concourse C (Casual Dining/Bar and snack concept on Concourse C)	<ul style="list-style-type: none"><li>-Concourse C has highest F&amp;B sales/s.f.</li><li>-Concourse C has least F&amp;B s.f/passenger</li><li>-Concourse C has lowest F&amp;B sales/passenger</li><li>-Concourse C has fewest alcohol locations</li></ul>	<ul style="list-style-type: none"><li>-More choice for customers</li><li>-More revenue for concession partners</li><li>-More rent to DIA</li><li>-More sales tax for City and County of Denver</li><li>-More opportunities for small, local, ACDBE partners</li><li>-More jobs</li><li>-Lower airline costs</li></ul>

# Updating the Merchandise Guidance

- 2012
- Money budgeted to update information
  - Passenger metrics
  - Needs and wants
- Stakeholder meetings
  - Concessionaires
  - Airlines
  - Customers
- Premium Value is a key component to Merchandising

# Links

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- Concessions Quarterly Report
- <http://business.flydenver.com/bizops/documents/concessPr og-1Q-2011.pdf>
- Current Concession Opportunities
- <http://business.flydenver.com/bizops/proprfp.asp>
- Concessions Outreach
- <http://business.flydenver.com/bizops/documents/concessO utreachJune2011.pdf>
- DIA Commerce Hub
- <http://business.flydenver.com/bizops/commerceHub.asp>

20



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