



Premium Value Concessions Program

Rule Revision & Upcoming Enhancements

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PVC Objective



This program supports Denver International Airport's (DEN's) Concession Policy goal of maximizing non-airline revenue consistent with DEN's obligation to its airline partners.

The PVC program represents the shared interests of DEN and its concessionaires.

To achieve its primary business objective of attracting and retaining airlines, DEN must maximize the revenue generated by concession space available in the airport while providing outstanding customer service, and preserving the desired merchandise mix.

PVC Timeline (abridged)

2009

PVC Concept Introduced

- Concessionaire & DEN begin discussions on program design

2012

Rule 45 Implementation

- Third Party Administrator (TPA) selected (March)
- Internal mystery shopping begins (August)
- Phase 1 Program Benefit recipients determined (December)

2013

Rule 45 Implementation

- External mystery shopping begins (August)
- Internal mystery shopping forms updated
- Phase 2 Program Benefit recipients determined (November)

2014

Rule 45 Implementation

- Training Program begins (July)
- Phase 3 Program Benefit recipients determined (December)
- Rule 45 update meetings begin

2015

Full Phase begins

- PVC Rule 45 update Approved

PVC Rule 45 Update



Major Reasons for Update



- 1) Ensure competition (i.e., eliminate “TOL” issue)
- 2) Ensure benefit recipients = 33% of eligible concessions
- 3) Duplicative financial performance and growth metrics
- 4) Review/modify Minor Merchandise Categories
- 5) Weight monthly points to best reflect value to DEN
- 6) Enhance passenger allocation (KAEP) methodology

Summary of Changes



Restated program goal to explicitly tie to program measurements and DEN Concession Policy

Reduced:

- Scoring pool eligibility from 24-mos to 12-mos for closed concessions
- Financial Performance metrics reduced from five to three

Eliminated:

- *Rounding* from all mathematical calculations
- Scoring by concourse given the KAEP adjustment factor
- *Food Court* minor merchandise category
- “Subjective” Appeals

Added:

- Weighting of monthly points
- Scoring procedure to ensure at least 33% of scoring pool is Program Benefit Eligible
- *Convenience Retail* minor merchandise category
- Monthly Bonus Point
- “Extenuating Circumstances” Appeals
- Annual program review (beginning May 2016)
- Quarterly Training Program scoring (instead of once per year)

Benefit Eligibility Changes



Old Rule	New Rule
Closed concessions in scoring pool for 24 months	Closed concessions in scoring pool for 12 months
Round up eligibility for monthly points or benefit	Rounding eliminated
N/A in old rule	At least 33% of entire scoring pool will earn benefit
Subjective Appeals Force Majeure Appeals Scoring Error Appeals	Extenuating Circumstance Appeals only Third party dispute professional and forensic accountant will review the appeals
No annual program review	Annual program review added to rule

Financial Metric Changes



Old Rule - Financials	New Rule - Financials
(A) Top 1/3 rd Sales/Sq.Ft. by MMC by Concourse	<i>eliminated</i>
(B) Top 1/3 Sales/Sq.Ft./KAEP by MMC by Concourse	Performance - 1/3 rd Sales/Sq.Ft./KAEP by MMC
(C) Top 1/3 Sales/KAEP by MMC by Concourse	RPax - Top 1/3 rd Sales/KAEP by MMC
(D) Above Average Sales Trend versus MMC Trend	Growth - Top 1/3 rd Sales/Sq.Ft./KAEP growth vs. MMC growth + Inflation
(E) Above Average Sales Trend versus Inflation + Enplanements Trend by Concourse	<i>eliminated</i>

Scoring Changes



Old Rule	New Rule
FINANCIAL	
Maximum of 2/5 financial points / month	Performance - 1 point / month RPax - ½ point / month Growth - ½ point / month
CUSTOMER SERVICE	
Internal CS - 1 point / month External CS - 1 point / month	Internal CS - 1 point / month External CS - ½ point / month
TRAINING	
15% / year on total Customer Service points earned (<i>0.30 max / year</i>)	10% / quarter of total PVC points earned (<i>0.35 max / year</i>)
BONUS	
<i>None</i>	¼ point / month if Performance <u>AND</u> Internal CS earned

PVC Q3'15 Scorecards

(current rule vs. previous)



Q&A

PVC Training Program

Planned Enhancements 2016



1-Year Review



- ✓ PVC Training began July 2014
- ✓ More than 1,500 employees have attended
- ✓ TPA commitment to evolve/improve program
- ✓ Working group met 3X in Q4'15
- ✓ Flat budget baseline assumption
- ✓ Discussions and research revealed several opportunities to enhance the PVC Training Program

Review Outcomes

- ✓ Meet employees where they are
- ✓ Opportunities for group training
- ✓ Managers are the backbone of customer service
- ✓ E-learning should be a consideration
- ✓ Retention >> Action is they key to adult learning
- ✓ Develop Rewards/Recognition Program

Training Enhancements



Current Program	Proposed Program
CLASSROOM TRAINING	
6 – 90 minute classes / month	4 – 60 minute classes / month
IN-STORE CONSULTING	
<i>None</i>	4 – 30 minute sessions / month
MANAGER ROUNDTABLES	
<i>None</i>	2 – 90 minute sessions / month
PVC INCENTIVE	
<i>Quarterly bonus based on participation</i>	<i>Improved calculation methodology</i>

PVC Rewards & Recognition Program

Proposed 2016 Implementation



Summary



- ✓ Target early Q2'16 roll-out
- ✓ Close collaboration with Street Source / JMF
- ✓ Utilize PVC scoring to identify periodic winners
- ✓ Recognize concession customer service performance
- ✓ Not an employee-level program
- ✓ TPA costs absorbed into current budget
- ✓ *Keep-It-Simple!*

Proposed *Pilot* Program



- ✓ *2015 - Best of DIA Customer Service*
- ✓ Branded lanyard buttons for eligible concession employees
- ✓ Branded e-award on *Dine, Relax, Shop* location profile
- ✓ Recognition on internal newsletter(s)
- ✓ Ad-itorial thru external media
- ✓ Press release

Q&A

PVC Mystery Shopping Program

Contemplated Improvements / Enhancements



Overview



- ✓ PVC Internal Mystery Shopping began August 2012
- ✓ More than 4,500 mystery shops completed to-date
- ✓ 10 minor merchandise category forms
- ✓ 1099 contractors utilized as mystery shoppers
- ✓ Last mystery shopping form revision August 2013
- ✓ Best window to materially change program is Q4'16

- ✓ Formed working group regarding mystery shopping
- ✓ Significant concerns over scoring distribution
- ✓ Task new form strategy with BBC Research
- ✓ Tested *Casual Dining* and *Newsstand* in December 2015
- ✓ Test Results:
 - *Scores are lower as intended*
 - *Scores still concentrated around particular values*
 - *Clear disconnect between shoppers and guidelines*
 - *Training/feedback for better execution necessary*

Enhancement Ideas



- ✓ Current mystery shopping program has structural limitations. *What can we improve today?*
- ✓ Move to a PTE model; economic trade-offs
- ✓ Move to intercept study approach (conceptual)
- ✓ Other ideas put forward:
 - *University/Student-driven mystery shopping program*

Q&A