PVC Program Update

Denver International Airport

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Implementation

Phase 1: Aug 09 – Aug 10
Phase 2: Aug 11 – Aug 12
Phase 3: Aug 13 – Aug 14

Contract Expirations (Phase 1): 6/1/09 – 7/31/13

Expirations (P2): 8/1/13 – 7/31/14
Expirations (P3): 8/1/14 – 7/31/15
## Milestones

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug-12</td>
<td>Monthly Mystery Shopping begins</td>
</tr>
<tr>
<td>Aug-13</td>
<td>Mystery shopping forms revised</td>
</tr>
<tr>
<td>Dec-13</td>
<td>Competitor Airport benchmark implemented</td>
</tr>
<tr>
<td>Jul-14</td>
<td>Customer Service Training Program Launched</td>
</tr>
<tr>
<td>Oct-14</td>
<td>RMU’s added to monthly mystery shopping</td>
</tr>
<tr>
<td>Oct-14</td>
<td>Terminal added to monthly mystery shopping</td>
</tr>
<tr>
<td>Dec-14</td>
<td>Gate Activity data available for 36 months</td>
</tr>
<tr>
<td>Jun-15</td>
<td>Competitor Airport benchmark updated</td>
</tr>
<tr>
<td>Aug-15</td>
<td>PVC Services Program launches (Rule 46)</td>
</tr>
<tr>
<td>Aug-15</td>
<td>PVC Rule 45 Revisions published for comment</td>
</tr>
</tbody>
</table>
## Outcomes

<table>
<thead>
<tr>
<th></th>
<th>Eligible Concessions</th>
<th>Program Benefit Awarded</th>
<th>Location to RFP</th>
<th>Appeal Granted ²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1</td>
<td>29</td>
<td>13</td>
<td>11</td>
<td>5</td>
</tr>
<tr>
<td>Phase 2</td>
<td>7</td>
<td>4</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Phase 3</td>
<td>16</td>
<td>6</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Full</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong> ¹</td>
<td><strong>55</strong></td>
<td><strong>24</strong></td>
<td><strong>20</strong></td>
<td><strong>11</strong></td>
</tr>
<tr>
<td>%</td>
<td></td>
<td><strong>44%</strong></td>
<td><strong>36%</strong></td>
<td><strong>20%</strong></td>
</tr>
</tbody>
</table>

¹ 96 post-security concessions in current PVC scoring pool

² 4 appeals have resulted in PVC program benefit award (36%)
We have made improvements to our operation based on mystery shopping results.

I am satisfied that the questions on the mystery shopping report accurately reflect my customer’s experience.

Survey Results

- Strongly Agree: 37%
- Agree: 27%
- Neutral: 9%
- Disagree: 9%
- Strongly Disagree: 18%

n = 11
I find the mystery shop program delivers accurate results

- Strongly Agree: 9%
- Agree: 37%
- Neutral: 9%
- Disagree: 18%
- Strongly Disagree: 47%

I find the mystery shop program to deliver timely results

- Strongly Agree: 9%
- Agree: 27%
- Neutral: 37%
- Disagree: 9%
- Strongly Disagree: 18%

n = 11
Mystery Shopping Form Re-design

• Score clustering does not allow for identification of top performers
• 3-year average score is 92.1; 75% of all scores above 90
• Contract with BBC Research & Consulting
• Improve forms and shopper guidelines
• At least 1 month of testing/comparison
• Go-live January 2016
My team has attended at least one training session in the past four months: 100%.

My team found the training beneficial:
- Strongly Agree: 18%
- Agree: 18%
- Neutral: 46%
- Disagree: 9%
- Strongly Disagree: 9%

n = 11
Survey Results

I/My team found the facilitator effective

- Strongly Agree: 45%
- Agree: 37%
- Neutral: 9%
- Disagree: 18%
- Strongly Disagree: 9%

I/My team have made improvements as a result of what I learned in training

- Strongly Agree: 55%
- Agree: 18%
- Neutral: 9%
- Disagree: 9%
- Strongly Disagree: 9%

n = 11
The number of training classes required to receive the training bonus point is acceptable

I am interested in alternative training opportunities for managers (i.e. lunch and learns, conference calls, webinars, etc.)

Survey Results

n = 11
Rule 45 Revisions - *Background*

- Ensure top 1/3 performers earn the program benefit
- Refine scoring rubric to identify true top performers
- Address concerns raised by City Auditor
- Use 2+ years of operating history to inform changes
- DIA, TPA and Concessionaires met weekly for ~6 months
- Trade-offs negotiated between concessionaires and DIA
- Rule revision released for public comment on August 17th
Rule 45 Revisions - Overview

- Clarified program goal
- Financial metrics reduced from 5 to 3 and weighted differently
- Concourse segmentation eliminated (will compete across all concourses)
- Monthly bonus added; training bonus increased
- Subjective Appeal category eliminated
- Rounding policy eliminated
- Entire scoring pool mathematically adjusted to minimum of 33%
- East/West Center Core merchant zones divided equally 50/50
- Food Court minor merchandise category eliminated
- Closed concessions in scoring pool for 12 months (currently 24)
- Annual program review included in revision
Rule 45 Revisions - Appeals

- Must by within 7% of obtaining the program benefit
- Must prove that extenuating circumstances caused the loss of the program benefit
- Clear and convincing evidence standard
- An independent Dispute Professional shall determine the validity of the claim
- Subjective claims will not be considered
- No hearings shall be held
## Rule 45 Revisions - *Metrics*

<table>
<thead>
<tr>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial</strong></td>
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</tr>
<tr>
<td>Top 1/3rd Monthly Sales/SQFT by concourse</td>
<td>Top 1/3rd Monthly Sales/SQFT/KAEP by concourse</td>
</tr>
<tr>
<td>Top 1/3rd Monthly Sales/KAEP by concourse</td>
<td>Monthly Sales/KAEP</td>
</tr>
<tr>
<td>Top 1/3rd Monthly Sales/SQFT/KAEP by concourse</td>
<td>YoY Δ Monthly Sales/SQFT/KAEP by concourse</td>
</tr>
<tr>
<td>YoY Δ in Sales vs. Δ Maj. MC by concourse</td>
<td>Top 1/3 internal mystery shopping</td>
</tr>
<tr>
<td>YoY Δ in Sales vs. enpl. + inflation by concourse</td>
<td>&gt; Competitor airport mystery shopping benchmark</td>
</tr>
<tr>
<td><strong>Mystery Shopping</strong></td>
<td><strong>Mystery Shopping</strong></td>
</tr>
<tr>
<td>Top 1/3 internal mystery shopping</td>
<td>Monthly scoring bonus <em>and</em> 10% annual bonus on total points for training participation</td>
</tr>
<tr>
<td>&gt; Competitor airport mystery shopping benchmark</td>
<td></td>
</tr>
<tr>
<td><strong>Bonus</strong></td>
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</tr>
<tr>
<td>15% ↑ to annual customer service score for meeting training participation threshold</td>
<td></td>
</tr>
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## Rule 45 Revisions - *Scoring*

<table>
<thead>
<tr>
<th>Financial</th>
<th>Current</th>
<th>Monthly Points</th>
<th>Proposed</th>
<th>Monthly Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>All 5 metrics weighted equally (1 point each)</td>
<td>2 points max</td>
<td>Top 1/3\textsuperscript{rd} Monthly Sales/SQFT/KAEP</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Monthly Sales/KAEP</td>
<td>1/2</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>YoY Δ Monthly Sales/SQFT/KAEP</td>
<td>1/2</td>
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<tr>
<td>↑ to annual customer service points for achieving training threshold</td>
<td>15%</td>
<td>Monthly bonus if Financial &amp; Internal points earned</td>
<td>1/4</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>↑ to total annual PVC points for achieving training threshold</td>
<td>10%</td>
<td></td>
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