

# Raleigh-Durham Airport Authority Business Opportunity Expo

April 1, 2015



# Welcome





# Show Me the Opportunities

- Overview of the Retail and Food Concession Program at RDU
- Ways to Join The Shops of RDU
- Current Opportunities
- Typical Lease Terms
- How Do I Get a Shop
- Small/Minority Business Opportunities



# Overview: The Shops of RDU

The terminal concession program by the numbers...

Terminal 1	Units	Gross Sales (\$)
Food	6	6,072,747
Retail	5	2,872,463
Services*	1	611,392
Vending/ Automated Retail	5	60,086
<b>Total</b>	<b>17</b>	<b>9,616,688</b>

Based on 2014 Sales

# Overview: The Shops of RDU

The terminal concession program by the numbers...

Terminal 2	Units	Gross Sales (\$)
Food	15	21,876,303
Retail	17	12,282,029
Services*	3	4,564,517
Vending/ Automated Retail	10	467,790
<b>Total</b>	<b>45</b>	<b>32,290,640</b>

Based on 2014 Sales

# Overview: The Shops of RDU

The terminal concession program by the numbers...

Total	Units	Gross Sales (\$)
Food	21	27,949,050
Retail	22	15,254,492
Services*	4	5,175,909
Vending/ Automated Retail	15	527,876
<b>Total</b>	<b>62</b>	<b>48,907,328</b>

Based on 2014 Sales

# The Goals that Drive Us

- Create a world-class customer experience
- Provide nationally/regionally branded shops & restaurants appealing to travel/lifestyle needs



# The Goals That Drive Us

- Provide financially viable leasing opportunities
- Identify diverse, high caliber, and financially and operationally-capable operators
- Maintain design standards that results in world-class facilities
- Increase sales & revenue generation



# Local Favorites

- Local favorites and regional concepts add flavor



- △ 42nd Street Oyster Bar
- △ Char-Grill
- △ Brookwood Farms Barbecue
- △ 2nd Edition Booksellers



# Healthy Options

- Organic, gluten-free, and celiac-free options offers travelers variety and choice
  - △ Camden food co
  - △ Jason's Deli
  - △ ACC American Cafe
  - △ Carolina Vintages



# Lifestyle Convenience

- Lifestyle outlets provide convenience for on the go travelers

- △ Brighton
- △ Brooks Bros.
- △ EJE Retail
- △ Marshall Rousso
- △ Taxco
- △ Ruby blue



# Ways to Join The Shops of RDU

- Two ways to serve customers at RDU!
  - △ Sell Goods and Services to Airport Food, Service and Retail Operators
  - △ Lease Food, Retail and/or Passenger Services space to operate a store or restaurant





# Supply Goods and Services

- 20 food, retail, passenger services and commissary operators purchase goods
  - △ Basic office supplies
  - △ Products and merchandise





# Lease & Operate Food/Retail Space

- Quick service, casual dining, snack
- Convenience, specialty, personal care retail
- Passenger services
- Automated specialty retail
- Snack and beverage vending
- Advertising

# Challenges for the Airport

- Single product line stores
  - △ Stores versus Kiosks/RMUs
- Untested concepts / Untested operators
- Narrowly focused merchandise lines
- Food prepared/supplied from off-airport
- Specialty snack/beverage vending
  - △ Single units, Units on the concourse

# Airports: A Different Environment

- Length of Term
- Cost of Construction
- Airport Operating Environment
  - △ Impacts Employee Costs
- Inventory Managements
- Franchising Opportunities

# Typical Lease Terms

- Length of Agreements

- △ Terms range from 5 – 10 Years

- △ Refurbishment requirements

- Hours of Operation

- △ Minimum 12-hour day, 365 days/year

# Typical Rents

- Concession Rent - Higher of:
  - △ Percentage of Gross Revenue, or
  - △ Minimum Annual Guarantee Rent
- Percentage Rent Range
  - △ Food: 9% - 15% of Gross Sales
  - △ Retail: 10% - 18% of Gross Sales
- Minimum Annual Guarantee Rent



# Cost of Construction

- Tenant bears design/construction costs
- Minimum Build-out Costs
  - △ Food: \$400/sf
  - △ Retail: \$350/sf
- Avg. Cost of Construction – TI 2014
  - △ Food: \$478/sf, 5 units totaling 8,642 SF
  - △ Retail: \$441/sf, 4 units totaling 3,249 SF

# Airport Operating Environment

## ■ Security

- △ 10-year criminal history background
- △ Badging lead time varies (days to weeks)
- △ Some convictions disqualify for a badge

## ■ Remote Employee Parking

- △ Parking fees paid by employers

## ■ Street-Pricing Program

- △ Limits on product pricing

# Concession Marketing Program

- Concession tenants pay a percentage into a joint marketing fund
- Funds are used for
  - △ Mystery Shop program
  - △ Promotional materials
  - △ Advertising
  - △ Customer Loyalty Program



# Commissary Inventory System

- Retail/Food inventory received and delivered by a commissary operator
  - △ Individual store deliveries are made by the commissary operators
  - △ Commissary costs are based on:
    - △ Amount of space used in commissary
    - △ Frequency of deliveries
    - △ Volume of deliveries

# Franchising Opportunities

- Territory Assignments
  - △ Airport included in territories, or
  - △ Airport carved out of territories
- Leasing Opportunity & Communications
  - △ Coordination through franchisor or territory holder
  - △ Based on brand's leasing model



# Current Opportunities

- Terminal 1

- △ Food & Retail - Leased through 2025

- Terminal 2

- △ Food - Expire 2019

- △ Retail - Expire 2015  
& 2017



- Passenger Services terms vary

# How Do I Join The Shops of RDU?

- Methods Used to Identify Tenants
  - △ Request For Proposals
  - △ Community, Staff, or Self-Referrals
- Lease Types:
  - △ Prime Concession Leases
  - △ Direct Leases

# Request for Proposals

- Issue an RFP
- Proposals are reviewed and rated
- Selected proposals are recommended
- Leases are approval by the Airport Authority Board

# Experience Requirements

- 3 years experience in the last 5 years
  - △ Continuous ownership & management of food & beverage or retail concessions
  - △ Similar in scope and complexity
  - △ Shopping center, airport, mall, transportation center, street locations or other prominent retail setting

# Financial Requirements

- Demonstrate the financial capacity to meet the obligations of the concession opportunity
- Submit documents verifying financial readiness
  - △ Financial statements, annual reports, balance sheet & income statement, credit/landlord references, etc.



# Small & Disadvantaged Business Opportunities

- Airport Concessions Disadvantaged Business Enterprise
  - △ a small business, owned, operate and controlled a minority or woman



# Purpose of the ACDBE Program

- Create a level playing field on which ACDBEs can compete fairly
- Avoid discrimination in the award and administration of concessions opportunities
- Help remove barriers to the participation of ACDBEs in concessions opportunities

# Learn More About the ACDBE Program

- Out of state firms must be certified by their home state first.
- Complete ACDBE application (from NCDOT website)
- Submit to RDUAA Small Business Office