

## **AIRMALL USA condemns “flawed” union study that attacks use of private developers in airport concessions**

**March 2011**

**By Lois Pasternak**

Airport developer and concessionaire AIRMALL USA is condemning what it calls a “flawed and misleading” study by the labor union interest group Airport Group, which attacks the use of private developers in the airport concessions industry. The Airport Group, the national airport policy and development arm of Unite Here, has released the first in a series of analyses about the use of private developers in the airport concessions industry and what it calls “its negative impact on the airport community.” Unite Here is the union for travel hospitality workers, representing 25,000 airport workers across the U.S. and Canada.

The first piece in the series, *Less Rent Generated under the Developer Model*, claims that the percentage rent of concessions sales paid to airports which utilize AIRMALL USA (Baltimore/Washington, Boston Logan, Pittsburgh, and Cleveland Hopkins International Airports) are lower than rents collected by peer airports.

“Simply stated, Airport Group and Unite Here have conducted a flawed analysis of our model, and it misrepresents the truth. Instead of telling the whole story, they are being selective about the information they present,” said Airmall USA President Mark Knight.

“Their tactics are both predictable and unacceptable, and their attempts to somehow undermine the validity of our business model with half truths will not go unanswered. We will pursue every avenue to be certain that the whole truth is out there about our success and the success of our airport partners in Boston, Baltimore, Cleveland and Pittsburgh.”

Knight spoke with *Insider* about the Airport Group study: “We are known for being all about our employees. Our model brings in multiple companies who then employ many more people. As the programs’ top line increases, as we generate more sales, and offer better service and better selection, those employees get to make more money. They prosper and everybody wins, including the customer. So, I think our model, ironically, is the model that should be embraced by the Airport Group, not vilified.

“Our goal is always to be a real part of the airport community,” stressed Knight. AIRMALL USA manages and develops the retail, food and beverage concessions at its four airports. Founded in 1992 at Pittsburgh International Airport, the AIRMALL model has posted some of the highest per-passenger spends in North America over the past two decades and has won numerous awards for innovation and customer service.

In its statement released on March 1, Knight went on to highlight some important statistics about each of AIRMALL USA’s projects, showing that it generates greater overall sales, more sales per passenger, and higher rent revenue for the respective airports:

At **Pittsburgh International Airport**, based on 2010 figures, sales per enplanement have risen by 400% (from \$2.69 to \$13.45), revenue per enplanement has gone up by 357% (from \$0.47 to \$2.15), and rent revenue generated by the property has gone up by 126% (from \$3.9 million to \$8.8 million) since AIRMALL inherited a master concessionaire’s model when it began developing and managing concessions for the airport in 1992. These increases

took place despite the fact that that the airport has witnessed a dramatic downturn in passenger traffic over the past 10 years.

At **Boston Logan International Airport**, as of 2010, sales per passenger had risen during that period by 149% (from \$4.87 to \$12.15), revenue per enplanement had gone up by 211% (from \$0.69 to \$2.15), and rent revenue had increased by 165% (from \$5.1m to \$13.5m), since AIRMALL USA began developing concessions in terminals B & E in 1999, taking over from a master concessionaire.

AIRMALL USA's largest project is at **Baltimore/Washington International Thurgood Marshall Airport** where it took over from a master concessionaire in 2004. Based on 2010 figures, sales per enplanement since 2003 have gone up by 61% (from \$5.47 to \$8.81), revenue per enplanement has jumped 117% (from \$0.65 to \$1.41), and rent revenue has risen by 142% (from \$6.4m in 2003 to \$15.5m in 2010).

The new AIRMALL at **Cleveland Hopkins International Airport** was substantially completed in 2010, although AIRMALL replaced a master concessionaire model starting in 2008. Since that time, sales per passenger have risen by 30% (from \$5.59 to \$7.28), revenue per passenger has increased by 163% (from \$0.35 to \$0.92), and rent revenue has jumped by 161% (from 1.8 million to 4.7 million).

“The numbers really tell the whole story. The AIRMALL model trumps other concessions models in terms of the revenue it generates, including rent revenue for the airport,” said Knight. “At each of our projects, AIRMALL has been highly successful at partnering with the airport authority to develop an enhanced, profitable program that includes the very best international, national and regional brands. Moreover, everything is offered at ‘Regular Mall Prices...Guaranteed.’ This represents true value to the passenger, because they know they are getting quality goods and services for a fair price.”

An expanded version of this story will appear in the March issue of *Travel Markets Insider* magazine.

To view the report issued by the Airport Group, go to [http://www.airportgroup.info/AIRMALLed\\_LessRent\\_Feb2011.pdf](http://www.airportgroup.info/AIRMALLed_LessRent_Feb2011.pdf).