

European spenders

While the new retail spaces at Boston Logan International airport terminal B have boosted sales at the location for concessionaire BAA Boston, it is international terminal E that is racking up the dollars. **Nicole Mezzasalma** reports

The official opening event of Boston Logan airport terminal B, which took place on September 30, marked the culmination of a two-year, \$33m investment project for master concessionaire BAA Boston and airport operator Massachusetts Port Authority (Massport). But the most relevant figure relating to the renovated 25,000sq ft (2,322sq m) retail area at the terminal is the increased spend per passenger which, before the project, stood at \$7.42 but has now increased by more than 45% to \$10.80.

BAA Boston operates a total of 77,000sq ft (7,153sq m) dedicated to retail and food and beverage units across terminals B and E at Boston Logan. About 5,200sq ft (483sq m) of that space is occupied by duty-free outlets operated by Duty Free Americas (DFA). And while the sales increase at terminal B—used by American Airlines—is impressive, the hen laying the golden eggs is definitely terminal E, where the master concessionaire registered sales per passenger of \$18.45, almost double the amount seen at the American Airlines terminal.

BAA Boston vice-president Mike Caro says: “In this terminal we have focused on retail because of the high number of European passengers. With sterling and the euro being so strong, we have decided to cater for their needs. Many years back we brought in a kiosk selling diamond jewellery and that has done really well for us [see page 64]. European passengers don’t eat as much as Americans, so while the latter are sitting in the restaurants, the Europeans are exploring the retail spaces. We now have a nice balance: we have gone from having a duty-free store and a newsstand to having a full retail assortment.”

The good sales performance at the international terminal is more remarkable if compared with passenger numbers which, according to Caro, are 2% down on last year’s figures. “We are expecting passenger numbers for 2008 to remain in the flat to -2% range. In 2007, we enplaned 1.9m international passengers,” he says.

Caro attributes the growth in sales at terminal B to a shift in travellers’ attitudes following changes brought on by the refurbishment. “We have more food options and seats than before and we also have retail options—there was nothing there before as far as speciality retail went,” he says. “The American Airlines customer is only surpassed by those in the international terminal in terms of customer profile. We have longer dwell times and longer



Terminal B at Boston Logan airport is the culmination of a two-year \$33m investment

flight times, so we went from about 60 seats in restaurants and food courts to more than 450. That makes a huge difference in the customers’ attitude towards the space—instead of hunkering down on their seats they move about in the retail areas.

“Beyond that we took a look at the terminal design with Massport and suggested a way to create a passageway from the customer check-in straight to security, and from there to most of the gates, by changing the flow of passengers. Now, 99% of the traffic passes by all but three of the 26 new units.”

Central security

Terminal E also features a central security checkpoint, which allowed BAA Boston to increase the landside retail spaces to serve meeters and greeters and passengers who linger with friends and family until the last minute. “Once you go through security, passengers are right in the middle of the terminal—you can see from one end to the other, with the food court across from them and retail on both sides,” says Caro.

The latest shop openings at terminal E occurred in June, when retail operator ARI-Sardana JFK launched its Runway Fashion store. At the same time, BAA Boston opened a Brookstone outlet and a Techshowcase

electronics concept, in addition to installing Zoom Systems fixtures selling iPods and accessories, which Caro says are very popular with travellers.

“With the new shop openings, together with the beginning of the summer holidays, we saw an increase in spend per passenger at terminal E,” Caro tells *DFNI*. “Before we came in, in 2000, this terminal was making \$8.81 per passenger, so we have more than doubled spend per passenger since that time. And the \$18.45 does not even count a full year of operation for those new units.”

He adds that the duty-free store at the international terminal was also enlarged in June, almost doubling in size, to allow customers more space and make room for better and expanded product ranges.

“One of the biggest changes was DFA implementing a more modern IT system that allows customers to complete their transactions faster,” says Caro. “People were scared at first, saying ‘you have this brand new store and there is no one in it’. My argument is that there are no queues because the customers are processed faster at the cashiers. Consumers are happier and are going into our other stores, which makes a huge difference.”

Across terminals B and E, food and beverage outlets account for half of the business. News



Runway Fashion, opened in June by retailer ARI-Sardana JFK, has been performing well

and gifts stores come next with 25% of sales, while duty-free represents 14% and speciality retail accounts for 11% of overall sales. Caro says: “Speciality retail is showing the most growth. While we have done well to improve F&B sales through an increasing number of units appropriate to the passenger levels, since there was no speciality retail in the past this is a bonus area of the business. There we are seeing most of our new sales.”

BAA Boston recorded sales of \$75m in 2007, an increase of 15% on the previous year. “This year we are doing well considering the economy,” says Caro. “Boston is a good destination city with a big customer base so, provided that things continue to go the way they are, we are on target to beat last year’s sales and continue registering double-digit growth.”

Fashion focus

For ARI-Sardana JFK, Logan airport offers great potential, as president and general manager Bart Collins tells *DFNI*. “Considering the market, our Runway Fashion shop has been doing well. The multi-brand store covers about 1,980sq ft (183sq m). We have fashion houses such as Lacoste, Guess, Timberland, Oakley, Quiksilver and Roxy, plus accessories including Fossil watches, and a whole sunglasses wall with Gucci, Hugo Boss, Liz Claiborne and Juicy Couture. It is a great balance of fashion, accessories and jewellery.”

While Collins does not reveal specific sales figures, he says the store is performing to expectation. “There is always room for improvement, and we also understand that the market is soft now because people are hesitant to spend a lot of money on holidays, but I am sure that in time it will improve,” he says. “The potential of the terminal is fantastic, more so because we have no competition—there is no other fashion store in terminal E.”

Collins explains that the Runway Fashion concept is interesting for European passengers because products by the US brands represented there are much more expensive in Europe. Boston offers a bonus to fashion fans: any clothing purchase up to \$175 is free of tax.

“From that standpoint, it is attractive for passengers coming from Europe to buy here—it makes virtually no difference whether you buy a product in a duty-free store or a shop like ours because of our tax situation,” he adds. “What is taxable are accessories and jewellery, but even then the tax in Boston is about 5.75%, still a very small amount compared with the typical European VAT.”

Handbags are the number one product at Runway Fashion, according to Collins, and Guess handbags are performing particularly well. “The other best-sellers are brands such as Quiksilver and Oakley—Oakley sunglasses are very popular because I understand they can easily be double the price in Europe. And these brands rank in the top three across customers from all airlines.”



Massport director of aviation Ed Freni (left) and BAA USA president Mark Knight

For ARI-Sardana JFK the best customers are European travellers flying with Lufthansa, Virgin Atlantic Airlines, British Airways and Air France, while Caro reveals that passengers from Ireland and Cape Verde are the highest spenders at terminal E’s duty-free store. “The Irish are our number one volume purchasers in terms of duty-free sales and, surprisingly, Cape Verde is strong behind them. The British do very well too,” he says.

New tenants

BAA Boston recently had its contract with Massport extended until 2015 and has plans to tweak the retail offer in terminal E in the near future. Caro explains: “We started operating the stores in 2001, so terminal E is ready to have several of the shops remodelled, replaced or refurbished. We are already looking at the first set of leases for redevelopment in that terminal because the contracts usually run for only five or seven years, so we are hitting the end of that first group.”

“This gives us the chance to freshen things up for passengers by putting in new tenants with the newest looks,” he adds. “We have an Earl of Sandwich food concept being developed to take up a place in the food court, and we have two other food concepts being developed which I would rather not reveal yet.”

The financial crisis in the US has not affected BAA Boston’s operations at Logan airport, according to Caro. “We have tenants who are concerned because they believe they see passenger numbers going down. But we had a strong summer for traffic, our new stores are performing well and I think the next couple of months will tell the story. We brought in many new stores to a market where the customer was underserved, and we are still able to see nice growth on a per passenger and a square footage basis. Boston is an important destination city, so that will help us keep more afloat than a lot of airports.”

The economy is not the only challenge faced by BAA Boston, as Caro points out: “Traffic is an issue, but that goes hand in hand with costs. The airline industry has to keep prices down so that people can continue to fly. Build-up costs could also be a factor as we continue to try to develop the airport and bring in new retailers, especially first timers, because these costs can be high. And with the carry-on rules, we have seen big swings in the business in the past couple of years based on what different countries would accept.”

ARI-Sardana JFK is not one of the concerned tenants, according to Collins. “We took over the last space available in terminal E and are really glad it is ours,” he says. “If further space becomes available and it meets our business model, then we are always interested in it. We want to expand, especially in Boston, and if it makes sense then we’ll have a serious look at it.”

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