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Cleveland Hopkins International Airport hopes retail improvements lure travelers

Effort to lure travelers also could bring in more flights

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Commercial development is taking off inside Cleveland Hopkins International Airport.

New businesses arrive almost weekly. The terminal is getting its biggest renovation in more than a decade.

Fresh paint and the removal of window obstructions have given a cleaner, brighter look even to areas under reconstruction.

When the makeover is finished, sometime next year, the airport's retail and restaurant space will have almost doubled. Revenues are expected to be twice what they were.

Visitors will be able to pick from a mix of regional and national fare, from Great Lakes Brewing Co. and Panini's to Dunkin' Donuts and Obrycki's Crab House and Seafood Restaurant. And they won't have to pay more for a wider range of shopping choices.

The improvements should lure more passengers, said airport director Ricky Smith. The added revenue will reduce landing fees that Hopkins charges airlines, and the lower fees could attract carriers to schedule more flights.

"If it's not the largest economic development project in the city now, it's one of the largest," Smith said.

"We think it's going to be the first stage of transforming the airport, and there is not a larger or more significant economic driver."

Visible changes began last year after the airport switched its contracts for shopping and dining concessions to BAA USA from HMS Host Inc., which held them for 20 years.

HMS owned and operated most of the restaurants and shops in the airport, including such franchise operations as Burger King, for which it has exclusive agreements.

"It was not an arrangement the mayor was happy with," said Smith, who was hired by Mayor Frank Jackson three years ago from a job running Baltimore/Washington International Airport. "He wanted a program that offered more variety, would improve customer service, would have much larger economic impact and would spruce up the airport."

BAA, which has a 10-year contract, is using the "Airmall" concept it has in Pittsburgh, Boston and Baltimore. The structure, which the company pioneered in Britain after airports were privatized, makes BAA the developer and manager that rents to local and national stores and restaurants as tenants.

Mark Knight, president of BAA Cleveland, said the historic model for airport concessions around the country is "an anti-competitive structure that limits choice. This is customer-driven."

BAA's first task, now more than half complete, was to refurbish the terminal - a \$25 million project in which BAA's projected \$5 million investment has grown to \$8.3 million, with concessionaires paying the rest, Knight said. It involves reconfiguring about 40,000 square feet of commercial space, modernizing the infrastructure for tenants and making the terminal look new. It also meant adding more commercial space, to about 76,000 square feet total.

"We're not expanding the terminal," Smith said. "The space has been there. We're just getting better at how we position what we have."

That includes being where the passengers are.

Vendors previously lost opportunities because they were in some of the airport's least trafficked areas, Smith said. Because of security, most passengers arrive for flights earlier than they once did, but few visit shops or restaurants if they have to walk more than a block's distance or if it takes them away from hearing announcements at gates.

Concessions will be scattered through the four concourses, and some, for the first time, will operate in areas outside security checkpoints - on the ticketing and baggage-claim levels and at the airport's rental car terminal.

Competition among separately owned businesses provides incentive to improve service and prices, Smith said.

Contract terms add another. BAA's promise of "street pricing" means travelers should expect the same prices they would find outside the airport. They can do more buying because of the convenience and the chance to save a trip to the store later, Knight said.

"We also brought a slightly expanded set of hours to this contract," Smith said. "Almost all vendors are required to be open an hour before the first scheduled departure of the day, and 30 minutes to an hour after the last arrival. At least one food outlet is open 24 hours."

Airport officials were disappointed to lose Starbucks because of the company's exclusive agreement with HMS Host.

"But we haven't had the outrage we expected," Smith said, and coffee sales haven't dropped. They could even increase after Dunkin' Donuts opens two locations by the end of the year.

Knight said BAA expects to have 55 shops and restaurants by next spring. The airport previously had 47.

Recent decreases in flights and passengers have led to a drop in concession sales at Hopkins, but BAA and Smith say that total is the wrong figure to watch.

"What has impressed us," he said, "is that while total sales are down, per-passenger spending is up. When we get through this economic downturn and traffic begins to come back, we expect to see a substantial increase" in total sales.

Where the average Hopkins traveler spent about \$5 per visit with the old concession program - compared to more than \$13 in Pittsburgh - BAA expects spending to reach \$12 to \$15 per

passenger. They project revenue, which was just under \$30 million per year, will increase to about \$60 million.

More revenue will go to the bottom line goal of lowering landing fees, Smith said:

"Three years ago, our fee was about \$6 per landing per 1,000 pounds. Our landing fee this year is \$3.40. We've made substantial progress - none of it from retail and food and beverage. We haven't begun to see the benefits of this program."

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