

# The Washington Post

## Airport Has Plan For More Retailers; BWI Adding Space With an Expansion And New Terminal

**Dina ElBoghdady.** *The Washington Post.* Washington, D.C.: May 16, 2005. pg. E.01

The company that helped pioneer the shopping-mall-within-an- airport concept plans to nearly double the eating and shopping space at Baltimore-Washington International Airport, starting with the stores in a new terminal scheduled to open this week.

**BAA USA Inc.**, a subsidiary of London-based **BAA PLC**, last year took over the airport's retail operations from HMS Host Corp., the company that ran BWI's concessions for 30 years.

Of the 60,000 square feet being added to the airport's retail areas, half is in the new \$264 million terminal built for Southwest Airlines, BWI's leading carrier. The rest will come in a renovation of the airport's existing facility.

When the new terminal opens Wednesday, travelers will find well- known chains such as McDonald's and specialty shops such as Godiva Chocolatier, Bon Voyage Luggage and the Fire & Ice jewelry shop. California Tortilla and menswear retailer Jos. A. Bank will debut their first airport stores there.

Airport officials say they hope to improve BWI's lagging retail sales, which are currently among the lowest per passenger at major airports. The average departing traveler spent \$5.47 passing through BWI in 2004 -- ranking 44th in the nation. **BAA** officials hope the figure will climb to \$7.60 per passenger by the end of next year.

"The airlines bring the people in," said Mark Knight, president of **BAA Maryland Inc.**, a subsidiary of **BAA USA**. "We just have to make it easy for those people to spend money."

The aggressive redevelopment of BWI's retail space is an example of how large airports push to cash in on captive potential shoppers.

It is a push that the cash-strapped airline industry is cheering, said Stephen Freibrun, managing director of the Center for Airport Management LLC, a concessions planning and research firm. By helping airports meet their expenses, a vibrant shopping area can lessen the need to charge the airlines higher rents and landing fees.

"Airlines view retail as an alternative revenue source that can help keep their costs down," said Freibrun, who advised BWI on its new retail space. "For airports, it's a way to satisfy their customers," especially in competitive markets like Washington, where travelers have their pick of three airports, he said.

BWI began exploring its retail options years before HMS Host's most recent contract expired in 2004. As a "master concessionaire" for BWI, HMS Host operated nearly all the airport's stores through licensing or franchise agreements.

Critics of that model say it leads to fewer choices for consumers because concessionaires have relationships with a limited number of brands. With the new terminal, BWI decided to change the approach and hire a developer that could solicit retail tenants in the same competitive manner as a shopping mall.

HMS Host, which was spun off of Bethesda-based Host Marriott Corp. in 1995 and then acquired by the Italian fast-food chain Autogrill SpA in 1999, did not bid on the 12-year contract that **BAA** ultimately won.

HMS Host did not return phone calls seeking a comment. The company has said in the past that it was shut out of the bidding, which airport officials denied. **BAA** has since hired HMS to run some of the airport's food outlets, including a Starbucks and a Phillips Seafood restaurant.

"We wanted to make sure we were keeping up with what's going on in the marketplace," said Paul J. Wiedefeld, executive director of the Maryland Aviation Administration, which owns and operates BWI. "We wanted competition between stores and a mix of international, national, and local retailers."

**BAA** was known as the British Airport Authority until 1987, when Prime Minister Margaret Thatcher privatized the largest airports in Britain. **BAA PLC** now owns seven British airports, including London's Heathrow.

To expand its business, **BAA** began chasing opportunities in the United States. Its first U.S. venture was Pittsburgh National Airport, where it opened a full-scale shopping mall in 1992. The mall was a giant leap from the previous magazine-kiosk and sandwich-shop amenities that U.S. airports usually offered, and it inspired copycats. Today, **BAA** also manages retail at the Indianapolis airport and at a few terminals at Logan International Airport in Boston.

At BWI, it beat out Westfield Concession Management Inc., a Los Angeles-based developer that handles retail at Washington Dulles International Airport and Ronald Reagan Washington National Airport. In the airport retail business "opportunities don't come along every day," said Knight, president of **BAA** Maryland. "There are only so many large airports" that can sustain a large retail operation, "and their concessions are usually leased for long terms" of up to 20 years.

The challenges do not end there. Luring and keeping quality retailers at an airport is difficult in the security-sensitive, post- 9/11 climate, said Pauline Armbrust, publisher of Airport Revenue News.

For example, retailers pay \$60 to \$100 per employee for their workers' badges and

security clearances. Before 9/11, not every employee needed clearance, Armbrust said. And getting merchandise into the stores is expensive. At many airports, delivery trucks must be packed in a way that keeps a center aisle clear for bomb-sniffing dogs, adding to a retailer's costs.

Another drawback for BWI is that Southwest, which has nearly 50 percent of the airport's market share, does not offer reserved seating, only assignment to one of three boarding groups for each flight. So, many passengers spend their "dwell time" waiting in line for a seat instead of roaming the stores.

Melissa M. Fulton, owner of the Celebrate Maryland gift shops, is not fazed. She has six stores at BWI, including spinoffs of Celebrate Maryland. She said the benefits of being at the airport outweigh the risks, given that 20 million passengers pass through its doors every year.

"As a retailer, you really don't have to do a whole lot to attract them there," Fulton said. "I would rather be in a location where there's consistent flow of people even if that comes at a higher cost."

Fulton, who opened her first shop in BWI a decade ago, said she was thrilled at **BAA's** arrival. **BAA** has hosted two job fairs to recruit workers for the airport's stores, she said. This year, it gave away two airline tickets to shop owners who had the best reviews from "secret shoppers."

"In the past, I felt I was dealing with a landlord," Fulton said. "**BAA** gets in there up to their elbows and works with you. It's not just 'give me a rent check' and move on."