

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**  
**ACTION ITEM**

<b>Item No.</b>	<u>4d</u>
<b>Date of Meeting</b>	<u>October 14, 2014</u>

**DATE:** September 19, 2014  
**TO:** Ted Fick, Chief Executive Officer  
**FROM:** James R. Schone, Director, Aviation Business Development  
Deanna Zachrisson, Business Leader, Airport Dining and Retail  
**SUBJECT:** Customer loyalty program on behalf of Airport Dining and Retail merchants

**ACTION REQUESTED**

Request Commission authorization for the Chief Executive Officer to execute an 18-month agreement with Thanks Again LLC for an airline mileage customer loyalty program on behalf of the Airport Dining and Retail Merchant marketing program for an estimated amount of \$60,000.

**SYNOPSIS**

Since January, 2012, the Port has had an agreement with Thanks Again LLC for a customer loyalty program that rewards customers with airline miles for purchases at Seattle-Tacoma International Airport ("Airport"). Customers can earn miles for parking, as well for purchases at any restaurant, retail or passenger service location at the Airport. The agreement with Thanks Again LLC was granted via a policy waiver for a period not to exceed three years and less than \$300,000. This contract was directly entered into with Thanks Again, without competition. The agreement with Thanks Again will terminate on October 31, 2014. However, the Airport Dining and Retail merchants would like to continue the program for an additional 18 months under a new agreement that will be fully paid for by the merchant-funded marketing program. Staff seeks Commission authorization because the total amount of the soon-terminated agreement and the proposed new agreement exceeds \$300,000. The source of funds is the Merchant Marketing program fund which is wholly supported by contributions from Airport merchants for marketing efforts on their behalf.

**BACKGROUND**

The Airport Dining and Retail staff manages a multi-faceted marketing program on behalf of the merchants at the Airport. The merchant marketing program is unique for the Port, but commonplace in other retail environments such as shopping malls. Each tenant pays, as part of their contractual obligations, 0.5% of gross sales (not to exceed \$24,000 per location) into a joint merchant marketing fund that is managed by staff under advisement of a Merchant Marketing Advisory Committee. This committee is comprised of dining, retail and passenger services representatives from both large and small businesses. The marketing funds are considered, for practical purposes, to be a resource belonging to the merchant tenants as their use is specifically restricted to marketing of the Airport Dining and Retail program. The funds are used to promote

## **COMMISSION AGENDA**

Ted Fick, Chief Executive Officer

September 19, 2014

Page 2 of 4

the offerings at the Airport, and are particularly valuable for marketing to local residents that make up the majority of the Airport's customers.

The customer loyalty program with Thanks Again is one such facet of an overall marketing effort. Thanks Again is an airport and airline loyalty program that awards travelers with airline miles on a number of airlines for purchases in airports and from airlines. Thanks Again is the only company in the United States that specializes in loyalty programs for airports and airlines. Currently, there are 170 airports that feature the Thanks Again loyalty program, either via an airport agreement or directly via merchants in airports. One advantage for travelers is that miles can be earned at member airports and merchants nationwide regardless of where they register for the program. Travelers can earn airline miles for travel on American Airlines, Alaska Airlines, Delta Airlines, Frontier Airways, JetBlue Airlines, Southwest Airlines, US Airways and United Airlines.

In 2011, Port staff representing the parking as well as the dining and retail business agreed that the loyalty reward program offered by Thanks Again could be a valuable tool in building greater customer loyalty to their respective businesses and thereby increasing non-aeronautical revenues. Travelers who actively earn and use airline miles are known to seek out opportunities to add to their accumulated miles. As Thanks Again was the only known provider of this type of loyalty program for airports, a policy waiver was sought and granted for a 3 year contract with Thanks Again for an amount not to exceed \$300,000. The contract was signed on January 10, 2012 and the program was officially launched to the travelling public in February, 2012.

During the past few years, this program has been promoted throughout the airport with particular emphasis on travelers who are more likely to spend incrementally more than they might otherwise without the incentive of one earned airline mile for every dollar spent at Airport shops and restaurants. Currently, there are more than 7,500 Seattle area members in the program and another 7,000 members in the Washington state catchment area.

When the Thanks Again loyalty program was adopted as part of the merchant marketing effort at the Airport, the Sea-Tac merchants opted to brand the loyalty program as "Merchant Miles" and incorporate it into the overall promotions and marketing under the "Eat Shop on the Fly" moniker seen in the terminal, in print and in online advertising. Promotional signage featuring Merchant Miles was installed throughout the Airport and point-of-sale collateral was developed for each merchant location. In addition, the program created an opportunity for merchants to work with their employees to encourage incremental sales and improve their customer service as they interact with the travelling public on a daily basis.

In order to ensure that the contract amount did not exceed the \$300,000 limit, Thanks Again was notified that the contract would expire on October 31<sup>st</sup>, 2014. Representatives of the Aviation Division's parking staff determined that they did not wish to continue with the Thanks Again program past the contract expiration date. However, the Airport Dining and Retail merchants by way of their Marketing Advisory Committee would like to continue with the program for an additional 18 months. At a meeting of the advisory committee on September 23, 2014, the

## **COMMISSION AGENDA**

Ted Fick, Chief Executive Officer

September 19, 2014

Page 3 of 4

merchants asked Port staff to pursue a shorter-term continuation of the program through April 30, 2016.

The rationale for continuing the program for another 18 months is based on the plan to completely refresh the overall marketing program for the Airport Dining and Retail offering in early 2016 as part of the transition to new offerings at the Airport per the Airport Dining and Retail Master Plan. Until such time, the merchant's desire is to keep existing collateral such as signage in place.

### **PROJECT JUSTIFICATION AND DETAILS**

The loyalty program, specifically the ability to earn airline miles for all purchases within the Airport Dining and Retail program has been integrated into the overall marketing campaign messages on the radio, in print and in Airport signage. With the end of the three year contract near, the merchants must determine what to do with all of the Merchant Miles marketing that has been incorporated into the terminal promotional signage. The cost for removing, designing new signage and installing it is estimated at \$60,000. In light of the cost to wind down the program and replace all the signage now, the Airport Dining and Retail staff turned to Thanks Again to explore a shorter-term continuation of the program for the merchant Marketing Advisory Group's consideration. Thanks Again responded with a proposal for this short-term continuation of the program that will cost approximately \$60,000.

Allowing the program to continue for an additional 18 months would allow for a more seamless transition for all terminal merchant promotional signage in conjunction with an official launch of the dining and retail redevelopment effort. Merchant Miles would cease accepting new enrollees through its own website on January 31, 2016. Once the Thanks Again program is discontinued here, interested parties can still enroll in the nationwide Thanks Again program via Thanks Again's own website.

### **FINANCIAL IMPLICATIONS**

The merchants' joint marketing fund will support this expenditure. While continuing with the loyalty program for another 18 months will cost roughly \$60,000, removal and replacement of the promotional signage in the terminal for the loyalty program at this point in time is anticipated to cost approximately \$60,000. By continuing with the loyalty program, the signage and other promotional materials can remain in place until the planned refresh of the marketing program in early 2016.

### **STRATEGIES AND OBJECTIVES**

The merchant marketing program, including the Merchant Miles loyalty program, support the Port's Century Agenda goal to "advance the region as a leading tourism and business gateway" by providing an extraordinary customer experience at the Airport. The program also supports the Aviation Division's strategic goals to operate a world-class airport and grow non-aeronautical net operating income.

## **COMMISSION AGENDA**

Ted Fick, Chief Executive Officer

September 19, 2014

Page 4 of 4

### **ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1)** – Do not proceed with a short-term continuation of the Merchant Miles/Thanks Again customer loyalty program for the Airport Dining and Retail merchants. This would necessitate the replacement of all dining and retail signage associated with this program by October 31, 2014. This is not the recommended alternative.

**Alternative 2)** – Execute a new agreement with Thanks Again LLC for continuation of the customer loyalty program. The program would continue to be in place until April 30, 2016 at a cost of approximately \$60,000. **This is the recommended alternative.**

### **ATTACHMENTS TO THIS REQUEST**

- Exhibit A: Current agreement with Thanks Again LLC
- Exhibit B: Example of Merchant Miles promotional materials

### **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

- None