

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

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

**Item No.** 4c  
**Date of Meeting** June 28, 2016

**DATE:** May 20, 2016  
**TO:** Ted Fick, Chief Executive Officer  
**FROM:** James Schone, Director, Aviation Business Development  
Lionel Vincenti, Senior Manager, Airport Dining and Retail  
**SUBJECT:** Procurement for Aviation Airport Dining and Retail (ADR) Marketing Program

<b>Amount of This Request:</b>	\$375,000 - (16%)	<b>Source of Funds:</b>	Airport Development Fund
<b>Amount Funded by Tenants:</b>	\$2,025,000 – (84%)	<b>Source of Funds:</b>	Tenant Marketing Fund
<b>Total Procurement Request:</b>	\$2,400,000		

**ACTION REQUESTED**

Request Commission authorization for the Chief Executive Officer to procure and execute four consulting contracts to promote doing business with Airport Dining and Retail tenants in an amount not to exceed \$375,000, which will supplement tenant funding of approximately \$2,025,000.

**SYNOPSIS**

This authorization request is for the procurement of a variety of consulting firms necessary to support the joint marketing efforts of the Port and the Airport Dining and Retail (ADR) tenants to promote tenant businesses and to create a Pacific Northwest sense of place within the Airport terminal buildings.

The contracts included in this request are:

- Marketing and advertising management firm to create branding and advertising campaigns for the ADR program. Contract duration: 4 years (for continuity of program during redevelopment). Contract value: \$800,000; 100% funded by the ADR tenants and administered by Port staff.
- In-terminal entertainment for ADR holiday and seasonal events. Contract duration: 3 years (small business opportunity). Contract value: \$350,000; 100% funded by the ADR tenants.

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- Airport music program for creating a Pacific Northwest sense of place. Contract duration: 3 years (small business opportunity). Contract value: \$750,000; 50% funded by ADR tenants (\$375,000) and 50% by the Port (\$375,000).
- Mystery (secret) shopper/customer service for ADR tenants. Contract duration: 5 years. Contract value: \$500,000; 100% funded by the ADR tenants.

This request supports the Port's Century Agenda goal of creating a 100,000 jobs as well as specific strategies to accomplish that goal by making Sea-Tac Airport the west coast gateway of choice for international travel and increasing the proportion of funds spent by the Port with qualified small businesses. The annual costs for these contracts are included in the annual expense budget.

### **BACKGROUND**

In 2005, the Port and its ADR tenants established a joint marketing program for the purpose of promoting the quality and variety of products and services available from Airport merchants at reasonable prices. Joint marketing programs have been standard practice in shopping malls for decades, and have become more common in airports.

The ADR marketing program is a mutual lease obligation between the Port and its ADR tenants. All ADR tenants (with the exception of kiosk tenants) are required to contribute to the joint marketing effort, and the Port is obligated to work collaboratively to execute the program and use contributed funds specifically to support tenant marketing. The Port is required to develop a new marketing plan for the ADR program every year. The program is overseen by a Tenant Marketing Advisory Group, comprised of 14 members who represent all ADR tenants who lease and operate the approximately 100 dining, retail and passenger service locations within Seattle-Tacoma International Airport. The group meets at least semi-annually. ADR staff manages this program with the help of in-house and external staffing resources.

These procurements are necessary as the majority of the contracts used to support the Airport Dining and Retail Program has or will expire within the next year.

- Expired: The current marketing account management, graphic design, photography, signage and web development/designer for "eat & shop on the fly".
- Due to expire: Music Program (Feb, 2017), and Holiday/Seasonal Entertainment Program (Dec, 2016).
- New Program: Secret Shopper/Mystery Shopping Program.

These contracts that are largely funded by the tenants are a critical component to the continued success of the ADR Program and its tenants. Through that success, these contracts support the Port of Seattle Commission's Century Agenda goal to create 100,000 jobs and the associated strategy to do so through the promotion of small business growth. Aggregating these individual contracts into one request for authorization was deemed the most efficient means to present these to Commission. Authority to spend marketing funds is already contained both in the approval of

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ADR tenants leases and in the annual Airport operating budget, which is reviewed and authorized annually by the Commission.

## **PROJECT JUSTIFICATION AND DETAILS**

### **ADR Marketing Campaign**

In the years following the redevelopment of the ADR program in 2005, it was important to market broadly to the Puget Sound region about all that was new. The program has been quite successful in building awareness of the ADR Program with the travelling public. It has also garnered several awards: in 2012 ADR marketing program received two (2) Airport Council International Awards (ACI) for “Excellence in Communication” for the current Eat/Shop marketing campaign and its radio advertising campaign.

Now, as the program is in its eleventh year, and continues to evolve, the marketing strategy has shifted more emphasis to marketing and promotional activities at the Airport, with the purpose of influencing impulse purchases. Emphasis in the new marketing campaign will be on promoting new businesses within the airport and continuing to build the Pacific Northwest sense of place as the next redevelopment of the ADR program unfolds in the coming years.

The ADR tenants are specifically interested in more promotions in the terminal that are tied to an increased presence on the internet. This could include such things as promotions directed to passengers who use either mobile phones or laptops to access flight and airport information while in the terminal buildings.

The specific procurements are for needs related to strategic planning for marketing campaigns, graphic design for signage for ADR marketing campaigns and other uses, in-terminal promotions, unique customer experience programs, website management and redesign of the [www.seatacshops.com](http://www.seatacshops.com) website, and development of new technology-related innovations to increase sales in the terminal. The Port’s Information & Communication Technology (ICT) department does not support the tenant’s website. This work is done by an outside consultant.

The most recent contract for these services utilized the model of one primary contractor with multiple subcontractors to complete the needed scope of work. ADR learned from the previous marketing and advertising procurement that small business firms did not have the capacity or the business structure to manage a large procurement that embodies all of the tenant’s requirements. Staff intends to follow the same model with this next campaign. The procurement evaluation will include points for subcontracting with small businesses.

### **Live Music Program**

The live music program has been successful in creating a more attractive sense of place within the terminal buildings as well as increasing passenger dwell time in areas where the music is playing. ADR tenants have commented that placing musicians outside of their locations has had a positive impact on bringing business into their stores and restaurants. Since the inception of the live music program in 2013, it has garnered industry awards from Future Travel Experience

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for “Best Arrivals Experience” and in 2014 received an ACI Marketing & Communications award for “Customer Service Initiatives.” The music program, currently employs five (5) full-time workers and over ninety (90) Northwest entertainers and musicians, both pre and post-security, with compensation above the minimum wage requirement specified in the City of SeaTac’s Ordinance 13-1020 (commonly referred to as Proposition 1).

### **Holiday/Seasonal Entertainment**

Holiday entertainment in support of the ADR Program started in 2005. Designed around peak traffic hours, the program entertains passengers and guests alike, reducing the impact of the busy travel periods on passengers and their “meeters and greeters.”

### **Mystery Shopper:**

The mystery (secret) shopper is a new program. It is intended to help the ADR tenants receive constructive feedback regarding their customer service for the traveling public.

### ***Project Objectives***

- To inspire travelers to feel like shopping and eating while at Sea-Tac Airport.
- To maximize non-aeronautical revenue.
- To create quality jobs.
- To promote small business growth.
- To provide an extraordinary customer experience.
- To expand on the Northwest Sense of Place.

### ***Schedule***

With Commission authorization, the first request for qualifications would be advertised in late July 2016 and executed in Q4 2016.

### ***Source of Funds***

The tenant marketing fund will be the main source of funds for these contracts, paying for \$2,025,000 out of a total of \$2,400,000. The tenant marketing program is paid for by the ADR tenants, as per the terms of their lease agreement. Each tenant contributes 0.5% of gross monthly sales per unit, but no more than \$30,000 annually into the tenant marketing fund. The marketing program revenues and expenditures are managed by the ADR staff within Aviation Business Development.

The secondary source of funding will be the airport development fund which will pay for a 50% share of the \$750,000 music program (\$375,000 over three years), as a co-sponsor of the program with the ADR tenants.

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### **STRATEGIES AND OBJECTIVES**

These contracts support the Port's Century Agenda goal to "advance the region as a leading tourism destination and business gateway" by providing an extraordinary customer experience at the Airport. These contracts also support the Aviation Division's strategic goal to operate a world-class international airport and increase non-aeronautical revenue.

The ADR team is working with the Small Business team to maximize the participation of qualified small business firms within the contracts.

### **ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1** – Do not procure these contracts and come up with an entirely different plan for how to use the tenant marketing fund.

Cost Implications: ADR tenants will need to find an alternate means to spend their \$2,025,000 marketing fund budgeted dollars. The airport development fund would not expend the \$375,000 requested for the music program over three years.

#### Pros:

- The Port would not spend the \$375,000 as its co-sponsored share of the Airport Music Program.

#### Cons:

- ADR tenants will be required to perform and initiate their own marketing plan and efforts.
- This option may be a hardship for many of the ADR small business operators because of inadequate resources to do their own marketing.
- This option does not provide the Port with assurance that each tenant will comply with Port terminal marketing requirements and policies.
- There will be a reduction of public awareness for the ADR merchant locations and product/service offerings.
- ADR tenants, who express high regard for the marketing program, will likely be dissatisfied with the change.
- An opportunity for small business participation in Port programs would be lost.
- An opportunity to further the Northwest sense of place would be lost.

This is not the recommended alternative.

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**Alternative 2** – *Execute only a portion* of these contracts. For purposes of this example, execute all but the Mystery Shopper Program.

Cost Implications: ADR tenant marketing fund would expend \$1,525,000 and airport development fund would expend \$375,000.

### Pros:

- Valuable tools would be retained for marketing the ADR Program.
- Signature components of the ADR Program's uniqueness are continued.
- Helps grow non-aeronautical revenue for the Port.
- Retains the small business continuity opportunities.
- Supports the Pacific Northwest sense of place and ADR tenant branding.
- ADR tenant spending would be reduced by \$500,000 allowing the funds to remain in their account for future spending.

### Cons:

- The Port would spend \$375,000.
- The ADR tenants desire to have a mystery shopping program to gauge and elevate customer service would not be met.
- An important program to assist ADR tenants in improving their customer service would be lost.

This is not the recommended alternative.

**Alternative 3** – *Execute* these contracts.

Cost Implications: ADR tenant marketing fund \$2,025,000 and Airport development fund \$375,000.

### Pros:

- A valuable tool is retained for promoting the ADR program.
- Signature components of the ADR Program's uniqueness are continued.
- Helps support and grow non-aeronautical revenue for the Port.
- Supports and fosters the Pacific Northwest sense of Place and ADR tenant branding.
- Retains the small business continuity opportunities.
- The ADR tenants desire to have a mystery shopping program to gauge and elevate customer service would be met.

### Cons:

- The Port will spend \$375,000 for the co-sponsorship of the music program.
- The ADR tenants will spend \$2,025,000 in marketing and advertising programs.

**This is the recommended alternative.**

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## **ATTACHMENTS TO THIS REQUEST**

- None

## **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

- December 3, 2013 – Authorization to execute management of the Live Music Program at Seattle-Tacoma International Airport
- January 22, 2013 – Airport Music Initiative Briefing
- June 5, 2012 – Authorization to execute all work in support of the tenant-funded marketing program