

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

**COMMISSION AGENDA**

<b>Item No.</b>	<u>5a</u>
<b>Date of Meeting</b>	<u>June 23, 2009</u>

**DATE:** May 29, 2009

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** James R. Schone, Director, Aviation Business Development  
Deanna Zachrisson, Manager, Aviation Concessions Business

**SUBJECT:** Procurement for Aviation Concessions Marketing Program

**REQUESTED ACTION**

Authorization for the Chief Executive Officer to authorize all work, execute Category III procurement process for IDIQ (Indefinite Delivery, Indefinite Quantity) contract and execute all contracts, service directives and amendments for professional services to support the concession tenant-funded joint concession marketing program. Procurement estimated at \$250,000 annually for a period of up to three years (\$750,000 total).

**SYNOPSIS**

Seattle Tacoma International Airport (Sea-Tac) has more than 90 concession locations operating within the terminal building. As part of the new concessions program, the concessionaires and the Port agreed that in order to assure success, it would be necessary to inform both the public-at-large and airport travelers about the wide range of concession offerings. As a result, the lease agreements between the Port and the concessionaires include provisions for a joint marketing program, which is a common arrangement at other airports and in shopping areas such as malls. A portion of lease payments is earmarked for joint marketing, advertising and promotions that are determined in consultation with the concessionaries. The funds collected for joint marketing can only be spent on joint marketing activities. This authorization request focuses on hiring a professional service firm as necessary to support the joint marketing efforts. Such a professional services contract will enable Sea-Tac to rapidly retain consultation and services during peak travel periods, for seasonal or holiday offerings, and for other special initiatives and advertising as determined by the concessionaires and airport staff. Authority to spend marketing funds is already contained both in the approval of concessionaire leases and in the annual Sea-Tac operating budget which is reviewed and authorized annually by the Commission.

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## **BACKGROUND**

With the creation of the new concessions program in 2005, the Port and its concessions tenants established a marketing program for the purpose of promoting the quality and variety of products and services available from Airport merchants at reasonable street prices. Joint marketing programs have been standard practice in shopping malls for decades, and airports began creating such programs as most moved away from the master concessionaire business model. Airport concessions marketing programs are now the norm at airports across the country.

At Sea-Tac, the concessions marketing program is a mutual lease obligation between the Port and its tenants. All 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 only. The Port is required to develop a new marketing plan for the concessions marketing program every year. The program is overseen by a tenant Marketing Advisory Group, which meets at least quarterly and represents all categories of concessions businesses. The Concessions group manages this program with the help of in-house and external staffing resources.

In the first few years of the new concessions program, it was important to market broadly to the Puget Sound region about all that was new at the airport. For decades, resident travelers had grown accustomed to the same concessions, and the same high prices. The marketing program focused on changing these perceptions and building an expectation among travelers of great offerings and reasonable street prices at the Airport. Now, as the program enters its fifth year, and continues to improve, the marketing strategy will shift more emphasis on marketing and promotional activities in the terminal, with the purpose of influencing impulse purchases among travelers (and employees) on-site. This has become even more critical as enplanements have dipped, as well as sales per enplanement.

The tenants are specifically interested in more promotions in the terminal that are tied to an increased presence on the web. 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 airport. Using the airport wi-fi network's ability to identify a user's location, passengers could be offered targeted information about the nearest concessions and promotional offers to encourage sales. In-terminal promotions such as contests, employee specials and seasonal special events also will continue to drive sales.

## **PROCUREMENT PROCESS**

Since its inception, Concessions managed this program using small procurement contracts with small businesses. These contracts were usually no more than \$25,000 in size for services such as airport events (for example, Sea-Tac Travel Expo with Rick Steves in 2005 and 2008), terminal holiday promotions, television commercial production, copywriting, illustration, signage etc. However, the new procurement procedures at the Port eliminate the use of these types of

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contracts for reoccurring needs such as the concessions marketing program. Instead, Concessions will seek to contract with one marketing communications firm to provide the majority of these types of services. Concessions is working closely with Office of Social Responsibility and Central Procurement Office to market this procurement to small businesses, which may in partnership with other small firms or via subcontracting may be able to provide the full scope of services required by this program. The Concessions tenants support this procurement as means of keeping the program vibrant and working in their interests. A tenant representative from the Marketing Advisory Group will participate in the procurement process reviews/interviews and help make the selection. With Commission authorization, a Request for Qualifications would be advertised in late June 2009 and awarded in August 2009.

### **SOURCE OF FUNDS**

The concessions marketing program is paid for by the concessions tenants. The tenants contribute 0.5% of gross sales monthly per unit, but no more than \$24,000 annually. Compared to off-airport retail, this marketing investment is low due to the airport's unique position as a transportation hub. Off-airport restaurants and retail typically re-invest 3-7% of gross sales into marketing. The marketing program revenues and expenditures are managed by the Concessions group within Aviation Business Development.