

AIRPORT COOPERATIVE RESEARCH PROGRAM

ACRP REPORT 54

**Resource Manual for Airport  
In-Terminal Concessions**

LEIGH FISHER  
Burlingame, CA

IN ASSOCIATION WITH  
EXSTARE FEDERAL SERVICES GROUP, LLC  
Alexandria, VA

*Subscriber Categories*

Administration and Management • Aviation • Finance • Terminals and Facilities

---

Research sponsored by the Federal Aviation Administration

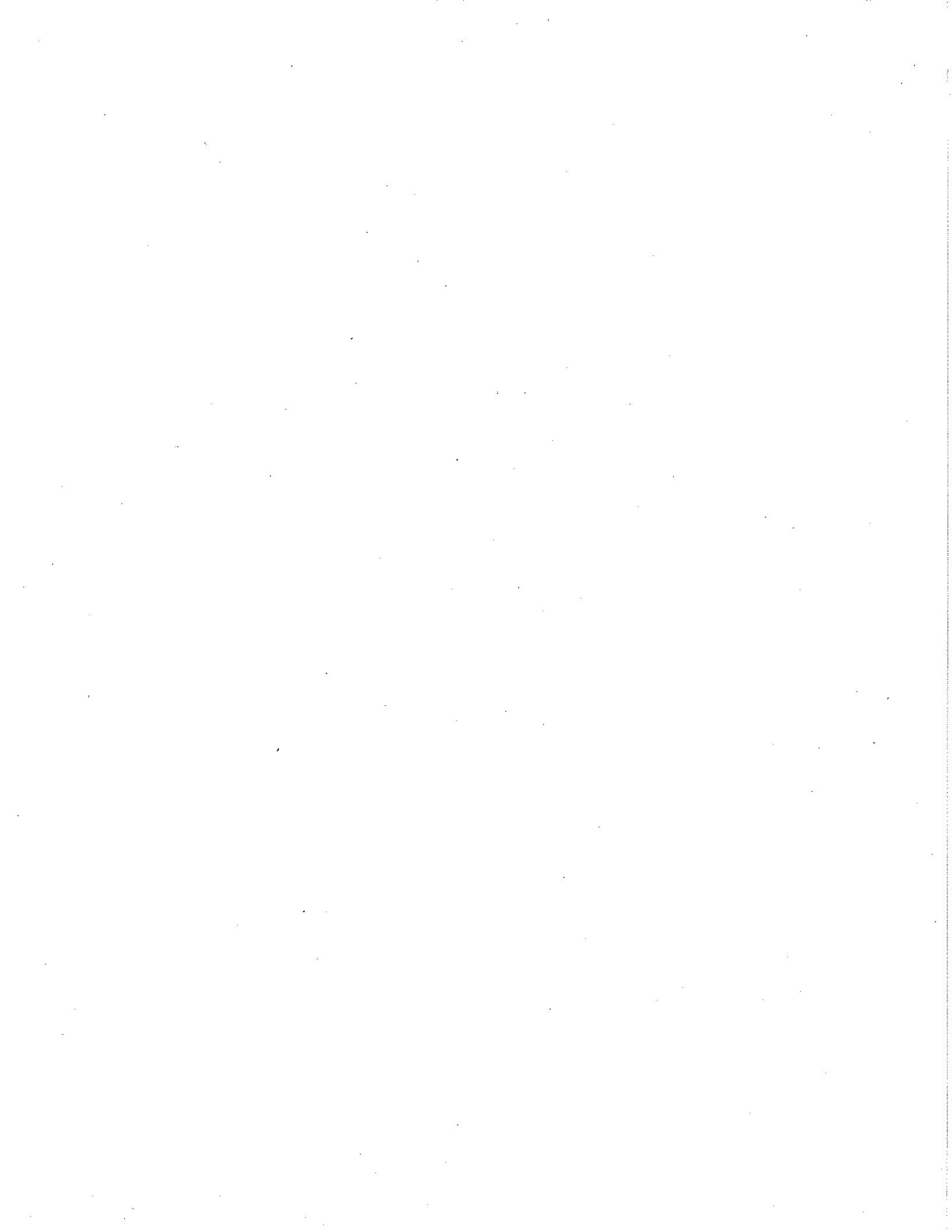
---

**TRANSPORTATION RESEARCH BOARD**

WASHINGTON, D.C.

2011

[www.TRB.org](http://www.TRB.org)



**Table 9-3. Sample list of financial sanctions in a concession agreement (Sacramento International Airport).**

Section A Violations:	Occurrence	Amount of Sanction
Hours of Operation	1	Written Notification
Operations, Service Standards and Employee Standards	2	\$200 Sanction
Pricing	3	\$400 Sanction
Quality	3	\$400 Sanction
Signage	3	\$400 Sanction
Interference with Utilities	4	\$750 Sanction
Deliveries and Vendor Access	4	\$750 Sanction
	5	\$1,000 per occurrence thereafter or default under Section 3.23 of the Agreement
Section B Violations:	Occurrence	Amount of Sanction
Maintenance and Repairs	1	\$250 Sanction
Sanitation	1	\$250 Sanction
Hygiene and Cleanliness	2	\$500 Sanction
Waste Disposal, Grease Disposal Recycling	2	\$500 Sanction
Health Code Violations	3	\$1,000 per occurrence thereafter or default under Section 3.23 of the Agreement

Even a small fine will get the attention of the local concession manager and, in particular, corporate management, and can be helpful in communicating the airport operator’s dissatisfaction with the concessionaire’s performance, if necessary.

### 9.6 Pricing

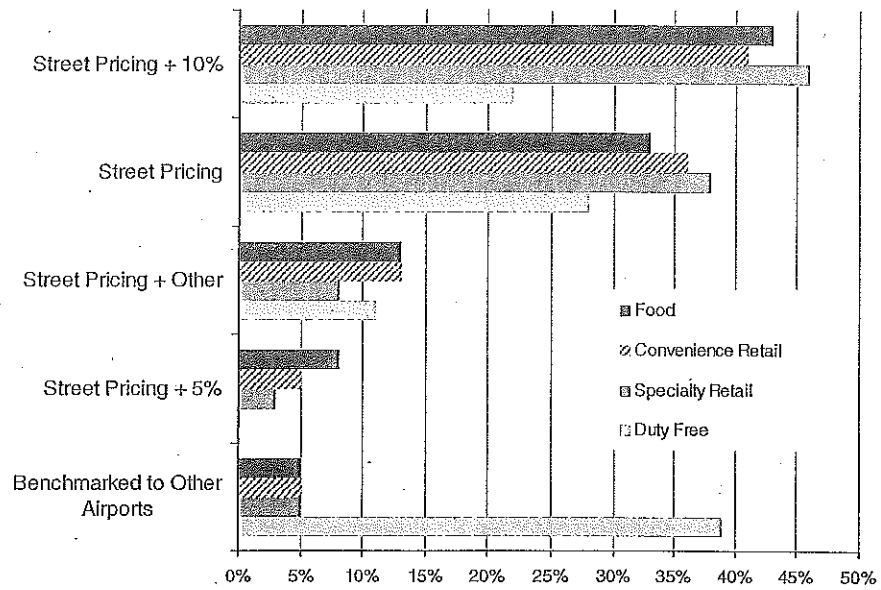
For many years, the typical policy regarding airport concessions was simply that concessionaires had to submit the prices they intended to charge their customers to the airport operator for a review of reasonableness and subsequent approval. “Reasonable” pricing in that context was not generally well defined.

A movement to a structure based on street pricing later emerged and has been adopted at many of today’s airports. At some airports, the concession agreement requires a strict compliance with street pricing, while, at others, an add-on, such as street pricing plus 10%, is in place. The surveys conducted for this research indicated that street pricing plus 10% is now the most commonly used pricing policy among airport concessions (except for duty free where prices are most often benchmarked to those at other airports); straight street pricing with no markup was a close second. Between 41% and 46% of the airport operators surveyed indicated the use of street pricing plus 10% for their food and beverage, convenience retail, and specialty retail concessions, while between 33% and 38% indicated that they use street pricing with no markup. Other than duty free, only 5% of the airport operators reported having no pricing policy. Airport pricing policies identified in the surveys conducted for this research are summarized in Figure 9-6.

The pricing policy is usually stated in the concession agreement, but, in some cases, the pricing policy document may be referenced but not included. Pricing policies need to be clearly







Source: LeighFisher using data from the airport surveys conducted for ACRP Project 01-11.

**Figure 9-6. Airport pricing policy at surveyed airports by hub size.**

written and made available during solicitations, as potential concessionaires need to understand the pricing policy since it will influence their pro forma revenue and expense projections and their financial offers.

Many in the industry believe that street pricing yields more transactions and higher sales volumes, but there is little empirical evidence to support this belief. However, concession developers are adamant that street pricing has a positive effect on both sales and customer satisfaction. Survey respondents indicated that they generally believed that pricing limits resulted in higher overall sales, but they also could not cite empirical evidence to support this belief. In interviews with concession managers, several noted that complaints were received about concession prices even where true street pricing is in effect.



Enforcing pricing policies and, in particular, conducting price comparisons to support enforcement, can be difficult and time consuming. Comparisons of prices for branded concessions with off-airport equivalents are straightforward and easiest to conduct. For generic concepts, or those with no other branded concepts in the region, care must be taken to identify reasonable comparables. The selection of comparables has often been a source of disagreement. Clear definitions of comparables in the concession agreement help to reduce such disagreements.

While pricing is important to customers, it is just one element of the value proposition of the concession program. Several concession managers noted that the location, surroundings, types of products, customer service, portion size, and other factors also weigh heavily in the customer's perceptions of their shopping experience at the airport and influence the amount of sales generated.



In interviews with several concessionaires, it was noted that street pricing policies may not be realistic given the high cost structure at many airports, particularly large hub airports where wage rates, delivery costs, and other operating costs are high. The concessionaires also noted that the difference between true street pricing, for example, and street pricing plus 10% can make a difference between profit and loss. Concessionaires generally believed that pricing policies need to reflect the sales volume and cost structure of the airport's concessionaires and take into account percentage rents, development costs, local wage rates, and other costs.

