

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No.

5d

ACTION ITEM

Date of Meeting

June 5, 2012

DATE: May 25, 2012

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

ACTION REQUESTED:

Request Commission authorization for the Chief Executive Officer to authorize all work, execute indefinite delivery, indefinite quantity (IDIQ) contracts and all service directives and amendments for personal services to support the concession tenant-funded joint concession marketing program. The total combined value of all of these procurements is estimated at \$1.75 million for contracts whose terms range from three to five years in duration.

SYNOPSIS:

The Port and its concessionaires established a marketing program in 2005 funded by the tenants and administered by the Port that has proven to be remarkably successful in increasing sales for concessionaires. This authorization request focuses on hiring consulting firms necessary to support the joint marketing efforts of the Port and its Airport concession tenants.

The specific procurements cover needs related to strategic planning, graphic design for signage and other uses, in-terminal promotions, customer service programs, website management for www.seatacshops.com, and development of new technological innovations to drive sales in the terminal. These contracts will enable the Airport 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 Airport operating budget, which is reviewed and authorized annually by the Commission. The concessions marketing program is paid for by the concessions tenants, and funds collected may be used only for the joint marketing program.

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BACKGROUND:

The Airport has approximately 84 concession locations (including restaurants, retail shops, and passenger services) operating within the terminal buildings. 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, in which one concessionaire operated all categories of concessions. Airport concessions marketing programs are now the norm at airports across the country. A portion of lease payments is earmarked for joint marketing, advertising, and promotions that are determined in consultation with the concessionaires. The funds collected for joint marketing can only be spent on this purpose.

The concessions marketing program is a mutual lease obligation between the Port and its concessionaire 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 staff 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 street prices at the Airport. Now, as the program is in its eighth year, and continues to improve, the marketing strategy has shifted more emphasis to marketing and promotional activities in the terminal, with the purpose of influencing impulse purchases among travelers on-site. For example, extensive concessions wayfinding has been added to the terminal over the last 18 months (Exhibit B).

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. In-terminal promotions such as contests, employee specials, and seasonal special events also will continue to drive sales.

PROCUREMENT PROCESS:

Since its inception, staff has managed this program with the support of outside marketing support and expertise. All of the firms contracted for the work previously have been local small

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businesses. There exists ample supply of such expertise in the local community, so staff anticipates continued participation by such businesses. Due to the time needed to conduct each procurement, staff will stagger procurement processes for these contracts. The most pressing needs are for graphic design and web/technology support. Each of the procurements is anticipated to be completed during 2012. The Concessions tenants support this procurement process as a 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 selections. With Commission authorization, the first request for qualifications would be advertised in late June 2012 and awarded in August 2012.

Category III IDIQ Contract Summary

Contract Name	Scope Summary	Anticipated \$	Length	Timeline
Graphic Design & Marketing	Develop graphic identity for terminal signage, printed advertising and other materials. Coordinate with other vendors for consistent brand. Includes spot production for radio, television, copy services as needed.	\$400,000 (approx. \$133,000 annually)	3 years	June-August 2012
Website Management, Technology Innovations, Social Media	Day-to-day web management functions, site hosting, software & database development, develop interactivity and other technology tools to drive business to concessions locations.	\$500,000 (approx. \$165,000 annually)	5 years	June-August 2012
In-Terminal Programs	Develop in-terminal holiday program including other seasonal events	\$300,000 (approx. \$100,000 annually)	3 years	Sept-Nov 2012

SOURCE OF FUNDS:

The concessions marketing program is paid for by the concessions tenants. Each tenant contributes 0.5% of gross monthly sales 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 staff within Aviation Business Development.

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OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

Exhibit A: Proposed Concessions Marketing Procurements.

Exhibit B: Sample Concessions Wayfinding Signage

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

- June 23, 2009 - Commission Action: Approval of the previous Concessions Marketing Procurements.