

Covering the  
Airport Revenue  
World

# ARN

AIRPORT RETAIL NEWS

February 2002  
Vol. 1/Issue 6

## Familiar Names Dominate ARN's Best Concessions Poll 2002...

Some airports and companies  
prove they can be perennial  
winners by persisting in quality  
and excellence.



## ARN Exclusive...

A visit with Kent George and a status  
report on the famed concessions  
program at Pittsburgh International.

## More RMUs Rolling Out in Airports...

Once rejected in most airports,  
pushcarts are now attractive,  
effective selling units with huge  
advantages.

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## Currency Exchange Businesses Hard Hit...

Operators seek new ways to offset  
waning volumes.

**A. Flâneur** relishes features of Portland  
International's concession program.

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## How Airports Can Capitalize on Revenues Using Information Management Systems

Tod R. Yankee, Principal  
Yankee & Associates



The events of September 11th have impacted airports in ways that no one could have possibly anticipated. These events have caused airports to redefine many policies and practices and to look for new tools to make their facilities more secure and efficient. The events have also impacted revenue streams for the entire airport community necessitating that airports assess the strength of their revenue sources.

Airport Revenue Management Systems (ARMS) provide airport managers with the necessary information to quickly and accurately assess the airport's revenue position on an ongoing, if not daily basis. Ultimately the systems enhance airport revenue streams because more and better detailed information from multiple interrelated sources is being processed for a variety of end uses, in addition to billing and invoicing.

From a concessions management perspective, the depth and breadth of information tracked by the system is a boon for the contract management staff.

The sales tracking and performance monitoring functions become much more efficient. Concession operator performance can be tracked at a high level of detail, concession performance trends can be monitored, and benchmark comparisons can be made between locations and operators.

Because ARMS integrate agreement management, space management and concession management functions together with the billing and invoicing functions, fewer manual steps are needed to get bills and invoices processed. This results in a faster billing cycle, which in turn results in the ability to collect money more quickly. Because the billing formulae are entered only once, when a contract is entered into the system, there is less opportunity for error due to data entry or manual calculation of invoices. ARMS also improve the ability to audit the process since changes to billing instructions are tracked and documented.

Since both the properties and accounts receivable groups share much of the same data, such as billing instructions and activity that drives the billing (landed weights, gross sales, leased square feet, etc.), both the properties and accounting staffs can respond to inquiries from tenants concerning their invoices. Sharing

this billing information also permits both the properties and accounting staff to be aware of difficulties a tenant may be having in making payments or keeping current with their financial obligations to the airport. For example, with an ARMS, a properties staff negotiating with a tenant now has the ability to review the status of a tenant without waiting for an aging report or checking with the accounts receivable department.

ARMS also provide the contract manager with the tools to track contract compliance issues such as current insurance certificates and security instruments (i.e. letters of credit, security deposits, or performance bonds). Reinvestment requirements or contract options stipulated in lease agreements can also be easily tracked.

These systems can also be used to track reporting requirements that both tenants and the airport have with each other. All of these items can be easily tracked and monitored by using "tickler" reports that flag the contract manager of any action items that may be upcoming or outstanding.

Feeding important information back to concession operators allows managers to become much more proactive in helping to maximize sales. Reports on passenger

and other concession operators' activities allows tenants to better plan for product mixes, schedule deliveries, schedule staffing and to benchmark their performance with other operators. Data in the system that can be used to create reports include:

- **Airport Statistics**

(enplanements/deplanements, landed weights, operations, cargo)

- **Gross sales** (by tenant, by location, by day, by product category)

- **Concession activity** (rental car contracts or contract days, gallons of fuel, number of transactions, etc.)

By having information on a tenant's agreement easily at hand, a contract

manager can respond to tenant requests quickly. This also helps to speed up issue resolution with tenants.

Airports can also provide online access to the ARMS for security, operations and maintenance staff. This information can include pertinent contract terms such as contact information, permitted uses, security obligations, hours of operation, leasehold premises, and maintenance and repair obligations.

### Life after September 2001

As we all know, airport security is being redefined as a result of the September 2001 events. ARMS can be useful in this area as well. The system can be used to

validate personnel requesting badges and the type of access they are permitted to have.

Space attributes can include information such as Security Identification Display Area (SIDA) designation, Access Control device information, company access and other types of attributes as well. Some ARMS even have the capability to view this information graphically.

The tenant alteration modules that are often part of an ARMS allow airports to track tenant related construction activity. This information includes the type, location and value of the construction work; who the contractors, architects and engineers are for the project; and which companies and individuals should have access to that specific construction site. Again, an ARMS allows airports to more accurately track who is using the airport to better control access to secure areas.

In an emergency situation, it is imperative that operations, security and public safety personnel have immediate access to accurate contact information for each of the companies operating in an airport. This information can be accessed quickly from an ARMS.

Since September 2001, airports are experiencing a heightened need to monitor cash flow and changes in tenant patterns. By combining sales activity with passenger activity in an ARMS with payment history, airports can better determine whether or not a tenant is experiencing legitimate financial difficulties due to circumstances beyond their control such as a downturn in enplanements or a shift in passenger traffic through a terminal.

Developing revenue projections as part of assessing revenue impacts of various operational scenarios including decreases in passenger activity coupled with increases in rates and charges. An ARMS allows the airport to run different fee structures or adjustments to minimum guarantees to determine the overall impact on an airport's revenue stream. Because of the complex billing structures at airports, this is a resource intensive exercise without the use of an ARMS.

Another benefit of an ARMS is the

## What is an Airport Revenue Management System and Why Does My Airport Need One?

An airport revenue management system (ARMS) is a database application designed to track pertinent information on all of an airport's revenue producing contracts and is integral to an airport's billing/invoicing process. ARMS allow an airport to track information on any company it has an agreement with such as the airlines, concessionaires, ground handlers, skycaps, in-flight catering, ground transportation providers, etc.

Several airport revenue management systems also include modules to track airport statistics (enplanements, landed weight, operations, cargo), concession sales information, concession activity, tenant alterations and rentable space.

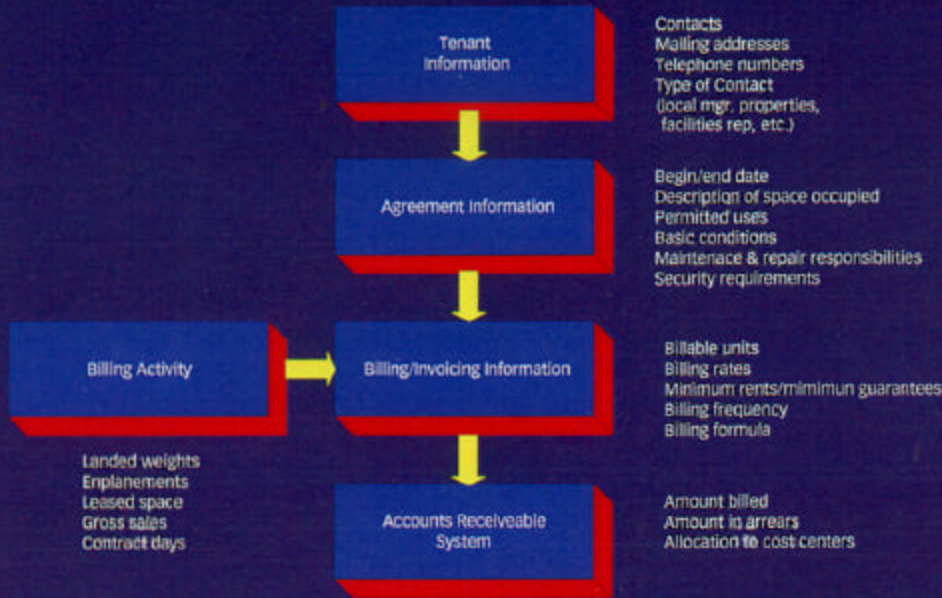
ARMS have the ability to generate bills or invoices in the system itself and pass along summary information to an airport's financial system or the billing information can be linked directly to an airport's financial system where bills and invoices can then be generated.

Current ARMS are multi-user and access can generally be limited to only those personnel who have a need to access certain parts of the database. These rights can be read/write or read-only depending on that individual staff member's function. ARMS operate on an airport's existing network and generally do not require additional hardware unless a more powerful application server is necessary.

Lastly, one might ask, "Why does my airport need an ARMS and why can't we continue to use our existing financial system?" The answer is that most of the financial systems that airports use do not have the ability to generate invoices for their commercial operations without considerable manual input. Financial systems typically are designed for manufacturing, retail or service oriented customers where the revenue transactions are fairly straightforward.

Airports have a large number of complex billing arrangements that traditional financial systems cannot accommodate without a great deal of manual interface. This adversely affects the timeliness and accuracy of the invoices. Additionally, many of an airport's invoices are tied to other information such as landed weights, gross sales, and minimum guarantees, which have varied and complicated formulae. Large off-the-shelf financial systems are not designed to handle this type of billing.

## Revenue Management Systems Incorporate Key Information on Airport Contracts



Additionally, an airport will be implementing procedures that could be detrimental to the new system. An example might be continuing to allow both properties and accounting to maintain contact information without delineating which department has responsibility for which contacts. As a result, two sets of contact information without anyone knowing which is the up-to-date and accurate set. Consequently, invoices may not be sent to the right person for that tenant.

Airport ARMS systems are now considered commonplace at most of the large airports. However, the success of the system is dependent on the commitment from senior

ability to project revenue per passenger and revenue per square foot. This information can be used to determine the impacts to revenue inside and outside secure areas.

### Implementation Lessons

ARMS software developers will tell anyone who will listen that in order to get the most out of an ARMS implementation, workflows and procedures should also be assessed and updated. This cannot be emphasized enough. Most airports that have gone through an ARMS implementation process will agree. While it

may add more time to the implementation process, conducting a detailed business process assessment is well worth the time and money in the long run.

Implementing an ARMS will likely dramatically affect the way the properties and account receivable staff do business so their roles and responsibilities will need to be updated to ensure that the system is used to its maximum benefit. Without conducting a business process assessment, an airport will likely be replicating outdated and ineffective processes once the new ARMS is implemented.

management. This is particularly important since the success of an ARMS implementation depends on several different departments working together and redefining the roles, responsibilities and workflows of each of those departments.

*Yankee and Associates consults airports on revenue management systems from needs assessments to implementation and maintenance.*

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