



CHICAGO

CONCESSIONS 101:

DOING BUSINESS AT O'HARE AIRPORT

NOVEMBER 1, 2023



CDA

Chicago Department
of Aviation



O'HARE

INTERNATIONAL AIRPORT —→

TOPICS COVERED

1. Overview of the O'Hare Concessions Program
2. Process of Operating a Concession
3. The Proposal
4. The Basics of the ACDBE Program
5. Questions?

1. OVERVIEW OF THE O'HARE CONCESSIONS PROGRAM



CURRENT CONCESSIONS – TERMINALS 1, 2 AND 3

- LEGEND**
- FOOD & BEVERAGE
 - NEWS & GIFTS
 - SPECIALTY RETAIL
 - DUTY FREE
 - SERVICES
 - GATES
 - PRIMARY INTERNATIONAL GATES
 - HMS Host



Domestic Terminals 1-2-3
February 2020

AIRPORT CONCESSIONS CATEGORIES

- **Food & Beverage**

- Branded/Non-Branded
- Airport/Local/National Brand
- Sit Down/Full Service
- Fast Casual/Quick Serve
- Grab & Go/To Go/Walk-away
- Restaurant/Bar
- Snack

- **Specialty Retail**

- Electronics
- Travel Accessories
- Lifestyle
- Apparel
- Accessories/Jewelry
- Books

- **News & Gift**

- Souvenirs
- Convenience

- **Services**

- Spa
- Lounge
- Banking
- ATMs
- Foreign Currency Exchange
- Luggage Carts
- Shoe Shine
- Automated Retail

- **Duty Free**

- Duty Paid

- **Advertising**

- Indoor
- Outdoor

GROSS SALES BY CATEGORY

O'Hare	2022 Sales (\$000)	2021 Sales (\$000)	2019 Sales (\$000)	Stores	Area (sq. ft.)
Food & Beverage	\$315,998	\$229,406	\$371,622	139	126,036
News & Gifts	\$71,671	\$50,282	\$76,686	34	25,048
Specialty Retail	\$29,861	\$20,570	\$42,570	33	19,216
Duty Free	\$22,955	\$14,718	\$36,240	6	10,905
Services	\$1,353	\$732	\$3,767	5	3,276
Total In-Terminal Concessions	\$441,838	\$315,708	\$530,885	217	184,481
Advertising (Indoor & Outdoor)	\$24,456	\$13,001	\$25,244	-	-
Total In-Terminal Concessions & Advertising Sales	\$466,295	\$328,709	\$556,129	217	184,481

2. PROCESS TO OPERATE A CONCESSION



STEPS TO OPERATE A CONCESSION

1. CDA identifies locations available for lease
2. CDA generates and issues a Request for Proposals (RFPs)
3. Respondents prepare and submit proposals
4. CDA evaluates responses and selects concessionaire(s)
5. Selected concessionaire and CDA finalize the lease
6. CDA obtains approval of City Council
7. Concessionaire submits design and construction plans for review and approval
8. Concessionaire completes construction and opens for business

This process may take 1.5 to 3 years

PROCESS TO OPERATE A CONCESSION

Companies have several ways to lease a concession space (reflected in their proposal in response to RFP):

- Single Operator - company leases directly from the airport to operate the concession
- Joint Venture - company enters partnership with another company to lease and operate the concession
- Subtenant - company leases from a larger concessions company and operates as a subtenant.

PROCESS TO OPERATE A CONCESSION

Companies have several ways to operate the concession (reflected in their proposal in response to RFP):

- Regional and Local Brands – Companies operate their own concepts
 - Examples: Garrett’s Popcorn, Nuts on Clark
- Franchise Agreements - National and regional franchisees operate concepts at the airport
 - Examples: McDonalds, Dunkin
- License Agreements – Operators obtain licenses with brands to operate concepts
 - Examples: Harry Caray’s, Publican
- Airport Brands – Companies “develop” generic brands to operate concepts
 - Examples: Ice Bar, Chicago Cubs Bar & Grill

CONCESSION PROGRAM GOALS

- Optimize revenues to the airport and local economy
- Maximize ACDBE participation
- Provide opportunity for local brands and operators
- Provide high quality products and services for optimal passenger experience
- Promote high quality facility designs
- Promote sustainability
- Increase variety of offerings
- Showcase “Chicago Character” to the world
- Provide first-class customer service
- Promote fair price/value relationship

THE UNIQUE NATURE OF DOING BUSINESS AT AN AIRPORT

- Hours of Operation
- Badging and security
- Employee parking and public transportation
- Merchandise delivery and storage

3. THE PROPOSAL



TYPICAL ELEMENTS OF A PROPOSAL

1. Cover/Transmittal Letter
2. Experience and Qualifications Statement
3. Methods of Management and Operations
4. Concessions Development Proposals
 - a. Store Concept and Design
 - b. Compensation to the City
 - c. Projected Sales, Net Income and Cash Flow
 - d. Capital Investment and Financing Plan
5. Airport Concessions Disadvantaged Business Enterprise Participation Plan
6. Professional References
7. Exceptions
8. Executed Proposal Affidavit
9. Business Information Statement
10. Financial Statements

ADDITIONAL INFORMATION TO SUBMIT

- Minimum Qualifications:
 - Generally -- three years experience in proposed business
 - Minimum sales in existing business
 - Financial capability
- Airport Concessions Disadvantaged Business Enterprise (ACDBE) participation plan

ELEMENTS OF COMPENSATION TO THE CITY

Rent and Fees:

- Base Rent: \$55/sq. ft.; escalates 3% annually
- License Fee (or “Percentage Rent”):
 - Proposed Percentage of Sales
 - Proposed Minimum Annual Guarantee (MAG)
- Marketing Fee: 0.5% of Sales
- Central Distribution Fee: 1-3% of Sales (TBD)

License Fee: The City may set a range for Percentage of Sales and/or Minimum Annual Guarantee in the RFP, for the bidder to propose

WHAT IS THE “MINIMUM ANNUAL GUARANTEE”, OR MAG?

Minimum Annual Guarantee (MAG) vs. Percentage Rent

Example

Lease requires that concessionaire pays the greater of \$100,000 (MAG) or 15% of sales (license fee, or “percentage rent”).

If annual sales are \$800,000.

$\$800,000 * .15 = \$120,000$

Concessionaire pays \$120,000

If annual sales are \$500,000

$\$500,000 * .15 = \$75,000$

Concessionaire pays \$100,000

OTHER COST CONSIDERATIONS WHEN PROPOSING

- Term: Generally 5-15 years (specified in RFP)
- Cook County leasehold taxes
- Utilities – often individually metered
- Security deposit – 6 months MAG
- Buildout expenses – about \$1,800 - \$2,200 square feet right now

OTHER COST CONSIDERATIONS WHEN PROPOSING

- Value Pricing
 - Annual pricing survey
 - Prices no higher than those charged in downtown Chicago, excluding transportation hubs and entertainment venues. See RFP and sample lease for specific details
- Sustainability
 - CDA is committed to providing a customer-friendly environment and an experience that is healthy for passengers, employees and the environment
 - CDA adopted a Green Concessions Policy

OTHER THINGS TO NOTE

- Notification of an RFP Release:
 - Sign up for CDA web alerts by going to www.flychicago.com - “Sign up for Web Alerts”
- Proposals are typically due 90 days after posting – this time period is variable, be aware of the due date and time.
- A pre-proposal meeting will take place shortly after the RFP is posted – be sure to attend this meeting.
- The RFP will specify a deadline for the submission of questions. All questions must be submitted in writing and answers will be provided in an Addendum to the RFP.

4. THE BASICS OF THE ACDBE PROGRAM



WHAT IS AN ACDBE?

ACDBE = Airport Concession Disadvantaged Business Enterprise

ACDBE participation in airport concessions is mandated by FAA, and subject to federal regulations

An ACDBE is a for-profit business that:

- Is at least 51% owned by a socially and economically disadvantaged individual(s) (i.e., minorities or women)
- The management and daily operations of the firm are controlled by the socially and economically disadvantaged individual(s) who own it
- The company must get certified as an ACDBE by one of several governmental entities. In Chicago, the City's Department of Procurement Services handles certification.

ACDBE GOALS

Airport ACDBE goals:

- An ACDBE goal is established for each RFP – for example, 30%
- For context, FAA's suggested goal is 10%, but Chicago's airports far exceed that:
 - MDW: highest rate in the nation at 56%
 - ORD: doing great at 36%
- Goal may be fulfilled by:
 - direct ownership by ACDBE
 - joint venture partnership or sub-contracts with ACDBEs
 - purchase of goods and services from ACDBEs

ACDBE section of proposal is pass/fail. Respondent must either satisfy the goal or show good faith efforts why it cannot be satisfied.

ACDBE CERTIFICATION

Become certified:

www.chicago.mwdbe.com

Find an ACDBE Certified Business:

www.chicago.mwdbe.com

or

www.idot.illinois.gov/doing-business/certifications/disadvantaged-business-enterprise-certification/il-ucp-directory/

5. QUESTIONS?





CHICAGO DEPARTMENT OF AVIATION

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