

Airports Create Money

with High Bids, Hot Sounds,
Cars, Cows, and Corn



BY CAROL WARD

When **Dallas/Fort Worth International** (DFW) finished construction on its new International Terminal D and the Skylink automated people mover system last year, there were an awful lot of pieces left over. Surplus vehicles, heavy equipment and other items, along with portable buildings and office equipment filled up the airport's

salvage yard.

Clearly, it was time for another auction. DFW had been holding online auctions since 2003 to get rid of all the "extras" that the airport had accumulated. But the latest auction, which wrapped up in early February, took the initiative to a new level. The airport brought in nearly \$1.8 million and produced more than 18 million page views on the auction website. That compares to a previous online auction record of \$538,000.

"I think we've hit the upper level on how big this can get," says John White, DFW's vice president of procurement and materials management. "This was very

easily the largest online airport auction that has ever been done."

With more than 2,100 lots of merchandise and more than 200,000 individual items, White says the process was overwhelming. The airport ended up breaking it apart into multiple smaller auctions to make the process easier to handle. "It was labor intensive because we had to sort everything," he says. Noting the huge amount of office equipment, White says airport staff tried to divide the items into logical office-in-a-box lots. "We tried to break it up and make it easy for a small business owner to buy one office, which might include two desks, two chairs, two file cabinets, a white board, two computers a printer and a fax machine," he says. "We could have done it more easily but we tried to make it as attractive as possible for small business."

Bidders were both local and international. Potential customers could opt to come to DFW and view the items prior to bidding, but about half relied solely on online photos, White says. DFW also sent a brochure including item descriptions to every commercial airport in North America, which White calls a "good best practice."

While airport staff were busy dividing lots and arranging for people to see the merchandise, the online auction itself was handled by McKinney, TX-based **Rene Bates Auctioneers**. The auction was structured as a soft-close, meaning if a lot was schedule to close at 11 p.m. and someone bid at 10:59, the bidding is automatically extended for five minutes.



ABOVE: *Joe LoGiudice, airport supervisor at Logan International (BOS) also acts as the "Voice of Logan" delivering its public service announcements.*

RIGHT: *Richie Balsbaugh, president and CEO of Pyramid Radio sought and got a deal with BOS offering customized radio programs.*





Brad Jersey is COO with Airport Marketing Income, BOS's non-traditional advertising contractor.

Bidding on several lots continued for an hour or more after closing.

In the four years DFW has been holding online auctions, it has generated millions of dollars in revenues for items that would otherwise have sat idle or been sold through more conventional means. White says the most recent auction was far too labor intensive, so in the future DFW will focus on selling smaller amounts at a time. But online auctions will continue to be a revenue-generating strategy for the airport.

"I don't think we would have made anywhere near this amount of money if we would have gone outside in the hot Texas sun and had a live auction," he says, noting that auctioneer fees for online auctions are also less expensive than for traditional auctions. And he adds, "When something like this is done online, where ever you are, as long as you have access to the Internet you're in the game."

MAKING MONEY OUT OF AIR

Boston Logan International (BOS) has taken background music to the foreground with a new initiative that mixes custom radio programming with advertising delivered over an upgraded system. BOS launched the program near the end of last year and by early February the new sound was audible throughout the airport.

"It's extremely professional sound quality," says Jack Hemphill, general manager at BOS. "We've been monitoring the feedback from the customers coming in and out of the terminal and it's been excellent. They like the type of music that is being played (adult contemporary), they like the sound quality and they like the

ability to hear it in some places where they couldn't hear it before."

The airport's custom radio initiative came together in a roundabout way, Hemphill says. BOS has several advertising contracts, one of which is for non-traditional advertising. That contract was awarded to **Airport Marketing Income (AMI)**, based in Beaverton, OR. But Boston-based **Pyramid Radio Inc.** president and CEO Richie Balsbaugh pitched his idea for custom radio programming straight to BOS executives, who decided to move forward on the idea but told Balsbaugh he'd have to work through AMI. Balsbaugh and AMI Chief Operating Officer Brad Jersey struck a partnership to bring custom radio to BOS.

"We have the opportunity to sell the entire package of radio and other experiential things that AMI delivers, so we bring them into the mix and vice versa," says Balsbaugh. And Jersey says



Airport Marketing Income promotes BOS's new terminal-wide high-quality radio broadcasts, which have customized music and advertisements.

the early experiences at BOS indicate the two companies have a product worth considering. "The experience of these months at Logan have been nothing short of spectacular," he says, adding "I have 20-plus airports that we're in discussions with, and the success of Logan is going to be a wonderful story to tell."

The companies worked with the airport to upgrade the infrastructure in the terminals prior to launch, a requirement that cost roughly \$100,000, Hemphill said. The three parties roughly split the cost. Pyramid created the custom programming. "We know the profiles of the travelers at different airports," Balsbaugh says. "Logan Airport may have a different feeling than a Tulsa airport or a San Diego airport. We've done the research to find out exactly who the traveler is, and we can change the music at

different times of the day, or make it more background or foreground. Public service announcements from the airport can also be heard featuring the "Voice of Logan" Joe LoGiudice, who is also airport supervisor.

At the same time, Pyramid began selling advertising. "We'd actually be a lot further along in the process than we are – and we feel we've moved very quickly – if they could have actually gone in the airport and heard it," says Balsbaugh. "There was a bit of skepticism of how it was going to sound." **Massachusetts State Lottery** took a chance and became the first advertiser, and now with the system up and running the firms have lined up several other clients. "Now that they've heard it, they like it, which obviously translates into advertising dollars."

Under BOS's deal with AMI, the advertising revenues are split 60%-40%, with the larger share going to BOS. AMI has a separate deal with Pyramid. "We've conservatively projected, with AMI's assistance, a little over half a million dollars in revenue in the first year to Massport," says Hemphill.

That's a nice annual revenue stream for what Hemphill anticipates will be little work on the part of airport staff. He says the launch of the system incurred "little to moderate expense" due to infrastructure upgrades and labor costs. Now that custom radio is up and running, the airport maintains approval rights for advertising but otherwise has little to do with day-to-day operations. "We do have a point of contact in the airport business office," Hemphill says. "But right now I'd say it's almost hands-off, where there is very little tweaking to be done. It's a great system that needs little maintenance."

BOS seems to be an early success in bringing custom radio to airports, prompting Jersey and Balsbaugh to think big. While Pyramid is selling ads and creating custom content, AMI is focusing on the next opportunity for both companies. "Our role is to approach the airport properties on the uniqueness of our marketing income programs, and now obviously radio and custom radio programming have moved to the forefront of our discussions with airports," says Jersey. The fact that radio brings in income and doesn't occupy space is a big selling point, he says, adding "There is such a push for these airport properties to have an ability to create their own brand, and of course there is a real commitment on the




To generate income over the next several years, Kansas City International, which has an abundance of excess land, rents it out to various tenants.

can make more noise than us," says VanLoh. "It's a great location, underneath the runway approach so there won't be any problems, and the land was sitting idle anyway. And of course they want to pay rent, which we love. It will bring in about \$250,000 a year."

The KCI Motorsports Park will be membership-based, similar to golf-oriented country clubs. Infrastructure will include two tracks, a paddock, a club house, a kart track, garage units, public entrance facility (including classrooms), a car set-up shop to be operated by a track pro, and team unit buildings. VanLoh says the airport considered but rejected the idea of charging FastTrack a percentage of revenues. "They're going to sell memberships but the cost of constructing the track is several million dollars," he says, noting that profitability is probably several years away. "It's a better deal for us to get revenue every single year."

KCI is also putting its excess land to use in the form of farming, and in that deal the airport gets a cut of the profits. The airport brings in roughly \$300,000 a year through a sharecropping deal with a local farmer. The farmer grows corn and raises beef cattle, and the airport takes a share in the revenues, VanLoh says.

More surplus land is being developed by **CB Richard Ellis**, which has been hired by the airport to market land adjacent to the airfield. "We've given them 800 acres and turned them loose," says VanLoh, adding that the firm is paying rent on the property. Los Angeles-based CB Richard Ellis plans an industrial park near the airport, with the first warehouse under construction at 400,000 sq. ft.

KCI is set to bring in well over half a million dollars this year from rents on otherwise unused land, a nice bump to their non-aeronautical revenues. As VanLoh notes, it's just one more way to keep airline costs down, and when costs are low, airlines are happy. 

We'd like to hear your opinion about this article. Please direct all correspondence to Carol Ward at carol@airportrevenue.com

part of the airport to create better experiences for travelers."

CARS, COWS AND CORN AT MCI

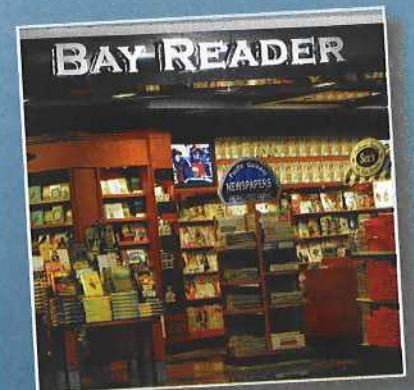
FastTrack Group LLC (FastTrack) was embarking on its plan to build one of its signature motorsports parks in Kansas when suburban homeowners cried foul. The noise would be too much, they said, prompting FastTrack to pull back its plans and search for a better site. And what better location than directly adjacent to an airport, where any clamor from cars is going to be overpowered by the noise from jet engines?

Mark VanLoh, director of aviation, **Kansas City International** (MCI) says the airport approached FastTrack after the firm's advances were rejected in Kansas, and found willing partners in a deal to develop airport-owned land. FastTrack signed a 30-year lease on 300 acres just west of the airport. The company plans to invest about \$25 million building a Le Mans-style track to attract car aficionados from all over the country. The facility will be called **KCI Motorsports Park**.

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