

Airport restaurants reap the upside of long waits

By Mina Kimes, writer

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NEW YORK (Fortune) -- Homeland Security chief Janet Napolitano may want to make trips through airport security "unpredictable," but passengers returning from their winter holiday vacations could bet on at least one constant: waiting in line.

At airports around the country, long lines trailed from security checkpoints, customer service desks - and, in many cases, Dunkin' Donuts, Starbucks (SBUX, Fortune 500), McDonald's (MCD, Fortune 500), and Chili's.

"When the weather is bad or we see delays, we definitely get spikes," says John Onstott, vice-president of non-traditional business development at Quiznos, which has 54 airport locations. "It favorably impacts us."

Passengers stuck in limbo are a captive audience for airport restaurants and kiosks, which are typically nationwide franchises run by management companies. Rick Blastein, founder of OTG Management, which operates several Dunkin' Donuts locations as well as proprietary snack shops like CIBO Express Gourmet Market, says the company posted double-digit sales gains in the last week of December, when snowstorms and wind caused flight delays at airports like

O'Hare International in Chicago and LaGuardia in New York City.

"We did see a nice uptick in business," he says, noting that, during periods of inclement weather, airports sometimes ask companies like OTG to keep their restaurants open longer so that stranded passengers have dining options.

Bad weather stops being beneficial, though, when it gets worse, causing airports to shut down runways altogether -- which is what happened at Washington D.C.'s Reagan National in December.

"Rain and wind and delays help us, but severe weather -- blizzards, monsoons -- hurt us," says Les Cappetta, CEO of SSP America, a division of SSP, a British food service company that does \$2.5 billion in annual sales through franchises like Einstein Bagels and Pizza Hut.

But Cappetta says the company does get a bump in activity because of heightened security measures, as long as the airport doesn't close terminals like Newark did after

a recent scare. Now that passengers expect to spend more time in line for security checks again, he says, they arrive at airports earlier than they did a few years ago. "That can give you an increase in your capture," he says, referring to paying customers.

The ramp-up in airport security after 9/11 marked a turning point for the industry, says Anthony Joseph, president of Concessions International, a \$95 million-a-year management company that runs airport locations of Wendy's, and Panda Express.

"Before then, a lot of restaurants were located pre-security," he says. "Now people get through security, then consider concessions." Joseph says that, in the year after 9/11, passenger traffic was down -- but spending per passenger was up.

Tyler Bach, a program manager from Syracuse who was passing through O'Hare on Sunday, says he now factors in longer wait-times when he flies. "I'm more conservative now with my time at airports," he said. As Bach waited for his delayed flight to board, he ate a cheeseburger and fries at Chili's.

But while flight delays and security waits boosted airport concession sales over the holiday season, the overall environment was still difficult, according to operators. Consumers are not only spending more carefully, but flying less: Airline seat capacity at the 42 airports where SSP operates is expected to decline 15% in January, according to Cappetta.

Quiznos' Onstott describes the increase in wait times as a "mitigating effect" -- but says sales at airport locations were still flat.

Joseph of Concessions International also reported flat sales.

Flat, however, is the new up in the restaurant business -- and airport locations were a bright spot for food service companies last year. While Auntie Anne's has 36 airport kiosks, compared to more than 1,000 stand-alone stores, five of its top ten performing locations last year were in airport terminals. Joe Essa, president of Wolfgang Puck Worldwide, said sales at the company's airport units were "trending up" at the end of the year, while fine dining was still down.

Wolfgang Puck Express and other airport eateries have also benefited from another trend that's worked in their favor: airlines' cost cutting. Over the last decade, many airlines have stopped offering free meals on planes, instead selling light sandwiches and snack boxes. That has been a boon for concessions companies, which are frequently the last resort for hungry travelers.

"Within the last three years, we've put an increased focus on grab and go items,

making them appealing to take on board," says Susan Goyette, a spokesperson for HMSHost, one of the biggest concessions companies. HMSHost, which operates Starbucks in airports, has added kiosks to restaurants like Chili's.

The increased demand for portable meals has generated unexpected hits -- like the Auntie Anne's Pretzel Dog, which Scott Rubin, a franchisee at O'Hare, says is a top-seller at airports.

"People are not just snacking, but taking it out of necessity because they need something with them for travel," he says. Pretzels are a popular in-flight choice, he adds, because they don't require a knife and fork.