

ARRA Forum
“If I Knew Then ...” – A Conversation with Liz Grzechowiak

With Guest

Liz Grzechowiak, Senior Director of Brands and Concept Development, Delaware North

Hosted By:

Andy Weddig, Executive Director, Airport Restaurant & Retail Association

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Andy: [00:00:05] Welcome to the ARRA Forum. I am Andy Weddig, Executive Director of the Airport Restaurant & Retail Association. Today we continue our "If I knew then ..." series of the ARRA Forum. A number of well-known, long-time participants in our industry have, during and after the pandemic, changed positions from airports to concessionaires. Of course, this means looking at the business of concessions from the "other side." In these conversations, we will be asking each of them their thoughts about the other perspective. What have they learned. What has surprised them. What they want their colleagues, on both the airport and concession side, to understand about the other side.

Andy: [00:00:45] Our guest today is Liz Grzechowiak. Liz is now Senior Director of Brands and Concept Development for Delaware North. She joined Delaware North in March of 2022. Before Covid, Liz was Assistant Director of Concessions and Business Development for Minneapolis-Saint Paul International Airport for more than six years. Liz is one of the leaders of our industry, and now she has seen the business from both sides. Welcome, Liz. Thank you for joining us today.

Liz: [00:01:14] Thanks, Andy.

Andy: [00:01:16] Glad you're here. So, during your tenure at MSP, and even continuing through today, that airport has been a trendsetter among airport concessions programs. But now, you've been with Delaware North for 18 months. You spent a short period with Hudson. You spent some time with Caribou. What are your first impressions of the concessions business? What surprised you?

Liz: [00:01:40] Oh, okay, loaded question. So, I loved my time at the airport. It was just such a special experience. I am a lover of the Minneapolis-St. Paul region, and to have that opportunity to go into MSP, and to make that mark, and kind of influence and redesign the whole program, was an extraordinary experience. So, I just have to throw that out there that, you know, coming to the other side, I often reflect and miss that experience of being in the airport terminal space and walking through and engaging with our concessions partners. But coming over to this side, I think what surprised me is, maybe just that there's so much opportunity to refine process, meaning that when you're on this side, and you're anticipating the needs of your airport client or

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an upcoming opportunity, there's so much gray area. There are these prolonged timelines and lack of details. And then, when the RFPs come out, I feel like there's so much that could be said to each other to bolster and refine the process, to make it a streamlined experience for both parties to participate in that has a lot of transparency, and that ultimately creates a really robust environment for both parties to achieve their goals and meet their needs.

Liz: [00:03:16] And I think that's kind of hard to see when you're on the airport side. I think from the airport side, you have maybe a little bit of ego and a little bit of, you know, celebrity in that people are proactively trying to earn your trust, build a relationship with you, earn your business, and win the business. And so, there's not always a super transparent conversation about what their needs might be in order to be able to meet their own organization's goals and objectives, or filters, pro formas, whatever that may be. And I think that there's maybe a little bit of fear. Now, don't get me wrong. People are very candid and direct in telling you things often, but I think when it comes down to trying to get to a clearer understanding of the pro forma of the business, that there could be some more transparency in that arena. Does that make sense?

Andy: [00:04:24] That does make sense because it also ties into what you sort of alluded to. There's two big points that I see there. One is you enjoyed building programs, designing the programs. You were part of almost complete, if not complete, makeover of a very large program at a large hub airport. So, there's a lot of moving pieces to that. But you were also then making assumptions about what concessionaires might be willing to do or willing to respond to. So that's where that then ties into the transparency piece that you just mentioned. So, it's like trying to get the two sides to understand each other, perhaps better, so that we can get to a better program. Am I saying that fairly?

Liz: [00:05:13] Yeah. And I think both like in the business terms and in the actual use of the space. And one thing that we were recognized for good or bad -- depending on which side of the argument you sit on -- was that when we talked about curating the program at MSP, we truly curated it down to the use description and creating very specific clauses about what could and could not be sold, because we were trying to eliminate redundancy. And I think that when you have a large format program -- especially when you have a centralized retail area and a food and beverage experience in that centralized area -- it's very important that you have versatility of product. So when you have multiple convenience news stores within a mall area, as well as surrounded by specialty retail, you need to make sure that you have dynamic offerings throughout that portfolio in that controlled space, so that people are willing to actually use a shopping experience or a shopping mentality; because, otherwise, what they see here at this store [and] three stores down, if it's redundant, there's no reason for them to change their consumer behavior in that airport mall environment.

Andy: [00:06:31] Exactly. But that leads to an interesting challenge, I would say, based on my consulting days: now that you are on the industry side, the concession operator side, is how do you perceive those very, very prescriptive descriptions of a particular location. I've always joked that if the consultants know better than the operators, then they're both in the wrong positions.

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And so how does that mindset that you had back when you were with MSP, how has that been altered from your experiences now with Delaware North?

Liz: [00:07:20] Boy, I could answer that in so many different ways. And I could argue it from many different sides. Great question for me because I'm the brands and concepts team member here. And I think that leading up to an RFP, you go into a market, and you do your due diligence to try to best understand how can I bring brands that are going to be compelling, creative, drive revenue, entice the public who are not familiar with a local brand to come into this space. There's so many variables to choosing the right brand, and a lot of insecurity and confidence that comes in like the same breadth of choosing that partner for that unit. And I think that ultimately, at the end of the day, setting your ego aside, setting [aside] your impeccable taste for a great brand, when an airport is prescriptive of what they're doing is, they're telling you the rules of engagement to win the business. So, is it frustrating? Perhaps. Maybe you had this incredible gem of an idea chef, partner, celebrity -- an idea that you couldn't wait to put in the airport environment that does not meet the actual description of the RFP. And that's a risk that you take in proposing that brand or partner because you could be non-compliant to the bid.

Liz: [00:08:50] So from the perspective of hindering your creativity, that's a tough spot to be in. Especially if you're a really creative person or, you know, you're really passionate about food and beverage or retail. But if you're in it to win it, and you're looking for all the details to be able to respond in the best and highest way, then a prescriptive description can be helpful. And I think trying to trust that the airport is taking into consideration the ability to drive as much revenue with creativity and diversity of SKUs, and to protect the existing business partners that are in position. We would want that same respect on the other side of a new partner coming into our environment where we continue to operate for the next five years. And when we built our pro forma five years before, we would want to be able to retain our ability to drive those sales projections. So, I think you got to trust the partnership. You got to do your best to try to educate either side, going into the competitive process and take all those things into consideration, and respect where the airport is coming from and trying to do their very best to curate their program.

Andy: [00:10:11] Hmm. Hmm.

Andy: [00:10:12] What in particular, if anything, have you learned since coming over to the concession side that you think is underappreciated by airports? Be it the economic aspects of a transaction, the brand dynamics of a transaction or of a store, the operational aspects of it, that may be overlooked because they're not, you know, they're not the glamorous part, but fitting a type of operation into that brand or prescription. Things like that. What do you think airports don't quite understand or need a better understanding of?

Liz: [00:10:57] I think that many airport employees do not come from an operations background. And I think that in my naïveté of stepping into my role at MSP -- first off, I mean, I've joked in the past that I wrote down the definition of an RFP on my arm during my interview because I had no experience -- and that was really intimidating. But what I did have a ton of experience in doing was developing brand[s] streetside and operating brands. And I think that as I read through the

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RFP and tried to digest what this bureaucratic document was asking an operator to do ... so much of it didn't make sense. And so, kind of scrapping, you know, the historical template, redrafting, rewriting, and stepping into that document from the perspective of an operator. I think that we got a lot of accolades for that, collectively as a team, for having done that work, and that it showed up in the RFP itself. And all of that being said, with not having that operational experience, it's very hard for you to be able to understand the complexity of the operating environment in a constrained space, often within an environment that has strict rules and regulations related to the employee's tasks and abilities that are driven through our partnerships that we have with our union partners who are very important.

Liz: [00:12:43] But, from the airport's perspective, they want to have a streetside experience from start to finish, full of hospitality. Well, when you're creating a perfect, hospitable environment [on streetside], you have ample space to be able to flow through. You have employees that are all hands-on deck, that are coming to work and probably not having to park really far away and take a bus, and get stuck in security. And so, they're walking in with a different mindset than our employees are. So, I think that going back to the question about what influenced me, I think there's a lot of things that have influenced me, but I would say partnering to create an employee-centric experience in the airport environment, in order for the airports to achieve the level of hospitality that they're looking for, is a big gray area that we have a lot of work that we need to do.

Andy: [00:13:49] That sounds very true, because you've touched on one key aspect [which] is we want to create a streetside experience, but we don't necessarily have, as an airport, the streetside infrastructure, be it access to employees, be it size of spaces, be it back of house spaces -- just the whole rigmarole of operating an airport kind of gets away.

Liz: [00:14:18] I don't know how often this comes up into the context of putting out an RFP, but long-term planning and trying to project how is this industry collectively, as a travel industry, and how is the hospitality industry going to change in the next ten years? And taking into mind how our trends are not lasting as long as they used to, and taking into mind that we have a ten-year term, that there's going to be more people in these spaces than ever, and the classic one-time mid-term refurbishment with X dollars required in order to keep that space fresh -- I don't know if that's realistic, and I don't know if that needs to adapt here in the future to take into consideration that we're probably going to have to maybe consider a significant rebrand of the space, because brands streetside are being forced to evolve at a faster pace than ever.

Andy: [00:15:24] Yes.

Liz: [00:15:24] And so when we're at the eight-year mark and we've already spent our capital dollars and we need to adapt, we need to refresh, it's not in our budget and it's not in your budget to be able to partner, collaborate on coming up with a way to solution those necessary dollars.

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Liz: [00:15:45] I don't think we're having that conversation yet as an industry: should there be multiple markers within that? Does that need to be accounted for in the rent and pulling it back? The capital obligations? And the reality of how this industry is rapidly growing, and changing, and consumer behavior is so different now than it was before. That's for sure true on the food and beverage side. But what is going to happen to our retail consumers in the next 5 to 10 years? And how are we going to have built in, you know, buffers into these terms that are rigid: this is our contractual obligation, and this is our minimum annual guarantee to you, and our term ends on this date? But where's the buffer zone to be able to allow us to adapt and create? And you know, not have these static programs where, you know, you can walk into an airport environment and you can tell, "yep, this one needs to go out to rebid. It's been a long, hot minute." Because it's stale. And nobody wants a stale environment. Everybody wants to be on trend. Everybody wants to create environments that you can drive revenue and engage the guests in the way that the guests want to be engaged at that given time.

Andy: [00:17:05] That's so true. It's been that way for a while. And perhaps what what's coming out of the pandemic is just highlighting it. Putting a spotlight on the fact that brand lives have been shrinking and capital costs have been increasing, so they're going in opposite directions. And that's not good for keeping programs fresh, which was the idea.

Andy: [00:17:29] Let's turn it around a little bit here as we wrap it up. Now that you're on the concessionaire side, what do you think your new colleagues and concessionaires need to understand about the airport side? What aspects of an airport and the constraints on an airport do concessionaires need to understand?

Liz: [00:17:56] I would say that, you know, when you're talking with a true bureaucrat, who is not an expert in food and beverage or in retail, to be humble and courteous, but don't be shy to share information that can help shape their understanding of how to operate and what you need to be successful to operate. And I would share with my colleagues in the airport world, now that I'm on this side, the importance of accuracy and timeline and the relevancy of what it is that you're asking a concessionaire to do when they're responding to your RFP. Is this necessary? Am I organized in articulating what I need from the concessionaire to be compliant to the bid? Have I thought about what I'm asking for them to submit, which is hundreds and hundreds of pages? Am I giving them enough time? Is eight weeks enough? It certainly is not. Is 12 weeks enough? Depends on how big the bids are. But when you are asking for somebody to come predominantly blindly into an opportunity and, in a short window of time, define the brand partner, execute the LOI with that brand partner, make sure that everything is buttoned up and that you have the ability to move forward with that brand, and then engage an architect to design.

Liz: [00:19:42] Do they have the information, the LOD, the layout from the airport? Where are all of those obstructions in that space that we can't plan around? Is there a telecommunications closet that's going to cost \$275,000 to move out of the unit that's smack dab in the center? I have a ton of sympathy for how complex the airport is, and a little bit of shock, but definite awareness that, you know, there are not as-builts. I don't know why or how we've gotten to this

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place in this industry, but there's not clear as-builts or historical documents to rely on. So, there's a lot of work that has to be done. And, you know, everybody's understaffed and the airport is doing their best to put out a clear, concise communication to you about what they expect. But I would encourage people to step back: Is my information complete? Are all of these details necessary? Are these really going to influence us, or is this just noise? Is this just what we've always asked for, so why do it different now?

Andy: [00:20:47] Yes.

Liz: [00:20:48] And coordinate among your fellow airports, when you know you're planning to put out an RFP to make sure they're not stacked on top of each other. And an awareness that when you drop that right before 4th of July so it's cleared off your desk, and you have gotten your job done, that you might be impacting someone's holiday. So keep the holiday schedules in mind too, especially when you have a 12-week period over, you know, Christmas and New Year, and nobody's working during that period of time.

Andy: [00:21:20] Spoken like somebody who's been there on both sides. So that's been great. Thank you very much Liz.

Andy: [00:21:31] Our guest today, Liz Grzechowiak, [thank] you for sharing your insights. And thank you for joining us on the ARRA Forum.

Liz: [00:21:37] Thanks, Andy. Appreciate it.

Andy: [00:21:39] And thank you, on behalf of the Airport Restaurant & Retail Association, all of you who have watched, listened to, or read today's Forum. Be sure to watch your email and LinkedIn for updates on our next episode. I'm Andy Weddig. Have a great day! Thanks a lot!