

**ARRA Forum**  
**“If I Knew Then ...” – A Conversation with Dawn Hunter**

*With Guest:*

Dawn Hunter, Vice President, Development, SSP America

*Hosted By:*

Andy Weddig, Executive Director, Airport Restaurant & Retail Association

*{This conversation was recorded September 1, 2023. The transcript is slightly edited for continuity and clarity.}*

**Andy:** [00:00:02] Welcome to the ARRA Forum. I am Andy Weddig, Executive Director of the Airport Restaurant and Retail Association. Today we begin a special series of the ARRA Forum. A number of well-known longtime participants in our industry have recently changed positions from airports to concessionaires. For them, 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:** [00:00:38] As our first guest in this special series, we welcome Dawn Hunter. Dawn is now Vice President of Business Development for SSP America. She joined SSP earlier this year. Before SSP, Dawn was commercial manager for the Seattle-Tacoma International Airport for five years; and before that, more than 17 years with Los Angeles World Airports. Dawn is one of the icons in our industry and now she has seen the business from both sides. Welcome, Dawn. Thank you for joining us.

**Dawn:** [00:01:06] Thank you. Thank you for having me.

**Andy:** [00:01:10] So, Dawn, you’ve been long been one of the airport industry’s advocates for equitable and sustainable concessions agreements. Now, after eight months with SSP, what are your initial impressions of the concessionaire business? What surprised you?

**Dawn:** [00:01:26] My initial thought is that it is more complex than what I realized. On the airport side, I just thought, “hey, you bid on the RFP, you build the concession, and you run it.” But it is way more complex than I ever imagined. The intricacy that goes into opening just one space, and the planning behind that. [There] is so much on the concession side, and it costs more than what I thought it cost. And it has more levels than what I thought it had. So that’s my initial [thought]. I think what surprised me the most was -- and I’m sure we’re going to get into this -- is how much things really cost the concessionaire to do business in an airport. That’s what’s most surprising to me. In my old world, I would tell my colleagues, “you know, it’s going to cost them a lot of money.” But I had no idea how much money it really cost. And it was really, really eye opening to just kind of dig into the weeds and see the other side of the business.

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**Andy:** [00:02:33] What are some of those costs? What have you learned that you didn't know when you were working for the airports about costs, or the types of costs, or even the level of costs? We all know it was expensive, but as you said, how expensive? That's a surprise.

**Dawn:** [00:02:48] Well, I would say what I'm learning now is that, first, high level of enplanements and high level of sales do not always equal profitability. You know, I've heard people say -- and I probably said it in my lifetime -- those concessionaires over there [are] just printing money. You know, it's just thought that people are just coming through buying beer and a sandwich, they're just making a lot of money, and they're just complaining because they want more from the airport. And I'm really seeing now, as you dig into some of the numbers, just because I have, you know, 50 million passengers coming through and, and I have some sales, that doesn't mean profitability. Why I say that is because I think that some didn't really understand how much things cost. I know that I made -- I'm going to keep it all on myself -- I know that I made decisions on the airport side and had no idea of the of the implications of those. And what I'll say is, for instance -- how do I want to put this? Let me use an example: say I have a full-service restaurant. There's ten employees, managers, all of these things that have to go on in that space, which is at a cost because you have to pay whatever that living wage is in that city. And then I have a \$4 million restaurant, full service, and based on labor, cost of goods, costs at the airport, the rent, all of those things, I could only walk away making 3% based on where I'm at in the airport, which is not a good business model.

**Dawn:** [00:04:27] And so they say, “well, you're making \$4 million of sales.” But if my profitability is low, and let's say a life event happens -- we're not just talking about Covid or 9-11. There could be airport redevelopment. And that takes Delta or whomever off that whole concourse. And I'm pretty much shut down from enplanements for that particular location. At that profitability level, I'm going out of business. But when I was on the airport side, in my mind I was like, “well, you're making \$4 million. You can stand to stay closed for a year and a half. That should be okay, you know, for you to be able to sustain.”

**Dawn:** [00:05:04] Then I want to add to that, a lot of times when you have a high-volume restaurant, what we would do is pair it up with a clunker or, you know, one that is not as high volume. You have some economies of scale.

**Andy:** [00:05:15] Yes, we did.

**Dawn:** [00:05:16] And in a model like this where you're making millions of dollars, but your profitability is low and that one shining star is impacted -- airport construction, anything -- we've basically set someone up for failure. So that's one of the things I learned that's not necessarily a good practice.

**Dawn:** [00:05:38] Maybe we ask ourselves -- or I should have asked myself -- why is this location not profitable? And should this location still be part of the package? Maybe it's better served as an office, and we find another location for a concession. Those are just perspectives that, now that I'm in this role, kind of looking back and seeing.

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**Dawn:** [00:05:58] And then, we also talk about costs. (I was going to get into this later). But when you control so many things like what we can charge and all these things, you're constraining the profit level. I always think about it like this. If I were another tenant, say an airline, that seat that cost me 600 bucks back in 2019 is now \$1,600. And of course, it's cost recovery. They lost money. So, it makes sense from a business perspective that you're going to charge more to do some cost recovery so you can retain your employees. You can be profitable. These are publicly traded companies. I can go back to my people and say, "hey, I've recovered. You know, I'm good. Don't fire me." And then you also look at other tenant agreements, such as our rental car family who are also under concessions agreement. And you look at them, that rental car that was 60 bucks a day. I think the other day I paid \$300 a day for my rental car, and I happily paid it because I wanted the rental car and it's cost recovery. From a business perspective, I don't want them to go out of business. So, I paid it and I moved on. And it makes sense to the airport because, of course, we want our rental car companies not to go out of business and to be sustainable.

**Dawn:** [00:07:19] But it's interesting as a tenant in the airport -- well, I'm a tenant now, a tenant in the airport now -- that there's so much constraint put on those concessions contract, and holding people to those contracts, and saying you should be able to survive without doing cost recovery. I've heard people say, "Why do you need to charge more? Why do you need street plus? Why do you need to lower these costs?" And I'm thinking in the back of my head, as a business, I've gone through several rounds of budgeting at an airport, and the main thing we're looking at is reducing costs, reducing that expense budget so that the airlines pay less. And so, everyone looks at their costs and wants to do cost recovery, but it doesn't seem to be a model that is lended in some places to concessions contracts.

**Andy:** [00:08:17] That's a very keen insight because not only [is there] no control on the prices for the people who have sales to the passengers, the airlines and the rental cars. And [the] city controls the taxi rates, but that's all managed outside of the program. Uber charges whatever they can, they need to generate business at that one moment in time. Yet concessionaires are the only part of the airport ecosystem that is price controlled.

**Dawn:** [00:08:51] Yes.

**Andy:** [00:08:52] And you also noted the perspective is let's look at sales. Let's look at the top line. When at the end of the day, it's the bottom line that matters. And you pointed out that the airlines, rental cars, those are all public companies that need to go back and report to their shareholders how they are growing their revenues and recovering their costs. Yet much of the concessions industry is also public.

**Dawn:** [00:09:21] Exactly.

**Andy:** [00:09:22] Has the same pressures on them; [it's] just something that isn't recognized. So, from these observations, what would you want your old airport colleagues to know about the

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concession side to help them build better programs? Because after all, we're in this to serve the traveling public, to create great customer experience, as well as make a fair return so that it is sustainable going forward. But what have you learned that you want them to know?

**Dawn:** [00:09:54] Well, the first thing I would say is, I have not met one concessionaire, whether it's an SSP America, HMS Host, or any company that says, "I don't care about the customer experience." We want to service the customer. We want to give them the best possible experience. We want to be fully staffed. We want to make sure that we have all the products that we said we were going to have on our menu, in line in the store to serve the passengers. We want that. We want to be open on time. We want all of those things that you want for us because we want to make money. No one wants to pay \$1 million for a restaurant and have it closed or have hours reduced. And so, the first thing I would say is, we do care about the passenger experience.

**Dawn:** [00:10:37] Secondly, when you talk about -- I think the question was -- how they're building a better program. And so, a lot of times when people are doing a master plan or redoing the program itself, you know, they take staff or they hire a wonderful consultant and the consultant will go in and say, that 2,000 square feet should be a sit down. That 500 square feet should be specialty retail. And it's on a very molecular level. When you're talking about building a program, I think we need to unzip that a little bit. When you're building the program, to be helpful to us is, first of all, open dialogue. What do you think? Because we're the ones that are going to have to execute on this. Having that dialogue between tenant and airport would be helpful upfront to say, this is what we think the program is. Is it over concession? Is it over food and beverage? You know, is there too much, too little?

**Dawn:** [00:11:36] And then I say the second thing, unzip that a little bit more. Airports do construction all day long. They know the cost of construction. So instead of having your staff or consultant just say this 2,000-square-foot [space] should be food and beverage, sit down restaurant, Mexican. It should be a little bit more than that and say, we know as an airport it costs \$2,500 a square foot to build this. So, it's going to cost X amount of dollars. And we're requiring 30% ACDBE participation. So, it's not just SSP's wallet you're opening up. Now the small businesses -- you're opening up their wallet too.

**Dawn:** [00:12:16] And so then, on top of that, it's going to cost them \$2.5 million to build this, \$3 million, however much that is. Let's look long term. How long is it going to take for them to amortize that initial investment. So that JV partner -- forget SSP -- that JV partner that you want so badly to succeed, to pay that back, is ten years really realistic for us? Back when it cost \$200,000, we were giving ten-year term. That was 25 years ago. Now it's \$2.5 million to build this and the term is still the same. I understand from the airport perspective, we didn't want to increase the term because we want new freshness, we want new things in, we want to give people opportunities. But the reality of what's happening here is the costs are so exorbitant that it's almost setting people up for failure. And I'm thinking more now -- and this is one thing I didn't think about on the airport side -- I cared about our JV partners, but now, I'm in their pocket. I'm taking money out of their pocket to build for the airport. And so now I have to be mindful that

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everything I promised the airport that I can do: like in construction, why can't you work nights and weekends and put them on overtime? Okay, I could do that. But then my JV partner has to put 30 more percent into that. And that is not profitable for them with that ten-year term.

**Dawn:** [00:13:48] Let's unzip it a little bit more. Let me look at my airport environment. Not only, is there the constraint for construction, but labor, \$30 an hour at LAX? That's great. I want people to have a living wage. I lived in LA; I know it's expensive to live. But I also have street pricing on them. So that profitability and labor, now we're getting constrained. And that still impacts that JV partner because based on profitability that's how they get paid. And so, these are all things that I want [considered]. When we're talking about building a better program. It's not just having someone come in and draw the boxes and say, "let's put a local celebrity chef in there and this will be great." It is really looking holistically at not only the physical building, but the financial terms, contractual agreement, and saying, "does this make business sense?"

**Dawn:** [00:14:48] I get it. These are city jobs for a lot of people. And, you know, I didn't major in business. I came to work for the city, and I can manage a contract, but I would just encourage people -- and this is what I did because I didn't know anything about concessions when I started -- [to spend] time: Why does that sandwich cost \$14? Help me understand the rationale behind it so that I can make better choices when I'm leading this program. And yeah, I would love my colleagues to really understand. And maybe we haven't done a good job of explaining the economics to a point where it helps someone make sense to make better decisions. So, it's both sides of the table really understanding each other and where we are. Because if we don't want the airport to fail either, they have to make money because the FAA says they have to make money so they can get federal funds.

**Andy:** [00:15:43] So let's turn this around. Those are all very keen insights for the airport teams. But what from your airport side, besides the fact that the airport needs to make money as well, what do you think concessionaires need to recognize? What do concessionaires need to understand about the airport perspective?

**Dawn:** [00:16:05] Well, first thing I will say, the airport is governed by a set of rules. Whether it's the FAA, TSA regulatory, you know, there's a set of rules that airport has to live by. So, there are certain things that airport can and cannot do. And then layered on top of that are state laws and regulations. In my last employment in Seattle, in Washington, giving things like MAG [relief] or things like that, is considered a gift of public funds; and it's [prohibited] in the state constitution. So, there's just things that some airports can't do because they're bound by whatever regulatory things is happening from a federal, local, state, and then, municipal area. Port of Seattle, the airport is in the city of SeaTac. That's why it was called SeaTac -- Seattle Tacoma. SeaTac itself put an ordinance that anyone working in that area has to pay a certain wage, and they set that wage every January. So, the airport couldn't come back and say, "well, you don't have to pay that," because they don't have a say in that. And so that would be the first thing that I would want concessionaires to understand. It's not that sometimes airports don't want to be good partners. Sometimes they're bound by certain things. And you should see the

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level of frustration that we would have over that, because we want to do something that we just physically couldn't do.

**Dawn:** [00:17:39] I think the second thing is that a lot of airports -- how do I say this and not get myself in trouble -- a lot of airports have hierarchies and some of the people at the top of the hierarchy who ultimately make decisions are making decisions citywide. So, they're not airport experts; they're not concessions experts. They are city officials who have been elected or chosen to do a job, and that is make the best possible decision for whatever is in front of them at the time during that meeting. I would laugh and say, no one would dare tell operations how to land a plane because who knows how to land a plane? We don't know that. And they know they don't know that. They would never tell security how to keep the airport secure because they don't know all these secret TSA regulations and FAA regulations, so who would dare speak on that? And half of those things don't even come to public forum because we don't want people to know. But everybody has had a cup of coffee, everybody's made a burger, everyone's been to their favorite restaurant. So, everybody knows everything about concessions in an airport. And sometimes you have people who want to make decisions because you know, "you've awarded this. But I've gone to this one establishment for 15 years and they make the best coffee. And so, no, we're going to go on this way." I mean, sometimes it is just that subjective, and I have been around long enough to see airport staff make certain recommendations and have them overturned. And we're just as dumbfounded as a concession. You're like, "what just happened to our life here?"

**Andy:** [00:19:17] I've been in a few of those.

**Dawn:** [00:19:19] You know! And so, I think we all want the same thing. I think that when you have an airport that you're dealing with and it's always confrontational, there's a reason. Maybe it's just that person. But a lot of times, pressure is being put on the airport by airlines because a lot of these agreements say, the more efficient the airport is to reduce costs, the less the airlines have to pay. But the more non-aeronautical revenue that's generated offset those costs as well. And so, they get a lot of pressure [from airlines]: "I walk through the terminal, the concessions were closed. They're not making money. What's going on? Make them do it. Make them open. Make them." "You know, my crew comes through at midnight. Yeah, there's only five of them. But I think at least three restaurants should be open so that they have a choice of what they eat." I've had those conversations and like, "okay ... no." But there's pressures coming from different places. I just think that sometimes you will see that airports can't tell you all the times I've had meetings with the airlines and they're screaming bloody murder because they have a concourse that's closed. But are we doing a good enough job to say, can we sit down with the airlines? This is why we're closed. You all have one flight: your flight is at 6 am, your flight's at noon, and yours is at midnight. I cannot sustain staying open unless we have some consistency in flight. And this is what it's costing me to do that, which impacts the bottom line of what we give.

**Dawn:** [00:20:52] And so I think, earlier I said, I think we really need to understand each other, and there needs to be dialogue, and there's too much quoting of contracts: "well, your contract

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says....” Why don’t we sit around and talk about the state of the airport? Because one of the things I did realize, going back to the question is that I don’t think concessionaires really understand how airports really run, and I don’t think airports really understand how concessions are really run. And there needs to be some type of meeting of the minds, because on this side, I’ll hear people saying things, and I’m like, “you can’t do that in an airport.” Or you know, why is the airport asking us to put in this provision for language proficiency? It’s called Title VI. And now they’re really coming down on the airports for Title VI. And that’s part of their Title VI plan. So, you’re a major part of it because people are going to come to you before they go to the airport. And so, they’re going to complain about the airport because we didn’t have language preferences on our menu. And so that impacts their Title VI and their federal funds. But concessionaires don’t know stuff like that. And so there really needs, yeah, there needs to be more of a communication and understanding.

**Andy:** [00:22:03] That’s perfect. So, we run out of time. Thank you, Dawn Hunter, for sharing your insights. They’re very informative and I’m sure people will learn a lot today. And thank you for joining us on the ARRA Forum.

**Dawn:** [00:22:16] Thank you so much.

**Andy:** [00:22:18] And on behalf of the Airport Restaurant and Retail Association, thank you for watching, listening to, or reading the Forum today. Be sure to watch your email or follow us on LinkedIn for the next episode of our special series “If I knew then what I know now.” I’m Andy Weddig. Have a good day.