

ARRA Forum
“If I Knew Then ...” – A Conversation with Marlene Coleman
January 9, 2024

With Guest

Marlene Coleman, Director, Strategic Alliances, Areas USA

Hosted By:

Andy Weddig, Executive Director, Airport Restaurant & Retail Association

{This conversation was recorded November 15, 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 welcome Marlene Coleman of Areas USA to our “If I Knew Then” series of the ARRA Forum. Marlene is one of a number of well-known long-time participants in our industry who have recently changed positions from airports to concessionaires. Of course, this means looking at the business of concessions from the other side. In these conversations, we’ll be asking each of them their thoughts about the other perspective, what surprised them, what they wished they knew when they were building airport programs, what they want their colleagues on both the airport and concessions side to understand about the other side. Marlene is now Director of Strategic Alliances for Areas responsible for building strong partnerships with the ACDBE community, city governments, and airport commissions. Before joining Areas, she was part of the concessions management team at Hartsfield-Jackson Atlanta International Airport for two tours totaling more than 16 years, most recently as Director of Concessions Management. Marlene is one of the legends of our industry and now she has seen the business from both sides. Welcome, Marlene. Thank you for joining us.

Marlene: [00:01:18] Thank you for inviting me. I was looking forward to this conversation.

Andy: [00:01:22] I am looking forward to this conversation as well. This is going to be a good one. So, we’ll just start right off. After nine months, what are your impressions of the concessionaire side of the business? What surprised you?

Marlene: [00:01:38] Well, one of the things that, when I was on the airport side, it appeared that it’s a very lucrative business, almost to the point where you think the concessionaires are printing cash, because on that side, all we see is the rent. That’s the expenses that we see – the rent. And also, we see the revenue. So of course, that’s out of balance because there’s so many other costs. So, what I’ve come to learn that is a very complex and costly business. Very much so. The dynamics you have [of] multiple operations. When you’re on the airport side, you have that one operation or maybe two, depending on your system or how many airports you have in that system. And you’re local; you’re there. But when you have multiple operations across the country, and each of those operations have different dynamics, you have to deal with the

ARRA Forum
“If I Knew Then ...” – A Conversation with Marlene Coleman
January 9, 2024

different personalities. That’s one. But then also the different politics and then also maintaining your cost and, depending on what the situation is in that area and what’s the driving force, you know, the politics can mean different things for your business.

Andy: [00:02:50] Two keen observations. There is different politics, multiple politics, sets of politics that you didn’t have before. But I want to pick up on the one word you used – lucrative – because I’ve heard that word used lately in the sense that everyone thinks the money is just laying around to be picked up. But it’s not. As I said in my consulting days, yes, there is money to be made, but it’s not laying on the floor. If it is, it’s sticky and it takes some work. It takes a lot of work to pick it up.

Marlene: [00:03:33] It doesn’t always stick to your hands. It just stays there on the floor.

Andy: [00:03:36] Yes, it stays there. Someone else gets it before you do.

Marlene: [00:03:40] Right.

Andy: [00:03:40] But what have you learned and experienced at Areas since the beginning of your tenure there that you didn’t know when you’re working for Atlanta, that could have helped you with your work there, helped you design and plan programs.

Marlene: [00:03:56] Two things that I recognize. I was sitting in a meeting – my first meeting with our team – and the term EBITA came up. And I thought to myself, what is EBITA? I’ve heard of profit margins and those types of things – costs and losses and assets, equity. But when I heard EBITA, I didn’t know what that was. And so, I went, and I asked, what is it? And of course, it’s earnings before interest, taxes, and amortization. And basically, it meant it’s a measurement of your operational performance. When I heard that, I started thinking to myself and then, of course, hearing it over again, going through our different operations and looking at the different P&L statements. When I was at Hartsfield, when I put together our programs, [I] always had our consultant put together a mock P&L statement to ensure that we had some level of profitability. But I looked at the bottom line. And so as long as I saw that there was a profit, I’d say, okay, this is a good package. Well, now what I’ve come to learn is it’s not just about the bottom line. It’s also maintaining the operation on a daily basis and maintaining the cash flow. So now I’ve become more acquainted with that and have a better understanding from this side what that means. And especially now.

Marlene: [00:05:32] So, I came back to Hartsfield in 2019, December 2019. And of course, Covid hit in 2020. So that came with a lot of different dynamics that we never experienced in this industry before. And so having to go through that whole process where you had to shut down a whole operation where basically you could roll a bowling ball down the concourse at Hartsfield – which is rather eerie within itself – and for a long period of time. Now, for some reason, in my head, I thought it would only last two weeks. I don’t know where two weeks came from, but I [thought it] couldn’t last longer than that period. But to see them go through that process, and to

ARRA Forum
“If I Knew Then ...” – A Conversation with Marlene Coleman
January 9, 2024

ramp up and to get the operations open. You know, Hartsfield, we work with our concessionaires and we offered a lot of relief for Covid.

Andy: [00:06:23] Yes, you did.

Marlene: [00:06:24] And we helped, and it helped a lot. But I also recognize now we're dealing with higher cost of labor. The transition trying to get labor has really been a struggle for us and our colleagues in the industry. And so, of course, when you start hearing some of the rates that are being charged that the employees are making, I'm like, maybe I need to go, maybe I need to work. Maybe I missed the boat. But you don't think about it on the airport side the way you do on the concessionaire side. It hits that bottom line.

Andy: [00:06:57] The bottom line.

Marlene: [00:06:59] And it means the difference in.... You have to make serious choices in other areas on how you're going to maintain and manage those costs, because that's what I've come to learn now that you generate the revenue, but it's also about maintaining and managing those costs.

Andy: [00:07:15] Hmm hmm. The airport perspective is on the top line.

Marlene: [00:07:21] Yeah.

Andy: [00:07:21] Which as a former colleague always said to me when I said we got to look at the bottom line, [he] always said but you don't have a bottom line if you don't also have a top line. But there's a lot of twists and turns between that top line and that EBITDA line and that bottom line.

Marlene: [00:07:40] Even if you think about it, Andy, even with the top line and looking at where the sales are, the passengers coming back and we're slowly getting back to 2019 levels, and I've heard somebody say, "well, we're getting back to 2019 levels." But we're three years later when our projections were higher than that 2019. So, you know, that top line is also impacting the bottom line to some degree because we're not exactly where we thought we would be at this period of time.

Andy: [00:08:10] Right. And those original plans, even the ones you looked at with your consultant at Hartsfield, those same equations, those same P&L statements, hypothetical pro formas relied on three years of growth that didn't happen.

Marlene: [00:08:31] That didn't take place. And it even got to a point with the model that she created, when we were in the middle of trying to do our space utilization plan, she had to go back and adjust the labor part because the labor costs were so much more. They were more costly than she had anticipated. So, you know, we're dealing with something that we're going to

ARRA Forum
“If I Knew Then ...” – A Conversation with Marlene Coleman
January 9, 2024

be dealing with for a long period of time. I'm not saying that the employees shouldn't get paid what they're worth, but I also recognize that during Covid, this whole we're a three-pronged ecosystem. They kept saying that over and over again.

Andy: [00:09:12] Yes, we did.

Marlene: [00:09:15] I think you said a three-pronged [ecosystem]. Now, even when I was on the airport side, I was kind of like, “you know, some of the prongs are taller than the others,” you know. Yeah, yeah. But, you know, they kept saying that.

Marlene: [00:09:30] But what I also recognize is that at some point we can't continue with the same airport concessions financial model, the way it is today and the way it has been in the past, where you have the minimum annual guarantee and the percentage rate. And of course, you know, [in] certain markets the politicians are pushing for living wages 20 to \$30 an hour. Where is that going to go? Especially when we're in an environment where our prices are fixed. Now, out of that three-prong system, we're the only ones where we have fixed prices, and we have caps on our prices and understandably so. Of course, when I was on the airport side, I felt like it was my job to protect those prices, to ensure integrity in the prices, but then also to protect the traveling public's interests. Well, now that I'm on this side, I also recognize how that's a hindrance, because, you know, in other businesses outside of the airport, you're in the market. So, whatever the market can bear, that's what you're able to charge. Whereas in the airport that's not necessarily the case. So, there's not going to be a lot of room for us to grow financially if we don't start to adjust. And then I think some of the airports need to take into consideration if these prices and costs keep increasing, then maybe they need to share in some of that also.

Andy: [00:10:58] That's an interesting perspective because that's like about 180 degree swing in perspective in less than a year for you.

Marlene: [00:11:10] Well, you know, not maybe 180 ... especially when we started going through Covid. You have to make an assessment of what's going on now. These models have been in the industry – I've been in the industry for over 20 years, in city government for that long a period of time – and this model has been around for that time frame. Now, when I first came into the industry, the model was a little different. You still had a MAG, but it was done on a bid basis, and you bid a certain cent per enplanement. And so that got to be, especially at Hartsfield, really expensive because you never went into percentage rent because the enplanements kept growing so aggressively that it was always in MAG. So, at that time, leadership – Ben DeCosta was the general manager – and the leadership at the time was mayor Bill Campbell. They decided because it was going up so much and the cost of construction was going up, they decided to just flatten it. And then that's when you got that 85% every year.

ARRA Forum
“If I Knew Then ...” – A Conversation with Marlene Coleman
January 9, 2024

Marlene: [00:12:16] And to that – well nothing lasts forever. And so that’s exactly what it is. It’s a model. And models can be changed. And you have to adapt to the circumstances that you’re dealing with at the time. And so, I think what I would encourage our colleagues to do is to take a really strong look at that model. I also encourage the concessionaires I think we need to have a conversation, a real conversation around those P&L statements. I know we’re reluctant to provide the airports with those statements because of open records, but you don’t always have to leave them there. But to sit down and just look at the dynamics of where that bottom line is so that they can get a perspective and that we can have some type of conversation around making a change and what that change should be. Now, you know, from the airport side, airports do not want to have that conversation. When you start talking about changing rent, making rent adjustments, it becomes... And it’s political too. It’s political. You have to deal with the public’s perception. They also think that the concessions print cash, of course. And that is this ginormous cash cow that it’s not. But, you know, that’s about education, too. So that’s what I would encourage us to do as an industry, is to have those type of dialogues. Maybe that’s something that ARRA can facilitate, you know, along with AAAE and ACI.

Andy: [00:13:44] One of your roles with Areas is ACDBE relationships, alliances. How are they? What are you hearing from your ACDBE partners about the current situation?

Marlene: [00:14:00] Well, they’re dealing with the same thing, Andy. Trying to maintain labor. And of course, they don’t have the same level of resources that we have. Where we have corporate offices, they may just have that one person that’s their HR person. And so, you know, one of the struggles that I’ve seen with the smaller operators, some of them have said they’re thinking about getting – when I was on airport side – out of the business because of trying to keep up with the demand of having the staff and the demand of maintaining those hours of operation. And some of them [have been] a lot slower to open up the full hours of operation because the turnover was so high that once they hire them and then, of course, they’re competing with us with our labor wages. And so, it became just a revolving door for them to a point where I had one team, it was just the husband and wife, and they were switching off, with two stores and going back and forth. And so, it’s taking its toll on them also. So, the struggle is there and to the point where they’re having conversations of going into another type of business.

Andy: [00:15:16] And that’s a good place to wrap it up. We’ve run out of time. I think that is a key conclusion. As you said, we got to fix the model. And because people are at risk of going out of business. And so, the travel experience that we’ve been looking for may just, in a sense, go away under its own weight. Unless the model gets adjusted, the framework gets adjusted.

Andy: [00:15:43] So thank you, Marlene Coleman for sharing your insights. They were very informative and I’m sure everyone who’s going to read, watch, and listen to this will learn a lot from this conversation. Thank you for joining us on the ARRA Forum today. And on behalf of the Airport Restaurant and Retail Association, I thank you for watching, listening to, and/or reading

ARRA Forum
“If I Knew Then ...” – A Conversation with Marlene Coleman
January 9, 2024

the ARRA Forum. Be sure to watch your email or follow us on LinkedIn for the next episode. I'm Andy Weddig. Have a good day.

Marlene: [00:16:14] Thank you Andy. You have a nice day.

Andy: [00:16:17] Thanks a lot, Marlene.

Marlene: [00:16:18] Take care. Bye-bye.