

Interview: Marshall Retail Group carves out its own niche in North America

USA. Marshall Retail Group (MRG) has said it aims to bring excitement and diversity into the convenience and souvenir category in airport retail, a channel in which competition is stiff in North America.

The regional business has been dominated by Dufry-owned Hudson, and Lagardère Travel Retail-owned Paradies Lagardère. But MRG – a specialist retailer in the casino-resort marketplace – has made strong in-roads into this territory and is poised for further growth.



David Charles: “The airports we’ve broken into are not regional or mid-tier but big ones.”

Speaking exclusively to The Moodie Davitt Report, President and Chief Operating Officer David Charles said: “Our first airport stores in Nevada were focused on fashion, souvenirs and gifts and were developed based on our downtown experience in Las Vegas. Since then (2012) to today we have grown to more than 50 stores across 16 major airports in the US and Vancouver. That is explosive growth.”

“The airports we’ve broken into are not regional or mid-tier but big ones like New York JFK, Los Angeles International, Dallas Forth Worth and Boston,” he added. “And at locations like San Francisco International (SFO) and Denver, we’ve continued to win further RFPs.”

Charles – originally from Australia and a seasoned travel retailer with DFS Group (with three years in Singapore, six in Hong Kong and another six in Hawaii) – aims to keep that growth going at a lively pace.

“We’ve got into the sacrosanct category of news and gifts dominated by Hudson and Paradies. We like to think of our ourselves as a third player in the category with a different point of view,” he asserted.

US\$10 million and counting...

But can the company create a significant point of difference in news and gifts? “Our approach is to create concepts that celebrate the local environment and local artisans,” he responded. A good example of that is the District Market concept at San Francisco which MRG fully implemented in August 2017 across 5,000 sq ft.



Four into one does go. The vast scale of District Market at San Francisco is thanks to the airport merging four retail spaces into one large shopping area.



“The airport took four stores and turned it into one. It was a progressive move, to create a mega location which is the antithesis of the trend towards smaller stores,” said Charles. “SFO took a contrarian approach because they had a specific vision of a ‘best of’ marketplace. We put the focus on San Francisco-based gifting-oriented products heavily emphasising fashion, accessories and souvenirs, with a grab-and-go convenience section.”

In MRG’s first year it generated just shy of US\$10 million which was 60% better than under the previous contract, according to MRG. That also compares well with 10% growth in enplanements over the period.

“Customer reaction has been phenomenal,” said Charles. “We definitely credit SFO for doing something like this, but our ability to partner locally and bring the right assortment in-store made this concept work. It’s brought newness into the airport.”

Cross-channel learning

MRG’s attention to local businesses is something that city hall-run airports tend to like. The airport channel has quickly become 40% of MRG’s business by value. “We’d like to reach a 50:50 balance as one side of our business complements the other. What we learn in an off-airport environment we can feed back into airports and vice versa,” Charles explained. This is especially useful when more than 80% of MRG’s downtown Las Vegas customers are tourists.



As early as the end of this year, MRG – owned by private equity company Brentwood Associates – could reach that equal split, thanks to a series of new concessions and store openings. [As we reported](#), the company recently opened 1,900sq ft of space at New York LaGuardia Airport’s new Terminal B, and at Los Angeles International Airport Terminal it has opened [two LA Original stores](#).

At LaGuardia, the District Market concept was again deployed, but not as part of a wider roll-out strategy. “It wasn’t our intention to develop District Market in other airports,” pointed out the COO. “La Guardia saw what we did at SFO and they liked it. Our aim is to create concepts that celebrate the local environment – but we can add District Markets if they work as part of a specific airport’s vision.”

For now, MRG is sticking to developing one-off concepts – even in the same airport. For example in Denver the company has news and gifts outlets in Concourses A, B and C. But they are all very different due to the passenger profile and carriers: Southwest Airlines is in C; United is in B; and Delta and Frontier Airlines are in A.



Three different treatments for news and gifts for three concourses (A, B and C) at Denver International Airport has worked well for MRG in terms of customer reaction and sales uptick.





Charles explained: “We developed Union Station Market in A to celebrate the train service that opened up to connect the city to the airport. That was our inspiration. It is MRG’s highest grossing store at the airport. The metrics and analytics are very important to us. The fact that it performs at that volume, given its location [out of the regular footfall areas] tells us that the customer is reacting very well to our offer.”

The store in B was inspired by Denver’s historic Larimer Square, and C was based on the hipster River North District of the city. He added: “We really try to develop that sense of place even if some of the core products may be similar like bottled water, gum and snacks. But the environment that we wrap it in rounds out a localised experience.”

Thumbs up for the Disadvantaged Business Enterprise programme

On the west coast at Los Angeles’ Tom Bradley International Terminal, MRG has had its America! branded store for more than two years. Its core proposition is Americana souvenirs, gifts and accessories tied to pop culture and political satire. “You could say we have a lot we can work with at the moment! The whole red, white and blue thing sells exceptionally well there,” noted Charles.

Another store in Raleigh Durham Airport is called Root & Branch. “That’s a concept about truly artisanal artefacts, and it’s opened to a roaring success,” said the COO. “The key is how do you source these products? In our case we have staff there who are really connected to the local community. Our Disadvantaged Business Enterprise partnerships are working very strongly for us.”



Root & Branch at Raleigh Durham Airport has leveraged the local connections of employees to offer some original products.

This focus means that MRG does not necessarily look for the economies of scale that can drive the merchandising and allocation decisions of bigger rivals which often leads to a cookie cutter approach to placing concepts and brands at multiple travel retail locations.

“So we see a niche for us,” Charles maintained. “Airports often ask for ‘sense of place’ but MRG is going above and beyond. It’s already part of our DNA. It’s up to our buyers to have their own ideas and source what our customers are looking for rather than simply pick a line of products that a vendor might show them. Where RFPs come up, we pitch these ideas. We find that airports like them.”

A full pipeline

That will explain MRG’s full-on expansion plans in the coming months. In May, the company will open four locations at Terminal A of Sacramento Airport – a new airport partner – and it will be opening additional locations at Denver Airport with Great Hall Partners.

At New York JFK, MRG has a souvenir concept called NY Minute at the Jet Blue terminal and another similar concept called NYO (New York Originals) has just opened in Terminal 8. Again, working with local artisans and brands via Made in Queens (MiQ), a project of the Queens Economic Development Corporation [Queens is a New York borough].

Denver is currently MRG's biggest sales location, but the company has won four more stores at San Francisco, on top of District Market. "They will come on progressively so there will come a time when SFO will vie with Denver," Charles said. "We are also expecting high volumes out of La Guardia, so these have become our top three airports."

Looking to the future Charles said: "I've come out of the Asia environment and I've seen how much revenue is driven through non-aeronautical commercial activity... at least a third if not more. In the US it's about 8% so the headroom is there. Airports are getting it right on the F&B side, but there's more to do on retail.

"There's this whole line on Millennials which gets wildly bandied about and misrepresented. But the research shows that the younger customer is very much driven by experience. We need to offer that with the product, how we present it, and then how we sell it. That's why the store environment – inside and out – is so important for us. It's why we don't want to see a District Market in every airport in the US.

"You take away the magic of discovery if it's everywhere."