

Airport Shops a Tough Sell

If you have a great company with a sterling reputation and loyal customers, here's a nifty way to ruin it: License an operator to run a little version of your business in an airport.

I'm trying to think of a single pleasant retail experience in an airport. Any restaurant, any shop, any airport. Well, I wolfed down a surprisingly good Chicago Dog at Midway International Airport last summer and I scarfed a passable beignet in the New Orleans airport. Other than that, everything at every airport is overpriced and often bad, and every clerk projects utter and excruciating boredom.

Most brands don't seem to care. But as you can see in the article on page 1 of this issue, Kitson is making a public claim that the operator of the two Kitson shops at Los Angeles International Airport just isn't up to that store's standards, and that brand appears set to fly out the airport for good.

I admit I have no idea if Kitson's claims are true; I've not even been to the Kitson shops there. The operator at LAX may be doing a fine job for all I know.

But I can say that there's a reason that many shops at many airports hurt the brands that are sold there.

In many cities, Los Angeles included, shop owners and restaurateurs essentially are asked if they want some easy money. All they need to do is supply their goods or food — along with their good name — and the airport operator will take it

from there. There's no shop to operate, no employees to manage and no heavy lifting, except to pick up that big check at the end of the month.

The airport operators also see a pretty easy path to nice money. They don't need to fight to establish a reputation because they've got the big name over the door of their shop or restaurant, and they don't need to lure customers because thousands walk by every day. All they have to do is overprice their goods, hire some minimum-wage workers (or living-wage workers in Los Angeles) and collect the check.

Oh, and since many airports are owned by cities or some government agency, the political folks write whatever they get out of these cozy deals. No surprise that many airport concession operators are politically connected types.

As a result, this is a system loaded with incentives to separate money from travelers but have little to no incentive to provide an outstanding customer experience. Or even a decent customer experience.

And that's why many shops at many airports actively hurt the brands that are sold there.



COMMENT

CHARLES CRUMPLEY

agreed to pay for L.A.'s City National Corp. And with good reason. RBC will pay more than 2.6 times City National's tangible book value, which makes it the priciest bank transaction since the Great Recession, according to SNL Financial.

In recent years, most bank transactions were in the 1.6 to 1.7 range, although a few went for less than book value.

Why so much? Most of the explanation has centered on the complementary wealth-management assets that the two banks can give

each other. That's a good explanation, but there's another reason: Canada's banks are almost desperate to buy in America.

Growth prospects in Canada are almost nil. The country is small, and there's been a de facto ban on big-bank mergers for 20 years. It's a country fairly dependent on natural resources, and now the oil-price collapse will tamp down on the economy even more.

Canada's banks have been active buyers in the United States. We'll see more.

Charles Crumpley is editor of the Business Journal. He can be reached at ccrumpley@labusinessjournal.com.

A fair amount has been written about the high price that the Royal Bank of Canada

► **LABJ FORUM**

Driving Concerns

Developers are working on adding retail to downtown L.A.'s list of attractions. So the Business Journal asks:

What is the biggest impediment to shopping downtown?

► **MELISSA KOSKOTAS**

Executive Assistant Gensler

For me, there's not enough retail business there to make it worthwhile. I'm from New York, where there are many types of stores on every block. I wish downtown was more like that.

► **DAVID McFARLANE**

Partner Health Care Attorneys

Parking is a nightmare and not so much in terms of availability but in terms of cost for safe, conveniently located parking. Outdoor lots may be sometimes a cheaper option but don't offer the

safety, convenience and abundance of space needed to make shopping downtown more worthwhile.

► **TINA HAY**

Chief Executive CardBlanc

It's great to see that retail is sprouting in downtown Los Angeles. But for convenience, selection and to avoid the hassle of getting there and parking, nothing beats shopping mobile.

► **MARK BURTON**

Managing Director Genrich Family Office

Parking is both a nightmare and too expensive,

particularly when the retail options are so spread out. Further, downtown traffic makes it a very unattractive offering, unless I am going to Staples and L.A. Live.

► **BRYSON REAUME**

President City Constructors Inc.

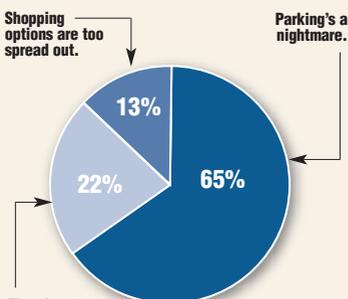
By far the biggest impediment to shopping in downtown L.A. is parking. We are seeing some amazing new developments in all areas of downtown but it seems only the minimum requirement is being met in terms of parking.



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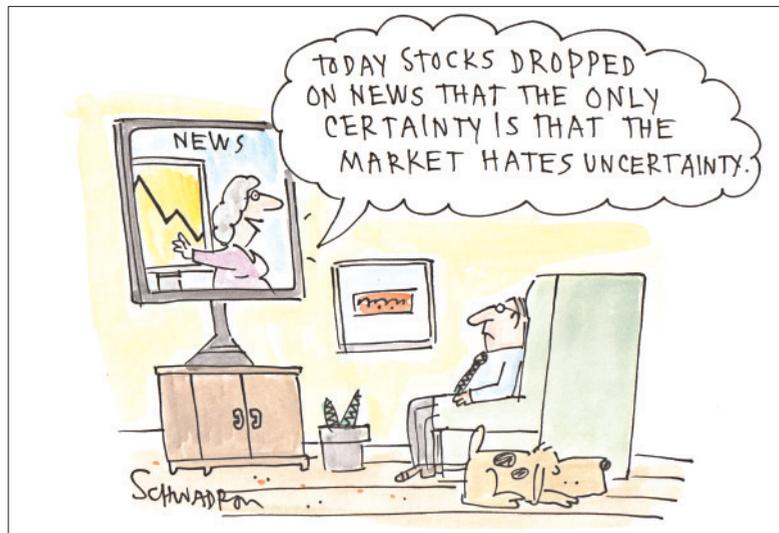
Los Angeles Business Journal Poll

What is the biggest impediment to shopping downtown?



There's not enough there yet to make it worthwhile.

Online results for week ended Jan. 28.



LOS ANGELES BUSINESS JOURNAL

PUBLISHER & CEO
MATTHEW A. TOLEDO
mtoledo@labusinessjournal.com | ext. 207

EDITOR
CHARLES CRUMPLEY
ccrumpley@labusinessjournal.com | ext. 208

SENIOR MANAGING EDITOR
JONATHAN DIAMOND
jdiamond@labusinessjournal.com | ext. 200

MANAGING EDITOR
JAMES RUFUS KOREN
jrufus@labusinessjournal.com | ext. 225

NEWSDESK EDITOR
TOM HICKS
thicks@labusinessjournal.com | ext. 223

REPORTERS
HOWARD FINE
hfine@labusinessjournal.com | ext. 227

SUBRINA HUDSON
shudson@labusinessjournal.com | ext. 251

CAROL LAWRENCE
clawrence@labusinessjournal.com | ext. 237

HANNAH MIET
hmieta@labusinessjournal.com | ext. 228

SANDRO MONETTI
smonetti@labusinessjournal.com | ext. 226

CALE OTTENS
cottens@labusinessjournal.com | ext. 221

MATT PRESSBERG
mpressberg@labusinessjournal.com | ext. 230

OMAR SHAMOUT
oshamout@labusinessjournal.com | ext. 263

MARNI USHEROFF
musheroff@labusinessjournal.com | ext. 229

MELISSAH YANG
myang@labusinessjournal.com | ext. 232

CHIEF EDITORIAL PHOTOGRAPHER
RINGO H.W. CHIU
photo@ringochiu.com | ext. 256

RESEARCH DIRECTOR
DAVID NUSBAUM
dnusbaum@labusinessjournal.com | ext. 236

ASSOCIATE PUBLISHER
JOSH SCHIMMELS
jschimmels@socialbusinessjournals.com | ext. 218

ASSOCIATE SALES MANAGER, NATIONAL SALES
DARRIN SENNOTT
dsennott@socialbusinessjournals.com | ext. 220

ADVERTISING ACCOUNT MANAGERS
NAZ BAYAZIT
nbayazit@socialbusinessjournals.com | ext. 253

DARIELLE D'HELLO
ddhello@socialbusinessjournals.com | ext. 210

EVA JUZE
ejuze@socialbusinessjournals.com | ext. 222

DAVID SANCHEZ
dsanchez@socialbusinessjournals.com | ext. 252

JIM SLATER
jslater@socialbusinessjournals.com | ext. 209

KOLLENE MCGINLEY
kmcginley@socialbusinessjournals.com | ext. 264

NATIONAL ADVERTISING SALES MANAGER
ELLEN MAZEN
emazen@socialbusinessjournals.com | ext. 240

CLASSIFIED SALES MANAGER
ROSZ MURRAY
rmurray@socialbusinessjournals.com | ext. 215

ADVERTISING COORDINATOR
MARIA SANTIZO
msantizo@socialbusinessjournals.com | ext. 216

EVENTS MANAGERS
BREANNE KAMAI
bkamai@socialbusinessjournals.com | ext. 203

MARY KAMINSKI
mkaminski@socialbusinessjournals.com | ext. 214

EVENT COORDINATOR
JENNIFER HAKIM
jhakim@socialbusinessjournals.com | ext. 215

PRODUCTION DIRECTOR
SALLY JONES
sjones@labusinessjournal.com | ext. 243

ART DIRECTOR
JOSÉ ANTONIO MORALES
jmorales@labusinessjournal.com | ext. 212

PRODUCTION ARTIST
JIM GRIGLAK
jgriglak@labusinessjournal.com | ext. 242

AUDIENCE DEVELOPMENT DIRECTOR
STEPHANIE CHENG
scheng@labusinessjournal.com | ext. 247

CIRCULATION MANAGER
ZAINABU BRYANT
zbryant@labusinessjournal.com | ext. 244

CONTROLLER
NANCY SCHWARTZ
nschwartz@labusinessjournal.com | ext. 202

ASSISTANT TO THE PUBLISHER
ELISE LOVETT
elovett@labusinessjournal.com | ext. 249

RECEPTIONIST
EMILY HERTLEIN
receptionist@labusinessjournal.com | ext. 270

5700 WILSHIRE BLVD., SUITE 170,
LOS ANGELES, CA 90036
(323) 549-5225 FAX 549-5255
www.labusinessjournal.com
Customer Service: (855) 293-9394

