

China approves 16 duty free arrivals shops

China's Ministry of Finance has approved applications to open 16 duty free arrival shops in 10 international airports and at six land border crossing points, introducing limited competition to the nation's growing duty free market for the first time.



Four state-backed enterprises with existing duty free retail operations have qualified to bid for the 16 arrival shop licenses that are due to be awarded during the next six months.

The four companies are: China Duty Free Group (CDFG), China National Service Corporation For Chinese Personnel Working Abroad (CNSC), Shenzhen Duty Free and Zhuhai Duty Free.

"There is departure, arrival and downtown duty free shopping in China, now arrival shopping will be open to limited competition," commented a source at one of the operating companies selected to bid for the licenses.

CDFG AND CNSC HEAD TO HEAD

"The four companies are qualified to bid for all the duty free arrival shops. Probably Shenzhen Duty Free and Zhuhai Duty Free are not interested in operating nationally, but will bid for local arrival border shops, so the airport competition will be between CDFG and CNSC as they are the only two national operating companies.



Airport competition will be between CDFG and CNSC, says the source.

The 10 airports approved to open duty free arrival shops include some of China's top ten airports.

The list does not include Beijing Capital International Airport, Shanghai Pudong International Airport and Shanghai Hongqiao International Airport, however, as these already offer duty free arrival shopping services under a special government dispensation issued in 2008 to assist in the preparation of tourist facilities for the Beijing 2012 Olympic Games.

New airports selected to open duty free arrival shops are believed to include: Chengdu Shuangliu International Airport, Chongqing Jiangbei International Airport, Dalian Zhoushiuzi International Airport, Guangzhou Baiyun International Airport and Tianjin Binhai International Airport.

Ministry of Finance regulations permit the arrival shops to sell perfume and cosmetics, liquor and tobacco, confectionery, fashion items, accessories and watches.

MOSTLY L&T AND P&C

China approves 16 duty free arrivals shops

“Airport authorities rely on duty free operators to arrange the merchandise categories, the source remarked. The airports will want to sell mostly liquor and tobacco, and perfume and cosmetics. Airports care more about the sales volumes as that’s where their revenue comes from.



Chengdu Shuangliu International Airport.

The largest arrival shop application approved is understood to be Chongqing Airport’s plan to open a 500sq m arrival store while the smallest arrival outlet approved is Tianjin Airport’s 50sq m arrival shop.

Most airports have applied to open one arrival shop, though several with sufficient arrival halls have received permission to open two arrival stores.

Under Ministry of Finance regulations each of the 16 duty free arrival shop operator licenses awarded will be for 10 years. All the licenses are required to be tendered and awarded within six months of the date of the arrival shop application being approved.

TENDERS UNDER PREPARATION

While results of all the tenders will be registered with the Finance Ministry, China’s General Administration of Customs will be the controlling authority regarding arrival shop retail operations.



CNSCs Beijing downtown shop.

Selected airport owners and land border crossing authorities are just starting to prepare their arrival shop tender specifications.

The various licenses are expected to be awarded in March and April 2017 as all 16 applications were approved at the beginning of November.

Constructing the arrival shops is expected to take about six months after each license is awarded. Consequently most of the new arrival shops are likely to begin trading around September and October 2017.

SHENZHEN AND ZHUHAI FOR LAND BORDER SHOPS?

Meanwhile, competition is likely to be fierce between CDFG and local operators Shenzhen Duty Free and Zhuhai Duty Free to win the land border arrival shop licenses as all the locations are busy crossing points.

Five of the six land border arrival shop licenses are for crossings on Guangdong Province's southern border – four of these are for crossing points on the Shenzhen-Hong Kong border and one on the Zhuhai-Macau border where Shenzhen Duty Free and Zhuhai Duty Free operate departure duty free shops.

The other land border arrival shop license is for Heihe in northern China on the border with Russia where CDFG operates a large departure duty free shop.

The opening of border arrival shops in southern Guangdong also could have important implications for retailers in Hong Kong and Macau who will soon be competing with China's new arrival border shops for mainland tourists' custom.