Incheon Airport triggers DF&TR tender at T1 & T2

Incheon International Airport Corporation (IIAC) released its much-anticipated request for proposals (RFP) today (29 December) covering DF&TR concessions at Incheon International Airport's Terminals 1 and 2.

Speculation around Incheon Airports imminent duty free RFP had surfaced in Korean media in recent days.

After months of waiting, qualified bidders are now being invited to submit proposals for seven business licences, including two allocated to small and medium-sized companies, covering a total commercial footprint of more than 24,000sq m (see below).

The licences extend to the following: perfumes & cosmetics and liquor & tobacco (*now combined concessions*); fashion, accessories and boutiques; boutiques; and all items (SMEs).

Sixty three stores are available across the general enterprise lots, with 14 allocated to SMEs.

The duration for each contract is 10 years, representing a move away from the previous five years (*plus an optional extension of the same length*), which IIAC says is designed to foster stability and 'minimise the inconvenience of airport users due to the operational vacuum'.

Bid deadline: 22 February

In a move designed to alleviate potential concern among bidders, fixed minimum guarantee payments will give way to a more flexible rent-per-passenger arrangement (*calculated by multiplying the number of passengers by the fee charged per passenger*).

Interested parties are being asked to register their interest in participating in the RFP by 21 February 2023, with the deadline for bid proposals set at 22 February.

After this closes, IIAC will evaluate the bids prior to the customary patent examination review undertaken by the Korea Customs Service.

It is expected that the new operations will begin in July 2023 pending confirmation of final successful bidders and a signed contract, confirms IIAC.

In this bid, if the corporation selects multiple companies to be examined for patents and notifies the customs administration, the customs administration will select one successful bidder by reflecting 50% of the evaluation results of the corporation, read a statement.

This bidding is being conducted under more uncertain circumstances than ever, such as Covid-19, phase four construction, merger of national airlines and airline relocation issues, a deteriorating duty free business environment and institutional changes.

Accordingly, the corporation established the bidding conditions with a focus on relieving the uncertainty of duty free operators participating in the bidding.

[Configuration of business right for new bidding]

division	general license					Small and medium business right	
	DF1-2022 –	DF2-2022 –	DF3-2022 –	DF4-2022 –	DF5-2022 –	DF8-2022 –	DF9-2022 –
Main items	Perfume · Cosmetics / Liquor · Tobacco		Fashion/Accessory Boutique		boutique	All items	
store area	4,258 ㎡	4,709 ㎡	4,649 ㎡	5,198 ㎡	2,078 ㎡	1,459 ㎡	1,821 ㎡
	Total 20,892 ㎡					Total 3,280 ㎡	

Ten-year concessions are up for grabs at Incheon Airport. Click to enlarge. Source IIAC.

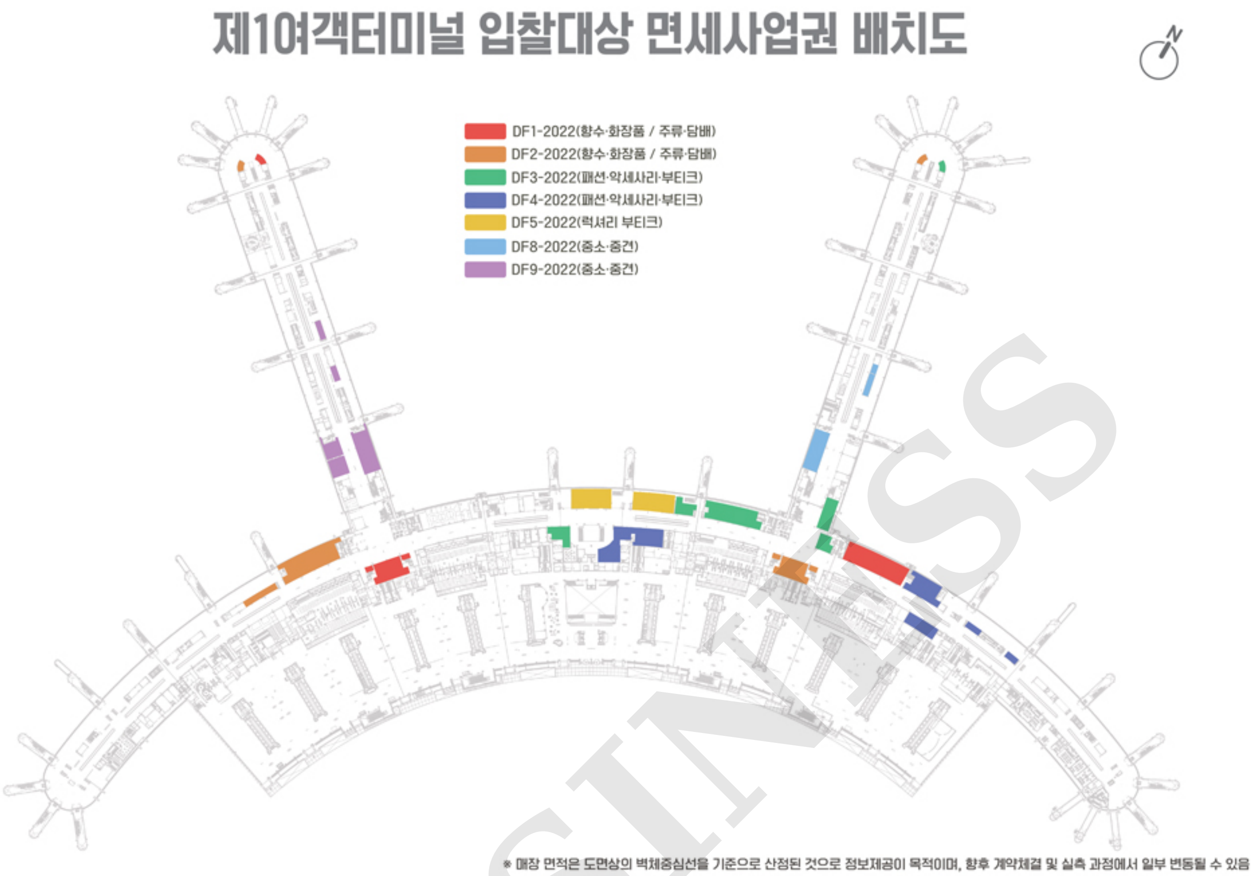
Prior market speculation that lots across T1 and T2 could be packaged together in a 'mega tender', **as reported by TRBusiness** earlier this year, has proven correct.

Smart duty free service

As such, the release of the RFP will undoubtedly trigger interest from a tranche of leading travel retail operators, with IIAC accepting submissions from international and local companies.

In **comments shared with this publication** earlier this year, Hyundai Department Store Duty Free had indicated its desire in participating.

Additionally, bidders appetites will surely be whetted by news that the airport will welcome duplex duty free stores for the first time, situated in the front of the east and west departure halls, to accommodate luxury boutiques.



Combining P&C and L&T concessions (DF1 and DF2) was deemed mutually complementary, according to IIAC. This is linked to the weakened price competitiveness of P&C compared with other distribution channels, leading to a bundling with the L&T packages. Click to enlarge. Source IIAC.

Moreover, a ‘Smart Duty Free Service’ is set to be introduced, allowing passengers to purchase duty free products at home for collection at the airport’s duty free shops.

The smart duty free service is expected to provide passengers with a more convenient shopping experience by alleviating the purchase time constraints (*available the day before departure or two hours before boarding*), which is the limitation of existing downtown and online duty free shops, added IIAC.

The main licences at Terminal 2 are held by Lotte Duty Free, The Shilla Duty Free and Shinsegae Duty Free.

As reported, Kyung Bok Kyung, Hyundai Duty Free and Shinsegae Duty Free are currently operating leases among them at Incheon Airports passenger Terminal 1 under temporary contracts until new concessionaires are selected.

The latest RFP follows several largely unsuccesful tender rounds at Terminal 1 in recent years, with bidders stepping away from contracts.

Lotte and Shilla had been operating the leases under **extended permits** until 28 February last year. Their previous contracts expired in August 2020 prior to the extension and under Korean law could not be renewed after the extension period ended.

Kyung Wook Kim, President and CEO of IIAC, stated: Considering that daily passenger traffic at Incheon Airport recently exceeded 120,000 and China, which accounts for the largest proportion of airport duty free store sales, is rapidly normalising airport operations, we will promptly proceed with the bidding to ensure that there is no inconvenience to customers.

TRBusiness has reached out to IIAC for further comment