

TRA talks up concession by category model

The Thai Retailers Association (TRA) has again called for Airports of Thailand (AoT) to implement a concession by category model at Bangkok Suvarnabhumi International Airport.

This comes after AoT abandoned plans to sell envelopes containing Terms of Reference (TOR) documents for bidding on commercial space at Bangkok Suvarnabhumi and duty free stores at Phuket, Chiang Mai, Hat Yai and Bangkok Suvarnabhumi Airports.



As reported, AoT initially planned to make the TOR documents available for purchase between 19 March and 1 April, but has since been forced to postpone.

King Power International operates under a master concession at Bangkok Suvarnabhumi International Airport.

STRONG CRITICISM

This was due to strong criticism of the TOR relating to the bidding for duty free stores at the aforementioned regional airports and commercial space at Bangkok Suvarnabhumi.

Earlier this week (18 March), AoT President Nitinai Sirismatthakarn held a press conference during which he responded to criticism of the company's decision to select a master concession model.

This has been in place for a number of years at Bangkok Suvarnabhumi where King Power International is the incumbent operator.

The master concession model is deemed monopolistic by the TRA and other organisations such as the Thai Duty Free Shop Trade Association.

AoT is understood to have offered concessions at the aforementioned four airports under a single contract because airports with low sales such as Chiang Mai and Hat Yai have run into losses. These airports are believed to have required a share of profits from the larger airport which is Suvarnabhumi.



An AoT press conference was held earlier this week to defend its decision to opt for the master concession model.

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In a document forwarded to *TRBusiness* reflecting on the current AoT tender situation, the Thai Retailers Association claims AoT decided against adopting the concession by category model at Bangkok Suvaranbhumi because managing space in an airport is different from a department store.

AoT is also believed to have opted against the model due to fears of 'uncertain and uneven' passenger dispersal around the airport.

The Thai Retailers Association said: "In some areas, passengers are clustered at the boarding gates and not spread out like they are in shopping malls.

"If the space is divided by category, then category A products might be on the left side and category B products on the right."

The association added: "If the concessions are separated, some operators may experience drastic changes in passenger traffic going into their stores.

"In addition, this will make spaces in the same airport visibly different from each other in terms of sales promotions and service standards and create comparisons and confusion for passengers."



Airports of Thailand President Nitinai Sirismatthakarn.

The TRA believes AoT might well have misunderstood the difference between a concession by category and concession by location model.

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The former has been implemented at other Asian airports such as Hong Kong International, Seoul Incheon and Singapore Changi.

“It is usually managed by major product categories such as cosmetics and liquor and tobacco and distributed at two or three locations in the airports.

“Although some exits have low passenger traffic at certain times, there are shops with the same category located at exits with high passenger traffic.

“This helps to average out operating results,” according to the Association.

Should the concession by category model be implemented at BKK or anywhere else, there would be cosmetics and liquor and tobacco on each side of the airport. The nature and size of the stores would depend on the space and passenger footfall.

Crucially, this means more than one category would be present on each side of the airport.



Passengers can choose from an array beauty brands at Bangkok Suvarnabhumi.

LUXURY FASHION

In terms of luxury fashion goods, there would be just one store per brand in the central area where there is highest traffic.

AoT would only have to plan the allocation of space to locate stores by category. This would be based on the physical aspects of the terminal and historical passenger flow.

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In addition to criticising AoT's decision to choose a master concession model, the TRA is also questioning its decision to offer a 10-year contract.

The company said: "The international standard of operating concession space at a national airport is between five and seven years, with concession fees set higher than the AoT stipulation of 15-20%.

"For whatever reason, AoT is belittling the potential of duty free operators bidding low for concessions by requiring a time period as long as 10 years for them to make back the investment.

"AoT must give reasons to the public why there must be a monopoly and why such a monopoly must go on for 10 years."



The luxury fashion area at Bangkok Suvarabhumi International Airport.

Meanwhile, the TRA has urged AoT to comply with the 2019 Public Private Partnership (PPP) law which was announced in the Royal Thai Government gazette on 10 March.

Section seven states that an agency making a joint investment programme in business concerned with infrastructure and public services must comply with PPP law.

Such business includes relevant businesses considered essential to achieving the objectives of operations.

According to the TRA, the main issue to be considered is whether duty free and commercial zones are relevant and essential businesses.

The Association said: "Retail stores, duty free stores or various services located in the airport to provide

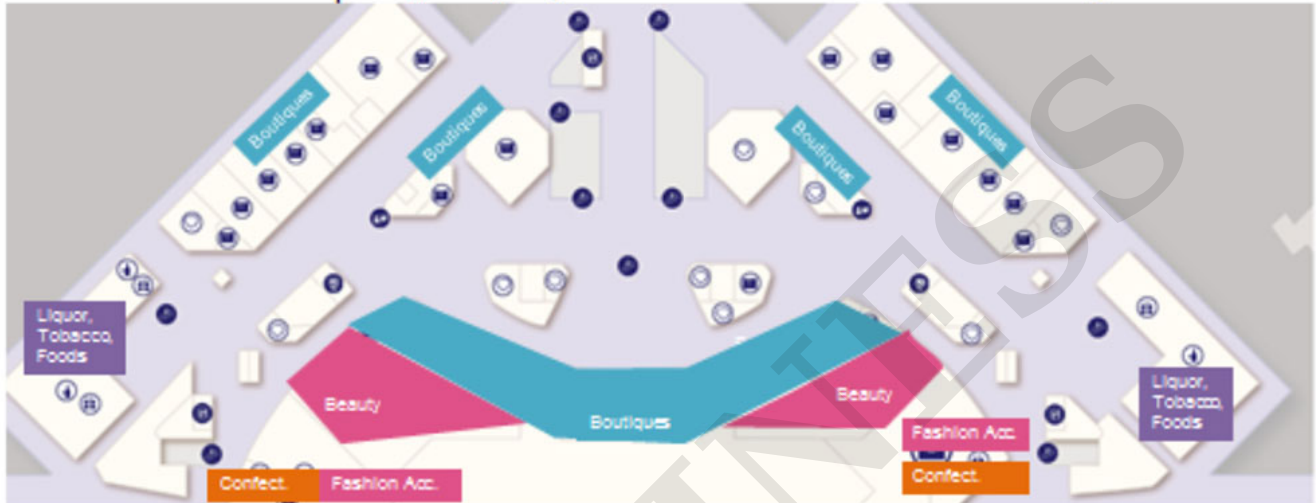
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convenience to passengers are inevitably relevant business.

“AoT will find it hard to deny that duty free and commercial space are relevant and essential businesses in terms of the achieving the airports operational objectives, according to Section seven of the 2019 PPP law.”

3. Hong Kong International Airport (Terminal 1)

วางร้านแฟชั่นหรูในจุดศูนย์กลาง ขนาบด้วย Beauty &



Category of DF concession:

DF1	Perfume, Cosmetics, and Fashion accessories
DF2	Liquor, Tobacco, and Packaged food
DF3	Confectionery
	Boutique

Source: Hong Kong International Airport website

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The Thai Retailers Association would welcome a concession by category model at BKK like the one implemented at Hong Kong International Airport.

MASTER CONCESSION MODEL

Further reflecting on AoT's decision to adopt a master concession model, the TRA said: "Each airport has different characteristics and the criteria for each one should be different.

"All three provincial airports have small spaces of around 1,000 or 1,200sq m. The Association believes AoT should combine the three provincial airports into a single concession and then open the bidding."

Another option is to specify TOR to operate duty free stores at these airports as a master concession. This is because the outlets are relatively small.

Separating Phuket Airport, as its larger than the others and combining Chiang Mai and Hat Yai is also an alternative, as is dividing each airport into separate concessions.



A King Power International liquor and tobacco store at Bangkok Suvaranbhumi International Airport.

Finally, the Association has denied AoT suggestions that liberalising the duty free pick-out counter is stopping the monopoly of duty free shops.

AOT states that liberalising the Pick-up Counter at Phuket Airport has caused scores of companies to declare their intention to operate downtown Duty Free stores, but the Association said: "Liberalising the duty free pick-up counter is not stopping the monopoly of duty free shops in any way.

"The airport duty free concession and the downtown duty free concession are completely different issues and different markets.

"Downtown duty free stores are a development from the airport duty free stores. Having a pick-up counter will not end the monopoly on airport duty free stores."

The Association concluded: "The duty free pick-up counter is just a convenience for tourists shopping for duty free products downtown to pick up their goods at the airport."