

\$316m Shilla l'Park Duty Free targets \$578m in 2016

Just over half the floor area (16,500sq m) of the new \$316m 30,400sq m Shilla l'Park Duty Free store complex opened in downtown Seoul this month, initially covering floors three to six at the l'Park Mall in the Yongsan District.



The December 24 'soft launch' by the HDC Shilla Duty Free joint venture, delivered 60% of the planned retail space, with the remainder due to open at the 16 March 'grand unveiling' - including the seventh floor and an additional 13,900sq m balance of floor space.

The HDC Shilla Duty Free Shop is a joint venture between Hotel Shilla and Hyundai Development, which was formed to win the downtown duty free license, and it now features more than 400 brands - including luxury offerings - along with 'K-Discovery Duty Free' and 'the largest K-wave store'.

SHARED RISK AND REWARDS

The two partners are sharing the \$316m cost of developing the project. *[Significantly, this is also the first new downtown duty license to be issued by the Korea Customs Service in Seoul since the year 2000].*

By the grand opening next March it expects to be offering in excess of 600 brands as South Korea's 'largest urban duty free location' *[and also as the long-time major challenger to Lotte Duty Free's sales dominance in South Korea's downtown duty free sector].*

It is also expected to generate revenue of KRW670.8bn/\$578m in 2016, and produce an operating profit of KRW57.7bn/\$49.7m, according to bullish predictions by KDB Daewoo Securities Research *[As exclusively reported last August].*



The luxury beauty area within the new \$316m joint-venture store. (Source: Shilla Duty Free).

\$316m Shilla l'Park Duty Free targets \$578m in 2016

THE WORLD'S SECOND-LARGEST DOWNTOWN DFS

According to detailed information already provided to *TRBusiness* by Hotel Shilla, the total duty free floor space is only slightly smaller than the world's largest downtown duty free complex at Hainan Duty Free in Haitang Bay.

However, this new complex is designed to be multi-recreational in purpose. Plans for the HDC Shilla complex also include a 1,700-room hotel, several restaurants and concert halls.

The joint venture has already opened luxury branded shops for Salvatore Ferragamo, Valextra, Vivienne Westwood and Bally, along with luxury stores offering multiple luxury brands in their respective product categories of fashion and accessories, watches, cosmetics and other products.

There is also a special emphasis on cosmetics brands, which are popular as a major draw with Mainland Chinese tourists.

MAJOR PARKING PLUS SCORED HIGHLY

One of the huge benefits offered by the new complex – and a key component in its selection for the downtown duty free license in the first place – is its plentiful parking spaces for tour buses – an extremely rare luxury commodity in Seoul today. The store location is also a hub for provincial tours by KTX trains.

In a statement, the company said: “In the first phase, there are around 100 bus parking lots in the building and outside of the building. From the bus parking lot, tourists can directly reach the entrance of [the] duty free store by exclusive escalators, ‘Crystal Gate’.

Next year (2016), the bus parking lot will accommodate up to 400 buses based on the demand of tourists.”



Another shot of the beauty area inside the store which – in total – is expected to generate sales of KRW670.8bn/\$578m in 2016, and produce an operating profit of KRW57.7bn/\$49.7m, according to KDB Daewoo Securities Research. (Photo Credit: Shilla Duty Free).

\$316m Shilla I'Park Duty Free targets \$578m in 2016

AMBITION: TO BE THE WORLDS BEST DUTY FREE STORE

HDC Shilla's Co-President, Changhoon Yang and Gilhan Lee said: "We will do our best to make Shilla I'Park duty free the world's best duty free store and to make Seoul a global shopping destination. We will take the lead to promote the nations tourism industry."



South Korean President Park Geun-hye has criticised the duty free license term cut from ten to five years, arguing that the issue was not properly debated.

[Credit: Presidents office].

The company says its ambition is that Shilla-I'Park will become the centre of the Korean-Wave tourism that promotes Korean-made cosmetics and fashion goods, provincial tourism and co-prosperity along with regional economies in Korea.

This promise to boost sales and the profile of domestic goods and services should come as a politically popular message for the present Korean Government – especially President Park Geun-hye – who is reported (*by the Yonhap News Agency*) to have been openly critical of recent duty free customs law revisions. Particularly so, with regard to the downward revision of downtown duty free license terms from 10 to five years.

Meanwhile, the Shilla-I'Park partnership claims that the new store is also equipped 'with the largest cosmetics section' covering a floor area of 6,300sq m featuring all of the Korean-made cosmetics brands and global brands popular amongst Chinese tourists.

\$316m Shilla I'Park Duty Free targets \$578m in 2016



The new store entrance. (Photo credit: Shilla Duty Free).

AIMING FOR 90% OF SALES GOAL - BEFORE FULL MARCH OPENING

It also points out that it houses the biggest 'K-cosmetics' and 'K-Bag' store areas specialising in Korean-made cosmetics, fashion goods and accessories, comprising more than 270 cosmetics, fashion and accessory brands.

In addition, the third and fourth floors feature luxury fashion and global cosmetics branded stores, with a special 'Luxury cosmetics zone' on floor three dedicated to imported cosmetics and high-end timepieces.

HDC-Shilla said: "We have most of [the] cosmetics and luxury watch brands loved by Chinese visitors and have raised the portion of K-cosmetics that recently showed a large increase in sales, so we are expecting to achieve about 90% of our sales goal - even before the grand opening."

\$316m Shilla l'Park Duty Free targets \$578m in 2016



The HDC Shilla Complex in Seoul. (Photo credit: Shilla Duty Free).

Floor	Category	Number of brands (401)	Main Brands
3F	International & Korean Cosmetics	114	Dior, Estée Lauder, Lancôme, SK, Sisley, Guerlain, Shiseido, Fresh, Benefit, Make up Forever, Sulwhasoo, Who, etc
	Luxury Watches & Jewellery		Rolex, IWC, Jaeger-LeCoultre, Longines, etc
4F	Luxury Boutiques	17	Ferragamo, Tod's, Tumi, Tasaki, Valextra, Bally, Max Mara, Paul Smith, Dupont, Vivienne Westwood, Coach, etc
6F (K-Discovery Zone)	Korean Cosmetics, Fashion & Accessories, Confectionery & Souvenirs	270	Innisfree, Missha, It's Skin, Nature Republic, Skinfood, Toni Moly, J.estina Style Nanda, etc

Meanwhile, the 'K-Discovery Travel Package' will be introduced in collaboration with each local government, Korail, travel agencies and the duty free store to boost provincial tours of Korea.

The retailer adds: "In addition, l'Park mall will be upgraded to provide diverse tour contents and new shopping facilities to support [the] Shilla l'Park duty free store. In collaboration with character contents, the mall will be the tourist destination, by providing various attractions consistently."

[With additional reporting by David Hayes, Asia Correspondent and Kevin Rozario, Senior Editor, Business

\$316m Shilla l'Park Duty Free targets \$578m in 2016

& Brands].

TRB BUSINESS