

SHALL THY GOLDEN EGG-LAYING GOOSE PERISH OR BE KEPT ALIVE?

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ABSTRACT

This case examines the lease negotiation between the landlord, KoRailRetail Ltd., and the tenant, Sungsimdang Bakery, a cultural landmark brand in Daejeon, South Korea. Established in 1956, Sungsimdang faces a significant rent increase from ₩100 million Korean Won (KRW) to ₩441 million per month under KoRailRetail's minimum 17% per-monthly-sale lease. This case explores the impact of this rent hike on the bakery's operations, the local economy, and the preservation of its cultural heritage branding. Through narratives from key stakeholders—including the bakery's management, local government officials, and the community—the case highlights broader issues of surrounding commercial real estate practices and their effects on small businesses. It raises critical questions about whether lease agreements that rely on transactions, like percentage leases, are sustainable for culturally significant businesses that contribute to employment, economic synergy, and substantial customer foot traffic.

Keyword: Marketing, Branding, Pricing, Place, Location, Synergy.

INTRODUCTION

“This over-an-hour-long wait better be worth it,” sighed Sung-Min Kim. He had traveled to Daejeon, South Korea’s fifth-largest metropolis, for a professional conference. Here, a colleague suggested that he must visit the Sungsimdang bakery—humorously described as the “holy grail” of Korean bakeries. After taking a high-speed train, he spotted the Sungsimdang Bakery at the train station, packed with customers and featuring an extensive line. On his way to the conference center, he chatted with his cab driver. “Is it normal to see so many people lined up at the Sungsimdang Bakery at the train station?” he asked. The cab driver chuckled. “That is as common as Daejeon’s blue sky. Welcome to the motherland of Korea’s best bakery! If you visit the main bakery, you must be lucky enough to buy their breads with no more than an hour’s wait (Figure 1).”



Source: Daejeon City Hall Archive (Choi, 2024)

FIGURE 1
SUNGSIMDANG BAKERY TRAIN STATION

As they continued the conversation, the cab driver mentioned the recent dispute between the bakery and the landlord of the train station, KoRailRetail Ltd.—a subsidiary of KoRail, South Korea’s government-owned railway operator. KoRailRetail sought to adjust the bakery’s monthly rent to align with its standard minimum 17% lease per sale. Sung-Min raised an eyebrow. “Well, a 17% lease per sale sounds very steep, even if it is their internal policy. I suppose a government-owned entity like KoRail has the power to demand it. But how much are we talking about?”

The cab driver explained that the bakery had been paying ₩100 million per month—approximately \$69,293 USD as per the February 5, 2025 exchange rate. KoRailRetail now wants to raise the rent to ₩441 million (which would amount to \$305,583) (Choi, 2024).

Sung-Min exclaimed, “Holy smoke, aren’t those breads prices between ₩1,700 (\$1.18) and ₩3,000 (\$2.08)? How many loaves would they have to sell to cover rent? A quadruple increase? What is going on?”

BACKGROUND

Sung-Min learned from the cab driver that Sungsimdang Bakery had not initially planned to open a location at the train station because the bakery’s main store is located a 15–20-minute walk away. The station, however, provides a direct high-speed rail link to Seoul, allowing travelers to reach the capital in just one hour—half the time it would take to drive—while generating high customer traffic.

Founded in 1956, Sungsimdang has maintained its presence in Daejeon despite various challenges, including a failed attempt to expand via franchises outside Daejeon between 1990 and 2000 and a devastating fire in the early 2000s. At one point, even local residents feared that the bakery would be pushed out by well-funded national franchise competitors. Nevertheless, it defied the odds, achieving remarkable success. By 2023, Sungsimdang publicly reported annual sales of ₩124.3 billion (\$86.1 million) and revenue of ₩31.5 billion (\$21.8 million) (NamuWiki, 2025) (Figure 2).



Source Daily Economic(December, 2024)

FIGURE 2
SUNGSIMDANG BAKERY MAIN STORE

The train station bakery’s origin dates back to 2012, when Daejeon’s former mayor sought to enhance the city’s branding. He recognized that the city’s high-speed rail connectivity to Seoul was a major competitive advantage for the city, attracting businesses and facilitating commerce. But he believed his city needed historic businesses that resonate

strongly with Daejeon and function as gateway brands, leading and attracting customers to explore his city further.

On his return from an official visit to the capital via high-speed train, the mayor noticed a restaurant named after Busan—South Korea's largest port city, 125 miles away from his city—at the train station. This inspired him to strengthen Daejeon's identity by showcasing local brands. When he consulted the regional president of KoRail, Sungsimdang emerged as the top recommendation.

Initially skeptical of the mayor's proposal to open a bakery at the train station because of the sales-based leasing policy, the bakery eventually agreed after the mayor facilitated a fixed monthly rent of ₩100 million with KoRailRetail. Since its opening in 2012, the train station bakery attracted massive customer traffic until the current dispute over the proposed new lease terms arose (Choi, 2024).

ANALYSIS

Unlike conventional business strategies focused on expansion, Sungsimdang has maintained its physical presence in Daejeon since its founding, except for a failed expansion attempt between 1990 and 2000. Established as a small bakery near the train station in 1956, it now operates four stores in Daejeon: the main bakery, a train station store, a branch in the Lotte Department Store, and a store at the Convention Center. The bakery attracts over 17,000 customers daily. Among these locations, the train station store has the highest customer foot traffic and turnover rate because of its strategic location (Gi, 2024).

Sungsimdang's reputation and loyal customer base are remarkable. Local residents cherish the brand, visitors make special trips to buy its breads, and many foodies are willing to take detours to experience the local legend. Its sales figures have surpassed those of nationwide bakery conglomerates that operate in every major South Korean city. In contrast to the financial success of Sungsimdang's train station store, its landlord, KoRailRetail Ltd., has incurred millions in operating losses, leading to public skepticism about the landlord's quadruple rent increase. Some jokingly plead, "Please leave the golden egg-laying goose alone!"—a sentiment KoRailRetail does not necessarily share.

KoRailRetail acknowledges the bakery's financial contribution and its ability to drive foot traffic, which benefits its struggling operations. However, it must adhere to internal government leasing policies, which mandate a minimum of 17% per monthly sale, with its top 10 stores nationwide required to pay 30%. KoRailRetail argues that Sungsimdang's current lease terms are unfair to its other tenants, even though the bakery is part of a city branding initiative launched by the former mayor. Critics contend that the seemingly inequitable lease arrangement stemmed from political favoritism. Overall, critics highlight that the former mayor facilitated the lease term (So, 2025).

To address the issue, KoRailRetail conducted multiple rounds of public bidding to secure a new tenant for the train station space. The initial bidding price was ₩387 million (\$268,165) in monthly rent, which was later reduced to ₩353 million (\$244,605). Meanwhile, Sungsimdang consistently bid its current lease amount of ₩100 million (\$69,293), which KoRailRetail repeatedly rejected. Tensions escalated as politicians criticized KoRailRetail for disregarding the bakery's branding significance and symbolic value to Daejeon. The Minister of Land, Infrastructure, and Transport expressed concerns over the excessive rent increase (Cho, 2024). After three months of intense negotiations, KoRailRetail made a concession, agreeing to a new lease of ₩133 million (\$92,160) for the next five years, starting November 2024 (Park, 2024).

THE DECISION

As Sung-Min boards the high-speed train for his return trip, he carries a handful of Sungsimdang breads, reflecting on the bakery's impressive branding. In South Korea's competitive Market, where large conglomerates dominate through mass media promotions and sponsorships, Sungsimdang has built a strong regional identity. Certain regions are renowned for their signature delicacies—such as kimchi—or festivals associated with mud, fireworks, and films. However, a regional bakery achieving such widespread recognition and serving as a gateway brand for a city is remarkable.

Visitors frequently purchase Sungsimdang breads as a must-have souvenir, and a trip to Daejeon often sparks the question, “Have you tried Sungsimdang breads?” This level of brand recognition and social media buzz is difficult to replicate, while its menu and reputation continuously attract customer foot traffic. He believes Sungsimdang creates synergy by generating commerce, attracting customers, and energizing the city.

At the same time, Sung-Min understands KoRailRetail's stance, which prioritizes fairness and equitable pricing for all of its tenants. Government leasing policies must be consistently enforced, and even provisional lease terms should be based on financially justifiable standards and supported by concrete evidence. As he recalled the conversations around him at the bakery—some expressing excitement and amusement, others frustration—he chuckles and muses, “I thought a retail lease was a straightforward contract, but once synergy is considered, it becomes far more complex. This tension will resurface in five years.” Nonetheless, he happily gazes at his bags full of Sungsimdang breads.

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TEACHING NOTE

CASE OVERVIEW

This case examines the lease negotiation between KoRailRetail Ltd., the landlord, and Sungsimdang Bakery, a cultural landmark in Daejeon, South Korea. The bakery faces a significant rent increase, raising questions about the sustainability of such lease agreements for culturally significant businesses.

LEARNING OUTCOMES

By the end of this case study, students should be able to:

1. Understand the impact of commercial real estate practices on small businesses.
2. Analyze the role of cultural heritage in business sustainability.
3. Evaluate the implications of percentage leases on business operations.
4. Discuss the balance between financial fairness and cultural preservation.
5. Develop strategies for negotiating lease agreements.

DISCUSSION QUESTIONS

1. What are the potential impacts of the rent increase on Sungsimdang Bakery's operations?
 - Discuss the financial strain, potential price adjustments, and customer retention.
2. How does Sungsimdang Bakery contribute to the local economy and cultural heritage of Daejeon?
 - Explore its role in attracting tourists, generating commerce, and enhancing the city's identity.
3. What are the advantages and disadvantages of percentage leases for both landlords and tenants?
 - Consider the financial stability for landlords and the variable costs for tenants.
4. How can Sungsimdang negotiate with KoRailRetail to reach a mutually beneficial agreement?
 - Discuss potential compromises, such as phased rent increases or performance-based incentives.
5. What role should local government and community stakeholders play in this dispute?
 - Evaluate the importance of public support, government intervention, and community advocacy.
6. How can Sungsimdang leverage its brand and customer loyalty in the negotiation process?
 - Consider the bakery's strong regional identity and customer base as bargaining tools.
7. What strategies can Sungsimdang employ to mitigate the impact of the rent increase?
 - Explore options like cost-cutting measures, diversifying revenue streams, and enhancing operational efficiency.

ANSWERS TO DISCUSSION QUESTIONS

1. **Impact of Rent Increase:** The rent hike could lead to financial strain, necessitating price adjustments that might affect customer retention. The bakery may need to find ways to absorb or offset the increased costs.
2. **Local Economy and Cultural Heritage:** Sungsimdang is a significant cultural landmark that attracts tourists, generates commerce, and enhances Daejeon's identity. Its presence contributes to the local economy and cultural heritage.
3. **Percentage Leases:** These leases provide financial stability for landlords but can impose variable costs on tenants, making financial planning challenging. They can be beneficial if sales are high but risky if sales fluctuate.
4. **Negotiation Strategies:** Sungsimdang can propose phased rent increases, performance-based incentives, or other compromises to reach a mutually beneficial agreement with KoRailRetail.
5. **Role of Government and Community:** Local government and community stakeholders can provide support through advocacy, public campaigns, and potential intervention to preserve the bakery's cultural significance.
6. **Leveraging Brand and Loyalty:** Sungsimdang can use its strong regional identity and loyal customer base as leverage in negotiations, highlighting its importance to the community and local economy.
7. **Mitigation Strategies:** The bakery can implement cost-cutting measures, diversify revenue streams, and enhance operational efficiency to mitigate the impact of the rent increase.

EPILOGUE

The case concludes with the bakery securing a new lease agreement at a reduced rent increase, highlighting the importance of negotiation, community support, and strategic planning in overcoming business challenges.

This teaching note provides a comprehensive guide for discussing the case, understanding the complexities of commercial real estate practices, and developing strategic solutions for business sustainability.

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