

Korea

Market Summary

The outbreak of H1N1 Influenza created a flu 'phobia' in Korea, seriously impacting on the tourism sector. It remains one of the most popular news topics in the Korean media.

Macro- economic indexes indicate the fast recovery of Korean economy, however it is still too early to expect immediate recovery of Korean outbound market.

Major travel agents are looking for ways to cut the operating costs in response to the economic situation. Consumers are still price sensitive to travel products. Australia package prices tend to be set at lower prices leading the way for some shopping subsidized tours to be offered in the market.

1. Market News

- The Ministry of Education, Science, and Technology encouraged schools to cancel school excursion activities to protect students from potential second burst of H1N1 Influenza. Teachers and students returning from outbound travel were urged not to attend school for seven days. *Source: MBN, 27 August 2009*
- Updates on the status of H1N1 Influenza featured heavily in all media. At mid September, there had been over 10,000 confirmed cases and eight fatalities.
- In early September, the Ministry of Public Administration and Security requested that all regional festivals be cancelled. This request was withdrawn following public criticism concerning the adverse impact on the regional economy and compensation concerns. *Source: Yonhap News, 17 September 2009*
- South Korea's economy is making a "stunning" rebound as the government's stimulus measures helps ease the worst downturn in more than a decade. South Korea's economy grew 2.6 per cent in the second quarter from three months earlier, a sharp turnaround compared with a 5.1 per cent plunge in the final quarter of 2008. *Source: Alistair Chan, Associate Economist - Moody's Economy.com, 17 September 2009*
- The Korean Won gained further ground against the US dollar, hitting its strongest level in 11 months. It is expected that there could be minute intervention by the government in case the Korean currency gains rapidly, on concern that it might lose competitiveness in exports and hamper economic recovery. *Source: The Korea Times, 17 September 2009*

2. Consumer Insights

- According to the Korea Tourism Organisation (KTO), the number of outbound travellers has decreased by 12.3 per cent to 996,695, a steady decline over 15 months.
- The Bank of Korea revealed that improved economic indicators and rising asset prices have pushed Korea's consumer confidence higher for the fifth consecutive month to reach a new seven-year high. The consumer sentiment index reached 114 in August, up from 109 in July. A figure above 100 means that a majority of those surveyed believe the domestic economy and their living standards would improve in the coming month. *Source: Joong Ang Ilbo, 27 August, 2009*
- Walking and trekking is an emerging trend in Korea, as evidenced by the tens of thousands of Koreans travelling to Jiri Mountain and Jeju Island (both in South Korea). Jeju Island invites 90,000 hikers per year, while more than 50,000 hikers visit Jiri Mountain each year. *Source: Korea Economic Daily, 7 August 2009*
- Following deregulation of outbound travel twenty years ago, the purpose of travel has diversified. One such example is good travel, (known as 'voluntours') a new travel trend involving volunteering to benefit the host destination while travelling. *Source: Chosun Ilbo, 4 August 2009*
- The purchasing power of high-end consumers in Korea has not been impacted by the recession. According to the finance sector, total purchases continued to increase through until late August. Credit card companies are enhancing their support programs for their high end members and introducing aggressive marketing efforts. *Source: Asia Economy Daily, 9 September 2009*
- According to the recent Mastercard Consumer Purchasing Priorities study:
 - The top three purchasing priorities in Korea in the next six months are dining and entertainment, fashion and accessories and children's education.
 - 44.3 per cent of respondents said they would decrease their discretionary spending in the next six months and 50.5 per cent said they would not change their spending
 - 85.3 per cent of respondents do not shop online, and 10.3 per cent conduct up to 10 per cent of the discretionary expenditure online*Source: Mastercard Worldwide Index of Consumer Purchasing Priorities*

For the latest in visitor arrivals, please visit 'Research & Statistics' at www.tourism.australia.com

3. Trade Update

- The Korean outbound market has been steadily declining for the past 15 months. In the year ending July 2009, the outbound market declined by 12.3 per cent year on year to 996,695. *Source: Korea Tourism Organisation, September 2009*
- Key agents reported that 50 to 60 per cent of customers cancelled their bookings in August and September due to the rapid spread of H1N1 Influenza. The total number of bookings made during the period was 80 per cent lower than the same period in 2008. This is particularly evident in the incentive sector as many incentive groups were cancelled, including smaller groups and government groups.
- Many tourists are cancelling travel just two to three days before the departure date despite the high cancellation fees due to the rising concern of H1N1 Influenza.
- In an effort to avoid cash liquidity shortages, a number of major travel agencies requested that employees take one to four weeks of unpaid leave. Many other travel agencies will reduce their monthly salaries and conduct an organisational restructure to minimise operating costs.
- Since the economic downturn, Korean consumers have become more price sensitive. Australian package prices have reflected this. Seen as the most popular product, a five night Sydney package is priced at KRW 1,190,000. A five night Gold Coast package is priced between KRW 1,240,000 and 1,790,000. The increased price sensitivity within the Korea market has resulted in the emergence of shopping subsidised packages, with some available package prices being well below cost.
- Tourism Western Australia launched a new honeymoon product with Garuda Indonesia Airlines for July and August. The package included both Bali and Perth in the itinerary and was priced at KRW 2,890,000.
- As at 20 August 2009 there were 795 Aussie Specialist agents from 425 agencies, of which 29 per cent were fully qualified.

4. Airline News

- From 12 August to 16 September, Asiana Airlines temporarily suspended its Wednesday Incheon to Sydney and Thursday Sydney to Incheon services due to aircraft maintenance and inspections.
- In July, Korean Air passenger load factors for Sydney were 70 per cent; Brisbane 68 per cent and Melbourne 62 per cent. Asiana Airlines load factors to Sydney were at 70.4 per cent.
- In August, Korean Air passenger load factors to Sydney were 77 per cent, Brisbane 75 per cent and Melbourne 56 per cent. Asiana Airlines load factors to Sydney were at 61.4 per cent.

- The number of Fully Independent Travellers (FIT) on Korea Air and Asiana flights to Australia continued to increase while demand from the Group Inclusive Tour segment is stagnant. From July to August the number of FIT travellers on direct flights to Australia increased by 20 per cent year on year for Korean Air and 30 per cent for Asiana Airlines.
- With the easing of government aviation restrictions, more Korean low cost carriers are flying to international destinations. Jeju Air is servicing Osaka, Katakysu and Bangkok and other low cost carriers (i.e. Jinair, Air Busan, Estar Air) will consider expanding their services, but this is expected to be primarily to other Asian ports.

5. Competitor News

- The US Visa Waiver Program (VWP) resulted in a sharp increase in Korean inbound visitors in July 2009 (up 3.9 per cent), despite the number of flight slots at Incheon having reduced by 100 since July 2008. Korea Airlines reported outbound figures to the US total over 1.4 million, an increase of 26,000 compared to last year. Asiana Airlines also reported increased traffic to the US in July and August.
- More Korean honeymooners are travelling to Hawaii due to VWP. Forty percent of Korean visitors to Honolulu visiting under the VWP.
- Hawaii is currently being aggressively promoted through celebrity marketing and advocacy.
- The National Tourism Organisations for Austria and Norway have been actively marketing their respective destinations in Korea during the period. Austria has focused on e-marketing (i.e. blogs, twitter and SMS) which align with their agent partners. Norway has focused moreso on trade marketing (trade seminars and trade famils).

6. Key Campaigns and Activities in Market

August and September campaigns and activities				
START	END	DESCRIPTION	TARGET AUDIENCE	PARTNERS
July 2009	December 2009	<i>Honeymoon Campaign</i>	Honeymooner	Hana, Mode, Lotte, Redcap, Hanjin, Verygood, Blue, IOS, Naeil, Next
August 2009	October 2009	<i>ASP consumer famil with Travie (travel magazine)</i>	Experience Seekers	Travie
18 September 2009	17 October 2009	<i>Adventure Seeker online campaign</i>	Adventure Seekers	Hana, Mode, Lotte, Blue, IOS, Naeil, Next
September 2009	February 2010	<i>Australian Journey campaign (GIT Campaign)</i>	Functional Travellers	GIT partner agents: Hana, Mode, Lotte, Redcap, Hanjin, Jau, Sejoong, OK, Verygood
28 September 2009	28 September 2009	<i>Business Events seminar with Convention Bureaus (CVBs)</i>	Incentive agents and Corporate clients	Business Events Sydney, Gold Coast CVB, Melbourne CVB

Upcoming campaigns and activities				
START DATE	END DATE	PROJECT/EVENT	TARGET AUDIENCE	PARTNERS
5 October 2009	23 October 2009	<i>Australian Working Holiday Maker (WHM) Fair</i>	Working Holiday Makers	Austrade, TVIC, TNT
7 October 2009	13 October 2009	<i>International Media Hosting Program (IMHP):</i> Journalists from Asiana In-flight magazine covering Sydney attractions, people and lifestyle	Experience seekers	TNSW
12 October 2009	23 October 2009	<i>New product development Famil:</i> for Family market to Sydney/ Gold Coast and Gold Coast/Perth	Trade	Hana, Mode, Lotte, Next, Naeil, Verygood, Blue, Hansol, Kyowon, TNSW, TWA, TQ
28 October 2009	2 November 2009	<i>IMHP:</i> Print media to visit the Northern Territory and South Australia to cover eco-tourism and support the Adventure Seeker Campaign.	Adventure seekers	TNT, SATC
November 2009	December 2009	<i>Family Campaign promotion</i>	Family Segment	Hana, Mode, Lotte, Next, Naeil, Verygood, Blue, Hansol, Kyowon
late November 2009	late November 2009	<i>IMHP:</i> Educational Broadcasting System (EBS) visiting Tasmania to cover trekking in Tasmania's nature.	Adventure Seekers/ Youth	TTAS