SOUTH KOREA
Market Profile

In 2012, South Korea was Australia's eighth largest inbound market for visitor arrivals, sixth largest market for total expenditure and fourth for visitor nights. It was also the sixth largest market for total dispersed nights[1] during 2012.

Findings from Tourism Australia's recent international tourism research project[2], indicate that when selecting a holiday destination South Korean visitors are wanting (in order of importance): a safe and secure destination, value for money, a family friendly destination, natural beauty, and good food and wine. Compared to other out of region destinations, Australia ranks very highly for family friendliness, natural beauty and interesting local wildlife. The research shows that Australia delivers a positive holiday experience that exceeds the expectations of South Korean visitors.

The latest forecast by the Tourism Forecasting Committee (TFC), released in October 2012, estimates that arrivals from South Korea will decline 1 per cent in 2012/13 and rebound to increase 2 per cent in 2013/14, with a 2 per cent annual compound growth rate expected between 2011/12 and 2016/17.

Key airlines and share of passengers in 2012[3]

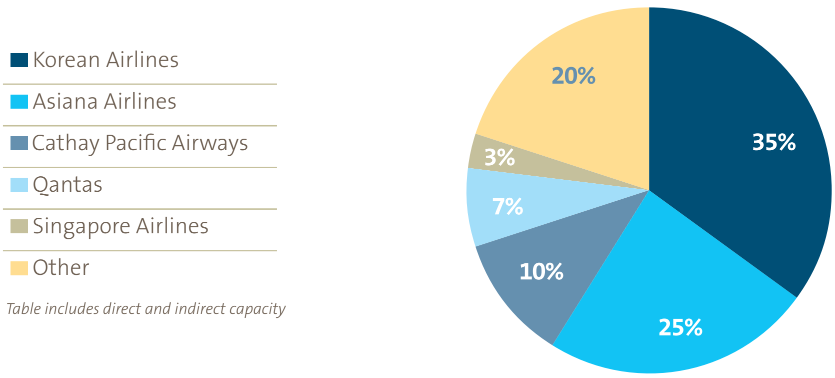


Table includes direct and indirect capacity

$2.8 - 3.4bn

Potential for the South Korean market to be worth by 2020 (Tourism 2020)

$1.2bn total spend

Total spend from South Korea in 2012 (down 4 per cent on 2011)[4]

196,800 arrivals

South Korean visitor arrivals in 2012 (down 0.6 per cent on 2011)[5]

11.8m total nights

South Korean visitor nights spent in Australia in 2012 (down 8 per cent on 2011)[4]

3.2m dispersed nights[1]

South Korean visitor nights spent outside gateway cities in 2012 (down 10 per cent on 2011)[4]

Australia ranks **10th**

among all out of region outbound destinations for South Korean travellers[6]

Visitor profile in 2012

33% repeat visitors[4]
73% of total arrivals are for leisure[5]
15-29 years largest demographic[5]
$6,742 average spend[4]
65 nights average stay[4]
Jun-Jul and **Dec-Feb** peak booking period
Jul-Aug and **Nov-Mar** peak travel period

In this Market Profile

Sources:
1. Dispersed nights refer to nights spent outside gateway cities of Sydney, Melbourne, Brisbane and Perth
2. Tourism Australia, Australian Consumer Demand Research, conducted by BDA Marketing Planning, 2012
3. Department of Immigration and Citizenship (Aviation)
4. International Visitor Survey (Tourism Research Australia)
5. Australian Bureau of Statistics, Overseas Arrivals & Departures
6. Tourism Economics, Tourism Decision Metrics

SOUTH KOREA

Market Performance

1.1 Arrivals trends

- In 2012, South Korea was Australia's eighth largest inbound market for visitor arrivals.
- Arrivals to Australia dropped sharply following the Asian Financial Crisis in 1997. Other events to impact outbound travel in the last decade have included the outbreak of SARS in Asia, influenza outbreaks, and the Tohoku earthquake and tsunami in 2011.
- Due to these events, arrivals to Australia from South Korea have fluctuated over the last decade, flattening out any overall growth or declines.
- The availability of the Working Holiday Visa to South Koreans since 1995 has helped drive youth arrivals.

SOUTH KOREA
Market Performance

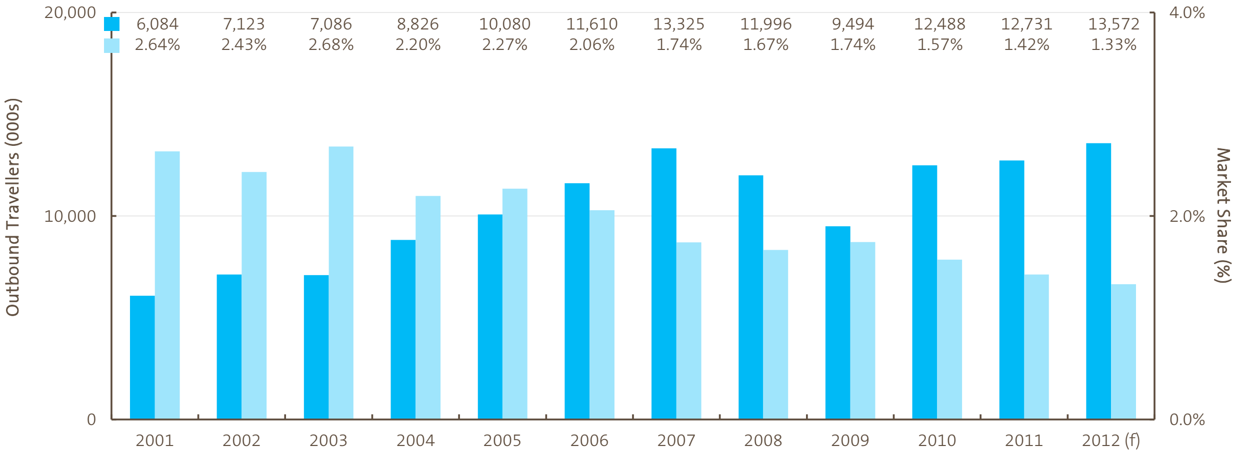
1.2 Australia's market share[7]

Australia's market share of South Korean outbound travel

- Outbound travel from South Korea increased in 2012 to 13.6 million trips, up from 12.7 million trips in 2011.
- Australia's share of South Korea's total outbound travel has declined from 2.4 per cent in 2002 to 1.3 per cent in 2012.

South Korea: Total Outbound & Australia's Market Share

Source: Tourism Economics (Tourism Decision Metrics)



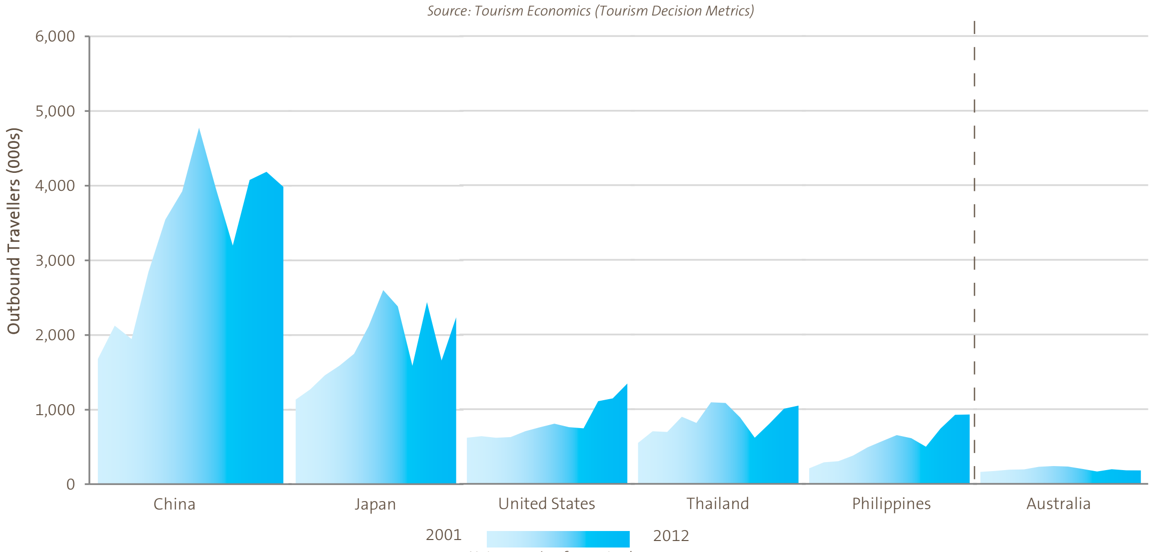
Note: 2012 is a forecast value

Top five outbound destinations from South Korea

- In 2012, the top five outbound destinations from South Korea were China, Japan, the USA, Thailand and the Philippines.
- Australia ranked 15th among all outbound destinations in 2012, slipping one position from 2011.

Trend of Top 5 Outbound Destinations from South Korea

Source: Tourism Economics (Tourism Decision Metrics)



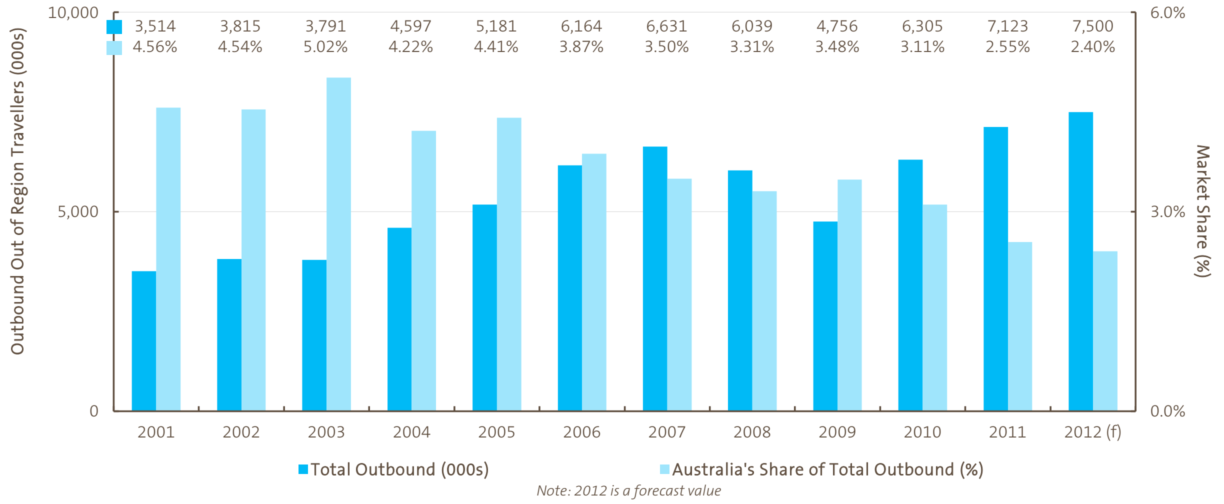
Note: 2012 is a forecast value

7. Figures for 2012 in this section are based on forecast data, last updated 14 February 2013

SOUTH KOREA
Market Performance

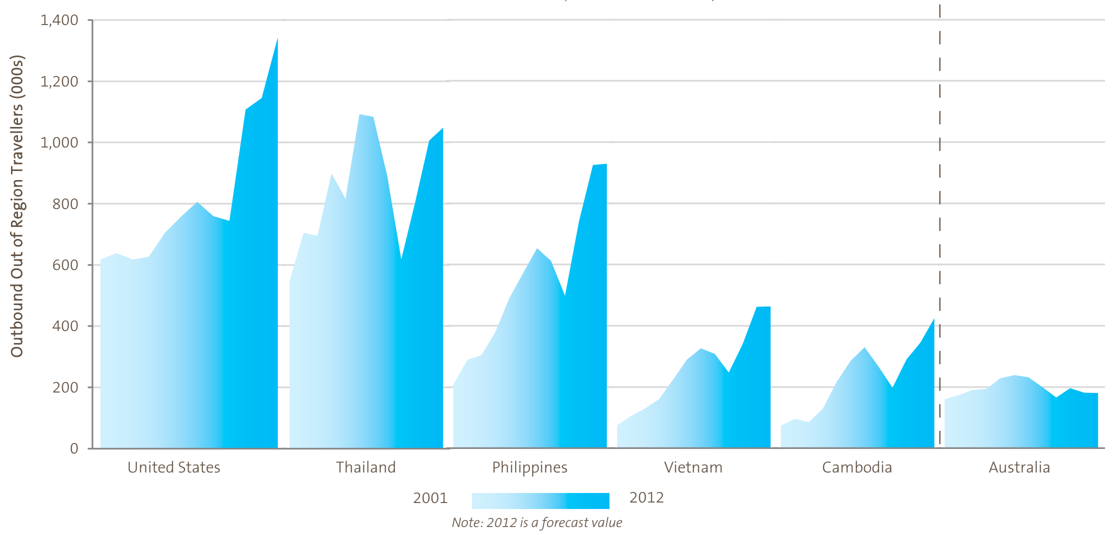
Australia's market share of out of region travel

- Out of region travel from South Korea excludes travel to North East Asia.
- Out of region travel from South Korea doubled to 7.5 million trips in 2012, from 3.8 million trips in 2002.
- Australia's share of South Korea's total out of region outbound travel has declined from 4.5 per cent in 2002 to 2.4 per cent in 2012.



Australia's competitor destinations from South Korea

- In 2012, the top five destinations for South Korean travellers, outside North East Asia, were the USA, Thailand, the Philippines, Vietnam and Cambodia.
- Australia's ranking among out of region destinations slipped one position to 10th in 2012.



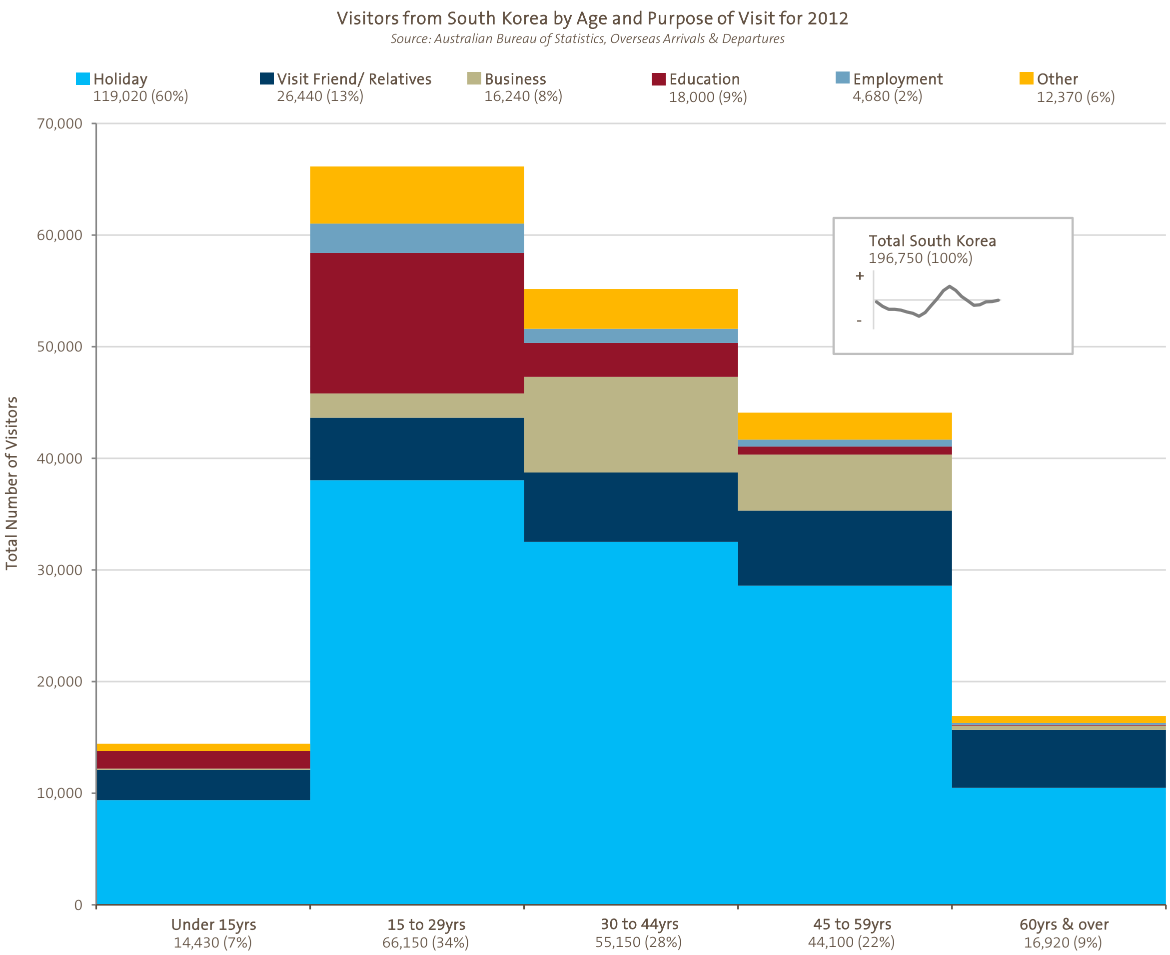
TOURISM AUSTRALIA

SOUTH KOREA
Market Performance

1.3 Visitor arrivals by age and purpose of visit

Analysis of visitors from South Korea in 2012

- In 2012, the majority of arrivals from South Korea visited Australia for Leisure purposes, with Holiday representing 60 per cent of total arrivals, and Visiting Friends and Relatives (VFR) representing 13 per cent.
- The largest age demographic was 15 to 29 years, representing 34 per cent of total visitors.
- Of total Business arrivals from South Korea in 2012, there were 7,610 convention/conference visitors.



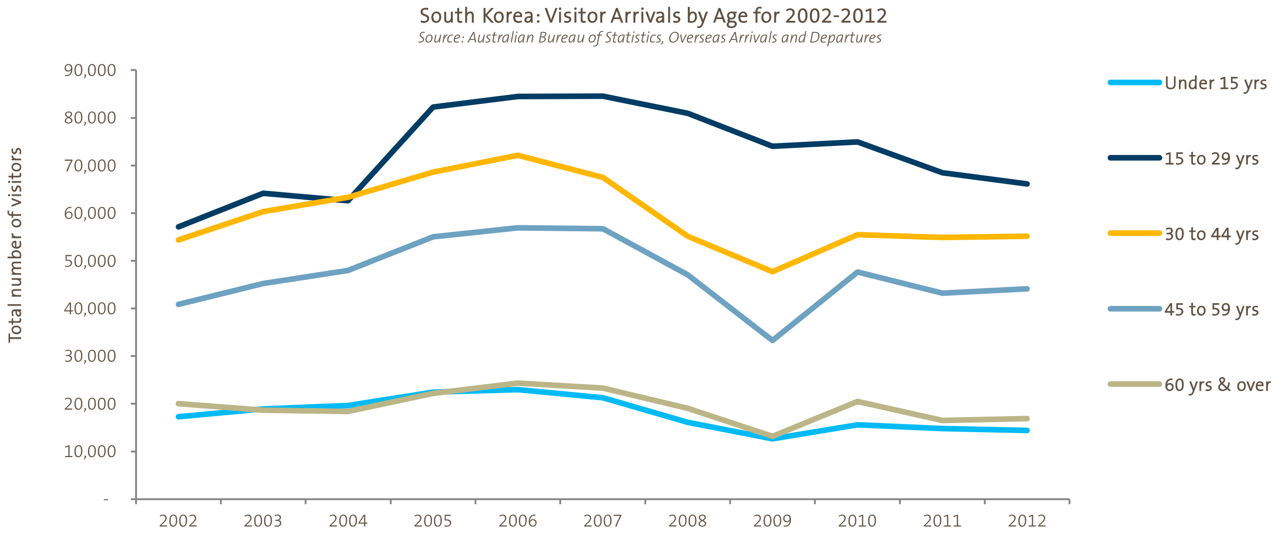
TOURISM AUSTRALIA

SOUTH KOREA

Market Performance

Age demographic of visitors from South Korea for 2002-2012

- Since 2005, the 15 to 29 years age demographic has been the largest visitor segment out of South Korea, despite recent declines.
- Arrivals by visitors aged 30 to 44 years have remained fairly resilient in the past three years and grew slightly in 2012.



Visitor segments from South Korea for 2002-2012

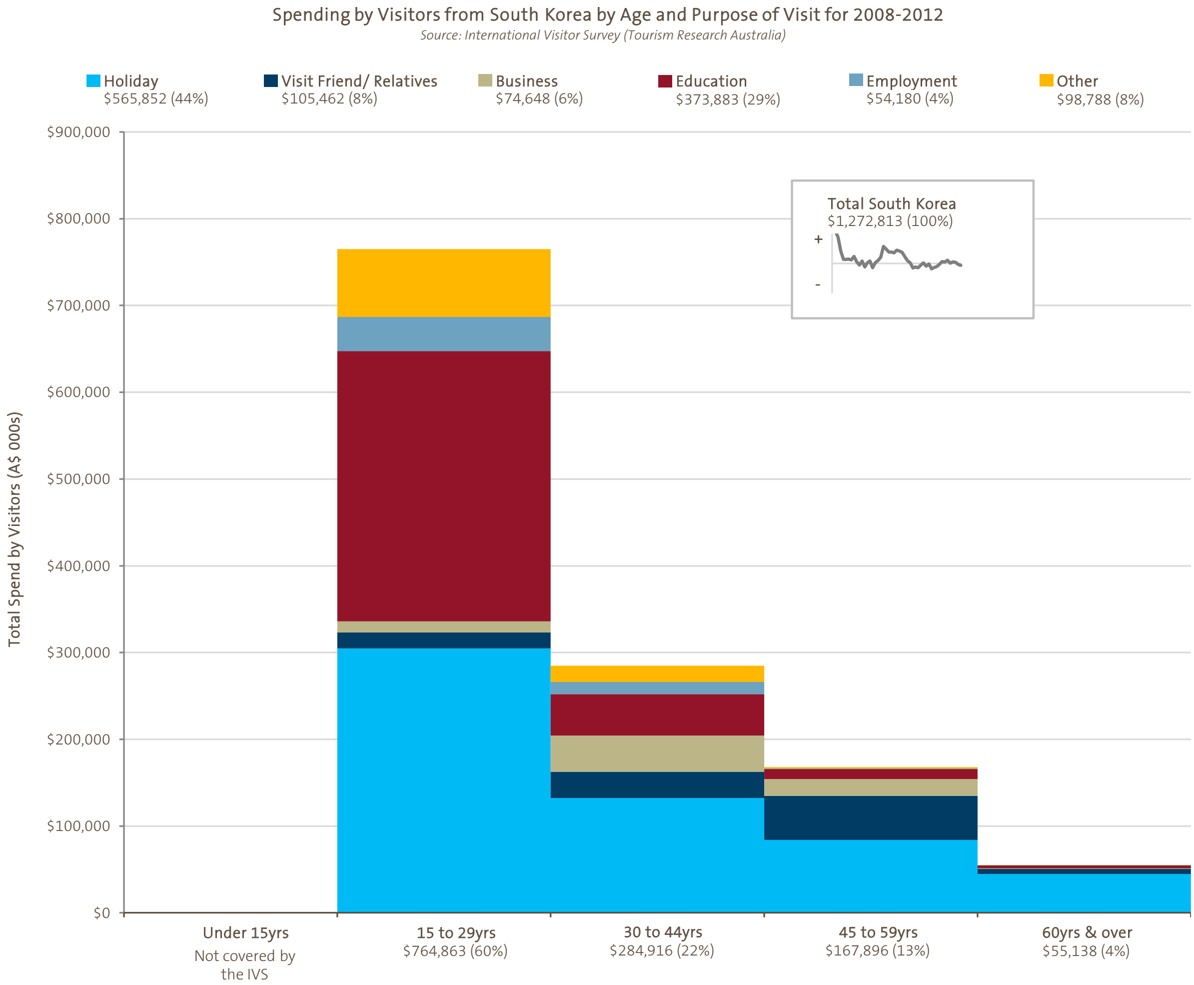
- The Holiday segment has remained the largest visitor segment out of South Korea for the past decade, peaking in 2006.
- The VFR segment has shown resilience over the years, recording 4 per cent growth in 2012 and similarly has achieved 4 per cent annual compound growth between 2002 and 2012.

TOURISM AUSTRALIA

1.4 Spend by age and purpose of visit

Breakdown of spend by visitors from South Korea for 2008-2012

- On average from 2008 to 2012, the largest spending segment was Holiday visitors, representing 44 per cent of total spend. This was followed by Education, representing 29 per cent.
- The largest spending age group was 15 to 29 year olds, representing 60 per cent of total spend by South Korean visitors.

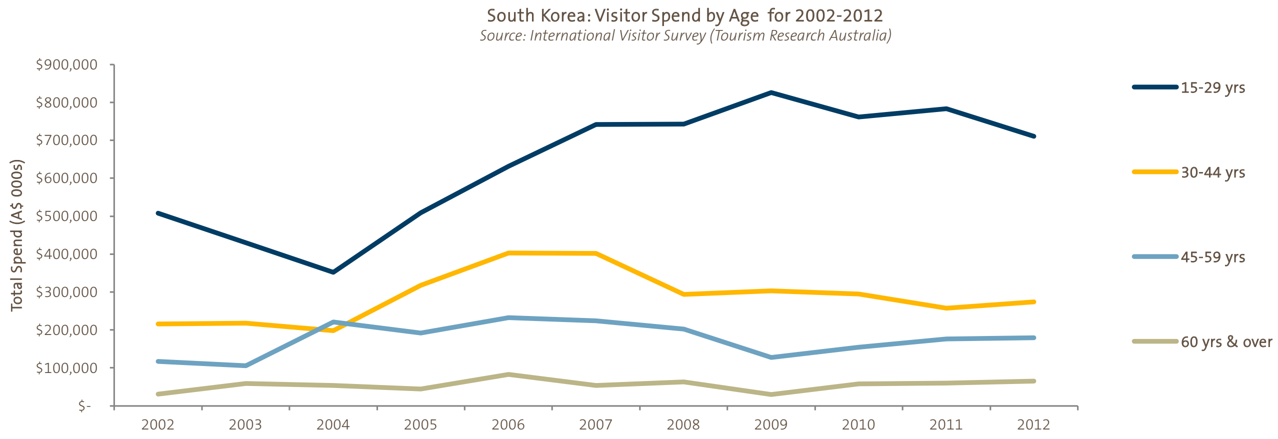


Note: Data in graph refers to an average of 2008-2012

SOUTH KOREA
Market Performance

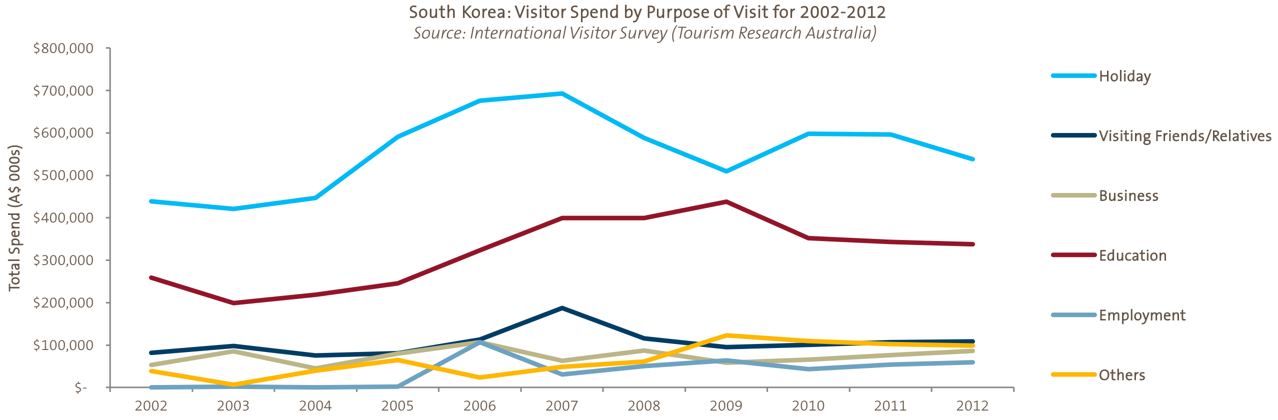
Spend by age group from South Korea visitors for 2002-2012

- Visitors aged 15 to 29 years have consistently spent more money in Australia over the past decade than any other age group, despite recent declines.
- Spend across all age groups (excluding 15 to 29 years) increased in 2012.



Spend by purpose of visit segments for 2002-2012

- Consistent with arrivals numbers, the largest spending segment over the past decade has been the Holiday segment despite recent declines. Holiday spending peaked in 2007, before sliding during the Global Financial Crisis.
- Spending by the VFR, Business and Employment segments increased in 2012.



SOUTH KOREA
Market Performance

1.5 Visitor profiles for spend and nights

Average visitor

Spend per trip $6,812
Stay 66.4 nights
Spend per night $103

Purpose of visit

Holiday
Spend per trip $4,993
Stay 47.4 nights
Spend per night $105

Visiting Friends and Relatives
Spend per trip $4,527
Stay 34.6 nights
Spend per night $131

Business
Spend per trip $4,987
Stay 18.5 nights
Spend per night $269

Other (including education and employment)
Spend per trip $14,934
Stay 169 nights
Spend per night $88

Age groups

15 to 29 years
Spend per trip $9,944
Stay 126.3 nights
Spend per night $79

30 to 44 years
Spend per trip $5,350
Stay 36 nights
Spend per night $149

45 to 59 years
Spend per trip $4,133
Stay 14.9 nights
Spend per night $277

60 years & over
Spend per trip $3,434
Stay 11.2 nights
Spend per night $307

International Visitor Survey (Tourism Research Australia)
Note: Data refers to an average of 2008-2012

SOUTH KOREA

Consumer Research

In 2012, Tourism Australia undertook a major international tourism research project[8] into how global consumers view Australia and what most motivates them to visit, identifying the 'triggers' and experiences important to the consumer when selecting a holiday destination. The research involved 13,389 consumers across 11 markets, who have travelled long haul in the past two years and/or plan to travel long haul in the next few years.

The results below refer to the responses of South Korean consumers.

2.1 What travellers from South Korea want in a holiday destination

Participants were asked what they look for when choosing ***any*** holiday destination. The graph below outlines the top five considerations of South Korean respondents.

Their key considerations are: safety and security, value for money, family friendliness, natural beauty, and good food and wine.

Read as: 60 per cent of South Korean respondents ranked 'a safe and secure destination' in their top five considerations when choosing a destination

8. Tourism Australia, Australian Consumer Demand Research, conducted by BDA Marketing Planning, 2012

SOUTH KOREA

Consumer Research

2.2 Associations with Australia

For South Korean respondents, Australia is known for having beautiful natural environments. Generally, many importance factors for South Korean respondents had a low association with Australia, which presents opportunities for the destination to build awareness.

Compared to other out of region destinations, Australia ranks highly (first, second or third) for family friendliness and natural beauty.

2.3 Opportunities for Australia highlighted by the research

The research shows that Australia delivers a positive holiday experience that exceeds the expectations of South Korean visitors.

This was particularly clear for their perception of Australia's safety and security, offering value for money and being a family friendly destination. Despite unfavourable exchange rates, South Koreans who had visited Australia perceived their experiences delivered value for money. Noting that 'value' was not defined during the research and is considered a subjective term.

Likewise for the perception of safety and security and family friendliness, South Korean respondents who have visited Australia ranked the country much higher than those respondents who had not been. Given the importance placed on these considerations by South Korean respondents, this presents future opportunities to improve upon their perception of Australia.

2.4 Preferred Australian experiences

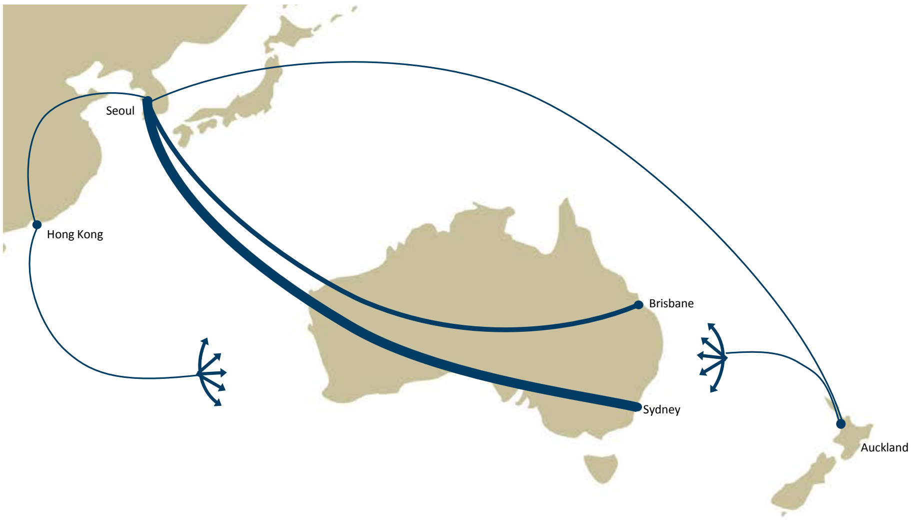
South Korean respondents prefer experiences in Australia which include wildlife (both aquatic and non-aquatic), coastal or harbour settings and/or cities. Compared to the average across other markets in the research, South Koreans differed by ranking cities in their top preferences.

SOUTH KOREA

Aviation Landscape

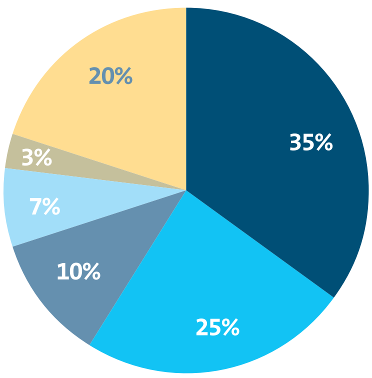
3.1 Summary

- Limited aviation growth to Australia from South Korea has occurred in the past 10 years, with capacity declining in 2012.
- The South Korean market is highly seasonal, with carriers increasing and reducing capacity in line with seasonal demand. During peak travel times in December and January, average airfares increase significantly and seats are very limited.
- Through-traffic from North Asia and Europe can also impact seat availability for South Koreans travelling to Australia.
- South Korean Air and Asiana Airlines are the key carriers on the route, with direct services from Seoul. As of early 2013, there are no longer direct services from Seoul to Melbourne, following South Korean Air's suspension of the service.
- Qantas recently announced its Asian strategy which mentioned Seoul as a potential destination for the deployment of the airline's B787-900 orders, due for delivery from 2016.



Operating Airlines	Flights per week	Route	Alliance/Codeshare partner (on route)
Korean Air	7 5-6 3-->0	Seoul-Sydney Seoul-Brisbane Seoul-Melbourne	
Asiana Airlines	7	Seoul-Sydney	Qantas, Air NZ, Turkish Airlines

Source: Innovata, Northern Summer Scheduling Season (31 March 2013 to 26 October 2013)
Note: Table includes direct services to Australia only



Key airlines and share of passengers

Airline	2008	2009	2010	2011	2012
Korean Airlines	33%	37%	36%	34%	35%
Asiana Airlines	20%	24%	23%	24%	25%
Cathay Pacific Airways	8%	10%	10%	12%	10%
Qantas	11%	7%	9%	10%	7%
Singapore Airlines	4%	2%	2%	2%	3%
Other	24%	20%	20%	18%	20%

Table includes direct and indirect capacity

SOUTH KOREA

Aviation Landscape

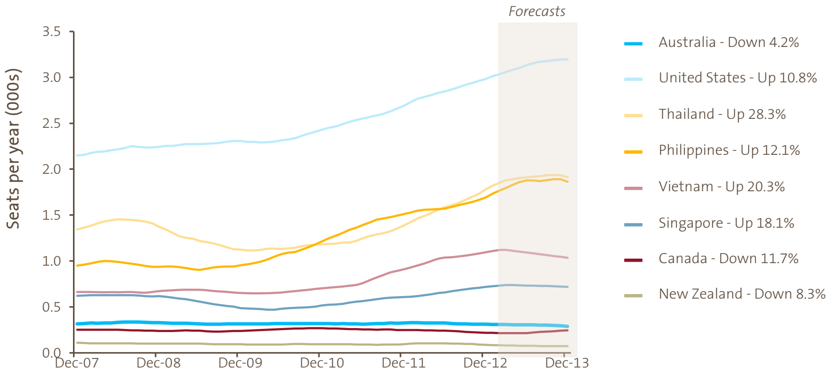
3.2 Trends

Capacity

- In 2012, capacity from South Korea to Australia declined four per cent, with both Korean Air and Asiana Airlines reducing capacity. Capacity is expected to decline a further five per cent in 2013 following the withdrawal on Korean Air's Melbourne service.
- Australia has lost significant market share of aviation capacity out of South Korea compared to similar haul destinations in recent years. New Zealand has also experienced similar declines to Australia, while there has been very strong growth to the USA and Canada as well as Asian destinations such as the Philippines and Thailand.

Capacity from South Korea to Australia vs competitor destinations

Source: Innovata; Department of Infrastructure and Transport



Note: Chart includes direct capacity only and above percentages reflect change in direct capacity from 2011 to 2012

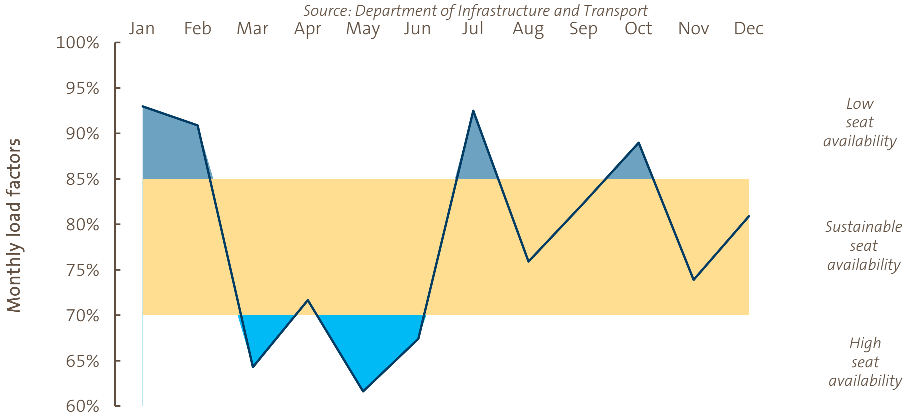
Average loads

- Load factors or seat utilisation is the ratio of passengers carried to the number of seats available, expressed as a percentage.
- As capacity declined in 2012, average load factors increased from 73 per cent in 2011 to 79 per cent in 2012. The number of Australians travelling to South Korea increased five per cent, whereas South Korean visitors to Australia were down 0.6 per cent in 2012.
- Despite average loads increasing, the South Korean market remains highly seasonal. Average loads tend to be softer during March to June and higher during Australian school holidays (January/February, July and October).

Loads and seasonality in 2012

South Korea to Australia

Source: Department of Infrastructure and Transport



Note: Chart includes direct capacity only

TOURISM AUSTRALIA

SOUTH KOREA

Distribution

4.1 Distribution system

The South Korean travel distribution system is complex, with consumers using a combination of traditional and online channels to plan and book travel. There is no formal distinction between wholesalers and retail agencies. The outbound travel market for Australia consists of around 30 per cent group travel and 70 per cent Free Independent Travel (FIT).

Wholesalers/ Large Agents

Commission Level: 5% to 12%

- The South Korean system does not formally distinguish between wholesalers and retail agencies.
- Hanatour, the largest wholesale agency, has diversified the number of Inbound Tour Operators (ITOs) it works with and no longer has exclusive contracts with select ITOs.
- Hanatour also has a strong FIT brand/ business unit called Hana Free.
- Hanjin/Kal Tour, a subsidiary of Korean Air, has shifted its business model from retail to wholesale.

Special Interest

- Luxury travel is growing in the South Korean market, especially in the older age demographic. Two large wholesalers, Hanatour and Mode Tour Network, have dedicated divisions dealing with luxury products, named Zeus and Jewellery Mode. Korean Air's affiliated travel agent, KAL Tour, uses KALPAK for luxury products. Jason Travel is specialised in high-end honeymoon products.
- Major credit card companies also provide cardholders with travel services including high-end packages.
- There are three key agents specialising in trekking, including Hyecho, Himalaya and Green.

Retail Agents

Commission Level: 9% to 20% for major travel agencies only.

- There are two types of overseas travel agencies in South Korea: General Travel Agencies (GTAs) handling both inbound and outbound travel, and Overseas Travel Agencies, handling outbound travel only.
- There are approximately 1,655 GTAs and 5,300 Overseas Travel Agencies nationwide however, the GTAs are the most influential agencies for outbound business.
- Among both types of agencies, the top five group travel agencies manage approximately 25 per cent of total travel Australia. Top five agencies in terms of volume are Hanatour, Mode Tour networks, Feedom Tour, Lotte Tour and Verygood Tour.
- There are some active FIT agents in South Korea, such as Naeil Tour, Tour Express, Interpark, Blue Travel, IOS, Saegaero and Webtour, who develop customised FIT packages.
- FIT agents handle a marginal level of business to Australia compared to the total number of South Korean visitors, with many FIT travellers booking directly online.

Online

Commission Level: 8% to 10%

- All major travel agencies have an online presence, however the number of direct consumer enquiries and visits to offline agents is still high.
- Interpark has a high percentage of online-only business.

Aussie Specialists

- The Aussie Specialist Program is the primary platform for Tourism Australia to train and develop retail agents to sell Australia.
- As at March 2013, there were 353 qualified Aussie Specialists in South Korea and a further 903 agents in training.

Inbound Tour Operators

Commission Level: 5% to 10%

- ITOs provide a vital link between Australian product and South Korean group travel agents, with about a third of business to Australia handled through ITOs.
- Most major ITOs operate offices in Seoul, however there are no set patterns in business relations between the Australian and Seoul offices.
- Many ITOs deal with consumers directly through their websites for FIT, honeymoon, small group and incentive travel.
- Some ITOs assume a wholesaler role for the honeymoon market, particularly in regional cities of South Korea.
- Key ITOs located in Sydney and the Gold Coast include: Blue Sky Tours, OZ World Travel (formerly Hana Tours Australia), Hoju Tour (formerly Harbour City International), Honew Tours, I Tour, New Line Tours, OZ Korea Travel, Royal Holiday Travel, S.S.K Travel (HIHOJU), Win Hanaro Tour, Wonderful Pacific, Paran Travel and Good Memory Tours.
- Key ITOs in Seoul include: Newline Tours, Honew Tour, Key World, Road Tour and Travel, I Travel, Australia Tour, Paran Travel, Tour TTL, Wonderful Pacific, Oceania Tour and OTT.

Business Events

- Major agents that specialise in business events include: BT&I, Sejoong Travel, Global Tour, Sharp Travel, BCD Travel, Redcap Tour and Hana Business Travel.
- Many incentive groups tend to travel as Leisure groups, with an additional component such as a gala dinner added to the program.

SOUTH KOREA

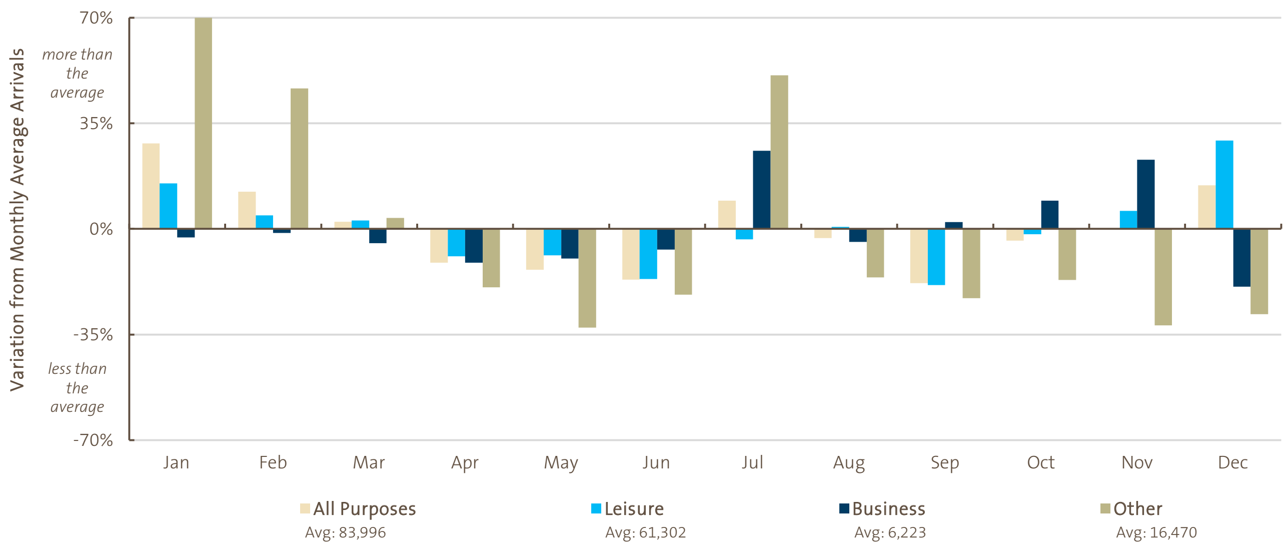
Distribution

Brochures and rates

Brochure Validity	> Ad hoc basis
Brochure Space Policy	> Not applicable in this market
Setting Rates	> Rates are usually set during the first week of the month and then applicable for next three months
Standard Rate Validity Periods	> Standard Rate Validity Periods » Low season: April to June and September » High season: July to August and December to March

Seasonality of Visitors from South Korea

Source: Australian Bureau of Statistics, Overseas Arrivals & Departures, 2008 to 2012



Seasonality

- The peak booking periods for travel to Australia are June to July and December to February.
- The peak travel periods to Australia are July to August and November to March.

SOUTH KOREA

Distribution

4.2 Trends

Distribution

- The structure and function of distribution channels in this market is complex and changes rapidly. Consumers tend to use a combination of traditional distribution partners and online options to research and book travel.
- The FIT segment accounts for approximately 70 per cent of the total outbound market for Australia. Most FIT consumers book online while a small percentage use FIT specialised agents.
- The number of South Korean ITOs in Australia has significantly reduced in recent years.
- Special interest travel continues to grow. Awareness of major events in Australia such as the Gold Coast Marathon and Melbourne Cup has grown in South Korea. Trekking and self-drive (campervan) are also growing in popularity.

Planning and purchasing travel

- According to findings from Tourism Australia's Consumer Demand Research project[9], South Korean respondents would use a mix of online and traditional sources when planning a trip to Australia. There is a preference for general internet searches and government tourism websites, followed by talking to family and friends who have been to Australia, using guidebooks and travel agents. The research found the use of brochures was low compared to the average across all markets.
- The lack of diversified products in the group market drives a consumer focus on price. This is the differentiating factor in the group travel segment rather than product inclusions. Group tour prices are also affected by high airfares in peak season.
- Consumers prefer South Korean language information and brochures. However, younger South Korean consumers are comfortable using English language websites for research and bookings.
- The percentage of young FIT travellers booking tourism products after arriving is increasing.
- Airlines use sales promotions to drive consumers to book airfares and travel packages online. Booking lead times are becoming shorter, approximately two to three weeks prior to departure.
- Word of mouth and online peer reviews are becoming increasingly influential in South Korea.

4.3 Planning a visit to market

Top tips for sales calls

- The South Korean travel trade generally prefer hard copies of brochures and collateral in South Korean language.
- It is helpful to have a translator on sales calls for more effective communication.
- The South Korean travel trade value punctuality and it is a good idea to reconfirm your meeting in advance.
- Bring product information, promotional ideas and specially discounted rates.
- South Koreans value personal relationships. Persistent visits and contact can assist in this process.
- Learning and using simple South Korean words on sales calls can be a good ice-breaker during meetings.
- The best time for sales calls is March to April and October to November.
- The key market centres to visit are Seoul, followed by Busan and Taegu.
- For more general information on sales calls and planning a visit to market, please see Tourism Australia's Planning for Inbound Success at **www.tourism.australia.com/inboundsuccess**

9. Tourism Australia, Australian Consumer Demand Research, conducted by BDA Marketing Planning, 2012

SOUTH KOREA

Distribution

4.4 Key trade and consumer events

Key Trade and Consumer Events		
Event	**Location**	**Date**
Hana Tour Convention	KINTEX, Ilsan city	May 2013

Where to Find More Information

Tourism Australia's activities in South Korea are managed from Tourism Australia's Seoul office. For more information visit Tourism Australia's Corporate website at **www.tourism.australia.com**

Australian State and Territory Tourism Organisations operating in South Korea include Destination New South Wales, Tourism and Events Queensland, Tourism Victoria and Tourism Western Australia.

Also see:
Republic of Korea Country Brief published by the Department of Foreign Affairs and Trade at **www.dfat.gov.au/geo**