

## South Korea

### **Market Summary**

*The economy is improving and the overall economic forecast remains positive. According to the Bank of Korea, the consumer sentiment index (CSI) continued the upward trend during the quarter and the unemployment rate in May 2010 was down to 3.5 per cent, the lowest level in over eight years.*

*The outbound market continued to grow, continuing the unprecedented boom after a difficult 2009. Some agents are finding it difficult to secure seats for groups due to airlines increasing allocations for direct bookings from FIT travellers and foreign sales.*

*South Korea is an extremely tech-savvy market and many agents, airlines and competing destinations are leveraging new technologies to promote their products aggressively and expand their distribution network.*

### **1. Market News**

- South Korea's air passenger volume hit an all-time high in May 2010 with 3.27 million outbound passengers (up 6.5 percent year on year). Domestic was up 14.5 percent year on year to 1.94 million. *Source: Maeil Business, 14 June 2010*
- According to a recent study, 27 percent of Koreans plan to travel within the next six months. The top destinations are Japan (44 per cent), Australia (28 percent) and USA (22 percent). The top South Korean purchasing priorities for the next three months are Dining and Entertainment (73 percent), Fashion and Accessories (58 percent) and Consumer Electronics (45 percent). *Source: MasterCard Worldwide Index of Consumer Purchasing Priorities, Jan – Jun 2010*
- Unemployment fell to 3.2 percent in May 2010, the lowest since October 2008. Employment of younger people (aged 15-29) is increasing with the youth unemployment at 6.4 percent in May 2010 (down from 8.6 percent in the previous month). Gross domestic product (GDP) grew 8.1 percent year on year in the first quarter 2010. *Source: Maeil Business, 4 June 2010, Chosun Daily, 10 June 2010*

- The Korean Won depreciated by 9 per cent against the US Dollar during this quarter; from KRW 1115.8 in April (monthly average) to KRW 1215.05 in June. By comparison, the Won depreciated by only 2 percent against the Australian Dollar during the quarter; from a low of 1015.47 in May to 1036.25 in June 2010. *Source: Maeil Business, 30 June 2010 and x-rates.com, 2 August 2010*
- Credit card usage surged by 11.4 percent from the previous quarter. *Source: Financial News, 27 May 2010*
- SK Telecom (SKT), Korea's number one mobile service operator, signed an agreement with the Korea Tourism Organisation to use augmented reality technology to launch 'smart' tourism services. The service provides basic information on tourist attractions, users can map out an itinerary for the day and the service will guide them to each destination, they can upload their pictures and messages to social networking sites and access information and reviews on nearby restaurants. *Source: Joongang Daily, 8 June 2010*

## 2. Consumer Insights

- A recent report found that mandatory shopping and travelling with strangers are the primary drivers for FIT travellers choosing FIT over group travel. The most popular destinations for Korean FIT travellers are Japan (26.96 per cent), USA (6.27 per cent), Hong Kong (5.52 per cent) and Thailand (4.72 per cent). *Source: The Korea Travel Times, 21 June 2010*
- According to research by Mode Tour and Mbrain:
  - Majority of South Korean's first outbound trip is taken between ages of 20 - 29 (47.4 per cent), followed by those aged over 30 (42 per cent)
  - Majority of respondents think that the ideal age for their child's first overseas trip is 8 – 19 years (57.5 per cent) and in their twenties (36.1 per cent). *Source: momonews.com, 1 June 2010*
- As the peak summer holiday season approaches, food companies are aggressively promoting their own products by offering holiday giveaways to their customers. *Source: Yonhap News, 15 June 2010*
- M.net Korea and COLA, a lifestyle magazine for younger readers, announced that Tourism Australia's consumer website was voted by 400 opinion leaders as the best website of all National Tourism Offices in terms of content. *Source: M.net Korea/COLA magazine*

For the latest in visitor arrivals, please visit 'Research & Statistics' at [www.tourism.australia.com](http://www.tourism.australia.com)

### 3. Trade Update

- The Sydney-Port Stephens five nights/six day package (KRW 1,640,000 - 2,090,000) is still the most popular package product. The five night/six day Sydney-Gold Coast package (KRW 1,540,000 2,640,000) is also popular. Source: [www.hanatour.com](http://www.hanatour.com), [www.modetour.com](http://www.modetour.com)
- Trade expect that total outbound will exceed the 2007 record. Both Hana Tour and Mode Tour have had record numbers of bookings from June – August 2010. According to CEO, Kweon Hee-seok, Hana Tour will achieve an operating profit of KRW 40 billion, exceeding 2007 levels even after new investments for business expansion. Achieving its 2010 target would be a dramatic turnaround from a deficit of KRW 4.8 billion in net profits in 2009. Source: *Yonhap News*, 22 June 2010 and *the Korea Herald*, 23 April 2010
- Korean trade are increasing their emphasis on Business Events:
  - Lotte Tour established a new MICE business department in May
  - Mode Tour network announced its plan to hire an international convention planner
  - Hana Tour will implement their long term strategy to strengthen its position in MICE industry. Source: *Yonhap News*, 12 May 2010
- Over 30,000 people visited and 220 companies exhibited at the '2010 Hana Tour Travel Exhibition' at Ilsan KinTex. According to Hana Tour, there were approximately 40,000 reservations for outbound travel made during the Exhibition. Source: *Yonhap News*, 31 May 2010
- The booming Smartphone market is impacting on marketing and the distribution network of travel industry, but the Korean trade are yet to create any solid business models. Source: *Tour Media*, 14 June and *NewsTomato*, 2 April 2010
  - Tour Jockey, an airfare comparison website developed an iPhone application
  - Red Redcap Tour developed 'real time flight reservation' iPhone app to make searching and booking flights more convenient and enabling consumers to access real time information on available seats on all airlines plus exclusive deals
  - JaU Tour provides giveaways to encourage consumers to use their iPhone app.
- Tour Express launched 'International Flights Business Centre' to better serve first and business class customers by providing additional services such as one-on-one consultation and free travel insurance. Source: *Yonhap Imazine*, 24 May 2010
- VeryGoodLeisure is providing consumers a one percent rebate of their purchasing price. This scheme is popular in other consumer products but has never before been applied to travel. The point-based rebate plan enables consumers to spend points on other travel products/services offered by VeryGoodLeisure and their partner companies. Source: *Money & Business*, 7 June 2010

- Hana Tour introduced an innovative media system that links popular social networking site Twitter with mobile MMS and offers a blog-based media service for their customers. Daily Spots, the system that allows interface between twitter and mobile MMS, enables consumers to ask and answer questions on various destinations throughout the world and provides real time access to destination information. *Source: Seoul Economy, 16 June 2010*

#### 4. Airline News

- International passengers were up 27.3 percent reaching record levels in May 2010. Flights from Incheon increased by 25.3 percent, with key growth seen on services to China (up 35.6 percent), East Asia (up 22.4 percent) and Europe (up 20.9 percent). Flights departing Kimpo were up 44.2 percent. The share of low cost carriers increased from 25.5 percent in 2009 to 33.1 percent. *Source: Asia Economy, 14 June 2010*
- Passengers on Korean Air (KE) were up 22 percent year on year in May. KE's peak season (24 July - 23 August) load factors are as follows: Europe 93 percent (up 8 percent), Oceania 90 percent (up 7 percent), Asiana 90 percent. *Source: Segye Ilbo, 21 June 2010*
- Fuel surcharges for long haul flights (i.e. Australia, USA, Canada and Europe) will increase by US\$18 to US\$118 for tickets issued from July - August 2010. *Source: Chosun Daily, 1 June 2010*
- Asiana was voted Airline of the year 2010 and Best Airline Asia at 2010 Skytrex World Airline Awards. More than 17.9 million air travelers from more than 100 nations took part in the survey. Korean Air was awarded the A330 Award for Top Operational Excellence by Airbus. *Source: Global Travel News, 31 May 2010 and 21 June 2010*
- The Ministry of Land, Transport and Maritime Affairs approved 21 new routes from Korea to Europe, Japan and East Asia. *Source: The Financial News, 20 April 2010*
- Asiana Airlines launched an iPhone application providing access to flight status, personal mileage and airport information. *Source: Newsis, 31 May 2010*
- JinAir cut its daily Bangkok service to just four times per week in reaction to lower demand following the unrest in Thailand. The airline also launched two for one special deals to stimulate demand. Two return airfares start from KRW 330,000. *Source: Sports World 31 May 2010*

#### 5. Competitor News

- Korean visitors to Hawaii were up 91 percent year on year in the first quarter 2010. A honeymoon famil to Hawaii was arranged for 11 top Korean agents in May. Asiana's bookings were up 21 percent year on year and KE's bookings were up 7.3 percent year on year. From June 2010, KE operate ten weekly services to Hawaii. *Source: Chosun Daily, 22 June 2010, Money & Business, 16*

May 2010, *The Korea Travel Information Times*, 3 Jun 2010 and *Kyunghyang Daily* 13 May, 2010

- The Californian tourism office launched a new version of their 'Hotel California' website in June. They also partnered with KE to provide cash and voucher incentives for the top performing travel agents. *Source: The Korea Travel Times, 15 June 2010*
- Following the establishment of the Open Skies agreement between Korea and Canada in June 2009, Asiana Airlines and Air Canada expanded their alliance through a memorandum of understanding (MOU) covering marketing and services to operations. *Source: Maeil Business, 1 April 2010*
- The French Government Tourist Office partnered with RTS (wholesaler of European products) to run an itinerary development competition for trade and offered prizes for consumers who book these itineraries. *Source: Yonhap Imazine, 23 Jun 2010*
- Hong Kong Tourism Board, Tourism Canada and Switzerland Tourism launched iPhone applications; however, most are in English. *Source: The Korea Travel Times 14 June 2010 & Asia Economic Daily 19 April 2010*
- New destinations are also emerging in Korea:
  - Tourism India opened a new visitor information centre in June. *Source: Global Travel News, 28 June 2010*
  - Egypt Tourism held a seminar in KOTFA (Korea Travel Fair) in June following a 78 percent increase in Korean visitor arrivals in first quarter 2010. *Source: NEWSIS, 3 June 2010*

## 6. Key Campaigns and Activities in Market

| Country Name campaigns and activities |             |  |  |  |
|---------------------------------------|-------------|--|--|--|
| START DATE                            | END DATE    | DESCRIPTION  | TARGET AUDIENCE                                      | PARTNERS   |
| 20 Apr 2010                           | 30 Jun 2010 | <i>Aussie Specialist Program (ASP)</i> : offline training in partnership with major trade partners                     | 40 new ASPs<br>24 qualified ASPs<br>36 training ASPs | Hanatour, Lotte, VeryGoodLeisure, OKTour, Edu, NJK, Redcap Tour, Exciting, Modetour Networks         |
| 28 Apr 2010                           | 8 May 2010  | <i>International Media Hosting Program (IMHP)</i> : BC Magazine and S Magazine visit Cairns                            | Family segment                                       |  |
| 29 Apr 2010                           | 29 Apr 2010 | <i>Busan Seminar</i> : Trade development seminar hosted in partnership with Dragon Air and State Tourism Organisations | Agents from Busan                                    | STOs<br>Dragon Air   |
| May 2010                              | May 2010    | <i>ASP Recruitment</i> : Newspaper advertisement placed in major trade publications                                    | Agents   | Korea Travel Times, Global Travel News, Tour Media, Korea Travel Information Times, Travel & Leisure |
| 24 May 2010                           | 31 May 2010 | <i>IMHP</i> : Happy House Magazine visits Australia to report on family experiences                                    | Family segment                                       |  |
| 28 May 2010                           | 30 May 2010 | <i>2010 Hanatour Travel Exhibition</i>   | Agents and consumers                                 | Hana Tour Services   |
| 29 May 2010                           | 31 May 2010 | <i>Australian Tourism Exchange (ATE)</i>   | Agents and Media                                     |  |
| 1 Jun 2010                            | 30 Jun 2010 | Digital Campaign to highlight alternative/indirect flight options for Korean consumers                                 | FIT segment  |  |
| 1 Jun 2010                            | 30 Jun 2010 | Adventure Seeker Phase II campaign   | FIT segment  | EMT Segyero, Exciting Tour, Hanatour Service Inc., Inha Travel, IOS Travel, Fides Travel,            |

|             |             |   |                   |   |
|-------------|-------------|---|-------------------|---|
| 1 Jun 2010  | 30 Jun 2010 | <i>Adventure Seeker Campaign</i> : Brand Co-op with Tourism Queensland                                | FIT segment       | Tourism Queensland, Hanatour Service, Mode Tour Networks, Lotte Tour, Naeil Tour, Hanjin Travel |
| 1 Jun 2010  | 31 Jul 2010 | <i>Adventure Seeker Campaign</i> : Hyundai Card, Australia Promotion                                  | FIT segment       | Hyundai Card  |
| 10 Jun 2010 | 16 Jun 2010 | <i>IMHP</i> : KBS TV, Living TV, Your 6pm visit Australia to showcase Australia's Family experiences. | Family Segment    |   |
| 17 Jun 2010 | 19 Jun 2010 | <i>Business Events</i> : North Asia Business Events Forum at the 2010 Shanghai World Expo             | Corporate buyers  | Australia's Convention Bureaus  |
| 16 Jul 2010 | 18 Jul 2010 | 2010 Weddex Korea   | Honeymoon segment | Hanatour Service Inc., Modetour, Lotte Tour, Hanjin Travel, Redcap Tour                         |
| July 2010   | July 2010   | 2010 ASP Consumer Guide Book: Distributed by Direct Mail  | FIT segment       | The Travel Times, Travie  |
| Jul 2010    | Jun 2011    | Business Events Merchandise and Loyalty Program   | BE segment        |   |
| Aug 2010    | Dec 2010    | FIT Consumer Research   | FIT segment       |   |
| Aug 2010    | Sept 2010   | FIT/Special Interest Tourism (SIT) product development  | FIT segment       | TBD   |