

SOUTH KOREA MARKET PROFILE

Market overview

In 2016, South Korea was Australia's eighth largest market for visitor arrivals, sixth largest market for total visitor spend and visitor nights.

Key importance factors for holiday destination choice¹

World class nature **56%**

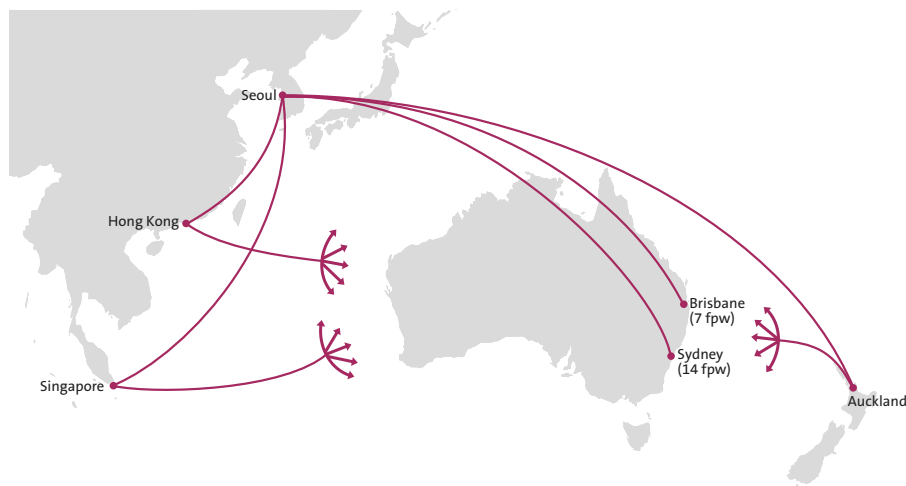
Safety and security **51%**

Value for money **48%**

Good food and wine **43%**

Aquatic and coastal **33%**

Aviation routes from South Korea to Australia²

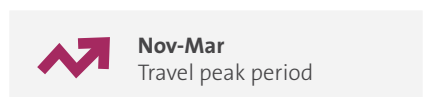
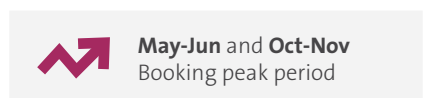
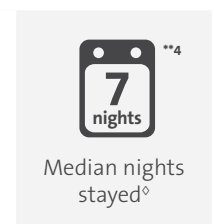
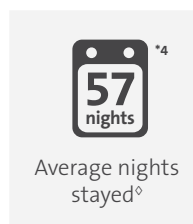
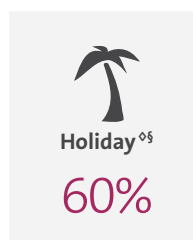
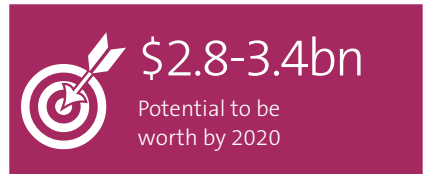


fpw: flights per week

Which airlines³ do visitors from South Korea use to travel to Australia?

Airline	2012	2013	2014	2015	2016
Korean Airlines	32%	31%	30%	32%	32%
Asiana Airlines	23%	25%	23%	20%	18%
Air Asia X	1%	3%	10%	6%	6%
Cathay Pacific Airways (HK)	10%	8%	5%	7%	6%
Qantas Airways	7%	6%	5%	5%	5%
Jetstar (Australia)	5%	5%	5%	5%	5%
Singapore Airlines	3%	5%	6%	5%	4%
Emirates	3%	2%	2%	3%	3%
Others	15%	14%	14%	17%	20%

Notes: *Average nights: the sum of all nights divided by the sum of all visitors. **Median nights: the midpoint length of stay for which 50% of visitors stay less and 50% stay longer. † Data refers to an average of 2012-2016. ‡ Refers to share of arrivals of respective purpose. § Other includes education, employment and others. Sources: 1. Tourism Australia, Consumer Demand Project, 2016. 2. Department of Infrastructure and Regional Development, December 2016. 3. Department of Immigration and Border Protection, December 2016. 4. Tourism Research Australia, International Visitor Survey, December 2016.



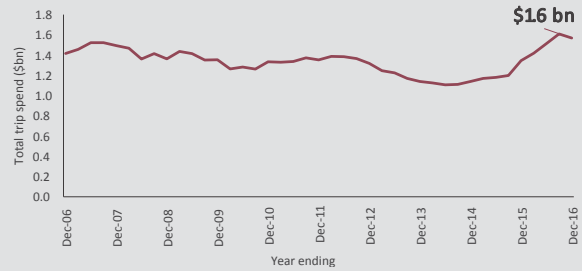
SOUTH KOREA MARKET PERFORMANCE

» The charts on this page provide a trend overview of visitor arrivals and spend over the last 10 years by main purpose of visit, by first and repeat leisure^Δ visitors and also a snapshot of age demographic split of leisure visitors and spend.

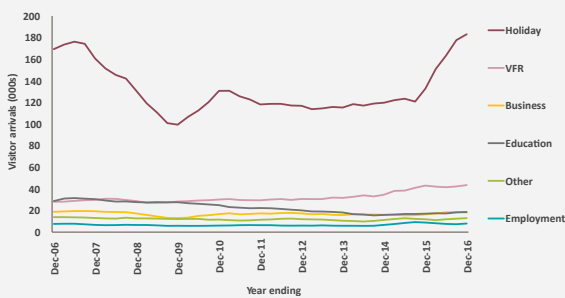
Visitor arrivals¹



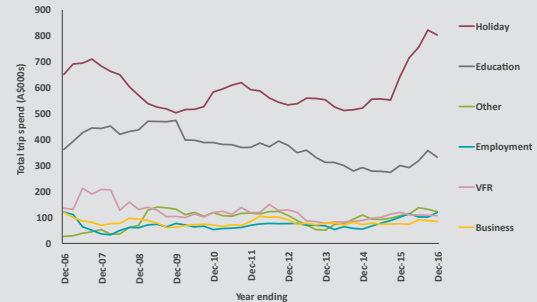
Visitor spend²



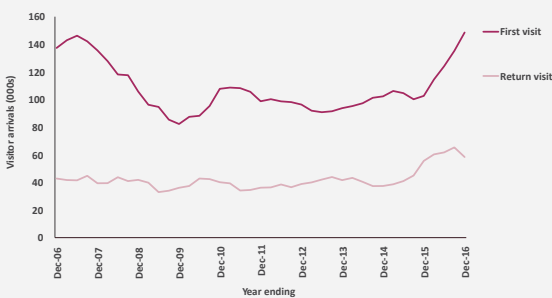
Visitor arrivals by main purpose of visit¹



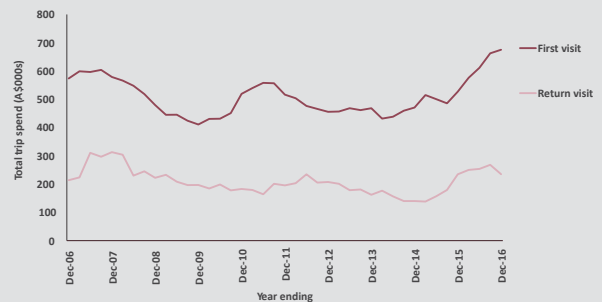
Visitor spend by main purpose of visit²



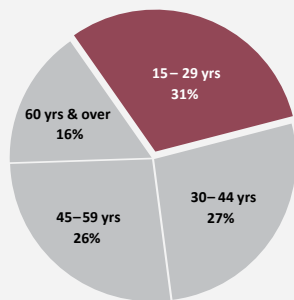
First and repeat leisure visitor arrivals²



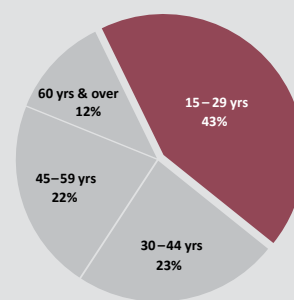
First and repeat leisure visitor spend²



Leisure arrivals by age^{2†}



Leisure spend by age^{2†}



Notes: ^Δ Leisure refers to main purpose of visit of holiday and visiting friends and relatives. [†] Age profile data refers to an average of 2012-2016.

Sources: 1. Department of Immigration and Border Protection, December 2016. 2. Tourism Research Australia, International Visitor Survey, December 2016.



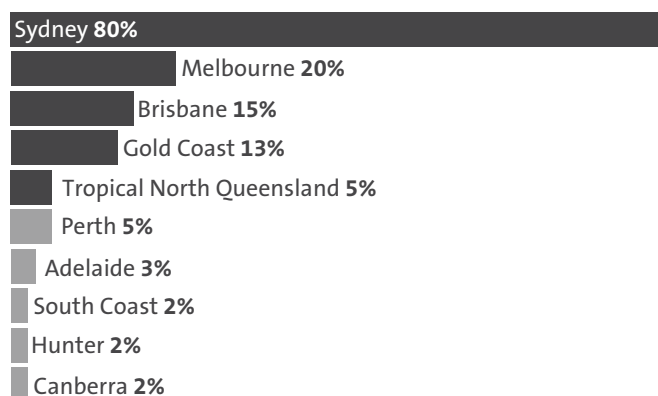
SOUTH KOREA MARKET PERFORMANCE

» The following^o table provides a summary of arrivals, spend and the proportion of repeat visitors to Australia by main purpose of visit: holiday, visiting friends and relatives and business.

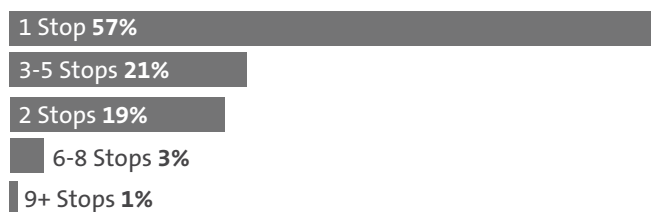
	HOLIDAY	VISITING FRIENDS AND RELATIVES	BUSINESS
Arrivals ¹	133,600 (60% [§])	36,800 (16% [§])	16,800 (8% [§])
Spend per trip ²	\$4,900	\$3,000	\$4,900
Spend per night ²	\$122	\$98	\$277
Repeat visitors ²	22%	59%	55%
Average nights stayed ²	41	32	17
Median nights stayed ²	4	13	5

» The following provides an overview of top 10 regions visited by leisure visitors and the number of stopovers made in Australia by leisure visitors.

Top 10 regions visited by leisure visitors^{o**2}



Overnight stopovers made in Australia by leisure visitors^{o**2}



Read as: 21% of leisure travellers from South Korea visited 3-5 regions (and made at least one overnight stay).

Notes: ^o Data refers to an average of 2012-2016. [§] Refers to share of arrivals of respective purpose of visit. ^{*} Leisure refers to main purpose of visit of holiday and visiting friends and relatives. [^] Percentages will not add to 100% as one person can visit multiple regions. The data refers to visitors that made at least one overnight stay.
Sources: 1. Department of Immigration and Border Protection, December 2016. 2. Tourism Research Australia, International Visitor Survey, December 2016

SOUTH KOREA AVIATION LANDSCAPE



291,000
Inbound seats



6%
year on year



18 Flights
per week

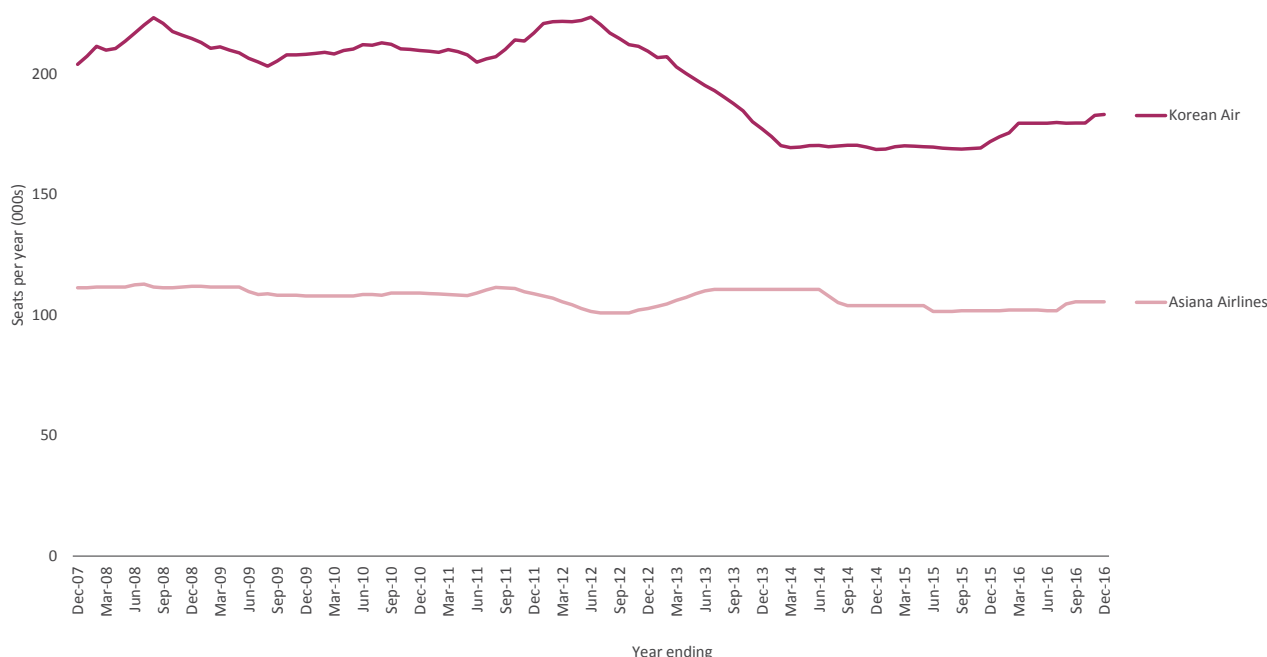
Aviation capacity levels from South Korea to Australia remain seasonal with airlines typically expanding operations during peak Australia summer months. During December 2016 to February 2017, Jin Air operated twice weekly charter flights from Seoul to Cairns. This brought approximately 8,500 additional seats to Australia. Korean Air and Asiana Airlines have both upgauged their Seoul to Sydney services to A380 aircrafts during the 2016-17 Australian summer months, adding approximately 16 per cent additional capacity during this peak period.

- » Around half of South Korean visitors to Australia travelled on non-direct flights via a number of hubs in North Asia and Southeast Asia. Air Asia X and Cathay Pacific are the next most popular choice after Korean Airlines and Asiana Airlines. (See table on page 1)
- » Inbound arrivals from Korea have recorded very strong growth of 24%. Korea remains a highly seasonal market with very high demand and loads during January/February, July and October. Average loads outside these months remained healthy (>75 per cent), indicating there could be

opportunities to expand direct capacity between South Korea and Australia.

- » Korea remains an aviation development priority for Australia. Despite the challenges above, there are also several opportunities (e.g. Korean carriers developing interline or codeshare partnerships with Australian carriers to encourage further dispersal around Australia, working with younger travellers who can help fill low periods of demand and reduce seasonality).

Direct aviation capacity from South Korea to Australia¹



Weekly services to Australia²

Operating Airlines	Flights per week	Route	Alliance/ code share partner (on route)
Asiana Airlines	5-7	Seoul-Sydney	Qantas, Turkish Airlines
Korea Air	4	Seoul-Brisbane	Czech Airlines
	7	Seoul-Sydney	

Sources: 1. Department of Infrastructure and Regional Development, International Airlines Timetable Summary (Northern Summer), 2017 2. Department of Infrastructure and Regional Development, Aviation Statistics, December 2016

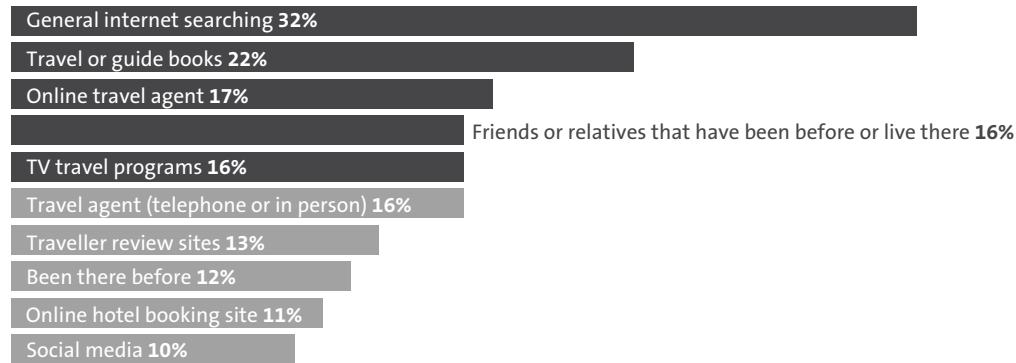


SOUTH KOREA

PLANNING AND BOOKING INFORMATION SOURCES

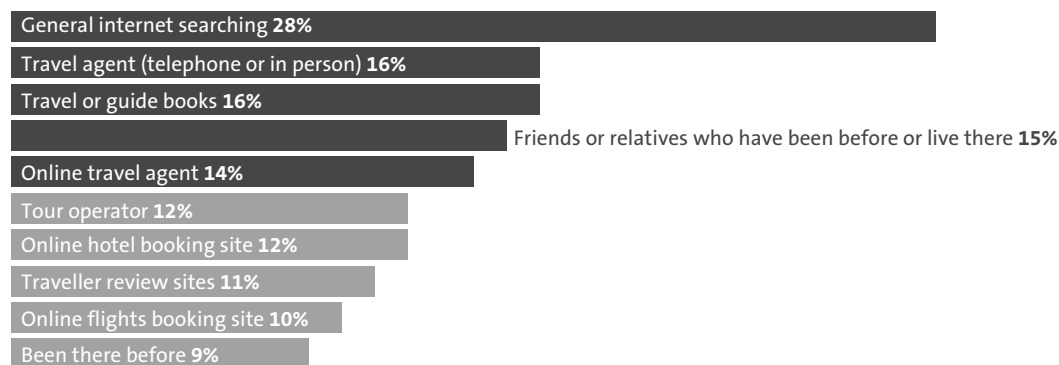
The following charts highlight the information sources that South Korean consumers use to plan and book their holidays.

Preferred sources for early planning and inspiration



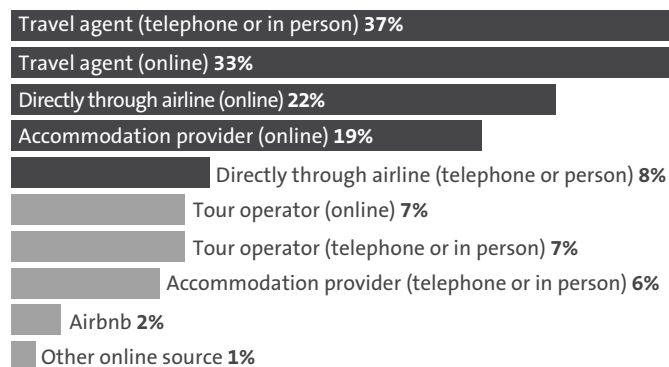
Read as: 32% of respondents indicate 'general internet searching' as a preferred source during the early stages of planning a holiday.

Preferred sources for seeking information



Read as: 28% of respondents indicate 'general internet searching' as a preferred source for seeking information about a holiday destination.

Preferred sources used to book a holiday



Read as: 37% of respondents indicate 'travel agent (telephone or in person)' as a preferred source when booking a holiday.

Source: Tourism Australia, Consumer Demand Project, 2016

SOUTH KOREA DISTRIBUTION

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 in the South Korean market. The outbound leisure travel market for Australia consists of around 40 per cent group travel and 60 per cent Free and Independent Travel (FIT).

Distribution system

WHOLESALEERS/ LARGE AGENCIES

Commission Level: 5% to 12%

- » Hanatour and Modetour are the largest wholesalers distributing their own products to two types of retail agents – general agents and franchisees. The total number of franchisees for both wholesalers is around 2,000 throughout South Korea.
- » Hanatour has increased its own overseas offices for land operations as well as catering to outbound travel from these offices as part of its diversification strategy. These overseas offices also focus on the development of in-bound group travel to Korea and other destinations beyond their own regions. Hanatour is continuing to increase the number of its Inbound Tour Operators (ITOs) in order to streamline and reduce land operation fees. In recent years, Hanatour has been investing in expansion into the FIT market utilizing the brand ‘Hana Free’. Lately promotion of the ‘HanaFree’ branding is being scaled back in order to prevent brand dilution with a drive towards the core brand ‘Hanatour’ for FIT to leverage its brand power. Strong performance in hotel and air bookings have resulted from stabilisation of online booking engines and digital marketing strategies. Additionally, Hanatour has expanded its business to include two Hotels in Korea for the inbound market and one in Japan focused on outbound and direct hotel bookings. In 2015 diversification into Duty free stores saw the launch of SM Dutyfree in both Incheon airport and CBD locations. After a slow start and a loss in its first year of ADU20mil combined with the recent ban on group travel to Korea from China is impacting the sustainability of the duty free operation.
- » Modetour is facing increasing competition particularly from Interpark in the package tour space as well as Yellow Balloon and Very Good Tour in the discounted package product space as it confronts the challenge of developing and investing in new business models or maintaining the current traditional market strategy. Modetour’s presence in the FIT space still remains weaker than Hanatour and Interpark with growth predominantly across package and ticket sales.
- » Large agents such as Lotte Tour, Lotte Holidays (formerly LotteJTB) and Hanjin are engaged in both retail and wholesale activities however the proportion of wholesale activities remains small.
- » Very Good Tour and Yellow Balloon continue to show significant success in growing their businesses in the retail agent space. Leveraging of TVC’s and celebrity marketing have aided in improving awareness and brand image in these businesses. As volumes have increased and more attention is placed on consumer experience and feedback, the perceived quality of the product sold is also increasing.
- » Interpark has solidified its position in the market reporting rapid growth in FIT travel, hotel and air ticket bookings online. Expansion to package tours have also shown significant success as well as a demonstrated ability to compete with larger listed retail agents above.

SOUTH KOREA DISTRIBUTION

RETAIL AGENTS

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

- » By volume, the main retail agencies in South Korea are: Freedom Tour, Hanjin, KRT, Lotte Holidays (formerly LotteJTB), Lotte Tour, Tour2000, Very Good Tour, Yellow balloon. Amongst the agents, Very Good Tour and Yellow balloon are growing faster than other agencies handling more volume each year. A combination of consumer confidence and marketing investment is driving a change. As their reputation, volumes and buying power improves, so too does their competitiveness against traditionally larger retailers.
- » There are a number of active FIT agents in South Korea including Hanafree, Naeil Tour, Interpark, Blue Travel, IOS, Seygero and Webtour, who develop customised FIT packages, but as yet there is no clear dominant market leader. Currently by total volume, Naeil Tour is leading the market for FIT products and Interpark is leading for online air ticket bookings. For Australia in particular Seygero is presently the leader in FIT products on offer.
- » New business trend – ITOs for the FIT market are opening branch offices in Korea. The trend extends to sales as they are also engaged in B to C direct sales which are enhanced by access to local sales offices. Lower cost data roaming is also impacting pre-booking of product in favour of booking when they arrive, impacting particularly traditional retail FIT agents. Many travellers are purchasing transportation passes, attraction vouchers and activities before and after arrival via online channels.
- » Transportation passes, attractions and individual activity vouchers are rising particularly in ease of booking via mobile. Socuripass, myrealtrip and other specialised voucher booking websites are placing pressure on traditional travel agents to provide options for the consumer in an easy to purchase manner. Vouchers currently available include transportation, day tours, attraction and activities.

AUSSIE SPECIALISTS

1,056 qualified Aussie specialists as of Mar-17

- The Aussie Specialist Program (ASP) is the primary platform for Tourism Australia to train and develop front line travel sellers to best sell Australia. The 'New ASP' program launched in February 2016 in Korea.
- » As at March 2017, there were 1056 qualified Aussie Specialists in South Korea.

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 bookings particularly air.
- » Trend to mobile first in travel information collection though many travelers will still utilise a PC to make the actual booking.

INBOUND TOUR OPERATOR

Commission Level: 5% to 10%

- » Inbound Tour Operators (ITOs) provide a vital link between Australian product and South Korean group travel agents with about one third of the 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.
- » 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, Good Memory Tours, Hanatour Oceania, Hoju Tour (formerly Harbour City International), Honew Tours, I Tour, New Line Korea Tours, OZ Korea Travel, Paran Travel, Royal Holiday Travel, S.S.K Travel (HIHOJoo), Travel Center, Win Hanaro Tour, Wonderful Pacific.
- » Key ITOs in Seoul include: Australia Tour, Honew Tour, I Travel, Key World, Newline Korea Tours, Oceania Tour, OTT, Paran Travel, Road Tour and Travel, Tour TTL, Wonderful Pacific.
- » A new breed of FIT focused organisations including Avela, Hanul and Travel Center are emerging as strong players in the industry working as both ITO's, retailer and wholesalers in one.

SOUTH KOREA DISTRIBUTION

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 50 per cent of the outbound leisure market for Australia. Most FIT consumers book accommodation and air tickets online, while a small percentage use FIT specialised agents.
- » Individual activity vouchers for transportation, attraction and tourism activities is rapidly growing on the back of online booking development.
- » Recent successes in returning the market to growth in 2016 identified operational weakness as a consequence of the reduced number of ITO's and guides. ITO's are currently considering how to enhance operational functions particularly guides and hotels.
- » Special interest travel continues to be introduced. Awareness of major events in Australia such as: Vivid Sydney, the Sydney Royal Easter Show, the Gold Coast Marathon and Melbourne Cup, have all grown in South Korea.
- » Multi-cities, longer stay products, outback experiences, bush-walking and self-drive (campervan) are also continuously promoted in market. SYD/MEL/OOL, 3-city itineraries have now stabilised as key products evidence that longer stay itineraries with a higher price point, are able to work in the market. Uluru is also increasing in popularity as a result of increased marketing attention on the destination particularly with FIT agents.
- » Home shopping as a purchasing tool continues to have a place in the market however this has proven challenging recently as saturation of travel related sales occurs across channels.

Planning and purchasing travel

- » 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 Korean language information and brochures. However, younger South Korean consumers are slightly more comfortable using English language websites for research and bookings.
- » The percentage of young FIT booking tourism products after arrival is increasing through ITOs and travel agents based in Sydney such as Travel Center. Affordable data roaming is making it easier for Korean travelers to book at any time before or during their trip with a trend to book once in country rather than prior to departure.
- » 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.

Trends

Special Interest



» Luxury, campervan, bush walking travel and outback experiences including Uluru for Australia has been strongly exposed into the market as niche products and new destinations. These concepts are currently being delivered by FIT and speciality agents.

Planning a visit to market

Top tips for sales calls



- » The South Korean travel trade generally prefer hard copies of brochures and collateral in 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 Korean words on sales calls can be a good icebreaker during meetings.
- » The best time for sales calls is March to April and mid-October to November.
- » The key market centres to visit are Seoul, followed by Busan and Daegu.
- » For more general information on sales calls and planning a visit to market, please see Tourism Australia's Planning for Inbound Success ebook at: www.tourism.australia.com/inboundsuccess

SOUTH KOREA

FURTHER INFORMATION

Key trade and consumer events

Event	Location	Date
Hanatour International Travel Show	Ilsan Kintex (1–1.5 hours away from Seoul)	June 2017
Modetour Travel Show	Seoul	November 2017
Dreamtime	Brisbane, Australia	3-9 Dec 2017

Where to find more information

Tourism Australia's activities in South Korea are managed from its 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 NSW, Tourism and Events Queensland and Tourism Western Australia.

Also see:

» Republic of Korea (South Korea) Country Brief published by the Department of Foreign Affairs and Trade at www.dfat.gov.au/geo

» For the latest arrivals statistics, visit: <http://www.tourism.australia.com/statistics/arrivals.aspx>

» For additional statistical reports refer to the ABS and TRA websites, www.abs.gov.au and www.tra.gov.au

» For additional information on consumer research, visit: <http://www.tourism.australia.com/statistics/consumer-demand-research.aspx>

Contact

Level 29, 420 George Street

Sydney, NSW, 2000

Telephone: +61 2 9360 1111

Email: ask.us@tourism.australia.com

Corporate: tourism.australia.com | twitter.com/TourismAus

Consumer: australia.com | twitter.com/Australia | facebook.com/SeeAustralia