SOUTH KOREA
Market Profile

Performance overview

In 2013, South Korea was Australia's eighth largest inbound market for visitor arrivals, the sixth largest market for total expenditure and fifth for visitor nights. It was the ninth largest market for total dispersed nights[1] during 2013.

The October 2013 issue of Tourism Research Australia's bi-annual Tourism Forecasts estimates that visitor arrivals from South Korea will increase 2 per cent in 2013/14 and 3 per cent in 2014/15, with an annual compound growth rate of 4 per cent expected until 2017/18.

Aviation routes from South Korea to Australia[2]

Visitor profile in 2013

34% repeat visitors[3]

74% of total arrivals are for leisure[3]

20-34 years largest demographic[3]

$6,205 average spend[3]

58 nights average stay[3]

Jun-Jul and **Dec-Feb** peak booking period

Jul-Aug and **Nov-Mar** peak travel period

$2.8-3.4bn

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

$1.1bn total spend

Total spend from South Korea in 2013 (down 14 per cent on 2012)[3]

197,700 arrivals

South Korean visitor arrivals in 2013 (down 2.8 per cent on 2012)[4]

10.6m total nights

South Korean visitor nights spent in Australia in 2013 (down 17 per cent on 2012)[3]

23% dispersed nights[1]

Percentage of total South Korean visitor nights spent outside gateway cities in 2013 (down 5 per cent on 2012)[3]

Australia ranks **12th**

among all out of region outbound[5] destinations for South Korean travellers[6]

Consumer research

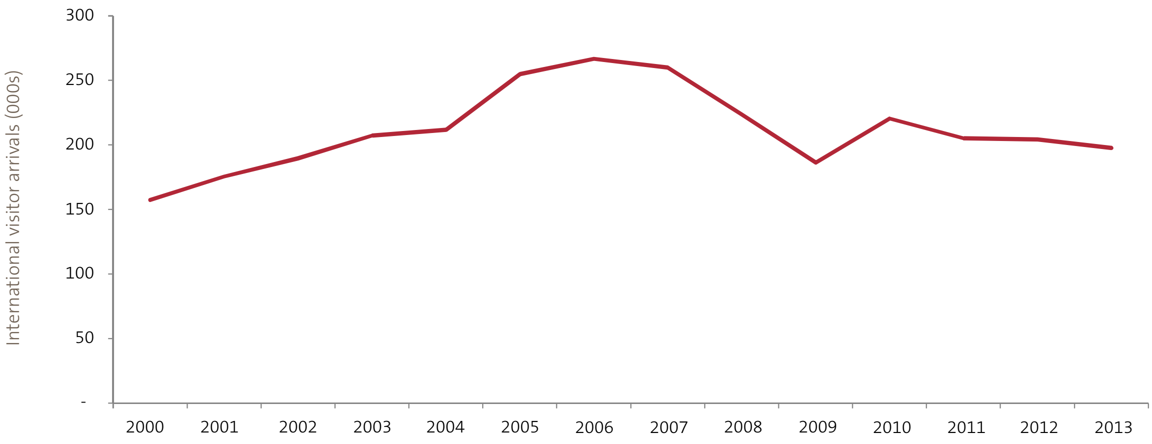
For detailed research into how South Korean consumers view Australia and what motivates them to visit the country, see **www.tourism.australia.com/statistics/fact-sheets**

1. *Dispersed nights refer to nights spent outside gateway cities of Sydney, Melbourne, Brisbane and Perth.*
2. *Source: CAPA - Centre for Aviation, Official Airline Guide (OAG), and Tourism Australia analysis.*
3. *Source: International Visitor Survey, Tourism Research Australia.*
4. *Source: Overseas Arrivals & Departures, Australian Bureau of Statistics.*
5. *Out of region travel from South Korea excludes travel to North East Asia.*
6. *Source: Tourism Decision Metrics, Tourism Economics.*

SOUTH KOREA
Market Performance

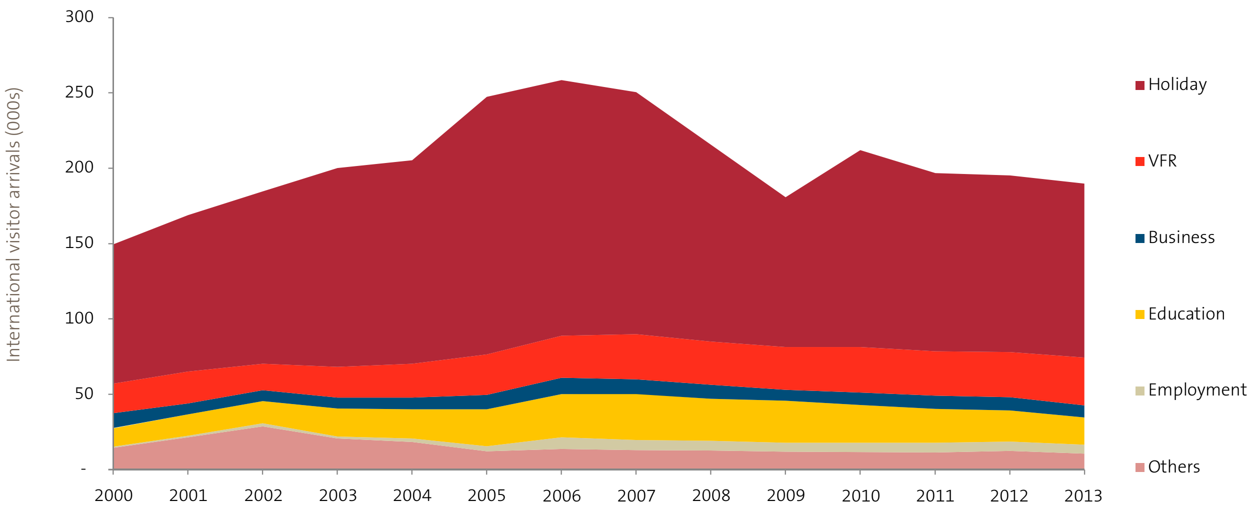
Arrivals trends

History of Visitors from South Korea into Australia



Source: Australian Bureau of Statistics, Overseas Arrivals & Departures

History of Visitors from South Korea by Purpose of Visit

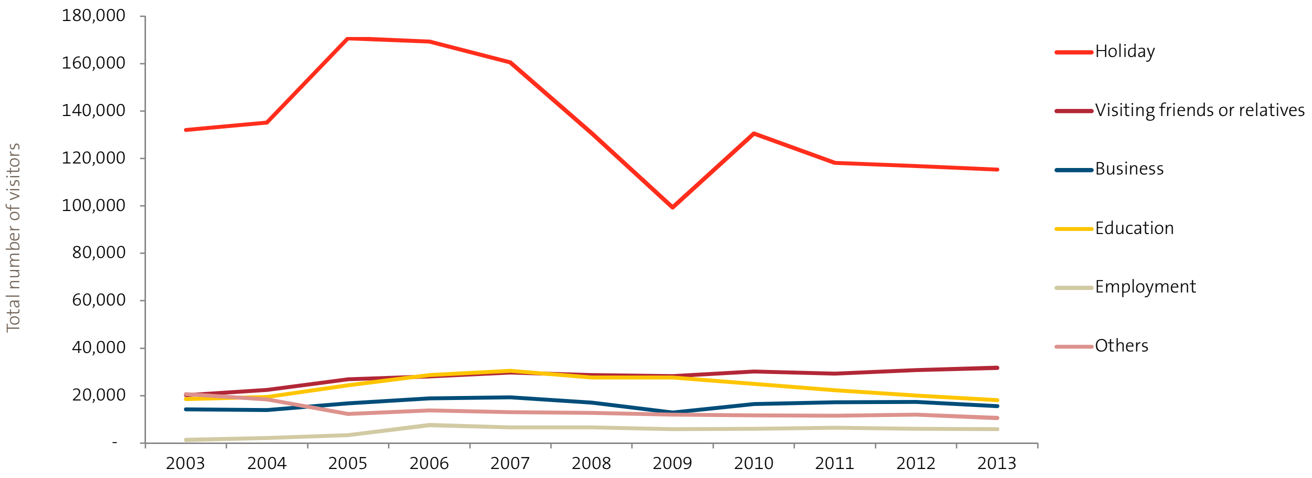


Source: Australian Bureau of Statistics, Overseas Arrivals & Departures

SOUTH KOREA

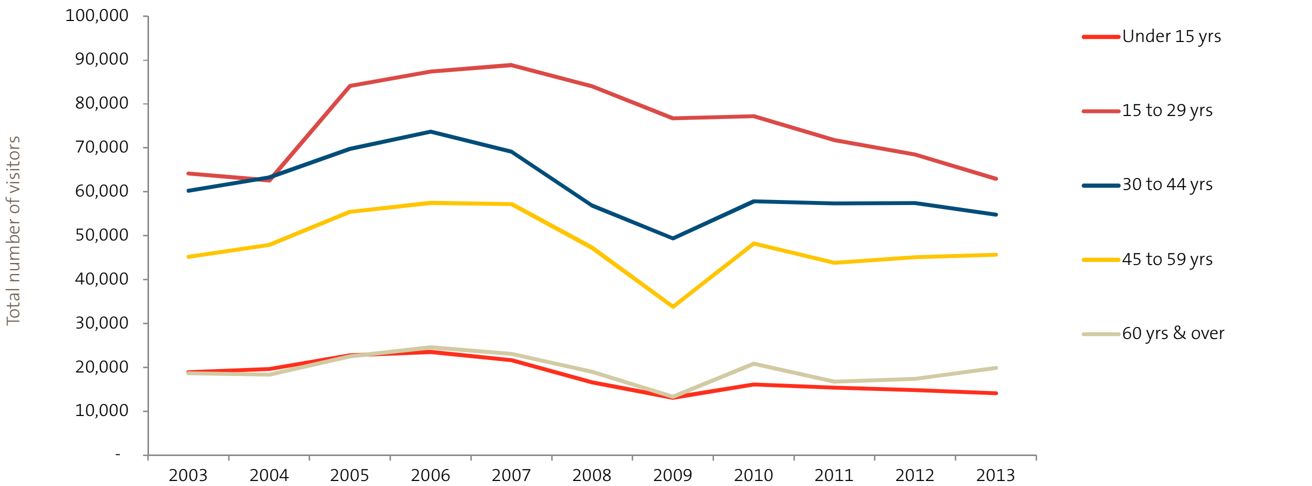
Market Performance

Visitor Arrivals by Purpose of Visit for 2003-2013



Source: Australian Bureau of Statistics, Overseas Arrivals & Departures

Visitor Arrivals by Age for 2003-2013



Source: Australian Bureau of Statistics, Overseas Arrivals & Departures

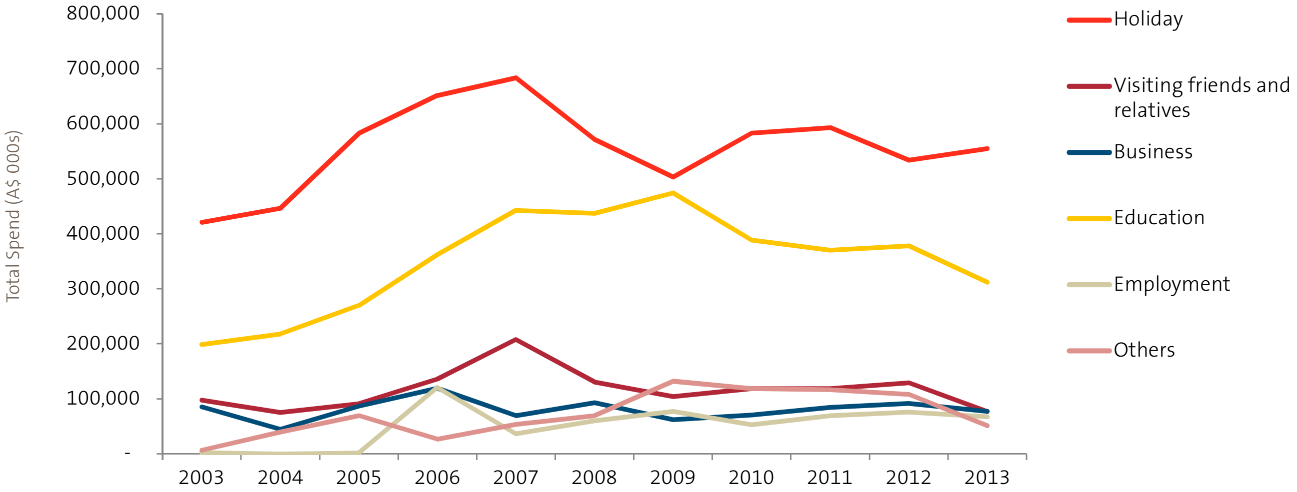
TOURISM AUSTRALIA

SOUTH KOREA

Market Performance

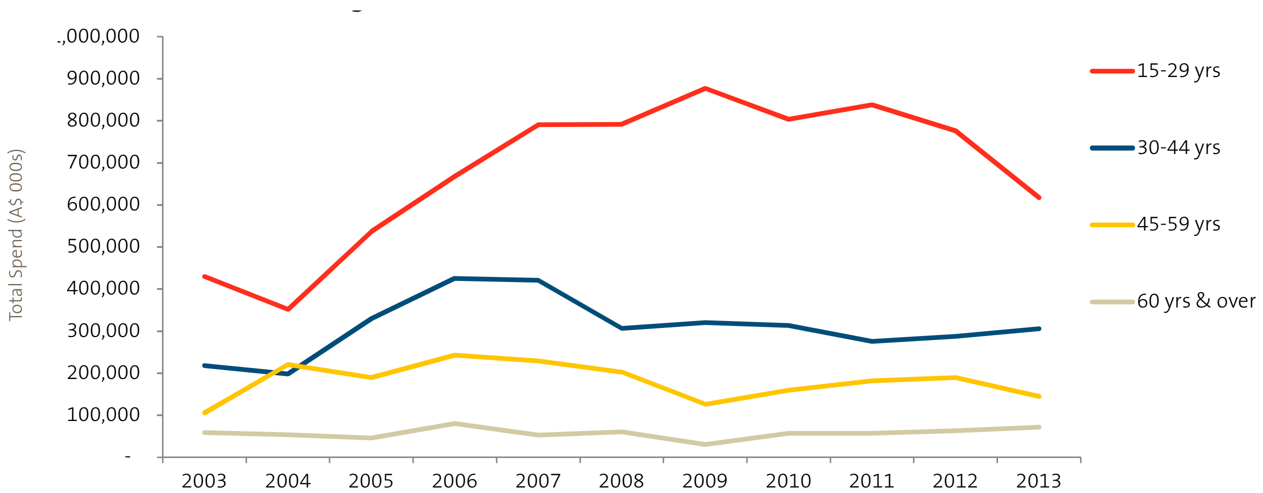
Expenditure trends

Visitor Spend by Purpose of Visit for 2003-2013



Source: International Visitor Survey (Tourism Research Australia)

Visitor Spend by Age for 2003-2013



Source: International Visitor Survey (Tourism Research Australia)

SOUTH KOREA

Market Performance

Visitor profiles

Holiday
Spend per trip $5,160
Stay 51.7 nights
Spend per night $100

Visiting Friends and Relatives
Spend per trip $4,040
Stay 33.7 nights
Spend per night $120

Leisure
Spend per trip $4,934
Stay 48.1 nights
Spend per night $103

Business
Spend per trip $4,868
Stay 18.5 nights
Spend per night $263

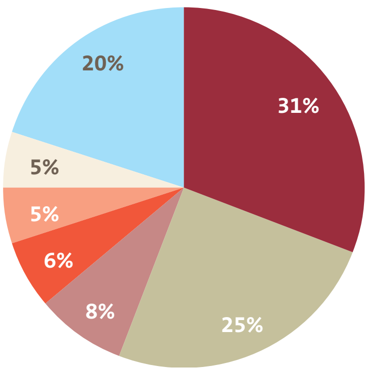
International Visitor Survey (Tourism Research Australia).
Note: Data refers to an average of 2009-2013

SOUTH KOREA
Aviation Landscape

- Overall, total South Korean aviation capacity continues to grow. However, Australia is losing market share to destinations with similar travel times such as the USA, Canada, the Philippines and Thailand.
- Capacity from South Korea to Australia declined in 2012 and 2013, and further declines are expected in 2014 as Asiana Airlines temporarily reduces its Seoul-Sydney services between May and October 2014.
- The outlook for capacity growth in 2015 is optimistic as carriers increase frequencies on existing services and potentially launch new routes. South Korea remains a priority for Tourism Australia in terms of aviation route development in the short to medium term.
- 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, however this has become less of an issue in recent years with European traffic via South Korea decreasing.
- Korean Air and Asiana Airlines were the only carriers to operate non-stop services between South Korea and Australia in 2013 and carried 56 per cent of all South Korean visitors to Australia. In March 2013, Korean Air suspended the only direct services from Seoul to Melbourne.

Aviation routes from South Korea to Australia

- Despite capacity declines, average loads have also declined slightly to 79 per cent in 2013 and remain very seasonal. Softer loads are reported during March, April, May, June and June and higher loads during Australian school holidays (January to February, July and October).
- Low Cost Carriers (LCCs) are a relatively new phenomenon in South Korea however their market share is quickly growing and impacting the way South Koreans travel. In July 2013, AirAsia X launched four weekly Busan (Korea)-Kuala Lumpur services and plans to progressively increase Seoul services from daily to double daily between July 2014 and December 2014. Similarly, Scoot launched services from Seoul to Singapore (via Taipei) in March 2013. These services offer additional connections to Australia from South Korea.
- There is an opportunity for South Korean carriers to expand their codeshare and interline partnerships to include Australian carriers, further facilitating travel around Australia and improving sustainability of existing services.
- The recent Free Trade Agreement (FTA) between Australia and South Korea signed in February 2014 should help to stimulate travel and business links between the two countries.



Key airlines and share of passengers

Airline	2009	2010	2011	2012	2013
Korean Airlines	34%	33%	32%	32%	31%
Asiana Airlines	22%	22%	23%	23%	25%
Cathay Pacific	10%	10%	12%	10%	8%
Qantas Airways	7%	9%	10%	7%	6%
Singapore Airlines	2%	2%	2%	3%	5%
Jetstar	4%	5%	5%	5%	5%
Other	20%	18%	16%	19%	20%

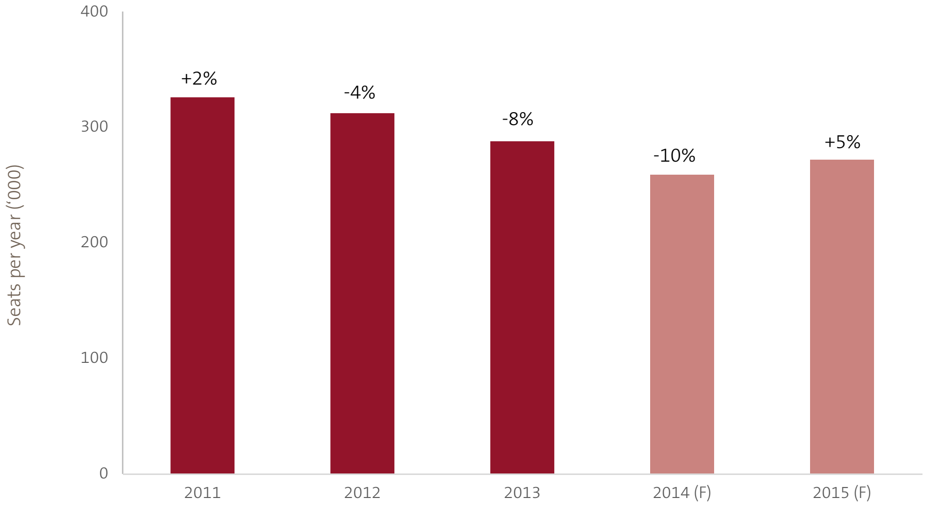
Table includes direct and indirect capacity

Source: Department of Immigration and Border Protection

SOUTH KOREA

Aviation Landscape

Direct aviation capacity from South Korea to Australia



Source: Department of Infrastructure and Regional Development
Note: (F) is a forecast based on Tourism Australia analysis, chart includes direct services only

Weekly services to Australia

Operating Airlines	Flights per week	Route	Alliance/Codeshare partner (on route)
Korean Air	7 4	Seoul-Sydney Seoul-Brisbane	
Asiana Airlines	7	Seoul-Sydney	Qantas, Air NZ, Turkish Airlines

Table includes direct services only

Source: CAPA- Centre for Aviation and OAG, Tourism Australia analysis

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 Independent Travel (FIT).

Distribution System

Wholesalers/ Large Agents

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 1,500 throughout South Korea.
- Hanatour, the largest wholesale agency, 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. Hanatour also continues to increase the number of Inbound Tour Operators (ITOs), in order to reduce land operation fees. Hanatour has been investing in expansion into the FIT market under the brand "Hana Free". Strong hotel and air bookings have been reported in the early stages of this strategy.
- 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.
- Interpark has risen as a strong competitor to these wholesalers reporting rapid growth in FIT travel, hotel and air ticket bookings online. Interpark announced its intentions to expand into the group package market, placing pressure on Modetour in particular, as it is yet to commit to the FIT market.
- As an affiliate of Korean Air, Hanjin organises multiple charter flights with Korean Air to unique destinations such as Alaska, Italy, Croatia and Norway.

Special Interest

- Luxury, campervan, and bush walking travel for Australia has been introduced into the market as niche products. These concepts are currently being delivered by Free and Independent Traveller (FIT) and specialty agents.

Retail Agents

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

- By volume, the main retail agencies in South Korea are: Verygood Tour, Yellow balloon, Lotte Tour, Lotte Holidays (formerly LotteJTB), Hanjin, Tour2000, and Freedom Tour. Notably, Verygood Tour has shown strong growth targeting the wholesaler space, while Yellow Balloon's volumes are increasing through low cost products.
- Despite high costs (A$30,000-50,000 per show) the Home shopping sales channel has become a key volume driver for agencies with an average of 300-600 bookings per program.
- The FIT market in South Korea remains fragmented at this point in time. There are a number of active FIT agents in South Korea including: Naeil Tour, Interpark, Blue Travel, IOS, Seygero and Webtour, who develop customised FIT packages, but as yet there is no clear dominant market leader. By total volume, Naeil Tour is the market leader for FIT products and Interpark is leading for online air ticket bookings.

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.

Aussie Specialists

- The Aussie Specialist Program is the primary platform for Tourism Australia to train and develop retail agents to sell Australia.
- As at 28 April 2014, there were 450 qualified Aussie Specialists in South Korea and a further 903 agents in training.

Inbound Tour Operators

Commission Level: 5% to 10%

- Inbound Tour Operators (ITOs) provide a vital link between Australian product and South Korean group travel agents, with about a 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, Hanatour Oceania (following the bankruptcy of Oz World Travel), Hoju Tour (formerly Harbour City International), Honew Tours, I Tour, New Line Korea Tours, OZ Korea Travel, Royal Holiday Travel, S.S.K Travel (HIHOJoo), Travel Center, Win Hanaro Tour, Wonderful Pacific, Paran Travel, and Good Memory Tours.
- Key ITOs in Seoul include: Newline Korea 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, Lotte Tour, Sharp 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

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 60 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.
- The number of South Korean ITOs in Australia has significantly reduced in recent years due to limited profitability.
- 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. Bush-walking and self-drive (campervan) are also continuously promoted in the market.
- Home shopping is now established as a key purchasing tool.

Planning and purchasing travel

- According to findings from Tourism Australia's Consumer Demand Research project[7], 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 Korean language information and brochures. However, younger South Korean consumers are comfortable using English language websites for research and bookings.
- The percentage of young Free and Independent Travellers (FIT) booking tourism products after arrival is increasing through ITOs and travel agents based in Sydney such as Travel Center.
- 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.

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 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 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**

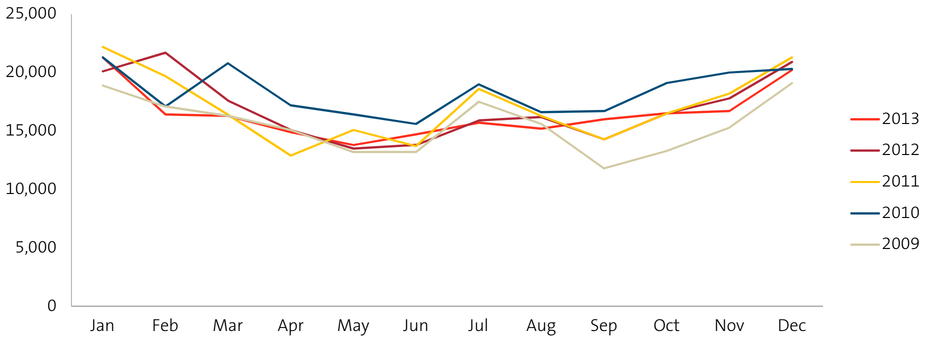
7. Tourism Australia, Australian Consumers Demand Research, conducted by BDA Marketing Planning, 2012.

SOUTH KOREA
Distribution

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.

Seasonality of visitors from South Korea



Source : Overseas Arrivals & Departures, Australian Bureau of Statistics

Key trade and consumer events

Event	Location	Date
Hanatour International Travel Show	Ilsan (West, Seoul. 1 and ½ hours' drive)	Annually - last Friday, Saturday and Sunday of May
Australian Industry in Korea	TBC	March 2015 (TBC)
North Asia BEA Showcase	Seoul	April 2015
Australian Tourism Exchange (ATE)	Melbourne, Australia	21-25 June 2015

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, Tourism Victoria, 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: **www.tourism.australia.com/statistics/arrivals**
For the latest International Visitor Survey statistics, visit: **www.tourism.australia.com/statistics/international**

Please note *In March 2014, the Australian Bureau of Statistics (ABS) released revised estimates (covering the period from July 2004 to December 2013) for international visitor arrivals and departures in its Overseas Arrivals and Departures (OAD) publication. The changes reflect major revisions to the methodology for inputting missing traveller data, which led to substantial downward revisions for business travel and numerous markets. The International Visitor Survey (IVS) statistics incorporate the ABS changes to visitor arrival statistics from the March quarter 2005. Tourism Research Australia (TRA) advise that there is now a break in series for the IVS statistics from the March quarter 2005, and that previous editions of the IVS should be used with caution. For more information, please refer to the ABS and TRA websites, www.abs.gov.au and www.tra.gov.au.*