



EHL & UNWTO STRATEGY CHALLENGE

Group 19: Revitalization of South Korea's Silk Road Origins

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GROUP 19 HONOUR CODE:

As a student at the Ecole Hôtelière de Lausanne, I uphold and defend academic integrity, academic rigor and academic liberty as core values of higher learning. I attest, on my word of honor, that work submitted in my name is my own work, and that any ideas or materials used in support of this work which are not originally my own are cited and referenced accordingly.

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1. Introduction

Since early history, South Korea has traded and shared culture, technology, and goods on the Silk Road both by sea and land. Today, South Korea has one of the most developed economies and tourism industries in the world. The UNWTO Silk Road Strategy Challenge purpose is to analyze the future of the tourism and tourism sectors for the sake of formulating a national Silk Road action plan. The report will include quantitative and qualitative research relating to the key components and value drivers of the project, specific to the sites and attractions used within the proposed strategy. Strategic planning will be concentrated to three following dimensions: Marketing, Policy and Infrastructure. The importance of partnerships will be an important step in order to not only connecting the various aspects of the project, but also to implement a feasible tourism strategy within the line of the Silk Road Initiative.

2. Demand Analysis

2.1 Domestic Tourism

In 2010, the leave entitlement decreased from 29 days (2005) to 22 days because the legal workweek was changed. Approximately 78.2% of the Korean population (48,875,000 est. 2010) is considered holiday takers. Holiday takers by age are represented in Appendix 1, with the largest number of holiday takers being between the ages of 35-49 years, followed by 15-24 years. The top three domestic destinations are the Kyungsang-do/Busan/Daegu region, Seoul/Kyunggi-do/Incheon region, and the Kangwon-do region. Leisure travel makes up 96.1% of the domestic market. Domestic trips between 0-3 days account for 87.7% of the market share, followed by 4-7 days (11.4%), and over 7 days (0.9%). Seasonality is fairly consistent, with a peak in July to August (Appendix 2). Method of transportation is dominated by road (80.1%), rail (7.2%), air (4.3%), and ship (2.3%) (Appendix 3). South Korea's rich cultural heritage has created popularity for its tourist attractions. For numbers of visitors, please refer to Appendix 4. (Euromonitor/STR)

2.2 Inbound Tourism

Seoul is the largest city for arrivals with approximately 2.8 million in 2011, followed by Busan with 0.8. Japan is the main country of origin with China as a close second. Chinese visitors have the highest growth rate with 406% between 2005 and 2015. For further information, please refer to Appendix 5. The type of leisure arrivals is mainly organized tour group, followed by singles, friends, families, couples, and backpackers. For detailed information, please refer to Appendix 6. Leisure travel is 93% of the inbound market. (Euromonitor/STR)

3. Culture & Silk Road Demand

The south of the Korean Peninsula, specifically the three cities of Busan, Gyeongju, and Daegu feature multiple UNESCO heritage sites that originate from one of the longest sustained dynasties in Asian history, the Silla Dynasty. During these times, Korea exchanged much of its goods and culture along the Silk Road. The remnants of this intense cultural activity can be mostly admired in Gyeongju, the capital of the ancient Kingdom. This region displays much of its rich ancient history through palaces, tombs and temples. Today, approximately 8-9 million travellers per year visit the area to experience the historic Korean culture through means of history, nature, art, and cuisine (Korean Tourism Organization, 2009). Furthermore, Busan, Gyeongju, and Daegu will be focused on for the project, through such sites as Gyeongju Historic Area, Deomeosa, Yonggungsa, and Haeinsa Temples. Further analysis concluded that there are currently approximately 35.4 million total annual visitors to the region (Euromonitor) out of which approximately 20% (7 million) are considered to be cultural tourists (Chen, 2008). The difference in demand between the international and domestic market indicate that the international market is currently undervaluing the historic cities of South East Korea, making it a prime location to base a strategy in order to boost Silk Road tourism within South Korea.

The older generation (40+ years) is currently the largest segment for cultural tourism in South Korea, however, current trends indicate that young travelers have the potential for leading demand due to their high annual growth (Appendix 7) ((旅游市場, 2010)). Furthermore, due to the great popularity of the Korean Wave (K-Wave) tourism, it was decided to use this leading trend as a marketing vehicle to increase demand.

However, there are certain barriers that should be mentioned. Most notably, the relationship between North and South Korea will directly affect the tourism industry. With the possibility of the “Iron Silk Road”, a railroad from Turkey to South Korea, international relations will play a significant role for in determining the success of this project.

4. Strategy

The strategy is to reintroduce South Korea to the world as a Silk Road Country, by promoting three prominent historical cities of the Silla Dynasty: Gyeongju, Busan and Deagu. The strategy will be to utilize their existing strengths such as the K-Wave to enhance the countries underdeveloped touristic attractions to captivate more international travelers to visit South Korea for other destination than Seoul. Following are the recommended adjustments in the area of marketing, policy and infrastructure in accordance with the strategy.

4.1 Marketing Reform

KTO has concentrated on promoting inbound tourism by means marketing in form of media and the K-Wave. Although a successful campaign, the marketing plan has created concentration of visitors to Seoul.

The Korean Wave has been utilizing its popularity to increase inbound tourism, especially from China and Japan. In 2005, a study concluded that about 500,000 tourists have flown into the country with the sole purpose of visiting K-Wave attractions. Domestically, the majority of the population share specific interest in the K-wave. Although a young industry, it is believed that the attractiveness of the Korean pop culture will decrease within the next four to five years. However, recent reports have indicated a growing popularity of the K-Wave globally, especially in Indonesia, Kazakhstan. The use of the Korean Wave is a strategic means of a marketing tool in promoting the Silk Road Tourism (SRT). (Chen, 2008)

Many events such as the Hallyu Dream Festival and the Busan film festival have recently been started to utilize the Korean Wave to promote the South. Such events are held every year and used effectively in getting the names of the southern cities, such as Gyeongju and Daegu into the minds of many; the first step for increasing awareness of the southern cities. Yet performances on extravagant stages built for this purpose only is believed to not truly promote the historic culture these locations, thus additional cultural marketing will also need to be done as well. (Choi, 2008)

To attract a large visitor base towards the historical aspects of the country, different types of media can be utilized for better results. For the older generation, films and dramas can be produced featuring the historical dynasty of Silla, where the southern part of Korea features many UNESCO heritage sites dating back from that era. As mentioned before, the usage of films and TV dramas have proven to be an effective tool for marketing in Korea. In order to ensure the film industry catches on, the government can offer subsidies to dramas featuring such themes, offering incentives to produce more historical dramas. Also, more classical performances (Ballet, Opera, Theater) can be used as a demand driver. In addition, celebrities can be used to promote the area by paying them to visit the historical relics of Silla in the Gyeongju region and featuring them on different forms of media, such as tabloids, entertainment magazines, or even travel magazines. The main idea will be to promote the southeast region, specifically Gyeongju, Daegu, and Busan as an ancient historic tourist attraction to the Asian Market. This usage of the Korean Wave will have to be done immediately, in accordance with the forecasts; the attractiveness of the K-Wave will decline in five years. If the fusion of historical and modern culture is done correctly, it is

believed that the inflow of tourists towards this region from the Asian market will create a foundation for a sustainable Silk Road tourism that can naturally support itself after the K-Wave.

4.2 Policy Reform

According to the World Competitive Index, Korea's is in the stage of development in which its growth will be predominately dependent on innovation. From the research collected, several areas for improvement have been identified. There is a reoccurring theme in research articles of inefficiency in the travel & tourism regulatory framework (ranked 41 out of 133). Also there is cause for concern in terms of environmental sustainability (ranked 55 out of 133), as well as the tourism infrastructure (ranked 71 out of 133). However, although index ranking is subject to debate, it provides indication on areas for improvement. Historically, Korean leadership has understood the importance developing cultural tourism.

During the late 1980's and 1990's, president Ron Tae Woo and Kim Young Sam, both established a ten-year and five-year plan for cultural development, respectively. By 1998, the president Kim Dae Jung realized that cultural tourism could make the economy grow rapidly, and therefore increased the budget for culture and tourism in which the Ministry of Culture and Tourism was founded consequently. During this time, various cultural infrastructures were created. President Kim made the second Tourism Development Plan (2002-2011) with the main objective of "establishing Korea to become an attractive tourism destination with international compositeness, establish Korea as a knowledge-based tourism destination which creates higher value of tourism resources and so on".

However, there is an issue of the tourism strategies being un-adaptive and losing momentum once the policy-maker is out of office. There has also been difficulty finding the right balance between urban development and cultural heritage. Furthermore, the Korean government needs to facilitate how the Korean tourism industry regulates itself and to anticipate fluctuations in the tourism market, as well as future trends in travel & tourism. Policy rules and regulations should concentrate reform to the aspects of flexibility, bureaucracy, and human capital. It is important that the South Korean government evolves with its tourism industry. The policies and regulations must lead, and not lag in this evolution. Bureaucratic procedures and structure limit any organizations ability to be flexibly and efficient. The organizational structure (Appendix 8) of the Ministry of Culture and Tourism (MCT) can be improved through reorganizing and integrating various branches of the MCT into already existing branches, such as "Office for the Asian Hub-City of Culture" into "Tourism Industry Office", as well as the "Library Policy Bureau" into

“Policy Management & Public Relations Office”. Lastly, investment in human capital will be necessary in order to govern over the Korean tourism industry. (Chen, 2008)

4.3 Infrastructure Reform

South Korea benefits from having one of the best infrastructures in the world. Its Infrastructure and organization is central to the country’s success. Continuing investment will be needed in order to maintain the existing infrastructure, as well as to further develop the travel & tourism industry. Especially in today’s economic climate, investment into infrastructure and developing the tourism industry is strategically investing in the country’s future.

4.3.1 Railroad

According to The Global Competitiveness Index, Korea is ranked 8 out 144 in terms of railroad infrastructure. The existing railroad network from Seoul to Busan should be enhanced in terms of concept and design. The current train amenities include 10 drinking vending machines, and 3 snack vending machines (Appendix 9). (korail.com) There is opportunity for an improved food & beverage (F&B) concept. A renewed F&B concept has the possibility of creating additional revenue, while providing added value for travelers. The importance of protecting the scenic view should be stressed. The railroad infrastructure will play a pivotal role in how the tourism industry develops, in addition to the spread of economic growth through out the country.

4.3.2 Ferry

Busan was an important port-city on the Silk Road during ancient times. Today it is the largest port city in Korea. Shipping and passenger routes between neighboring countries are fairly active and there is strategic opportunity to further develop transportation by sea. With China and Japan as the major sources of inbound tourism, Busan can benefit from its convenient location between the two countries. However, water transportation is forecasted to remain stagnant as the least used form of transportation to Korea. Therefore, there is an opportunity in developing a weak component of the tourism infrastructure. The existing water-infrastructure should be developed and marketed as such to create affordable, convenient, and attractive mode of transportation between Korea, China, and Japan (Appendix 9). New watercraft designed with the purpose enhancing the typical ferry experience through concept and design.

4.4 Capacity Development

Tourism offers an important alternative form of economic activity. International tourism can be understood as a channel of globalization, and therefore as globalization plays a more important role, international tourism will continue to grow in importance for the Korean tourism industry.

The potential economic benefits of tourism development include: 1) Increased resources for the protection and conservation of natural and cultural heritage resources; 2) Increased income and improved standard of living from tourist expenditures; 3) Increased induced income from tourism expenditures; 4) New employment opportunities; 5) Increased community visibility leading to other economic development opportunities; 6) New induced employment opportunities; 7) Increased tax base; 8) Improved infrastructure and facilities and 9) Development of local handicrafts. (Olicognography.org) Furthermore, the Korea government will need to invest into the tourism infrastructure of the Busan/GyeongJu/Daegu region not only to create sustainable development, but also as means to create demand drivers. Such demand drivers could include actor-played folk towns, in which a tourist can visit in order to experience the visual, culinary, and artistic heritage that embodies Korea during the Silk Road era. There is also potential for an increase or renovation of the Accommodation and F&B supply within the three cities. If Busan is to increase tourism market share, it needs to be able to attract visitors to the city and to increase length of stay. There lies opportunity for Korean cultural concept hotels, the focus of which is on service and atmosphere of classical Korean hospitality. The MCT And KTO should create incentives for Korea hotel developers in accordance with Korea's tourism strategy. Considerable investment into the existing public infrastructure will play a vital role in the long-term strategy for the location.

5. Partnerships

In order to realize the recommended strategy, various partnerships are recommended. First of all, it is crucial to realize the project within the guidelines of the UNWTO, one of the main stakeholders, in order to have a product that conforms to the other countries that are part of the Silk Road Initiative. Furthermore there is an institution that can facilitate the development of the overall strategy, namely the World Travel and Tourism Council (WTTC) that supports both research and regional initiatives.

It is important to the success of the project to include the local community as a main stakeholder during the realization of the project. During all stages of the development, the local community of the various cities should be informed and satisfied through inclusion in the planning progress.

In order to secure the financing necessary to this project, both companies from the private sector in South Korea, as well as international institutions should be considered. Within Korea, the Samsung Foundation (Samsung Foundation of Culture, 2006) offers financing opportunities especially for culture and arts projects. International institutions that provide financing include

the International Finance Cooperation (IFC), Multilateral Investment Guarantee Agency (MIGA) and Foreign Investment Advisory Services (FIAS).

6. Millennium Development Goals

Although Korea belongs to the “very high human development” category of the Human Development Index (HDI), certain areas have been identified that could help to reach the Millennium Development Goals, namely “gender inequality” (Jung), “environment and climate change”, “youth, employment and migration” and “development in the private sector”.

Tourism has proven to help to decrease gender inequality as women are often in charge of SME tourism enterprises (Africa Region Tourism Strategy: Transformation through tourism). It also helps to generate income for biodiversity conservation and cultural heritage protection. Furthermore, a study by the European Commission found that 48% of those employed in hotels were less than 35 years old, indicating opportunities for young people. Lastly, tourism helps to accelerate reform that can help the SME under pressure in South Korea.

In order to leverage on the benefits of tourism, a social business approach is recommended (Yunus, 2008). Type II social business are recommended. Although they are profit-oriented, they are owned by a poor or underprivileged part of the society, which increase societal harmony.

7. Measurement

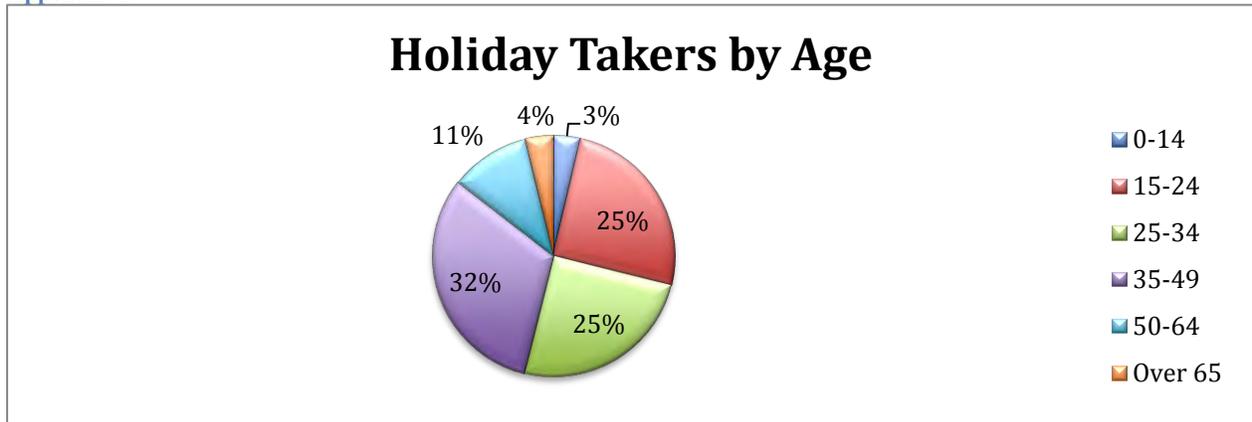
In order to measure the success of the proposed strategy, a balanced score card with a set of key performance indicator (KPI's) is outlined (Appendix 11).

8. Conclusion

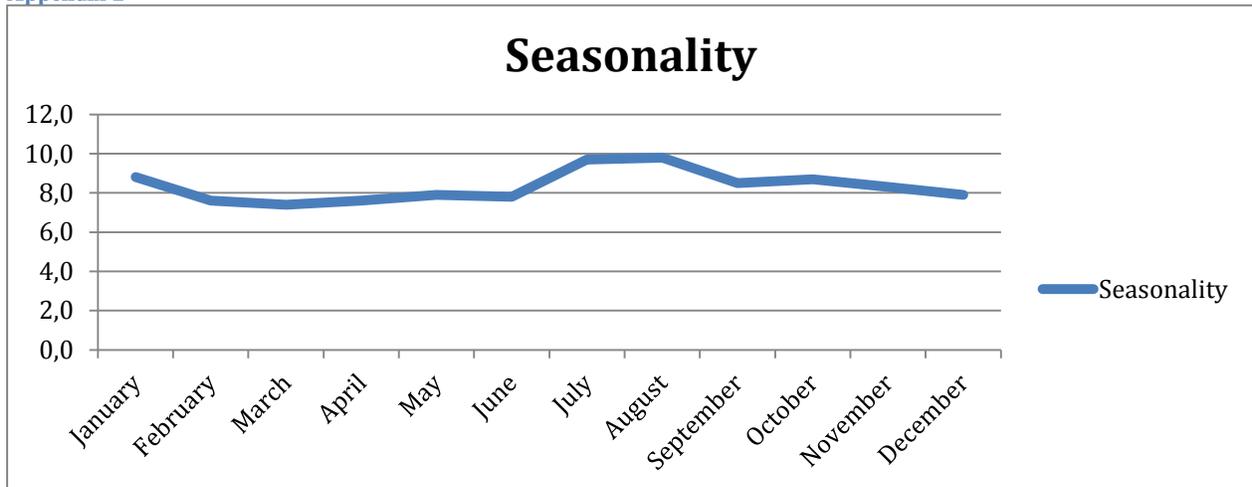
In conclusion, through South Korea's rich cultural heritage, a strategy for implementing Silk Road Tourism was developed. The cultural-sites, as mentioned beforehand, were chosen with the focus of creating sustainability, synergy, and demand. The southeast region of South Korea showed the greatest potential in terms of development and synergy. Although this region has multiple cultural cities of importance, Busan, Gyeongju, and Daegu were selected due to their merit as Silk Road destinations. Furthermore, the strategy focused itself to three components of reform: Marketing, Policy, and Infrastructure. Partnerships and politics will determine most of the outcomes. Through the different measures, it has been concluded that there is a possibility that a successful Silk Road action plan could be implemented.

9. Appendixes

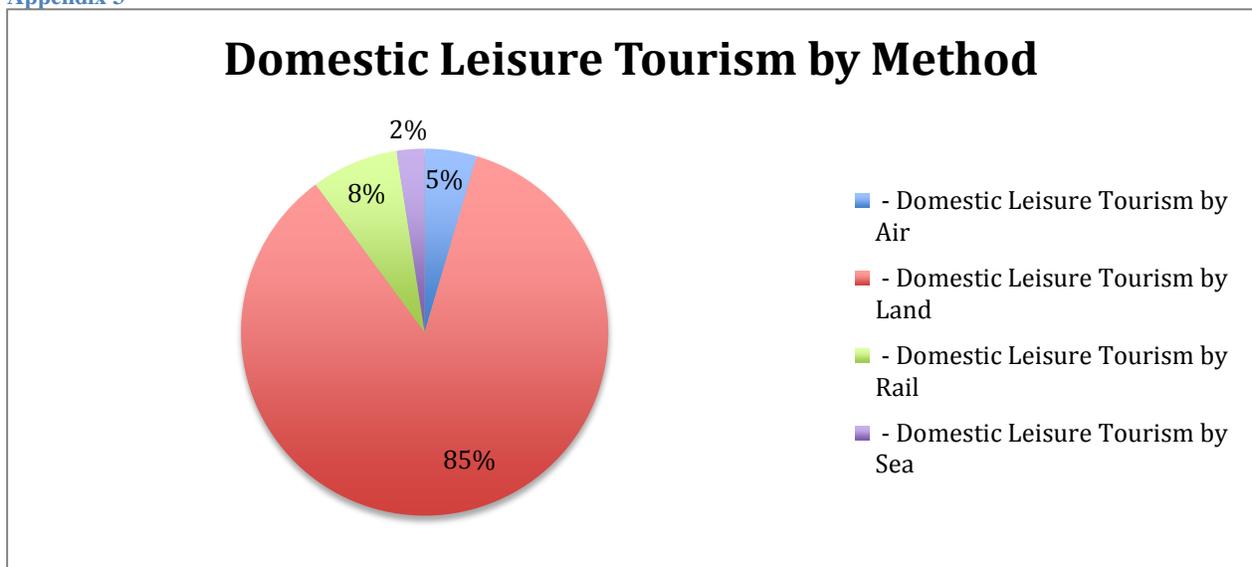
Appendix 1



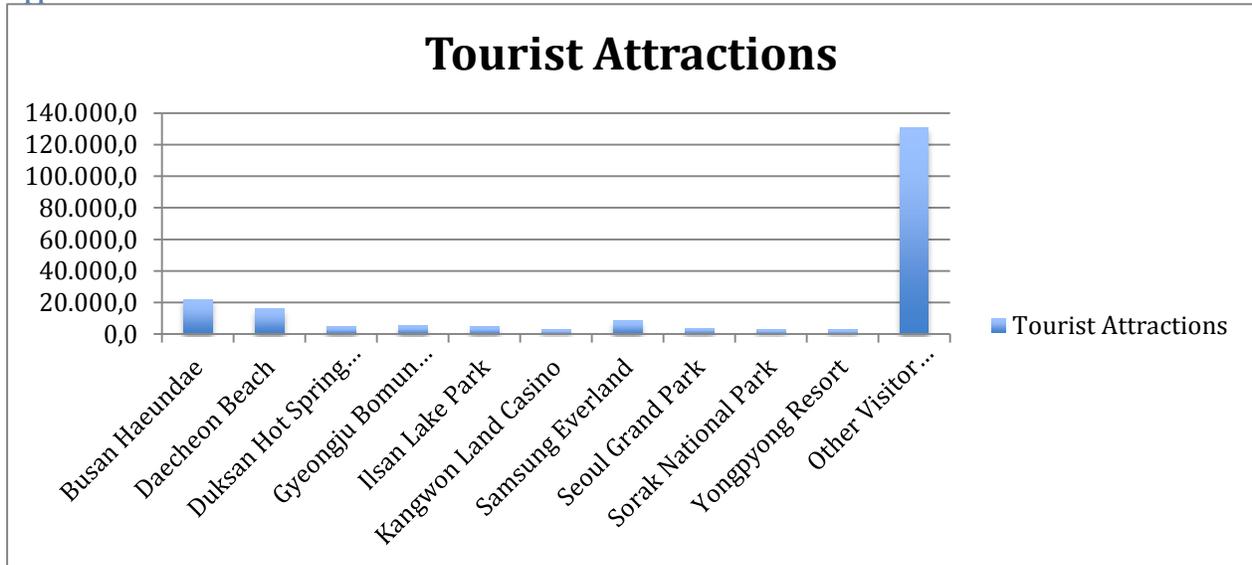
Appendix 2



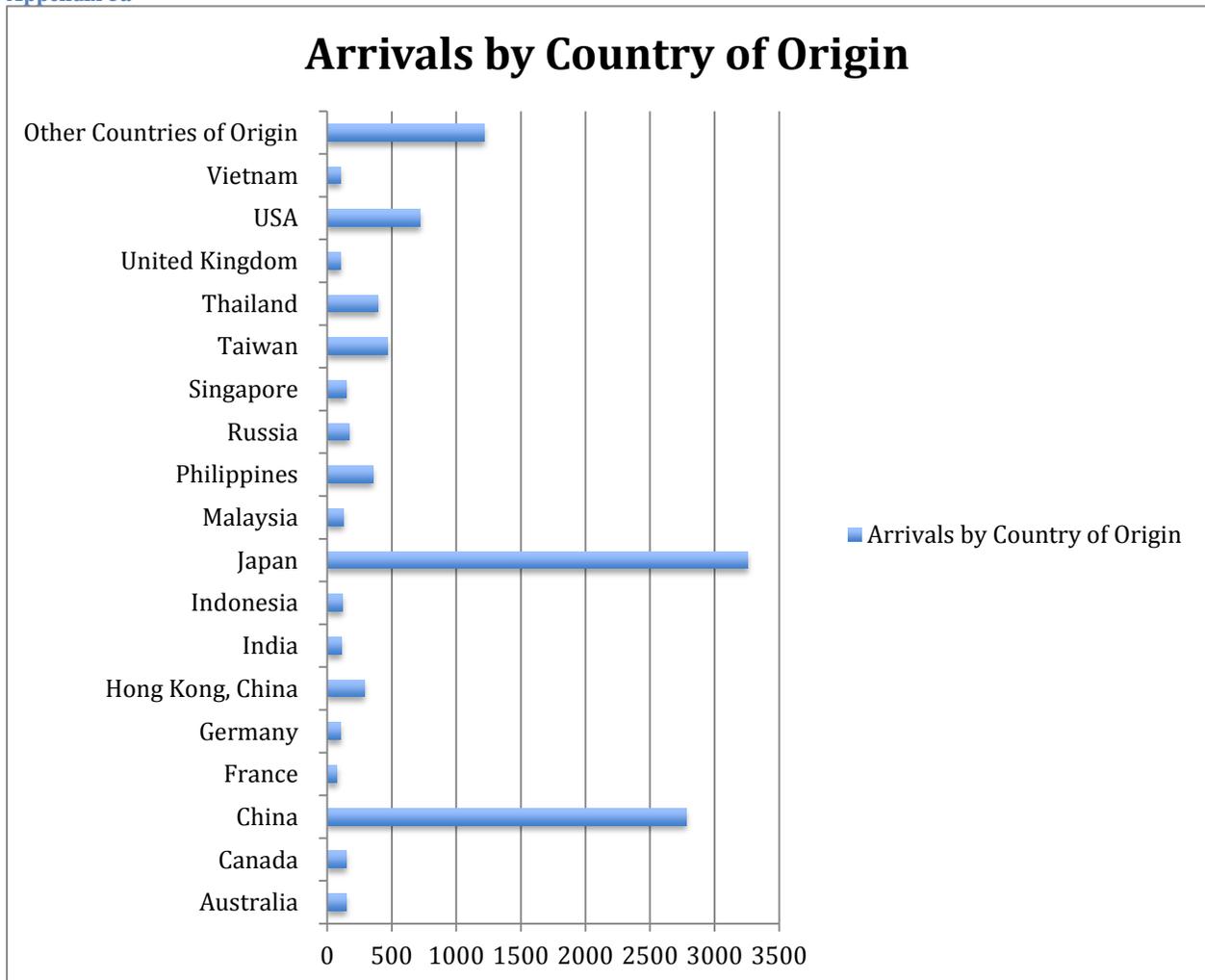
Appendix 3



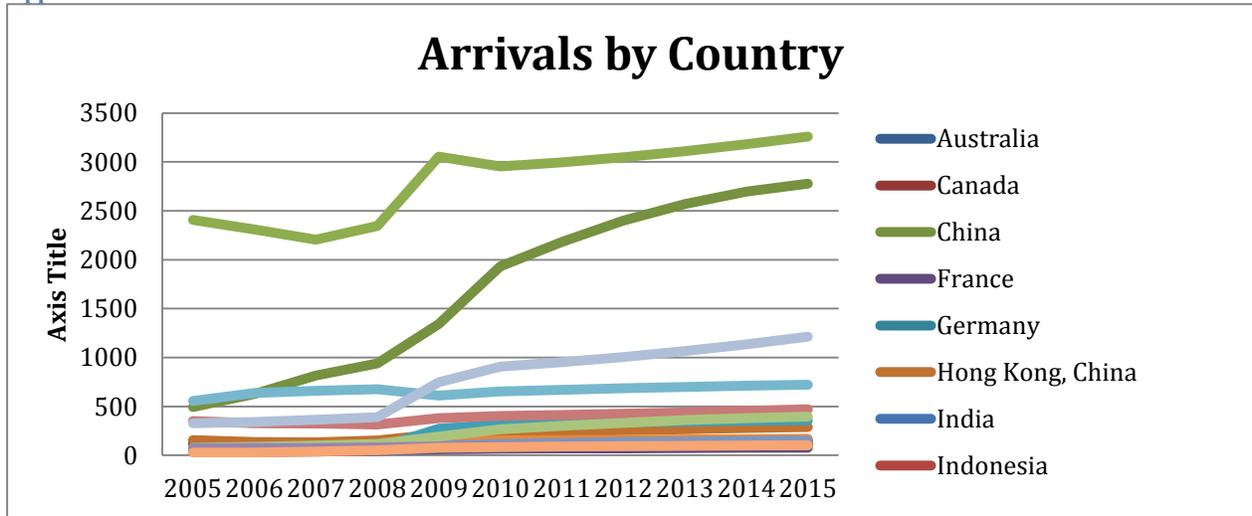
Appendix 4



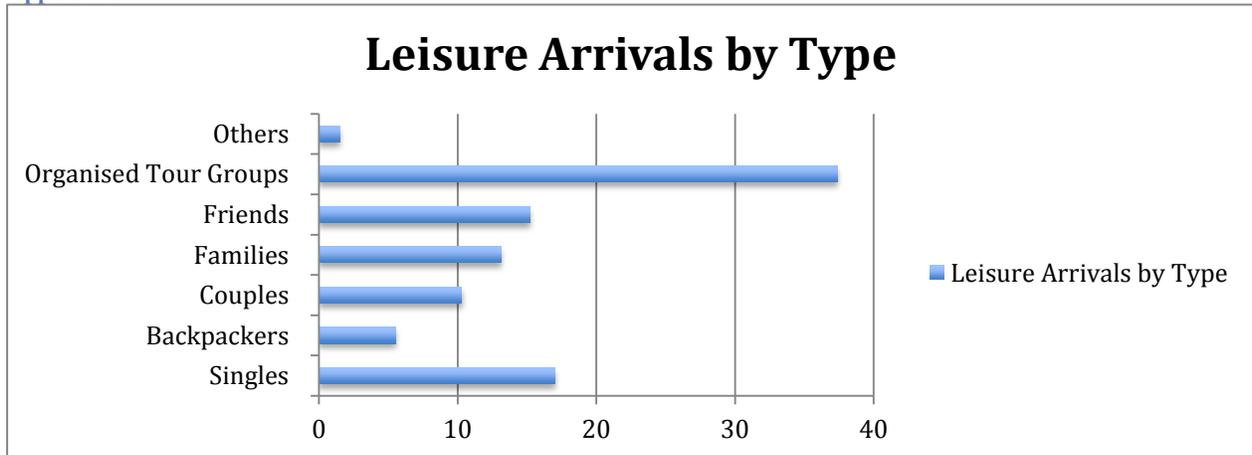
Appendix 5a



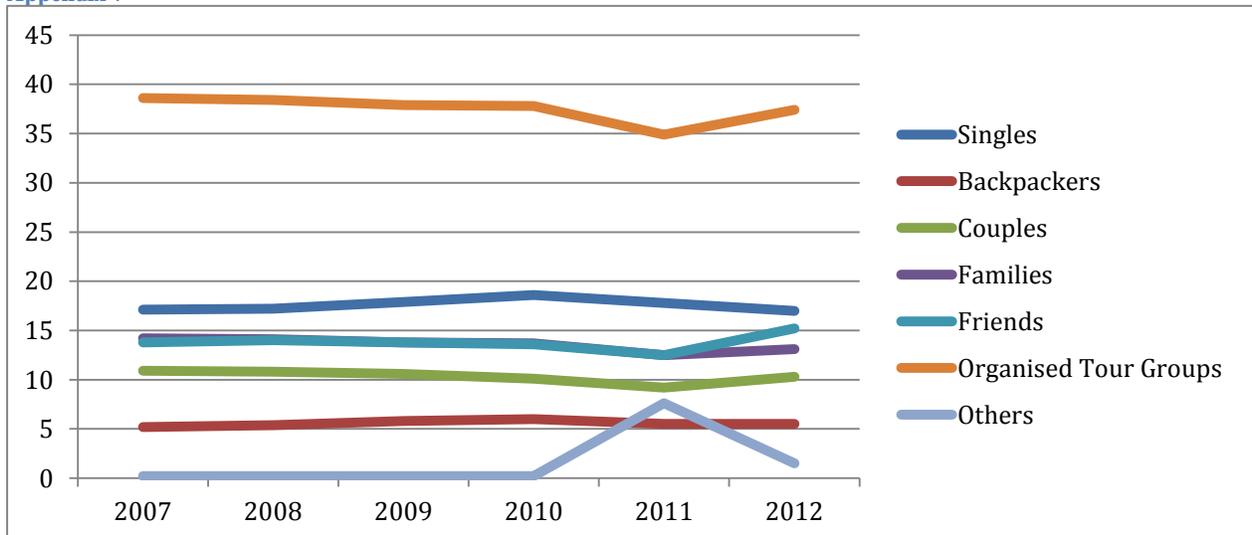
Appendix 5b



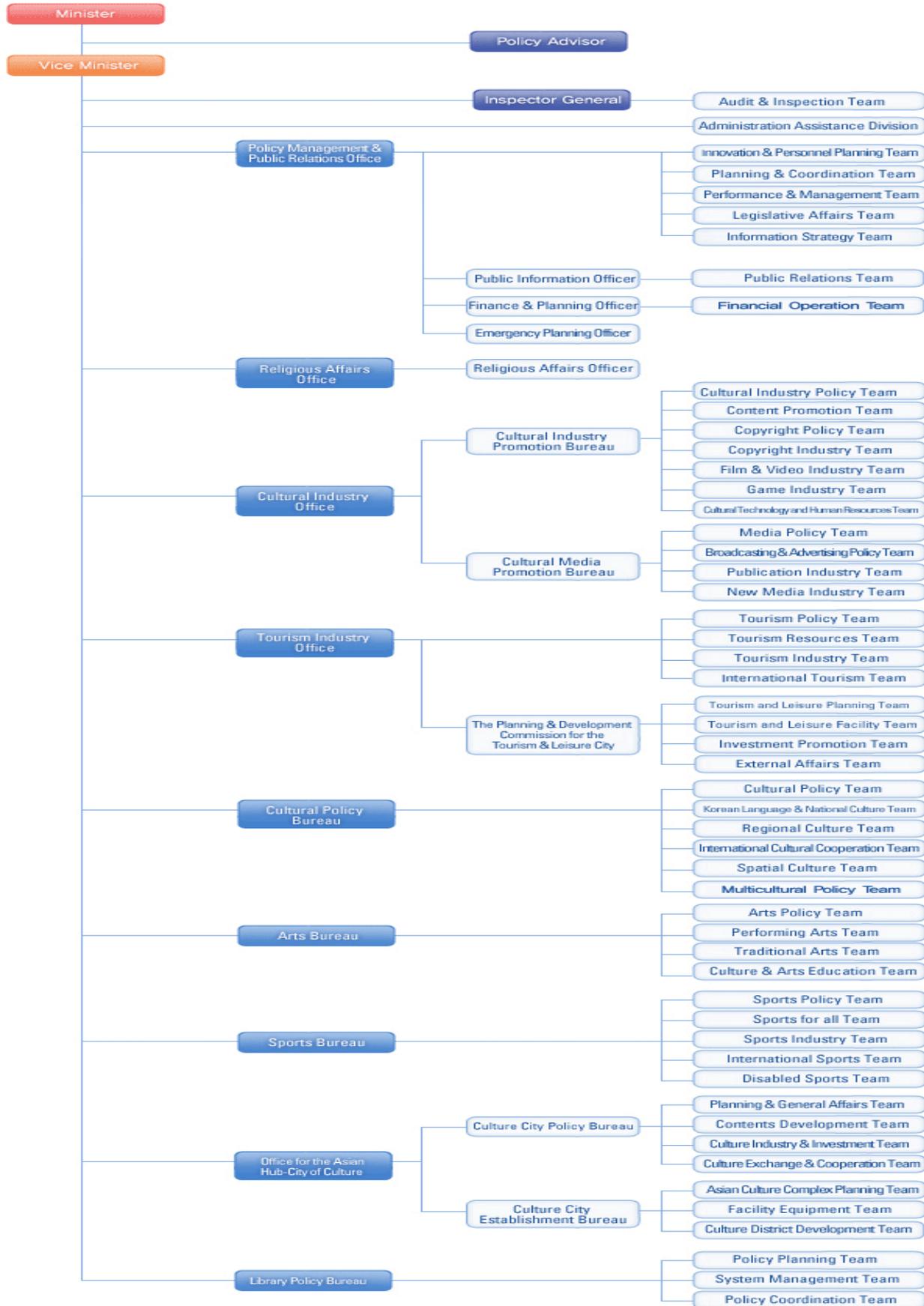
Appendix 6



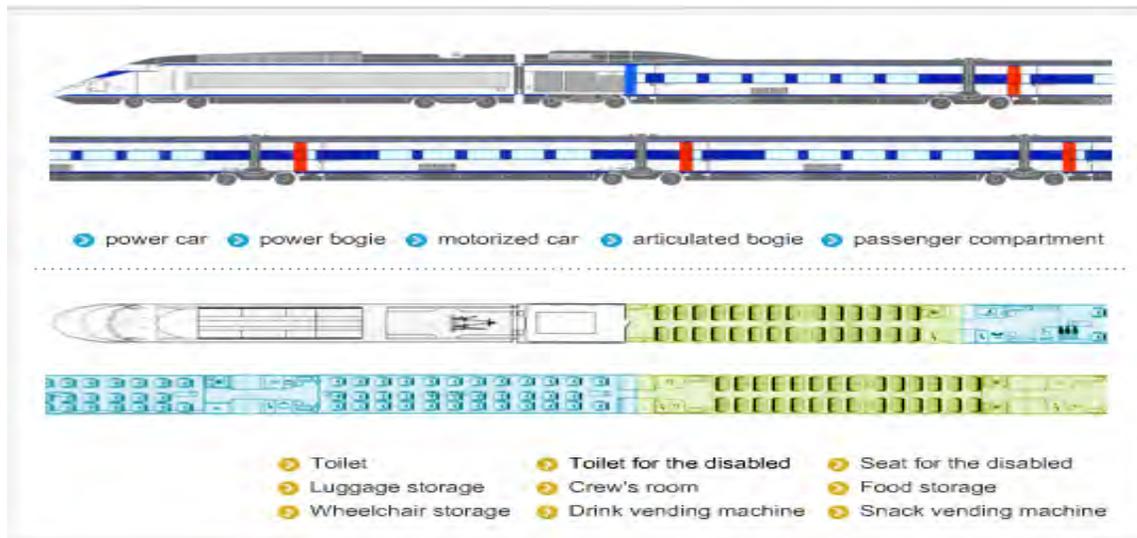
Appendix 7



Appendix 8



Appendix 9



Appendix 10



Appendix 11

	Objectives	Measurement	Targets/KPI's	Initiatives
Financial	Increase tourism revenues in Kyongsangnam-do province	Tourism expenditures as recorded in Korean tourism statistics	Increase revenue by 5% yoy	Increasing length of stay of tourist through better integration of tourism offer within the region
Internal business process	Human Capital	Employment metrics	15% increase in efficiency	Partnerships with Hospitality-specific educational institutions
	Increase Flexibility	Employee Survey	Improved situation	Marketing and Infrastructure reform
	Decrease Bueracrecy	Increased # of permits/efficiency	Processed legal documents increase by 20%	Policy reform
Customer	Increase international arrivals to Kyongsangnam-do	International arrivals Kyongsangnam-do in Korean tourism statistics	Increase international arrivals by 10%	Various marketing and promotional activities using the Korean Wave among others
	Increase arrivals through the traditional maritime silk road routes	International arrivals to Busan port	Increase international arrivals by 15%	Various marketing and promotional activities using the Korean Wave among others
Learning and Growth	Decrease unemployment among young people	Unemployment rate 17-25 age range	Decrease the percentage of unemployed young people to 10%	Set up recruitment policies that encourage young workers and set up internal training and policies in order to pass knowledge within the hotel
	Decrease gender inequality	Number of women in charge of small- and medium enterprises	Increase women in charge of SME's by 50% over the next 5 years	Increased capacity building with women leadership program
	Increase the number of small and medium enterprises	Number of start-ups in the region	Increase the number of start-ups by 30%	Micro-financing, support structures

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