Analysis of Cruise Tourism in Korea: Focus on Current Conditions and Characteristics of Busan Port

Jeong Myung Kim¹), Kyung Mi Bae²)

Abstract

This study aims to investigate the current conditions and characteristics of cruise tourism in Korea focusing on Busan Port. The growth trend in world cruise industry is pointing at the Asian cruise market. Asian cruise demand increases every year with basis on the huge chinese tourists demand. Korea and its ports are geographically located in the major cruise lines’ sea route and have excellent hardwares such as natural condition for cruise’s transit. By examining multiple statistics, surveys, and other research on this topic, the weakness of Busan Port will be analyzed. Yet, statistics provided by the government and organizations prove that the performances of Korean ports acting as ports of call for cruise ships are still poor compared to the Asian cruise market growth. Besides the direct economic effect of entries of foreign cruise in Korea which includes all the revenues at the port such as terminal fees and ship entry fees, or by tourists consumption, the potential indirect economic effect is discussed and how an industry of convergence and integration such as cruise industry can have a great ripple effect is examined. Through the analysis of the infrastructures and relevant issues at Busan Port, many factors influence on cruise tourism are determined: lack of experts, content and insight in planning; short transit time at the port; long wait for entry in CIQ; traffic in Busan; restrictions and regulations; and other services.

Keywords : Cruise Industry, Cruise Tourism in Korea, Port Entry, Ports in Korea

1. Introduction

In this era of rapidly changing market industry, it is essential to recognize the potential of products and services that will become the nation’s next core resources, which are often called ‘Rising Star’ [1]. As the current growth rate of global cruise tourism and its positive tendency in Asian market imply [2], it is one of the industries that needs great attention from the Korean Government and major corporations. Although cruise tourism market in Korea has been steadily growing since 2008, problems and inadequacy that impede its development are also
being revealed. The port of Busan is a perfect sample to analyze the weakness as well as the current state, financial benefits, and external and internal factors that have influence on Korean cruise industry. Further, it is cruel to organize and analyze the list of elements that structure the cruise market before coming up with development plans.

This report has identified the state of cruise tourism in Korea, focusing on Busan’s port as a port of call for global cruise ships and the necessity for the governments and the city authority to have more professionalism and anticipation in preparing for the future cruise market. Even though the cruise tourism in Korea is yet insufficiently competitive, the statistics that show its steady growth is good news, which is even more so in Busan’s port. However, occasional events such as Japan Earthquake in 2011 and internal mistakes such as Busan Port Bridge case is significantly influencing the growth negatively. Other factors that include laws and policy, terminals and ships, tour contents and professionals are also to be considered before making decisions.

Cruise tourism in general is a highly integrated industry that involves not only tourism on cruise ship, but it also involves shipbuilding, marine transport, airlines, taxicabs, hospitality services, entertainment venues and etc., which make the industry has a huge ripple effect on other markets [3]. The term cruise tourism can be any form. General understanding of the public is that cruise tourism is a luxurious form of travelling with specific itinerary. However, as today’s larger cruise ships benefit from the economies of scale, lowering the price and costs, it is becoming popularized among mid-income people, which it is not necessarily a luxury anymore. Furthermore, cruise tourism does not always refer to sea cruises that has intercontinental or international voyage routes, but it can have a domestic voyage schedule that travels across rivers, river cruises, or has an expedition sailing routes which is more like a weeklong shore excursion, expedition cruises [4]. Size of the cruise ship also differs highly depending on the scale of voyage which comes in different gross register tonnage (GT). A ‘small cruise’ is a cruise ship less than 25 GT, a ‘midsize cruise’ is in between 25,000 GT and 70,000 GT, a ‘large cruise’ is in between 70,000 GT and 100,000 GT, and a ‘largest cruise’ refers to any cruise that has more than 100,000 GT. Purposes of cruise voyages also vary. It can sail with a specific theme such as party, concert, and etc, for a specific event or seminar, or for simply for leisure. For clarification, the focus in this paper is on sea cruises with international and intercontinental routes that are typically more than 70,000 GT with passengers that tour for leisure.
2. Analysis

2.1 Korea’s Cruise in World’s Market

Cruise tourism market has been growing steadily since 1990 which refers to Figure 1. The
growth of worldwide cruise tourists is approximately 9.5 percent, which exceed double the
number of average non-cruise world tourists growth at 3.9 percent. A significant fact is that as
the share of asian cruise market is increasing, the number of entries in Korean ports are also
highly increasing as it shows in Figure 2 [5].

### 2.2 Economic Effect of International Cruise Entries in Korea

Korea Maritime Institute announced that total of 791 international cruises entered Korean
ports in 2016, which carried approximately 1.95 million passengers [6]. Total direct economic
effect in 2016 is shown in Figure 3. As shown, 98.5 percent of the total direct profit earned
from the cruise entries is the tourist expenditure. The other 1.5 percent includes the port
revenue and other supplies. Furthermore, more important fact regarding the economic effect is
the ripple effect. A prospect of the future can be discussed what if the number of entries of
international cruise increases and the industry is vitalized. More tourists means that the
regional market, hotels, retailers, restaurants, and all other service and product suppliers benefit
from the port entries. Other industries, for instance, shipbuilding which supplies parts or
maintenance services to those international cruises, shipping and culture or art are also affected.
The Ministry of Maritime announced that approximately 24 thousand jobs were created and
total production increased by amount of 3.4 trillion Korean won which is about US $ 3.044
billion in 2016 by the international cruise entries. The number is huge [7]. The value added by
one cruise ship entry is twenty times higher than a steel carrying commercial ship, and one
tourist visiting the port has economic effect equivalent to one container box.

![Fig.3](Fig.3) Economic Effect of Cruise Entries in Korea, year 2016 (Prepared by Korea Tourism Organization)

<table>
<thead>
<tr>
<th>Category</th>
<th>Sum</th>
<th>Details</th>
</tr>
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<tbody>
<tr>
<td>Port Revenue</td>
<td>₩19,700,000,000</td>
<td>₩8,700,000,000 (port facilities)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>₩6,600,000,000 (port services)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>₩4,400,000,000 (terminal fees)</td>
</tr>
<tr>
<td>On-board Supplies</td>
<td>₩10,300,000,000</td>
<td>Total export of food, cabin supplies,</td>
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<tr>
<td></td>
<td></td>
<td>duty-free products, and etc.</td>
</tr>
<tr>
<td>Tourist Expenditure</td>
<td>₩2,000,000,000,000</td>
<td>₩1,020,000 per tourist spending inland</td>
</tr>
<tr>
<td></td>
<td></td>
<td>x (1,950,000 total tourists disembarked +</td>
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<tr>
<td></td>
<td></td>
<td>50,000 ship crews)</td>
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<tr>
<td>Direct Economic Effect</td>
<td>₩2,030,000,000,000</td>
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### 2.2 Infrastructure in Busan Port
Korean ports are examined if they are ready to benefit from the industry with such high potential. Busan port has two port terminals that can accommodate mid-large international cruise ships. One in the Dongsam-dong, called International Cruise Terminal, currently suspended its operation due to the wharf extension work that is expected to be completed in August 2018. Bukhang International Passenger Terminal is now operating to accommodate cruise ships that enter Busan. It is a terminal that was recently built under Bukhang Redevelopment Project in 2015. It has fourteen berths among which one, the berth #1, is for 170,000 ton level ship accommodation [7]. Terminal location and its facilities, that include Customs, Immigration and Quarantine (CIQ) Complex, clean washrooms, parking lots, tour guide centre, currency exchange, and etc., are also well-prepared for international tourists. However, the terminal has not been utilized fully until early this year due to the Busan Port Bridge’s passing cruise height restriction. Near-sighted construction plan for the bridge had restricted those cruises passing the bridge no more than 60 meters high. For the reference, typical large cruises in Asia such as Quantum of the Sea is 63 meters high [8]. For a few years, those large cruises entering Busan port had used the container deck placed outside the bridge losing the port’s reputation and causing tourists inconvenience. The bridge has not been reconstructed, but the port authority has raised its restriction to 63 meters, which is still sharply criticized by maritime and tourism experts. Government and the port authority spent billions of budget for the industry, yet this typical example tells several discomforting facts about the cruise industry in Korea: lack of cruise experts and lack of insight into the future cruise market.

2.3 Other Issues

In 2010, a survey was conducted to investigate what factors caused inconvenience among foreign tourists visiting through cruise tour and hinder the industry development [9]. A survey results told that the largest portion of respondents at 22.5 percent said it is the weak berth facilities, which explains why government and the port authority spend high budget on rebuilding its facilities. Other respondents said the main problem is the communication, short transit time of a port call, long waiting time for entry in CIQ, crowded city and traffic, and weak connections to air and land transportation. According to the research, some factors have been improved [10]. The communication problem has highly improved for last seven years as the city authority has provided the foreign tourists with 24-hour call translation services. Students from Foreign Studies at Busan University are routinely volunteering for translation
services at the port but some still criticize the fact that such important services should not be depending on ‘volunteers.’ Long waiting time for entry has improved by the port authority simplifying the entry procedures and building an international cruise-only CIQ in August 2017. The authority also operates bus and taxi services to connect the port to inland areas, but the crowded traffic is a chronic problem in Busan. Tourists’ short transit time in Busan is also determined to be an issue that should be focused on. Most international cruise ships arrive at the port early in the morning and stays at the port for the day before departing. For the tourists, considering the time for entry procedures, about 6~7 hours are allowed in Busan [11]. No nightlife can be enjoyed by the tourists and it is very limited time for them to experience the culture and events. The shopping-only environment in cruise tourism structure in Korea also has negative influence in development of the industry. In a discussion meeting for a proposal for development of Korean cruise tourism industry, Sung-Yoon Kim from Cruise Gallery said, “Those Chinese, Japanese, and Korean cruises do not necessarily enter Jeju, Busan, and Incheon ports for their tourism attractions, but it is rather their geographical location that oblige them to call at, for which international cruises regularly enter the ports.” He claimed that it is those cruise ship charters that make the shopping-only environment, and such a structure hinders Korean cruise market growth. The industry’s extreme dependency on Chinese tourists is also a concern for many experts in Figure 4.

Some external factors affect the port performance greatly. For example, the performance of Busan port in 2011 was poor compared to the previous years because of the Eastern Japan earthquake and tsunami [12]. The biggest issue in the year of 2017 is the diplomatic conflict with China over the deployment of THAAD in Korea, and it is already affecting the Korean tourism industry negatively. High dependency of tourists from a certain nation creates high variation in the performance and the uncertainty will cause the private corporations and organizations to be reluctant when making investment in the industry.

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>China</th>
<th>The Philippines</th>
<th>Japan</th>
<th>Indonesia</th>
<th>India</th>
<th>U.S.</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>691,694</td>
<td>425,774</td>
<td>72,817</td>
<td>34,662</td>
<td>25,679</td>
<td>24,491</td>
<td>15,091</td>
<td>93,180</td>
</tr>
<tr>
<td>100(%)</td>
<td>61.6</td>
<td>10.5</td>
<td>5.0</td>
<td>3.7</td>
<td>3.5</td>
<td>2.2</td>
<td>13.5</td>
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3. Findings
Several findings can be extracted from the statistics and analysis focused on Busan port. First, compared to the growth of world cruise market and increasing market share of Asian cruise tourists, Busan port is not showing as much rate of increase in its performance. Even though international cruise entires have significant contribution to the nation’s economy, several factors that slow down the growth exist. Understanding the significance of cruise tourists visiting Korea, the government has been investing larger amount of budget into the industry and Bukhang Redevelopment Plan is a good example. However, it is highly doubtful that the investment is being made efficiently and effectively as the Busan Bridge height restriction showed. Multiple factors that make tourists visiting Busan port disappointed were also recognized. Those factors include, short transit time at the port, long waiting time for entry in CIQ, traffic, but most of all, it is the lack of tourism contents that force the tourists to do only shopping. In short, weak software is the key topic when discussing the development of Korea cruise tourism industry.

4. Conclusions and Recommendation

Cruise tourism industry in the world is growing, and Asian cruise tourism share of the industry is getting significantly higher. The question is why Korea is not sufficiently benefiting from the trend. Huge direct and indirect economic effects can be a motivation for the government and corporations, and they made large amount of investment in the cruise ports’ infrastructure. However, its lack of tourism software is the key factor. Another issue is that the industry is highly relying on Chinese tourists and diplomatic issues can affect the port’s performance greatly, which can viewed as a high risk in investor’s perspective.

In the previous study on cruise travelers satisfaction at a port of call by Chang et. al. [13] which was based on expectancy disconfirmation paradigm (EDP), perception-only, and exploratory factor analysis (EFA) showed several facts. According to the result, culture and exploration explained the largest part of overall satisfaction of cruise tourists, which means tour managers should develop programs tailored to their customers [14]. It produced the results that demonstrate the same basic concept: tourists visiting Korea have nothing much to enjoy and which they can involve themselves in. Therefore, an event which can travelers can participate like K-pop concert can be a good example. As large portion tourists visiting hopes to experience Korean culture and explore what they have seen only on TV, the K-pop event will have much influence. For the idea to be realized, CIQ’s entry procedures have to be simplified and the ship’s transit time needed to be extended, which give the tourists more time to enjoy.
the contents in Korea. To improve further, railroad between the terminal and main terminal inland should be built and operated regularly since train is the best transportation for tourists to avoid possible congestion and time delays. Although this study provides problems and suggestions, it is recommended to further extend the study to analyze other ports conditions for more generalization.

References


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