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**BUSINESS MODEL DEVELOPMENT FOR TRAVEL AGENCY:
CASE COMPANY - GOH TRAVEL KOREA**

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Abstract

Millions of tourists visit South Korea every year to experience the culture and a different life style. Moreover, due to economic development, the country has become popular as a study and work destination. As the tourism market is growing, there are many opportunities for travel agencies to find niches in the market. The purpose of this study is to develop a business model for Goh travel Korea – a travel agency for foreign low budget travelers around Korea, to make it more efficient and increase its market share in the future.

The thesis is based on a deductive approach of research. Both primary (interview, customer survey and personal experience) and secondary data research are applied during the study. First, with a help of a PESTEL analysis, the study discovers changes and opportunities in the tourism market of South Korea. Second, the business model of Goh Travel Korea is analyzed with a Business Model Wheel concept.

The result helped to develop all three components of the business model: offering, monetization and sustainability. The development of offering includes distinguishing precise target groups and creating specific marketing strategies for each of them. Cost advantages from networks and creating new revenue streams lead to positive changes in monetization. Sustainability development considers reorganization of the company in order to decrease the overreliance of the company on its owner.

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1 INTRODUCTION

1.1 Background

Since the beginning of 1960s after enacting The Tourism Promotion Law and establishing Korea Tourism Organization, South Korea opened doors for many foreign tourists from all over the world (Korea Tourism Organization 2015). Soon the Land of Morning Calm became popular among travelers for its nature, history, culture focus and rapid economic development.

In 2015 the number of foreigners visited Korea as tourists had grown up to 13.2 million people (Wikipedia 2016). Moreover, due to technological development in Korea there are plenty of economic and business opportunities that attract foreign investors and partners and create a big number of business travelers. Furthermore, in 2015-2016 Korea was ranked as the country with the best education system, making it attractive for young people who have enough opportunities to obtain a degree there or just for a study exchange (MBC Times 2016).

As the result of foreign visitors in 2015, the tourism industry in Korea earned 69.5 billion US\$ (5.1% of GDP) (Knoema 2016). Despite environmental problems and challenges with the MERS-Co virus, Korea is expecting to meet new records in numbers of tourist for the next three years. Before the Winter Olympics 2018 in PyeongChang, the Korean Government introduced 2016-2018 as Visit Korea Years with new opportunities for foreign tourists (Korea Tourism Organization 2015).

1.2 Goh Travel Korea

Traveling around a country where most of the citizens cannot speak English is a challenge for foreigners. One option is to visit only the big cities or resorts where the attractions are already adapted for foreign visitors. However, it is not enough for many travelers to see only 'Big city life' or spend most of the time near a swimming pool at a hotel. The real nature and culture can be found only in small places well-known by locals.

In 2014, to help foreign tourists and expats to explore South Korea, Jonghwan Goh founded Goh Travel Korea – a travel agency which specializes in weekend trips around

Korea with guidance in English language. Currently there are two kinds of offers: weekend group trips around the country, which are perfect for budget travelers and expats, and customized tours (organized according to a customer's order).

During the first two years of operation the company was growing rapidly, and after early success and business environment premises the company is going to expand (Jonghwan Goh 2016). However, there is a strong competition growing in the market, and new challenges are appearing due to similarities in making the business by several travel agencies.

1.3 Aim of the study

The purpose of this study is to develop a business model for a travel agency in South Korea with the case company Goh Travel Korea, to make it more efficient and being able to sustain profit growth and increase its market share in the future. This report provides relevant information of the current market changes, challenges and opportunities for the tourism industry within the target groups. At the end, the reader will find suggestions and new ideas on how to improve the business of a travel agency for low budget foreign travelers in South Korea by redesigning its business mode.

The main research questions of the thesis are:

- What are the current market trends of the tourism industry in South Korea?
- What parts of the business model should be developed?
- What changes should be done to make the offer more attractive and able to reach more people?

1.4 Theoretical framework and methodology

As there are several concepts to be applied and tested in this work from the theory to empirical practice, we can affirm the use of deductive approach of the research.

Both primary and secondary data are used during the work. The primary data is based on a survey of customers which was conducted online, information provided by the CEO of Goh Travel Korea, and the author's personal observations and experiences of being a

tourist (customer) and a guide assistant. The secondary data is collected from reliable internet resources.

To make the research clear and consistent, the author created a logic which aims to help the readers to fully understand the topic and step by step reach the results. The thesis report is divided into seven chapters, starting with a business environment analysis of the tourism industry in Korea with the help of a PESTEL analysis.

The following chapters give more detailed information about the company Goh Travel Korea. Then, the reader can find a short introduction into the business model theory, which is based on several concepts such as a business model canvas, a business model wheel and tests on business model efficiency. With the business model wheel concept, the study describes its components with the case of a travel agency in Korea. A practical analysis of the business model is made with help of a survey and SWOT analysis. The results will help to make valuable changes and the development of a company's operations. All the findings and recommendations are going to be concluded in the last parts of the thesis.

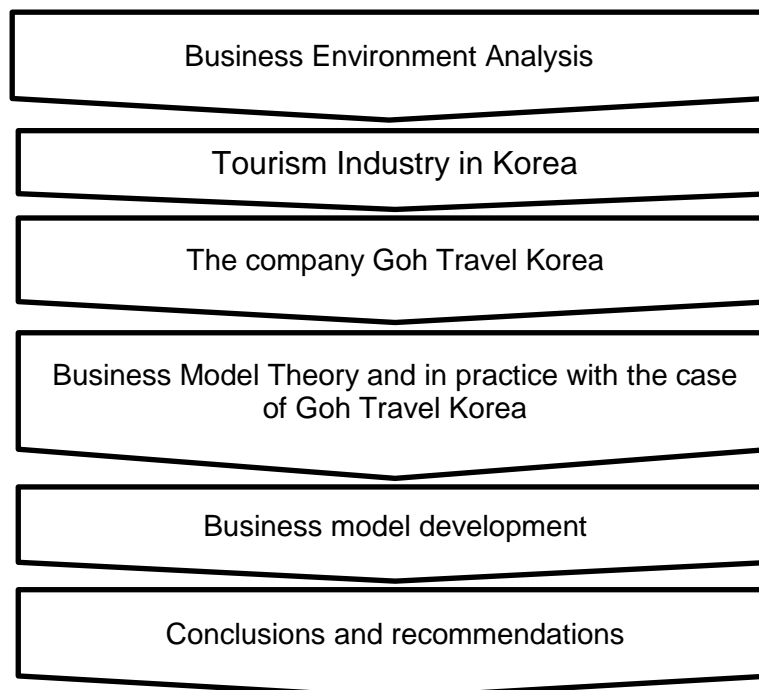


Figure 1. Thesis structure.

2 BUSINESS ENVIRONMENT ANALYSIS

The company and other players in the market operate within one specific business environment that shapes all activities and policies inside and outside any of these organizations. Before evaluating the company with its strengths and weaknesses, this work should consider all the forces that influence operations in the market. One of the most consistent tools of analyzing the external environment is PESTEL analysis. It consists of six factors, which describe all the forces in the market that any company faces (Figure 2).



Figure 2. External environmental factors – PESTEL analysis (Professional Academy 2016).

As the topic of the thesis is connected to the tourism industry in Korea targeting on foreign visitors, this chapter explains only the factors connected to tourism related businesses.

2.1 Political factors

The first question that people ask when talking about travelling to Korea concerns South or North Korea. Moreover, for many people the idea of visiting the Democratic People's Republic of Korea (DPRK) seems quite scary and unsafe. However, some tourists are willing to pay a big amount of money for the chance to see one of the most mysterious countries.

The history of Korea is full of divisions of the country. Since the earliest centuries the Land of Morning Calm was constantly divided into two or more parts and then united

again. Finally, at the end of World War II the Korean peninsula was separated into Soviet and U.S. occupation zones at the 38th parallel to relieve Korea from Japanese forces. Then the division moved further and introduced two opposite systems: a communist and democratic regime (with contemporary variations). A try of unification – the Korean War of 1950-1953 did not bring expected results, and the countries still did not sign a formal peace treaty (New World Encyclopedia 2013).

There is a political threat that the countries have been at war for more than 60 years, and there are just a few premises for unification. The conflicts between the parties appear regularly, and that is why it seems dangerous for people from abroad to visit South Korea as well. On the other hand, many history lovers are obsessed with the idea of visiting the DMZ (Demilitarized Zone) between the countries.

DMZ tours are organized daily to different areas; however, the most attractive place to visit for tourists is Panmunjeom (JSA). The Joint Security Area is not allowed for private tours but only by ordering trips arranged by the official authorities who have a permit or via travel agencies, which can connect tourists to this authority. The ticket should be ordered in advance, as limited number of visitors per day is allowed and several nationalities have to provide a copy of a passport in a week before the visit. Furthermore, the place is not open for tourists during weekends and can be cancelled during any other day due to military activity between the parties.

Unlike its northern neighbor, South Korea has developed strong political and economic relationships with many countries. After evaluation of the operation of Korea Tourism Organization, the country decided to open its borders for tourists more and receive larger profit from foreign visitors. Currently 103 nationalities have a visa exemption for tourism purposes for 30-180 days, depending on the country (Ministry of Foreign Affairs in the Republic of Korea 2016). However, to protect their citizens and provide them with more employment opportunities, there are many restrictions for obtaining working residence permits and opening businesses for foreigners.

To get more attention to Korean culture, at the beginning of 21st century the Korean Government introduced “Tourism Vision 21”. This plan aimed at attracting foreign tourists by developing tourism resources, differentiating tourism products, improving infrastructure, introducing tourism promotional activities, opening world-class tourism

facilities, hosting mega events and expanding international cooperation (National Policy Tourism Review 2002). For ensuring these operations, the government provided subsidies and loans for tourism related organizations, which in 2013 raised up to 2.54 million USD for supporting tourism resources, 644 million USD for promotion and development Korea recognition abroad (including opening 14 centers of KTO in other countries) and 371 USD million for infrastructure development (OECD Tourism Trends and Policies 2014).

2.2 Economic factors

For the last four decades, the economy of South Korea has been experiencing rapid growth, and from a challenging after war period the country managed to become a high-tech industrialized economy (Central Intelligence Agency 2016). Currently it is the fourth major economy in Asia (Forbes 2015) with GDP annual growth rate of 3.3% (Statistics Korea 2016), only 3.6% of unemployment this year (KOSIS 2016).

Moreover, in 2015 the surplus in the trade balance achieved 120 billion USD, i.e. 17% of DGP. In addition, the economy is highly attractive for foreign investors, and for the last eight years the amount of foreign direct investments has had an increase of three times (Oecd-ilibrary 2016). The exchange rate has been showing more stability since 2008-2009 (Figure 3), after the crisis when the inflation was evaluated at the highest of the last decade 6% (Trading economics 2016). To compare, last year inflation was valued at 0.7% (KOSIS 2016).



Figure 3. US Dollar to Korean Won, history of exchange rate 2006-2016 (Ycharts 2016).

The average salary in Korea reached 4,987,826 KRW (4,438 USD based on the exchange rate of 23.10.2016 by The Bank of Korea) in 2016 (Salary Explorer 2016). The monthly income of foreign expats in 2013 was 2050 USD (YonHap News 2013). With average monthly expenditure 1000-1100 USD, including accommodation and daily spending, most expats are managing to travel around the country regularly (Go Over Seas 2014).

Year by year, foreign tourism is increasing its importance in South Korea. In 2014 it already provided 626,500 jobs which are directly supported by tourism (2.4% of total employment), and over 1.5 million workplaces indirectly. However, as still domestic tourism dominates over the foreign 69.7 % and 30.3% respectively, the Korean Government provides plenty of opportunities for tourism organizations in the country by providing financial support for cultural activities targeted at foreign visitors (World Travel and Tourism Council 2016).

2.3 Social-Cultural factors

The controversial task for any culture in the contemporary world is to follow new waves of development and at the same time preserve history and traditions. Asian countries such as China, Japan and South Korea are managing to find the solution and mix both components in right proportions.

Talking about South Korea, we notice a strong traditional base in communication (e.g. hierarchy in family relationships and corporate culture), traditional ceremonies, festivals, hobbies etc. While visiting the country, all the historical places are preserved in good conditions and opened for visitors. Moreover, to make visitors more interested and involved in culture, there are several policies that most of museums follow, for instance, free entrance if the person is wearing Korean traditional clothes.

On the other hand, contemporary culture is getting more popular around the world. The number of young tourists who come to Korea because of Korean pop culture (K-POP) and dramas is increasing every year. This kind of tourist is interested in concerts, visiting different music and TV studios and going to places of shooting the most famous dramas. Many organizations take this opportunity by creating trips around places from dramas and concerts. However, now it is the best time for visiting South Korea for young fans of Hallyu

(K-stars) culture, as the industry is young and in order to discover the ways of marketing and promotion, there are many opportunities to join free trial programs and trips and give advice to the organization about the development of offers for foreigners.

To show another side of Korea and to invite more tourists, the country took a responsibility to organize the Winter Olympics in 2018 in PyeongChang. The preparations as well as promotional activities started years ago. Thousands international volunteers are invited to take part in the event and help in organizational moments. To receive more attention to the Olympics, 2016-2018 have been announced as Visit Korea Years, when the country is expecting a tourists' boom.

The education system in Korea has taken a lot of attention over the last few years as it was ranked as one of the best in the world. A tough studying process and competition make all Korean students nervous. However, as a result, Korean specialists are famous for the ability to work hard and a theoretical base. That is why at some point they have an advantage in the labor market. Despite the fact that every year because of stress from competition and exams there are many students who commit suicide, thousands of regular and exchange students are heading to experience the studying process at universities all around Korea. Moreover, there are plenty of scholarships provided for international students (especially from developing countries) to help them to afford living and studying in Korea. At the same time to keep the level of education high, there are many opportunities for foreign teachers to work in Korea, especially considering English language teaching.

2.4 Technological factors

Although there are no valuable natural resources in the country, Korea managed to develop science and reach a technological boom. It was determined by two parties: the government and huge conglomerates within the industry (IDA).

Industries are led by conglomerates such as Samsung, LG Electronics, Hyundai, POSCO etc. These companies adopted Western business practices and are currently investing in science-based innovation. New research and innovations help to be highly competitive in the global market and attract foreign business partners (IDA 2013). The opportunity to invest and expand business on a new level attracts thousands of foreign business people.

Approximately 19.4% of all foreign visitors come to Korea every year (World Travel Tourism Council 2015).

New technologies attract regular foreign tourists, as many of them can make travel experience more exciting and easier. Most of smartphone applications useful for travelling around Korea are available in English, and this helps to figure out places, transportation, food, language and prices. However, according to the author's personal experience, the main pride of Korea – public Wi-Fi – is simply not available for foreigners even for who stay in the country for several months. Limited Internet access for foreigners might be an obstacle for businesses, which are targeting foreign travelers and have their marketing based online.

2.5 Environmental factors

Currently the quality of water and forest preservation is highly evaluated in the country. However, air pollution is not under control as it is coming from industrial areas of China and Mongolia. Micro-dust and yellow dust appear regularly in the Korean peninsula and can cause serious health problems among locals. To prevent dust from getting into airways, people are following dust concentration forecasts in the air and putting on masks.

Another health issue in Korea relates to viruses, periodically arising in the country and causing the death of many people. From May until July 2015, Korea was occupied with MERS-CoV (Middle East respiratory syndrome coronavirus), resulting in 186 cases infected with a death toll of 36 (World Health Organization 2015). During these three months, the number of foreign tourists to Korea decreased. After the announcement about the virus in Korea, only during the first week of June around 100,000 tourists cancelled their trips, and the tendency led to 60% sales loss during the summer (World Economic Forum 2015).

Nowadays, new challenges are appearing in South Korean health sector: in the middle of August 2016 10 people have been diagnosed with the Zika virus. There are no policies responding to the problem yet, and the threat is not seen as dangerous until now, but due to the Korean experience with MERS-CoV, some risks should be considered already (The Korea Times 2016).

2.6 Legal factors

South Korea is a well-known country for bureaucracy. However, with technological development and widespread internet, online services partly can solve the problem and make all the procedures easier. For local citizens, there is no obstacles of opening one's own business. The whole procedure takes a week and also can be done via the internet. That cannot be said about business launching by foreigner, as only three types of visa can provide this opportunity: investment (with over 100,000 USD investment into the economy) and two kinds of relative visas. Moreover, as the country wants to ensure a high employment rate for its citizens, there are numerous obstacles for foreigners to get a work permit in Korea, such the specified professions, experience and degree. Every year The Foreign Workforce Policy Committee announced the allowed number of foreign workforce in the country with a specified number for each industry. In 2015 this number was 55,000 (Ministry of Employment and Labor, South Korea 2015).

The tax system for Korean and foreign employees differs as well. A Korean citizen is charged by a progressive tax rate (more get – more pay) from 6% up to 38%. Any foreign employee has a fixed income tax of 17%. The corporate income tax is the same for any category 24.2% (Korea for expats 2016).

On the other hand, Korea has opened its boarder for tourists, and people from 103 countries do not need to apply for a visa to visit the country. As the result, all the main department stores provided tax refund service in the tax-free office of the stores, to make shopping for tourists more convenient.

2.7 Impact on a low budget travel industry

To conclude the findings from the PESTEL analysis, it is important to highlight the factors directly affecting the industry of tourism agencies for foreigners with low budgets.

First, the market provides growing opportunities supported by government. The entry barriers to the country (visas) are removed for most tourists and the facilities (touristic places) are sponsored to keep up good conditions. The unstable situation with the northern neighbor can suddenly force changing plans; however, the mystery of the situation brings many tourists to visit the DMZ and makes a good profit for travel agencies.

The economic situation attracts many expats to South Korea with a chance to earn more money than in their countries. The development of education and demand on foreign professors and English teachers bring thousands of newcomers to Korea with a willingness to travel in leisure time.

More travelers are coming to Korea for its culture, both traditional and modern. The different purposes of visiting the country bring the advantage to create thematic offers of the “unique” Korean experience.

Technologies help in communication; a widespread Wi-Fi system makes the information available, something convenient for tourists. It is a cheap way to advertise products and connect with customers as well. Low budget travel agencies take this advantage and make the operations at a low cost but fast and efficiently.

The problems with MERS-Cov and other viruses have a negative impact on the economy. It affects travelers and tourism industries that target mostly foreign tourists. In the case of expats, most foreign employees did not have a chance to leave Korea during the time of virus existence in the country.

3 TOURISM INDUSTRY IN KOREA

This chapter is going to evaluate the industry itself, discover the parts with important roles in the market and what was done already and needs to be considered in the future. At the same time, we are going to explain the target and niche that the company Goh Travel Korea selected and what opportunity it has in the long run.

3.1 Tourism industry overview

The tourism industry in Korea is growing fast, simultaneously with the economy. There are many important policies that the government has introduced to help the country to become one of the main tourist centers in East Asia.

The number of tourists is growing each year, with the only exception of 2015 with the threat of MERS-CoV (Table 1).

Table 1. Arrivals to South Korea 2010-2016.

Month	Visitor Arrivals												
	2010	Growth(%)	2011	Growth(%)	2012	Growth(%)	2013	Growth(%)	2014	Growth(%)	2015	Growth(%)	2016
1	569,453	2.9	586,152	28.6	753,793	-0.0	753,655	11.8	842,671	8.8	917,054	17.5	1,077,431
2	638,911	4.4	667,089	21.6	810,967	0.5	815,037	8.7	886,026	18.6	1,050,706	7.2	1,126,250
3	769,894	1.5	781,286	17.3	916,357	10.3	1,010,809	12.0	1,132,155	9.4	1,238,144	12.2	1,389,399
4	730,265	3.3	754,458	28.3	967,593	0.5	972,164	28.7	1,251,374	10.6	1,384,567	6.1	1,469,674
5	729,450	1.9	743,464	26.8	942,602	-2.5	919,355	34.8	1,239,606	7.6	1,334,212	11.9	1,492,680
6	718,440	10.8	795,850	18.9	946,333	11.9	1,059,082	20.3	1,273,627	-41.0	750,925	107.0	1,554,413
7	754,672	16.8	881,809	14.4	1,009,225	19.4	1,205,152	12.4	1,354,753	-53.5	629,737	170.5	1,703,495
8	833,693	17.2	977,296	12.9	1,103,311	23.2	1,358,909	7.0	1,454,078	-26.5	1,069,314		
9	764,693	18.6	906,813	8.8	986,961	17.2	1,156,913	7.7	1,245,777	-3.1	1,206,764		
10	872,550	13.3	988,320	3.8	1,025,705	6.1	1,087,974	21.1	1,317,482	5.0	1,383,704		
11	738,271	17.8	869,876	-3.2	842,189	7.8	907,901	23.1	1,117,398	2.9	1,150,074		
12	677,366	24.4	842,383	-0.9	834,992	11.2	928,599	17.0	1,086,569	2.8	1,116,450		
Total	8,797,658	11.3	9,794,796	13.7	11,140,028	9.3	12,175,550	16.6	14,201,516	-6.8	13,231,651	34.3	9,813,342

The increase of arrivals to Korea was the result of operation of Visit Korea Year campaign, organized by Visit Korea Committee during 2010-2012. The expected target was to reach the number of visitors per year at 10 million, and it was successfully implemented. Before the Olympics 2018 in PyeongChang, to recoup some of the costs from the event and develop the tourism industry more, the campaign was decided to repeat during 2016-2018 with an expected increase of 20 million tourists a year (KTO, Visit Korea Year 2015).

3.2 Parts of the industry involved

Tourism has direct, indirect and induced contributions into an economy (Figure 4). Every industry has an important share in the total contribution, and at the same time the parts are interdependent.

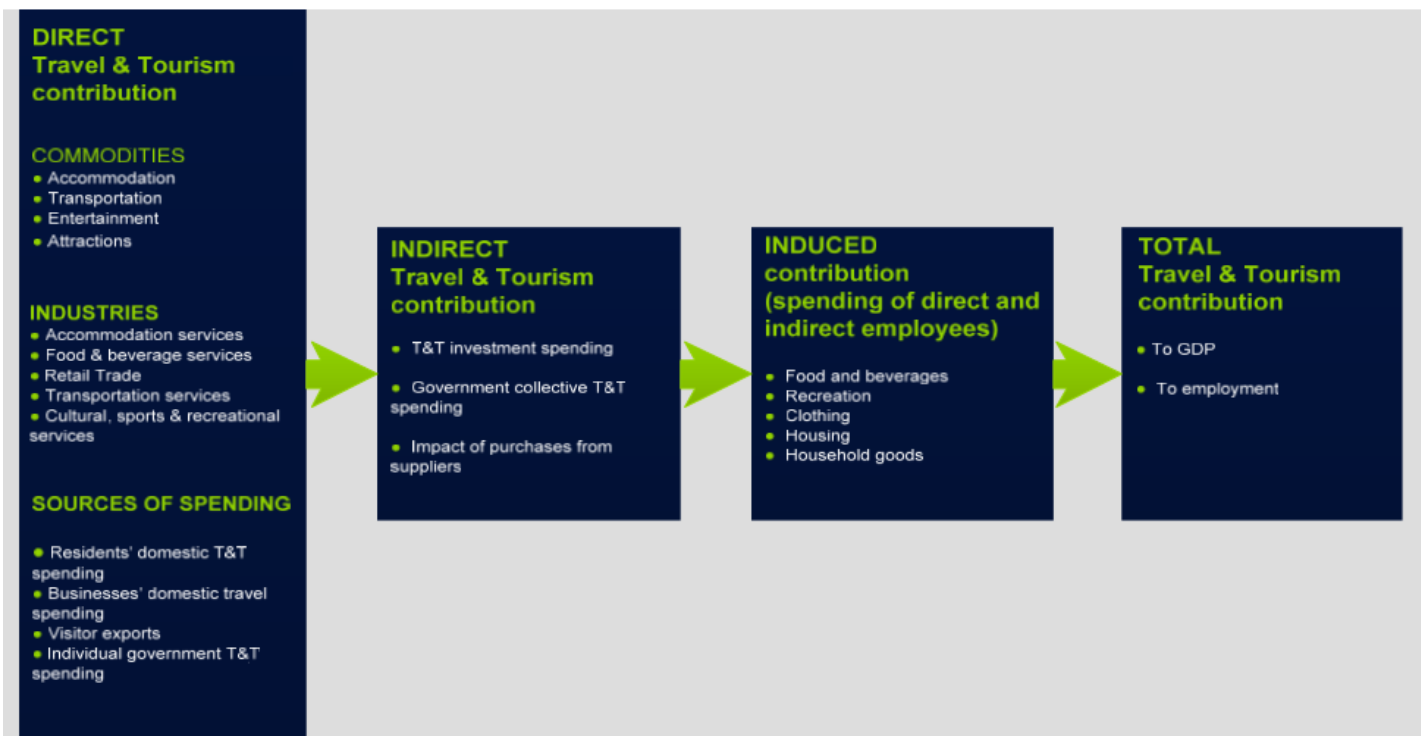


Figure 4. Contribution of Travel and Tourism (Source: World Travel and Tourism council 2014).

The main industries can be distinguished as:

- Hospitality (hotels, hostels, pensions, dormitories, motels, accommodation rentals, etc.)
- Transportation (from bicycle's rental to airlines and airports)
- Catering (food providers)
- Cultural, sports and other recreational activities (all the touristic spots, resorts, etc.)
- Communication (post office, internet, Wi-Fi, mobile service providers, etc.)
- Retail (shopping)

Here we should also add some important parts which are usually forgotten:

- Governmental organizations (Korean tourism organization (KTO))
- Private travel organizations (Travel agencies inside and outside the country)

The last two have an important role of connecting partly or all the dimensions above. They have the ability to link the customers and industries with getting some commission (profit for private; profit and impact on the economy for governmental organizations). The questions how to allocate all the resources to meet the aimed target are the work for these two parts.

3.3 Travel agencies in Korea

A travel agency is “a business that accommodates travelers, as by securing tickets, arranging for reservations, and giving information” (Dictionary.com 2016). The reasons why many people all around the world prefer to use the service of travel agencies are convenience, saving time and money, service itself, ethics and extra mile (additional service) (TravelSence 2014). This service includes solving issues that always appear during travelling such as transportation booking, translation, investigating, information filtering, counselling, simplifying transactions and legal tasks.

Most foreign people who are coming to South Korea are ordering the whole package from their country to the desired destination where almost/or everything is included, taking some small trips and excursions already in South Korea or buying some help for leisure activities organizing. It makes the travel experience easier and more pleasant, as using booking systems in a foreign language might be problematic, and finding the right places by oneself takes valuable time.

Talking about trips to and around South Korea, all the agencies can be classified in several ways:

1) *By customers:*

- Only for locals
- Only for foreigners
- For locals and foreigners

2) *By office location:*

- Korean with offices only in Korea

- Korean with offices abroad
- Foreign with offices in Korea
- Foreign with offices abroad but providing trips to Korea

3) *By offer:*

- Private trips
- Group trips
- Private-group trips

4) *By target group:*

- Expensive (five-star level)
- Middle
- Low budget

5) *Niche market:*

- By nationality
- By occupation of the customers (students, expats etc.)
- By age group
- By specific destinations

Currently the various range of travel companies is introduced in the market. The most famous of them is Hanatour, the number one travel company in the country for the last 15 years, with 27 branches abroad, operating with various trips. However, the company targets more on middle and upper-middle class customers (Hanatour.com 2016). One of the most experienced tour operators in Korea is Hanjin Travel, which was established in 1961, but did not grow for the international level (HanjinTravel.com 2016). There are another 34 local travel agencies that cover the same locations, offers and target as the previous two just with a few variations. These companies cover most of the market share in the tourism market of travel agencies and tour operators (VisitSeoul.net 2016). However, there is still a place for niche markets.

Due to growing demand, there are new travel agencies appearing in South Korea every year. At the same time, some of them are unable to fight the competition are going towards bankruptcy. Many travel agents from abroad are starting to offer trips to Korea, and the number is going to increase rapidly because of the Olympics.

3.4 Low budget travel agencies for foreigners in Korea

The target groups of the company for which this project is done includes foreign visitors and residents with low and medium budget for travelling, and who want to explore Korea further than just Seoul. The travelling includes getting some exclusive and active experience in Korea or just having fun during trips with friends.

Such companies are usually small and use a lot of outsourcing of transportation, guiding and marketing. The network among the other medium and low budget industries becomes extremely important, as in some cases simple group discounts might not be reachable, but connections and agreements with hostels, restaurants, tourist spots' offices might save valuable costs. Relationships with the clients are also important, and face to face friendly communication makes the trips different from the other companies' offers. At the same time, due to limited marketing tools and channels, it might be the cheapest and most appropriate way to keep and attract clients.

Quite often the only way to find this kind of company is a social network, usually via Facebook and Meetup. However, the agencies have their own websites as well, where customers can find information about the upcoming trips and photo galleries of happy customers. The social network allows finding new people through groups of interests and offer the trips directly with the help of event invitations. It is also an easy way to create discussions and evaluate what kind of travelers will participate in the trip. However, there is a limitation for people who might be interested in the offers but might not be so proficient in Facebook or do not have a profile page at all.

As the market is full of different offers, every business person is trying to find an own unoccupied or under occupied niche or target for himself. That is why, there are small travel agencies for budget travelers from China or Chinese speakers, from Japan and Japanese speakers, only for students (party-trips and active tourism), hiking groups, etc. (Table 2).

These companies have their place in the market. However, although the niche is different, they are still competitors for the available resources (rival services or goods) and for those customers that might be targets for several companies at the same time (ex. Chinese expats or students with good English language skills).

Table 2. Niche market budget travel agencies examples

Name of the organization	Target group	Specialty of the offer	Marketing channels	Limitations
Seoul Hiking Group	Active leisure and nature lovers	Hiking trips to different mountains around Korea, camping, English guiding	Facebook Meetup	Only from Seoul
Seoul Fun Travel	Chinese and Chinese speakers	Trips around Korea with Chinese guiding	Facebook Weibo	Only Chinese speakers
Seoul City Tour	Foreign short-term travelers, drama fans	Daily tours around the city and famous drama places	Facebook website	Short trips and excursions
Wink Travels	Foreigners in Korea	Travel trips and active sport activity trips, English guiding	Facebook	Not differentiated offers
Namoo Travel	Foreign short-term visitors	Short theme tours with special traditional experience (handicraft, trying traditional clothes etc.), Chinese and English guiding	Website Facebook	Short trips for history and traditions fans
BangawoYo Tours	Foreign students and interns	Festivals and party trips	Facebook	Only for those who likes parties and crazy time spending

4 GOH TRAVEL KOREA

4.1 Company overview

Jonghwan Goh, the founder of the company, likes to repeat:” Goh Travel Korea is a Fun Travel Group for expats and international travelers from all over the world”. Since 2014, on almost every weekend and public holiday foreigners in South Korea have an opportunity to discover interesting destinations, experience traditions and participate in fun activities.

The agency uses of outsourcing services such as transportation and accommodation. During the trips, there are volunteers: guide assistant and photographer, sometimes volunteers also work as guides, and every season the company hires an intern. Marketing is based on online resources such as the website gohtravelkorea.net, a Facebook page (as most of the tourist find the trips and information there), Meetup community and TripAdvisor. Communication and booking the trips happen also online via KakaoTalk, Facebook and Email, making it easier and convenient, but this limits the quality of communication with possibilities of misunderstandings.

This young company became quite popular over a short time, the trial trips in 2014 had success and guaranteed a good reputation in the market. In 2015 the number of customers increased up to 3000, many of which took more than two or three different trips and were quite satisfied with the service (Jonghwan Goh 2016).

The current situation is questionable as the number of customers is increasing (more than 7200 followers in Facebook community), but at the same time the number of dissatisfied clients is growing as well. The demand for the trips is constantly changing due to marketing issues and seasonal reasons. In addition, the growing competition is a threat that can lead to losing customers and profit (Jonghwan Goh 2016).

4.2 Target and offer

Goh Travel Korea offers weekend and holidays trips to places around Korea, rarely known by foreigners. It means that during the tours people have an opportunity to discover different side of the country and escape big cities for a while. All the trips are fulfilled with

different kinds of traditional and contemporary experiences. The traditional approach includes such activities as trying to work on a traditional farm (green tea, peach, sheep farms etc.), visiting and spending nights in traditional villages, wearing Korean clothes, preparing Korean meals and so on. Contemporary activities make people experience rafting, paragliding, paintball and many other to enjoy time with friends.

The package includes transportation from Seoul (or other cities pick up on the way) to all the destinations and back, entry tickets, meals (traditional Korean food of the region of destination and breakfast), accommodation and guidance in English. The price is promised to be one of the lowest in the market, and people who participate more than two times can get a discount, which is greater with each trip. There are also group discounts starting with three people groups (the more people, the greater the discount).

The offers are seasonal and created to get as much enjoyable experience as possible at the right time. Spring invites enjoying cherry blossom; summer is full of beaches and farm offers; autumn is famous for the Chuseok holiday (Thanksgiving weekend in Korea), and nature time spending, winter - with ice festivals. That means that Korea is an interesting place to visit during the whole year, and there are many opportunities for both travel agencies and travelers to get this advantage.

The target group of the company is foreign travelers and expats in South Korea, normally with medium and low incomes; however, private tours usually are organized with higher level requests. Most customers are people, who study or work in Korea, or have a long-term travel. However, there are some examples of Korean customers who wanted to practice English skills and make foreign friends. Many of the clients are participating in the trips in groups such as families, colleagues and friends. Age groups are different, as families quite often take their kids.

The limitations for some age groups can appear during some active sports tours and hiking (as there are age limits for some dangerous activities and climbing up high mountains might be a challenge). In this case the company makes comments in advance and takes a responsibility to offer an alternative destination for these participants.

5 BUSINESS MODEL

This chapter is going to define what a business model is, how the concept works, and the ways we can evaluate and develop existing business models. After a discussion of the theoretical base, the business model of Goh Travel Korea is going to be defined and assessed in order to discover strong and weak parts of the operations and services within the organization.

5.1 Business Model concept

A business model is a quite valuable but not that easy to understand concept. For the last 30 years, there are thousands of books and articles on this topic; however, in around 30% of the papers authors cannot give a clear definition (IESE Business School 2010). The simplest description of Business Model was introduced by Michael Lewis in 1999. In his book *The New, New Thing* he defined Business Model as, “All it really meant how you planned to make money”.

The most famous work on the topic belongs to Alexander Osterwalder and Yves Pigneur, and includes results from a workshop on Business Model with 470 participants within different business competences. The findings were collected in a book “Business Model Generation” and became a guideline for creating new companies for many entrepreneurs around the world. According to the study, business model describes the logic how the company operates with its product or service, deliver value to customers and receive a profit in return.

The Business Model Generation evaluated plenty of business models of companies from different industries and suggested a framework of all the company’s operations - Business Model Canvas (Appendix 1). The framework consists of nine segments, which describe different areas of business and their connections, and helps to see in detail the operations inside and outside the company.

Another framework for Business Model concept was introduced by Business Model Institute and because of the shape was named Business Model Wheel (Figure 5). It consists of three main segments: Offering, Monetization and Sustainability, each of those divided by another parts, eight in total. Evaluating one by one each of the parts, starting

with Offering (Market attractiveness), makes the process of business model assessment structural and more clear.



Figure 5. Business Model Wheel (Source: Business Model Institute 2012).

One of the most well-known business model evaluation was introduced by Business Model institute – BM Quotient. It enables grading all eight segments in the business model wheel and their interrelations; all the parts get their own score, and the result depends on the sum of these scores: the higher (up to 100) the better (Appendix 2). The limitation of this approach is that self-assessment is going to be inaccurate. (Business Model Institute 2016).

5.2 Business model of Goh Travel Korea

There are several methods to describe business model in a scheme and make it more structural, and the section above explained just couple of them. The commonly used one is the Business Model Canvas (Business Model Generation 2010). However, the advantages of the Business Model Wheel (Business Model Institute 2016) are basically

the same. Although the quotient of the business model wheel can be done professionally only by a specialist in this field, we are going to use this framework for identifying the main operations of the business with its weaknesses and opportunities.

The process of Business Model structuralizing and explaining is based on identifying a company's operations and dividing them into three segments: Offering, Monetization and Sustainability. Each of the segments are divided into parts and evaluated based on the theoretical knowledge and market trends (secondary data). More deep practical analysis is going to be done according to real numbers and data gained from the company and customers (primary data).

5.2.1 Offering

The offering includes identifying the right industry, niche and customers, unique value creations and proposition. In the business model wheel concept, it is a starting point for business model creation/evaluation and consists of two parts that are defined in the following.

Market attractiveness: a combination of industry, niche and customer attractiveness

Industry: Tourism, local travel agency

Niche: Packages of weekend trips around Korea to non-famous cultural and natural places, special opportunities for modern sport activities and traditional experiences; comparatively low prices; English guidance.

Customer segment: foreign travelers and expats in Korea, all who can speak English; with medium or low incomes.

The market is growing as the travel industry in the country is developing; however, the competition is growing as well. There are many similar organizations, which target some parts of the customers of Goh Travel Korea and are able to offer similar prices. Moreover, the niche can be substituted with another travel opportunity, provided by already existing or future competitors. There are no entry barriers within the industry for new agencies. As the company is young, it should differentiate itself and gain a good reputation in the market by creating a strong brand and high quality service.

Customer attractiveness means that the customers have a strong need for the service. Foreigners are coming to Korea to see its nature and experience the culture. However, the travel experience can be damaged by barriers that foreigners meet in unknown environments. The travel agency is going to provide their clients with the solutions that help to fulfill the purpose of coming to the country. With the offer of Goh Travel Korea, foreigners can experience something deeper in the culture at a low price, so the offer is quite attractive for them and creates many opportunities for both company and customers.

The target group of Gog Travel Korea includes foreign travelers and expats, normally with medium and low income. The chosen target is broad and can be divided in several smaller groups, which demand an own special approach. The ability for segmentation can help to find and use new marketing channels to reach more people and create trust.

Unique value proposition

Differentiation:

- Convenience (ready package, simplicity of booking, pick up from several locations, English guidance)
- Emotions that the service invokes (feeling of adventure, fun, “unique” experience)
- Service (offering a high-quality service - solution for easy traveling for foreigners)

The business model does not actually need a unique value proposition; however, it is an important part of a successful business model. It is always better to offer something that customers cannot find anywhere else.

Here it is important to mention the Unique Selling Proposition (USP) – the reasons why people should care about the brand, the ability to sell the brand and the service. USP considers audience (ideal customers), problem (solving a particular problem of customer) and Uniqueness (difference from the offer of competitors), and all these factors are seen from a company’s perspective.

Unique Value Proposition (UVP) extends USP in a way of seeing the value from a customer’s point of view. In other words, USP – what a company sells and how it differentiates from competitors, UVP – what a customer buys, more exactly, what solution is gained from the use of particular product/service (IT Tool Box 2006).

According to the authors' observation during the volunteering experience at the company, Goh Travel Korea mixes this points and does not make a difference between how the agency considers the offer and how the client finds it. In some way, it creates misunderstandings in customers' expectations (expectation vs reality). For example, some destinations might be considered as a unique place for Koreans (as it is part of their history), but be an unattractive place for foreigners because of cultural differences and unawareness of this particular historical period. Then the customer might consider the destination overpriced and the time spent overestimated. In the first case, the customer just does not buy it and the trip will be unprofitable. In another case, the negative result of the customers' expectations might lead to lowering the reputation of the company and thus losing profit in the long run.

5.2.2 Monetization

There are two tests that a good business model should pass. The narrative test shows if the company is "making something that satisfies an unmet need" and "selling something in innovative ways", that can ensure new ways to make money and ensure awareness in the market. The second and more important test is Numbers, as success always is shown in the income statement and balance sheet (Magretta 2002). In this section the role of "positive" numbers are discussed with an importance of creating revenue and sales models.

Revenue model

Costs:

- Cutting costs with help of outsourcing.
- Network and group offers create cost advantage.

As the target group is price sensitive, cost advantage and full seats occupation can guarantee better gross margin.

Product/Service mix: combination of two services:

- Weekend trips with groups of tourists – lower margin, but regular profit
- Private trips – higher margin, but rare orders

The revenue model is responsible for generating the profit. Simply, profit is the amount of money that the company gets after its operations and all cost deductions. The aim of a successful business model is to create a superior profit, and it can be done by considering two components: high gross margins and exceeding operational and overhead costs.

If the company's gross margin is superior to competitors' gross margins, no doubt the business model works well. Furthermore, it brings such advantages as ability to afford hiring better employees, providing higher quality service and engaging in research and development (Muehlhausen 2013).

As the target group of Goh Travel Korea is foreigners with low and medium income, customers have a high price sensitivity. The gross margin cannot be increased by itself because of only providing high quality service. In such a business as travel agency, it can be done by cost advantage (less cost than competitors have for the same or similar operation). Network and group offers help to reduce costs, keep low prices for customers and at the same time make the gross margin higher. Furthermore, full seats occupation also guarantees higher margin, and hence profit.

Even though there are many competitors in group package weekend trips, there are fewer companies that offer the organization of private tours. This kind of business needs more attention, as all the services should be provided at the customer's order, at the right price and rank. However, the margin for this kind of trip is growing, so this niche is more profitable in comparison with group tour packages. On the other hand, this kind of order does not happen that often, maybe only several times per year; so the service offers mix of weekend trips and private tours is a good combination to run this business.

Sales model

Selling trips via the internet (Facebook groups, company website), closing deals via emails.

Group can get a *discount* of:

- 3 people : 2,000 won (for each person)
- 4-5 people : 3,000 won (for each person)
- 5-9 people: 4,000 won (for each person)
- Over 10 people: 5,000 won (for each person)

Cancellation policy

5 days or more before departure = 100 % refund

3 – 4 days before departure = 50 % refund

2 days or less before departure = 0 % refund

Promotion activities about the trip and sales (booking seats) start approximately 1.5 months before the trip. It enables attracting the necessary number of customers and even make a waiting list in case of some cancellations.

Marketing is more effective than a simple selling process and offering a trip in person. The service is not repeatable for the same customers. People visiting a place hardly ever will buy the trip again. That is why it is important to be able to offer something new for people who already used the service. However, the proven trips might be interesting for newcomers to Korea.

5.2.3 Sustainability

The term sustainable means the ability to continue over a period of time. In case of a business, it is an ability to survive, to keep generating profit and in some cases to have an opportunity to develop and grow (Cambridge English Dictionary 2016).

The main obstacles for businesses are competition and a changing environment. The environment was discussed in the second chapter of this work; usually an organization has the ability only to adapt to the change: find own solutions for difficulties or use the opportunities. However, all the companies within the industry are operating in the same environment.

Competition has a different nature, as here companies which have more advantages (knowledge, skills, competences etc.) are able to dismiss other ones and obtain more of a market share. This section is talking about the main factors of sustainability that are not influenced by a changing environment, but mostly by competition.

Sustainable competitive advantage:

- Some cost advantage creates a financial advantage.

- Friendly communication with customers, face recognition creates trust and a good reputation.
- The niche market (weekend trips to not well-known places for foreign visitors) is not occupied by competitors yet.
- The ability to offer the service for people from cities other than Seoul (picking them up in Daejeon bus terminal (to where they come from their cities)).

The competitive advantage covers the two main points for sustainability: making the business model strong and keeping competitors out of the game. It is a combination of factors that shows an advantage in the market and the possibility of continuing to grow the business.

Current competitive advantages include components of a service that is not offered by competitors yet. In the future, this parts might be covered by other companies (as actually there is no additional costs for most of them). To stay competitive, Goh Travel Korea should consider other options to make the offer unique at low cost. Moreover, it should evaluate the trips of competitors and see the option they have for competitive advantage.

Threat of substitutes or indirect competition is another factor that influences the whole competitive environment. Currently the use of the internet is increasing. Booking websites allows finding information about a destination easily and not only in English or Korean. So, planning and organizing trips by travelers themselves can be considered as a threat to a travel agency.

Innovation factor and Avoidance of pitfalls

The best solution for continuing growth of the company is the development of a product or service through innovations. The innovation can be in different forms; however, some industries have more need for innovations than others. For the tourism industry, the innovation need is as important as for high tech businesses, but for the last decade it also has had many changes such as extensive internet use.

On the other hand, innovation can be considered in another way, for example, as innovation of business model. It can include discovering new marketing channels, new tools for operating and creating profit, new revenue streams, etc. (Muehlhausen 2013).

Goh Travel Korea did not have an innovative business model since the beginning of operating, so the research will suggest some ideas for development.

Pitfalls can arise suddenly in a changing environment or can be developed by growing the business itself. The first type of pitfalls usually falls within outside factors such as government intervention, legal issues, changes in the economy, etc. Another type is based on overreliance on some customers or employees (Muehlhausen 2013).

An example of an outside pitfall that happened recently is MERS-Cov, which affected the tourism industry in South Korea. Goh Travel Korea did not have a lot of loss; however, the number of cancellations during that period increased.

Graceful exit from the business

The ability to exit the market is one component of a successful business model. The reason to get rid of the business can arise suddenly and not all the businesses can be sold or forwarded to new owners. The main issue of the inability to give the company away is overdependence on the owner, when the person is doing all the main work, taking a lot of responsibilities, and has all the customers and information in hands.

In the case of Goh Travel Korea, everything in the company relies on its owner. The reason for that is the small size and early stage of the business (Jonghwan Goh 2016). The current situation is promising a bright future; however, the owner should consider different options to exit the business in the future.

5.3 Business model feedback analysis

Based on theory, it is hard to predict the outcome of some operations. This section is going to evaluate the business model in practical way by obtaining and evaluating primary data based on the online questionnaire.

5.3.1 Customers' opinion

The online survey was conducted over 1.5 months (middle of August – September 2016) via google drive and emails. The survey included 15 questions, both closed and open-ended. To discover more details about the target group, the first three questions were

about personal information such as gender, nationality and occupation. Other questions were created in order to find out what trips are more successful, what are the customers' opinions about the trip organization, communication during the tour, and destinations. Customers could also leave their suggestions about the service and preferable future destinations. The survey questions can be found in Appendix 3.

As the number of customers in 2015 was nearly 3000, the target sample for the survey was 1% of that number – 30 responses. The actual number of responses received was 42 (27% of 154 contacted customers from the trips held from the beginning this year). Around one-third of the participants are male, and overall there are more females during the trips. People from many nationalities, mostly from English speaking countries (USA, UK, Canada etc.) and from Asia (Vietnam, Philippine, Thailand etc.) were participating in the survey. Only 7% of participants were travelers around Korea, and other people came for work and study (63% and 30% respectively). There are only two sources where people got the information about the trips: Facebook page (60%) and suggestions from friends and relatives (40%).

Almost half of the people participated in 2-3 trips. Moreover 54% of all the responses confirm that they would like to use the service again. Not all the trips were successful, but still majority of customers are going to suggest the trips of Goh Travel Korea for their friends and relatives. Figure 6 shows that respondents participated various trips by Goh Travel Korea, so the results are concluding overall feedback about the different offers.

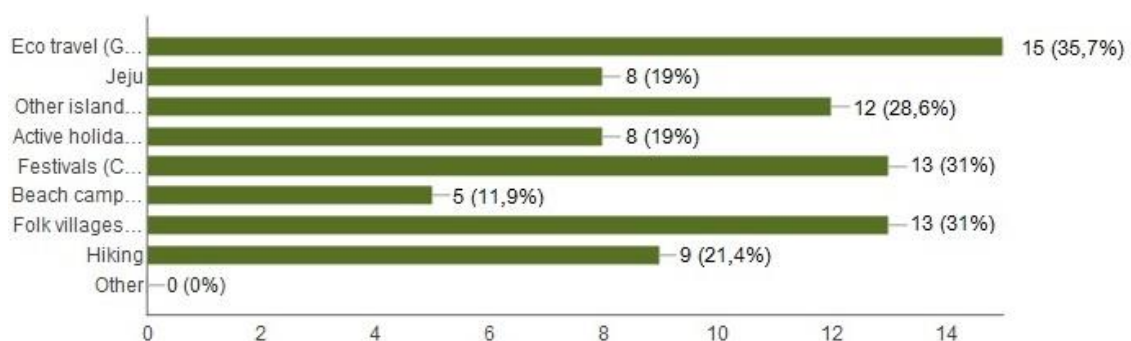


Figure 6. Trips participated in by respondents.

The most popular was the trip to the Boseong green tea field and green tea farm. Many of the responses had good feedback about this destination. The company offers this trip

1-2 times a month starting from middle of April and until September. It is one of the most successful destinations for foreign tourists.

According to the author's personal observations, communication with the customers was at a high level during the whole process: from booking until leaving the bus. Guides take advantage of Facebook, where it is possible to find something more about the customers: age, photo, preferences. The work starts after the booking, when the simple list of travelers is extended by personal notes about the customers. The guide takes the responsibility to memorize all the important information and preferences, and surprise arriving people for the first time by recognizing them and greeting by names. During the survey, the communication with the guide/ guide assistant during the trip was evaluated as 4.3 on the scale of 1-5 (poor-excellent).

The choice of accommodation received a score of 4.18 (1-5). The hostels are always comfortable and clean. However, there is a problem with room arrangement. Initially all the rooms are assigned according to gender and then friends. The changes usually cannot be done upon arrival to the hostel. During the trips, many people were complaining because families and couples were divided.

The tours are quite different from the offers of other agencies; the price is comparatively cheap as almost everything is included for travelers' convenience. The customers are quite satisfied with the price, which is important as the target group is price sensitive (Figure 7).

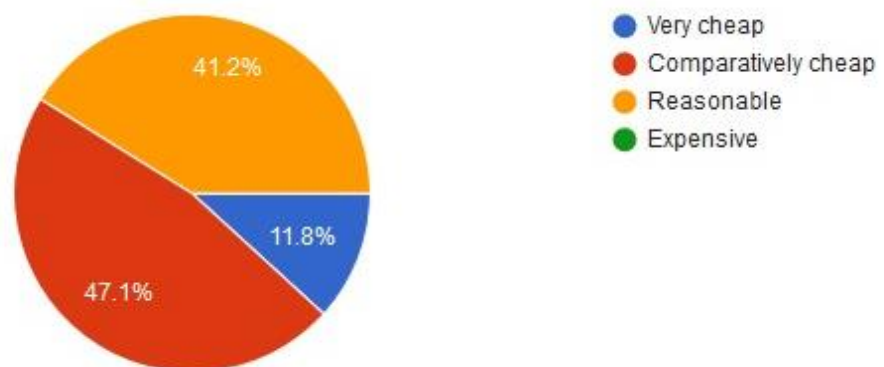


Figure 7. Perception of the price.

The preparation of the guidance, information, activities on the way (games and lotteries in the bus) helps to make people to stay excited and positive. The opportunity to win a good discount for the next trip helps people to overcome their shyness and become more open during the trip.

The time during the trips is not divided efficiently, so many destinations cannot be discovered completely. Moreover, because of not beforehand considering other challenges that might happen on the way, such as traffic and bus schedule for people from other cities than Seoul, some places are regularly missed.

Furthermore, there are challenges to find good restaurants and coffee places, as guides are not always aware of the area of destination in advance. From time to time it leads to wasting time and customers' complaints. However, on the scale from 1 to 5 (poor-excellent), the organization of the trips got a score of 4.11, which is quite good.

5.3.2 SWOT analysis

As we are dealing with an organization's development, it is important to understand the factors that directly influence its work and forces of the environment that might be useful. Table 3 describes strengths, weaknesses, opportunities and threats of Goh Travel Korea (SWOT analysis).

Table 3. SWOT analysis for Goh Travel Korea.

Strengths
<ul style="list-style-type: none"> • Fast growth: the company took much attention in a positive way during the first years of operation • The offer is a niche in the market of budget tours for foreigners (differentiated offer) • Network that creates a cost advantage • Overall good profit performance as all the trips are fully booked

Weaknesses

- Marketing tools (except TripAdvisor there is no marketing channels that the competitors – budget travel agencies use, and this advantage will be missed in a long run)
- Medium level service: guidance, communication, booking (have to be improved)
- Feedback collecting, no ways to receive the feedback except searching for blogs
- Undefined customer segments
- Loyal customers might leave Korea, so there should be a constant marketing campaign to attract new ones and provide a special offer to make them loyal

Opportunities

- Growing market, increased of number of tourists
- New destinations that the government subsidies, new trips
- There are groups of customers that can be reached through other marketing channels, not used by anyone yet
- Seasonal business in case of arriving of groups of foreigners to Korea such as students, new customers every semester, so proved successful trips can be used repeatedly.

Threats

- Growing competition
- No entry barriers for new players on the market
- Customers are also customers in other travel agencies in the market (even though the niche is different)
- Seasonal offers (e.g. Cherry blossom can start earlier or later than forecasted, but the trips should be planned in advanced)
- Unpredictable forces (traffic, weather, viruses, etc.) that can influence tourists number

5.3.3 Actual problems

Based on the survey we can make a conclusion about the customers' opinions on the company itself and the service. The high score regarding the organization of the trips is a good starting point for the development. Furthermore, there is still room for valuable improvements.

The target group of the company is defined as foreign travelers and expats in Korea. The survey discovered that the actual customers came to Korea for study and work, but only 7% of them are travelers. The target group should be reevaluated, as different targets demand different marketing strategies.

Marketing is completely done via the internet (Facebook and Website) or word of mouth (friends' recommendations), the same channels as competitors have. In order to attract new people, the company should discover and involve other possible sources.

The booking process is quite simple, but due to simplicity the most important issues are always forgotten. The communication about the seats should include at least information about accommodation and room assignments in hostels. The ways how to do it online exist (e.g. Google Drive).

The destinations should be discovered in advance by every guide with a research of places of preferences and needs of customers. For example, the addiction to coffee is a common feature of Western people, so the location of coffee places should be well-known in advance. Traffic and weather forecasts are sometimes unpredictable, but it is possible to reschedule the timetable for such issues by not missing destinations.

Communication with the customers is usually finishing upon leaving the bus. There are many complaints about an inability to receive photos, or get information about lottery results. Issues during the trips are not that easily forgotten by customers, the discussions and direct feedback links might help to improve the service and find out small hidden mistakes.

6 BUSINESS MODEL DEVELOPMENT

After the research on the market, company's operations, customers' considerations and defining business model, this chapter is going to answer the main questions of this work and suggest possible directions for improvement. The development points are structured in the way of a business model wheel, and as was done in the previous chapter, the consistency will follow the Offering, Monetization and Sustainability order with emphasizing sections narrowed by the company.

6.1 Offering development

The target groups are defined quite broadly, so the company should reevaluate the customers that already joined several trips. The survey discovers the two main groups of customers: foreign students and expats (foreign employees).

A foreign student might be an exchange student (0.5 or 1 year of study in Korea) or regular students (2 and more years in Korea), total Korea hosts around 55,500 foreign students a year (UNESCO Institute for Statistics 2014). The main difference with other groups is an absence of regular personal income; students receive money from government (scholarships) or from parents. From the limited budget, it is difficult to save money for traveling, so such agencies as Goh Travel Korea offer a good solution. In addition, the students prefer to travel in groups of friends, so connecting with one person can lead to receiving a big group of customers.

The promotion for students now includes only Facebook communities of local universities and foreign students. However, the universities' interest in leisure activities of their foreign students is underestimated. The offices of foreign affairs in the universities are responsible for the well-being of students, so it is important for them to keep the students' interest on the studying process and discovering the new culture, not falling into depression (culture shock) or getting lost anywhere alone. That is why cooperation between the universities and reliable travel agencies might be beneficial for both parties, and simple reference by the office of foreign affairs about travelling possibility might help to promote the tours.

The student target group is seasonal in the way of summer-winter holidays, semesters, and self-study periods. New foreign students are coming every year, and new exchange students every semester, so it is possible to repeat successful trips.

Another target group can be highlighted from expats – English teachers. This is a group of young people who are from English speaking countries and who discovered an opportunity to travel to another part of the world and support this experience with work in the country of destination. Around 24,000 foreign English teachers live in Korea each year (International TEFL Academy 2015). These people are recruited by special agencies, which help to solve all the legal issues and connect teachers with schools. Promotional benefits might be similar with subtenants and universities, so collaboration with this target group might become more efficient.

In order to receive more attention among travelers, the company should consider the channel where the tourists are getting information about Korea. KTO (Korean Tourism Organization) is usually in the first place. It provides tourists with the necessary information about activities and culture and often suggest some other places where the people can receive the necessary information. There are two ways of communication between tourists and KTO: online (webpage, rarely email) and direct (by visiting KTO Offices). The information about travel agencies might be published in the KTO webpage as well as printed on brochures in the office.

The differentiation of the offer should be supported with clear distinguishing USP and UVP. The company creates a solution for cheap travelling around traditional, not well-known places around Korea with all the unique experiences that the customers gain. However, the customers mostly travel to have fun and meet new people. They briefly search for information about destinations on the internet before booking the tour. The ability to see the difference between an offer and a need can be supported by considering USP and UVP.

6.2 Monetization development

Creating new revenue streams might bring many benefits for the company. The company can start new marketing activities such as offering T-shirts, cups, water bottles, notebooks, travel kits, etc. with the company's logo printed on them. This merchandise can be

distributed for free or for sale during the trips. These activities bring not only additional revenue, but create loyalty, help to keep memories and promote the offer among friends of customers.

Ways to cut costs for foreign visitors exist, but they are not well-known yet. However, with this information people can get a valuable discount or even use the service for free. Many places such as waterparks, zoos, aquariums, TV stations, etc. are being opened these years, and are willing to promote themselves to foreign visitors. It is possible to find information on how to enter the places for free in return for the small favor of giving feedback and some suggestions about the service. Coupons and information about such offers might be easily found via KTO and several other organizations. Such promotional activities are regular, and there is always a lack of foreign visitors. The companies cannot find an efficient way to fill these free places (tickets). This could be solved by some organizations that can connect foreigners and the companies. Travel agencies underestimate these promotional activities of big amusement organizations; however, it might be an opportunity to cut costs.

6.3 Sustainability development

Another future perspective is branding. A good brand makes UVP and USP more effective. It brings loyalty to customers and awareness of the company to the market. Due to the early stage, the company has not created a strong brand yet. However, as Goh Travel Korea is willing to expand, it might consider branding development for the future, and start already to develop its website, the company's image, the logo (as the design is important in Asian market), etc.

An overreliance on the owner of the company, who controls all the operations now, might create a ceiling for the future development of the company. The highest level of overreliance is connecting the growing brand with the owner. This can lead to cases of inability to control everything by the same person due to expansion and the complication of operations. In the long run, it will bring about the inability of a graceful exit from the business, in case of selling the agency or forwarding it to another person. That is why, in order to expand, the responsibilities should be carefully divided between the employees.

The sustainable competitive advantage can be created by considering more narrowed target groups and their specific marketing channels, as this had not yet been found by other travel agencies. Collaboration with government organizations will make a good entrance into the big market but should be done when the organization is ready and feels strong enough to meet the requirements and new demand.

A constant overviewing of the market and customers' needs might bring valuable ideas for developing a business model with the help of technologies, via introducing new communication tools, payment methods, booking, etc. For instance, the use of smartphones and a widespread internet can motivate a company to create an application for smartphones with the description about its offers, the possibility to book/buy online, see the photo gallery from previous trips and leave a feedback for each trip.

7 SUMMARY

With a lot of opportunities in the business environment, the travel industry in South Korea is rapidly growing. More tourists, foreign students and expats are coming to the country every year, and as the tourism industry is supported by government.

The competition within the tourism market in Korea has experienced a boom in several industries such as hospitality and travel agencies. The second one is already highly occupied, and some of the ways to perform well for the company are selecting a niche market, have an efficient service mix and provide a high-quality service.

The company Goh Travel Korea has an opportunity to expand; however, to do so, it needs to develop the business model to ensure the ability to grow, to attract more customers and develop operations. The business model analysis resulted in several weaknesses in defining the target market, the difference in offer perception by the company and customers, competitive advantage, a limited sales model and marketing channels. Moreover, some issues are caused by a poor sustainability foundation based on the dependence of the company and its brand on the owner.

The customers' opinion assessed the work of Goh Travel Korea on a comparatively high score. However, the complaints about booking process, accommodation assignment, rescheduling time during the trip and destination investigations prior the trip should be considered for future improvement.

The business model of the company can experience changes in all three operational spheres. Offering includes distinguishing target groups more precisely; at least two groups can be defined as English teachers (target of 24,000 people each year) and international students (target of 55,500 people each year). By understanding the needs and institutes where the target groups belong, the company can develop new marketing strategies for each of the group. By considering the specific seasonal features of the targets (arrival and departure time for new students or teachers according to semesters) the agency can repeat the successful trips from the last season.

Monetization considers creating new revenue streams by the development of the network and cost advantage. Here it is important to take into consideration the opportunities of

decreasing costs by cooperation with local entertainment organizations. The product mix can be extended into offering some items for sale during the trips, such as promotional merchandise with the logo of the company.

Sustainability development makes an impact on branding as a tool for highlighting the company from competitors. Moreover, brand development can help in building a reputation and trust. One of the current issues is the tight connection between the company and the founder. So, for the sustainable future and ability to exit the business, distinguishing the brand and the owner can be solved with a new division of responsibilities and tasks within the company as well as educating the employees.

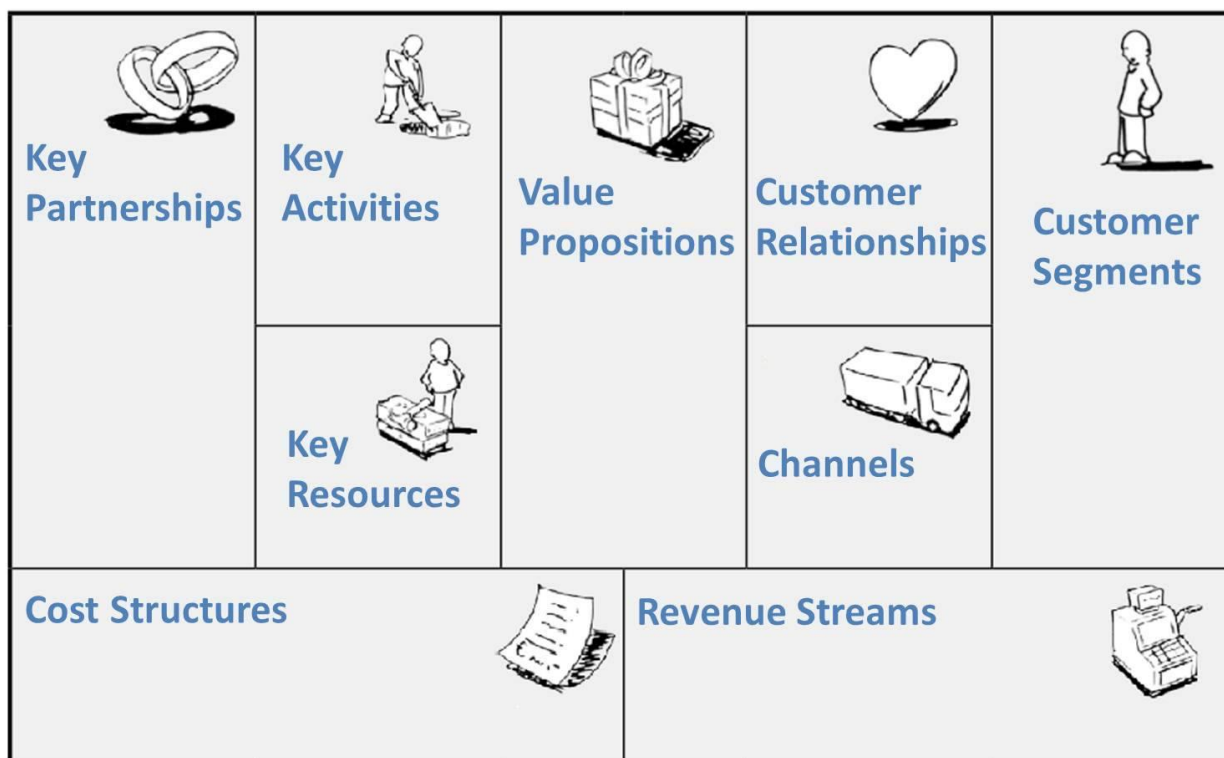
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Business Model Canvas

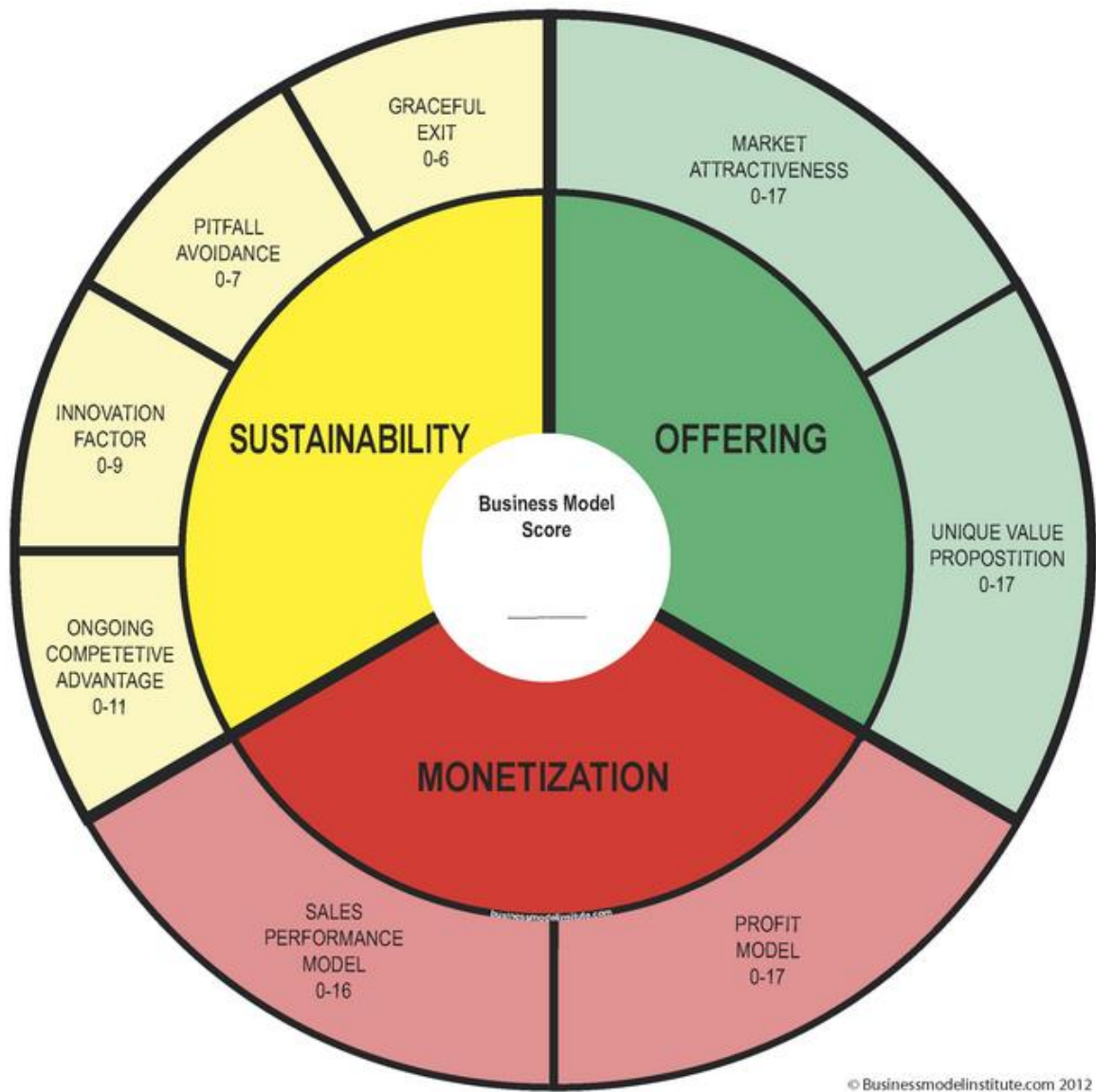


Source: StiveBizBlog <http://www.stevebizblog.com/business-model-canvas-series/>
(29.09.2016)

Table 4. Business Model Canvas, segments description, based on A. Osterwalder and Y. Pigneur Business Model Generation

Business Model Segment	Functions
Customer segments	The different groups of customers that the company aims to serve
Value Proposition	Products that create a value for groups of customers
Channels	The ways how company delivers Value Proposition for customers
Customer relationships	How company creates relationships with customer segments
Revenue streams	Cash that company creates from customer segments
Key resources	What company has and uses to create value
Key Activities	The most important activities that the company must do to ensure revenue
The Key Partnerships	Network, suppliers and partners
Costs structure	Different type of costs company has

Business Model Quotient



Source: Business Model Institute <http://businessmodelinstitute.com/whats-your-bq/>
(29.09.2016)

Goh Travel Korea Satisfaction Survey

Thank you for participating in our trips. We hope you had a lot of fun.

We want to hear your feedback so we can keep improving our logistics and content. Please fill this quick survey and let us know your thoughts (your answers will be anonymous).

(* Required)

Nationality *: _____

Gender*: Female/Male

Purpose to come to Korea *

- Study
- Work
- Travel
- Visit relatives/friends
- Other: _____

How did you get information about Goh Travel Korea trips? *

- Internet search (ex.: Google => Goh travel Korea webpage etc.)
- Facebook
- Meetup
- Friends/Relatives suggested
- Other:

How many trips did you participate with Goh Travel Korea? *

- 1
- 2-3

- 4 and more

What trips/places did you go with Goh Travel Korea? *

- Eco travel (Green Tea, Suncheon Bay Wet Land, Sheep farm etc)
- Jeju
- Other islands (Nami, Dokdo, Geoje etc.)
- Active holidays (Rafting, Zip-lining, ATV, Paintball, Bungee Jumping etc.)
- Festivals (Cherry Blossom Festival, Grape and Peach Festival, Boryeong Mud Festival etc.)
- Beach camping and Beach activities
- Folk villages, Temple visit/stay
- Hiking
- Other: _____

Which place was the most exciting?

How satisfied were you with the organization of the trip(s)? *

(Poor) 1...2...3...4...5 (Excellent)

How satisfied were you with the communication with guides and assistants during the trip(s)? *

(Poor) 1...2...3...4...5 (Excellent)

How satisfied were you with the choice of accommodation?

(Poor) 1...2...3...4...5 (Excellent)

What do you think about the price?

- Very cheap
- Comparatively cheap
- Reasonable
- Expensive

Would you like to participate in other trips organized by Goh Travel Korea? *

- Yes, for sure!
- Depends
- Not at all

Would you recommend Goh Travel Korea to your friends/relatives? *

- Yes, for sure!
- Yes, but only certain trips
- Not at all

Please leave any recommendations for Goh Travel Korea.

What places would you like to visit in Korea in the future?

Thank you! Hope to see you again!

Goh Travel Korea