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The Impact of Cruise Lines' Program on Tourism Industry in Incheon *

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Abstract

Purpose: This research explores possibilities for unique tourism programs in the Port of Incheon that would bring tourism benefits from the cruise line industry to Incheon. This research also tries to find practical strategies and principles for the cruise line industry by reviewing the current itinerary in the cruise line industry.

Research design, data, and methodology: Because this study is exploratory research, it first reviews trends in global tourism, ocean tourism, and the cruise line industry. Then, this study compares the current status of cruise line industry in South Korea with those in Japan. Lastly, existing cruise itineraries are reviewed for practical strategies and principles.

Results: Based on reviewing the example of a cruise ship itinerary from the cruise ship company, possible cruise line programs at stopover places are suggested for the Port of Incheon and if the program is planted, it will boost Incheon's economy and tourism industry.

Conclusion: Basic data about tourism in coastal regions and data analyses are lacking. Therefore, this study not only recommends further research in itinerary development or evaluation of cruise stopover programs, but also future research should explore the impact of the cruise industry from many different perspectives.

Keywords: Cruise Lines, Port of Incheon, Economic Benefits, Cruise Lines Destination, Stopover Port

JEL Classification Code: M10, M16, Z30, Z32.

1. Introduction

Travel and tourism is a key factor in generating economic benefits and bringing jobs to communities (WTTC, 2018). The World Travel and Tourism Council (WTTC, 2018) reported that world tourism created 313 million jobs and directly generated USD 2.57 trillion in economic impacts in 2017. The tourism industry is expected to increase 3.8% from 2018 to 2028, contributing \$3.89 trillion to the world economy by 2028 (WTTC, 2018). The WTTC also reported that about 77.5% of all travel was leisure travel, compared to about 22.5% for business travel. Domestic travel accounted for about 72.7% of the economic contributions to each country's GDP from travel and tourism, while business travel accounted for about 27.3%. According to UNWTO (2018),

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international tourist arrivals in 2017 numbered 1.3 billion. The biggest growth region in the travel and tourism industry is South Asia, including China, followed by Northeast Asia (WTTC, 2018).

Of the top 10 destinations most visited by international tourists, most saw increased numbers of visitors from 2016 to 2017. While the number of visitors to France and the USA dropped, the remaining countries (Spain, China, Italy, Mexico, the UK, Turkey, Germany, and Thailand) saw increases in 2017 compared to 2016. In 2017, China and Thailand were newly ranked among the top 10 world destinations. Among Asian countries, China was ranked number one in terms of the number of international tourists, followed by Thailand, Malaysia, Hong Kong, and Japan. Among the top ten destinations in Asia, South Korea was ranked 6th in 2016 but dropped to 9th, a 22.7% decrease, in 2017, mostly due to its political relationship with China. In 2018, the number of international visitors to South Korea increased about 15%, but the economic balance of international tourism is still not favorable. In 2017, 13,335,755 inbound tourists visited South Korea, while 26,496,447 outbound tourists traveled from South Korea to other countries. In 2018, inbound tourists numbered 15,346,879, while outbound numbered 28,695,983. To overcome this unfavorable balance in the tourism sector, many governmental agencies are developing strategies to attract more international tourists to South Korea.

In the city of Incheon, one strategy attracting international tourists is new port for cruise line passengers. The new port is located in I-Fez Songdo (International Free Economic Zone), with shopping malls and theme parks being developed within walking distance from the port. However, most stopover passengers entering Incheon port want to travel to Seoul for day tours because the city of Incheon does not provide diverse day tour programs to attract them. Therefore, this study explores potential day tour programs in Incheon in order to attract cruise passengers to the new port and benefit the economy of Incheon.

2. Literature review

2.1. Ocean tourism

In the travel and tourism industry, one of the fastest growing sectors is ocean tourism. Hall (2001) defined ocean tourism as tourism activities, leisure, and recreationally oriented activities that take place in a coastal zone. Ocean tourism requires tourism facilities (accommodation, restaurants, food industry, and second homes), infrastructure (e.g. retail businesses, marinas, and activity suppliers), and tourism activities such as “recreational boating, coast- and marine-based ecotourism, cruises, swimming, recreational fishing, snorkeling and diving, deep-sea fishing, yacht cruising, whale watching, and reef walking” (Hall, 2001, p. 602). Ocean tourism can bring not only significant economic benefits to communities but also social, cultural and environmental benefits.

2.2. Cruise line industry

One of the most popular forms of ocean tourism is cruise travel, an all-inclusive travel activity (Hall, 2001; CLIA, 2018). In the late nineteenth and early twentieth centuries, cruise lines started to carry passengers across the oceans by providing passengers a luxurious way to travel (Water World, 2017). After air travel was developed, cruise lines could no longer promote their services as a means of travel to and from vacation destinations (CLIA, 2017). Therefore, cruise line operators expanded their business to a very different area. Instead of simply providing transportation, cruise lines moved to providing a wide range of tourism activities, including hotels, restaurants, recreational activities, and even attractions all in one place. Cruise lines began traveling to exotic locations and offering more services and activities aboard the ship (Elliott, 2017). Today's cruise ships are very large and serve as floating hotels or theme parks for vacationers. Cruise ships include restaurants, shops, swimming pools, theaters, and cinemas for all populations. Cruise ships can cost hundreds of millions of dollars to construct and can be huge enough to carry nearly 6,850 people, excluding the crew (up to approximately 2,760) (Daily Mail, 2017).

When countries become popular cruise destinations by offering a variety of activities to cruise passengers, the cruise industry can be a crucial part of their economy. In its 2017 State of Cruise Industry Outlook report, the

Cruise Lines International Association reported that global cruise travel is continuing to grow at a steady pace. In 2017, about 25.8 million passengers were expected to cruise and 26 new ships were being constructed, with a total of more than \$6.8 billion in investments (CLIA, 2017). The cruise industry has a substantial economic impact. In 2015, the industry had 23 million passengers worldwide and created about 1 million jobs, paying around \$38 billion in wages and salaries and creating around \$117 billion in total output worldwide. In 2015, almost half of all cruise passengers, or 13.04 million, came from the United States, with another 5.89 million coming from Europe and 3.83 million from the rest of the world (Statista, retrieved on Jan 14, 2017). CLIA (2016) reported that Asia is the world's fastest growing source of cruise passengers, with an unexpected increase of 24% from 2015 and 2016. According to CLIA's Asia Cruise Trend study, the cruise industry in Asia is growing at a record pace, with 2.08 million people from the region taking an ocean cruise in 2015. China accounted for almost half the region's outbound cruise passengers, with 986,000 passengers from mainland China taking a cruise in 2015, up 40% from 703,000 in 2014. This figure made China the world's fastest growing source nation for cruise passengers in 2015, with other leading source markets including Hong Kong (126,800), India (125,900), Japan (179,900), Singapore (182,700) and Taiwan (228,700). According to the Cruise Lines International Association (2017), the cruise industry is continuously expanding its business to other forms of tourism, introducing new ocean, river cruise, and specialty ships. The ocean tourism industry is economically beneficial but is a highly regulated business. Clean water; healthy coastal habitats; and a safe, secure, and enjoyable environment are clearly fundamental to successful ocean and coastal tourism (Hall, 2001). Every commercial ship, including cruise ships, must be registered with a country in order to sail in international waters (CLIA, 2017). However, a country may register ships only if it is a member of the International Maritime Organization (IMO) established in Geneva in 1948. Any country that registers ships under the IMO must have adopted the IMO's Resolutions and Conventions on maritime safety. The cruise industry has taken a major role in promoting safety on the seas. The Cruise Lines International Association merged with International Council of Cruise Lines in 2006 as a nongovernmental group that works with the IMO to promote maritime safety and environmental preservation. In addition to ship registration, the nations where a ship docks, called port states, may also impose restrictions on cruise ships.

2.3. Cruise tourism in Japan

Among Asian countries, China and Japan are the top destinations to attract in-and-out bound cruise passengers, so these countries can potentially serve as models for the tourism industry in South Korea. China has the biggest population in the world and the greatest number of cruise passengers among Asian countries, but since Chinese tourism policy is controlled by the Chinese government, it is difficult to directly compare Chinese and Korean tourism policies. However, Japan tourism policy is market-driven with local government support, and therefore is more relevant to Korea.

Since 2013, the cruise industry in Japan has grown at an annual rate of 64%. This growth has been driven by strong performance at ten key ports, such as Fukuoka's Hakata Port, Nagasaki, Yokohama Port on Tokyo Bay, and Naha in Okinawa Prefecture, which has become Asia's premier cruise destination. Along with these major ports, Japan has 114 stopover ports (Asia Cruise Trends, 2018). Asia Cruise Trends (2018) reported that in 2017, Japan's ports welcomed 2,378 calls from cruise ships, a third of all port calls in Asia, placing Japan as the top country on the continent as a cruise destination. In 2017, over 4.8 million passengers in 2017 arrived through major ports, double the number from 2016. Cruise arrivals on the island of Kyushu in 2016 outnumbered arrivals on the island by airport. With positive signs like these, the Japanese government is developing strategies to boost the cruise industry even further. For example, the Japanese government relaxed stringent paperwork rules to enter certain ports, instead requiring a simple one-page form for a free permit. This loose regulation has funneled a large portion of middle-class travelers from mainland China to Japanese ports, particularly Kyushu, to enjoy Japan's premium products. This increase has left Japan struggling with capacity and infrastructure issues, especially major ports' ability to accommodate the throngs of tourists. Currently, numerous Japanese cruise ports are upgrading their facilities (Asia Cruise Trends, 2018).

2.4. Cruise tourism in South Korea

Cruise travel in South Korea is a startup industry compared with cruise travel in Japan. The number of tourists entering South Korea via cruise ships increased from 76,688 in 2009 to 2,258,334 in 2016. This surge of cruise passengers to the Korean peninsula has led port cities to develop or expand cruise passenger terminals. According to Cruise Korea (Korean Cruise Tourism Information, 2017), South Korea has five major cruise ports which have both cruise pier and cruise terminals in Jeju, Busan, Incheon, Yeosu, and Sokcho. All major ports completed international passenger terminals in 2018 or expanded international cruise terminals in 2019. The international passenger terminal in Jeju is the biggest port, with 1,177,233 passengers and 507 ships entering through this terminal in 2016. Busan is the second biggest port, accommodating 533,538 passengers and 209 ship entries in 2016. An international passenger terminal in Busan is currently operating in the north port and an international cruise terminal is under construction for expansion. Incheon has the third biggest port with 62 ship entries and 152,961 cruise tourists in 2016, and a new international passenger terminal in the south port was completed on April 26, 2019.

However, cruise passengers to South Korea decreased tremendously from 2,258,334 with 778 ship entries in 2016 to 505,283 (-77.6%) with 262 ship entries in 2017. The expansion of passenger terminals and the decrease of cruise passengers brought unbalanced investments and negative economic impacts to port cities in South Korea. Passengers to Jeju decreased from 1,177,233 in 2016 to 181,049 in 2017, a decrease of 84.6%, while passengers to Busan fell from 533,538 to 146,023 (-72.6%), and passengers to Incheon from 152,961 to 26,822 (-82.5%). The sharpest decrease was among Chinese cruise passengers. However, Chinese passengers still accounted for 63.2% of cruise passengers, excluding crew members, in 2017. In 2017, 16.6% of cruise passengers were from Japan, 4.4% were from the USA, and 4.2% were from Australia (Cruise Korea, retrieved on May 28, 2019). With expanded passenger cruise terminals and decreased cruise visitors, port cities need to develop strategies to attract more diverse cruise passengers to utilize 100% of port capacity and create economic benefits from stopover passengers' spending. Since the city of Incheon completed a new international passenger terminal in SongDo, Incheon particularly needs to boost the cruise industry to maximize its full capacity. Tourism facilities around the port are still far from being developed. Many problems still need to be resolved and new policies are still being established, including visa and tariff regulations, parking spaces, recreational facilities, etc. Therefore, this study recommends a potential cruise program in the city of Incheon to attract diverse stopover passengers.

3. Results

3.1. Potential Cruise Programs in the City of Incheon

Based on the report from Han and Kim (2019), SongDo is a potential call of ports because it has an international airport and many hotels nearby. However, about 80% of the stopover cruise passengers from Incheon port take an optional program to go to Seoul or Gyeonggi province for their day tours. If cruise marketers offer diverse tour options in Incheon, cruise stopover passengers may choose to stay in Incheon for the day tour, and their spending will contribute to boosting the economy of Incheon.

According to the Cruisetimetable website (retrieved on February 7, 2018), cruise ship companies with cruise travel programs include Phoenix, Cunard, Windstar Cruise, Celebrity X Cruise, Holland American Lines, Royal Caribbean, Costa, Seabourn, Princess, etc. Those companies provide 135 Asian tour programs, of which about 25 programs include South Korea as a stopover port. Cruise companies providing Korean stopover programs are Celebrity Millennium (Mar, Apr, Oct, and Nov), Ovation of the Seas (Apr), Silver Shadow (Oct), Coral Princess (Oct), and Star Legend (Oct). Most of these cruises head to destination cities in China (Figure 1) or Japan (Figure 2) with a stopover in Busan or Jeju islands. Among 25 Korean stopover programs, only two programs listed Incheon as a stopover port (Figure 3).



Figure 1: Voyage Map (Oceania Cruise.com, Singapore to Shanghai):CRUISETIMETABLES.com Retrieved March 17, 2018



Figure 2: Voyage Map (Oceania Cruise.com, Hong Kong to Yokohama):CRUISETIMETABLES.com Retrieved March 17, 2018



Figure 3: Voyage Map (Oceania Cruise.com,,Singapore to Tianjin):CRUISETIMETABLES.com Retrieved March 17, 2018

For example, Celebrity Millennium, operated by Celebrity Cruises Lines, had a 16-day voyage program (Figure 4).



Figure 4: Voyage Map (Oceania Cruise.com,,Singapore to Tianjin):CRUISETIMETABLES.com Retrieved March 17, 2018

Table 1 shows the 16-day voyage itinerary: it embarked on Mar 7; arrived on Mar 9 at Keelung, Taiwan; arrived on March 10 at Okinawa, Japan; made two more city stopovers in Japan; arrived on March 15 at Busan, South Korea, and on March 17 at Seoul (Incheon); left Incheon and arrived on March 19 at Beijing, China; and disembarked on March 22 in Shanghai, China (Table 1). When the cruise stopped over in Busan, the passengers had three options to enjoy for the day tour. The first option was to visit places near the port, including trendy cafes, a seafood market, and sacred temples. The second option was visiting Yongdoo Mountain Park and Busan Tower. The third option was visiting the Hongbeopsa farming temple with its famous Buddha statues. All three options were close to the stopover port with a one-hour round-trip drive.

Table 1: Oceania Cruise.com Hong Kong to Shanghai (16 days) itinerary retrieved March 17, 2018

DAY	PORT	ARRIVE	DEPART
Mar 7 Thu	Hong Kong, China	Embark 1 PM	6 PM
Mar 8 Fri	Cruising the Taiwan Strait		
Mar 9 Sat	Taipei (Keelung), Taiwan	7 AM	4 PM
Mar 10 Sun	Okinawa (Naha), Japan	1 PM	9 PM
Mar 11 Mon	Cruising the East China Sea		
Mar 12 Tue	Kyoto (Kobe), Japan	12 PM	
Mar 13 Wed	Kyoto (kobe), Japan		6 PM
Mar 14 Thu	Hiroshima, Japan	7 AM	4 PM
Mar 15 Fri	Busan, South Korea	9 AM	7 PM
Mar 16 Sat	Cruising the Yellow Sea		
Mar 17 Sun	Seoul (Incheon), South Korea	7 AM	5 PM
Mar 18 Mon	Dalian, China	11 AM	7 PM
Mar 19 Tue	Beijing (Tianjin), China	11 AM	7 PM
Mar 20 Wed	Cruising the East China Sea		
Mar 21 Thu	Shanghai, China	4 PM	
Mar 22 Fri	Shanghai, China	Disembark 8 AM	

However, when the cruise stopped at Incheon port, the passengers had four options for their day trip. The first option was traveling to Seoul to visit magnificent fourteenth-century palaces, the National Museum, and the bustling antique district, but this option requires three to four hours of driving for the round trip. The second option was to go to Gyeonggi province to spend a day in the serene atmosphere of a Zen Buddhist temple and visit a historic Korean folk village, requiring about three hours of driving for the round trip. The third option was travelling to the DMZ to rediscover the drama of recent history, but this option takes about four to five hours of driving for the round trip. The last option was staying in the Incheon area to wander around the fish market and promenade at Incheon in a one-hour trip. Most optional tour programs at Incheon provided for cruise passengers headed to Seoul, taking three to five hours of driving for the round trip. However, stopover passengers have only one day, from 9:00 a.m. to 5:00 p.m., to participate in these tours and having to drive long distances to reach these destinations may not be a favorable option for them.

4. Conclusions

The purpose of this research was to explore the possibilities of unique tourism programs in the cruise line industry and potential tourism benefits to the economy of Incheon. Because the study was exploratory research, the study did not discuss specific research design, data collection and statistical analysis technic. However, the study reviewed trends in global tourism, ocean tourism, and the cruise line industry. The study also compared the current status of cruise line industry in South Korea with those in Japan. As a result, possible cruise line programs at stopover places were suggested for the Port of Incheon and discussed limitations and suggested future research directions. To overcome the lack of analytical existing data, the study recommended further research in itinerary development or evaluation of cruise stopover programs along with the impact of the cruise industry from many different perspectives. In addition, this study suggested the practical strategy to the city of Incheon to boost the cruise industry and bring more economic benefits to Incheon.

Incheon tourism marketers need to develop practical and diverse optional programs for passengers within walking distance or a one-hour round trip from the port, encouraging passengers and cruise crews to stay in the Incheon area. The programs may allow passengers to experience cultural and local activities or true Incheon. In

addition, tourism marketers need to develop strategies to promote diverse optional programs on cruise travel websites or to cruise line agents. If most stopover passengers stay and spend in the Incheon area, they can maximize economic benefits to the city of Incheon. To accomplish this goal, the city of Incheon needs to accelerate the development of tourism resources nearby the port, such as a waterfront plan, theme park construction, etc. In addition, these optional programs for cruise passengers need to be developed through conducting consumer demand research and comparing the popular optional programs of competitors. As Hall (2001) mentioned, basic data about tourism in coastal regions are extremely poor and no systematic studies have been made of the cruise industry. Recent studies have investigated topics such as the quality of cruise travel, passenger satisfaction with cruise ship travel (Petrick, 2004), cruise ship group tour behavior and social interaction (Yarnal & Kerstetter, 2005), return intentions (Gabe, Lynch, McConnon, 2006), and economic impact by expenditures (Henthorne, 2000), but little research has explored itinerary development or evaluation of cruise stopover programs. Therefore, further research should be conducted on the impact of the cruise industry on the city of Incheon from many different perspectives, including the impact of optional day tour programs.

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