

# MT. KUMGANG TOUR : PRESENT AND FUTURE

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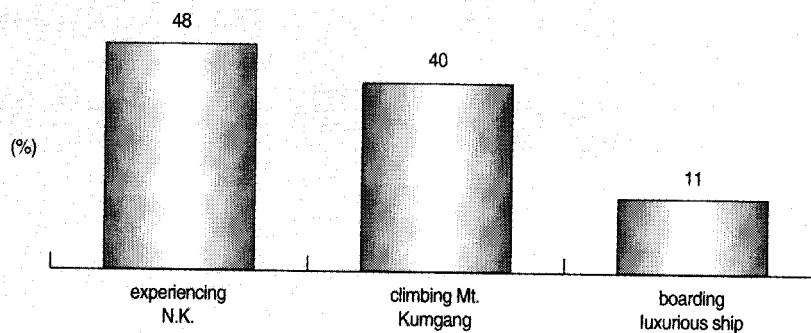
On November 18, 1998, the Kumgang-Ho, one of two cruise-liner ships which would sail to Mt. Kumgang, began her historic voyage, carrying the excitement and hopes of the Korean people. The non-government, ordinary civilian passengers on board made their first steps on Mt. Kumgang and in North Korea, which had been a "forbidden territory" for about fifty years. Since that day, about 30,000 people have visited Mt. Kumgang via two cruise ships: the Kumgang-Ho and Bongrae-Ho. Because of the high popularity, the reservation rate in March reached up to 110%, which suggests that the Mt. Kumgang tour has gradually escaped from the image that the Mt. Kumgang tour is only for the silver generation or for people who

want to visit their hometowns in North Korea.

## Satisfied Visitors

Tourists who went on the Mt. Kumgang tour are generally satisfied with the tour. According to a survey<sup>1)</sup>, 83% of the visitors think the tour has special meaning. This can also be confirmed by the result that 93% of the visitors said that they want to visit again. Those who have visited have more intention to recommend the tour than those who have not. Only 61% of the non-tourist joined the WOM (Word-Of-Mouth)<sup>2)</sup> about Mt. Kumgang tour, while the actual tourists' WOM is up to 91%. This means that the tour itself could

Figure 1. The Most Impressive Point of Mt. Kumgang Tour



1) HRI performed a survey on the Mt. Kumgang tour program. Two heterogeneous groups were surveyed: about 300 samples were drawn from tourists on the two cruise ships in late January while about 1,500 non-tourist samples were from random self-administered man-to-man polls in February. Even though several interesting results of the survey are reported in this article, HRI regrets that the detailed information of the survey results cannot be fully reported here because the survey was performed as part of an exclusive internal project of the Hyundai Business Group.

2) In the marketing theory, WOM(Word-of-Mouth) means an (external) positive marketing effect which is generated among customers or general public in the absence of any intentional marketing strategy of the producer or supplier.

**Table 1. Differences in the Most Impressive Points by Age Group**

age group	experiencing N.K.	climbing Mt. Kumgang	boarding luxurious ship
20~30's	52	38	10
40's	48	41	11
50 and over	43	46	11

(%)

change the general public's attitude toward it. Visitors said that the most impressive point of the tour was visiting North Korea, and the next most attractive aspects were climbing Mt. Kumgang and boarding a luxurious cruise-liner. These preferences differ among age groups. More than 50% of people aged between 20 and 30 felt the most memorable thing was entering North Korea and contacting North Korean people. In comparison, the older age group over 50 thought climbing Mt. Kumgang itself was special.

**Optimistic Future**

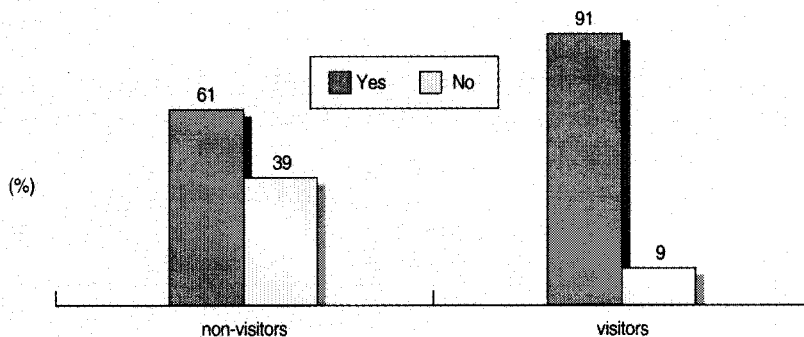
Judging from the results of the survey, one can be quite optimistic about the future of Mt. Kumgang tour. There are three reasons for this conjecture. First, visitors can experience excellent service during the tour. The cruise ships have about 500 foreign crew members, and there are 80 tour leaders working as tour guides and safety personnel. Even though some visitors felt discomfort in communicating

with the foreign crew members, the on-board tourists' overall evaluation of the crews and tour leaders was very high, especially for their kindness and devotion. This leads to positive WOM about the overall tour. Second, the Mt. Kumgang tour has a very special meaning to most Koreans. Above all, the fact that ordinary citizens can visit North Korea and Mt. Kumgang, which is known as the most beautiful mountain in the nation, is an exciting one. Taking a trip on a luxurious and beautiful cruise

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ship is another attraction point. Third, several leisure facilities in Mt. Kumgang area are under construction and will be completed sometime in the near future. The Hyundai Business Group will invest \$397 million to develop Mt. Kumgang as an expanded tourism zone from 2000. This plan includes a lounge facility, a performance hall, and a spa. Both the performance hall (Mt. Kumgang Cultural

**Figure 2. WOM (Word-Of-Mouth) about Mt. Kumgang Tour Experience**



Center) and the lounge facility have been already completed. From next year, other tourism facilities such as golf courses, hotels, beaches, and ski resorts will be built or developed. From May of this year, tourists will be able to rise a "floatel (floating hotel)" and a "speedboat (fast sailing ship)." Furthermore, the length of tour will be differentiated; a shortened three-day (two-night) trip package, in comparison to the current four-day (three-night) trip, will be available.

*The repositioning of tour image is necessary. Many young people still view the Mt. Kumgang tour as a tour for grandparents or old people longing for their hometown in North Korea. Therefore, it is desirable that the tour project varied images (peace messenger, unique tour to experience North Korea, or romantic tour on cruise ship) to attract more people. To change the image, various communication routes including advertisements and promotion by travel agencies should be used and developed to convey the new image effectively.*

Because of these reasons, it can be projected that the potential demand for the tour may be huge. According to the results of survey, 91% of non-visitors were willing to join the tour. Among them, more than 75% want new packages including the speedboat and a shortened itinerary. In order to capture these people on the margin, Hyundai's future strategy should focus on improving the package in these directions.

problem is the image of expensiveness. The biggest reason that common people are reluctant to tour is the high price (97% of respondents think its price is high). The second problem is that the tour is not targeting the younger generation but the older generation. This is verified by the fact that the satisfaction level of younger people is lower than that of the older generation. This could be a negative factor for attracting honeymoon couples, who might have larger budgets to spend during the tour. The third difficult problem is the fact that tourists are still closely restricted in their behavior during stays in the North Korea. The relatively high price of the tour and other problems are, in most part, due to external causes from North Korea. Since North Korea has charged \$942 million for the next 6 years in return for Hyundai's exclusive development privilege in the Mt. Kumgang area, at least a major part of this "entry fee" should be included in the tour price. The inconveniences of tourists in the mountain area and the complicated immigration process are other problems stemming from the North's various restrictions.

From the results of the survey, several suggestions can be made to improve the tour program and further to attract more tourists. First of all, the repositioning of tour image is necessary. Many young people still view the Mt. Kumgang tour as a tour for grandparents or old people longing for their hometown in North Korea. Therefore, it is desirable that the tour project varied images (peace messenger, unique tour to experience North Korea, or romantic tour on cruise ship) to attract more

*(continued on p.27)*

**Weakness and Suggestions**

**I**n contrast to these optimistic points, Mt. Kumgang tour program also has several problems and weakness. The most serious

**Table 2. Preference of New Packages (non-visitors)**

	If these are built or improved,		
	speedboat /one day tour	leisure facilities	speedboat /floatel
will join the tour	33	33	35
will consider the tour	45	46	48

(%)

## **Mt. Kumgang Tour**

*(Cont'd from p. 18)*

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people. To change the image, various communication routes including advertisements and promotion by travel agencies should be used and developed to convey the new image effectively. Positive expectation formed by effective and attractive information channels is crucial for increasing direct tour demand as well as for the defusion of positive WOM. These are the major areas which Hyundai is going to address this year. Finally, it is suggested that infrastructure in the Mt. Kumgang area be expanded further. In fact, Hyundai is building many core facilities in the area. But because new ships will be added to the package soon, the number of tourists will increase. Therefore, more infrastructure facilities (rest areas, rest rooms, parking lots and shops) should be available soon in order to accomodate more tourists comfortably.

The future of the Mt. Kumgang tour, in its

nature, cannot be independent from the overall South-North relationship; however, it is expected that North Korea's attitude to the tour and to other areas of economic cooperation will gradually change as is intended through the "sunshine" policy. Upon this assumption, therefore, providing tourists' with the best satisfaction and developing further demand among the general public will be of rising importance in the future. **VIP**