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Online B2B Platform for Digital
Transformation of Korean Tourism SMEs

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Online B2B Platform for Digital Transformation of Korean Tourism SMEs

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In South Korea, which has leaped into a leading global economy centered around export manufacturing, the tourism industry, as a representative service sector, still lags behind in various indicators compared to advanced countries in the global tourism industry. These indicators include employment contribution, GDP contribution (2.8% in Korea vs. 10.3% globally), and productivity per capita (approximately 60% of the OECD country average). Therefore, for sustained economic growth in South Korea, both quantitatively and qualitatively, growth in the tourism industry, alongside export manufacturing, is necessary. Particularly, as tourism serves as a significant domestic service industry, its revitalization is essential for overcoming domestic challenges such as population decline, regional extinction, and stagnation in self-employment.

Recently, with the proliferation of mobile devices, digital technology, and the activation of platform economies, there has been increasing attention towards digital transformation for enhancing the competitiveness of tourism companies. Digital technologies such as Artificial Intelligence (AI), Internet of Things (IoT), Big Data, and cloud computing are being utilized across the tourism industry value chain, leading to a transformation in industry structure and ecosystem. However, the domestic tourism industry in South Korea has been evaluated as having a low level of digital transformation, including the adoption of mobile and ICT technologies and utilization of Big Data.

The tourism industry in South Korea is characterized by a high proportion of small and medium-sized enterprises (SMEs) with a small-scale structure (92% of annual sales below 500 million won, 88% employing fewer than 10 people). However, most SMEs in the tourism industry either do not utilize digital technologies at all or are at an early stage of system implementation. In contrast, global tourism companies armed with digital technologies, such as Online Travel Agencies (OTAs), hold a significant competitive advantage over local SMEs, occupying more than half of the domestic accommodation reservation market share.

Despite the need to adapt to domestic and international tourists familiar with digital environments (94% of global OTA revenue in 2020), the digital transformation of SMEs in the tourism sector remains challenging. In reality, the establishment of digital systems in domestic tourism companies is predominantly focused on website development and is assessed to be inadequate in most areas, including reservation, distribution, payment, sales, and marketing.

Therefore, the author proposes practical government policies to support the entry of domestic SMEs into the digital ecosystem of the tourism industry in South Korea. Specifically, policies are needed to enhance digital accessibility not only in the production and operation areas of tourism services but also in distribution, sales, and marketing, to enable domestic tourism SMEs to secure a competitive edge within the digital tourism industry ecosystem dominated by global OTA platform operators such as Expedia, Booking Holdings, Trip.com, and Airbnb. For instance, the OECD recommends government policies prioritizing the enhancement of digital capabilities among tourism SMEs and fostering innovative tourism companies based on digital technology.

Core Competency of Small Tourism Enterprises in the Digital Tourism Industry

In the digital-centric tourism industry, small tourism enterprises must secure distinct competitive advantages by considering external market competition, business models, and strategies, as well as internal resource factors. However, summarizing the general core competency, it can be outlined as follows:

1. Hyper-Personalization

: Unlike global large-scale tourism companies that provide standardized tourism services through the same processes, small and medium-sized tourism enterprises differentiate themselves by offering personalized services tailored to individual needs and demands of specific types of tourists, thereby securing a competitive edge.

2. Local Expertise

: Small and medium-sized tourism enterprises provide unique tourism experiences specific to the particular region, focusing on local attractions such as agricultural products, traditional cuisines, and culinary tourism centered around local ingredients and cooking methods.

3. Local Partnership

: Various local partners such as local travel agencies, farms/factories, hotels/guesthouses, restaurants, schools, etc., collaborate to utilize local festivals and other tourism events, offering tourists the opportunity to experience unique local tourism experiences.

4. Customer Relationship Management

: By engaging in activities such as social media interactions, sharing news about local history, culture, festivals, specialties, and events, as well as providing personalized responses to reviews, tourism enterprises establish close relationships with tourists, thereby securing loyal customers.

5. Flexibility & Agility

: By being responsive and adaptable to changes in the tourism market such as emerging social media platforms, inbound tourism trends, and evolving preferences, tourism enterprises introduce new tourism products and services while modifying existing ones.

6. Others

: Targeting niche markets/products, ensuring environmental and sustainability practices, engaging in online/mobile activities, and developing unique tourism content tailored to individual tourists (FITs) to secure distinctive branding and loyal customers.

Government Policies to Support the Inclusion of Small Tourism Enterprises in the Digital Ecosystem

Government support policies for the digital transformation of domestic small tourism enterprises are generally perceived to be in the early stages of research or discussion. On a global scale, these policies vary depending on each country's tourism industry realities. However, they can generally be categorized into similar support policies such as support for digital innovation in small tourism enterprises, provision of digital transformation education/training, and regulatory framework and legal adjustments.

1. Grants and Incentives

: Providing monetary or non-monetary support policies such as tax deductions, incentives, grants, subsidies, etc., to facilitate the adoption of digital technologies and workforce development.

2. Workforce Training and Education Programs

: Collaborating with government agencies or private educational institutions to offer high-quality digital education and training related to tourism, such as digital marketing and data analysis.

3. Digital Infrastructure Development

: Offering opportunities to utilize infrastructure such as mobile networks, data servers, and digital data collection/analysis programs through shared usage, subscription models, per-use arrangements, etc.

4. Legal and Regulatory Adjustments

: Simplifying laws, regulations, and procedures related to digital transformation, including reservation and information sharing, e-commerce activities, data protection, credit card payments, etc., and supporting compliance tasks.

5. Marketing and Promotion Activities

: Collaborating with local governments and Destination Management Organizations (DMOs) to promote tourist destinations globally and domestically, and supporting digital marketing for associated services of small tourism enterprises.

6. Information Provision and Research:

: Collaborating with digital data-holding institutions such as government agencies (e.g., Korail), Online Travel Agencies (e.g., Yanolja), IT companies (e.g., Naver), etc., to provide tailored research information to small tourism enterprises regarding tourism trends, tourist information, and destination status.

Government Policy Requirements for Supporting Digital Transformation of Small Tourism Enterprises

Government policies targeting domestic small tourism enterprises predominantly focus on providing grants and incentives to support digital technology development for tourism ventures, while existing tourism enterprises are mainly supported through workforce training and education in digital skills, website construction, and digital marketing. However, the actual usage frequency of websites or mobile applications by small tourism enterprises remains low, and turnover of staff trained in digital skills is frequent, leading to insufficient enhancement of digital competitiveness among small tourism enterprises.

Furthermore, given the practical difficulty for domestic small tourism enterprises to independently develop digital innovation technologies or establish global platforms, there is a need for government policies to facilitate connections with the digital ecosystem, enabling business activities such as product information exchange, reservations/trades, and payments to be processed digitally. Particularly, support should be provided to enable tourism services to be advertised/promoted, distributed, and sold within the tourism industry value chain managed through digital platforms.

Ultimately, considering the core competitive advantages of small tourism enterprises and the feasibility of integrating into the digital ecosystem, government policies should support domestic small tourism enterprises in (1) connecting digitally with global and domestic tourism platforms and (2) focusing on personalized tourism services for tourists through tailored policies.

Online B2B Platform to Support Small Tourism Enterprises

The author suggests proposing an online B2B platform as a government policy to support domestic small tourism enterprises in developing appealing tourism services for domestic and international tourists through local partnerships and distributing them on global and local tourism platforms.

The Importance of an Online B2B Platform

Small tourism enterprises struggle to attract tourists solely with their own services due to limited promotional budgets. Therefore, forming local partnership tourism packages allows for joint marketing efforts. A government-backed online B2B platform would enable small enterprises to transact regionally with predefined guidelines, reducing costs and boosting local tourism.

Moreover, integrating into the digital ecosystem requires various specifications of tourism services to be digitized. However, small enterprises lack the necessary marketing and IT skills. Government policies can address this by providing support through the online B2B platform, including text writing, image and video shooting. Additionally, the platform would help small enterprises identify global and country-specific Online Travel Agencies and distribution channels, facilitating easy registration and providing insights into management and finances.

Support for Local Partnership Collaboration

Local small tourism businesses collaborate via an online B2B platform to create attractive tourism packages for domestic and international tourists. They also use the platform to monitor sales, discuss marketing investments, and engage in digital marketing activities such as blogs, YouTube, and Instagram. Training on creating digital content like blogs, YouTube videos, and TikTok is provided through the platform to support marketing efforts.

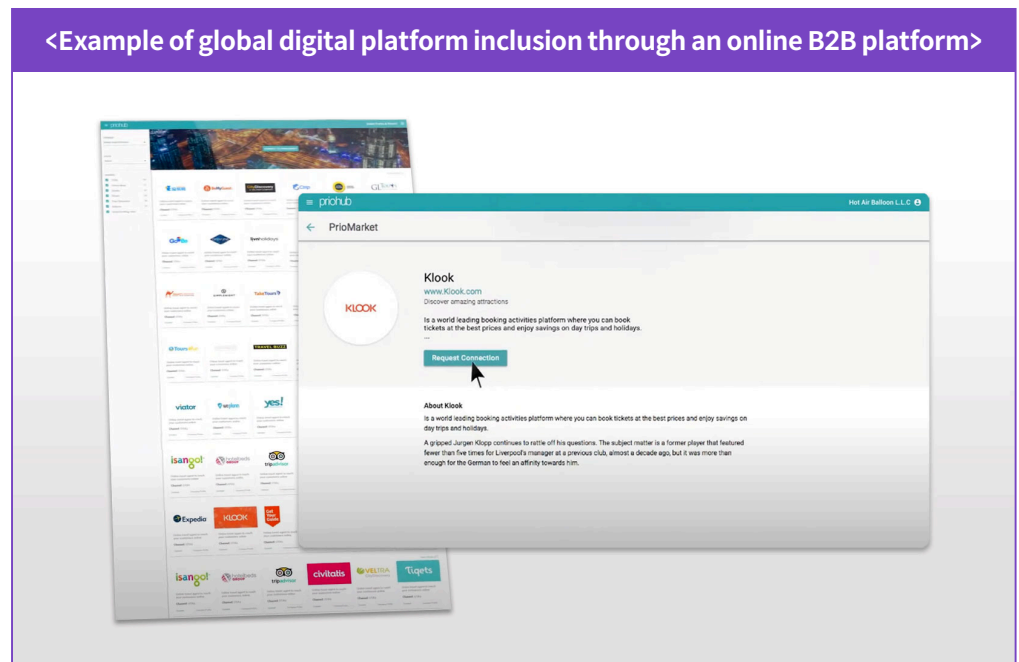
Furthermore, as the scope and types of data collected vary depending on the business type such as accommodations, restaurants, amusement facilities, historical/cultural sites, utilizing an online B2B platform allows for jointly understanding tourist segments from various perspectives including demographics, personality, lifestyle, hobbies/interests, attitudes, psyche, and behavior. Through the online B2B platform, operating a joint loyalty program enhances customer loyalty and encourages repeat visits.

Case Study: Local Partnership for Small Tourism Enterprises

Boutique Hotel + Local Brewery	Local boutique lodgings and breweries collaborate to create tourism offerings like tours, tastings, and experiences. They jointly promote these on their websites, blogs, etc.
Food Tour Operator + Local Restaurants	Local travel agencies and multiple restaurants collaborate to develop a Culinary Tour, offering tourists the opportunity to consume and experience a variety of foods.
Art Gallery + Historic Walking Tour	Local travel agencies collaborate with museums, galleries, etc., to introduce local artists and offer tourists the chance to view and purchase their artworks as part of a tourism product.
Local Scenic Train + Winery	Transportation companies like rail bikes and tourist trains collaborate with local attractions such as wineries to develop tourism products that include guided tours and tastings.
Water Sports Rental + Beachfront Cafes	Water sports equipment rental companies collaborate with beach cafes and restaurants to jointly promote, advertise, and operate experiential tourism package products.
Historical Society + Walking Tours and Museums	Local travel agencies collaborate with tourist attractions, museums, etc., to plan tourism products introducing the local history, culture, and arts, enticing tourists.
Adventure Tour Company + Local Accommodations	Specialized adventure or unconventional travel experience agencies from outside collaborate with local accommodations to plan and operate tourism products offering unique experiences.
Eco-Tour Company + Local Conservation Organizations	An eco-friendly tourism agency collaborates with local nature conservation organizations to offer tourism products promoting both eco-friendly activities and nature conservation.

Support for securing global and domestic sales channels

Support is provided through online B2B platforms to identify global and local tourism distribution channels and facilitate easy registration of tourism services. Domestic small tourism enterprises lack proficiency in integrating into the digital tourism ecosystem, particularly in identifying and registering on local digital platforms in various countries. Therefore, through online B2B platforms, translated introductions of digital platforms in each country are provided, explaining key users and reservation/payment conditions, offering interfaces for direct registration along with instructional videos. Additionally, the platform supports the description of tourism service details in English or local languages, along with the creation of images and videos for conveying digital information.



Source: Infamous Studios(2019)

Support for digitizing management activities

Small tourism enterprises are supported in digitizing their management activities, including financial status (e.g., sales, customer unit price, cost ratio), marketing performance (e.g., performance vs. marketing costs, customer retention rate), and HR management (e.g., scheduling). Management software is provided to visualize business performance, such as customer/sales fluctuations, marketing cost changes, and financial performance on a monthly/seasonal/yearly basis, in dashboard format for easy access and utilization in decision-making. Capacity management, price management, revenue management, and other management analysis and control programs closely related to the tourism industry are incorporated, with real-time management of reservation status across sales channels through integration with existing reservation systems.

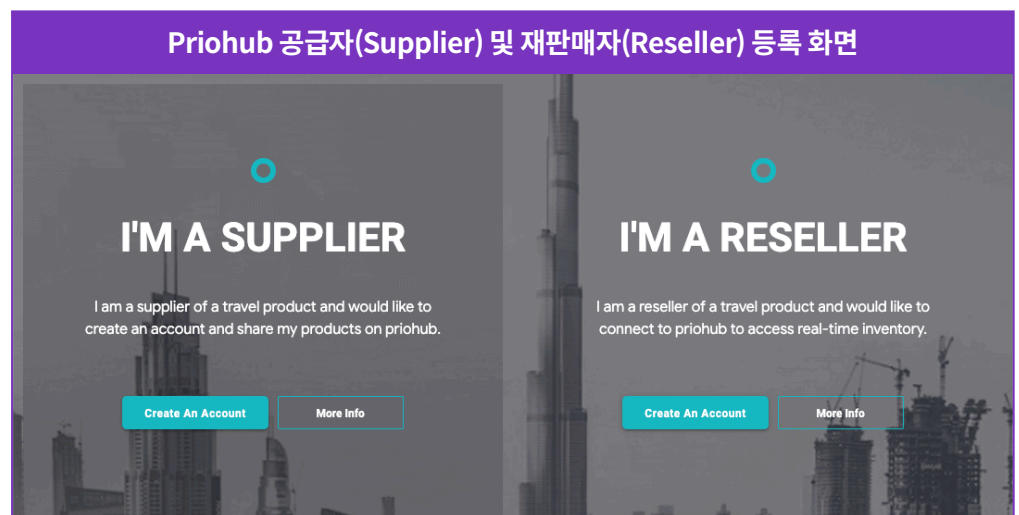
Guidelines for establishing local partnerships and inclusion in digital platforms are provided to support convenient and swift collaboration through digital contract-based legal services without cumbersome negotiation processes. Through online B2B platforms, agreements on detailed terms such as sales commissions, discount rates, etc., are reached following standardized transaction methods and procedures, facilitating digital contracting processes.

An example of an online B2B platform supporting small and medium-sized tourism businesses.

A representative example of an online B2B platform is Priohub (<https://priohub.com>), operated under private contract by the Department of Tourism and Commerce Marketing in Dubai, UAE.

Dubai launched Priohub to support collaboration between its domestic tourism businesses and domestic and international tourism service retailers/resellers, with the aim of promoting various domestic tourist attractions and boosting the economy. The mission of Priohub is to serve as a leading marketplace facilitating the global delivery, easy reservation, and payment of Dubai's tourism products to travelers worldwide.

Priohub functions are broadly categorized into suppliers and resellers. Firstly, it offers suppliers the opportunity to connect with global and local OTAs, securing global tourists as customers, and providing the ability to digitally contract according to predefined terms. It also supports management activities by enabling real-time tracking of sales performance and financial results to determine optimal pricing and sales channels. Secondly, Priohub provides resellers with Dubai's tourism portfolio digitally, allowing them to conveniently connect with suppliers without the hassle of promoting their sales channels or explaining contract terms. Overseas resellers can easily explore Dubai's tourism services and directly trade with Dubai suppliers on their digital platforms, reducing transaction costs and offering high margins to Dubai suppliers at low commissions.



Operating Guidelines for Online B2B Platforms

Operation of an online B2B platform is broadly divided into roles played by the central government and local governments. The central government defines the main functions and detailed requirements of the online B2B platform and selects private companies for delegated development and operation, overseeing their management. Moreover, it establishes regulations, guidelines, incentives, and support policies to facilitate various transaction activities through the online B2B platform. It provides funding, subsidies, and incentives for planning, developing, operating, advertising, and promoting connected tourism services through local partnerships and identifies successful cases. It establishes fair cooperation guidelines and prepares regulations and systems in advance, such as expulsion from the online B2B platform in cases of significantly low quality. It also collaborates with local governments to coordinate various disputes and issues arising during the local partnership process. Additionally, it utilizes various domestic and international festivals, events, and occasions and encourages the participation of small and medium-sized tourism businesses by collaborating with associations, corporations, schools, and various related organizations.

Government Roles Related to Online B2B Platforms

Central Government	Local Government
<ul style="list-style-type: none"> • Formulation and regulation of local partnership support policies : Guidelines, incentives, regulations • Development and operation of digital B2B platforms and technology : Channel management, partnership support, digital contracts, reservation systems • Provision of incentive funds (funds, etc.) : Support for promotion/advertising, commissions, technology development • Quality regulation and fair cooperation management: : Providing fair cooperation guidelines, preventing quality deterioration • Tourism research and data provision: : Education on partnership-related regulations, contracts, product development consulting • Promotion of linked local tourism products : Promoting domestic and international local tourism products, hosting events 	<ul style="list-style-type: none"> • Local SME Networking Support : Networking events, partnership seminars • Local Tourism Infrastructure Development : Establishment of offline sales outlets for local tourism products (kiosks, etc.), information boards • Regional Events and Festivals: : Promotion of local partnership tourism products and provision of incentives • CRM and Quality Management : Management and sharing of customer feedback, tourism product quality management • (If necessary) Operation of Quality Certification System: : Selection and certification of participating tourism companies in local partnerships • Local Marketing and DMO Operations: : Various digital and offline marketing activities such as SNS, YouTube, etc. • Promotion of Local Community Tourism Participation: : Promotion and support requests for the effects of local tourism activation • Provision of Incentives : Promotion expenses, facility support

Local governments take on the role of providing substantial support for tourism services representing their region through local partnerships. Firstly, they promote information about the purpose, functions, usage, regulations, and guidelines of online B2B platforms through various events. They operate offline sales outlets such as tourism information centers and kiosks, maintain infrastructure like tourism brochures and signs to promote local tourism, and engage in digital advertising and promotional activities on platforms like SNS and YouTube. They conduct regular inspections to maintain the quality of tourism services provided by local small and medium-sized tourism enterprises and share tourist feedback to uphold quality standards.

Conclusion and Future Discussions

The domestic tourism industry is a key service sector for the future growth of our country, particularly in terms of creating local jobs and boosting domestic consumption. Continuous government support is required to achieve these goals. The future of the tourism industry is expected to be driven by digital transformation in various aspects, including digital tourists, digital distribution channels, and digital ecosystems. Therefore, it is essential to incentivize the entry of domestic tourism businesses, especially small and medium-sized enterprises (SMEs), into the global tourism industry's digital ecosystem.

To achieve this, we propose government-supported policies focusing on local partnership collaborations for SMEs through online B2B platforms. In the era of digital tourism, SMEs need to develop unique tourism content based on distinctive competitive advantages such as hyper-personalization, local expertise, and local partnerships. Through online B2B platforms, SMEs can generate detailed information and management activities in digital formats such as text, images, and videos, enabling them to register on global and local digital platforms while keeping track of their business performance in real-time. Additionally, online B2B platforms facilitate SMEs' easy registration and digital contract signing on global and local digital platforms.

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