

Success Stories: Ideas for Potential Players

S/L Service / Leisure



Services

DBS CRUISE FERRY JAPAN CO., LTD.

Connecting Tottori to the Sea of Japan Rim



The Eastern Dream, a 14,000-ton ferry with room for some 450 passengers in addition to its cargo space.

Ringed by the major economies of the Republic of Korea, China, Russia, and Japan, the Sea of Japan sees considerable freight shipping and passenger traffic. Since summer 2009 a Korean company, DBS Cruise Ferry Co., Ltd., has provided a new service connecting three ports in three of these nations. The company's very name reflects this triangular route, with D standing for Donghae, Korea, B as the Cyrillic letter beginning

Vladivostok, Russia, and S for the port of Sakaiminato in Japan's Tottori Prefecture.

Plying this circuit is the *Eastern Dream*, a 14,000-ton ferry with room for some 450 passengers in addition to its cargo space. Both functions of the vessel come into play in the DBS business plan. The company projects steady demand from Korean tourists eager to enjoy Tottori's hot springs and recreation opportunities, such as skiing. Japanese travelers, meanwhile, can disembark at Donghae and make their way to Seoul in a matter of hours via high-speed expressway bus. The cargo space, meanwhile,

is expected to carry automobile parts and other goods for which there is strong demand in Russia.

A Challenging Economic Climate

One of these business areas has already proven successful for the company. "We launched just in time for the Korean summer vacation," says General Manager Lee Jun Man of DBS Cruise Ferry Japan, the firm set up to manage operations in Sakaiminato. "We were seeing

- 2007 DBS Cruise Ferry Co., Ltd. established.
 - 2008 Funding secured to purchase *Eastern Dream*, obtain shipping licenses.
 - 2009 DBS Cruise Ferry Japan Co., Ltd. launched in April.
- Eastern Dream* enters Sakaiminato port for first time on June 30; first departure for Donghae on July 1.



General Manager Lee Jun Man.



300 to 400 passengers from Korea coming to visit Japan on each trip.” Indeed, the service proved so popular with Korean customers in its early months that there were not enough return berths for Japanese heading to Korea.

But the company’s performance has not been so bright across the board. The hard-hit global economy has subdued demand in Russia for used cars and other Japanese exports. Lee notes: “An important area for us to work on will be lining up ‘base cargo,’ regularly scheduled shipments we can count on as a profit center.”



Onboard ship, clocks show the time in the three ports of call.

Another reason for DBS to remain optimistic, according to Lee, is its reliability. “Many cargo ships on Sea of Japan routes only sail when they’re full. Since we’re on a regular schedule, though, customers can count on us to be ready to go twice a week.” In the long run, DBS hopes to make cargo shipments account for 60% of its sales, using those profits to lower passenger fares.

Complicated Business Launch

Establishing a passenger and shipping business is no simple matter, involving complex paperwork in each nation where the vessel lands, the need to secure dock space, the high cost of the vessel itself, and many other factors. The Tottori prefectural government has helped to smooth this process out, cooperating with DBS to bring its services to the port of Sakaiminato. The prefecture and the city of Sakaiminato are providing financial assistance to the company for its first three years of operation, until it can produce a steady profit

on its own. The prefectural governor’s office was also instrumental in helping the firm obtain various Japanese licenses.

Through its local office in Tottori, JETRO has also been offering support to DBS Cruise Ferry Japan. JETRO officers guided the company through the processes of arranging visas for its managers, obtaining needed licenses, and accessing a wide range of vital information that can be hard for a new market entrant to find. DBS also worked with JETRO’s office in Seoul, which provided valuable information on the Korean side as well. “We’ve been lucky to get this level of cooperation from the local authorities,” says Lee, “and JETRO has been instrumental in helping to coordinate it all.”

Bright Outlook for the Sea of Japan

In the long run, Lee is confident in the success of DBS—and of the passenger and cargo industries as a whole. The keys to growth in the shipping and passenger vessel businesses, he states, include deregulation and a cooperative approach among industry players. He says: “There’s room for cooperation in our industry. We serve Tottori; other companies sail to Japanese ports like Niigata, Maizuru, and Hamada. We’re all helping to build the economy and industry in Japan and around the sea rim.” It is DBS Cruise Ferry’s aim for the *Eastern Dream* to help realize the promise of her name.

Japanese Operation	
Established:	April 2009
Capital:	¥30 million (as of November 2009)
Employees:	6
Business:	Passenger ferry and cargo shipping services
Location:	9-23 Showa-machi, Sakaiminato-shi, Tottori 684-0034, Japan
URL:	http://www.dbsferry.com/
Parent company:	DBS Cruise Ferry Co., Ltd. (Republic of Korea)