

T'way Air Co., Ltd. Fukuoka Branch office

(Mr. Tae-Gyoo Jeon, Regional Manager)

It's been approximately four years since the inauguration of Japanese flights by T'way Air Co., Ltd., a Korean low-cost carrier. What makes them unique is that they operate their own routes, such as to Saga and Oita, in addition to major routes. They are now preparing to start services to Narita. We interviewed Regional Manager Mr. Tae-Gyoo Jeon of the Fukuoka Branch office regarding their Japanese operations.

Japanese and Korean customers flip

It was in December 2011 that Korea's T'way Air Co., Ltd. held its inaugural flight to Japan, connecting to Fukuoka Airport. T'way Air, which was established in August of 2010 as the successor to Hansung Airlines, chose Fukuoka as its third destination after Jeju and Bangkok. According to the Korea Tourism Organization, the number of visitors to Japan in 2011 was 3.29 million people, which grew to be 3.52 million people the following year, reaching the highest number on record. The number of Japanese tourists visiting Korea was also increasing over the same period, and T'way Air counted on this trend to continue. Since then, the company established routes to Sapporo (Hokkaido) and Saga in 2013, Oita and Naha (Okinawa) in 2014, and Kansai (Osaka) in 2015. (Table 1)

Table 1: Establishment of Japan flights by T'way Air

	Departure	Destination
2011	Seoul	Fukuoka
2013	Seoul	Shinchitose (Hokkaido)
	Seoul	Saga
2014	Seoul	Oita
	Seoul	Naha (Okinawa)
2015	Seoul	Kansai (Osaka)
	Daegu	Seki (Osaka)
	Kansai (Osaka)	Guam

Source: Prepared by JETRO based on materials provided by T'way Air

Despite the company's expectations, however, the number of Japanese tourists actually began declining due to factors like depreciation of the

yen. In 2014, the number came to 2.28 million people, approximately 65% of the 2012 figure. Fortunately, the increase in Korean tourists to Japan — so-called "inbound demand" — contributed to T'way Air's business. While seeing a short dip following the Great East Japan Earthquake, this growth has steadily continued. Regional Manager Mr. Jeon of Fukuoka Branch explained the situation, saying "The numbers of Japanese customers and Korean customers flipped in 2013."

Responding to demand from Korean tourists

The number of tourists visiting Japan from Korea continued to increase, and exceeded 3 million people in 2014. More than 3.4 million Korean people had visited Japan in 2015 as of October, and they expected the annual total to exceed 4 million people. The number of flyers for T'way Air has also been steadily increasing, and Mr. Jeon says the ratio of Korean customers now exceeds 90%.



Regional Manager Mr. Tae-Gyoo Jeon of Fukuoka Branch

This trend is especially notable in Fukuoka Airport (Table 2), where the number exceeded 550,000 people by October of 2015. Its share of the total number of Korean tourists to Japan has reached 16%. In response, the number of flights from Korea has also grown, and T'way Air plans to add more flights as well.

Since T'way Air started its services, the number of tourists to Japan has been increasing in other airports as well. In addition to the inauguration of the Narita flight in 2016, the carrier is also considering increasing the Kansai route, which has been extremely popular.

Operation of less competitive route (such as to Saga & Oita)

In addition to popular routes like Fukuoka, Kansai and Naha, T'way Air also serves less-traveled locations such as Saga and Oita. These airports have seen a surprising surge in Korean tourists, indicating that T'way Air's services have unearthed new demand.

Needless to say, such services to smaller airports come with risks. However, due to the fact that one of the advantages is that they can monopolize the market, there is also more potential for collaboration with travel agencies that plan packages such as group tours. Mr. Jeon says that they sometimes refer to past service records in order to reduce risks.

However, he explains that "financial support by the municipality on the hosting side is a prerequisite" when starting services to these smaller airports. They used to be able to directly subsidize customers through collaboration with travel agencies, but it has become difficult with the current regulations. Instead, Mr. Jeon says that there has been more financial support to reduce the cost on airline companies.

Majority of business via travel agencies in Japan

As the number of Korean repeaters continues to increase, online purchases via T'way Air's website has also grown. But to market toward Japanese tourists, the carrier also collaborates with major domestic travel agencies in Japan. Mr. Jeon says that the reason for this is that, with the exception of a small portion who buy tickets online, most Japanese tourists make their purchases through travel agencies.

Mr. Jeon says that they have not faced any legal issues in conducting business in Japan. As testimony to this fact, the company can achieve a lead time of approximately six months from planning a new route until inauguration.

Table 2: Shift in number of Korean tourists by airport

Airport	2009	2010	2011	2012	2013	2014	2015 (January-October)
Fukuoka	140,300	265,887	199,808	286,648	336,662	414,987	555,507
Shinchitose (Hokkaido)	53,870	88,982	72,221	76,914	95,123	132,142	161,769
Saga	0	328	3,047	184	535	14,380	15,605
Oita	5,992	10,034	3,333	5,935	5,749	7,577	22,284
Naha	9,072	15,367	22,716	34,070	79,527	154,209	233,661
Kansai (Osaka)	339,810	536,497	401,101	484,910	615,863	710,697	919,867
Total	1,835,377	2,686,867	1,919,876	2,315,238	2,723,084	3,016,112	3,435,268

Source: Prepared by JETRO based on materials provided by the Ministry of Justice

* Since its founding in 2010, T'way Air Co., Ltd. has established regular flights not only within Korea but also to Thailand, Japan, China, Taiwan and Laos. In 2015, they established a Kansai-Guam flight as its first route to connect three countries. The number of employees is 717 (as of June, 2015). Sales in 2014 came to 230 billion won (approximately 23 billion yen).

(December 2015 Interview)

History

- 2011 Branch opened in Fukuoka City following establishment of Fukuoka flight
- 2013 Branch opened in Sapporo following establishment of Sapporo flight
Branch opened in Saga following establishment of Saga flight
- 2014 Branches opened in Oita City and Okinawa City following establishment of Oita and Okinawa flights
- 2015 Branch opened in Osaka City following establishment of Osaka flight
Japan Regional Headquarters established in Osaka Prefecture

T'way Air Co., Ltd. Japan Branch

- Establishment: December 2011 (opening of Fukuoka Branch)
- Business: Air transport business
- Parent company: T'way Air Co., Ltd.
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