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Abstract
This paper deals with an issue that has been identified in many markets where there are large number of package tourists. In Australia, there have been a number of studies undertaken into the use of a range of dubious business practices employed by Inbound Tour Operators (ITOs), particularly in the Korean market. The cause for this problem is identified as the minimisation of the retail price of package tour by transferring part of the cost of the tour to ITOs in the destination country. Under this system, ITOs are paid a daily tour rate below their real costs and are forced to recover losses by employing a range of dubious business practices including forced shopping and kick backs from shops. The paper models the normal operation of the package tour cycle where no business practices are used and compares this to the Korean package inbound market in Australia where the use of business practices of this nature is widespread.

Key Words: Package tours, Inbound Tour Operators, Package tour cycle, Korea, Australia, business practices
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There is an old saying that states that "There is no such thing as a free lunch'. In tourism, as in any other business, profitability depends on the ability to develop a product or service that appeals to customers while minimising costs and maximising price followed by successfully selling that product or service in a competitive marketplace. Products or services cannot be sustained if they do not yield a profit and in the tourism industry this maxim must also be applied to all the members of the distribution and supply channels that are involved in providing products and services. In the package tour sector profits on individual packages are usually very small and firms trading in this sector rely on volume to derive a profit. In markets where customers place price ahead of other considerations of service delivery, in pursuit of the illusory "free lunch", firms may implement strategies to minimise the purchase price at the point of sale and recover any losses incurred in subsequent business transactions undertaken by the tour purchaser later in the tour. In the auto industry for example, a loss made from a low initial sale price of a vehicle may be recovered through subsequent inflated costs in the sale of parts or after sales servicing of the vehicle. In the tourism industry similar types of practices may be used to attract customers by offering a low initial price then recovering loses later in the package tour cycle. The package tour cycle describes the range of actions which occur from the time when a package travel purchase is made, includes the delivery of the tour product in the destination and concludes when the customer returns to their point of origin.

Package tours are defined as tours where members travel in a group, pay for a bundle of travel services including airfares, accommodation, meals and transport and are escorted by a guide for the duration of the tour. This paper examines a range of dubious 'business practices' that may be used by tour operators and other members of the supply chain to entice customers to purchase a low price package tour product and then recover any losses made from the initial low sale price by using a range of business practices later in the package tour cycle. To illustrate the type of practices

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that are used, the South Korean inbound tourism into Australia is presented as a case study. The business practices discussed in this case study are similar to those found in many other inbound tourism markets, either to a greater or lesser extent. The research reported in this paper is based on a report to the Tourism Ministers Council (Prideaux et al 2005) that investigated the economic impact of a range of business practices on Australia's inbound markets from parts of Asia including Korea.

In the Australian tourism industry there has been an ongoing debate about the impact of the problems that arise from business practices used by members of the inbound sector to maintain profitability in a market that has a reputation for very thin profit margins and where volume is key strategy to achieve profitability. The issue has arisen in a number of inbound markets including Korea, China, Japan and Taiwan and has been the subject of ongoing media reporting, academic research, government reports and legislative action. This paper commences with a review of a number of government reports and the academic literature before discussing the issues that have arisen in the Korean inbound market.

Literature Review
Research has identified that income and price are the important economic variables that influence international tourism demand (Anastasopoulos, 1989; Crouch et al., 1992; Hui and Yuen, 1996; Jud and Joseph, 1974; Uysal and Crompton, 1984; Dwyer, Forsyth and Rao 2002). Allied with creating demand for a specific destination is the ability of that destination to sustain demand over the long run. One key factor sustaining demand is maintaining positive consumer satisfaction (Cadotte and Turgeon 1988). This paper will focus on the role of price and consumer demand as key elements in sustaining demand for package tours while treating income as a given for outbound markets that are growing. While not considered in this paper, previous research has established that per capita incomes in source counties constitute an important factor affecting outbound flows of tourists. Rapid economic growth in Korea and other Asian nations is a key factor underlying the high growth rate in these outbound markets.

Consumer satisfaction is a key indicator of the ability of a destination to deliver a product that appeals to the tourist, and an indicator of the ability of a destination to deliver on the promise that is made through the marketing image that is developed in the mind of the tourist. Numerous research articles (Peter and Olsen, 1987; Pizam, and Milman, 1993) have examined the issue of consumer satisfaction and there is almost unanimous agreement that knowledge of customer expectations and requirements provides an understanding of how customers perceive the quality of a good or service. The tourism marketing literature currently reflects two major approaches to consumer research (Kozak and Rimmington, 2000). The American School lead by Parasuraman, Zeithaml and Berry (1985) views consumer satisfaction as a negative or positive outcome resulting from the consumer's propensity of comparing initial expectations and perceived performance of products and services. The second major approach, championed by Gronroos (1990), views consumer satisfaction as the customers perceptions of the outcome of actual performance. These approaches have been extensively debated in the literature but a consensus has not yet emerged.

A danger for destinations is that tourists will not be able to distinguish between measuring consumer satisfaction with a particular product (eg tour operator) and the destination. As a consequence, one unpleasant experience may not have a significant impact on the tourist's overall level of satisfaction but a series of experiences, particularly where they are linked, may result in overall destination dissatisfaction. Kozak and Rimmington (2000) state that it is important to identify and measure consumer satisfaction with each component of the destination because of the potential for consumer satisfaction /dissatisfaction with one part of the destination may grow into consumer satisfaction /dissatisfaction with all components of the destination.

Consumer satisfaction and its measurement is an important process for destinations. Sustained growth is more likely to occur in markets that have positive consumer satisfaction (Heung and Qu 2000). The implications of this discussion are apparent in the context of business practices having an adverse impact on consumer satisfaction with a destination. If consumer discontent occurs as a result of businesses practices, the destination may suffer a decline in reputation leading to a fall in visitor numbers.

A number of reports (TQ, 1999; CIE, 2000; ATC, 2003; BTR 2004) funded by various government agencies in Australia have examined the impact of business practices that operate in the nation's inbound package tour market and found that there were serious grounds for concern that these practices were having a negative affect on customer satisfaction. Unfortunately, these reports failed to look beyond the Australian element of the package tour and ignored the impact of price in the origin markets. The first major report to discuss these issues was produced for the Queensland Government in 1999. The aim of the report (TQ, 1999) was to provide an impact assessment study which would be used for a later review to satisfy the requirements of the National Competition Policy (NCP), a Federal government policy designed to promote competition in the business sector. The discussion paper identified but did not quantify issues that appear to have arisen as a result of business practices in the inbound sector.

While these issues were not investigated in detail the report (TQ 1999:44) noted that "the current lack of industry cohesion and coverage and the disparate nature of the industry make voluntary self-regulation less viable. A voluntary accreditation system and other industry voluntary initiatives currently would not achieve increased compliance, without legislative back-up."

In a subsequent report prepared by CIE (2000) and commissioned by the Tourism Ministers Council the authors identified three broad categories of business practices:
- Uncompetitive shopping arrangements — whereby the choice of the tourist is limited to those shops favoured by the tour operator, for example, those that pay the tour operator a commission or that are part of the same vertically integrated firm;
- False or misleading practices — aimed at deceiving the tourist over the nature of the tour package or the true value of the package; and
- Low service quality — tours that do not feature the 'best' attractions in a region or service on the tour is of low standard.

The report noted that two practices (lack of choice of stores and lack of access to Australian products) are generally viewed as outcomes rather than instruments by which shopping is made uncompetitive. According to the report, the capacity to control the behaviour of tour groups is a key factor in facilitating the emergence of the alleged business practices to emerge. The report also noted that as the number of fully independent travellers (FIT) increases the incidence of controlling behaviour will decline. The report did not investigate any element of visitor satisfaction that would confirm or dispute these arguments.

The report (CIE 2000) noted that there was very little information on how the practices occurring in the ITO sector are feeding back to visitor satisfaction, arrivals and expenditure. The report (CIE 2000:6) further noted that '….. just whether a practice is damaging and undesirable depends on the circumstances and is not clear cut. For example, commissions are an essential feature of much of the travel industry and judging what is excessive is no simple matter. Similarly, packages that offer low service quality may be an efficient way of extending the range of the market'. However, the report did state that false or misleading representations of the quality of elements of the tour is a practice likely to reduce repeat business and can be classed as a damaging practice.

The report identified a number of revenue losses including: the loss to the economy of consumers going home 'with money in their pockets', a greater share of expenditure is being captured by foreign- owned shops, revenue losses due to adverse word of mouth and losses incurred by upstream businesses.

The CIE Report outlined a range of possible initiatives that could be used to control various arrangements currently operating. These are illustrated in Figure 1. It should be noted that most of the recommendations have yet to be implemented despite their apparent usefulness.

Figure 1 Possible prescriptions for legislation

Issue	*Possible prescription*
Uncompetitive shopping	▪ Disclosure of commissions
Arrangements	▪ Use of tour guides with appropriate minimum competencies
	▪ Industry acceptable, minimum itinerary standards
False or misleading	▪ Disclosure of commissions
Representations	▪ Use of tour guides with appropriate minimum competencies
	▪ Industry acceptable, minimum itinerary standards

Low service quality	▪ Financial viability risk profiles
	▪ Compulsory insurance (public liability, PI)
	▪ Use of accredited product suppliers
	▪ Use of tour guides with appropriate minimum competencies
	▪ Industry acceptable, minimum itinerary standards

Source: CIE (2000).

The Bureau of Tourism Research (BTR, 2004) published a report on visitor dissatisfaction with aspects of guided tours during the period 2001 to 2002 and found that there was a degree of dissatisfaction from some respondents with various aspects of package tourism including: the overall tour, accommodation quality, tour activities, shopping time, tour guide service, tour value for money and 'forced' shopping. A report by the The Australian Taxation Office (2003) indicated that there were identifiable losses in taxation revenue as a result of cash dealings associated with package tourism to Australia. While not extensively debated in the literature a number of authors (Prideaux and Kim 1999; Kim and Sohn 2002; Tse 2003) have identified problems that have arisen in inbound markets as a result of the type of business practices that are used particularly by the Inbound Tour Operator sector.

While providing a useful context to the operations of business practices in this sector, these reports did not consider visitor satisfaction data or undertake economic modeling into the business practices under investigation. The current paper extends the scope of the discussion to incorporate a number of additional aspects including the operation of the distribution channels and conditions in the retail travel market in Korea that underpins the need for many of these practices.

For the nation, adverse impacts were identified as:
- Adverse impacts on the image of Australia as a tourist destination and hence on future visitation.
- Adverse economic impacts
- Criminal offences arising from breaches of consumer, taxation and immigration laws.
- Consumer dissatisfaction with tours associated with business practices leading to bad publicity as a result of negative word of mouth communication with adverse impacts on visitation.
- Reduced repeat visitation as a consequence of dissatisfaction with the business practices.
- Reduced expenditure within Australia as a result of dissatisfaction with the business practices used.
- The incurring of losses by suppliers as a result of ITO business failures,
- Taxation revenue foregone as a result of cash-in-hand dealings

In this paper these issues are discussed in the context of the Korean inbound sector in Australia but have a wider application to other inbound sectors.

Methodology

The aims of this research are to: develop a package tour model that illustrated the relationships between the various participants in the inbound market and from this model create a second model that illustrates the operations of the Korean inbound package tour market; and to identify the types of business practices that are used in both Korea and Australia. To identify the range of business practices used and from that knowledge build a model to illustrate the type of relationships involved, the research team undertook a review of previous reports on the issue and conducted semi structured interviews with government officials, tour guides involved in the Korean inbound market, inbound operators and representatives of companies involved in supplying goods and services to inbound operators in the Korean market. Interviews were also conducted in Korea with representatives of firms and organizations conversant with the operations of the Korean outbound sector.

The authors identified several limitations to the ability of the research to be generalized to other inbound markets, including the fluidity of specific inbound markets which may change with little notice and the model that illustrates the structure of the Korean inbound market to Australia may not apply in other destinations where Koreans constitute a significant inbound sector. The paper's finding that the use of business practices is strongly influenced by the relationship between the retail and wholesale sectors in Korea and the emphasis on price rather than quality by the current cohort of Korean tourists applies to the contemporary market structure and may not apply in the future as the Korean outbound market matures. Changes either to the importance placed on price by Korean consumers or to the level of competition in the outbound travel market in Korea may invalidate the model illustrated as Figure 3 in the future.

Significance of Package Tourism to Australia

In a number of the nation's major Asian markets, package tours are a popular form of travel and during 2002, international visitors on package holiday tours accounted for around 14 per cent (624,500 visitors) of all international visitors. Selected figures of the share of international package tourists from the major Asian source countries are displayed in Table 1.

Table 1 International visitors on guided group holiday tours from Japan, Korea, China, Taiwan and the Rest of the World in 2002 [a]

	Visitors on guided group holiday tours			All group tour visitors	Total international visitors [b]
	Number	Share of all visitors on group tours	Share of all international visitors		
	'000	Per cent		'000	'000
Japan	410.1	85.8	61.4	477.8	667.8
Korea	51.3	92.7	29.7	55.3	172.4
China	36.8	63.8	20.5	57.6	179.6
Taiwan	35.6	97.4	40.0	36.6	89.1

Other countries	90.7	59.0	2.7	153.8	3 353.8
Total	624.5	80.0	14.0	781.0	4 462.8

[a] Includes visitors on guided group holiday tours, sporting group tours, special interest group tours other than a sporting tours and business or convention group tours.

[b] Total visitors include group tour and non-group tour visitors.

Source: BTR 2004

Expenditure by tourists traveling on package tours is significant and in 2002 Korean package tour members spent an estimated AUD$62.6 million (BTR 2004). Table 2 illustrates estimates of expenditure in Australia by package tourists from China, Korea, Taiwan and Japan for the years 2004, 2008 and 2012 and was developed to indicate the significant of spending by this market. Providing the assumptions that underlie this table are plausible, the significance of package tourist in overall economic terms will continue to grow and any factors that impact on this market sector will have serious consequences for the national tourism industry.

Table 2 Estimates of Expenditure in Australia associated with Package Tourism from Identified Markets

Origin	2002	2004	%	2008	%	2012	%
China	46.804	67.814	9.3	135.054	10.2	232.021	20.5
Korea	62.617	78.973	10.8	115.078	13.3	162.153	14.3
Taiwan	33.668	36.678	5.0	41.995	4.8	43.843	3.8
Japan	506.252	545.588	74.9	620.108	71.7	696.451	61.4
Total	649.341	729.053	100%	866.708	100%	1134.468	100%

Source: Table prepared by the authors. Expenditure data in Table 2 is multiplied by Tourism Forecasting Council estimated annual average growth rate of holiday tourism of each market (TFC, December 2002)

Key assumptions underpinning Table 2 are:

- Future growth in package tourism numbers from the identified markets increases at the same rate of growth as holiday tourism from each of those markets.
- Expenditure levels of visitors from the identified markets increase at the same rate as numbers of visitors.
- The forecast numbers take no account of the influence of the business practices on tourism flows or expenditure from the identified markets.

The estimates in Table 2 are indicative only of the potential expenditure that will accrue to Australia from each market. In the absence of other information, it is assumed that expenditure related to package tourism will, *ceteris paribus*, increase at an equivalent rate to that of expenditure from holiday tourists. If the pattern of tourism flows changes this assumption may prove unrealistic. On this basis, it is estimated that package tourism expenditure from the identified markets is worth $729 million to Australia in 2004 and this will rise to $1134 million in the year 2012.
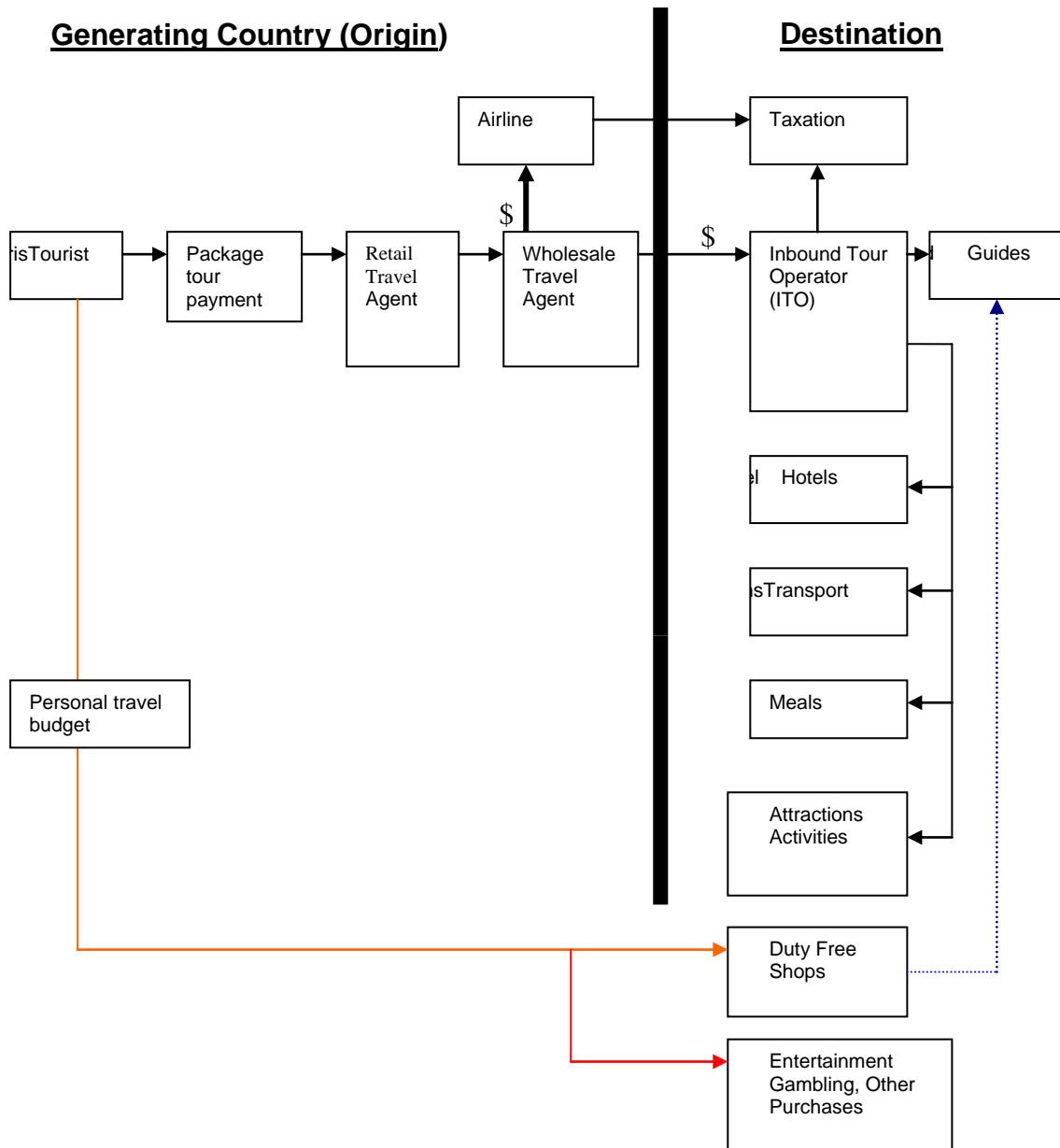
Given the various assumptions explained earlier, Table 2 indicates that the relative market shares of revenues for both China and Korea are increasing, primarily due to the decreasing market share of Japan. The expenditure estimates in Table 2 are based on TFC forecasts of visitor numbers, which take no account of possible reductions in visitors from the identified markets due to dissatisfied package tourists. If the cumulative impact of the business practices is negative and consumer dissatisfaction rises over time the potential for the projections illustrated in Table 2 will be substantially reduced.

Structure of the Package Tour Market

A package tour typically includes airfares, accommodation, guides, sightseeing, tour escorts and transfers. In many cases, the package will also include meals, sightseeing and entrances to attractions in the destination country. It is also common practice to offer optional extras such as supplementary attractions, cultural shows and visits to superior restaurants. Such elements are priced outside the standard tour inclusions to minimize the initial purchase price.

Figure 2 illustrates the general structure of the inbound package tour market and highlights the roles undertaken by different types of firms. Note that this model does not include the forms of relationships between sectors of the package Tour Cycle that occur when various forms of business practices are used to boost the revenue of the ITO sector.

Figure 2   The Structure of the Package Tour Cycle in Generating and Destination Countries

Generating Country (Origin)   ## Destination

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                              ┌──────────┐        ┌──────────┐
                              │ Airline  │───────▶│ Taxation │
                              └──────────┘        └──────────┘
                                   ▲                   ▲
                                   │ $                 │
┌──────────┐  ┌──────────┐  ┌──────────┐  ┌──────────┐  $  ┌──────────┐  ┌──────────┐
│ isTourist│─▶│ Package  │─▶│ Retail   │─▶│ Wholesale│────▶│ Inbound  │  │ Guides   │
│          │  │ tour     │  │ Travel   │  │ Travel   │     │ Tour     │  │          │
│          │  │ payment  │  │ Agent    │  │ Agent    │     │ Operator │  │          │
└──────────┘  └──────────┘  └──────────┘  └──────────┘     │ (ITO)    │  └──────────┘
     │                                                     └──────────┘        ▲
     │                                          ┌──────────┐                   :
     │                                          │ Hotels   │◀────              :
     │                                          └──────────┘                   :
┌──────────┐                                    ┌──────────┐                   :
│ Personal │                                    │sTransport│◀────              :
│ travel   │                                    └──────────┘                   :
│ budget   │                                    ┌──────────┐                   :
└──────────┘                                    │ Meals    │◀────              :
     │                                          └──────────┘                   :
     │                                          ┌──────────┐                   :
     │                                          │Attractions│◀───              :
     │                                          │Activities │                  :
     │                                          └──────────┘                   :
     │                                          ┌──────────┐                   :
     └────────────────────────────────────────▶│ Duty Free│..................:
                                          ┌────▶│ Shops    │
                                          │     └──────────┘
                                          │     ┌──────────┐
                                          └────▶│Entertainment│
                                                │Gambling, Other│
                                                │Purchases    │
                                                └──────────┘
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The model illustrated in Figure 2 was developed on the findings of interviews undertaken by the research team with informants in Australia, China, and Korea and is used as a benchmark to illustrate operational relationships between firms within the inbound market. Unavoidably, the model involves an element of oversimplification. A range of business relationships exist within individual source markets linking ITO's, Tourist Specialist Shops, and tour guides. For the purposes of this research the term 'tourist specialist shop' is used to describe a variety of shops that specialize in tourist retailing. These shops are providing services and products tailored specifically to a particular source market. The various retail establishments that operate in this specialist environment are also known as Duty Free Shops, Tax Free Shops and Souvenir Shops. A number of factors determine the structure of inbound tour operations, which prevails at the destination. These include: ownership, degree of vertical integration, nationality of markets serviced, and cultural aspects.

To develop a tour program based on the sale of package tours, inbound tour operators (ITO) are contracted by outbound or wholesale travel agents (WTA's) in the origin country to undertake the destination-based ground component. This relationship is characterized in Figure 2. In this model the Wholesale Travel Agent (WTA) in the Origin country takes the responsibility for purchasing airline tickets and contracts a destination based Inbound Tour Operator to operate the advertised itinerary. These services include accommodation, guide, services, transport, meals, attractions and a range of optional activities such as entry into attractions

The disbursement of funds to pay for the various elements of the tour such as airfares, accommodation, taxes, meals and transport is also illustrated in Figure 2. In principle, the funds paid by the wholesale travel agent in the country of origin to the ITO should cover the ground component of the tour, while yielding an adequate profit for the ITO. The retail travel agent, and (where one is involved) wholesale travel agent in the origin country, will also expect a profit that is usually collected as commission.

As illustrated in Figure 2, tourists have two travel budgets. The first budget is used to pay for the cost of travel that in the case of package tours includes hotels, attractions, meals, transport and attractions. The second budget is used to pay for holiday destination expenses including shopping, entertainment, recreation, gambling and other services. In a number of Asian cultures including Korea, Japan, China and Taiwan, the visitor's shopping budget is used primarily to fund expenditure on obligatory gifts with a more modest amount used for personal purchases. In the package structure there is usually minimal intersection between the visitor's two travel budgets, except in cases where tour guides take tourists to specific shops (or other businesses) and receive a small commission. The major beneficiaries of any payment by shops or other businesses are tour guides and drivers. In the industry model illustrated in Figure 2 there are generally no kickback or payments beyond the level of the guide. As is the case in many destinations, this is the standard model of package tour operations in Australia.

Underlying Causes of the Business Practices

The emergence of the businesses practices identified in this research can be linked to changes in the nature of the relationship between consumers, retailers, tour operators, ITOs, wholesale companies and government regulations that are identified in Figure 2. Moreover, while the nature of the relationships in the travel supply chain that occur in the generating country may impact on the destination country, the destination country has little ability to demand changes to these relationships in the generating country. Based on the findings of previous reports and the research conduced for this research, the major factors that cause for the development of business practices include:

- The nature of the market power relationships that exist between Wholesale Travel Agents, Retail Travel Agents and Inbound Tour Operators
- In nations where competition among retail travel agents is high, WTA's may be forced to lower their prices to capture business. In these circumstances the WTA may either lower the overall quality of the package tour product or they may pass the price cuts down the supply chain by reducing the daily rates paid to ITO's;

- Profit taking by WTA's at the expense of ITO's;
- Market conditions in origin countries and within Australia;
- Short term profit horizons of many product suppliers;
- The degree of intervention in the package tour market by government. In Australia for example, there is no requirement for tour guides to hold a licence as a condition of employment;
- The total number of organised group and package travellers in a specific inbound market is high;
- Where inbound markets are new and where travellers have little experience of Australia as a destination; and
- Travellers have little experience in travel and limited access to independent advice on the destination (CIE 2000).

The problem of low tour prices and the use of business practices are not unique to Australia. In a recent paper on Chinese inbound tourism Tse (2003) noted similar problems in Hong Kong to those found in Australia. The driving forces behind the problems experienced in Hong Kong were identified as low tour prices and the culturally determined need to undertake shopping. Kim and Sohn (2002) identified similar problems in many destinations visited by Koreans.

How The Business Practices Operate
Based on the evidence uncovered by this research the major causes of the business practices used in some inbound markets are: the structure of the package tour cycle in the origin country as well as the destination country; and the balance of market power between the members of the package tour cycle in the origin and destination nations. In origin markets where price, rather than quality, is the key selling point of package tours, the supply chain will respond in a manner that minimises the initial price of package tour and pushes the revenue shortfall to the destination country where the remaining elements of the supply chain will attempt to recover these losses. ITOs are the key element in the supply chain in the destination country and are the group that will usually attempt to generate additional revenue through using a range of business practices. The losses incurred by the initial low package sale price are pushed onto the destination country through the payment by WTOs of daily tour fees that are below the daily costs incurred by ITOs. Where the balance of market power lies in origin countries the operators in the package tour cycle in the destination country may become price takers rather than price makers. If market power does not favour the origin nation, operators in the destination country are much more likely to command commercially profitable rates.

The methods used by ITOs to recoup losses from low tour fees include negotiating lower room rates with hotels, using hotels of a lower standard than advertised, shopping commissions, forcing guides to cover their wages through tips and on-selling the right to direct customers to tourist specialist shops by tour guides. Shopping commissions are the most common business practice and involve the ITO negotiating with specific shops to pay a commission for each sale to a tour member and/or negotiating with tourist specialist shops to provide a range of services including guides and coach transfers at no cost to the ITO. Where shopping commissions are used as the main means of recovering outlays, package tour

members are normally given no choice in the shops to where they are taken to and accommodation is usually arranged at hotels that are some distance from tourist shopping precincts. In Asian cultures where the purchase of gifts for relatives and associates is a cultural requirement (Hobson, 1966) the ability of ITOs to gain substantial commissions is higher than in markets where there is no cultural requirement to purchase gifts. Another practice that is sometimes used is to combine the roles of guide and driver. This practice is uncommon in the lower cost destinations, which characterize Asia but occur in a number of Australian inbound markets because of the significantly higher level of wages, which prevail within Australia.

When shopping is controlled by ITOs, the practice of 'over-shopping' can emerge and generate negative impacts on the visitor experience. In some cases, the combined self-interest of the tour operator and retailers will create pressure to increase the amount of shopping within the tour. By reducing the range of other activities previously promised to tourists, they may hope to maximise the revenue from tourist purchases. This could result in a negative overall tourist experience. Pan and Laws (2003) have investigated this situation in Australia and found that it is imperative to establish benchmarks for the standard of services offered to Chinese visitors to retain Australia's competitive advantage.

According to industry sources Duty Free shops have developed a pivotal role in the operation of inbound tours to Australia. In some cases, Duty Free shops (tourist specialist shops) have evolved into de facto ITO's, arranging many elements of the itinerary. In a development that is not found in other inbound markets, some wholesale agents in Taiwan are paid on a per-head basis for shopping rights to visitors while in Australia. This practice has the potential to generate higher leakages of tourism expenditure from Australia since the money is sent directly to firms in the origin country.

Another reported practice involves specialist shops paying a predetermined price (poll tax). This practice gives shops exclusive rights over the travel itinerary. In such situations, the tourist specialist shop may assume responsibility for providing the guide in the destination country and for arranging coach transfers. The shop pays the guide a fixed daily amount or, more commonly, a commission. In these circumstances the guide is acting as a de facto salesperson for the tourist specialist shop. A number of difficulties arise when the traditional role of guides changes and they are required to represent the interests of a third party rather than the tour group members. These include the possibility of unethical advice being provided to tour members with a view to encouraging them to purchase goods thereby leading to greater commission payments for the guide. Some of these issues were highlighted by Xu and Weiler (2000). The extent of the system of paying poll taxes to ITOs is highlighted in the Taiwanese inbound market where the poll tax payment has, according to one informant, fell from $120 per person in late 2001 to $80-90 per person by early 2003, reflective of the weakening Taiwanese economy and the associated drop in visitation.

The payment of commissions is an acceptable business practice worldwide. Nevertheless, in the context of the present research, commissions cannot be separated from business practices that appear to erode the quality of the Australian tour package

product from the perspective of visitors. Commissions received by individual ITO's are used to pay for the shortfall between the amount paid by the country of origin outbound tour operator to the ITO, and the actual daily costs associated with transporting, accommodating and feeding their clients. Any funds remaining after the shortfall has been paid may be classified as profit. As many of the ITO's are Australian residents or citizens only a small percentage of any profits are likely to be remitted overseas to the country of origin of the ITO, after some portion of the profit has been 'ploughed back' or re-invested locally.

Market Overview of Korea

Following the liberalization of outbound travel by the Korean government in 1989 the demand for outbound travel by Koreans expanded substantially. In 2002, 14.2% of all Koreans traveled overseas compared to 17.4% of all Australians who traveled overseas in the same year. Koreans have become significant travel consumers, although their preference remains for low cost package tours. Evidence is only beginning to emerge of Korea wholesalers developing packages that offer differentiated price level based on the standard of hotel used for members of the same tour group. A number of firms are beginning to offer tours that are at the quality end of the price spectrum.

During the 1980s the Korean outbound market was progressively deregulated and increasing numbers of Koreans were able to travel abroad without government approval (Iverson 1997). At the same time the Korean government also deregulated the retail travel industry attracting many small investors keen to establish their own travel business. Between 1995 and 2001 the number of overseas retail travel agents increased from 1,502 to 3,185. As a consequence of increased competition in the retail sector, retail travel agents commenced discounting. Retail travel agents then applied pressure on tour wholesalers to either pay higher commissions or reduce the wholesale cost of tours. In turn the wholesalers applied pressure on ITO's in destinations to reduce their prices, partly explaining the problems that are currently encountered in the ITO sector in many countries including Australia.

The explanation for continued support of low cost package tours is, to a large extent, found in the nature of Korean society, which is quite different from Western society. Perhaps of more importance is the collective nature of Korean society (Kim and Prideaux 1999) which underpins the continued popularity of group tours.

Tourist specialist shops operating in the Korean sector of international tourism usually employ staff who speak fluent Korean. Aside from the importance of being able to communicate in their own language, the ability of staff to explain the benefits of particular items, particularly when purchased as gifts, is important. The purchaser is expected to be able to explain the quality and purpose of the item to the person to whom the item is later given as a gift. Additionally, informants in the Korean travel industry indicate that in general, Korean consumers have little confidence in non-Korean speakers in supplying them with the information they require to make a purchase, particularly when it is a health product.

Realizing that there were problems in the retail travel industry, but conscious that Korea wished to be an open economy with reducing levels of government regulation, the Korean government responded to this problem by developing accreditation policies rather than attempting to reduce competition in the retail travel agent sector through regulation. Accreditation systems used in the travel sector are the "Quality Enterprise for Service in Korea' scheme sponsored by the Ministry of Industry and Resources and the 'Quality of Tourism Products' scheme sponsored by the Ministry of Culture and Tourism and administrated by the Korean Association of Travel Agents (KATA). The "Quality Enterprise for Service in Korea' scheme is based on accreditation of participating firms but does not have a complaints mechanism. The 'Quality of Tourism Products' scheme has a complaints mechanism; however the numbers of complaints are generally low, totaling 93 in 2002 for all outbound markets. These schemes do not appear to have had any noticeable impact on reducing the pressure on the Korean tour industry to reduce prices below cost and push the problem on to the destination.

Operation of the Korean Inbound Markets in Australia

Figure 3 outlines the structure of the relationships between the various sectors of the Korean inbound market and illustrates the convergence of tourist's travel and shopping budgets. This has occurred as the retail cost of an Australian package has fallen to near or below cost, with the losses being carried by the ITO sector. To offset these losses, ITO's have developed business arrangements with tourist specialist shops based on a monopoly on package tour group member's shopping opportunities in exchange for an agreed payment and in some cases provision of a guide and transport. The relationship between tourist specialist shops and ITOs is fluid and subject to regular change. In effect, the customer is paying higher prices for goods purchased at tourist specialist shops to offset the low tour package prices paid in Korea. In the long term, visitors derive no benefit from low retail package tour prices and, because of the inefficiencies inherent in this system, ultimately pay a higher price.

Effects of Business Practices on Visitor Satisfaction

Existing data sets were reviewed with a view to evaluating the extent of visitor satisfaction with elements of package tourism to Australia. Some differences were evident between the results of these surveys. Given the nature of the subject this was not unexpected. Satisfaction and dissatisfaction measures provide a strong indication of the capacity of a destination to deliver a tourism experience that will continue to attract visitors into the future. If the destination meets expectations, the tourist is satisfied, while if the destination falls short of expectations, the tourist is dissatisfied. As a consequence future visitation can be affected. However the measurement of satisfaction and dissatisfaction is a complex matter that continues to pose many problems for researchers (Whipple and Mach, 1988).

The BTR (2004) investigated the level of dissatisfaction using results of the annual International Visitor Survey (IVS) of 2001 and 2002. Questions were designed to assess the satisfaction/dissatisfaction levels of international visitors with various aspects of guided group holiday tours in Australia. The report found that in 2001, Korea had the highest proportion of visitors on guided group holiday tours who were

dissatisfied with at least one aspect of their group holiday trip (13,100 or 26.5 per cent). This was much higher than was the case for all international group holiday visitors (16.1 per cent). In the case of Japan, 47,300 (12.8 per cent) of the 370, 100 visitors on guided group holiday tours travelling to Australia in 2001 were dissatisfied with at least one aspect of the tour.

Despite some differences in specific results the studies of satisfaction with package tourism to Australia from a number of countries including Korea indicate an identifiable degree of dissatisfaction with the products offered. The BTR study on dissatisfaction with package tours to Australia supports earlier findings by Kim and Prideaux (1999) on dissatisfaction/satisfaction of Korean package tourists. One significant finding of the BTR report was that group tour members have a lower intention to return than individual travellers.

It is concluded that, overall, Australia is not performing as well as it could in the package tour market and this may have a substantial impact on visitor satisfaction, from Korea. This dissatisfaction does not appear to relate to Australia as a destination but will inevitably impact adversely on consumer perceptions of Australia and the willingness of its regulatory authorities to remedy the situation. Although the survey questions did not specifically mention unethical business practices, it may be concluded that these underpin much of the dissatisfaction experienced. It is concluded that, to increase visitor satisfaction, tour design needs to change.

Conclusion
The association between dissatisfaction, business practices and visitation is complex. It is rendered even more complex by the possible inability of many tourists to distinguish between unsatisfactory experiences arising from the type of tour offered, as opposed to the experience of Australia as a destination. Levels of dissatisfaction with Australian tourism products may be related to items that are independent of, or only tenuously linked to, the business practices discussed. Where tourists are aware that they are paying for part of their tour price through commissions they may factor this into their travel decisions. In these circumstances, it is unlikely that visitor flows would increase as a consequence of the elimination of business practices, particularly if the elimination of these practices resulted in the additional amounts paid to ITO's by the WTA's being recovered from tourists at the time of original tour purchase. If the tour package price remained unchanged at the point of sale overseas after the business practices were eliminated, perhaps as a result of legislation (that is prices to WTA and ITO are unchanged), ITO's would experience revenue losses from the removal of the shopping commissions system. This would in turn affect operating viability and many firms would exit the industry. The upshot of these considerations is that shopping commissions do not increase expenditure by travel package visitors to Australia since the shopping commissions may be regarded as replacing otherwise higher priced ground content.

While these practices are common in many destinations visited by Koreans, and also occur domestically in Korea, it would appear that Australia is in danger of losing international competitiveness in the package tour market. Moreover, Australia is a high cost long- haul destination which is at the "luxury" end of the purchasing spectrum. While there may be an element of "conspicuous consumption" associated

with travel to Australia, it is also likely that travellers will be value conscious. In practice, they may be unwilling to tolerate practices, which they have experienced in short-haul destinations such as Thailand, with a shopping product such as Australia (placing Thailand in the "convenience shopping" category). The same may apply in the case of Korea, albeit in a context where there are wider ranges of long-haul alternatives available to consumers.

Restoration of the balance between the members of the package tour cycle outlined in Figure 2 will eliminate the need for ITOs in the destination country to resort to business practices to boost revenue to make up for the cost-push from the origin market. While not addressed in this paper, the issues involved here will undoubtedly require government intervention including the licensing of tour guides and penalizing guides and ITOs who participate in these practices. While the current situation in the Korean inbound market can be directly related back to the retail practices of travel agents in Korea, the willingness of ITOs in Australia to accept below cost ground fees is also a contributing factor. If ITOs were able to resist pressure to accept loss making ground fees the need for business practices would disappear.

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Figure 3 Operation of the Korean Inbound Industry in Australia