

Study of Social Entrepreneurship and Innovation Ecosystems in South East and East Asian Countries

Case Study: Travelers' Map, Korea

The Japan Research Institute

Office of the Multilateral
Investment Fund

TECHNICAL
NOTE N°
IDB-TN-1226

Study of Social Entrepreneurship and Innovation Ecosystems in South East and East Asian Countries

Case Study: Travelers' Map, Korea

The Japan Research Institute

October 2016



Cataloging-in-Publication data provided by the
Inter-American Development Bank
Felipe Herrera Library
Nihon Sōgō Kenkyūjo.

Study of social entrepreneurship and innovation ecosystems in South East and East Asian countries: case study: Travelers' Map, Korea / The Japan Research Institute.

p. cm. — (IDB Technical Note ; 1226)

1. Social entrepreneurship-Korea (South). 2. Technological innovations-Social aspects-Korea (South). I. Inter-American Development Bank. Office of the Multilateral Investment Fund. II. Title. III. Series.

IDB-TN-1226

JEL Codes: A130

Keywords: Social enterprise, Social entrepreneurship, Social innovation, Social business, Social impact, Impact investment, Social entrepreneur

<http://www.iadb.org>

Copyright © 2016 Inter-American Development Bank. This work is licensed under a Creative Commons IGO 3.0 Attribution-NonCommercial-NoDerivatives (CC-IGO BY-NC-ND 3.0 IGO) license (<http://creativecommons.org/licenses/by-nc-nd/3.0/igo/legalcode>) and may be reproduced with attribution to the IDB and for any non-commercial purpose. No derivative work is allowed.

Any dispute related to the use of the works of the IDB that cannot be settled amicably shall be submitted to arbitration pursuant to the UNCITRAL rules. The use of the IDB's name for any purpose other than for attribution, and the use of IDB's logo shall be subject to a separate written license agreement between the IDB and the user and is not authorized as part of this CC-IGO license.

Note that link provided above includes additional terms and conditions of the license.

The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the Inter-American Development Bank, its Board of Directors, or the countries they represent.



**Study of Social Entrepreneurship and Innovation
Ecosystems in South East and East Asian Countries**

CASE STUDY

Travelers' Map, Korea

Multilateral Investment Fund

The Japan Research Institute

October 2016

Contents

- 1. Introduction..... 1
- 2. Local Social Issue and the Challenge 2
- 3. Solution and Social Impact 3
- 4. The Social Entrepreneur 4
- 5. Business Model..... 5
- 6. Social Impact and Financial Performance 6
- 7. Business Development and Ecosystem Evolution..... 11
- 8. Scalability and Replicability 18
- 9. Final Reflections..... 19

Acknowledgements

The authors **Yasunori Tanaka**, **Tamako Watanabe** and **JRI members** would like to acknowledge the following individuals for their contribution to this study, through participating in personal interviews and making comments on draft versions of this report. (In an alphabetical order)

- Hyungseok Pyun, Founder&CEO of Travelers'MAP
- Jeon Hoon, Secreatry General of Community Design Lab
- Jeahyun Na, Manager of Community Design Lab
- Tomohiro Hamakawa, Co-founder & Managing Director of Earth Company

1. Introduction

Name: Travelers' Map (TMAP)	
Description	Implementer of responsible tourism in Korea that brings ownership and benefits to local communities.
Founded	September 2009, Seoul, Korea
Legal format	Private company
Num. employees/volunteers	27
Geographical reach	Asia, North America, South America, Europe and Africa
Certifications/ awards	Social Enterprise Certification, 2010 The top prize in the Social Venture Competition for the Seoul/Gangwon region in 2009
Social innovation variables	
Innovation type	Implementing and promoting responsible tourism that not only offers meaningful experiences to tourists but also brings economic benefits to local communities.
Social impact	Bringing ownership and benefits to local communities, while trying to address fundamental, structural flaws in the Korean tourism industry.
Financial sustainability	Mainly from business revenue particularly outbound tour programs.
Key Partners and Supporters	As a social enterprise, TMAP has received support from both public and private sectors including Ministry of Labor, Seoul Metropolitan City Government, Korea Association for Sustainable Tourism, SK Happiness Foundation, Social Venture Partners Korea, D3Jubilee, Korea Social Investment, Mirae Asset Venture Invest.
Scalability and Replicability	TMAP has demonstrated scalability through its local franchises (Local MAPs) in three countries including Cambodia, Nepal and Japan. TMAP is working to establish additional local MAPs in other Asian countries that would strongly contribute to its scalability.
References	www.travelersmap.co.kr

2. Local Social Issue and the Challenge

The majority of Korean tourism operators was launched in the 1960s not only to cater to the expanding domestic tourism demand but also to revitalize local economies and conserve the environment. From the 1980s, however, the industry started to change with the rise of wholesale travel companies or wholesalers that prioritize profit maximization at the expense of threats to the environment, human rights and animal rights. Wholesalers that have a lot of local affiliates including retailers, tour operators and facilities operators have expanded their market share over time and handle almost all tours today, by leveraging their subsidiaries to develop sightseeing tours for small-scale retailers to sell. The common practice is that restaurants, commercial facilities and entertainment facilities with existing partnerships with wholesalers are incorporated into sightseeing tour programs, and local tour guides are hired to implement the tours. For overseas programs, facilities owned by Koreans are often included in the itinerary.

Wholesale travel companies attempt to minimize retail prices in order to drive in more tourists, which in turn causes problems in which local tour companies can expect almost no revenue. In Korea wholesalers hold so much power over pricing and negotiations so that local tour companies sometimes generate no profit from running tours. In this context, local tour companies try to compensate for the loss by soliciting kickbacks from commercial and entertainment facilities that benefit from the tours. Such a commercial-incentive structure creates a situation in which tour guides proactively take tourists to shopping and aesthetic establishments, depriving them from opportunities to experience local history, culture and nature. Tourism money is essentially channeled to these commercial enterprises, including those that are located outside of the main tourism areas to minimize costs. These structural issues faced by Korea's travel industry are obstructing a positive money flow to local communities that possess the tourism resources.

The uneven distribution of economic benefits also negatively impact on tourism infrastructure that are important to local communities. Unless the number and frequency of visitors increase, motivation to preserve and develop tourism resources would not increase either. This could cause local governments to reduce budget allocations to tourism development. Intangible historical and cultural assets could soon become obsolete if the public interest in them

continues to decline.

Following these circumstances, a Korean newspaper reported in May 2013 that the Korean travel industry has changed the perceptions of foreign tourists who were once fans of Korea. These foreign tourists are now skeptics, suspecting the service quality and disappointed by the low-priced and low-quality tour programs in the country, according to the newspaper.

3. Solution and Social Impact

To address some of the structural challenges in the Korean tourism industry, the Travelers' MAP (TMAP) was established in December 2008. TMAP's mission is to add vitality to local communities by transferring the ownership of tourism operations to local communities. This mission is comprised of three pillars which are: a) returning benefits to local societies; b) nature conservation; and c) respect for people. Under this mission, TMAP develops and delivers travel solutions that are responsible for both society and the environment.

Specifically, TMAP's responsible tourism promotes transportation means such as trekking, walking and biking and does not use disposable products as much as possible in order to minimize environmental burden such as CO2 emissions. In addition, TMAP's itineraries include facilities, restaurants and accommodations operated by local people, including home-stays with local residents. The social enterprise aims to improve tourists' awareness and sense of responsibility towards local culture and nature. In terms of social impact, these tourism activities generate monetary flow to local communities that contribute to the larger aim of vitalization of regional economies. In a Social Return of Investment (SROI) study conducted by the Korea Social Enterprise Promotion Agency in December 2011, TMAP's SROI was calculated to be 521%, meaning every dollar invested in the social enterprise generates over \$5 worth of social benefits.

4. The Social Entrepreneur

Figure 1 Mr. Hyung Seok Pyun



(Photo: Travelers'MAP)

Mr. Hyung Seok Pyun, the CEO of TMAP, worked as a teacher in the Haja Production School (Seoul City Youth Job Center) for five years before establishing the organization. This public school assists junior and high school dropout students in finding creative niches through learning by doing. While at the school, Pyun placed importance on off-campus learning trips for students to experience the lifestyle of people in different regions. Pyun once walked a total of 3,000km around Korea with his students as part of the off-campus learning trip to experience various cultures and issues of local communities. He was inspired by the significant impact such responsible tourism generates in terms of promoting local traditions and raising awareness among young people to live life with a positive outlook.

Based on his experiences Pyun launched an initiative called the MAP Travel Cooperative, a division within the Haja Production School. The initiative later became an independent entity in September 2009. In the early days, Pyun experienced many hardships because he had no experience in the tourism industry. For example, he promoted his tours through the usual method of flyers by wholesale travel companies as well as through online marketing, but he often failed to reach the minimum capacity to those tours. His financial loss through marketing expenses amounted to USD 7,000. In addition, severe price competition in the tourism industry meant that many customers were dissatisfied with TMAP's tour prices. From these experiences, Pyun profoundly understood the importance of developing travel solutions

that would address some of the structural issues of the Korean tourism industry.

Pyun obtained a certification of social enterprise from the Ministry of Labor in January 2010 and launched the Korea Association for Sustainable Tourism (KAST) in May 2010. KAST not only urges the government to promote fair trade within the tourism industry, but also advocates for the wider public to recognize the importance of channeling money to local communities as well as respecting the environment. KAST also connects domestic and foreign companies that develop responsible and sustainable tourism. He continues to serve as the executive director of KAST.

5. Business Model

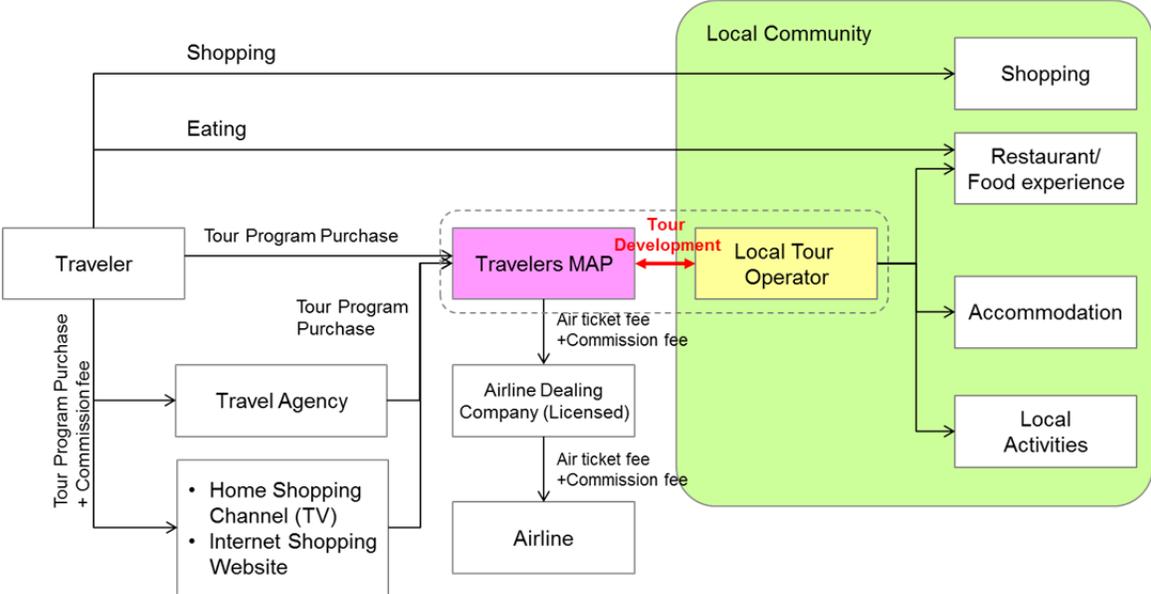
TMAP offers two types of travel products: 1) domestic and outbound tour programs for Koreans and 2) inbound tour programs for international visitors. Until 2014, they also offered travel education for students, “Road Scholar”, that was the tour that provides several educational contents including liberal arts, foreign languages, writing/reading, graphic design, photography, performing arts and film. Currently “Road Scholar” is operated by a nonprofit organization TMAP set up in 2014. “We thought that “Road Scholar” was a suitable program for a nonprofit organization therefore we decided to separate it”, Mr. Pyun said. The Responsible Tourism Institute within TMAP aims to raise awareness of responsible tourism among prospective clients. The Business Development Division develops new services and offerings to expand tour programs and client segments.

Outbound travel programs for Korean tourists can be categorized into those destinations managed by TMAP franchises and those outside their scope. The former is a unique characteristic of the TMAP business model, and the TMAP franchises are called Local MAPs. While tour guide training sessions are held at the TMAP headquarters, Local MAPs are responsible for developing tour programs and conducting the tours. TMAP has established three Local MAPs thus far covering Cambodia, Nepal and Japan.

In geographies without Local MAPs, local tour guides are actively hired from the planning phase to consistently work together from program development, tour program implementation, to tour evaluation. In this model, the selection of tour guides is done carefully

to choose individuals who understand TMAP’s mission and can make responsible tourism a reality and who do not earn kickbacks from taking tourists to souvenir shops and esthetics salons.

Figure 2 Business model of TMAP



The majority (90%) of TMAP customers contact TMAP directly regarding its offerings, while some (5%) make reservations through other travel companies and others (5%) apply through TV shopping channels and e-commerce sites.

Another key characteristic of the TMAP model lies in the reinvestment of profits in regional development including job creation, education for younger people, carbon offset programs, and monetary assistance for the disadvantaged to travel.

6. Social Impact and Financial Performance

6.1 Social Impact

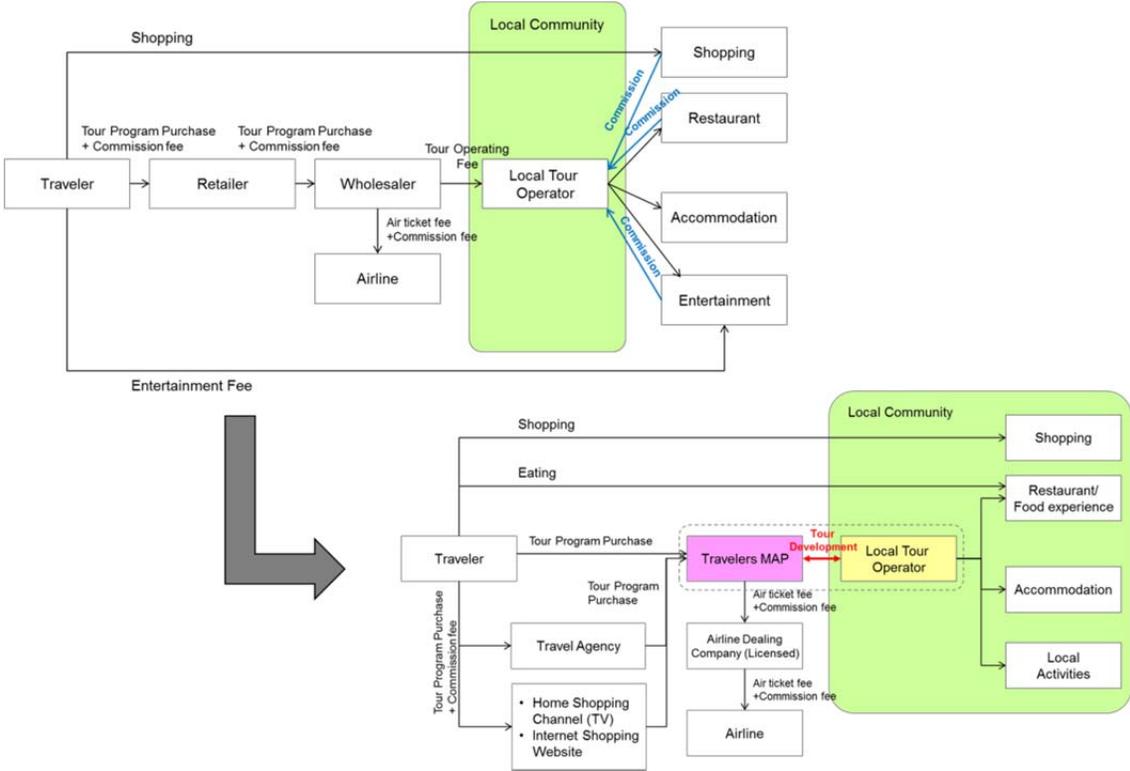
6.1.1 Social impact achievements

(a) Establishing sustainable tourism value chains

TMAP serves the mission to bring vitality to local communities through responsible tourism.

The social enterprise achieves this by establishing sustainable value chains in which financial benefits circulate among on-site tour companies and local businesses.

Figure 3 TMAP’s Value Proposition: Restructuring the Tourism Industry

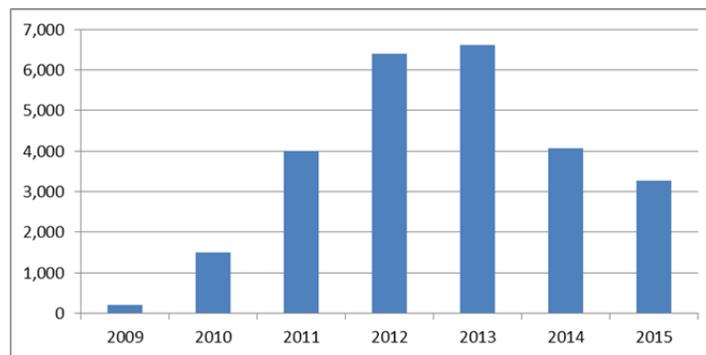


Driven by the attraction of commissions and kickbacks, tour operators working under wholesale travel companies typically take tourists to souvenir shops, massage places, and entertainment facilities that have nothing to do with the local culture. This incentive-driven model yields limited economic benefits for local businesses and communities. To address this flawed system, TMAP develops tour programs with reliable on-site tour operators to incorporate activities to experience local culture and nature as well as restaurants that offer local cuisines, with an overall goal to establish value chains that steadily return benefits to regional economies. As a result, the Cambodian tour offered by TMAP, for example, returned 3.7 times more monetary benefits to the local community compared to similar tour programs from wholesale travel companies.

(b) Customer satisfaction level

TMAP's customer volume has steadily increased from 200 in its founding year to over 6,000 in 2012. However, the tragic accidents occurred in 2014 including MV Sewol sinking¹, the Malaysia Airlines Flight 370 disappearance² and the Malaysia Airlines Flight 17 incident³ resulted in the significant decrease of inbound tour customers in 2014 and 2015. Within two years, the inbound tour customers dropped by half.

Figure 4 Number of Customers



Customer satisfaction surveys conducted by TMAP indicate high satisfaction levels (87%) every year. In comparison, overseas travel satisfaction surveys conducted by the Korea Tourism Organization in 2013 average 58% for general tour programs, while similar surveys by wholesalers result in 65-67%. The comparison confirms the significantly higher satisfaction levels among TMAP clients. Furthermore, TMAP achieves a high customer repeat rate⁴, with the majority of TMAP clients participating in more tours offered by TMAP.

6.1.2 Social impact measurement

As mentioned above, TMAP's social return on investment was calculated as 521% according to a study conducted by the Korea Social Enterprise Promotion Agency in December 2011. TMAP

¹ On April 16, 2014, a large passenger ship Sewol capsized and sank near Gwanmae-do. About 300 passengers and coast guards died out of the 476 passengers on board, including 325 high school students. The incident is remembered as a major catastrophe in Korean history.

² On March 8, 2014, Malaysia Airlines Flight 370 heading to Beijing, China disappeared 50 minutes after takeoff. The Malaysian government announced on March 24 that the plane crashed into the South China Sea. All 239 persons aboard, including 12 crew members, are assumed dead.

³ Malaysia Airlines Flight 17 heading to Malaysia from Holland was shot down by an unknown party and crashed in Ukraine on July 17, 2014. All 298 persons aboard, including 15 crew members, died.

⁴ In according to customers' review, the numbers of repeat customers are 55% on average.

itself has not conducted an SROI assessment on its own. The impact-related data TMAP measures include the number of users (including repeat customers) and customer satisfaction levels (including qualitative information such as feedback from customers). In addition, TMAP by itself has calculated the direct monetary value brought to local communities of developing countries through its tour programs. According to TMAP, it brought about USD 0.5 million in total to local communities including Nepal, Vietnam, Indonesia, Cambodia, Laos, Morocco, Peru and Bolivia.

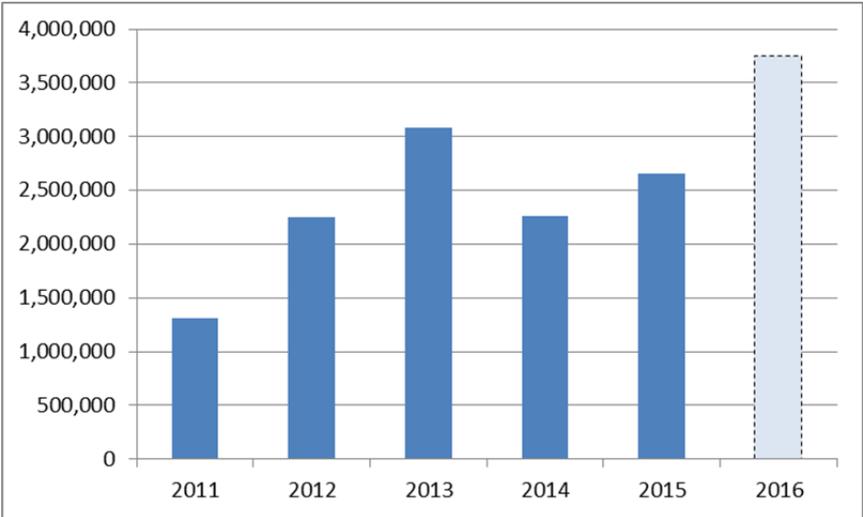
6.2 Financial Performance

6.2.1 Revenue and expense trend

According to TMAP, its gross revenue from its launch continued to grow annually, reaching a break-even point in 2012. Sales struggled after incidents in 2014 that successively terrified and severely impacted the inbound travel industry as a whole. On the other hand, the outbound tour products increased in sales steadily, and that boosted gross sales in 2015.

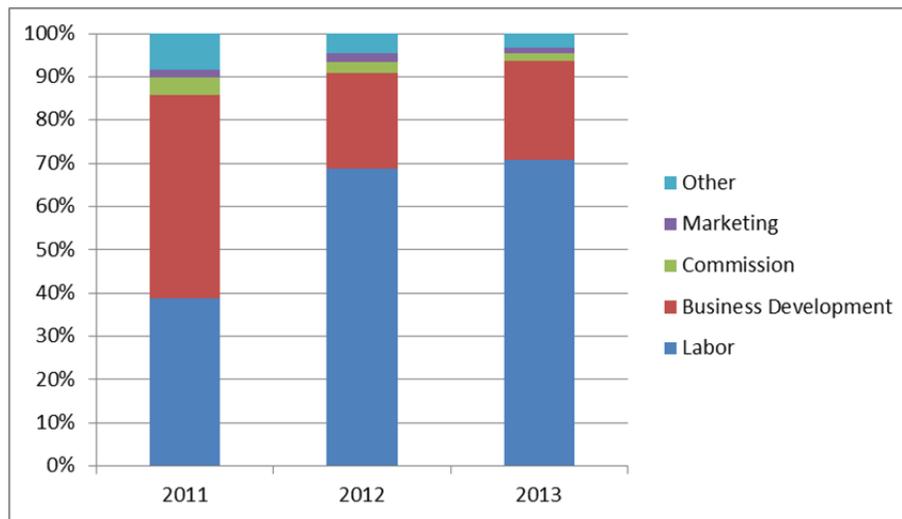
TMAP has received about USD 150,000 in subsidies annually from 2011 to 2013 as part of the Social Enterprise Promotion Program run by the Korean government. The subsidies are awarded social enterprises to cover personnel expenses.

Figure 5 Gross Sales (USD)



(*Gross Sales in 2016 is a projected number)

Figure 6 Breakdown of overhead cost (%) (2011-2013)



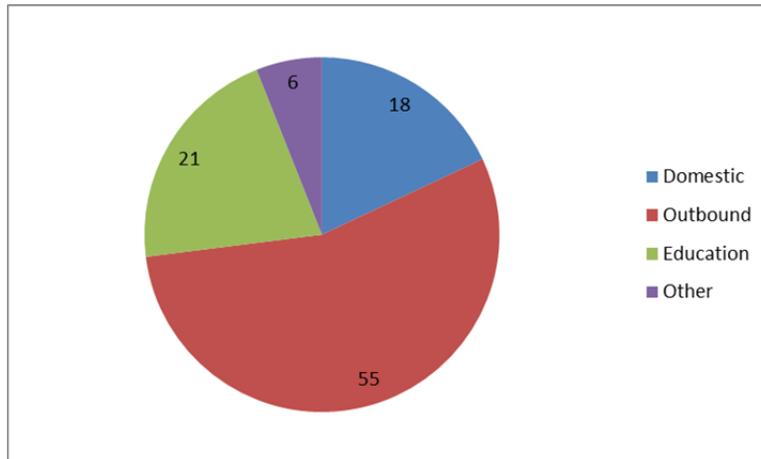
In the meantime, overhead cost piled up in the first two years of establishment mainly due to initial investments, but have accounted for about 30% of sales on average since 2012. Personnel costs constituted about 50% of overhead in the beginning, but the proportion has decreased thanks to government subsidies from 2011 to 2013. The other major overhead is business development costs; much of it involves TMAP staff's travel expenses to foster local tour guides and new tour programs.

6.2.2 Proportion of income from sales trend

TMAP's sales trend has remained constant over the years, with outbound tours constituting the majority of sales. This is largely due to international airline tickets and other transportation costs that are not included in other tour products.

In terms of gross margin, the social enterprise's two core programs have different levels: domestic tours 19%; outbound tours with lowest of 15%.

Figure 7 Gross Sales Distribution of 2012 (%)



7. Business Development and Ecosystem Evolution⁵

The evolution of the TMAP can be divided as follows; the Startup Stage (2009), the Early Stage (2009 to 2012) and the Growth Stage (2013 to present).

Table 1 A summary of TMAP business development milestones from 2008 – present

Stage	Year	Event
Start-up	2009	MAP Travel Cooperative was established within Haja Production School to offer educational tours
		The training travel program “Road Schola”, the first responsible tour, is launched as an alternative school for youth
		The initiative won the top prize in the Social Venture Competition for the Seoul/Gangwon region
		Launched its domestic tour program for Koreans

⁵ **Start-up stage:** a preparation period for setting up a business or an enterprise. An entrepreneur’s team develops a business idea and a business model. In some cases, they have product/service prototypes which are not fully developed or tested. **Early stage:** A period from business initiation until business scale-up. An entrepreneur’s team may first deliver its products/ services in a test market to examine its business model. Also, the team may file patents or obtain licenses, if necessary. Once the business model is consolidated, it starts its business. However, the business remains quite small due to lack of capacity and resources. It may reach a breakeven point at the end of this period. **Growth stage:** A period after scaling up the business. The business exceeds the breakeven point and increases its sales, number of beneficiaries, the market share etc. The team revises the business model in order to sustain and/or expand the business, if necessary. In some cases, the team starts to investigate new products/services.

		Launched its outbound tour program catering to Koreans wishing to travel overseas
Early	2009	Became independent from Haja Production School as Travelers' MAP
	2010	Certified as a social enterprise
		Launched Korea Association for Sustainable Tourism (TMAP was one of founding members)
	2011	Received subsidies as part of the Social Enterprise Promotion Program (3 years)
		Launched its first inbound tour program (19 products)
		Decided to make capital openly and received the first investment of USD 150,000
		Funding and mentoring agreed with Social Venture Partners Korea
		Became the first company being invested by the fund set up by Ministry of Labor
Received funding from Mirae Asset		
2012	Collaborated with LG CNS and joined the LG Internal Welfare Online Mall	
Growth	2013	Launched its outbound tours to South America
		Opened the Social Enterprise Activating (SEA) Center through TMAP Nepal branch
	2014	Downsizing the number of staffs and restructuring the organization
Received investment of USD 150,000 from SK happiness Foundation, SVP Korea and D3Jubilee.		

7.1 Start-up Stage (2008-2009)

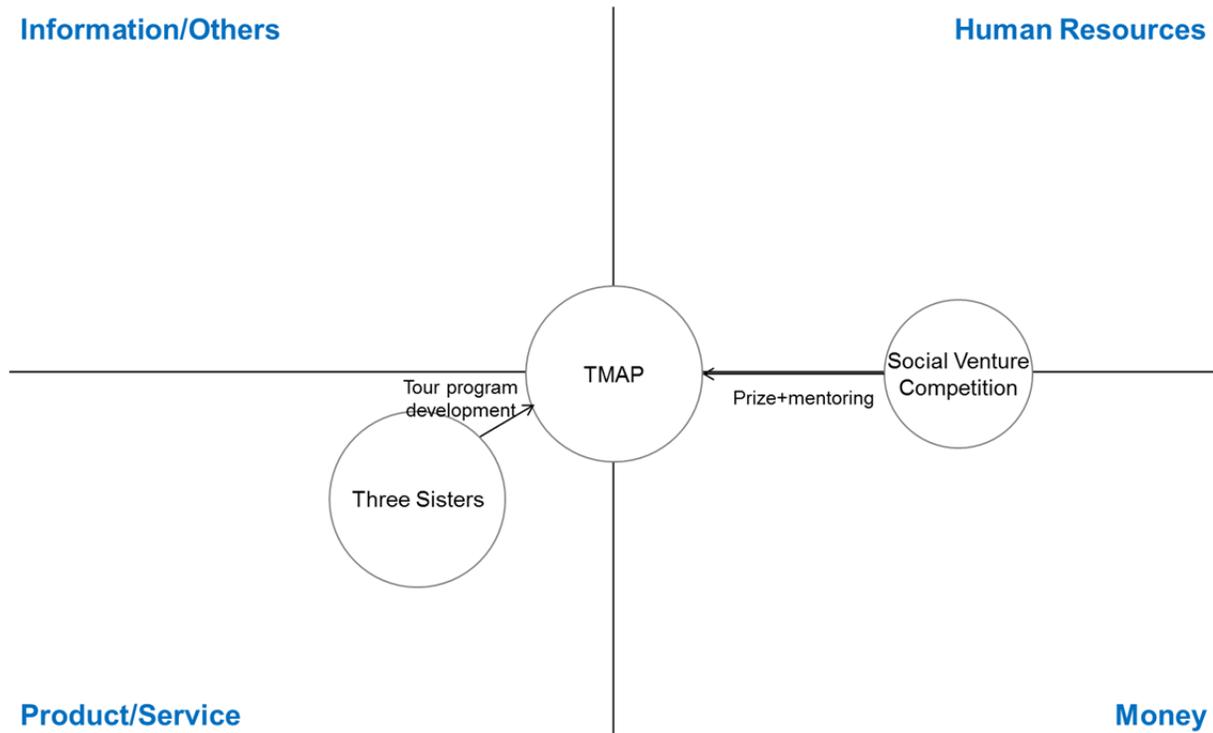
7.1.1 Business milestones:

In this report, the phase before TMAP officially established operations is referred to as the start-up stage. This stage served as a preparatory phase towards the establishment of TMAP and started when Pyun began to run educational tours during his years at the Haja Production School.

In 2009, his initiative won the top prize in the 2009 Social Venture Competition hosted by the Ministry of Labor and the Work Together Foundation and jointly sponsored by the Korea Social Venture Competition (SVCK), Hankyoreh Economic Research Institute and Haja Center.

7.1.2 Key ecosystem player

Figure 8 TMAP's key supporter mapping in its Start-up stage (2008-2009)⁶



When initially launched, TMAP strived to launch operations based on assets cultivated by Haja Production School. It leveraged the Haja Production School network to develop both the educational tour and domestic tour operations.

A key ecosystem player in this stage was the 2009 Social Venture Competition, a competition held in Seoul for social business start-ups. In addition to winning USD3,500, TMAP received a grant for covering mentorship fee for four months maximum USD5,000).

Its first outbound tour destination in Nepal was jointly developed with Three Sisters, a social enterprise based in Nepal. Three Sisters conducts climbing guides for women of ethnic minorities living in the Himalayas, and delivers trekking tours in which the women work as

⁶ How to look at this key supporter map:

- The name inside the circle represents the key supporters.
- Depending on the kind of support they provide (HR, Product/ services, money, information), the circles are located in respective zones.
- The brief descriptions of the support are written on the arrows.
- The size of the circle expresses the level of impact (high, medium, low).

tour guides. The Nepal tour launch was inspired when the founder of Three Sisters happened to visit Korea and met Pyun.

7.2 Early Stage (2009-2012)

7.2.1 Business milestones:

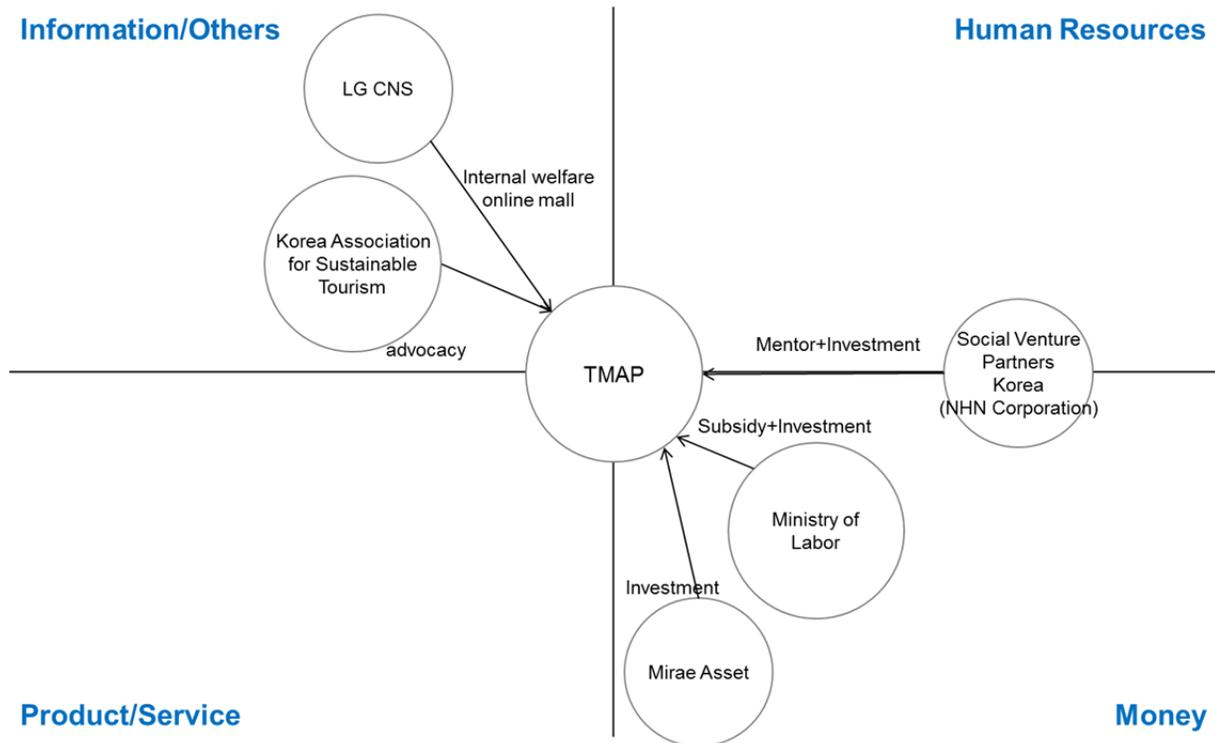
Early stage refer the period from 2009 when TMAP became an independent entity to 2012 when its surpassed the financial break-even point. This stage also includes TMAP's certification as a social enterprise by the Ministry of Labor. TMAP began to make media appearances after receiving the certification, and the concept of responsible tourism gradually spread within Korea together with increased attention on TMAP.

From 2011 to 2013, TMAP established local franchises (Local MAPs) in Japan, Nepal and Cambodia to expand its network. The registration in Nepal in Cambodia took about two years due to license procedures in the respective countries. These two Local MAPs are 100% owned by local people, and TMAP has decided to provide them loans with zero interest for 10 years in addition to offering skills such as management. Local ownership enables benefits to be generated in and for local communities. In this stage, TMAP also started developing in-bound tours for overseas visitors, with the first tour implemented in 2011 mainly for Japan travelers.

In 2011, TMAP decided to raise capital openly and soon succeeded in receiving USD 150,000 from individual investors including its customers, parents of students who joined "Road Scholar" and TMAP staff members, and also from other stakeholders including Social Venture Partners Korea were the investors. TMAP also received an investment of USD 200,000 in late 2011 from a fund-of-funds for social enterprise set up by Ministry of Labor.

7.2.2 Key ecosystem player

Figure 9 TMAP's key supporter mapping in its early stage (2009-2012)



TMAP established strong business foundations and achieved solid growth by receiving assistance and forming partnerships with various organizations throughout its early stage. For instance, in order to develop the outbound tour products, TMAP has developed local partners by itself in various countries including Footprints in Vietnam, CCBEN in Cambodia, INDECON in Indonesia, Green Discovery in Laos, GAdventures in Canada and Nomad Tour in Africa.

CEO Pyun commented in February 2016 on the ecosystem for social enterprises: “It is within the last 3-4 years that Korea has managed to establish an ecosystem to foster social enterprises and explicitly became conscious about ‘training’ the ecosystem itself.” This trend is demonstrated particularly in terms of funding availability. Since TMAP obtained its certification as a social enterprise, it has received a total of USD 450,000 in subsidies for personnel costs over three years from the central government. TMAP was selected the first company being invested by a fund-of-funds for social enterprise set up by Ministry of Labor in

2011 and received USD 200,000.

Furthermore, TMAP received funding and mentoring support in 2011 from and Social Venture Partners Korea that supports social business ventures and NHN Corporation (a company that runs the popular website, naver.com). Through a web-based donation platform named NAVER Happy Bean Donation Platform, TMAP raised a total of USD 64,000 from a total of 20,200 people between 2011 and 2013. Finally, the social enterprise attracted an investment from Mirae Asset, a private investment institution in Korea, in 2012.

This stage also saw corporate partners extending support beyond funding. For example, TMAP was selected to be part of a welfare benefits program run by LG CNS, a company specializing in IT services and a part of the LG Group. This CSR activity turned out to be meaningful for TMAP as it managed to reach new potential customers through employees of LG CNS.

7.3 Growth Stage (2013-Present)

7.3.1 Business milestones

TMAP's growth stage can be marked from the key milestone when the social enterprise surpassed the financial break-even point.

If the three-country expansion in Asia could be interpreted as phase 1, then 2013 onwards should be perceived as phase 2 when TMAP increased its Asian presence and ventured beyond Asia. While planning and developing on-site tours in Thailand and the Philippines, TMAP started to think of expansion in India, Myanmar and Vietnam. Beyond Asia, TMAP implemented its first non-Asian outbound tour to South America in 2013.

In Nepal, TMAP joined forces with a local company to establish a social enterprise called the Social Enterprise Activating (SEA) Center that trains local tour guides and offers training for local women to operate cafes as well as design and produce handicrafts to strengthen responsible tourism in Nepal. It aims to promote fair trade with regional economies to generate monetary benefits.

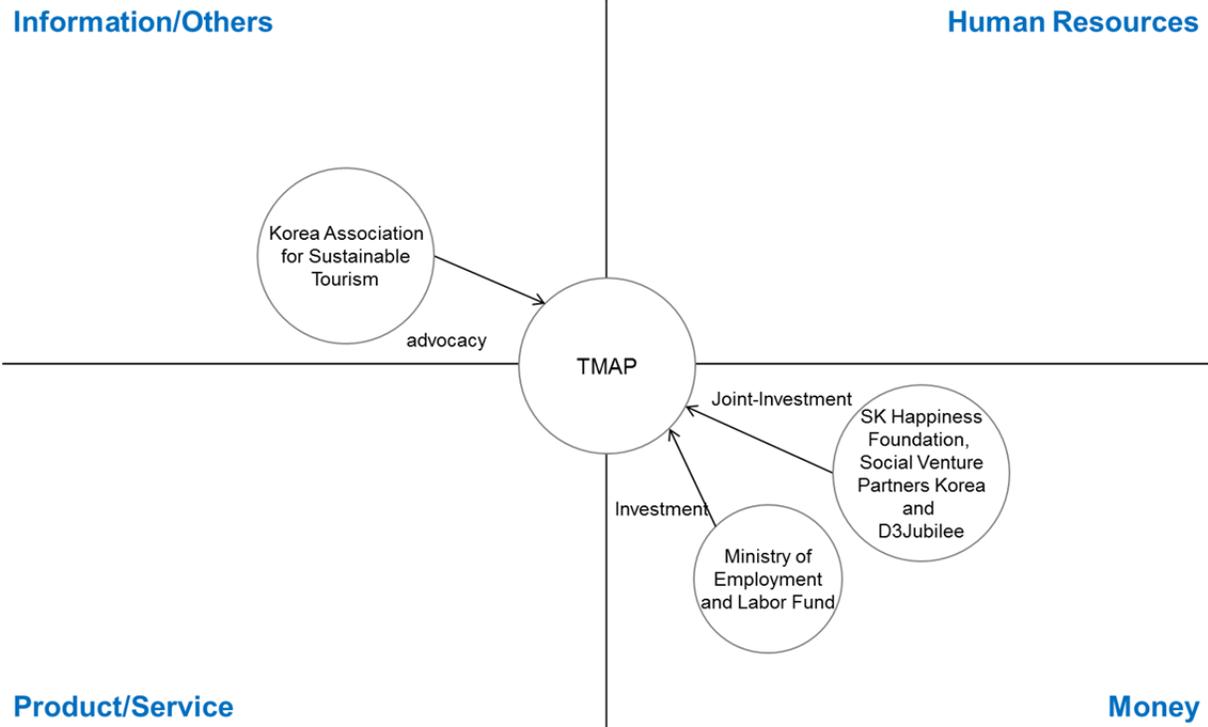
Although TMAP experienced steady growth until 2013, its sales struggled from 2014 when the global travel industry was shaken by a series of tragic incidents and, as a result, Korean people grew hesitant about traveling. The impact of this industry slump is significant and TMAP also

had a ripple effect. TMAP had to restructure the organization and half of staff member left. This painful experience, however, on the other hand, brought increase of gross sales per staff by 130%. “This number is very important to TMAP because it proves that we improved our competitiveness. It was painful experience but meaningful for sustainability”, CEO Pyun said.

In this year, TMAP succeeded in acquiring sufficient investments for its business expansions from social investors including SK Happiness Foundation, Social Venture Partners Korea and D3Jubilee.

7.3.2 Key ecosystem player

Figure 10 TMAP’s key supporter mapping in its growth stage (2013-Present)



TMAP continues to develop its outbound tour program with its local partners in Asia and Africa. In addition to receiving investments from a fund established by the Ministry of Employment and Labor to assist social enterprises in 2013, TMAP managed to obtain USD 136,000 in 2014 from the SK Happiness Foundation founded by the SK Group as part of its CSR activities and currently places special focus on supporting social enterprises.

For the establishment and operation of SEA Center, TMAP worked with Sungkonghoe University, a Korean social enterprise promoting fair trade, and Oryoi Asia, a Korean social enterprise that supports immigrant women and young people working in the restaurant and service industry. These companies are not included in the ecosystem map above because they are not directly part of the TMAP business.

8. Scalability and Replicability

In terms of business scalability, TMAP is currently making efforts to develop local franchises in Asia to expand its outbound and inbound tours. Considering that much of TMAP's revenue comes from outbound tours, scalability largely depends on whether or not local franchises can be expanded. TMAP believes that developing local franchises in Thailand and the Philippines will take less time than the two years spent in Cambodia and Nepal.

As for TMAP's social impact scalability, key factors include the tour content delivered together with trustworthy local partners. It is especially important to create partnerships with credible individuals and entities because they serve as the main focal point for all on-site activities. TMAP is currently working on carefully selecting on-site partners with a considerable amount of personnel, time and money involved.

However, the tours that TMAP offers are more expensive than those of wholesale travel companies because TMAP expends significant effort in the development and implementation. TMAP also faces challenges in acquiring new clients given its limited ability to advertise and expand its sales force compared to bigger wholesalers. Marking down prices may achieve business scalability, but will threaten the scalability of social impact. In an interview for a university newsletter, Pyun offered his view on the price competition, "The exorbitantly low-priced travel packages offered by wholesale travel companies are price dumping. Governmental regulations are needed to correct this."⁷ Indeed, lobbying for governmental regulations may be one way to achieve scalability and drive in a broad range of customers.

After TMAP obtained its social enterprise certification and the concept of responsible tourism spread in the country, competitors such as Poongdung (established in 2010, certified as a

⁷ Internet Trend News University (2012/02/20)

social enterprise in 2012) that develops education-focused local-community tours have entered the industry. Business scalability may be threatened if competition increases further. In terms of replicability, however, new competitors that promote responsible tourism is in fact positive as TMAP's higher goal involves bringing structural reforms to the travel industry particularly in the pricing dynamic that is mostly led by wholesale travel companies.

9. Final Reflections

9.1 Key Milestones for TMAP Business

The first milestone for TMAP business involved obtaining certification as a social enterprise in 2010. Increased media appearances and enhanced recognition of TMAP and responsible tourism led to acquisition of new clients and donations. Receiving subsidies from the government for three years from 2011 was also significant in terms of reinforcing its business foundations. "Subsidies and aid from various organizations supporting social enterprises were offered from this point forward. TMAP has applied for almost all subsidy programs established by corporate foundations and government schemes, including those of Seoul Metropolitan City Government, the Ministry of Labor, microcredit institutions and SK Happiness Foundation," said Pyun in an interview in February 2016.

The establishment of Local MAPs in Nepal and Cambodia after two years of preparation is also a key milestone for TMAP's operations. In particular, TMAP's strong focus on bringing benefits to local economies is reflected in its decision to make the overseas franchises 100% owned by local businesses. Tour programs that visit local communities require knowledge in and experience with the local culture, climate, history, and religion. Through the Local MAPs, TMAP is not only able to enhance the quality of tour programs, but also assess risks associated with weather and other accidents and respond in a prompt manner.

9.2 Key Challenges for Growth

Heavily discounted pricing of tour programs offered by wholesale travel companies not only prevents appropriate benefits from reaching local communities, but also impact TMAP's development of new clients. The government should intervene to improve legal regulations for strengthening control of travel package price-dumping and, in general, to correct some of the

structural flaws in the tourism industry.

Identifying strong partners and building trust with them is a necessary first step to accelerate the development of overseas franchises, i.e. Local MAPs. This requires TMAP staff to frequently visit these countries for preparation and coordination.

Finally, securing investments from both social investors and “conventional investors”, to cover the costs associated with new business development is one of the key challenges for growth.

9.3 Contribution to Social Innovation and Systemic Change

Korea’s travel industry could experience structural changes if, as Pyun has advocated, laws to regulate price dumping are passed. In the meantime, Pyun himself and TMAP as an organization have contributed to the fostering of social innovation. The Korean government announced a 5-year plan in 2008 to grow social enterprises and announced its support to social enterprises that deliver social services tailored to the genuine needs of local communities. Soon after the announcement, TMAP acquired its certification as a social enterprise and in a way has served at the center of an ecosystem consisting of public institutions and private organizations involved in supporting social enterprises.

Pyun’s leadership role in the Korean social enterprise ecosystem represents both an opportunity for TMAP as well as the sector at large. Through his experiences, Pyun has a deep understanding of the ecosystem and how social enterprises should take advantage of it as well as how the ecosystem can be strengthened. With his overseas experience in business development, Pyun can also play the role of connecting domestic and overseas ecosystems. Since the central government and the Seoul metropolitan government regularly invite Pyun for his inputs on matters related to social enterprise development, Pyun’s potential to influence and stimulate the sector is significant.