

quarterly market report

South Korea

January - March 2008

Market Highlights

of outbound visitors: 13.3 million in
2007

% change from previous
quarter: +10.7%

of visitors to Canada: 200,388 in
2007

% change from previous
quarter: +3.47%

Comments / Other information:

1) Presidential inauguration on February 25 and the upcoming Assembly election on April 9 across Korea is affecting the overall outbound travel in the first quarter. March business is down by 30 % in shorthaul destinations like Southeast Asia and China. Government organizations and incentive travel is being postponed until after the Assembly election.

2) Canada Working Holiday Visa has increased up to 2010 from 800 applications this year. Increased number "2010" is to celebrate the 2010 Vancouver Olympics.

3) In preparation of the U.S. Visa waiver program (VWP) for Koreans which is postponed to early 2009, a number of US PMOs continue to open their offices in Korea.

4) Korean visitor numbers to Canada reached 200,000 arrivals in 2007 which indicates the next level of market growth for diversified products including group packages, FIT, incentive, SIT and niche market development.

Air Capacity

- 1) Air Canada: Increase capacity during the peak summer seasons.
 - Vancouver extra flights during July-August summer season, 3 flights/week for a total of 13 flights per week to Vancouver during three months from a daily flight.
 - Air Canada resumes the Toronto direct flight from July 2 till September 26, 2008. 3 flights per week.
- 2) Korean Air decided not to fly direct charter flights to Calgary as operated last year. Possible 4 flights for one month in July but under investigation and surveying a number of key agents.
- 3) Long haul flights are launching new routes:
 - Asiana: Incheon-Paris from March 31, 2008
 - Air Calin: Incheon-Noumea starting June 22
 - Finnair: Service direct flight to Helsinki from June 2

Economic / Political Environment

GDP growth:	4.6% in 2007
forecasted economic growth:	4.7% in 2008
unemployment rate:	3.5%
inflation:	3.0%
consumer price index:	3.6% up in Feb.
exchange rate:	CDA\$1 = KRW 980
net national disposable income:	\$3,100/household

Comments / Other information

- 1) Appreciation of Korean Won against Japanese Yen and Euro by 15% in the early part of this year is affecting the Korean outbound travelers in the first quarter.

2) Strong Canadian dollar vs USD is affecting the short term student ESL programs as the cost is lower to US destinations.

3) President Lee, who took office on Feb 25 made election pledges to lift economic growth to more than 7% on average, double the per-capita income to \$40,000 to make the country one of the world's top seven economies, over 10 years. Economists view the government's economic forecast for this year as a lofty and ambitious target. Korea is ranked as the world's 11th largest economy.

Emerging Tourism Trends

1) UCC (User-created-content) is widely used in tour operators' websites as a new marketing tool to show the products in video. The video-sharing website YouTube announced to bolster its localized services in Korea to enhance its local content.

2) Big name commercial corporations are entering into travel business such as CJ Group under the name of CJ Worldis, Lotte JTB and Daemyung Group. Daemyung owns a major leisure facility which includes three brand condominiums across Korea.

3) "FIT" is identified as a new trend in growth and major tour operators are expanding their FIT divisions to handle FIT products backed by increasing consumer demand.

4) Increasing number of niche market customers which has high potential for outdoor activity products in Canada. LOHAS is the new social trend that Korean people are highly conscious of in daily lives. Niche market population: Trekking 10 mil, Marathon 4 mil, Ski 4 mil and Golf 2.7 mil.

Total 13 ski resorts and 284 golf courses in Korea is far short of leisure population.

5) The potential of cruise product is on the rise as the growth rate showing 20-30% increase annually in the Korean market.

Market Development Activities

- 1) Introduction of Deluxe Brands are actively under progress by key tour operators in order to differentiate their tour packages and to meet the high level consumer requirement. Brand names include Jewery Mode, Prestige Club, Discovery, Nobless and KALPAK.
- 2) MCIT/Incentive travel opportunities with credit card companies including BC Card, Samsung, Shinhan, Lotte and Hyundai cards. BC Card will send 200 pax incentive group to Canada from May 21st.
- 3) Hana Tour survey showed the customer preference of group package tour of 53% in 2005 but down to 39% in 2007. The result indicates the FIT trend in wholesale business.

CTC Activities

Trade Development

- 1) Canada Ski Workshop, Jan 19: Jointly held with Tourism BC and Travel Alberta at Pheonix ski resort to train on ski/snowboard and winter products. Total 40 participation by trade and 6 media.
- 2) BC Tri-city Workshops, Feb 28-29: BC's three cities of Vancouver, Whistler, Victoria and Tourism BC visits to Korea for joint CSP training workshop in Seoul and Busan. Trained a total of 140 agents.
- 3) Ontario Minister Peter Fonseca's Mission to Seoul, Mar 24-26:
 - Jointly held the CSP training with Tourism Ontario CEO, Tourism Toronto/Niagara Falls, Tourism Ottawa and Tourism Parks Commission. Trained a total of 70 agents.
 - Conducted Press conference, sales calls to four major agents and VIP Dinner reception.

Consumer Development

- 1) Animation Canada map production: 5,000 copies for distribution to CSP members, media and target consumer segment.
- 2) Canada Travel Planner 2008/2009 production to be completed in end April.

Media

- 1) Total media coverage: Equivalent advertising dollar value in Q1;
\$4,399,155, up +1.3% over same period last year.
TV \$2,142,860; Radio \$480,200; Newspaper \$710,395; Internet \$510,000
[TV Exposure - Best coverage]
 - KBS TV <Click, Global News> Ottawa Winterlude
 - KBS TV <Easy Life Talk Show> Luvada's travel story in BC with her family
 - KBS TV <Click, Global News> Enjoy Dogsled in Ontario
 - WOWnet TV: Icewine Kimalu from Canada
 - KBS TV <Click, Global News> Kensington Lights Festival
 - SBS TV <VJ Special> Lake Louise Ice Carving Festival
 - KBS TV <Click, Global News> Canada Gardening Festival & Boating Festival in Ontario
 - KBS TV <News 9> Sea lion at Vancouver Aquarium
- 2) Number of media inquiries: 320
- 3) 7 Press Release: Sent weekly to 250 media data
 - Luvada Dunford's visit to Canada with KBS TV, Northern Lights in Yellowknife, family travel destination - Ontario, Winter Festival, Quebec City and Quebec 400th celebration, GoMedia Canada Marketplace, Ontario family Travel Guide publication
- 4) Media Gathering on Media FIT Canada visit program: Feb 26
 - Total 72 media attended the function
 - In partnership with Tourism BC and Travel Alberta
- 5) 2010 Vancouver Olympic Media Super Fam: Feb 9-13
 - Four consumer media participated: Joong Ang Daily, Yonhap Repere magazine, Metro and DongA Daily
- 6) Press Conference on Ontario Minister Fonseca's visit to Korea: Mar 25

- Total 16 media participation

Public Relations

1) 2010 Tourism Consortium visit to Korea: Jan 18

- CTC, DFAIT, Tourism BC, Tourism Whistler, Tourism Vancouver

- Program included visits to Korea Olympic Organization, SBS TV and Seoul Olympic Sports Promotion Foundation

- Networking reception with 90 key local operators, media and Olympic sponsors

[Co-op Advertising]

1) Ontario coop March Advertising Campaign:

- 2 LED ads on the Lotte Department Store building top and the Myung-dong downtown hub entrance.

- 19 subway screen door ads at core business and upscale residence area

- 39 bus exterior ads

- 12 taxi shelter ads

- 2 bus shelter ads in Busan city

- 2 wide screen ads in central bus station and city hall area

2) Alberta Coop Wide Screen Advertising: January-December 2008

- Located at the city hall district with busy trade and businessmen traffic

Competitive Environment

As the Korean outbound market continues to show strong growth by registering 10% increase during 2000-2008, a number of new long haul destinations are opening their offices in 2008: Egypt, Indonesia, New Calidonia, Dubai, Texas and Dallas.



Future Outlook

Partnering tour operators indicate that the first quarter business has been challenging due to foreign exchange rate, rising oil prices, airline surcharges, presidential inauguration, Assembly election and airlines' commission cuts.

Canada's bookings for groups and incentive is being registered from mid April and good recruitment in May-June. Most tour operators foresee 10-20% growth in Canada business in 2008 slightly reduced from 20-30% due to negative external elements as indicated above.