

# quarterly market report

KOREA

April - June 2008

## Market Highlights

# of outbound visitors:	1,780,995 (Jan-April 2008)
% change from previous quarter:	+3.9 %
# of visitors to Canada:	35,457 (Jan-March 2008)
% change from previous quarter:	-1.98 %

## Comments / Other information:

- The local travel sector is facing a business slowdown against the backdrop of a number of negative factors for overseas travel including high rising oil prices, air commission cuts, air surcharge, appreciating Canadian dollars and anti-government street rallies against US beef imports. Many travel businesses are taking restructuring measures to cope with the business setback in the second quarter.
- Candlelight demonstration by civic groups is going on for more than 50 days and the sociopolitical situation is affecting the outbound travel.

## Air Capacity

1) Bilateral aviation talks between Korea and South Africa were held in Seoul on April 23-25. The outcome was an agreement to increase weekly frequencies of flights between Seoul and Cape Town to 15 times on the occasion of 2010 FIFA World Cup. Under the new agreement, air carriers of the two countries

can fly to any international airports between Korea and South Africa. This is a departure from the present system confined to one airport in each Korea and South Africa.

2) Korean Air (KAL) will increase flights to summer destinations:

a. KAL to provide twice weekly charters to the port city of Danang, Vietnam between July 24 and August 31.

b. KAL will offer 12 charter flights to Cairns, Australia between July 24 and August 25, using Airbus 330 aircraft.

c. KAL will operate charter flights to Irkutsk, Russia, in cooperation with Seberian Airlines by using Boeing 737 aircraft.

d. KAL has resumed flights from Incheon via Los Angeles to San Paulo on June 2, 2008.

- Air Canada has introduced the new air fare system to tour operators which allows first come, first base bookings distributed fairly to both group and individual travellers.

3) Finnair: Direct flight service from Incheon to Finland is launched from June 3, 2008 with three flights a week.

### Economic / Political Environment

GDP growth:	5%
forecasted economic growth:	4.5% in 2008
unemployment rate:	3.2% in May
inflation:	4.0%
consumer price index:	4.9% up in May
exchange rate:	CDA \$1 = KRW 1035
net national disposable income:	\$31,00/hous ehold

### Comments / Other information

The nation's real income recorded the biggest drop in five years between January and March due to low trade conditions caused by sharp rising oil prices. Consumer prices grew at the fastest pace in seven years. In May the surging costs of crude oil and raw materials increased costs of goods and services.

### Emerging Tourism Trends

- Mode Tour launched a product website ([www.jmspecial.com](http://www.jmspecial.com)) dedicated to offering high-end tour products under their JM (Jewellery Mode) deluxe brand. It's a new initiative for a wholesaler to carry a dedicated special site for luxury products.
- European rail travel passenger numbers exceeded 468,000 in 2007, setting a new record since sales began nearly fifty years ago in Korea. Changing travel behavior has impacted Eurail's sales - as overseas travellers' desire to visit as many countries of Europe has been replaced by a desire to explore just one or two selected destinations. The new tourist desire resulted in booking sales of one-and two-county passes.
- The single county passes like Eurail Italy Pass in 2007 showed rapid growth by nearly 500% and now account for 16% of all Eurail's sales compared to a mere 3% in 2006.
- Recent golf statistics show the total golf population in Korea reached 2.75 million. Breakdown of age group of golf players: 63.5% are ages 30-40s, taking the biggest share, followed by people in their 20s and 50s. This shows the Korean golfers are getting younger and more than 50% of weekend players in domestic golf courses are ages 30-40s.

### Market Development Activities

- Starwood Hotel & Resort Group sales mission held the 'Starwood Workshop 2008' where 30 Starwood hotels from Asia Pacific region visited Korea. About

100 Korean tour operators attended.

- Accor Group held the 'World of Accor Expo 2008' in Seoul. 20 Accor hotels' representatives from worldwide met with 300 Korean buyers. This indicated the growing interest from local tour operators in world accommodations as the FIT trend continues to grow in Korea.

- Despite the slow business environment in first half of this year, three major tour operators showed more than 100% increase in their business recruitment during Jan-April 2008 compared to last year. OK Tour showed 138%, Interpark Tour 199.1% and Naeil Tour 118.7%.

- Major airlines are cutting their air ticket commissions from 9% to 7% from April, 2008. Ten foreign carriers announced their decision to execute the new system to travel agents. Airlines include; Thai Air, British Airways, Vietnam Airlines, Alitalia, Singapore Airlines, Air New Zealand, Garuda Indonesia Airways, JAL. United Airlines and Delta announced they would cut their commissions from 7% to 5%.

## CTC Activities

### Trade Development

1) Training Program for Telemarketers of key operators:

A. Hana Tour, April 25:

Trained 100 people. Increased the awareness of Canada package sales by front line staff and telemarketers who council with customers through telephones on product purchasing.

B. Mode Tour, June 3:

Trained 120 staff from online marketing team and the Canada sales group.

C. Lotte Tour, June 10:

Trained 100 telemarketing sales team and the regional salespeople in Seoul

2) Canada High-end Tour Package Fam, April 23-29:

-Joint partnership with Tourism BC to encourage key tour operators to

package high-end tour package products.

-Invited 5 key agents specialized in high-end products: Mode Jewellery team, Honeymoon Resort Tour, Jason Tour, Hana Tour and Lotte JTB

-Expectation that deluxe accommodations and outdoor experiences will help develop 'Dream Vacation' products in Canada

3) Canada Fly & Drive Fam, May 7-14:

- Joint trade and media project with Tourism BC and TAI

-Total 6 tour operators and 2 media to inspect the FIT travel

Tour Baksa, Nael Tour, Lotte, Sejung Tourmall, Pharos, Eos Travel

4) Canadian Rockies Trekking Fam, June 14-21:

-Joint trade and media product with TAI

-Enhance sales of Rocky Mountains trekking product with mountain specialized agents to target 10 million trekkers in Korea.

5) ANTOR Show in Kwangu city, April 29-30:

-Total 18 National Tour Organizations participate to meet with 110 agents in the region.

6) Co-op Newspaper Advertising with Lotte and Hana Tour:

-Total of 10 advertisements in major dailies including Chosun Daily, Joongang, Dong-A and Maekyung Economic Daily.

7) Co-production of Canada Travel Kit, Posters and Post cards:

A. More Tour produced 400 Canada travel kits to encourage sales for summer season

B. Hana Tour distributed Canada brand image postcards to retail agents

C. Mode Tour printed 2,000 Canada-brand posters and distributed through 500 offices to target 30-40s

8) Online Marketing continues with key tour operators:

A. Hanjin Travel: Online promotion of Canada package products through their website ([www.kaltour.com](http://www.kaltour.com))

B. Tour Express: Conducted the Canada product campaign through the agent

website ([www.tourexpress.co.kr](http://www.tourexpress.co.kr))

### **Consumer Development**

#### **1) Korea World Travel Fair 2008, June 5-8**

- In joint participation with Tourism BC and TAI, we attended the largest annual consumer show in Korea held at the Korea Convention Center
- Total 89,000 visits over the 4 day event
- 416 companies participated as exhibitors representing 60 countries
- consumer survey of 1,000 respondents at the CTC booth to monitor any changing travel trends and requests for Canada travel

#### **2) Total consumer inquiries in Q2: 889**

Emails 95; Telephone communications with industry & consumers 430; Faxes 95; Direct visits 266

### **Media**

#### **1) Total media coverage: Equivalent advertising dollar value in Q2;**

\$5,270,165, -6% over same period last year. Last year showed 70% increase in Q2 due to enhanced promotion on Calgary charter flights with TAI which relatively indicate as less growth in Q2 but the overall media coverage was high on quarterly basis.

TV \$2,848,190; Newspaper \$950,700; Magazine \$420,275; Radio \$380,000; Internet \$6710,000

[TV Exposure - Best coverage]

- KBS TV <Morning Talk Show, Easy Life> - Presented the Maple Generation's Visit to Ontario with a celebrity mother and daughter team - 60 min \$757,000

- SBS TV <Hello, Global In-Laws> - Featured a blue eyed daughter-in-law in Halifax

- KBS TV <Click, Global News> - Oil Springs
- KBS TV <Click, Global News> - Focus on a green taxi for environment
- MBC TV <Special> Living Doll, Ontario
- KBS TV <Click, Global News> - Doors Open to Toronto
- KBS TV <Click, Global News> Green Toronto Festival
- EBS TV <Docu Prime> Focused on the National Parks in Alberta

2) Number of media inquiries: 290

3) 10 Press Releases: Sent weekly to 250 media

- Rendez-Vous Canada 2008; Ottawa Tulip Festival; Banff International Film Festival's World Tour to Korea; FIT Fly & Drive in Western Canada; Paris Croissant non-traditional partnership; Montreal Jazz Festival; Anne's 100<sup>th</sup> Celebration with Lotte Department Store; Drive Canada! in Western Canada; Underground world, Toronto PATH

### **Public Relations**

1) Western Canada FIT Promotion - Fly & Drive

-Coop with Paris Croissant. The number one recognized bakery chain with 2,000 stores nationwide in Korea. Jointly with Tourism BC and TAI; May 6 - May 31, 2008

2) Anne of Green Gables 100<sup>th</sup> Celebration

-In joint promotion with Lotte Department Store, one of the largest department stores in Korea; May 23-June 14

-Exhibition of Anne's decoration and CTC banners at the entrance of Lotte

- 900 people entered a writing competition for a PEI tour
- Lotte's promotion has been released through Lotte Dept's direct mailings on through their CRM.
- 3) Banff International Mountain Film Festival World Tour to Korea
  - First showcase to appear in Korea; April 24-30
  - Showcase will be shown in 5 major cities including Seoul, Taegu, Pusan, Kwangju and Taejon.
  - Co-op with CGV theatre, E-mountain magazine, Travel Alberta, Green Tour and Banff Lake Louise Tourism

[VCP Media]

- 1) KBS TV <Walking into the World> June 26-July 5
- 2) KBS TV <Easy Life> April 25 - May 3
- 3) EBS TV <Docu Prime> April 28-May 13
- 4) Canadian Rockies trekking fam <Monthly Chosun, Mountain> June 14-22
- 5) BC Luxury Resorts inspection <Magazine S & Style H> June 24-29
- 6) RVC 2008 - Korea Travel Times & Korea Travel Information Times

### Competitive Environment

As the Korean market continues to show strong growth, new destination marketing organizations are opening representative offices in Korea to promote their undiscovered attractions to Korean travelers.

-New Caledonia: Officially launched their Korean representative office, opening in March '08. New direct flight service by Air Caledonia starting June 22, 2008. Visible consumer advertising on print media and shuttle buses.

- Munich Airport, Germany opened the representative office in Seoul as of May 1, '08 promoting the direct air route service from Incheon to Munich by Korean Air from June 2008. They are promoting this as a major hub, being ranked as the seventh busiest airport in Europe.



- Finland Tourism will start the operation in Seoul from July, 2008.

### Future Outlook

-Overall outbound business is expected to slow down mainly due to the record high oil prices directly impacting the local economy - both on the consumer price index and growth forecasts. Korean tour operators forecast business to pick up during the summer season and the Korean Thanksgiving holidays, which are over a long weekend in September. However, the overall outbound traffic in 2008 is expected to be slower and minimal growth in 2008.