



quarterly market report

South Korea

July - September 2008

Market Highlights

# of outbound travellers previous quarter (Q2):	4,032,816 (Jan-July)
% change from previous quarter last year (Q2):	-0.9%
# of visitors to Canada previous quarter (Q2):	114,211 (Jan-July)
% change from same quarter last year (Q2):	-1.54%

Comments / Other information:

-The long waited USA visa waiver program for Korean travellers is expected to be realized in January 2009. The VWP was postponed from 2008, however, the issuance of electronic passport service started from August 2008 which is a key precondition to Korea's joining the US visa waiver program. About 800,000 Koreans visited USA in 2007.

-Presidents Lee Myung-bak and George Bush agreed in their summit in Seoul last August on a reciprocal visa waiver program called the Work, English Study and Travel (WEST) program. A related memorandum of understanding was signed in September in New York. Under the program, up to 5,000 South Korean university students can go to the USA to study English and get internships for 18 months as early as next year. WEST is an expansion of the Work and Travel program operated by Washington, in which international students can enter the USA for up to four months during their vacation and work.

-Air negotiation between Canada and Korea is expected to resume in November 2008 since the last air talks held back in 1989. The Korean community and business circles in Toronto signed the petition to resume the air negotiation to increase the air capacity between two countries. Additional market statistics available through [Tourism Snapshot](#).

Air Capacity

-Major airlines' fuel surcharge will be increased again from September followed by initial increase in July. Short-haul destinations are charged \$100-\$196 and long haul destinations including Canada, US, Europe and Oceania will rise to \$442 from \$370. Tour operators are concerned that tour package prices need to be increased accordingly which will affect consumer purchasing.

-Korean Air, Korea's major airline and the world's largest international cargo carrier, recorded a net loss of \$279 million in the three months ended June 30 mainly due to rising fuel expenses.

-Emirates Airline offer double miles for travelers from July to October under Skywards program. Aggressive consumer advertising has been initiated by the airline to the Korean public to increase the awareness of the destination.

-Tokyo, Japan is becoming a more popular destination for FITs and backed by this trend the air capacity between Haneda and Gimpo will be increased. During September air negotiations will be held in Tokyo, with the two countries agreeing to increase air capacity up to 28 flights per week. Restrictions on extended flights service by Korean airlines to USA via Tokyo will be lifted from 2010.

-Air India stopped the direct flight from Incheon-Deli due to rising fuel prices and the airline downsizing.

-Indonesia: Garuda Airline will increase air service between Incheon and Bali to daily flights from five weekly during December 13 till March 29, 2009 Airbus size will be also increase to B747-400 resulting in doubling the air capacity for four months.

Economic / Political Environment

GDP growth:	4.8% in Q2
forecasted economic growth:	4.5% in 2008
unemployment rate:	3.1%
inflation:	5.2%
consumer price index:	5.6% in August

exchange rate:

CDA\$1=KRW1107

Comments / Other information

- The Korean economy grew at its slowest pace in 4 years during the second quarter. Private spending fell to its lowest level during these four years due to slackened consumer confidence caused by high inflation, record high oil prices and raw material cost which impacts the overall economy.

- Korea's growth is expected to slow slightly further for now, impacted by the USA subprime mortgage problems and Wall Street crisis.

-Traditionally peak season of Thanksgiving holidays in September fell short of tour operators' expectation as the overall sales reached 85% of previous year partly due to shorter holidays which fell over the weekend which weakened consumer spending.

Emerging Tourism Trends

-Google announced it had taken over a Korean blog tool developer in an effort to tap into the impregnable Korean Web search market. Google will offer an Internet environment better suited to local users through technology of Tatter & Company known for its signature blogging tool, Tattertools, and Ecolin. The current Web search market is almost completely dominated by local firms, with Naver.com atop and its rivals including Daum.net and Nate.com.

-Almost every household in South Korea is connected to high-speed Internet. As of the end July, 15.09 million households were registered with high-speed Internet services, marking an increase of 620,000 from the previous year. The figure represents 95 percent of the 15.88 million households in South Korea.

-Major airlines announced a commission cut as of September 2008, and because of this tour operators are now concerned about future business profit models. Korea Air will enforce zero commission system for all ticketing sales agents starting January 2010. KAL had earlier planned to implement zero commission scheme as early as 2009 starting with lowering BSP agent fee to 7 percent this year from previous 9 percent. Air Canada and Qantas reduced to 7% from 8-9% effective October 1. Lufthansa, Air France and Fin Air reduced to 5% from September 1.

-Despite the decreasing group package sales this year, the cruise tour to

Mediterranean is on the rise from fall season.

Market Development Activities

-In expectation of the USA visa waiver program California Tourism has opened its representative office in Korea effective July 2008. This is a continuation of US destination organizations opening since last year including California, Texas, New York, Dallas, San Francisco and Alaska.

CTC Activities

Trade Development

1) Online Promotion with Tour Express, July 16-August 4

-Canada summer package promotion through tour operators product websites targeting online-travel booking consumers.

2) Rocky Mountain Trekking Promotion with Hyecho Travel and Youngone Trade, a non-traditional partner, July 25-Aug 31

-Two departures of 30 people on Sept 23 and Oct 3. Successfully recruited for two package trips.

-Yongone Trade handles major outdoor wear brands of Yongone, Northface and Gortex.

3) Canada Night with Travel Alberta and Tourism BC, August 27

-Invited 90 Canada desk managers from major tour operators and trade media

-Featured 2010 Winter Games and the Calgary Stampede

4) Mode Tour Tele-marketing Workshop with Tourism BC & Travel Alberta, August 28

-Invited Mode Tour branch office sales managers and front line travel counsellors in Seoul and Kyunggi province. Total: 60 attended to hear the off season and winter products to enhance sales.

5) X-banner Display Campaign on Maple Foliage Product jointly with Tourism Ontario and Hana Tour

-Displayed X-banners at 780 retail agents outlets

Consumer Development

1) Rocky Mountain Trekking Promotion with Hyecho Travel and Youngone Trade, a non-traditional partner, Integrated marketing campaign; July 25-Aug 31

-Two departures of 30 people on Sept 23 and Oct 3. Successfully recruited for two package trips.

-Yongone Trade handles major outdoor wear brands of Yongone, Northface and Gortex.

-Direct mailings to Yongone's database of 12,000 clients

-Coop advertising on consumer magazine 'Mountain' and daily newspapers

2) Coop Publication of Alberta Travel Planner 2009, September 30

-Publication of 10,000 copies, 80 pages

Media

* Total media coverage: Equivalent advertising dollar value in Q3

\$5,753,612 - 4.3% increase over same period last year.

TV \$2,724,400; Newspaper \$1,904,220; Magazine \$519,992; Radio \$315,000; Internet \$290,000

[TV Exposure - Best coverage]

-EBS TV <Docu Prime> The World Nature Heritage - Canadian Rockies

-KBS TV <Visual Album> The Great Nature - Canadian Rocky Kananaskis

-KBS TV <News> Canada! Export 152 mil. dollar on agriculture products

-YTN <News> Dream circus "Nebbia"

-KBS TV <Click! Global News> 400th anniversary event for Quebec in Canada

-KBS TV <News> Special Shoes Museum in Canada

-KBS TV <Visual Album Mountain> Banff National Park

-KBS TV <Walking into World> Rideau Canal in Ontario

-KBS TV <Visual Album> Yukon

-KBS TV <Click! Global News> The Great Canal Festival in Canada

Public Relations

1) Non-Traditional Partnership

Family Travel to Ontario "Mother & Daughter" - Female target promotion jointly with Plaza Hotel, July 4-31

2) Western Canada Coop Promotion focusing on Fly & Drive jointly with Tourism BC, Travel Alberta and Air Canada, Online campaign during July 21-Aug 10

Competitive Environment

-Australia: Australia Tourism Commission launched the GIT (Group Independent Travellers) campaign with 10 tour operators during the period of July to December under the 1.5 million dollar group package project. Australia increased 25% budget investment to Korea this year.

-Philippines: During the first seven months South Koreans registered as the number one visiting country with 380,619 Korean visits to Philippines, followed by USA came in second with 366,662 visitors.

-Hong Kong: Korean visitors to short-haul destination like Hong Kong increased in the first six months of 2008 grew by 27.1% reaching 500,713 Korean visits backed by extended consumer campaigns including TV.

-Abu Dhabi Tourism Authority has launched a sustainable hotel accommodation classification system.

Future Outlook

-For further development of the Korea market, current air capacity is one of the major subjects that will limit the market growth in long term perspective. Korean visitor numbers to Canada showed minus growth of -6.5% in July which resulted from the last years Calgary charter flight which took service last year during July-August contributing 8,800 seat capacity and did not operate this year. With this issue Korea will result in another minus growth for August figure, as the overall market growth is maintained at sustainable level and positive - considering the negative business environment this year. Due to a

number of external elements such as record high oil prices, air surcharges, air commission cuts and the exchange rate affecting overall travel business. According to tour operators, Canada is less affected compared to other destinations.

-Major tour operators are undergoing the company restructuring and slimming down to meet the fast changing business environment. This is seen especially with the air commission cuts, rising airfares and consumer travel trend to FITs.

-Canada is perceived to be on the positive growth and tour operators are keeping the continued interest in selling the Canada products in more diverse routings and channels in view of the upcoming air talks and USA visa waiver.