



Quarterly Market Report

South Korea

Q1 2009

Market Highlights

# of outbound travellers previous quarter:	812,901(Jan.2009)
- % change from previous quarter last year:	21.7%(over Dec. 2008)
# of visitors to Canada previous quarter:	196,564(in 2008) -7.4%
- % change from previous quarter last year:	10,962(Jan.2009) -21.2%

Additional market statistics available through
[Tourism Snapshot](#).

Air Capacity

Korean Air tentative plan is to increase flights to Canada with the Open Sky Agreement. Canada traffic is strong from May to September and without increased air capacity, Korean trade will suffer from lack of seats and potential high costs.

Air Canada is not planning to have a Toronto direct flight which used to run for the summer high season. Air Canada will only have Vancouver direct flight and people have to transfer to other Canada destinations. Therefore air capacity by Air Canada will be about 77,000 (-21%) seats in 2009.

Korean Air expands their business aggressively when everybody is reducing investment. Korean Air announced that KE will have additional flights to Vancouver (7 times a week) and Toronto (4 times a week) as of March 28. Without additional flights, Korean Air's air capacity is -10% compared to 2008. Singapore Airlines withdrew from the Incheon-Vancouver market. Korean Air will fill the gap and take over these Canada routes. (Mar. 9, 2009 / Economic Review)

N. Korean threat has airlines changing flights - Air Canada and Singapore Airlines joined South Korean airlines in rerouting flights to steer clear of North Korean airspace Friday after the communist regime threatened Seoul's passenger planes amid heightened tensions on the Korean peninsula.

North Korea warned late Thursday that it cannot guarantee the safety of South Korea's passenger jets flying near its airspace if annual joint U.S.-South Korean military maneuvers go ahead as planned Monday.

South Korea's two main airlines, Korean Air and Asiana Airlines immediately began redirecting flights away from the North's airspace. (Mar. 7, 2009 / THonline.com)

Singapore Airline announced withdrawal of flights between Incheon (Korea) - Vancouver (Canada) as of April 25, 2009. (Feb. 15, 2009 / Money Today)

Economic / Political Environment

GDP growth:	0% (over the 4Q, 2008)
forecasted economic growth:	-3.5%
unemployment rate:	3.9%, Feb. 2009 (2008 closed at 3.2%)
inflation:	(insert text here)
consumer price index:	3.9% over 2008
exchange rate:	1KRW = C\$0.000878(3-month average)

Comments / Other information

- Almost all tourism companies expect to trim staff or reduce their salaries 20-30%. Mode Tour divided employees into three groups and each group took a one month leave without pay from January to March. Hana Tour hadn't laid off staff, but they decided to do job sharing as employees only work four days a week and received a 20% decreased salary.
- Recently US \$ exchange rate came down to 1\$=KRW 1,300 that securities of travel agents, such as Hana Tour, Freedom Tour and Lotte Tour, increased a little in KOSPI (Korea Composite Stock Price Index). There is currently no surcharge in March and April. Exchange rate, oil price and air capacity for Canada are key factors affecting Korean market.

Emerging Tourism Trends

- As economy downturns, Honeymoon PKG significantly shows two patterns; luxurious or economy. In 2008 luxury honeymoon PKG was in demand but in 2009 economic PKG is growing fast and domestic travel in Korea is also of interest.
- Exchange rate is volatile and high-end consumers limiting overseas trip (due to

bad shopping conditions).

- Korea Government is suppressing governmental officials and companies to reduce international trips as much as possible.
- Outbound is decreasing for 10 months since May 2008. 1,132,463 Koreans traveled overseas in February; 33.5% less than February 2008.
- Inbound is booming and growing by 25.7% in January and February 2009 compared to the same period last year. Japanese visitors increased by 44.1% and Chinese visitors by 19.2%.
- Korean consumers are very sensitive to price and trade are competing on price. International Airlines also offer very low prices such as \$500 to Europe by Air France or Lufthansa and \$400 to Vancouver by Air Canada.
- Korean Air is aggressively marketing and expanding air capacities to China (increase flights to nine cities), Europe (increase flights or integrated to eight cities) and US (additional flights to LA, Vancouver, Toronto, Seattle, Dallas, Chicago, Honolulu, San Francisco and New York) destinations. Asiana is also increasing flights to China and USA.
- Korean Trade is trying to utilizing home shopping channel to promote destination and increase the sales volume. Recently Hawaii and California had a home shopping promotion and each received 600 and 900 calls - this is considered a big success. On average, 20% usually complete the bookings.

Market Development Activities

Rocky Trekking Specialized product launching in Korea. 7 nights and 9 days only staying in Banff with trekking from June 20 to October 20, 2009 and this PKG target 300 approximately.

CTC Activities

Trade Development

- Western Canada CSP Workshop (Feb. 20-21, 2009): Invited 50 CSP, trade and media for a one-night and two-day workshop. As a Western Canada focused workshop (co-op with TBC and TAI), we announced our plan for 2009 and shared ideas. Also provided training on Western Canada and team building program. (Each group to set a new and dynamic itinerary including BC and AB – winning group to attend Spring FAM.)
- Webtour Canada PKG Promotion: Co-op with TBC to develop online contents for BC and Canada product. Utilize Webtour's website with various online

media and call to action to Webtour.

- Via Rail Product Training: Trained 30 travel agents about Via Rail product throughout Canada.
- Segye Tour Salesman training: Train 25 Salesman of Segye Tour before hot season begins.
- Co-op Ontario World Best Campaign: In partnership with OTMPC, Air Canada and Korean trade, CTC Korea launched subway board ads, monthly membership magazine and daily newspaper ads under the theme of 'World Best Ontario'. The spring message is Thousand Islands and campaign will be continued throughout the year for summer, fall and winter. Also participating trades are uploading the 'Special Ontario Section' and sell the Canada tour PKG including the Thousand Islands.

Consumer Development

- Peak 2 Peak online promotion: Co-op with TBC and Arcterix to promote Peak 2 Peak online and collected 9,000 consumer database.
- Wedding Fair: Co-op with TBC and increase the awareness of BC honeymoon product under the theme of "Romantic Canada (Whistler, Vancouver and Victoria) – developed BC honeymoon product landing pages and published a six-page color brochure to distribute at the fair.
- Ski Consumer Website Launching Promotion: Promote Ski website by Winning trip to Canada Ski in Whistler and Banff at Movie Theatre Advertising, Post-card distribution and keyword searching. 400 Consumer database collected.

Media

Press releases

1. The Olympic Mascots make the 1st appearance in Korea
2. CTC launches a ski website in Korean
3. Countdown to the Vancouver 2010 Olympic and Paralympic Winter Games
4. Spring festivals

The Games

- Media photo event was held for the first appearance of Olympic Mascots in Korea where almost all dailies showed up resulting in a large coverage at the end of December.
- Daily media FAM (3) was executed to cover the pre-excitement of the Games in January.
- KBS TV was sent to Vancouver and Whistler in January to cover the

destinations, food, spa and winter activities for four series' specials on a morning program.

- CTC Korea is working with SBS TV, The Games Rights Holder, to feature Yuna Kim, Korea's most famous Olympic athlete on four special documentary series throughout the year and the footage will also be utilized for SBS sports news up to the Games.
- CTC Korea arranged for ski jump athletes and SBS TV to visit BC to make a documentary of their pre-experience of the Games' venues. CTC Korea is now in negotiation with a movie production company to add the edited footage to be inserted as an ending clip for a movie opening this summer on the athletes themselves.

Others

- MBC TV sent to cover Korean celebrity's life, living in Vancouver, Canada
- Media FAM (4) is arranged to feature Spring Ontario.
- Media FAMs are in arrangement to BC to cover Eco-tourism and Green Olympics and Eco-tourism.

Total Advertising Value Equivalency: CAD\$3,477,335

Media coverage breakdown:

1. TV: \$1,401,351
2. Newspaper: \$1,529,784
3. Magazine: \$546,200

Public Relations

<Promotion of Canada Ski>

1. Korean ski website open - CTC Korea collected 390 database through launching event in cooperation with Westin Chosun Hotel
2. Promotion on Canada Ski and Snowboard through a Snowboard camp where Canadian medalists participated as trainers.
 - CTC marketing materials distributed
 - promoted CTC's newly launched ski website
 - collected database for ski e-newsletter

<The Games>

CTC Korea is working with Samsung, International Olympic sponsor to execute a mega Canada Supporters Program to select and send consumers of Samsung brand to Vancouver and Whistler to promote the destinations, activities, culture and the 2010 Olympics.

Competitive Environment

- Hawaii – As US Visa Waiver Program started in Nov. 2008, Hawaii became the most attractive destination in US. Recently Hawaii Tourism invited 50 trade and media from Korea, China and Taiwan and held a three-day FAM to cover five Hawaiian Islands. Hawaii's Japan market is decreasing and Hawaii Tourism Office will increase the marketing budget for Korea.
- Korean Air is running "Where have you been in USA?" integrated campaign including TV ads, online ads and micro website promotion to increase the awareness of US destinations applying Korean Air's 9-city access to the USA.

Future Outlook

- It will be a difficult year for Korea unless Korean Air can increase additional flights to Vancouver and Toronto. The air capacity is more than 20% less than 2008 due to the withdrawal of Singapore Airlines (4 times a week) and no Air Canada summer season flight to Toronto.
- Canada and US dual destination PKG will be highly promoted in Korean market. Especially Air Canada is pushing combined PKG as Canada and Western USA (LA) or Canada and Eastern USA (NY).
- Three nights in Alberta product introduced for the first time. (One night in Vancouver, three nights in Banff and Calgary and five nights in Eastern or Western USA is a new product introduced by Air Canada.)