



Quarterly market report

South Korea

Q3 2009

Market Highlights

# of outbound travelers previous quarter	2,203,214
- % change from previous quarter last year:	-29.53
<i>Q2 2008 vs. Q2 2009</i>	<i>Source: KNTD data</i>
# of visitors to Canada previous quarter:	34,461
- % change from previous quarter last year:	-30.85

Comments / Other information:

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

Air Capacity: Nonstop flights

1,305 seats /week to Toronto nonstop by Korean Air

2,961 seats /week to Vancouver nonstop by Korean Air and Air Canada.

Total 4,266 seats /week

Open sky agreement between Canada and Korea on 15 JUL 2009

Korean Air's reactions right after the announcement

Incheon - Toronto

From : 5 times/week B777 (First 8/Business 28/Economy 225)

To: Daily. Eff. 14AUG 2009

Incheon - Vancouver

From : 5 times/week B777 (First 8/Business 28/Economy 225)

To: B747-400 (First 12/Business 61/Economy 262, eff. 30JUL 2009)

Asiana Airlines: Starting to consider flying Incheon - Vancouver next year to compete against Korean Air and Air Canada. It will depend on the global economic situation.

Air Canada will reduce Incheon to Vancouver flight from daily to 5 times a week from the winter schedule. (eff. 25OCT 2009).

CTC Korea initiates discussion with following airlines to search co-promotion opportunity.

United Airlines: Incheon-Vancouver, via San Francisco daily.

Eva Air: Incheon-Vancouver, via Taipei, Taiwan. 5 times a week

The air ticket price of direct flight to Canada remains strong. Korean Air is playing the most expensive product in the market, and Air Canada controls the price by yield basis which limits spaces for the travel agents selling package products.

Economic / Political Environment.

GDP growth:	-2.2% 2Q 2009 (1Q was -4.2%) <i>Source: http://ecos.bok.or.kr/</i>
forecasted economic growth:	0.2% (2 nd half of 2009) <i>Source: JUL 2009 Bank of Korea data</i>
unemployment rate:	3.8% 2Q 2009 (1Q was 3.8%) <i>Source: JUL 2009 Bank of Korea data</i>
inflation:	2.8% 2Q 2009 (1Q was 3.9%) <i>Source: JUL 2009 Bank of Korea data</i>
consumer price index:	0.4% over Q2 113.2 July-August 2009 (Y2005=100) (2Q was 112.7) <i>Source: Bank of Korea, Economic Statistics System</i>
exchange rate:	1 C\$ = KRW 1,133.70 (2Q was KRW 1,103.76) <i>Source: http://www.oanda.com/convert/fxhistory</i>

Comments / Other information

Korea's economy is forecast to advance beyond stabilization and enter a phase of expansion by year-end.

In its latest report, the Organization for Economic Cooperation and Development (OECD) says that Korea's Composite Leading Indicator (CLI), which was below 100 points since March of 2008, shot up to 101.2 in the month of July. This places Korea fourth among 29 OECD member nations.

The index is used to forecast the economic state of a country four to six months down the road by measuring various indicators such as Gross Domestic Product (GDP). *Source: Arirang News / Sep. 15, 2009*

Emerging Tourism Trends

Economy depression and H1N1 are still affecting the market in general.

US market is slowly recovering due to:

- USA Visa Waive Program - Hawaii as honeymoon destination is growing. After Hawaii's Mega International FAM Tour in early March, the Hawaiian products are noticeable in the market. Honeymoon specialized agent, Honeymoon Resort, said their Hawaii sales increased more than 25% this year. Hawaii is becoming a trendy destination for honeymooners due to the Visa Waive Program.

Market Development Activities

Korean Trade's current situation:

Both Hana Tour and Mode Tour are executing a so called 'emergency management system' requiring employees to take holidays without pay for at least 1 week to 1 month from September 2009. This applies to all the employees.

YeoHaengsa.com (www.good.co.kr), one of top 5 online tour company, bankrupted in September. Korean travel industry is struggling due to H1N1 in general.

Hyundai Dream Tour also closed retail sales and its corporate sales team was absorbed by Hana Tour in JUL.

Market Development and CTC Activities

Trade Development

Olympic Initiatives to Korea Travel Trade by Movie Preview

Date: Jul. 28, 2009

CTC and TBC held a movie preview of The Jump, a Korean blockbuster movie based on a true story, to introduce the 2010 Vancouver Olympics and its mascots to the Korean travel trade and media. About 370 travel trade and 30 media participated. Olympic destination was introduced with the spirit of the Korean National Ski Jump team's story.

Summer Promotion with Hana Tour and Mode Tour

Date: July- August 2009

Description: Co-op with TBC and TA to promote summer PKG product by Hana Tour and

Mode Tour.

West Canada FIT Campaign – Online promotion with trade

Date: August 2009

Description: Co-op campaign with British Columbia and Alberta to promote FIT to Western Canada. The 8 agents, Hanatour, Mode Tour, KS Park, KRT, Tour 2000, Lotte Tour, Tour Express and KAL Tour, created a promotion page on their website and introduce various FIT products travelling in BC and AB.

Fall Foliage Homeshopping Sales Initiative

Date: Sept. 3, 2009

Description: Co-op sales promotion with Ontario, Quebec and Lotte Tour to promote Fall Foliage on homeshopping channel. Initiative new sales channel and introduce Fall Foliage product with visual for 1 hour.

BC Trekking FAM Tour

Date: September 10-21. 2009

Description: Hyecho Trekking and a forest specialized blogger are visiting BC to develop BC Trekking product for 2010. Hyecho Trekking is a trekking specialized company and has successfully launched Alberta Rocky trekking product for 2009, and they will produce a new BC Rocky trekking product.

Co-op newspaper advertising with Korean Air and Ontario

Date: September, 2009

Description: 7 Korean trades participated in promoting Ontario products by Korean Air to Toronto, and total 10 daily newspaper advertising are executing in September.

ANTOR Roadshow in Daegu

Date: Sept. 10, 2009

Description: ANTOR organized a roadshow in Daegu, the 3rd largest city in Korea after Seoul and Busan. About 100 Daegu travel trade and official organizations visited the market place. CTC distributed various Canadian brochures and posters. Also provided various advise on Canada market.

Trade FAM Tour to Ontario and Quebec

Date: Sept. 24~Oct.6, 2009

Description: Study Tour to Ontario with 10 travel trade (Hanatour, Mode Tour, KAL Tour, Tour Express, Segyero, Blue Travel, Pharos Travelatifax, BT&I, Saturn Air and Socuri) and 2 media(The Korea Travel Times and a freelancer writer). KE provided discounted ticket to Toronto and West Jet for domestic flight.

FIT Specialized agent training on Canada (continued)

Date: Monthly training program started in April 2009

Description: CTC Korea had identified 9 FIT focused agents, which specialized in European market. They are interested in extending their product to North America and committed to developing Canada FIT Products for 2010. 4 of them will be joining Ontario and Quebec

FAM Tour.

Consumer Development

Thousand Island Promotion with Chungjungwon

Date: Jul-Aug, 2009

Description: CTC Korea created a co-op promotion with Chungjungwon and OTMPC to promote Thousand Island using Thousand Island dressing. Chungjungwon is the most respected food product company with high brand awareness in Korea, and we had online and offline promotion introduction the legend of thousand island dressing from Thousand Island in Canada. More than 12,000 consumer email address collected for e-newsletter subscription.

Sinsegye Department Store promotion with TBC

Date: August 2009

Description: CTC is co-op with TBC and Mode Tour to promote BC's three city tour (including Vancouver, Victoria and Whistler) to Shinsegae Department Store customers. The 2nd phase of promotion operated in Q3. "Win a trip to BC" when consumers purchase a product from Sinsegae Dept. Store and enter their ticket for the draw.

Canada Supporters Campaign

Date: August~, 2009

Description: Canada Supporter Campaign will be continued till April 2010. For the first phase, we have identified 8 power bloggers, and they are travelling to British Columbia (4), Alberta (2), Ontario (2), Yukon (1) and Banff (1) from August to September. The power bloggers will be introduced by CTC Korea's new website in October and their Canadian experiences and stories will be viralled through online.

BITF(Busan International Travel Fair)

Date: Sept. 11- 14, 2009

Description: CTC Korea participated BITF with the co-op of TBC and TA. Canada booth were elaborated to introduce the 2010 Games in Vancouver with the Mascot photo zone, where the visitors could take the photo with the image of the Mascot or the Mascot when they are appeared in public. (CTC Korea conducted 6 Mascot shows). CTC Korea will distribute survey on trip to Canada and encourage visitors to subscript CTC's e-newsletter. CTC Korea collected about 800 consumer database and distributed 4,000 copies of Canada brochures.

Media

Press releases

1. World's Best Campaign on Niagara Falls, Ontario

2. Canada Day event with Canadian ice wine
3. CWC program with Kyu-Hyuk Lee's family
4. Co-op event with Jump 2009 movie on Olympic Ski Jump team
5. Canada Supporters program

The Games

- CWC program: Top speed skating athlete, Kyu—Hyuk Lee and his family were sent to Alberta and BC with RBH, SBS TV
- VP International, Charles McKee's group interview, emphasizing The 2010 Winter Games, with top four trade newspapers
- Torch bearer's summer visit to Tofino
- FAM (5 of print media) sent to BC to feature destinations, culture and activities, including the theme of The Games
- FAM (4 newspapers) sent to Quebec and Ontario to feature destinations and festivals while emphasizing the Olympic venue experience in Montreal
- Travel consumer magazine sent to BC to cover destinations and activities, including the Olympic venue experience
- Famous actress visit to experience Vancouver, Vancouver Island and Whistler to expose destinations, culture, cuisine and activities with the theme of 'Green Tour' while leveraging 'Green Olympic' via TV and Sure (glossy consumer) magazine
- In arrangement of sending KBS TV to feature Olympic-themed tour - destinations, activities and aboriginal culture

Others (co-op with PMOs)

- In arrangement of sending KBS TV to BC with a Canada Supporter blogger, featuring the Canada Supporter's program and BC experience
- 2 consumer magazines sent to BC to cover resorts, cuisine and wine festival
- 2 print media sent to Trade FAM to Ontario and Quebec to expose destinations and activities
- 4 media (TV, online, magazine and newspaper) sent to Toronto for Toronto International Film Festival

Total Advertising Value Equivalency: CAD\$7,524,197

Media coverage breakdown:

1. TV:	\$4,076,957
2. Newspaper:	\$1,519,740
3. Magazine:	\$823,500

4. Online newspaper: \$1,104,000

Public Relations

- Canada Day event, targeting media and consumers: With the theme of “Experience Canadian ice wine which is as cool as the Niagara Falls in summer!” CTC organized 1) a media photo event which brought huge coverage, and 2) consumer event of tasting Canadian ice wine while distributing CTC marketing materials.
- Consumer event with DongA TV and Singles (glossy consumer) magazine in co-op with Quebec to feature destinations, culture and cuisine.
- Co-op online promotions with a Korean blockbuster movie ‘Jump 2009’ about Korea’s Olympic Ski Jump Team who will participate in the The 2010 Winter Games.

Competitive Environment

- Zero commission policy: Korean Air will start ‘zero commission’ to travel agencies from next year and recently more airlines such as Air France and KLM are joining. Major changes in the structure of travel agencies’ sales are expected to be made.
- Outbound down and inbound up: Number of travellers to Europe and other long-haul destinations decreased even during the peak season due to economic recession and H1N1 flu.
- Very aggressive pricing war to Australia and Europe in 3Q.
Example: Incheon-Sydney and other cities
Qantas via Hong Kong from C\$450 plus tax, roundtrip
Japan Airlines via Narita - C\$450 plus tax, roundtrip
Example: Incheon-Europe cities
Japan Airlines via Narita - C\$710 plus tax, roundtrip

Future Outlook

n/a