Canadian Tourism Commission

Commission canadienne du tourisme

South Korea Market Profile

February 2013

Canada

Contents

Introduction

The Canadian Tourism Commission (CTC), in conjunction with various Canadian tourism industry partners, undertakes three major consumer research studies on a rotating basis: Global Tourism Watch, Explorer Quotient® (EQ®) and Advertising Evaluation Studies.

This report summarizes findings from the CTC's research studies as well as analyses that the CTC has conducted with other data sources. In particular, this report provides:

- *An overview of market conditions and an outlook for 2013*
- *A profile of South Korean visitors during 2011*
- *An overview of key long-haul competitors*
- *Highlights of marketing insights along the path to purchase.*

Executive Summary

Since 2002 South Korean travel to long-haul destinations beyond northeast Asia grew by 85% to an estimated seven million arrivals in 2011. Although outbound travel rebounded quickly after the 2009 recession, South Korean travel to some destinations including Australia, Canada and New Zealand are still below pre-recession levels.

South Korea's economy slowed during 2012 but is expected to regain some momentum through 2013. Going forward, unemployment should remain below 4% and consumer spending is forecast to grow 2.7% in 2013.

The CTC estimates 128,000 overnight arrivals in 2013, a marginal decline from the estimated 130,000 visitors in 2012. During the first nine months of 2012, student visa applications declined 15% from 2011.

Nonstop seat capacity is scheduled to increase by 11% in 2013. Both Air Canada and Korean Air are also shifting capacity from Vancouver to Toronto between June and October, resulting in 10,000 fewer seats to Vancouver and 33,000 more seats to Toronto. During 2011, the majority of South Korean travellers (70%) visiting for a holiday stayed in western Canada. Canada may want to consider a stronger focus on eastern Canada product for this summer and encourage early bookings for western Canada.

Over the past year, awareness of Canada's holiday opportunities improved relative to Australia. However, the US leads with an eight-point advantage over Australia, Canada and France. Canada continues to be among the top five most considered long-haul destinations among South Korean travellers.

While value for money and affordability are weaknesses for Canada, South Korean travellers are also generally more attracted to four of Canada's competitor destinations: Switzerland, France, Australia and New Zealand. They consider them to be more popular, exciting and unique places to visit with lots to see and do. South Korean travellers also have weaker perceptions of the US. They place the US second last in offering good value for money among key long-haul competitor destinations. It is also the least likely destination to be recommended by past visitors for a holiday. Despite these perceptions, the US is one of the fastest-growing long-haul destinations. Over one million South Koreans visited the US in 2011, 44% for holidays and 16% to visit friends and family.

Among past visitors, 40% are very likely to recommend Canada as a holiday destination to their friends and family. Switzerland leads key competitor destinations with 56% very likely to recommend, followed by France at 45%, Australia at 44% and the UK tied with Canada at 40%. Though it is still unclear what might be impacting Canada's relatively lower rank, a recent study showed that perceptions improve once visitors experience Canada for themselves.

During and after recent trips to Canada, two thirds of South Korean visitors shared trip experiences with friends through face-to-face conversations and one third shared photos or messages on a social network. Facebook, Cyberworld, YouTube and Twitter are the most used social networks.

South Korea Market Conditions & 2013 Outlook

The South Korea economy expanded 1.9% in 2012, just half of the growth in 2011. **The pace of GDP expansion is expected to increase to 3.6% in 2013 and 5.3% in 2014** as exports recover. The unemployment rate is low and stable, although **the tight labour market may be limiting potential growth in some industries**. Inflation of 2.2% in 2012 is expected to rise to 2.4% in 2013 and 2.7% in 2014 as the rate of GDP and consumer spending growth quickens.

From a currency standpoint, **the won depreciated slightly against major global currencies in 2012**, falling 1.7% against the US dollar, 1.5% against the yen, and 0.6% against the Canadian dollar. These trends extend the depreciations of the 2008-2012 period, where the KRW fell 3.5% against the USD, 33.4% against the JPY, and 10.3% against the CAD. **For 2013, the KRW is expected to reverse course and appreciate broadly, including 5.4% against the CAD**, which will improve the value proposition of travel to Canada in the eyes of South Korean tourists.

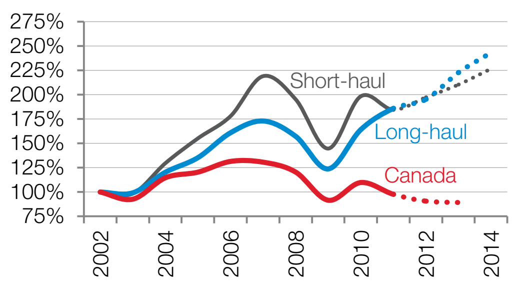
	The South Korea Economy				
	2010	2011	2012	2013	2014
Real GDP (% yoy)	5.9	3.8	1.9	3.6	5.3
Unemployment (%)	3.7	3.4	3.3	3.4	3.5
Inflation (%)	2.9	4.0	2.2	2.4	2.7
Consumer spending (% yoy)	4.4	2.3	1.7	2.7	3.7
Exports (nominal % yoy)	27.1	18.1	2.3	9.0	11.2
Exchange rate (KRW/CAD)	1122	1120	1127	1066	1036

Source: Oxford Economics, 2013; Bank of Canada, 2013.

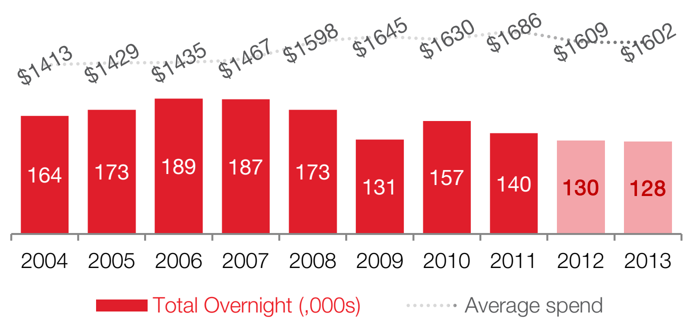
OUTBOUND TRAVEL

Over the past decade, the volume of South Korean arrivals to long-haul destinations beyond northeast Asia has grown 85% and now represents about 50% of South Korean international arrivals. Long-haul travel is expected to grow faster than short-haul travel in the coming years. Travel volumes were particularly affected by the recession of 2009, and not all destinations have yet recovered to their pre-recession levels. **South Korean arrivals to Canada were highest in 2006 and have since entered into long-term decline, settling below 2002 levels in 2011.** The CTC has forecast that modest declines will continue in 2012 and 2013.

South Korean arrivals to international destinations, 2002=100
Source: Tourism Economics



Overnight Arrivals and Spend, 2004 to 2013
Source: Statistics Canada, CTC Forecasts



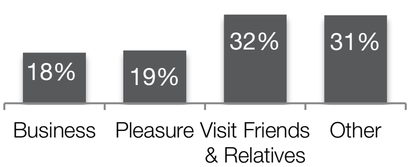
South Korea Travel to Canada

TRAVELLER CHARACTERISTICS

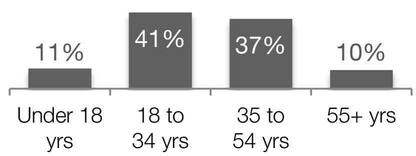
In 2011, 51% of South Korean trips to Canada were for pleasure or to visit friends and relatives (VFR), and 31% were for other reasons, including education. **While trips during the summer months were most popular (35%), a similar number of South Koreans visited during the winter months of Q1 and Q2 (36%)**, suggesting that Canada appeals to travellers year-round.

Driven by students arriving to study, the 18-to-34 age group represented 41% of South Korean arrivals, while those 35 to 54 years old accounted for 37%. **The proportion of travellers aged 55 and older is much lower in South Korea (10%)** than in more mature markets such as Australia, UK and France, where this group typically accounted for 40-45% of travellers.

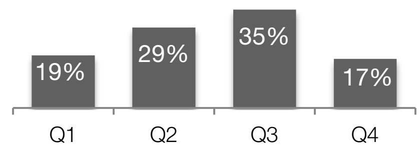
Trip purpose
Source: Statistics Canada, 2011



Visitor age
Source: Statistics Canada, 2011



Seasonality
Source: Statistics Canada, 2011

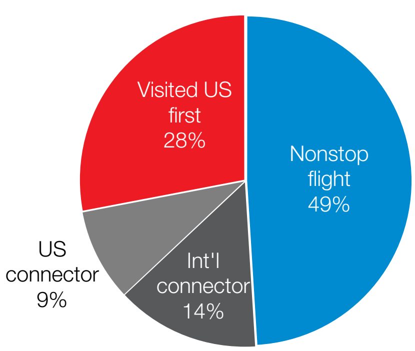


TRAVELLER ROUTINGS TO CANADA

The CTC has estimated that during 2011 about half of visitors arrived in Canada on one of the three nonstop flights between South Korea and Canada. **Nearly 30% arrived following a visit in the US**. Most of those visiting the US entered Canada through a land border.

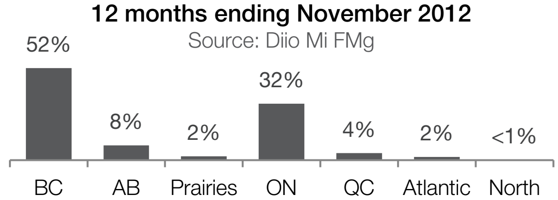
Nonstop seat capacity between South Korea and Canada is scheduled to increase by 11% (24,000 seats) in 2013. Air Canada will reduce its daily Vancouver service to four weekly flights between June and October and introduce Toronto service on the other three days (Mon, Thu, Sat). Korean Air will increase its Toronto service from five weekly flights to daily in July and August.

Among travellers who booked their flights to Canada through a South Korean travel agent or online retailer, most air travel itineraries (84%) were first destined for BC or Ontario.



Source: CTC estimates based on the International Travel Survey, and air traffic data from Diio Mi FMg.

Share of airline passengers by province
12 months ending November 2012
Source: Diio Mi FMg



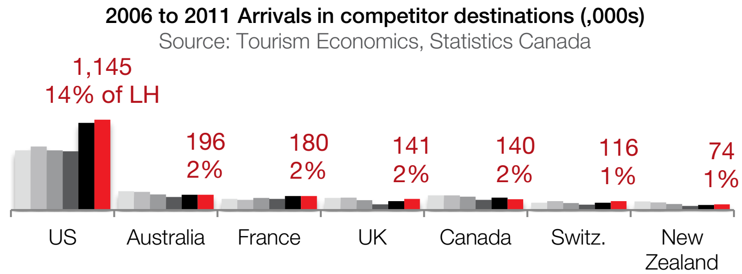
2013 Nonstop seat capacity (,000s) by Canadian airport
Source: Diio Mi, February 2013

YYZ (Toronto)	99; +50% vs 2012
YVR (Vancouver)	145; (6%)
Total	**244; +11%**

Competitive Environment

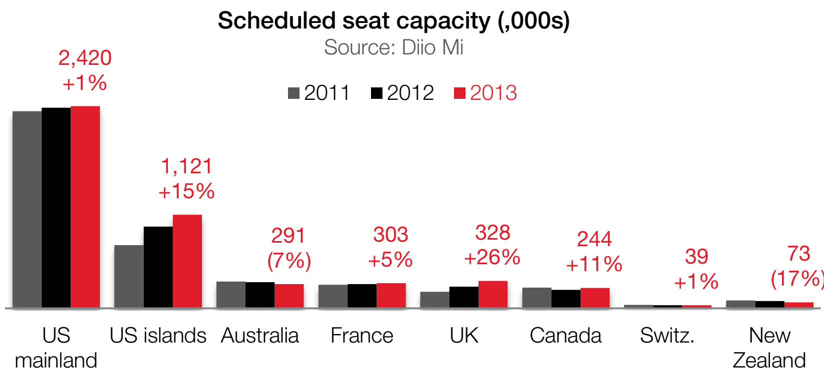
ARRIVALS

Canada is losing ground in the South Korean market to key long-haul competitors, falling from third in 2002 to **fifth in 2011, behind the US, Australia, France and the UK.**



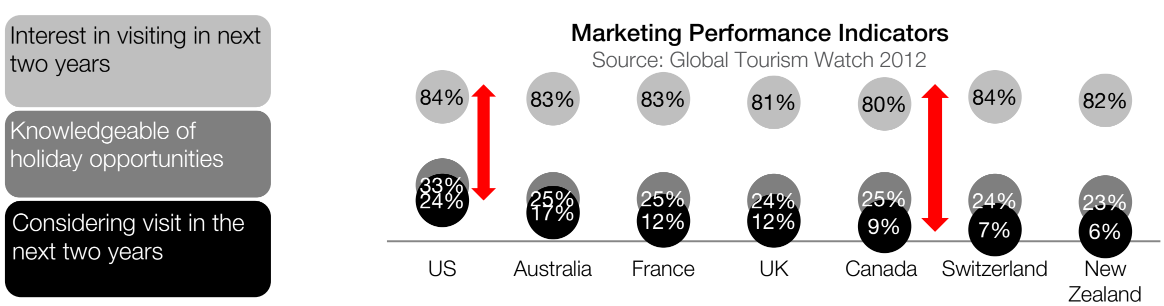
AIR SERVICE

Among key competitors, Canada has the fifth-largest volume of scheduled air capacity. The US (Hawaii, Guam, Saipan) and UK are the only competitor destinations that will see substantial increases in seat capacity this coming year. Among other long-haul destinations, the Philippines, Thailand and Myanmar will see the largest increases in seat capacity in 2013.



MARKETING PERFORMANCE

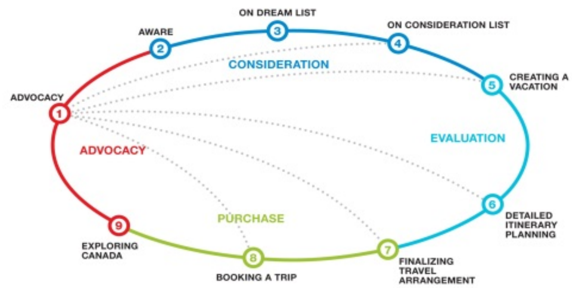
The **US leads in all indicators** while the rest of the competitors are all fairly close on the interest and knowledge indicators. **Canada is a fair distance behind the two market leaders (the US and Australia) on consideration**.



Canada is placed in the middle of the pack and not particularly strong on any of the key brand and value perceptions. Switzerland leads on relevancy and value for money categories while Australia ranks first for offering authentic experiences.

Marketing along the Path to Purchase

The path-to-purchase model aids in understanding the decision journey of a traveller and the opportunity to influence it. It effectively identifies motivators and blockages to building destination awareness, consideration, evaluation and ultimately, purchase of Canada.



TRAVELLER PROFILE

The traveller profile charts illustrate the distribution of travellers along the path to purchase:

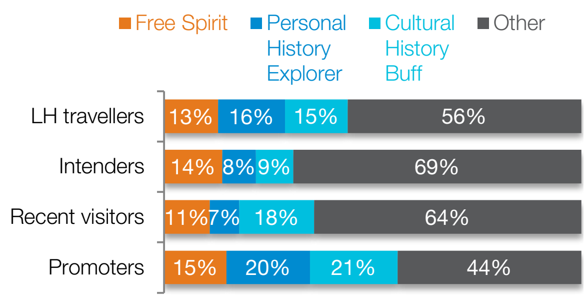
- *Long-haul (LH) travellers represent all travellers on the path to purchase.*
- *Intenders are those at the consideration and evaluation phases.*
- *Recent visitors came to Canada in the past three years for a holiday.*
- *Promoters have visited Canada at least once and are very likely to recommend Canada for a holiday.*

The three target EQ® segments represent approximately 31% of intenders. Among travellers who have visited Canada in the past, 40% are very likely to recommend Canada to friends and family. The target EQ® segments represent 56% of these promoters.

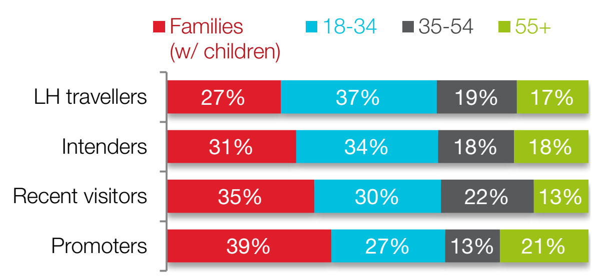
Families and younger travellers under 35 years represent nearly two thirds of travellers at the latter steps of the path to purchase. They also represent the majority of recent visitors.

The majority of recent visitors (67%) reside in the three regions of Seoul, Gyeonggi and Busan.

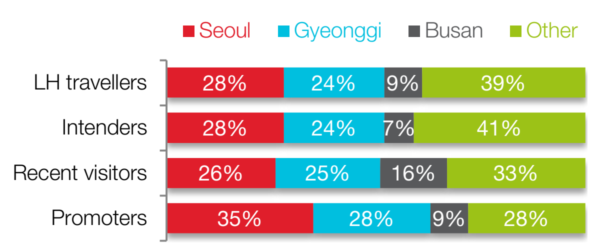
EQ
Source: Global Tourism Watch, 2012



Age/Lifestage
Source: Global Tourism Watch, 2012



Residence
Source: Global Tourism Watch, 2012



Consideration: 80% of long-haul travellers

MOTIVATORS

A recent study identified the most important **drivers for destination preference** among Canada's competitors. Canada's *Signature Experiences Collection*® provides a means to portray Canada's once-in-a-lifetime experiences.

Most important drivers for destination preference

Lots of **once-in-a-lifetime** experiences
Popular with holidaymakers
Good for **adults** with or without children
An **exciting** place
Lots of things to see and do

Canada could consider initiatives to elevate its popularity and perceptions as a unique and exciting destination. South Korean travellers currently rank Canada below most competitors for popularity and in the middle of the pack for excitement.

BARRIERS

Over one quarter of travellers at the consideration stage (30%) cite **affordability** as a reason preventing them from visiting. One fifth think Canada is **too far** away and 18% admit that there are **other places** they would rather visit. **About 15% say there are no reasons not to visit Canada** in the next two years.

Evaluate: 19% of long-haul travellers

MOTIVATORS

Canada's target South Korean travellers seek different experiences.

Free Spirits are attracted to **exciting** experiences they cannot find at home. They want to **learn**, explore **something new** and engage in the **local culture**. They also appreciate being **pampered**.

Personal History Explorers are interested in learning about their own heritage. They also enjoy learning about the **history** of the places they visit, and immerse themselves in the modern **culture** and experience **local cuisine**. They prefer **organized tours** that allow them to socialize with others.

Cultural History Buffs enjoy a diversity of both **active and relaxing activities**. They want to **explore new places** and engage with the **local people**. They are not afraid to **try new things** even if they feel a bit uncomfortable and they seek **authentic experiences**. They prefer to have the freedom to **chart their own itinerary** rather than confined to a set schedule.

Travel motivators

Free Spirit	Personal History Explorer	Cultural History Buff
Excitement	History	Cultural immersion
Experiences they cannot find at home	Modern culture	Authentic experiences
Lives for travel	Ancestry	Freedom, spontaneous
Luxury	Authenticity	Escape, relax
Spontaneous	Organized tours	Adventure
Indulgence, carefree	Local flavours	Outdoors, nature
Cultural immersion	Natural beauty	Hands-on
	Sharing experiences	

BARRIERS

While cost, distance and a preference for other destinations remain Canada's challenges at the evaluation stage, **nearly 30% of South Korean travellers say there are no reasons not to visit Canada** in the next two years.

SOURCES FOR TRIP PLANNING

Travellers use a combination of **online and traditional sources to plan** their trips, including online retailers, traveller review sites, destination-specific websites, travel books, brochures and print media.

PLANNING TIMEFRAME

Over 50% of travellers **start planning their trip within three months** of travelling and **25% start at least six months prior** to travelling.

Purchase: 1% of long-haul travellers

SOURCES FOR DECIDING WHAT TO DO IN CANADA

In choosing to visit Canada and in deciding what to do while in Canada, recent South Korean visitors were **most influenced by past visitors**. **Online sources are also influential** with travel blogs, destination websites and social networks among the top five most-mentioned items.

Influential sources

Past visitors (49%)
Travel guides/books (32%)
Travel blog (27%)
Destination-specific websites (27%)
Photos shared via social networks (22%)
Advertising featuring destination (19%)
Magazine/newspaper (18%)

TRIP TYPE

Over half of recent visitors travelled independently; only 7% opted to take fully escorted or guided tours.

Trip type

Travel independently (53%)
Combined independent travel with some guided tours (28%)
Resort stay (12%)
Fully escorted or guided tour (7%)
Cruise (1%)

BOOKING TIMEFRAME

Three quarters of recent visitors booked their holiday within three months of travelling**, while 27% booked their trips within one month of travelling.**

BOOKING METHOD

Among recent South Korean visitors to Canada**, nearly 80% consulted with a travel agent for information or to book their holiday to Canada.** Just over 40% booked their flights through a travel agent, 29% used an online retailer and 25% booked directly with their airline.

Booking method

Travel agent (41%)
Direct with airline (25%)
Online retailer (29%)

Advocacy

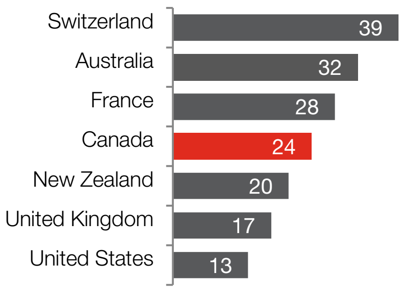
TRAVELLER PROFILE

Among the 14% of South Korean long-haul travellers who have been to Canada, **40% would be very likely to recommend Canada** for a holiday (promoters) while 17% would not recommend (detractors). Thus, **Canada has a net promoter score of 24**, which is the fourth-highest among Canada's key competitors. The net promoter scores in South Korea are generally lower than in other markets (Switzerland achieves the highest score at 39).

Online social networks can facilitate destination advocacy by providing past visitors a platform to share their experiences and opinions with like-minded prospective travellers. **Between 55% and 75% of target EQ® travellers use Facebook**. Cyberworld, YouTube and Twitter are also used but to a lesser degree.

Net Promoter Score

Source: Global Tourism Watch 2012



Social networks used in the past three months

Source: Global Tourism Watch 2012

Base: Past visitors of each country
11% of South Korean LH travellers have visited Switzerland, 16% have visited Australia, 17% France, 14% Canada, 9% New Zealand, 12% UK and 33% US

ADVOCACY WHILE EXPLORING CANADA

During their holiday in Canada, **86% of recent South Korean visitors shared their trip experiences while travelling**, 26% through a social network via PC,17% through a social network via a mobile device, and 22% through blogging.

Advocacy while exploring Canada

Shared photos or messages on a social network via computer (26%)
Blogged about the trip (22%)
Shared photos or messages on a social network via mobile (17%)
Sent postcards (17%)

POST-TRIP ADVOCACY

After returning home from their trip to Canada, **95% of recent visitors shared their travel experiences.** While traditional means remain the dominant form of advocacy, over 30% of recent visitors shared photos or messages on a social network and 29% said they blogged about their trip.

Post-trip advocacy

In person, with friends and family (68%)
Shared photos with friends /family via email or in person (46%)
Shared photos or messages on a social network (34%)
Blogged about the trip (29%)
Submitted opinions about attractions/hotels/restaurants (12%)

MEDIA RECALL

A majority of long-haul travellers (88%) recalled seeing or hearing information about travelling to Canada during the past year. While one third recalled hearing about Canada through friends and family, 22% recalled reading someone's travel blog about Canada.

Media recall

Friends and family (32%)
Travel shows on TV (28%)
Personal blogs (22%),
Travel guides/books (22%)
Magazine/newspaper articles (17%)