"Yokoso Japan Campaign"

Japanese Promotion of Inbound Tourism in Perspective: Assessment and Challenges

JITI USA-The Nippon Foundation Seminar 15:00-18:00 March 16, 2010 at Grand Ballroom Salon C/D, Washington Marriott at Metro Center

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Today's Overview

1. Japan's Inbound Tourism Promotion in Historical Perspective
2. Strategic Reasons for the Policy Shift
3. Assessment of Potentials and Challenges
4. What Japan can learn from the USA in achieving their goals

Japan's Inbound Tourism Promotion in Historical Perspective

- The history of Japan's travel industry can be divided into five eras:
  1. pre-modern travel, before 1868;
  2. deregulation of domestic travel and inbound promotion, 1868-1945;
  3. promotion of inbound travel, 1946-1970;
  4. promotion of outbound travel, 1971-2003; and
  5. emphasis on the strategic importance of tourism, after 2003:

http://www.hotelscombined.com/Hotel/Fujiya_Hotel_Hakone.htm

Japan's Inbound Tourism Promotion in Historical Perspective

1. Pre-modern travel, before 1868;

http://www.flickr.com/photos/24443965@N08/2846440663/

Japan's Inbound Tourism Promotion in Historical Perspective

2. Deregulation of domestic travel and inbound promotion, 1868-1945;

http://www4.ocn.ne.jp/~mimizuku/syouwa.html

Japan's Inbound Tourism Promotion in Historical Perspective

3. Promotion of inbound travel, 1946-1970;

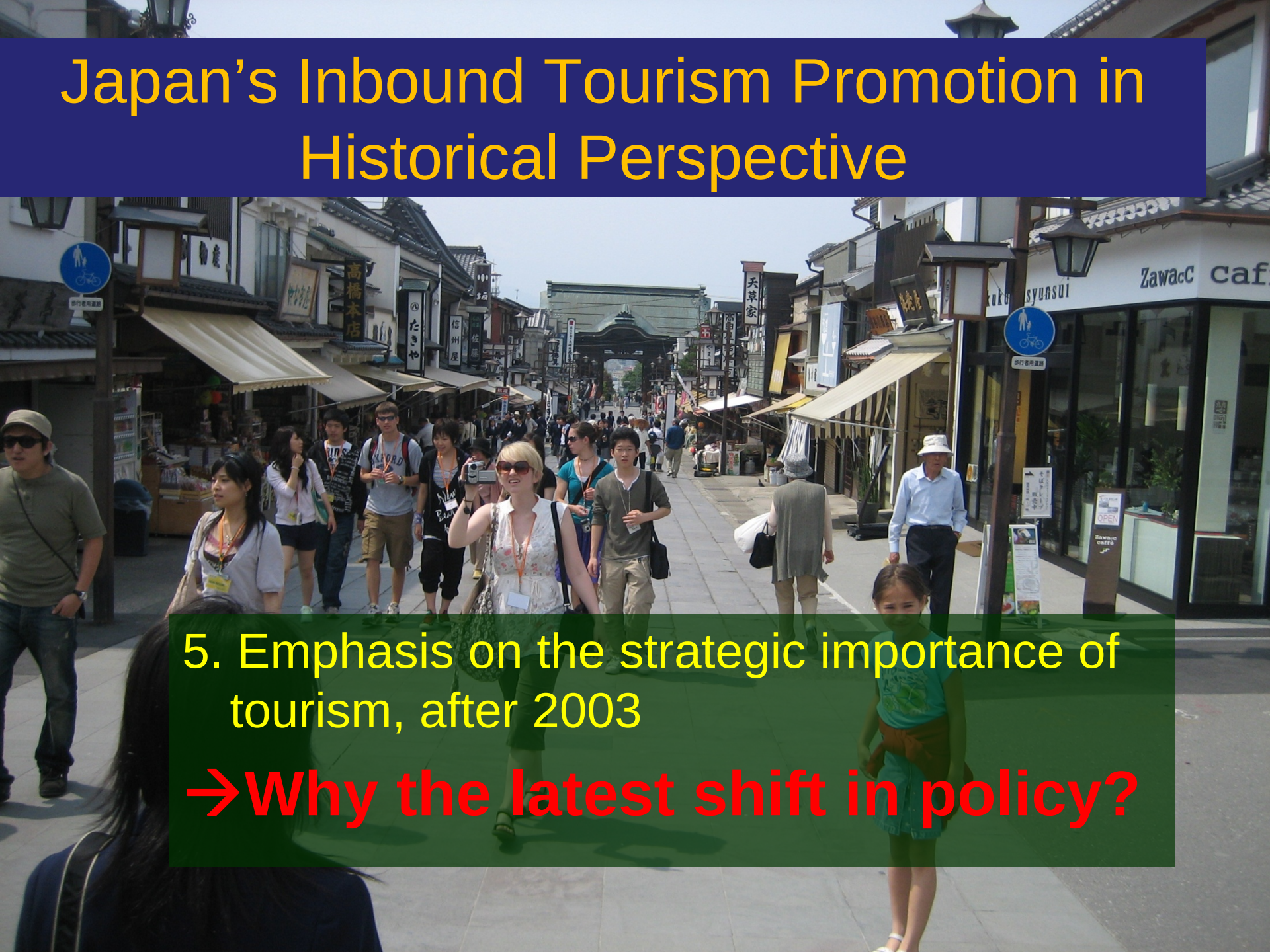
http://showa.mainichi.jp/

Japan's Inbound Tourism Promotion in Historical Perspective

- 4. Promotion of outbound travel, 1971-2003;

http://www.commercialappeal.com/photos/2009/dec/24/145885/

Japan's Inbound Tourism Promotion in Historical Perspective



5. Emphasis on the strategic importance of tourism, after 2003

→Why the latest shift in policy?

2. Strategic Reasons for the Policy Shift

- **Ultimate National Goals**
  - **Maintain & Improve Quality of lives of taxpayers (CS)**
- **How?**
  - **Secure Export Revenues (by hosting inbound tourists)**
- **Facing Threats to Successful Japanese Model**
  - **Decreasing International Competitiveness of traditional exporting sectors**
  - **Decreasing and rapidly aging population**
  - **Difficulty in sustaining the nation with the past success models of 20th Century into the 21st Century**

→ Rely on Tourism as an Industry

3. Assessment of Potentials and Challenges

- This is the 3rd time for Japan to seek for Inbound tourists.
- What are the potentials and challenges?

Current National Goals

2. Plan duration - 5 years

3. Goals

Basic goals during plan duration

- **Increase the number of overseas visitors to 10 million by 2010**, with a long-term goal of equaling the number of Japanese overseas travelers (7.33 million in 2006)
- **Increase the number of international conferences held in Japan by over 50% by 2011**, with the aim of becoming the top host nation of international conference in Asia (168 conferences in 2005)
- Increase **the duration of Japanese domestic travel** by 1 night per person by 2010, **to 4 nights annually** (2.77 nights in 2006)
- **Increase the number of Japanese overseas travelers to 20 million by 2010**, with the aim of promoting mutual international exchange (17.53 million in 2006)
- **Increase domestic travel spending to ¥30 trillion by 2010**, through the creation of new demand brought about by improved environment for smooth travel and diverse service offerings by increased productivity in the tourism industry (¥24.4 trillion in 2005)

Source: http://www.mlit.go.jp/kankocho/en/vision/plan.html

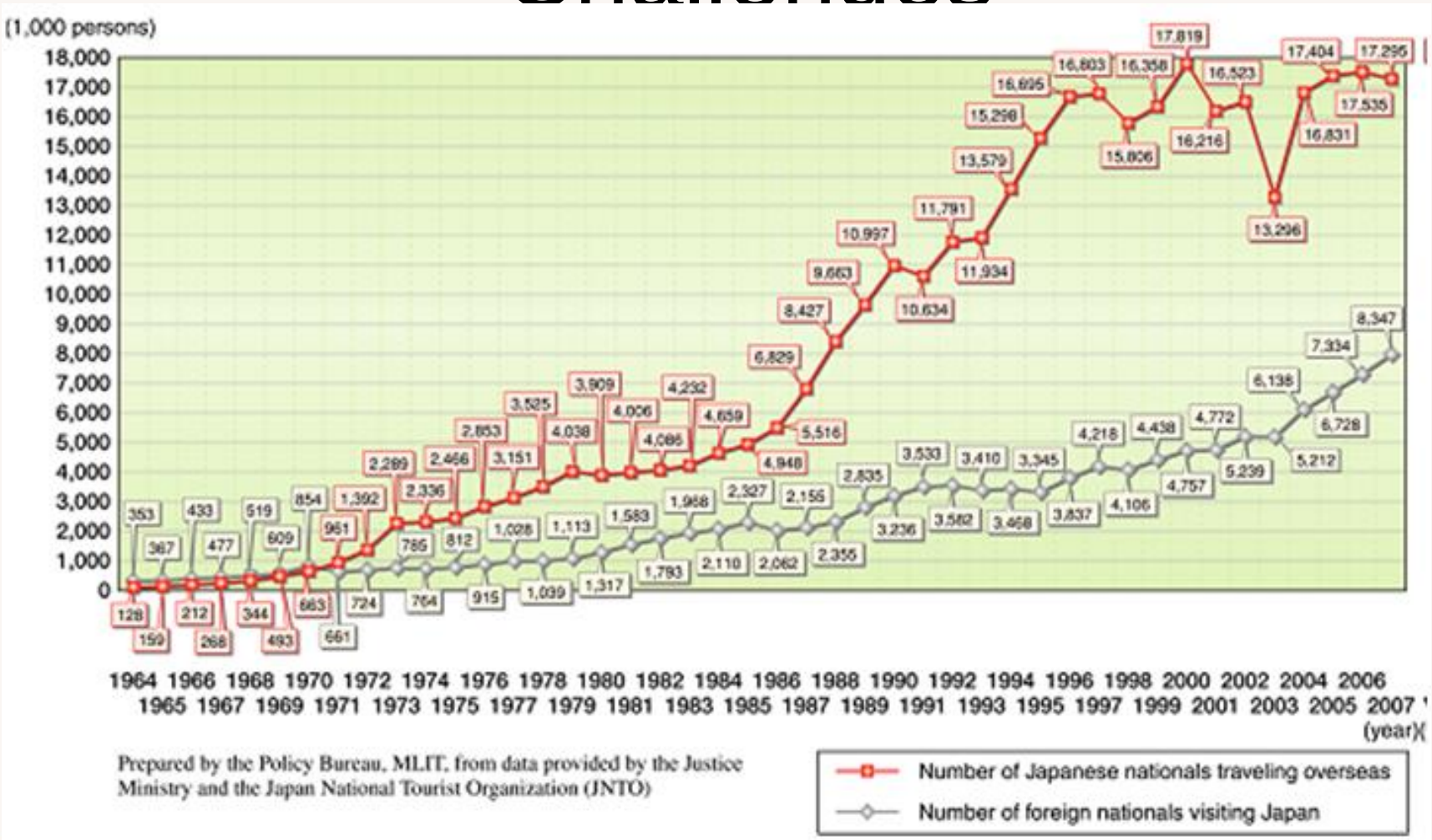
3. Assessment of Potentials and Challenges

Historic Japanese Outbound Travelers and Balance of Payments

Year	Visitor Arrivals (persons)	Japanese Overseas Travelers (persons)	Receipts (million US$)	Payments (million US$)	Balance (million US$)
1976	914,772	2,852,584	313	1,664	-1,351
1981	1,583,043	4,006,388	735	4,616	-3,881
1986	2,061,526	5,516,193	1,463	7,229	-5,766
1991	3,532,651	10,633,777	3,435	23,983	-20,548
1996	3,837,113	16,694,769	4,078	37,040	-32,962
2001	4,771,555	16,215,657	3,301	26,530	-23,229
2006	7,334,077	17,534,565	8,471	26,876	-18,405

Source: Pacific Asia Tourism Association (PATA)

3. Assessment of Potentials and Challenges



3. Assessment of Potentials and Challenges

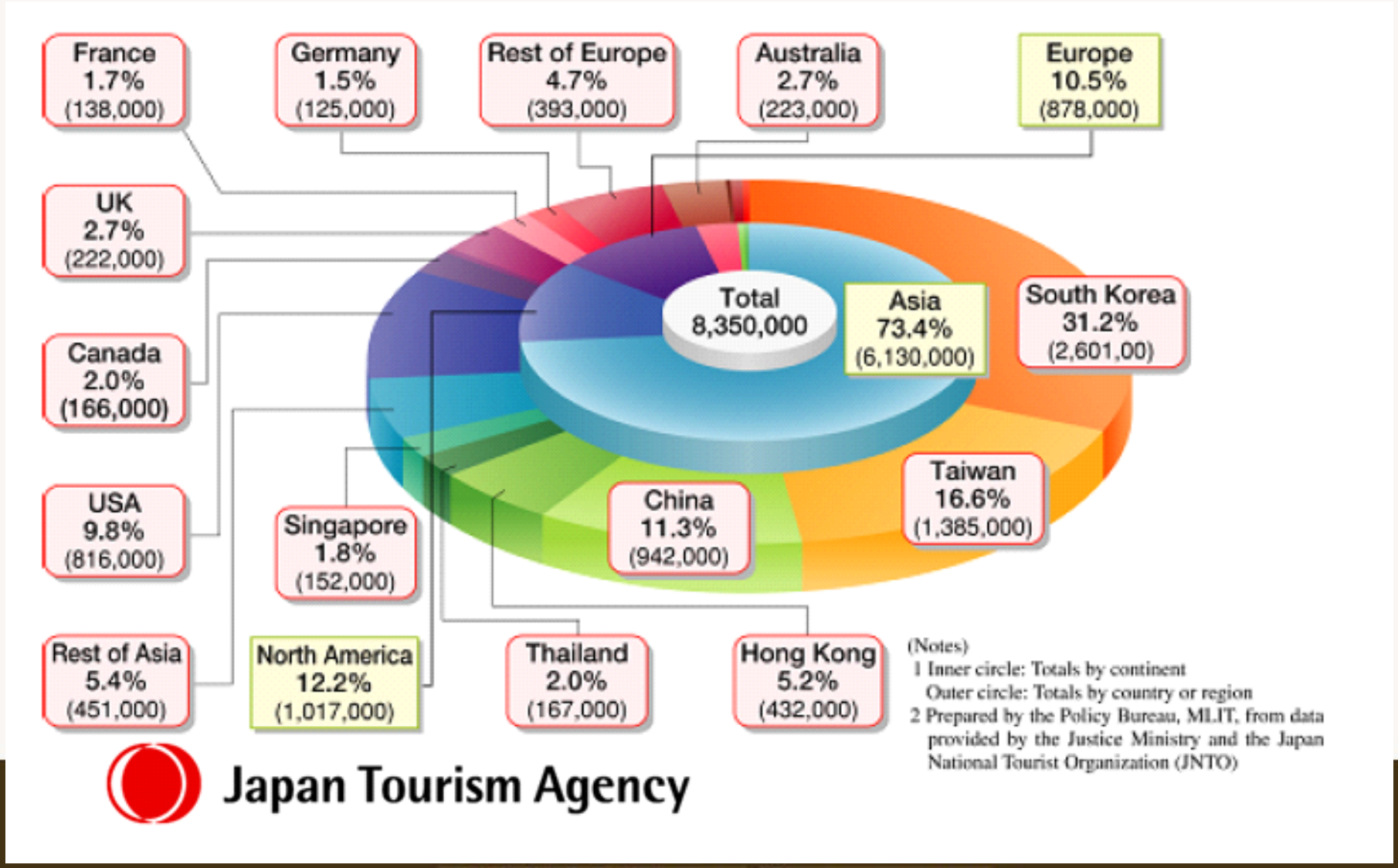
FIGURE 21: Japan – Arrival Growth Rates – Preliminary Estimates (2000-2012)

Year	Arrivals	% Change (TY/LY)
2000	4,757,149	-0.93%
2001	4,771,555	0.30%
2002	5,238,963	9.80%
2003	5,211,725	-0.52%
2004	6,137,905	17.77%
2005	6,727,926	9.61%
2006	7,334,969	9.02%
2007	8,347,349	13.80%
2008	8,350,835	0.04%
2009	6,305,487	-24.49%
2010	7,245,058	14.90%
2011	8,448,858	16.62%
2012	9,012,618	6.67%

Source: Pacific Asia Travel Association (PATA), UNWTO, DKSA (D.K. Shifflet & Associates)

3. Assessment of Potentials and Challenges

FIGURE 22: Foreign Travelers Visiting Japan – Shares by Country (2007)



3. Assessment of Potentials and Challenges

Year	Number of Conferences	Number of Participants		
		Total	Domestic	Overseas
1998	1,121	1,125799	1,046,937	78,862
1999	1,124	955,230	881,356	73,874
2000	1,362	973,650	882,310	91,340
2001	1,322	1,026,319	937,600	88,719
2002	1,451	1,155,889	1,045,098	110,791
2003	1,430	1,182,771	1,076,463	106,308
2004	1,618	1,180,013	1,048,479	131,534
2005	1,480	1,176,046	1,072,011	104,035
2006	1,670	1,105,066	989,812	115,254
2007	1,858	908,078	798,358	109,720

One million visitors per year: in perspective? Can they do more?

3. Assessment of Potentials and Challenges

Figure **29**: Size of Tourism GDP to National Economy

Country (Study Year)	TGDP
Spain (2004)	11.0%
Austria (2005)	6.4%
Switzerland (2004)	5.1%
New Zealand (2005)	4.8%
Australia (2005)	3.9%
United Kingdom (2003)	3.4%
Germany (2003)	3.2%
Norway (2005)	3.1%
USA (2005)	2.6%
Sweden (2004)	2.6%
Finland (2005)	2.4%
Canada (2006)	2.0%
Japan (2006)	1.9%

Source: Presentation by Tadayuki (Tad) Hara, PhD, at the 2008 UNWTO Conference in Bali
Paper Title: "Results of 7th Research on Economic Impact of Travel and Tourism in Japan"
Subtitle: "Quantifying the Relative Importance of Tourism as an Industry".

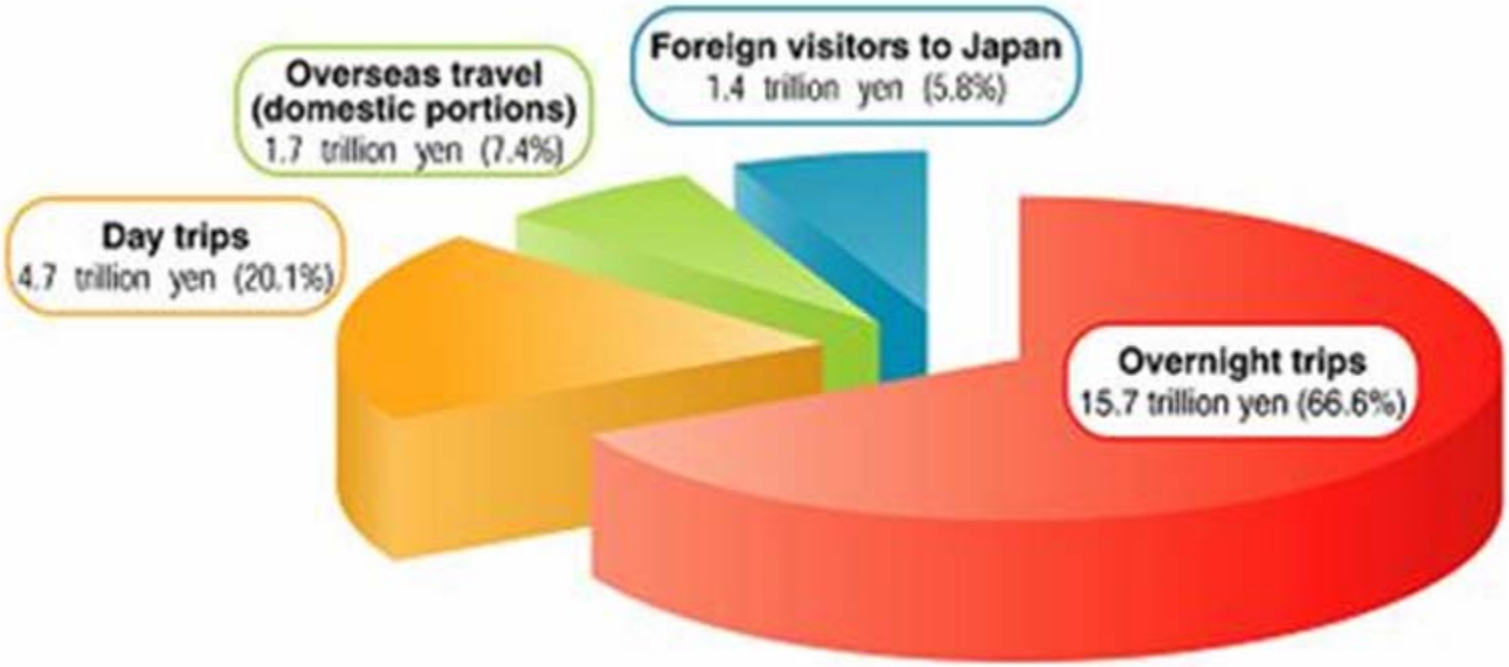
3. Assessment of Potentials and Challenges

FIGURE 30: Size of Tourism Employment to Total Employment

Country (Study Year)	Employment %
Norway (2005)	6.8%
New Zealand (2005)	5.8%
Switzerland (1998)	5.2%
Australia (2005)	4.6%
USA (2003)	4.2%
Canada (2000)	4.0%
Sweden (2002)	3.0%
Japan (2006)	2.6%

Source: Presentation by Tadayuki (Tad) Hara, PhD, at the 2008 UNWTO Conference in Bali, Paper Title: "Results of 7th Research on Economic Impact of Travel and Tourism in Japan" Subtitle: "Quantifying the Relative Importance of Tourism as an Industry".

3. Assessment of Potentials and Challenges



4. What Japan can learn from USA in achieving their goals

- Japan is highly behind in the area of human resources development for tourism management.
  - – “Great employees, not so with managers”
  - -- Weak educational infrastructures

    Not enough emphasis on management

Problems – Academic Weaknesses

Nation	Population	# Universities with Hospitality-Tourism programs
USA	300 million	200
Japan	127 million	40
South Korea	48 million	60

The problem with Japanese HT education is its misguided emphasis on “tourism” from sociology or anthropology aspects, which make it isolated from the rest of the world. In the USA or S. Korea, the emphasis is on “hospitality management”.

Phases in Hospitality Research

Phase	Period	Researchers' Identity	Research Type	Unit of Analysis	Methods of Analysis	Generalizability	Theoretical Contribution
1. Story Tellers	1930-1950	Ex Practitioners	Case Studies	Single	N/A	None	None
2. Profilers	1940-1970	Ex Practitioners & Academics	Quasi-Empirical (Surveys)	Multiple	Univariate	None	None
3. Copy Cats	1970-2005	Academic & Professional Researchers	Empirical & Conceptual	Multiple	Bi-Variate & Multi-Variate	Limited or Full	Extension of Existing Theories
4. Innovators	2000-	Academic & Professional Researchers	Empirical & Conceptual	Multiple	Multi-Variate	Limited or Full	Original

Source: A. Pizam presentation at Japan Tourism Agency 2008

Problems – Academic Weaknesses

- Few Quantitative Management Research
  - Not supporting the Industry's needs
    - Yield Management
    - Destination Marketing
- Few English Refereed Papers
  - Not learning the latest knowledge
    - Barely existent in the field of "knowledge creation"
    - Extreme contrast with S. Korea, Taiwan, HK etc.

Problems and Opportunities

- Tourism Potential is huge
  - Food
  - Safety and Security
  - Exotic but not abrasive, not intrusive
  - Clean, with reliable transportation system
- Destination Marketing is its weaknesses (sample 5 slides)
- Japan has lots to learn from the USA in the field of tourism & hospitality management

Marketing and Sales Concept

- This is the difference between selling concept and marketing concept for Tourism Products.

You do not use visitors' detailed data

Lots of promotion materials

Simple Data on # visitors, expenditure would suffice

	Starting Point	Focus	Means	Ends
Selling Concept	Japan (from Japanese viewpoint)	Existing Tourism Products	Selling & Promoting	Profits from Higher Number of Visitors
Marketing Concept	Market (potential inbound visitors)	Customer Needs	Integrated Marketing	Profits through Visitors' Satisfaction

Start from "knowing customers"

Focused marketing on differentiated segments

Detailed Data on Visitors required for measurement of success

Implications from the case

- **All our discussion underscores the importance of "Destination Marketing"**
  - Who are your customers (visitors to your region)?
  - Do you know what they need? Did you ask?
  - Who are your competitors? ***(Korea, China, USA?)***
  - What makes those people to come to **Japan**?
  - Why do they visit **competitors** instead of **Japan**?
  - **Do not guess what visitors want**. Why don't you start by asking them by collecting data scientifically?

Marketing Concept	Market (potential inbound visitors)	Customer Needs	Integrated Marketing	Profits through Visitors' Satisfaction

セールス発想の罠
Selling Concept's Pitfall

- 「良い物を作れば客は来る」という供給側の勝手な固定観念
  - *"If you build it (good tourism products), they will come"* -- syndrome
- インターネットの急速な拡大で、消費者は細分化した嗜好に合致した商品を選ぶ機会が豊富
  - Because of proliferation of internet and affordable airfares, potential visitors have too many destinations to choose
- セールス発想からマーケテイング思考に自己変革しないと世界の流れに淘汰される可能性大。
  - You have to change your business model from selling concept to marketing concept.

1 When you hear “Japan”, what is the image that comes to your mind?

1-1 ? Food (sushi, chopsticks etc)
1-2 ? Old Culture (samurai, geisha, kabuki, sumo etc)
1-3 ? Contemporary Culture (anime, manga, karaoke, school girl uniforms)
1-4 ? High technology
1-5 ? Tourism destination
1-6 ? Science
1-7 ? longevity
1-8 ? modern literature
1-9 ? movies
1-10. ? modern products
1-11. ? manner of people
1-12. ? ”character goods”
1-13 ? Spirituality (Zen etc)
1-14. ? mountain
1-15. ? ocean/sea

一体どの項目が重要なのか？
我々が推測して決定してそれで良いものだろうか？
What is really important?
Can we (Japanese) just guess what they (inbound visitors) want about Japan?

Regression Analysis: Q2 versus Q3, Q4, Q5, Q6, Q7, Q8, Q9, Q41

The regression equation is

Q2 = 1.96 + 0.472 Q3 + 0.180 Q4 - 0.0128 Q5 - 0.0173 Q6 - 0.0606 Q7 - 0.0094 Q8
+ 0.0114 Q9 - 0.0880 Q41 **Q2：Airfare too expensive**

282 cases used, 19 cases contain missing values

Predictor	Coef	SE Coef	T	P	
Constant	1.9616	0.3109	6.31	0.000	
Q3	0.47200	0.06602	7.15	0.000	(Domestic Transportation cost too high)
Q4	0.18048	0.06159	2.93	0.004	(hotel costs too high)
Q5	-0.01282	0.04456	-0.29	0.774	(Japanese culture similar to China/Korea)
Q6	-0.01729	0.04178	-0.41	0.679	(Japanese amenity similar to W Europe)
Q7	-0.06057	0.05344	-1.13	0.258	(Japanese amenity similar to China/Korea)
Q8	-0.00935	0.03706	-0.25	0.801	(Level of worries about language barrier)
Q9	0.01137	0.04752	0.24	0.811	(availability of English information)
Q41	-0.08798	0.03539	-2.49	0.014	(previous trip to Japan 1=never)

R-Sq = 34.5% R-Sq(adj) = 32.6%

While the model explains about 1/3 of the variances, it indicates interesting correlation with other variables.
There are strong association between the replies to Q3, Q4 and the perception of the airfare being too high.
In other words, once a person thinks the airfare to Japan too expensive, s/he tend to think the domestic transportation costs and the hotels costs are too expensive as well.
And we identified with enough statistical evidences that such perception (pre-occupation) certainly goes down once a person travel to Japan (Q41 with negative correlation).
This implies lack of updated information on Japan in the minds of respondents.
Not many ordinary American citizens know that hotels in Tokyo are available currently with Yen10,000 per night (US$100) inclusive of all taxes, and sometimes with breakfast, and that prices of hotels in Kyoto, Hiroshima, regional metropolitan cities, can be even cheaper than that level, often around US$70~80 inclusive of all.
Systematic marketing efforts about updating price levels in Japan in the minds of potential inbound visitors appear to be in urgent need to attract more visitors.
You just have to implement effective marketing efforts to address anxieties (worries) of those potential consumers, so that they can make a decision to come to Japan.
Source: Tadayuki Hara, PhD, Rosen College of Hospitality Management, University of Central Florida

Future for Japan Tourism

- Better Destination Marketing
  - **Data-driven, Scientific Analysis**
- Better Dissemination of information
- **Reason for Hope**
  - **JTA was established in October 2008**

Thank you very much. **Tad Hara**

http://www.youtube.com/watch#!v=Bkoz8aEUssQ&feature=related

http://www.youtube.com/watch#!v=yGQKjueWPoc&feature=related