

Summary: JATA Tourism Expo Japan 2016, Japanese Overseas Outbound Travel Market update –symposium, draft

(NOTE: I improve the quality of the figures still)

Background:

The symposium was organized in connection of JATA fair in a form of panel. 3 representatives of the major travel agencies (Mr. Hiroyuki Takahashi, CEO JTB Corp (<http://www.itbcorp.jp/en/>), Mr. Seiji Matsuda, Hankyu Travel International Co (<https://www.hankyu-travel.com/english/>) and Mr. Akira Hirabayashi, H.I.S Co. Ltd (<http://www.his.co.jp/english/>) were describing in turn their expectations and strategies in future related to overseas outbound travel. In addition, the chair from JATA (Japan Association of Travel Agents) Mr. Jungo Kikuma presented some of his ideas on the current situation. The symposium was held in Japanese with simultaneous translation to English.

Some main points:

After the record year 2012 (18,49 million overseas travelers), the overseas travel has declined a bit. However, this is due to the decreased travel to China and South Korea due to the political reasons. Other than that the overseas travel is gradually growing (Fig. 1).

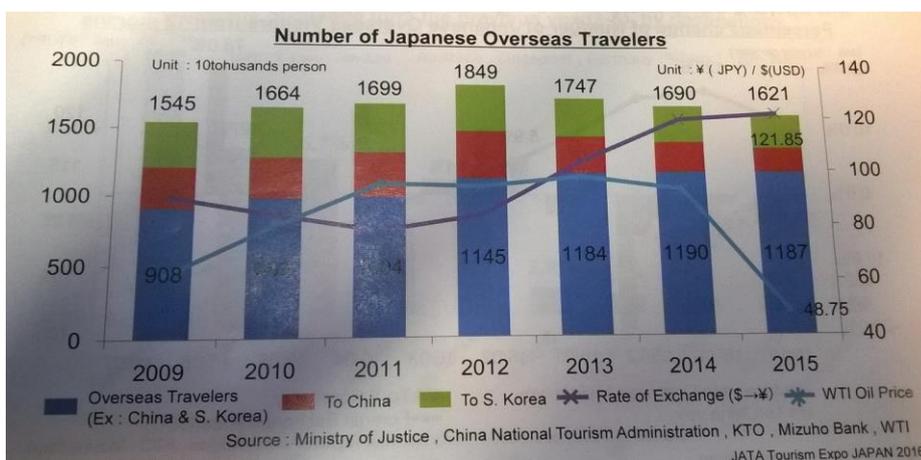


Figure 1. The number of Japanese overseas travelers. Source: JATA 2016

The safe destinations are leading the trend at the moment. Especially Australia, Taiwan and New Zealand have shown 15% increase over the previous year. On the other hand, e.g. the travel to France and Belgium has decreased 60-70% (depended who mentioned it) from the last year due to the terrorist attacks.

According to the statistics one in every 5 overseas traveler is over 60 years old at the moment. The longer the distance, the higher percentage of seniors over 60 years. About 50% of the repeat customers are heavy travelers and travelled abroad over 10 times. This calls for the need to plan also the repeat-customers tours. Most of the travelers are couples of different ages, families or groups of friends. However, also the amount of single travelers is growing. Also the number of younger travelers is increasing. At the moment, the most of the outbound travelers come from big cities. Only 5,8% come from rural areas of Japan.

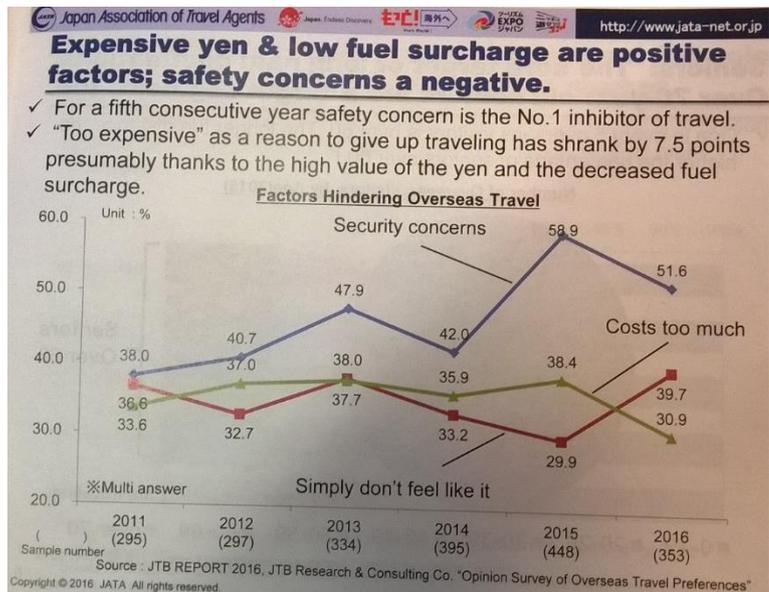


Figure 2. Factors hindering overseas travel. Source: JATA 2016

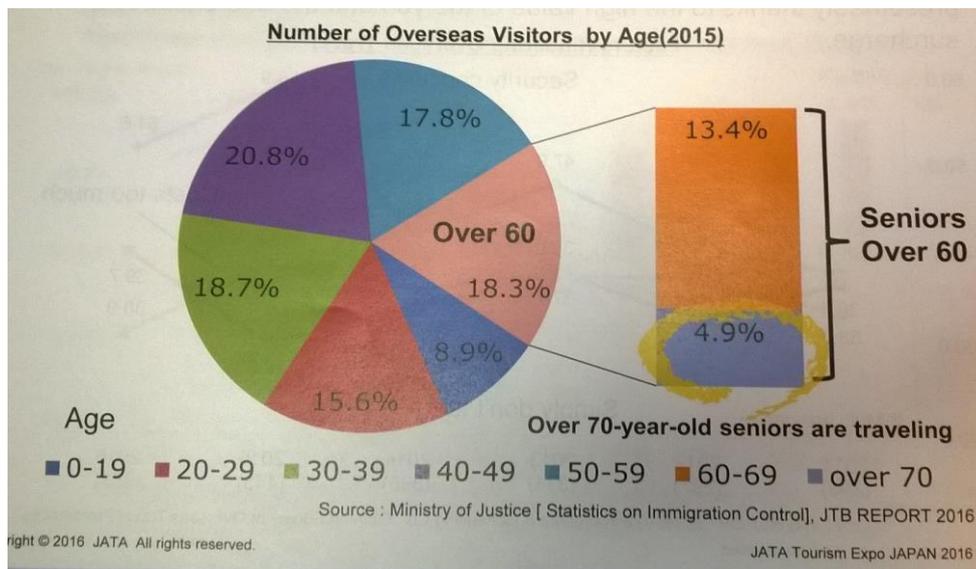


Figure 3. The age division of the overseas travelers. Source: JATA 2016

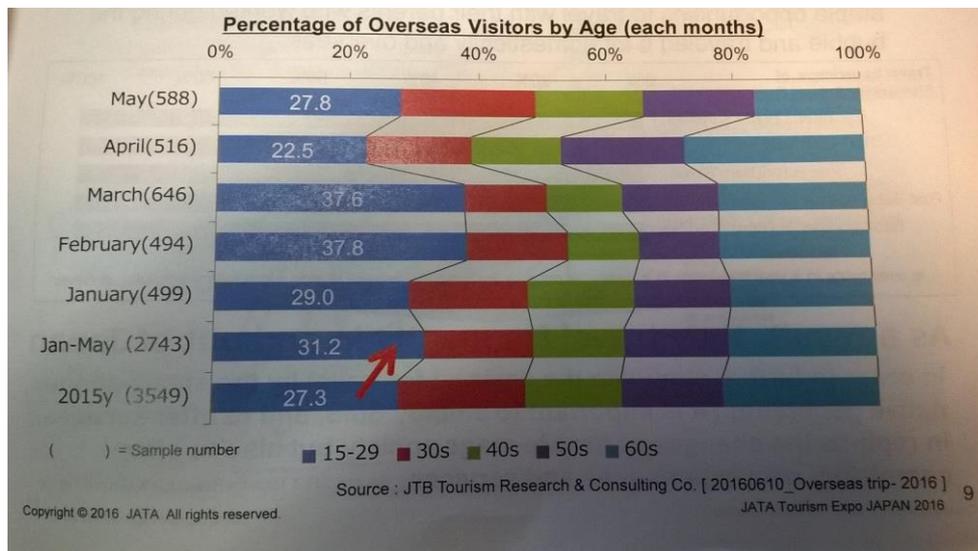


Figure 4. The percentage of overseas travelers by age. Source: JATA 2016.

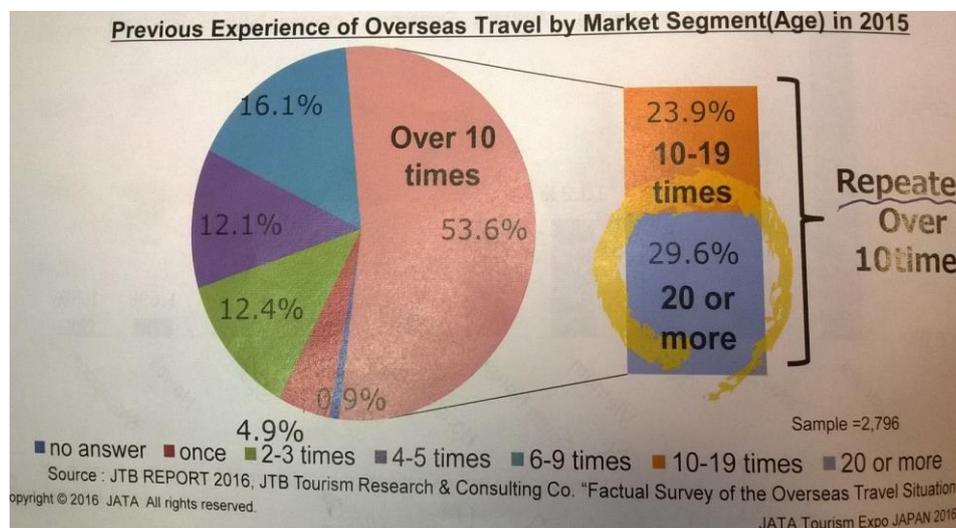


Figure 5. The previous experience of overseas travel by age segment. Source: JATA 2016.

What is the outbound tourism strategy in the panelists' organisations?

JTB

The growth of the travel agencies is slower than the growth of the industry sector (markets). The focus has been too much on packages. These will naturally continue to exist, but there has also been increase on individual internet purchases. The major obstacle for the growth is a fear of security at the destination. There is a need to broaden the destination selection with competitive products including local social content. The company is ready to take risks with new products/sub-contractors. There is a need to be able to offer products to FIT so that the customers have a wide selection of activities from which to choose at the destination. Only one local destination for the travel is not relevant anymore. Accessibility is an issue at rural destinations. It is also an issue while attracting rural Japanese people to travel. More connections to local airports are needed at both ends.

The business in Europe is slow at the moment due to the security issues. To increase the customers' feeling of security plays a major part also in the company's "Outbound strategy". They do not want just to sell flight

tickets & hotels, but also provide added value as a travel agency. The company has tourism buros in different countries which are working with local authorities so that in the case of problems the customers could be taken care of, even in the case of emergency. The package products are “safer” in the eyes of the customers as the security is also a part of the product package. However, there is need to select the suitable products and supply channels to each group.

There is a need to attract people to travel during different phases of their lifecycles. This so called lifecycle strategy is also part of national Outbound Strategy. Now the majority of overseas travelers are elderly. The aim is to promote student overseas travel, travel to overseas with friends (graduates), honeymoon travel etc. The aim is to make overseas travel as part of different major events of peoples’ lives.

Hankyu Travel International

The customer base of the company is typically senior travelers. 90% of the sold products are packages. Physical travel agency/agent is still important in the booking phase. Only 5% of the customers are first time overseas travelers. European security situation is a major negative aspect to the customers. One aim is to increase the feeling of security by organizing an accompanying travel guide for the group and increase communication in the network. At the beginning 73% of the company’s products were European destinations (now 50%). First time customers and not so much travelled customers prefer package tours with the tour guide and the marketing to them is targeted via newspaper advertisements. Repeaters select more product alternatives also at the destination.

One challenge for the future of the company is how to find new experiences/products for the customers. At the moment only 10% of the business is specialized travel. However, the aim is to increase this amount in future closer to 30%. Different kind of theme products are interesting. The specialized products are potential to those, who have already visited the “traditional” destinations. To be able to do this, the company seeks co-operation with specialized travel agencies. They also aim to develop specialized products for solo travelers. New mobile solutions could provide solutions for guiding and language problems. Out-sourcing is an major issue. Good network is needed.

The company aims to support the repeat travelers. For example new “collect points” -system will be introduced in 2017. Concerning the special products the challenge is to keep the product price competitive. All depend on the content of the product, but in general they are more difficult to make profit of that more traditional products.

At the moment 50 % of the tours go to Europe. Australia, New Zealand and Russian tours are increasing, but if the security can be guaranteed, the company wants to increase the amount of European tours again.

H.I.S

The third panelist raised a question, are there still in the future travel agencies or only Google Apps etc. He saw that the competition is not only between travel agencies anymore, but also with the IT solutions. Their strategy to compete included the following points:

- 1) Consultation. The traditional travel agencies have here the overhand compared to Web players. To fully benefit from this, the face-to-face skills need to be strengthened among the staff.
- 2) Millenium generation is very attractive new customer group. They all have I-Phone as granted (first i-Phones were launched in 2008). This must be considered also in tourism products. Easy access to the local information at destinations transforms the tourism interpretation/guiding as a whole. Also the H.I.S staff members in destinations can approach the customers personally and, not only offer some specialized products tours etc., but also provide other assistance and feel of security.

- 3) Developing new markets. The aim is to increase the amount of outbound travelers from rural areas of Japan. Now only 5.8% of overseas travelers come from rural areas. There is a need to improve the local airport connections. Also to develop the “off-season” travel is important. At the moment February-March could be developed as high season for graduate travelers (aim to create a culture that after graduation young people go to “reward trip” or to explore the world a bit before continuing to working life, university etc.)
- 4) Co-operation in creating future. The aim is in co-operation to promote the local hotels/accommodation and especially the activity packages at the destinations (what can be done there? specialties etc.) This could create potential for new business models.

Other discussion

Mr. Takahashi (JTB) mentioned that it is against JTB’s policy to have a lot of “hardware” (hotels, safari facilities etc) at destinations. Instead they are willing to take the risk to find new products via sub-contractors. At the moment the sub-markets of Switzerland and Croatia are seen very potential. According to H.I.S South-East Asia is also growing. They have their own equipment (planes, some hotels) as well.

In general, the chair summarized the discussion by highlighting that the tourism sector is changing, even the big companies need more and more reliable partners from the target areas to be able to provide new and innovative products. There is an Overseas Travel Committee in Japan (of which the chair, Mr. Kikuma is a member), that aims to increase overseas travel. The target is to increase the amount of outbound travelers to 25 milj people by 2020 (at the moment (in 2015) 16,21 million overseas travelers). The outbound travelling is likely to increase, but what is the future of Japanese travel agencies. According to Mr Takahashi, to be competitive, they need firstly to be able to develop their capability in planning and designing, to develop the markets. Travel agencies have a lot of proposition power at the end. Secondly they need to be able to provide face-to-face consultation since that is the competitive advantage against web services. Thirdly the focus needs to be utmost in safety and comfort of the tourists by being able to provide safe and easy solutions in the form of e.g. guides (physical or virtual). The package tour markets are matured at the moment (*NOTE: means here well developed*), but there are plenty of new markets to be found. At the moment, only 12,8% of the Japanese travel overseas. Mr. Matsuda (Hankyu Travel International) highlighted that the sector needs to develop means to motivate the Japanese people to travel. Price strategy is also important. He also saw that Thailand and South-East Asia could have significant potential. The third panelist, Mr. Hirabayashi (H.I.S) highlighted that the web solutions must be taken to a better use. At the moment 50 % or a bit more of products are sold online. More customers than expected still phone or visit travel agency personally. At the same time these is a need to focus on customer niches and individual experiences.

When this same question on online bookings was asked from other panelists. Mr. Takahashi (JTB) mentioned that there is a big variation between the products, of overseas travels 18 % are pure online bookings, from all in total 30%. However, 60% are using some kind of online booking related support in different parts of their trip, but mainly attached to other communications. (*Note: The panelists did not have exact figures, these were more estimates.*) Mr Matsuda (Hankyu Travel International) said that they have 315 million customers/customer events in total, 1,1 million use some e-system the company have, but bookings made only by using online are only approx. 700 000. They aim to increase this amount.

There was also a short discussion with the audience, how the small travel agencies can survive in the future. According the panelists, the key elements could be to be close of the customers and also to specialize to niche customer groups.