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# MARKET INSIGHTS
## EUROPEAN TRAVEL COMMISSION
MARKET INTELLIGENCE GROUP

# JAPAN

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This Market Insight is one of an ongoing series of market profiles produced by the Market Intelligence Group [MIG] of the European Travel Commission [ETC]. New market profiles will be added to the series and updated at regular intervals.

The members of the MIG comprise the Research Directors of the 39 National Tourist Offices (NTOs) that are members of ETC. The group regularly commissions and publishes market intelligence studies, handbooks on methodologies and best practice, and facilitates the exchange of European tourism statistics on the 'TourMIS' web platform.

More information on ETC's programme of market intelligence activities - including links to studies and sources of European tourism statistics - can be found on the organisation's corporate website: http://www.etc-corporate.org.

## OVERVIEW

- Japan used to be the world's third largest market, in terms of spending on international tourism, according to the World Tourism Organization, but it has lost ground since the late-1990s and it fell to seventh place in 2007.
- Spending on tourism abroad (in US dollar terms) increased for the first time in four years in 2008, to US$27.9 bn (+5.3% over 2007's level). In yen, however, spending has been falling since 2006, with -5% through the first four months of 2009.
- The Japanese made 16.0 mn outbound trips in 2008, of which about 3.2 mn were to Europe, and preliminary estimates suggest that trip volume declined by over 9% in the first half of 2009.
- France and Germany are the leading destinations in Europe, followed by Switzerland, Italy (reportedly, the favourite for leisure), the UK, Spain and Austria. Turkey and Croatia are becoming increasingly important in terms of numbers.
- The Japanese outbound travel market has essentially stagnated since the late 1990s. The fact that only 23% of Japanese have travelled abroad in the last five years suggests there is plenty of scope for growth, but enthusiasm for travel (particularly among the young) seems to have waned. On the other hand, large numbers of Japanese are approaching retirement, when they should, in theory at least, have more time and inclination to travel.
- In the short term, however, an increase in trip numbers seems unlikely. The economic downturn in 2008-09 has affected the Japanese economy particularly badly, and outbound trips fell by 7.6% in 2008. The weakness of the yen, dramatically higher oil prices and fears about declining asset values (i.e. savings) exacerbated the decline in 2008, and the easing of these problems in 2009 may help to prevent a faster decline in outbound travel.

- Long-haul travel fell from 58% of total trip volume in 1998 to 45% in 2008, due to a diversion of holiday travel to less expensive destinations in the Far East and Southeast Asia and to the growing importance of business travel within the region. Numbers of trips to most long-haul destinations remain far short of their peak levels, although tour operators hope demand might pick up (or, at least, fall less sharply) in the second half of 2009.

# COUNTRY PROFILE

## Currency

- Yen (¥) €1 = ¥152 (average 2008); €1 = ¥134 (July 2009)
- During the long slide of the US dollar in 2002-08, the yen broadly followed the dollar down (weakening, therefore, against the euro, sterling, the Canadian and Australian dollars, the Chinese renminbi and many other Asian currencies). Its annual average exchange rates varied between ¥108 and ¥125 per US dollar. It then rose quickly from ¥110:US$1 in August 2008 to ¥90:US$1 in December – during a period in which the US dollar was itself rising against most other currencies. The most dramatic change was against the South Korean won, which was declining heavily at the same time. Since then, the yen has tended, erratically, to fall back a little against the US dollar. By the end of July it was trading at around ¥95:US$1.
- The yen fell steadily against the euro, with brief interruptions, from ¥120:€1 early in 2002 to ¥170:€1 in July 2008. It then rose quickly to ¥115:€1 at the end of January 2009. By the end of April it had eased to around ¥130:€1 and ended July 2009 at ¥134:€1.

## Population

- The total population in 2009 is estimated at 127 mn – 336 per km2.
- The Japanese population is now estimated to be declining by 0.1% a year, and this decline is expected to accelerate slightly over the next few years. The fertility rate (the average number of children per woman) is estimated at 1.3, well below the notional 'replacement rate' of 2.1.
- Life expectancy at birth is 83 years. Japan and Italy have the world's highest proportions of people aged over 60 (see below).
- Two thirds of the population is urban. Tokyo has a population of 8.7 mn. The other main cities are Yokohama (3.7 mn), Osaka (2.7 mn), Nagoya (2.2 mn), Sapporo (1.9 mn), Kobe (1.5 mn), Kyoto (1.5 mn), Fukuoka (1.4 mn), Kawasaki (1.4 mn), Saitama (1.2 mn), Hiroshima (1.2 mn) and Sendai (1.0 mn).

## Age

| Breakdown (%) | 2009$^{e}$ | 2020$^{f}$ |
|---|---|---|
| 0-4 years | 4.2 | 3.5 |
| 5-14 | 9.1 | 8.1 |
| 15-24 | 10.2 | 9.4 |
| 25-34 | 13.0 | 10.3 |
| 35-44 | 14.3 | 13.0 |
| 45-54 | 12.5 | 14.8 |
| 55-64 | 14.7 | 12.3 |
| 65-74 | 11.5 | 13.9 |
| 75-84 | 7.6 | 9.5 |
| 85+ | 2.9 | 5.1 |

- The population in 2009 can be broken down more simply as follows: 0-24 years: 23%; 25-59 years: 47%; over 60: 30% (compared with world averages of 45%, 44% and 11%). The median age is 45 years, much higher than the world median of 29 years.
- According to the UN's central forecast, the population will shrink by 3% between 2009 and 2020. This includes declines of 13% in those aged 0-24 and 8% in those aged 25-59. The numbers of those aged over 60 will increase by 13%.

## Ancestry & Migration

- The Japanese population is remarkably homogeneous – 99% of the population are defined as Japanese. There are 511,000 Koreans (most of whom are descendents of those who came to Japan a hundred years ago), 244,000 Chinese, 182,000 Brazilians, 90,000 Filipinos and 238,000 from other countries.
- In 2005 there were 311,000 Japanese nationals living 'permanently' abroad and 702,000 living abroad 'long term' (more than three months). There are significant communities of Japanese descent in the USA (including Hawaii), Brazil, Australia, Canada and the Pacific Coast countries of Latin America.

## Language & Religion

- The main religions in Japan are Shintoism and Buddhism. A small minority of the population are Christians.
- The national language is of course Japanese. Although most Japanese travellers have some understanding of (American) English, phonetic problems and cultural reserve can make communication difficult when both sides are speaking English as a foreign language.

## Economic Data

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| GDP (US$ bn) | 4,608 | 4,561 | 4,364 | 4,384 | 4,924 |
| Real GDP growth (%) | 2.7 | 1.9 | 2.0 | 2.4 | -0.6 |
| GDP per capita (US$) | 36,076 | 35,699 | 34,159 | 34,318 | 38,559 |
| Inflation (%) | 0.0 | -0.3 | 0.3 | 0.0 | 1.4 |
| Employment (mn) | 63.3 | 63.6 | 63.8 | 64.1 | 63.9 |
| Unemployment (%) | 5.5 | 5.1 | 4.6 | 4.6 | 5.8 |

## Japan's Economy 2008-09

- Japan is the world's second largest economy (roughly the size of Germany and France combined).
- After a prolonged period of stagnation, growth seemed to be picking up in 2004-07, but the Japanese economy has been very seriously affected by the global economic downturn in 2008-09, with shocking declines in exports and industrial production. By July, however, there were signs that the economy was stabilising and the IMF predicted that real GDP would fall by 6.0% in 2009 and recover by 1.7% in 2010. The government has committed itself to massive fiscal support and consumer confidence is recovering. However, industrial production, which had been down as much as 38% in February, was still 30% down in May, compared with the same month in 2008.
- Real incomes have been stagnating for many years. They increased slightly in 2005-07, but these increases were offset by rises in taxation and pensions contributions. Summer bonuses for company employees were cut in both 2008 and 2009. Average wages (including bonuses and overtime) fell by 2.7% between February 2008 and February 2009, while household spending fell by 3.5%.
- Consumer prices had shown the first signs in many years of increasing in 2007-08, but are now falling again (they are forecast to decline by 1.0% in 2009 and 0.6% in 2010).
- Any prosperity in recent years has been largely concentrated in the Tokyo-Osaka axis of Honshu. There is rising public concern about growing inequalities in the distribution of incomes – and especially over the increasing disparities between 'regular' workers, with long-term contracts and extensive legal protection, and 'temporary' workers, who typically earn 40% less and are less well-protected (they are bearing the brunt of the job losses in the current downturn). Temporary workers' share of employment rose from 20% in 1990 to 34% in 2007; part-time workers now account for 25% of the workforce.
- In June 2009 the Bank of Japan's quarterly Tankan survey of business confidence picked up to -48, from an all-time low of -58 in March, while its consumer confidence indicator rose from -89 to -81. These were the first increases since June 2007 and June 2006, respectively, but both indices are still strongly negative.

# TRAVEL PROFILE

## Japanese Outbound Trips

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|
| **Total ('000)** | 13,296 | 16,831 | 17,404 | 17,535 | 17,295 | 15,987 |
| % annual change | -19.5 | 26.6 | 3.4 | 0.8 | -1.4 | -7.6 |

- The Japanese were once famous for their enthusiasm for travel abroad, but this enthusiasm has waned – particularly among the younger generations. The Japanese market has essentially stagnated since the mid-1990s. In 2007-08 it was also affected by the weakness of the yen, the rise in airline fuel surcharges, and the growing sense of the threat to asset values (i.e. savings) as the financial crisis unfolded.
- JTB Foundation's (JTBF's) *Market Insights 2008* reports the breakdown of destination regions visited by Japanese outbound holiday travellers in 2007 as Europe 18%, North America 7%, Northeast Asia 30%, Southeast Asia 16%, Oceania (Australia, New Zealand and South Pacific) 4%, Hawaii, Guam and Saipan 19%, and others (South Asia, Middle East, Africa, Central/South America) 6%. Total trips to Europe may therefore be estimated at around 3.2 mn per year. The 2009 edition of the annual report is not yet available.
- The Japanese market – for both leisure and business trips – has been shifting steadily in favour of closer destinations. JTBF's *Market Insights* reports that the proportion of short-haul trips (defined as Northeast and Southeast Asia, plus Guam and Saipan) in holiday travel rose from 42% in 1998 to 55% in 2007, while the proportion of long-haul trips (including those to Europe) fell from 58% to 45%.
- Nevertheless, trips to Europe have held up relatively well. Since 1998 the number of trips (leisure and business, in this case) to Europe has increased by 4%, while those to North America have fallen by 41%, to Hawaii by 29%, to Oceania by 19% and to Saipan by 17%. Trips to Northeast Asia have risen by 86% and those to Southeast Asia by 34%. But holiday trips to Europe are estimated to have declined by nearly 10% in 2007 and by closer to 5% in 2008.
- About 90% of Japanese outbound travellers come from the island of Honshu, including over 40% from the Tokyo Metropolitan Area, 15% from the Kansai (Kyoto/Osaka) area and 12% from the Tokai (Nagoya) area.

## International Travel Expenditure (excl transport)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|
| Total (US$ mn) | 28,819 | 38,247 | 27,300 | 26,900 | 26,500 | 27,900 |
| % annual change | 8.6 | 32.7 | -27.3 | -3.3 | -1.5 | 5.3 |
| Spend per trip ($) | 2,167 | 2,272 | 1,569 | 1,534 | 1,532 | 1,745 |

Note: There was a change in methodology in 2004.

- Preliminary figures from UNWTO suggest that spending in Jan-Apr 2009 fell by 5% (in local currency terms).
- JTB Foundation (JTBF) research suggests that in 2007 holiday travellers to Europe spent ¥409,000 (€2,500) per trip and ¥55,000 (€340) per night.

## Leading Destinations

**Arrivals from Japan in key destinations ('000)**

| | | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|
| China | VF | 3,334 | 3,390 | 3,746 | 3,977 | 3,446 |
| USA | TF | 3,748 | 3,884 | 3,673 | 3,531 | 3,250 |
| - mainland | TF | 1,364 | 1,406 | 1,344 | 1,328 | 1,180 |
| - Hawaii | TF | 1,478 | 1,522 | 1,429 | 1,338 | 1,225[e] |
| - Guam | TF | 906 | 955 | 925 | 915 | 864 |
| South Korea | VF | 2,443 | 2,440 | 2,339 | 2,236 | 2,378 |
| Thailand | TF | 1,182 | 1,182 | 1,293 | 1,249 | 1,136[e] |
| Taiwan | VF | 886 | 1,122 | 1,160 | 1,164 | 1,085 |
| Hong Kong | TF | 747 | 811 | 874 | 846 | 817 |

| | | | | | | |
|---|---|---|---|---|---|---|
| France | TF | 642 | 735 | 671 | 708 | 630[e] |
| Germany | TCE | 715 | 730 | 760 | 662 | 598 |
| Australia | VF | 710 | 685 | 651 | 573 | 457 |
| Indonesia | TF | 653 | 511 | 433 | 517 | na |
| Canada | TF | 414 | 424 | 386 | 331 | 276 |
| Switzerland | THS | na | 335 | 347 | 324 | 278 |
| Italy | TF | 309 | 281 | 323 | 321 | 284 |
| UK | TF | 347 | 332 | 342 | 308 | 239 |
| Spain | TF | 151 | 181 | 255 | 356 | 238 |
| Austria | TCE | 257 | 279 | 268 | 229 | 208 |
| Turkey | TF | 62 | 112 | 119 | 160 | na |
| New Zealand | VF | 165 | 155 | 136 | 122 | 102 |
| Croatia | TCE | 23 | 33 | 65 | 86 | 144 |

Note: These figures represent arrivals as reported by the destinations according to standard UNWTO definitions – TF = tourists at frontiers; VF = visitors at frontiers; TCE = international tourists at all forms of commercial accommodations; THS = international tourists at hotels and similar establishments.

- Arrivals in individual European countries have fluctuated considerably in recent years, but are very roughly on the following scale:

| | |
|---|---|
| >500,000 | France, Germany |
| 250,000-350,000 | Austria, Italy, Spain, Switzerland, UK |
| 100,000-150,000 | Belgium, Croatia, Czech Republic, Finland, Greece, Netherlands, Turkey |
| 50,000-100,000 | Hungary, Norway, Portugal, Russia |
| 25,000-50,000 | Denmark, Poland, Sweden |
| 10,000-25,000 | Bulgaria, Iceland, Ireland, Romania, Slovakia, Slovenia |
| 5,000-10,000 | Estonia, Latvia, Lithuania, Monaco, Malta |
| <5,000 | Albania, Belarus, Bosnia, Cyprus, Liechtenstein, Luxembourg, Macedonia FYR, Montenegro, San Marino, Serbia, Ukraine. |

- France has overtaken Germany as Europe's leading destination out of Japan, and Italy has overtaken the UK. Although the numbers do not reflect the trend, Japanese tour operators say that Italy is the preferred destination for older and younger Japanese females and is the only European destination frequently requested as a single destination for leisure trips to Europe.
- Spain has been gaining ground. Note also the emergence of Turkey and Croatia as major destinations.

## Purpose of Trip

| **Main purpose of trip (%)** | **All trips 2005** | **Trips to Europe 2005** | **All trips 2006** |
|---|---|---|---|
| Leisure/holidays | 67.1 | 68.4 | 67.6 |
| Honeymoon | 2.0 | 2.7 | 2.3 |
| VFR | 5.9 | 6.1 | 6.2 |
| Business | 14.6 | 10.9 | 12.2 |
| Training/inspection/technical | 1.7 | 1.9 | 2.4 |
| Conference | 1.6 | 2.9 | 1.7 |
| Study/school trips | 1.0 | 1.6 | 1.3 |
| Other | 4.0 | 4.1 | 4.3 |
| No answer | 2.0 | - | 1.9 |

Note: Trips to Europe include the Asian part of Russia

- VisitBritain found that in 2007 46% of trips to the UK were holidays, 28% business trips, 14% VFR and 12% study and other. The numbers of business, VFR and study visitors have been broadly stable in recent years.
- In 2005-07, 71% of holiday trips to Europe were touring holidays, 21% city breaks, 2.5% beach holidays and 8% others.

## Nature of Trip

- The average length of trip rose to 6.1 nights in 2007, against a longer-term trend favouring the growth of short-haul at the expense of long-haul travel. Business trips are a little longer; leisure trips shorter.
- In 2007, 31.5% of Japanese outbound holiday trips lasted 2-4 days, 41% 5-7 days, 23% 8-11 days and 4% 12 days or more. In recent years, average length of trip has tended to fall quite rapidly (in 1998 only 21.5% of trips lasted 2-4 days and 43% lasted 8 days or more). Trips to Europe tend to be longer: 5% 2-4 days, 27% 5-7 days, 52% 8-11 days and 16.5% 12 days or more, in 2007.
- Over 60% of Japanese outbound trips are now to a single destination. However, for trips to Europe (including Russia), multiple destinations still predominate: around 60% are to three or more destinations, 18% to two destinations, and only 22% to a single destination. Italy and the UK are the main exceptions to this rule of thumb: VisitBritain reports that in 2007 59% of trips from Japan were to the UK only, and 41% included trips to other destinations.
- Length of stay in individual European countries is therefore relatively short. VisitBritain reports that visits to the UK are predominantly of 1-7 nights. Visits to smaller countries tend to be even shorter.

## Seasonality

**Month of outbound trips, average 2006-08 (%)**

| Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 8.1 | 8.2 | 9.1 | 7.4 | 7.8 | 8.0 | 8.3 | 9.6 | 8.8 | 8.5 | 8.3 | 7.9 |

**Holiday entitlement**

The Japanese tend to be sparing with their holidays. The Ministry of Health, Labour and Welfare reports that workers were granted an average of 18 days paid holidays in 2005, but that they used only 8.4 days.

**Public holidays**

**2009:** 1 Jan, 12 Jan, 11 Feb, 20 Mar, 29 Apr, 3-5 May, 20 Jul, 21 Sep, 23 Sep, 12 Oct, 3 Nov, 23 Nov, 23 Dec.
**2010:** 1 Jan, 11 Jan, 11 Feb, 20 Mar, 29 Apr, 3-5 May, 19 Jul, 20 Sep, 23 Sep, 11 Oct, 3 Nov, 23 Nov, 23 Dec
Though not formally a holiday, Christmas (24-25 Dec) is also celebrated.

- The principal national holiday periods include New Year (28 Dec-4 Jan), the 'Spring Break' (20 Mar-5 Apr), 'Golden Week' (28 Apr- 6 May) and the summer holidays (20 Jul-31 Aug, and encompassing the 'O-bon' festival, held in mid-July or mid-August according to local preferences). All these dates are approximate.

## Accommodation

- Holiday/leisure travellers generally prefer three-star or even higher category hotels (student travellers generally use lower-grade hotels, while young Japanese ladies in their 20s and 30s prefer greater luxury – four- or five-star hotels. However, guesthouses, bed & breakfasts and other forms of accommodation may also be used. The Japanese require baths (showers are not considered sufficient) and rooms with twin (i.e. separate) beds, even for married couples.
- Nevertheless, JTBF's research suggests that holidaymakers' preferences for expensive accommodation has declined since 2002, with more choosing mid-range and budget accommodation.

## Leisure / Recreational Activities

- **On outbound trips generally, 2005 (%[a])**
  Natural and scenic attractions 66%, shopping 66%, gourmet sampling 52%, historic and cultural attractions 50%, rest and relaxation 33%, art galleries and museums 30%, beauty treatments and massage 19%, swimming 14%, theatre, concerts and movies 11%, nightlife 10%, theme parks 9%, visiting family and friends 6%, driving 5%, scuba diving 5%, hiking, mountaineering 5%, gambling 4%, golf 3%, wedding ceremony 2%, fishing, skiing, tennis and other sports 5%, spectator sports 1.5%, others 4%.
- **On trips to Europe, 2005 (%[a])**
  Natural and scenic attractions 83%, shopping 60%, gourmet sampling 39%, historic and cultural attractions 86%, rest and relaxation 16%, art galleries and museums 77%, beauty treatments and massage 2%, swimming 1%, theatre, concerts and movies 20%, nightlife 6%, theme parks 2%, visiting family and friends 6%, driving 3%, hiking, mountaineering 6%, gambling 1%, golf 0.4%, wedding ceremony 1%, fishing, scuba diving, skiing, tennis and other sports 2%, spectator sports 3%, others 2%.

- VisitBritain reports that the Japanese are less likely than other visitors to go to a pub, nightclub or sports event, less likely to walk in the countryside, and less likely to socialise with local people, and more likely to visit heritage sites, museums, art galleries, parks and gardens.

- **Aspirational destinations**
  According to Wave 3 2008 of the Anholt-GfK-Roper (formerly Anholt-GMI) Nation Brands Index, the top ten aspirational destinations for the Japanese are:
  1 Italy
  2 Switzerland
  3 France
  4 UK
  5 Australia
  6 Canada
  7 New Zealand
  8 Germany
  9 Sweden
  10 Spain

# PROFILE OF TRAVELLERS

## Nature of Outbound Travellers

- In 2007, 56% of outbound travellers were male and 44% female. Europe, and particularly Italy, attracts a higher share of females. Business visitors are predominantly male.
- In 2005, 66% of outbound travellers were taking their only trip in the previous 12 months. 20% made two trips, 7% three trips and 7% four or more trips. The average number of trips in the period was 1.6.
- In 2005, 4.6% of travellers were first-time travellers. 14% had previously travelled 1-2 times, 14% had travelled 3-4 times, 19% had travelled 5-8 times, and 47% had travelled 9 or more times. However, 53% of travellers to Europe were first-time visitors to Europe. But leisure travellers to Europe are more likely to be repeat visitors (in 2007, for instance, only 25% of holiday travellers to Europe were on their first trips there).

## Age of Outbound Travellers

| % of outbound departures, 2007 | Males | Females | Total |
|---|---|---|---|
| 0-9 years | 2.7 | 3.3 | 3.0 |
| 10-19 | 3.8 | 6.1 | 4.8 |
| 20-29 | 11.6 | 23.4 | 16.8 |
| 30-39 | 21.7 | 20.7 | 21.2 |
| 40-49 | 22.4 | 12.7 | 18.1 |
| 50-59 | 20.2 | 15.8 | 18.3 |
| 60+ | 17.7 | 18.0 | 17.8 |
| Total | 100.0 | 100.0 | 100.0 |

- JTBF reckons that, of the 98 mn people in Japan over 20 but under 80 years old in 2007, 23.3 mn had travelled abroad at least once in the last five years, and these 23.3 mn people made 15.2 mn trips in 2007.
- For men, the highest departure ratios (the ratios of departures to total populations, expressed as percentages) in 2007 were for those in their 40s (26.6%), 30s (21.6%) and 50s (20.4%). Many of these men are business travellers. For women, it was for those in their 20s (23.6%) and 30s (16.4%). The focus of the Japanese market continues to shift from young people to older people. The only age segments to have shown any growth since 2000 are men and women in their 40s and the over 60s. The departure rates for men and women in their 20s and 30s are falling rapidly. Note that, although male travellers generally outnumber female travellers, female travellers in their teens and 20s heavily outnumber their male counterparts.
- Large numbers of 'baby boomers' (born in 1947-49) are coming up to retirement age, and may travel more. Those aged 55-59, however, may curtail their travel because their retirement age has recently been set back until 65. Some observers reckon that these factors were already powerful factors in 2007-08.

## Travel Companions

- In 2007, 11% of outbound holiday travellers were travelling alone. 47% were accompanied by their husband or wife, 16 by their children or grandchildren, 8% by their parents and grandparents and 5.6% by other family members (a total of 59.5% were travelling with family). 30% were travelling with friends, and 4% travelling with other people.
- Among holiday travellers to Europe in 2005-07, 10% were travelling alone, 62% with family, 29% with friends and acquaintances, and 2% with others.
- However, VisitBritain reports very different proportions for all Japanese travellers to the UK in 2007: 40% were travelling alone, 15% as couples (including 3% with children), 8% with other family members (adult or children), 7% with friends, 11% with business colleagues and 19% in tour groups. Japanese are much more likely than other visitors to be travelling in a tour group, and less likely to be travelling as a couple.

# AIR TRANSPORT

## Airports

- The principal international airports are Tokyo Narita (NRT), Kansai (KIX, serving the Kyoto/Osaka area), and Chubu (NGO, formerly known as Nagoya). 25 other international airports are listed.
- Capacity at Tokyo is saturated, but will be expanded by 30% in 2010: Narita (which caters mainly for international flights) will be able to handle 220,000 aircraft movements per year (up from 200,000), while Haneda (which currently caters mainly for domestic flights) will handle up to 60,000 international movements per year.
- 14 airports in Europe are served by direct scheduled flights from Japan: London (LHR), Paris (CDG), Frankfurt (FRA), Munich (MUC), Amsterdam (AMS), Milan Malpensa (MXP), Rome Fiumicino (FCO), Helsinki (HEL), Zurich (ZRH), Vienna (VIE), Copenhagen (CPH), Istanbul (IST), Moscow Domodedovo (DME) and Moscow Sheremetyevo (SVO).

## Airline Traffic / Capacity

- In April 2009, according to SRS Analyser, 14 airlines operated 214 weekly flights from Japan to Europe (in one direction, and excluding Russia in Asia), with a capacity of 65,317 seats.
- Capacity has been gradually reduced in recent years: the number of seats in April 2009 was 6% fewer than in October 2008, 5% fewer than in April 2008, 7% fewer than in July 2006, and 11% fewer than in July 2005. The principal change since October 2008 has been the withdrawal of one of British Airways' two daily flights between Tokyo Narita and London Heathrow.

**Airlines operating non-stop services from Japan to Europe, April 2009**

| Airline | Alliance | Flights | Seats | Originating airports | Destination airports |
|---|---|---|---|---|---|
| Japan Airlines | OneWorld | 52 | 17,890 | NRT 7, NGO 7 | CDG 14 |
| | | | | NRT 28 | LHR 14, AMS 7, FRA 7 |
| | | | | NRT 12 | MXP 4, DME 3. FCO 3 |
| Air France | SkyTeam | 27 | 7,790 | NRT 20, KIX 7 | CDG 27 |
| Lufthansa | Star | 26 | 7,787 | NRT 14, KIX 7, NGO 5 | FRA 19, MUC 7 |
| All Nippon | Star | 21 | 6,407 | NRT 21 | CDG 7, FRA 7, LHR 7 |
| KLM | SkyTeam | 14 | 4,108 | NRT 7, KIX 7 | AMS 14 |
| Alitalia | SkyTeam | 14 | 4,074 | NRT 10, KIX 4 | FCO 11, MXP 3 |
| Finnair | OneWorld | 12 | 3,293 | NRT 4, KIX 5, NGO 3 | HEL 12 |
| British Airways | OneWorld | 7 | 2,457 | NRT 7 | LHR 7 |
| Aeroflot | SkyTeam | 7 | 2,177 | NRT 7 | SVO 7 |
| Virgin Atlantic | — | 7 | 2,177 | NRT 7 | LHR 7 |
| Turkish | Star | 7 | 2,045 | NRT 4, KIX 3 | IST 7 |
| Swiss | Star | 7 | 1,750 | NRT 7 | ZRH 7 |
| SAS | Star | 7 | 1,694 | NRT 7 | CPH 7 |
| Austrian Airlines | Star | 6 | 1,668 | NRT 6 | VIE 6 |

Note: for airport codes, see above (under 'Airports'). The numbers after the codes represent the number of flights from/to each airport.

- Japanese travelling on tight budgets often prefer to travel to Europe on lower-cost, indirect flights via the Middle East or other points in Asia. The UK, for instance, reports significant arrivals on Korean Air, Cathay Pacific and Asiana flights.
- Japan has so far seen little growth in LCC flights (partly because of the capacity constraints at Tokyo Narita and Haneda). This should change when the new capacity at these airports becomes available.

# TRAVEL PLANNING & BOOKING

## Travel Formalities

- Japanese tourists do not require visas for any EU member country or for most other countries in Europe.

## Travel Decisions

**Timing of travel bookings, 2005 (%)**

| | Leisure/holiday | VFR | Business | All trips |
|---|---|---|---|---|
| 1 week before | 2 | 3 | 21 | 5 |
| 1-2 weeks before | 7 | 10 | 34 | 11 |
| 2 weeks – 1 month before | 25 | 29 | 29 | 25 |
| 1-2 months before | 37 | 33 | 10 | 32 |
| 2-3 months before | 18 | 14 | 2 | 15 |
| 3 months or more before | 10 | 8 | 1 | 10 |
| No answer | 1 | 3 | 4 | 2 |

Notes: Leisure/holiday, VFR and business trips strictly defined (see 'Purpose of trip'). 55% of honeymoon trips were booked two months or more in advance. Planning a trip usually begins at least 2-3 months before departure – i.e. long before the actual arrangements and bookings.

- Trips to Europe tend to be booked earlier. Overall, only 21% were booked within a month of travel, 34% were booked 1-2 months before, 28% 2-3 months before and 16% 3 months or more before travel.

## Booking Methods

| Outbound trips, 2005 (%[a]) | Leisure/holiday | VFR | Business | All trips |
|---|---|---|---|---|
| Travel agencies/tour operators | 34 | 26 | 16 | 31 |
| Mail order/telephone | 20 | 10 | 22 | 19 |
| Internet | 38 | 54 | 16 | 35 |
| Airline | 5 | 10 | 4 | 5 |
| Others | 3 | 4 | 18 | 6 |
| Don't know | 10 | 9 | 28 | 13 |

Notes: Leisure/holiday, VFR and business trips strictly defined (see 'Purpose of trip'). Multiple responses possible. 62% of honeymoon trips were booked at travel agencies. Anecdotal reports suggest that most business trips are arranged by companies' own travel departments.

- Bookings via the travel trade accounted for 86% of outbound holiday trips to Europe in 2005-07. 57% were full packages (including meals, pre-arranged sightseeing and escort), and 65% were free, skeleton and custom arrangements. The remaining 14% were direct bookings. These proportions are very different to those of bookings to all other major regions, where full packages represent only 5-25% of bookings. The full packages tend to be preferred by the older generations.
- However, VisitBritain notes that the Japanese are becoming more confident about making their own travel arrangements, instead of taking a package tour. In 1993 almost half of all visitors to UK from Japan were using an arranged package, but by 2006 this proportion had fallen to a fifth of all visitors – still well above the average for all visitors to the UK.

- The use of travel agencies/tour operators declines steadily with travel experience, and the use of the internet rises. Women also tend to book more often using the internet, while elderly people tend to use the telephone.
- The use of the internet for holiday bookings rose only slightly in 2007, to 35% – restrained, perhaps, by the decrease in travel by the young (who tend to use the internet more) and by the increase in package tour bookings.
- Since the majority of Japanese travellers rely on travel agents to plan their travel arrangements, the travel agents exert enormous influence over travellers' choice of destinations. However, media sales – sales driven by newspaper advertising or database marketing campaigns – are increasingly popular.

## Information Sources

- The Japanese seem to be even more addicted to the media than most modern societies and research their travel options avidly. TV, newspapers, lifestyle magazines and the internet are all very influential. 80% of adults read a newspaper every day and buy an average of over 30 magazines a year. TV advertising tends to be expensive and newspapers, magazines, tour brochures and travel posters are more commonly used for travel promotion.
- JTBF reports that the information sources for holiday trips in 2007 were: travel agencies 37.5%, travel agency pamphlets 51%, travel guidebooks 60.5%, the internet 78%, friends and relatives 16.5%, mass media 11%, airline and railway companies 9%, and national and regional tourist boards 18%. The use of the internet and tourist boards has been increasing, while the use of travel agencies and their pamphlets and the mass media has been declining. Travellers to Europe use guidebooks, mass media, airlines and railways, and tourist boards more often, and the internet less often.
- Among internet users, a GMI survey undertaken in 2005 found the preferred methods of obtaining travel information were web search (53%), personal recommendation (52%), travel agencies (33%), TV (26%), newspapers (12%) and other methods (7%).

## Internet & Media

- According to Internet World Statistics, there were 94 mn internet users in Japan in March 2009 (73.8% of the population). Nielsen Online found 50 mn active home users in January 2009. Of 6.8 bn searches in that month, 51% reportedly used Yahoo and 38% Google.
- Unusually among OECD markets – but not surprising given the sophistication of Japanese mobile technology and the high use of cell phones – consumers are as likely to access the internet from their mobiles as they are from a PC. 95% of consumers have a cell phone – and they readily adopt the latest mobile technologies. The Ministry of Internal Affairs and Communications reports that, in 2005, there were 80.1 million mobile phone internet access subscribers, and that 94% of email users accessed their accounts through a PC and 88% through a mobile phone. Flytxt.com points out that, in a society in which everybody always seems to be going somewhere, mobile phones are practical essentials and PCs are used for hobbies.
- JTBF reports that, in 2005, among travellers who were also internet users, 52% used the internet to book airline tickets, 4% to book other transport abroad, 44% to book hotels, 40% to book package tours and 4% to book theatre and concert tickets. However, compared with other leading world outbound travel markets, Japanese online travel is still considered to be in its infancy.

# TRAVEL TRADE PROFILE

## Structure of the Travel Trade

- Japan has a tightly regulated travel industry with high levels of consumer protection. Travel agencies must be registered with the Minister of Land, Infrastructure and Transport.
- There are more than 800 tour operators registered in Japan, but the top 12 are said to represent 72% of the outbound travel market. The Overseas Tour Operators Association of Japan (OTOA), in April 2008, had 134 members and 71 associate members.
- Japan also counts about 11,000 travel agencies, including more than 6,000 are 'third-level' agents that have no rights to offer wholesale packages. The Japanese Association of Travel Agencies (JATA) counts 1,249 active members. Although the market is apparently fragmented, the major travel companies are vertically integrated and very influential.
- All wholesalers compete for retail business and most wholesalers have a 'same-name' retail chain, which operates with relative autonomy. These retail outlets sell their own packages and other brands. The growing sophistication and fragmentation of the consumer market is forcing the travel trade to become more specialised and responsive to individual consumers' requirements.
- Most of the large Japanese travel agencies operate their own inbound tour companies in Europe. These inbound tour operators buy products, operate tours and provide product information for their parent companies. They also handle the ground arrangements for their clients and contracting with hotels, as well as being responsible for evaluating new products and services that are suitable for the Japanese market.

## Retail Travel Agencies

**Leading Japanese travel agencies (ranked by size), 2006**

| Agency group | Package brands |
|---|---|
| JTB/JTB World Vacations | Look JTB, Tabimonogatari, Royal Road, etc |
| Hankyu Express International | Trapix, e-very |
| HIS (formerly Hideo's International Services) | Ciao, Impresso, Elegante |
| Kinki Nippon Tourist | Holiday |
| Nippon Travel Agency | Mach |
| Nippon Express Company | Look World |
| JALPAK (Japan Airlines) | I'll, AVA |
| Nissin Travel Service | - |
| ANA Sales (All Nippon Airways) | ANA Hallo |

# KEY TRENDS AND FORECASTS

## Key Characteristics of Japanese Outbound Travellers

- The profile of Japanese travellers has been ageing rapidly. Young people are shrinking in number, and are increasingly reluctant to travel abroad on their own account, partly for social reasons, and partly because they lack confidence in their employment prospects. However, there are growing numbers of affluent retirees with the time and financial resources to travel.
- Business travellers tend to be male and leisure travellers female and/or retired. Family groups are also important (including mothers and their adult daughters, and grandmothers and their granddaughters) and, for Europe, young women in their 30s and older women aged 50 years or more.
- Average length of trip has been falling rapidly, but the distance and cost of trips to Europe naturally favours longer, multi-destination trips.
- Leisure travellers generally prefer three-star hotels or better, and business travellers at least four-star.
- Group and package travel remains important, but independent travel is becoming more so, especially for trips to Europe and among travellers with plenty of previous experience.

- Japanese travellers to Europe are strongly motivated by natural and scenic attractions (including gardens). They also place importance on historic and cultural attractions (including art galleries and museums) and on sampling local cuisines. Apart from symbolic mementoes, the shopping motive has waned, except among young single females.
- The Japanese are extremely sensitive to health issues – as illustrated by their reaction to food safety problems in China in 2007. Although they enjoy the longest life expectancy among OECD countries, their self-reported health is the second lowest among these countries (only the Slovaks' is lower).
- Safety is also a major concern: the threat of terrorism is thought to have been a significant factor – second only to economic concerns – in the decline in long-haul travel in recent years.
- Japanese travellers require a good deal of specialist attention. Language and cultural difficulties abound. The Japanese appreciate good manners (and their concepts of good manners differ from those of Europeans), attention to details and small touches, and presents.

## Short-term Prospects

- With the exception of travel to neighbouring countries – notably China and South Korea – the Japanese outbound travel market has continued to decline. The momentum gained in April through the drop in airline fuel surcharges and the strong yen has stalled.
- The loss of momentum is also partly attributed to the impact of the H1N1 influenza virus, which reportedly contributed to a 21% drop in outbound travel bookings for the month of June 2009. A recovery in travel to Asian destinations was forecast for July, but actual trends are not yet available. In mid-July, advance bookings for August looked slow. but a string of five consecutive holidays in September has provided a large boost for all destinations in that month, including Europe (+43% as at 15 July).
- However, given the economic situation, the prospects are for further declines in outbound travel in 2009 and 2010, although the strengthening of the yen, the decline in international oil prices, and the recovery in asset prices may offer some relief. There will also be new airport capacity to fill in 2010.
- Although overall spending per trip appears to have risen quite sharply in recent years, spending per trip to long-haul destinations appears to have fallen, and there is not yet much evidence of a reversal in this trend. Nevertheless, Japanese remain the biggest spenders per trip on outbound travel worldwide, according to IPK International's World Travel Monitor.
- Leisure travel has been falling steadily in recent years, but in 2009-10 business travel (which was very buoyant in 2007-08) is being especially hard-hit.
- Retiring 'baby boomers' (born in 1947-49) may travel more. Those aged 55-59, however, are curtailing their travel because their retirement age has been set back until 65.
- The number of newly-weds taking their honeymoons abroad is declining – both because of a decline in the number of weddings, and because of changing preferences and lifestyles. The numbers of students is declining, and student travel rates, which had been rising rapidly, have turned down in the last few years. This does not augur well for the travel industry, since students and honeymooners who travel abroad are more likely to travel abroad in later years.
- However, there are signs that educational travel could pick up as young Japanese are eager to improve their knowledge as a means of securing their future, and research by the JTBF shows that demand for study tours and the like are increasing.
- Younger, unmarried women in their 30s and early 40s, who enjoyed travelling abroad in their 20s in the 1990s, are an important market, since many live at home with their parents and have few living expenses. But there was a sharp drop in women over 50 travelling to Europe in 2007.
- The expansion of low-cost airlines has favoured travel to shorter-haul destinations, and this trend is likely to continue in the short to medium term – to the detriment of long-haul destinations. In particular, the availability of cheap flights to China, introduced largely to cater for business frequent travellers, also makes China a very competitive leisure destination.
- Some European destinations, such as Italy and France, will continue to remain popular among Japanese females in their 30s and, to a lesser extent, their 20s – largely for designer shopping – but these are in the minority.
- Europe is seen as a mature destination for Japanese travel. Some NTOs are therefore developing diversification strategies to encourage repeat travel, with mixed success.

# NOTES

a Multiple responses possible/percentages add up to more than 100%
e Estimates
f Forecasts

# SOURCES OF INFORMATION

**Principal statistical sources (by section):**

- **Country Profile:** International Monetary Fund; Organisation for Economic Co-operation & Development; United Nations Department of Economic & Social Affairs Population Division.
- **Travel Profile:** Japan Travel Bureau Foundation (JTBF); Japan Tourism Marketing Company (JTMC); Ministry of Justice Statistics on Immigration Control; World Tourism Organization (UNWTO); Anholt-GfK Roper Nation Brands Index; VisitBritain; German National Tourist Board (DZT).
- **Profile of Travellers:** JTBF; VisitBritain; The Travel Business Partnership (TBP) from various industry sources.
- **Air transport/Airlines:** JTBF; SRS Analyser.
- **Travel Planning and Booking:** JTBF; VisitBritain; *eMarketer*; VisitBritain; ETC *New Media Trend Watch*; TBP
- **Travel Trade Profile:** Japan Association of Travel Agents (JATA); JTBF; VisitBritain; TBP.

**ETC's Market Intelligence Group would again like to acknowledge the significant contribution made by the Japan Travel Bureau Foundation to this Japan market profile.**

# FURTHER INFORMATION

| | |
|---|---|
| Japanese Association of Travel Agencies (JATA): | www.jata-net.or.jp/english |
| Overseas Tour Operators Association of Japan (OTOA): | www.otoa.com/english |
| Japan Tourism Marketing Company: | www.tourism.jp/english |
| Japan Tourism Agency | http://www.mlit.go.jp |
| Japan National Tourism Organization(JNTO): | www.jnto.go.jp |
| Japan Travel Bureau Foundation (JTBF): | www.jtb.or.jp |

# CONTACT DETAILS

## ETC Executive Unit

Lisa Davies
Co-ordinator ETC Market Intelligence Group (MIG)
European Travel Commission
19A Avenue Marnix (PO Box 25)
1000 Brussels
Belgium
Tel: +32 (0) 2 548 9000
Fax: +32 (0) 2 514 1843
Corporate website: www.etc-corporate.org
Email: info@etc-corporate.org

## ETC Japan Operations Group

Catherine Oden
c/o Atout France - Agence de Développement Touristique de la France
Round Cross Akasaka 9F
2-10-9 Akasaka Minato-ku
Tokyo 107-0052
Japan
Tel: +81 (3) 35.82.69.65
Fax: +81 (3) 35.05.28.73
Email: catherine.oden@franceguide.com