

Japan's Inbound Tourism Market & Efforts to Attract 40 Million Visitors



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Current State of Inbound Tourism to Japan

Since 2012, Japan has pursued bold reforms aimed at increasing the number of foreign travelers visiting Japan, including a strategic relaxation of visa restrictions, an expanded system of consumption tax exemptions for foreign travelers, an enhanced immigration control system, and an improved aviation network.

As a result, the number of foreign travelers visiting Japan in 2016 increased 21.8% year on year to 24.04 million people, the highest number of visitors to Japan since Japan National Tourism Organization (JNTO) began keeping statistics in 1964. Indeed, the number of travelers grew at a high rate of more than 20% for five straight years, propelling Japan to 16th in the world for number of foreign travelers in 2015, according to the World Tourism Organization (UNWTO).

The number of foreign visitors to Japan in 2016 was the highest ever recorded for 19 of the top 20 source markets (the exception being Russia). This increase was driven, in particular, by China, South Korea, and Taiwan; adding Hong Kong, travelers from the four markets of East Asia increased 23.1% year on year to 17.47 million people and accounted for 73% of the total (Chart 1). From East Asia, a major source market for Japan, China broke the six-million level in recording its highest number ever with 6.37 million people. South Korea and Taiwan also recorded their highest levels ever, breaking the five-million and four-million marks for the first time with, respectively, 5.09 million and 4.17 million people. In addition, Hong Kong, the world's fourth-largest source market for travelers to Japan, recorded its highest-ever

totals for every month in 2016, reaching 1.84 million people for the year.

The six major cities in rapidly growing Southeast Asia recorded 2.51 million people for year-on-year growth of 21.3%, while in individual markets Indonesia recorded the highest rate of growth of any major market at 32.1%. Going forward it is hoped that the high rate of growth in these markets will be sustained, bringing them to a scale rivaling the nine markets in Europe, the Americas, and Australia. These nine markets, meanwhile, have grown to approach the three-million level with 2.96 million people for year-on-year growth of 17.7%.

The number of Japanese traveling overseas grew rapidly from the late 1980s into the 1990s and reached 18.49 million people in 2012. Since then, however, it has trended between the 16- and 17-million level due to a weaker yen and a reduction in visits to neighboring countries.

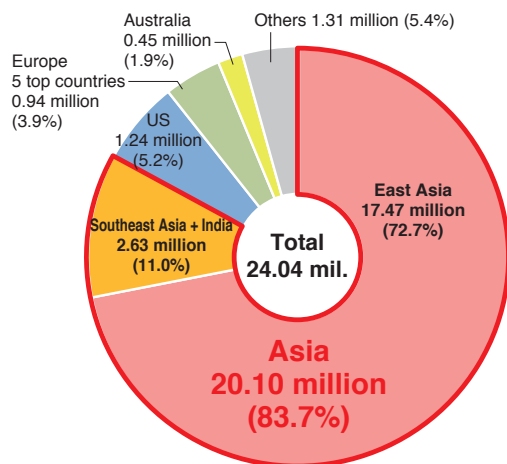
Conversely, the number of foreign travelers to Japan, which had plateaued from the 1990s through the early 2000s, rose greatly after the government launched its Visit Japan Campaign in 2003, the result of an increased number in flights sparked by the growth of low-cost carriers (LCC) and the relaxation of visa and airline regulations, and despite inhibiting factors such as terrorism, economic crises, and the spread of infectious diseases. The result was that in 2015 the number of foreign travelers visiting Japan exceeded the number of Japanese traveling overseas for the first time in 45 years. Industry groups in Japan have been working to promote overseas travel by Japanese citizens as a way to expand bilateral exchanges, but for now it seems that the discrepancy between inbound and outbound numbers is only likely to widen further.

Attendant to the rise in the number of foreign travelers to Japan, 2016 recorded the largest-ever annual figure for cumulative foreigner guest nights at 69.39 million. This represents a three-fold increase since the Japan Tourism Agency (JTA) began tracking statistics for overnight travel in 2007. Looking at cumulative foreigner guest nights for 2016 by prefecture in absolute terms, Tokyo accounted for just over one-quarter of the total, followed by Osaka, Hokkaido, Kyoto, and Okinawa; growth in outlying areas far exceeded that in the three major metropolitan areas.

Looking at guest nights by source market, Chinese travelers are concentrated in four prefectures in the Kinki region, the four prefectures of the Tokai region, six prefectures around the Tokyo area, and Hokkaido, while the percentage of guest nights for Korean travelers is high in Kyushu (except Kagoshima) as well as Yamaguchi, Tottori, and Okinawa prefectures. Travelers from Taiwan stayed in 20 prefectures concentrated in the Tohoku, Hokuriku, Chugoku, and Shikoku regions. In this way, regional distributions show clear distinctive characteristics by source market. Hiroshima, on the other hand, stands out as the only

CHART 1

Source markets in 2016



Source: Numbers based on Japan's top 20 inbound markets, JNTO

prefecture where the European, American, and Australian markets are predominant. Other prefectures where European, American, and Australian guest nights are relatively high include prefectures such as Kyoto, Tokyo, Kanagawa, and Tochigi that have World Heritage sites and other tourism resources that are broadly known in Western markets.

According to the Consumption Trend Survey for Foreigners Visiting Japan conducted annually by the JTA, consumption by foreign visitors to Japan during their stays totaled 3.75 trillion yen annually, or 155,896 yen per person. Consumption by foreign visitors to Japan has expanded with the steady increase in the number of travelers to Japan, growing roughly 1.8 times in the three years beginning in 2014. The total amount exceeds the value of automobile component exports from Japan to overseas. Since October 2014, the government has also gradually expanded the system of consumption tax exemptions for foreign travelers, making it possible for those who have purchased at least 5,000 yen in general merchandise or consumables to take advantage of tax exemptions using a simplified procedure. There are more than 40,000 duty-free shops throughout Japan, with the amount spent, even just on large purchases that benefit the most from the tax exemption system, reaching 1.43 trillion yen.

The three largest markets in terms of traveler consumption are Australia, China, and Spain; except for China with its conspicuously high spending on shopping, expenditures are generally highest for the United States and European countries whose travelers stay for longer periods of time.

Efforts to Become an Advanced Tourism Country

In November 2015, as reaching the goal of 20 million foreign travelers visiting Japan was in sight, the government formed the Council for the Development of a Tourism Vision to Support the Future of Japan. The council positioned tourism as a trump card for regional revitalization and a pillar of the government's growth strategy for reaching a GDP of 600 trillion yen. Confirming the goal of making Japan an "advanced tourism country" through a national effort to nurture tourism as a key industry, in March 2016 the council drew up its Tourism Vision to Support the Future of Japan, which clearly defines three basic visions and 10 reforms to be undertaken.

Specifically, these include 1) maximizing the attractiveness of and more actively utilizing outstanding tourism resources such as nationally-owned public facilities, cultural properties, and national parks in order to foster inbound tourism to areas outside the three major metropolitan areas and as a foundation of regional revitalization; 2) fostering innovation in the tourism industry and increasing international competitiveness by reevaluating old regulations, taking a management perspective in revitalizing tired tourist spots, and opening new markets in Europe and the Americas; and 3) creating an environment in which tourists can enjoy stress-free sightseeing anywhere in the country and enjoy the most pleasant stays anywhere in the world. The government's vision for tourism establishes four major numerical targets related to foreign travelers in Japan based on successes to date (*Chart 2*). The new targets relate not only to the number of international visitors and how much they spend but also to the total number of guest nights spent outside the three major metropolitan areas (just under three times the 2015 level) and the number of international repeat visitors (60% of total). Notable, too, is the establishment of numerical targets not only for the immediate goal of 2020 but also for 2030, and the

CHART 2

New targets towards 2020 & 2030

New Targets			
	2016	2020	2030
International visitors	24.04 million	40 million	60 million
Tourist spending	3.75 tril. yen (\$37 bil.)	8 tril. yen (\$80 bil.)	15 tril. yen (\$150 bil.)

Rate: 1 = 100 yen

Source: JNTO

relatively high targets overall compared to current levels.

The government has drawn up the Tourism Vision Realization Program 2016 as an action plan for achieving these ambitious goals and seeks to realize its vision for tourism by following up on the numerous measures it incorporates. In addition, the government has also decided to establish a cross-agency Task Force for Tourism Strategy Execution and Promotion to carry out and promote these measures and to draw up and execute the three bold primary measures that serve as new pillars.

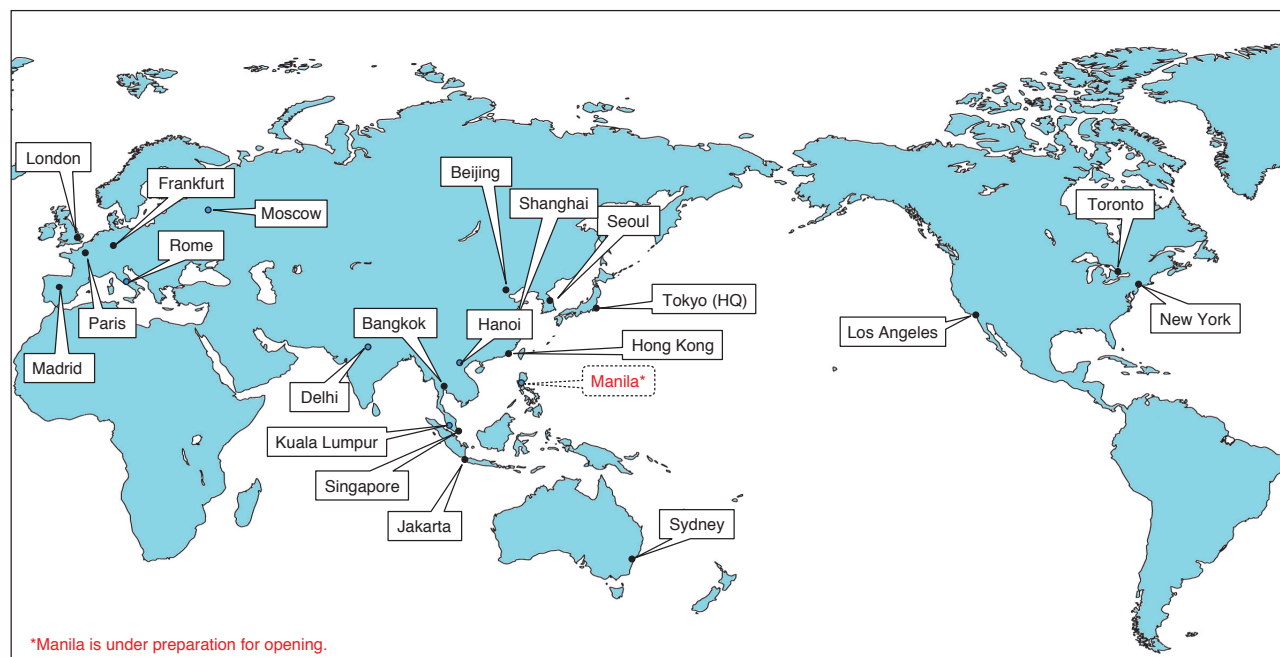
These measures include providing public access to appealing publicly-owned facilities such as state guest houses, better utilizing cultural properties as tourism resources, establishing the "national park" brand for nationally-owned park lands, enhancing international visitor-oriented tourism content and night-life, and making use of influencers to better disseminate related information. In addition, JNTO inbound promotion projects include establishing market-based targets, increasing the number of inbound travelers from Europe, the Americas, and Australia, more sophisticated marketing that utilizes ICT, and bold organizational reforms such as establishing dedicated departments for enhancing human resources and coordinating with local areas. JNTO sees untapped potential in countries such as India, Vietnam, Malaysia, Italy, Spain, Russia and the Philippines where it has not previously had offices, and has decided to establish new overseas offices in seven markets where high growth is anticipated, six of which were completed within the last fiscal year. Its plan is to commit to a renewed focus on market-specific perspectives for each overseas market and to engage in marketing and promotion efforts grounded in survey data.

In addition, JNTO, as the government tourism bureau carrying out national inbound promotion projects, is working to strengthen and reform its organization and to undertake a variety of efforts to improve its operations and make them more sophisticated in order to reach these objectives.

Japan looks forward to a succession of global events and MICE events (international conferences, etc.) around 2020. Major sports events that are planned include the Rugby World Cup beginning in September 2019, the Olympic and Paralympic Games in Tokyo beginning in July 2020, the Kansai World Masters Games in May 2021, and the World Aquatics Championships in Fukuoka in July 2021. International conferences that are planned include the G20 Summit (addressing global finance and the economy) in the summer of 2019 and the United Nations Congress on Crime Prevention and Criminal Justice in April 2020.

Such large-scale events and MICE events draw participants and many other first-time visitors to Japan. Secondary effects such as increased visits to locations outside the hosting areas and increased messaging by those who come to Japan can be an effective means of

CHART 3

JNTO offices worldwide

Source: JNTO

inducing additional visits after the fact.

In particular, the Rugby World Cup and Olympic and Paralympic Games, which are enormous in scale and occur over extended periods, are excellent opportunities to encourage tourists to visit areas outside the three major metropolitan areas and to gain tourists from distant potential markets such as Europe, the Americas, and Australia.

Beginning with promotional activities at the 2015 Rugby World Cup in London, JNTO also hosted seminar workshops and business meetings in conjunction with the pool draw held this May. During the Olympic Games in Rio de Janeiro last year JNTO also ran television commercials on stations such as CNN to raise awareness of Japan's appeal, held kick-off events for its online media center at sites such as Tokyo 2020 Japan House in Rio, and otherwise worked to provide the world with promotional information about Japan.

JNTO Efforts to Achieve 40 Million Inbound Visitors

As described above, with the establishment of numerical targets in the new Tourism Vision the aim now is to establish individual targets for each of 20 priority markets and to conduct fine-grained, market-by-market management of promotional activities in order to achieve these goals. In order to reach 10 million foreign travelers visiting Japan, JNTO, through its network of overseas offices, was a driving force in promoting tourism to Japan, engaging in promotional activities related to the Visit Japan Campaign from the beginning of 2003.

Reaching 40 million people, however, will require delving deeper into each market to conduct promotional activities that leverage optimal local experts from a market perspective. To this end, JNTO has established new overseas offices in Delhi, Ho Chi Minh, Kuala Lumpur, Rome, Madrid, and Moscow and begun carrying out surveys, gathering information, and engaging in promotional activities. An additional office is planned for Manila in the near future ([Chart 3](#)).

In addition, to cope with the rapid digitalization of travel promotion methods, JNTO also operates market-specific local-language websites and SNS accounts (Facebook, Instagram, WeChat, Weibo, etc.) as a way to strengthen its ability to get the message out. Europe, the Americas, and Australia, in particular, are some of the world's largest tourism source markets yet send fewer travelers to Japan than to destinations such as China, Thailand, and Hong Kong. Given the evident potential for further market development, JNTO has established aggressive numerical targets and is working hard to achieve them through powerful promotion and targeted investment designed to dig up latent demand.

Because there is a particularly large pool of people in distant markets such as Europe, the Americas, and Australia who are indifferent about traveling in Japan, JNTO plans to unearth appealing content that will stimulate their interest in travel and to pursue a global campaign in fiscal year 2017 that will raise awareness of Japan as a destination. This campaign entails conducting a large-scale market potential survey in the US, the United Kingdom, France, Germany, Australia, and Canada and then seeking to generate new demand for travel to Japan by establishing a Japan tourism brand through the full application of digital media, including producing and showing promotional videos that appeal to those in each market who are currently indifferent about traveling to Japan, based on the data gathered through the survey.

Among these countries, latent demand for travel to Japan seems clearly underexploited in Germany given the scale of its population and economy within Europe, the size of its overseas travel market, and the number of travelers it sends to neighboring countries and territories such as Thailand and Hong Kong. JNTO, therefore, is devoting energies to improving its messaging by enhancing its website and its program for inviting members of the media in order to gain a greater number of tourists, and female tourists in particular ([Photo 1](#)).

The Tourism Vision mentioned above establishes the clear numerical

Photo 1: JNTO



Visit Japan Travel Mart — business meetings

Photo 2: JNTO



International Luxury Travel Mart — Japan booth

target of reaching 8 trillion yen in spending by travelers to Japan by 2020, so JNTO is pursuing promotions that target the European, American, and Australian markets whose travelers stay longer and generally spend more during their travels.

Notably, in order to stimulate travel to Japan by the affluent, in addition to hosting booths and business meetings at International Luxury Travel Mart (ILTM) and at tourism exhibitions targeting the affluent market, JNTO also pursues domestic efforts such as hosting familiarization trips for agents organizing tours for affluent clients (Photo 2).

Given the high propensity for consumer spending by participants and the large promotional and economic effects for local regions, many countries and cities are enthusiastically seeking to draw the MICE market for international conferences and incentive travel. The number of international conferences held in Japan in 2016 was, with China, ranked highest in Asia and seventh in the world, according to ICCA statistics (Table).

Fifty-three cities in Japan have been designated International Meeting Tourism City by the JTA, and each works to attract international conferences that are appropriate for its facilities and distinctive characteristics. JNTO coordinates with the JTA when exhibiting at MICE trade shows overseas and when carrying out “Meet Japan” inspection tours of Japan by representatives from international organizations.

The effect of the attention from hosting the Rugby World Cup and the Olympic and Paralympic Games, in particular, is expected to raise interest in hosting MICE events in Japan and JNTO is putting its energies into using 2020 as a hook to promote Japan as a place to hold MICE

events through 2020.

In carrying out inbound promotion the explosive spread of websites and SNS has led to a shift from the use of text to photographs and from photographs to moving images, dramatically expanding the range of application for digital promotions. JNTO shifted quickly in incorporating digital marketing targeting tourists and has prepared means of getting the message out, such as websites and social media, but as the tools that consumers use evolve from PCs to tablets and smartphones and beyond, the role of ICT tools in the customer journey of travel to Japan, from dreaming, planning, booking, experiencing and sharing information, has grown to become even more important.

Digital marketing has grown in importance and sophistication with the use and analysis of big data for understanding traveler behavior related to airline reservations, means of transportation, smartphone and credit card use as well as effective and efficient promotional activities coordinated through social media, online review sites or online booking sites.

In fact, in promoting cities and regions that foreign travelers have not visited often to date, the proactive use of ICT tools has made it possible to provide information to prospective travelers about access, accommodation, and locally-available experiential programs that lead to actual reservations and visits. ICT tools are essential in a market environment that is shifting toward individual travel, and it is more important than ever that numerous sources of information offer content that presents Japan as a destination to be chosen, and that communication techniques continue to be refined.

Fortunately, we know from various surveys that Japan's brand value as a travel destination has risen sharply, and should continue to rise given the opportunities presented by global mega-events like the Rugby World Cup and the Olympic and Paralympic Games.

JNTO is working to deliver an accurate and appealing message through the speedy completion of its 21-office global network, deeper coordination between the public and private sectors, and the use of various ICT tools. While coping with market changes, JNTO will take the lead in promoting travel to Japan with the aim of reaching 40 million inbound travelers by 2020.

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TABLE

Number of international conferences by country (2016)

	Country	Number of conferences
1	US	934
2	Germany	689
3	UK	582
4	France	545
5	Spain	533
6	Italy	468
7	Japan	410
7	China	410
9	Netherlands	368
10	Canada	287
	Portugal	
12	Austria	268
13	South Korea	267
14	Sweden	260
15	Brazil	244
16	Australia	211
17	Poland	195
18	Belgium	194
19	Argentina	188
20	Switzerland	184

Source: ICCA statistics

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