

R oundtable on the Future of Japanese Tourism: Making Japan an Amazing International Tourism Destination

By Japan SPOTLIGHT

With the Olympics coming to Tokyo in almost exactly three years, Japan is in the midst of the biggest international tourism boom in its history. A record 24 million foreign tourists visited the country in 2016 and this year looks like it will set a new record. But some think that Kasumigaseki should be aiming even higher.

Editor-in-chief of *Japan SPOTLIGHT* Naoyuki Haraoka organized a diverse panel of thinkers on the subject to take a closer look at this pressing issue. The participants were Dr. Martin Schulz and Long Ke, both distinguished economists at Fujitsu Research Institute and long-time residents of Japan; Benjamin Boas, an American expert on tourism and Tourism Ambassador of Nakano; and Adji Rahman and Yuka Takei, both students from Keio University SFC.

(Roundtable on July 6, 2017)

Participants



Martin Schulz



Long Ke



Benjamin Boas



Adji Rahman



Yuka Takei



Naoyuki Haraoka

Japan's as No. 1 in Tourism?

Haraoka: Thank you all for being here. I'd like this discussion to include all kinds of perspectives on the current situation which is why I'm pleased that we have such a diverse group of participants today, from different countries and different age groups. Additionally, everyone here has experience living outside of Japan and can see the situation objectively. Tourism in Japan has quite a lot of potential, perhaps the highest in the whole economy. The Japan National Tourism Organization (JNTO) predicts that future tourism could well reach the size of the auto parts industry. But of course there are challenges to be overcome. How do all of you feel about this?

Schulz: In the past I worked on tourism initiatives and I can tell you that there is real potential. For example, in the past METI was interested in making it easier for citizens of other Asian countries to visit Japan and this was finally achieved under Prime Minister Shinzo Abe. Of course, there was an explosion in tourist numbers.

Ke: Japan's appeal can be summed up in one word: credibility. Any foreign visitor coming to this country doesn't need to be concerned about quality or safety because you can take them for granted in Japan. So that's why you find Chinese tourists coming here not just for sightseeing but shopping as well. And they're not just buying Made-in-Japan products, they're buying Made-in-China products...in Japan! Why? Because when you buy in Japan, there's an unspoken guarantee of quality that doesn't exist in China

Of course, this has its limits. The Japanese government is promoting the country to tourists from Asia and these tourists are interested in coming to purchase household appliances. But naturally they won't buy the same thing every time they come. Japan is strong in the manufacturing sector, so it should leverage this strength to design and produce new products *specifically* for these visitors.

One thing I will stress is that the main player here is not the government. It's private companies.

Haraoka: That is a good point. So while the government has a hand, Japan also perhaps needs strong entrepreneurship.

Schulz: I agree. Let's look at a country that has been focusing on tourism as part of its business model, Austria for example. 5% of its GDP is foreign tourism. Adding that to the overall entertainment and leisure industry adds up to 13% of GDP. That's already bigger than manufacturing. So yes indeed, there's enormous potential. But it's very important to realize that the first wave of tourism has come in and it's best understood as a windfall. People will only buy the household appliance they need once. And soon they'll be able to buy what they want over the Internet.

So, you not only have to come up with new products, you have to come up with products *specifically for tourists*. You need infrastructure around this initially. Build an anchor. In Japan the problem is that tourism is too expensive. Hotels and pensions are too expensive because the fixed costs are too high. Japanese tourists stay one night, maybe two, only on the weekends. So all the costs hotels have for the whole year have to be earned in short stays. If they spread the business model out by bringing in more tourists - who stay during the week - that leads to more flexibility and more discounts. This drives the local numbers because when more stay, nearby restaurants and other parts of the ecosystem benefit. But now, many hotels may as well be on their own island. A tourist goes to the station, sees the Prince Hotel, and that's it. They're lucky to even have a ramen shop.

What Japan needs to understand is that foreign tourists want to move around and they need infrastructure around them to do this. If this is done well, you attract young people who bring activities in and start to build up the ecosystem. This is what really drives industry and entrepreneurship. The government can't really push this on their own. Start with foreign tourists, and see where they go, outside the city center. My sister lives in the German countryside and she has told me that it's been blooming in recent years. This is what we need in Japan.

Haraoka: So this is a question of software versus hardware.

Schulz: Yes, people must be involved in the sector.

Haraoka: Many people are curious about this *vis-à-vis* the legacy of the Olympics in 2020.

Schulz: Well if you want to talk about legacies, Tokyo isn't really the point here because it's big and well enough known. The Japanese countryside is what needs a lever. So what works? Skiing works. Japan is great with snow. It's the only place in the world that has reliable snow, particularly in Asia. When you look at skiing towns, they develop well. Japanese young people are rediscovering skiing and snowboarding because the foreign tourists are, making the activity international and exciting.

This can work with other areas as well, like hiking, biking, or seaside activities. But this requires initial interest, a catalyst. The Olympics are too concentrated to serve this purpose. You need

something that happens every year and in the countryside as well.

The Post-2020 Legacy

Haraoka: Perhaps the people involved in the Tokyo Olympics are thinking about the event's legacy. That's the trend internationally. In Britain as well, even before the London Olympics, they started thinking about how to create a new London as a legacy of the London Olympics. It works well.

Schulz: I visited the sites in London one or two years after they happened and here is what I saw. Yes, there are parks for kids and shopping centers, so it's evolving. But how much of that was the Olympics? Even before they happened, Stratford in London was already an evolving satellite city.

Tokyo has the developing Tokyo Bay area and my office is just across from the construction sites there. The entire bay area is already full of apartment buildings that have been built over the last 15 years, but with a real boom only recently. The residents there live in them but do not have many facilities close by. So with the Olympics this will become its own self-sustaining area. In this sense, the legacy of the Olympics is already under construction and is well integrated in an interesting bayside area. It's very important to note this.

Takei: Martin's story reminded me of something. I'll soon be working for a major international hotel chain but our properties in the Japanese countryside tend to stand alone - with not much surrounding them. This is unfortunate, I feel, because there's so much to experience and enjoy there. The countryside has so much appeal and atmosphere, more so than in Tokyo I think.

People who visit Japan are interested in Japanese culture, so the countryside of Japan is perfect for them. But even though these areas are perfect for foreign visitors, many of them have no English signs and nothing in Korean or Chinese. I think they'd like it if foreign tourists came but it will be difficult without guides to help them with the language barrier.

Martin mentioned hotels and I'd like to say something about *ryokan*. These can be more of a cultural experience and thus more attractive to tourists. If they can clear the "foreigner-friendly" barrier then they'll be able to capture more of the inbound market.

Japan's Difficulty with Messaging

Haraoka: I recently talked with someone at the Tokyo Metropolitan Government who is in charge of Tokyo's tourism industry. Their current slogan is "Tokyo meets Tokyo" - that is traditional Tokyo meets modern Tokyo. The first "Tokyo" is written in Japanese calligraphy and the second "Tokyo" is written in roman font. So it describes Tokyo as diverse. Young and old. Tradition and advanced technology. What do we think of this?



Boas: I think much of Tokyo's appeal certainly is this juxtaposition between its traditional and modern aspects. But I think the slogan as stated isn't so easy to parse for non-Japanese speakers who don't immediately recognize the significance of traditional calligraphy. The concept is fine but the execution is lacking.

Haraoka: It's certainly true that Japan's own PR slogans are generally not very good. The international tourism campaign last decade - "Yookoso Japan" - was awful. No one outside of Japan can understand it! Indonesia, on the other hand, is very clever - "Wonderful Indonesia". Or Malaysia's "Malaysia. Truly Asia."

Boas: I think the fundamental issue here is targeting. Slogans like "Yookoso Japan" or the recent "Cool Japan" branded efforts are ostensibly about appealing to a foreign audience but they're crafted to appeal to a domestic one. That is to say, you have international tourism efforts that are more about making Japan look more international, and thus appealing, to domestic consumers than they are about actually making Japan appealing to people who are actually visiting from other countries. I think that Japan has huge potential to become an international tourism destination, but a lot of this will depend on how it can improve its communications to non-Japanese perspectives. A necessary first step is improving the diversity of its decision-making bodies regarding tourism. Nearly all of the government panels and company departments I've seen in this country contain a membership that is entirely Japanese. And often entirely male and entirely middle-aged or older. Unless Japan is willing to accept real international perspectives, and adopt actual diversity measures, I think it will continue to have difficulty in this area.

Spreading Tourism Around Japan

Rahman: I recently read an article in *The Japan Times* about how Kyoto encouraged more tourists to come. They do make the city overcrowded.

Schulz: They do!

Rahman: As Martin mentioned earlier, Japan needs more destinations besides just Tokyo, Osaka, and Kyoto. The superiority of Japanese transportation ought to make this easy. With the Japan Rail Pass, tourists can go from Hokkaido to Kagoshima in one day freely. With all this infrastructure already in place, the government should make efforts to concentrate on making tourism *fluid* and not just concentrated in one place. Without a doubt, Kyoto is interesting. But Shiga and other places in the area have charm as well. I want to see the government make an integrated plan that shows the selling points for all of these areas to tourists.

I'm also interested in health tourism, an area that's still fairly new but is nevertheless important. Singapore and Malaysia have good health tourism. Japan ought to build this up, since it already has so many hot springs.

Schulz: That is a very important point because in Europe health tourism is a major industry. This is for two reasons. One is because it leads tourists to stay longer, like in the case of hot springs. But there's also an additional aspect of modern hospitals providing safe healthcare. Thailand has a huge industry providing this and it's booming in Malaysia too. These efforts can be run by private hospitals, and that requires infrastructure.

So while it's important to target, I'm not sure that targeting is everything. You need to "spread it around". Adji mentioned the Japan Rail Pass: in Europe young people used the European Rail Pass and it helped them discover Europe. Because of that pass, young Europeans have this ingrained idea of going around and travelling. It's natural to them now. Japan should harness that concept for domestic use too. Young Japanese people, old Japanese people, travelling the country and revitalizing the countryside. You need to build this culture from the inside out. I think this can be part of the "Tokyo Tokyo" concept discussed earlier, which I like.

On the other hand, Europe has mostly decided to focus on the "old" - its more traditional features. Things like renovations of old buildings. But there is a dynamic, younger Europe as well. And in Japan this exists too, in events like the Fuji Rock Festival. When more people from Tokyo discover this, it will build culture that will eventually be what attracts the foreign tourists.

Tourism & the Bottom Line

Ke: I'd like to jump in and clarify that tourism is defined as something that drives economic development. But right now we're talking about culture. These can be different things.

Naoyuki said that Japan is bad at promoting its message abroad. But this doesn't matter if tourists can find Japan's charms on their own. Perhaps there are things Japan could do to improve how accessible and convenient it is, but it's still an extremely convenient country as it is. Of course, there are some challenges. We can

strengthen infrastructure, improve bicycle sharing in Japanese metropolises. But we should identify who the investors are as well. Is it the central government, the local government, or the private sector? I couldn't tell you off the top of my head but this is a point that should not be skipped over.

And of course there's the service segment. Many foreign tourists are coming and perhaps the current 20 million will reach the projected 40 million. But besides the global community, I don't understand why Japanese people don't rank, say, restaurants the way that they're ranked by Michelin, which is known internationally. This is a simple software structure that could improve Japanese tourism. So I think to improve economic industry we need to push the government and enterprise to do more investment in this sort of thing. When we say "culture" we need to make this about specifically strengthening the infrastructure for enjoyable experiences.

Haraoka: So we should stimulate more entrepreneurship in software services in order to raise the bar in the tourism industry. But how can we do that? That isn't up to the government, it's up to businesses. Today, management experts and academics studying business management tend to say that the Japanese business sector cannot produce any goods so attractive that they stimulate consumption. That's, according to them, why the economic growth rate is low. Can the same be applied to the service sector? How do we stimulate entrepreneurship there?

Ke: If you interview foreign investors, they can tell you that most of them are looking for very "Japanese" products and services. But when you look at their actual behavior, you see they're buying Louis Vuitton or other global brands. What a pity! You can buy those in Paris or London, of course. Japan is very strong at manufacturing and should be able to leverage that to make globally known Japanese goods. The solution isn't just for the government to help but also for private organizations to strengthen architecture for foreign investors, services, and products. But if you visit a Japanese *ryokan* you can see they don't know how to supply their services to foreign investors.

Self-Promotion Possible Thanks to the Internet

Schulz: We had the same debate in Germany 20 years ago. Everyone thought our only image was of an economic powerhouse. But tourists discovered the "Romantische Strasse", a number of little towns with old buildings and beautiful town squares. Soon they became connected and promoted internationally, creating a tourism boom in the region. These are places like Rothenburg. Interestingly, Germans might have heard about them but as tourist attractions they are almost entirely reserved for foreign tourists.

And now, it's much easier to do business and much easier to provide better service because of the Internet! Now you connect to

the countryside immediately. In the old days only the highly-promoted cities could thrive, outside of them you had almost nothing. The situation with Kyoto being overcrowded is like that. But now the countryside has the ability to promote itself thanks to things like Google Translate. There's no need to rank things manually because Tripadvisor does that automatically if you get people to submit reviews. So now it's easy to discover what people are interested in and what the selling points are. Maybe it's a small bicycle route that people don't notice. In Germany, many old unused train lines have now been converted into highly attractive cross-country bicycle routes. Such a novel concept and so easy to promote and build services around. And no support from the central government is necessary.

Haraoka: So in Germany and the United States, NGOs work with local governments and are active and creative. Currently, the JNTO is experimentally trying to increase those kinds of organizations.

Schulz: With the Internet more effective now than the government was in old days, all you need is to get people interested and over that first barrier.

Haraoka: I'm Japanese so perhaps I'm biased but Japanese people are not so dull. They are much more creative than many people think. Private initiative can rise in the future. We see many NGOs rising in Japan even now, so destination management organizations could flourish in the future.

Schulz: Older people can be a real resource here. They have time and they have experience. So if they promote the area where they live or where they have their summer home, it can really change things. In the old days, the countryside in Germany was really drab. Houses were old and covered in grey asbestos. But now I go to these same towns and couldn't recognize having been there before. They took the asbestos off and now they display beautiful timber frames, there are flowers in the gardens and they're well maintained. You see playgrounds for kids even though there are still not many kids around. Gradually, however, young families are returning to a now much more beautiful countryside. Why? People in the old days were leaving for the opportunities in the cities. The people who stayed felt left behind and didn't take care of the environment. Now this has changed, with the help of the Internet and NGOs. Now people there want to be there and people come. People move around. I could show you pictures from 20-30 years ago and you wouldn't believe it was the same place. Tiny things really do change the balance.

Is Deregulation Necessary?

Haraoka: What do you think of deregulation? For tourism NGOs further deregulation seems necessary.

Boas: The current move to deregulate the interpreter guides in Japan has the potential to transform how non-Japanese tour the country. Up until recently, anyone guiding a foreign tourist for pay had to have a qualification that could only be obtained by passing a needlessly complicated exam. The situation was ridiculous; a majority of people who passed this exam did so for the prestige and had no interest in actually using it. Now that this barrier to entry is gone, guiding foreigners is open to people like retirees, who have the free time and interest. It could bloom into its own cottage industry.

Asian Tourism Collaboration

Haraoka: I heard an interesting idea recently: Japan and other Asian countries should work together to stimulate tourism. That is, tourism in Asia overall, not just in a specific country. This is what the JNTO is promoting and could be a good way to achieve peace and prosperity.

Rahman: One of the hot issues nowadays is, surprisingly, safety. There are many news articles about missiles and the like. Going to a place that's safe may be obvious but it's important. National security is also a big issue for Asian countries, including the issue of visas. Japan, South Korea, and China each have their own visa systems and rules. This is unlike Europe, where it's easy to travel from country to country. Public private partnerships are essential. There should also be more integration, like ASEAN+3, and multilateral organization.

Haraoka: Or APEC.

Rahman: Yes, maximized to open new markets. It's easy for Chinese and Koreans to come to Japan. But to return, it's a big issue.

Takei: I've mainly focused on Japan. The conflicts with China and South Korea are complicated. Our countries are close but the cultures are quite different. There are issues we need to work out before we can focus on tourism.

Haraoka: Long once told us that when he saw Chinese tourists walking around Ginza, he realized that there's hope for us to achieve peace and prosperity in East Asia. (All laugh.)

Boas: The optics certainly look good, and that's an important thing to take stock of. National security matters aren't exactly at the forefront of people's minds when they're planning for a vacation, but of course if there's an active conflict in Asia that would preclude many European and American tourists from even considering the region. The countries here have a lot to gain by cooperating on a tourist-friendly image.

Haraoka: This reminds me of French-German relations. Tourism between those two countries now is skyrocketing. But in the 20th century there were conflicts, to say the least.

Schulz: I just think it's highly cyclical. Tourism in Europe is so old and the numbers go up and down in cycles. In Germany, Berlin is now very attractive. It's been renovated and is now the capital of Eastern Europe, certainly more interesting than even the time of the Berlin Wall. So this is always changing. When I went to Spain in August I was surprised to see there were hardly any Spaniards in Barcelona - they were vacationing in Berlin! So there's a lot of movement.

I'm a big fan of cooperation. But in tourism I believe in competition. Competition works very well in tourism. You try to become more attractive and learn what appeals, what your strengths are. Japan has beaches but Okinawa is no match for the Thai Islands. Would the countries benefit from cooperation there? No, they'd better compete.

Visas are similarly counterintuitive. Sure, an all-inclusive visa system sounds great. But in Europe this all-for-one system has made it more difficult to enter at all. You can't apply for one country anymore, you have to apply for all of them and this complicates matters very much. In the past it was simpler and there was no need for internal communication. Imagine a future where an Asian visa required clearing all of the issues from all of the countries in the region. It'd be a nightmare. No, the point is to focus on tourists and what they're interested in. Cooperation isn't necessary for this.

The Benefits of Competition

Haraoka: Tell us more about competition.

Schulz: Japan is only discovering it now. Before, things were always government projects. Now that the numbers are there, competition can start. Maybe the countryside can drain tourists from Kyoto. Nara has huge potential. And skiing, there's an advanced industry. First it was only Niseko. Now you go to Nozawa and it's all foreigners. Hakuba has two villages, a Japanese village and a foreign village. And all this is competition basically.

Haraoka: Let's talk about FDI, the role of foreign direct investment. Niseko is a good example of where foreign direct investment played a wonderful role in driving flourishing investment in Hokkaido. Do you think it would be possible in Japan to expect more FDI in the tourism industry.

Ke: I made a speech in Hokkaido last year but people there are apprehensive about foreign investment, particularly from China. Japanese people need to be globalized gradually. Meanwhile they also need foreign investment. Chinese people invest and they pay taxes to local governments. This isn't a problem.

You mentioned regional economic cooperation. Politically, there are problems there. This year, Chinese tourists don't visit South Korea because of the threat of the missile defense system. But on an individual level, there is no problem between the private citizens of

each country. And six million Chinese people come to Japan, despite perennial tensions between the countries.

The problem is we need to improve sharing of information. I don't think the government can drive economic cooperation. The NGOs need to play a more important role in promotion.

Schulz: This is part of spreading the culture. The countryside, it often has negative net worth in terms of depleted real estate and unused apartments. If people like to come regularly, that means something important: people would be willing to invest. Apartments are cheap, particularly Chinese and other Asian foreigners could be easily attracted. So it is important to spread a culture of openness and making sure people don't feel overwhelmed when all of a sudden foreigners want to buy real estate in Hokkaido. It can get threatening fast so you need the background in the community to let people know that visitors are coming not to rip them off but to enjoy themselves.

Haraoka: Let's talk about Japanese cuisine and popular culture, which is said to be useful in attracting people to tourist spots in Japan. Are things like anime and iconic pop culture characters useful for attracting tourists into Japan? Perhaps I have a limited perspective on this because of my advanced age so I would like to hear from a young person.

Takei: A lot of foreign people knew about the manga and anime boom 15 years ago and titles like *Your Name* continue to become global hits. Japan's popular culture is attractive and it makes foreign people want to visit and see places like Akihabara.

Rahman: Japan has a good entertainment industry but when it comes to entertainment tourism it's losing to Korea. Many of my college friends go to Korea for concerts. Jpop's popularity is losing to Kpop, and that's an issue for the Japanese entertainment industry to face.

Marketing's Place in Tourism

Haraoka: Adji's story made me think that perhaps we need more non-Japanese opinions on Japan's tourism spots. Japanese are a bit prejudiced about concepts of what is "culture" and what "deserves" to attract tourists. A typical example is the *omotenashi* mentality found in Japanese hospitality, which has a tendency to force a perspective on guests when it should be accepting of different perspectives. We should try to have more marketing research on possible potential tourism initiatives in Japan. And that would be done by private companies.

Boas: Yes, this needs to be done with concrete numbers. There's too much of a gap between what Japanese people think is appealing about the country and what actually drives people to come here. For

example, Tokyo's Nakano Ward has a number of attractive facilities in it, including a nice park, lots of fun shopping streets, and a giant concert hall. But these are in many areas, both in Japan and abroad, so I don't think any of them drive tourism. The top tourist destination for foreigners is "Nakano Broadway" which is essentially a shopping mall for nerds. Many people in Nakano aren't comfortable promoting it because they feel that it gives the ward a skewed reputation. But hosts don't get to decide what their guests have a demand for; they can only attempt to understand it better.

Schulz: Marketing is indeed very important but I often feel that there's a misunderstanding in Japan of what marketing really is. Often in Japan marketing is sales; you have something and you want to figure out how to sell it. But really marketing is more than that. Marketing is *understanding* your customers, like Benjamin said. *Understanding* what needs to be changed in your product. This is often missed in Japan.

Smaller pensions can only cook two or three kinds of meals because Japanese guests typically only stay two or three nights. But this makes it hard to increase sales since long-term guests want more variety. So in this case, "marketing" would be giving foreigners the option to book certain nights as meal-free, with additional options for going out or getting pasta in an Italian restaurant. Maybe they eat Japanese food for one night and get hamburger for the kids another night.

You mentioned pop culture characters. If you had a manga character that caters to tourists, it's useful. But they wouldn't come for it. Tourism is analog. It's not about the character, it's about an activity. So festivals like Fuji Rock Festival or exhibitions in Nagano. The foreigners come in because they want to experience it. That's what drives them to come.

Boas: That's an excellent point. One of the main attractions in the city of Matsuyama is Dogo Onsen, a bathhouse. It was traditionally famous because the emperor bathed there. But now it's known as a potential inspiration for the Oscar-winning anime, *Spirited Away*. Of course, people don't come because of the anime. The anime drives them to the experience. You can only go to that specific bathhouse by going to Matsuyama. JS

Written by Benjamin Boas, an American communication consultant and Tourism Ambassador of Nakano, Tokyo.