Why Japan's Travel Companies Trail Foreign Competitors: the Battle of Digital Superiority in Travel to Japan

By Terrie John Lloyd

Author
Terrie John Lloyd

Selling Travel Is a Battle for the Mind

What images spring to mind when you think of a week off in Hawaii or Bali? Warm, balmy nights? Pristine waters with tropical fish, and little wavelets lapping upon a beautiful white-sand beach? Maybe a sparkling swimming pool with cocktails and something delicious for lunch? Or, colorful designs, chaotic but interesting marketplaces, sweet-smelling tropical flowers, comfortable clothes, and exotic snacks you never tasted at home? Whatever images you have, they are probably the same as hundreds of people around you, and more importantly they were probably expertly manufactured by someone's marketing team. Yes, sorry but your relaxing, inspiring, feel-good images are borrowed: that's how pervasive and persuasive digital travel marketing has become these days.

And in visualizing these images, you are touching just the tip of the digital technology iceberg in the modern travel sector. Beyond mere marketing there is a veritable mountain of technology, connectivity, and processes you never see, but which all contribute to making a traveler's holiday safe, memorable, and repeatable. In fact, without technology, much of the reliable, exciting, cost-effective experiences being delivered by the travel sector these days simply would not be possible. Instead, we'd be stuck in the chaos of

"uninformed" tourism reminiscent of the 1970s.

Travel in 2018 is the primary "big ticket" way people reward themselves and their loved ones, and as a result it has become the largest industry in the world. According to the UK-based World Travel & Tourism Council, the global market was worth US$2.57 trillion (3.2% of global GDP) in 2017, and employed 313 million people, or about 9.9% of global employment. Here in Japan, there are three travel sectors: Domestic, Outbound, and Inbound. Of the three, only Inbound (non-Japanese traveling to Japan) is growing. In fact, it's growing so much that in the last five years, Japan has zoomed up the charts of favorite international destinations — from around No. 30 to the Top 15 this year (2018), and probably into the Top 10 by 2020 *(Chart 1)*.

The numbers really do speak for themselves. Japan as a Top 15 market has grown about 277% since 2014, while the next fastest-growing market, Mexico, only achieved a growth rate of 153% over the same period *(Chart 2)*.

Now, why did I ask you for your mind's eye images of Hawaii or Bali? Precisely because these tropical resorts are considered to be the benchmarks for holiday paradises by most people. So it's easy to see that such destinations blessed with picturesque local assets are easy to market. Once people experience such paradise, they often

CHART 1
Top Inbound destinations 2013-17
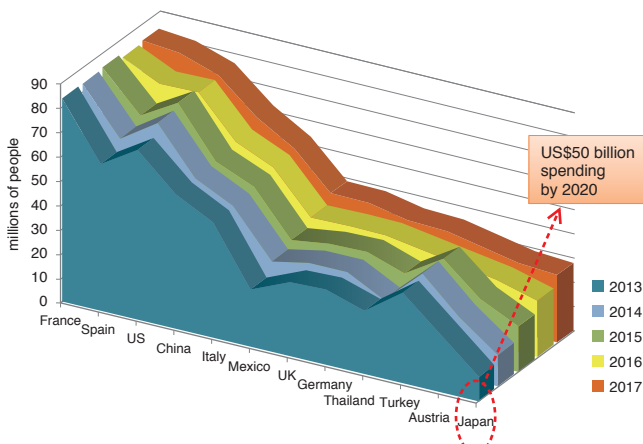
Source: Statistics from the World Travel & Tourism Council. Actual diagram, data organization by author.

CHART 2
Top 12 tourism destinations % growth 2014-17
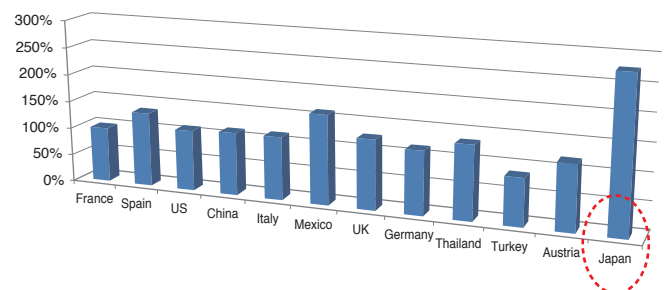
Source: Statistics from the World Travel & Tourism Council. Actual diagram, data organization by author.

become repeat visitors — and such travelers are considered the holy grail in the tourism sector, because they are loyal, like curated high-grade experiences, and of course tell their friends. Conversely, because the paradise stereotype is so well entrenched, any travel provider who doesn't deliver customers their quintessential tropical paradise holiday is quickly going to be criticized or down-rated on the Internet and eventually go out of business. So being popular has its stringent trade-offs.

Japan, on the other hand, is much more difficult to market because it doesn't have "holiday-perfect" assets. Instead, people are initially drawn here by the nation's cultural assets, such as manga and anime weirdness, food, high-tech lifestyle, and countryside traditions. But once here, those same visitors are quickly confronted by the real challenges of the crowds, language, high prices (unless you know where to go), lack of reservations, and other big negatives. For a visitor to navigate these challenges, they need the same level of knowledge and support that locals take for granted, and that is a huge opportunity for travel operators with digital technology skills. Once a customer knows the ropes, Japan is reliable, fun, mentally stimulating, convenient, and good value — all positive values that will generate repeat visitors, even despite the lack of white-sand beaches, cheap massages, and tropical cocktails.

Why has travel become such a major sector globally? The primary contributing factors are: i) improved accessibility of remote places, thanks to the low cost of mass air transport, ii) increased disposable incomes thanks to a growing global middle class, iii) realization by governments worldwide that travel is just as efficient a means to earn foreign exchange as any export trading business, iv) rapid increase of investment in hotels and other tourism infrastructure, and v) advances in technology. It is really only this last factor that ordinary companies can influence, and therefore for anyone in the travel sector it's one of the most important things to invest in and get right. Unfortunately, here in Japan, technology is the weakest part of the tourism delivery chain, and this article suggests how to fix that problem.
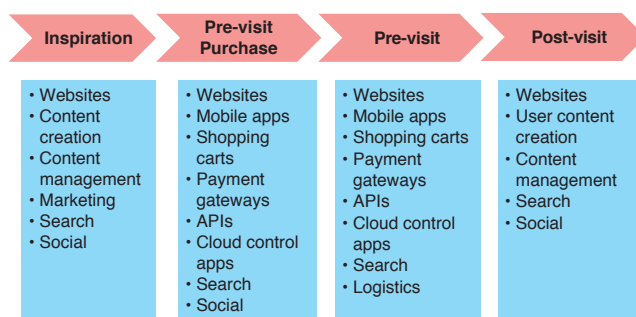
Digital Technology Core Expertise Needed

There are four fundamental digital touch points for recreational travelers coming to Japan, and these are all some mix of either media, content, or functionality.

The four touch points are: i) Inspiration — any message or function which causes people to decide to travel to Japan instead of, say, South Korea or Thailand; ii) Pre-visit Purchase — any message or function which allows people to pre-buy their trip hotels,

CHART 3
Customer journey — touch points

Inspiration	Pre-visit Purchase	Pre-visit	Post-visit
• Websites • Content creation • Content management • Marketing • Search • Social	• Websites • Mobile apps • Shopping carts • Payment gateways • APIs • Cloud control apps • Search • Social	• Websites • Mobile apps • Shopping carts • Payment gateways • APIs • Cloud control apps • Search • Logistics	• Websites • User content creation • Content management • Search • Social

Source: Diagram, original concept by author.

transport, meals, guides, activities, etc., and by pre-buying to make their trip experience less stressful and more organized; iii) Pre-visit — any message or function which allows travelers actually traveling to do, see, or buy things on the spur of the moment, such as when it is raining; and iv) Post-visit self-esteem — any function that allows returning travelers to message their friends and let them know what they discovered or recommend.

Understanding these four digital touch points is extremely important in terms of planning what digital technology to put in place to intersect the traveler at the right moment, and in doing so, to win them over as a loyal, repeat customer. The actual technologies we use as travel operators to achieve customer intersection fall roughly into the following touch point categories shown in *Chart 3*.

As you can see, there is a lot of overlap in the common areas of content, while functionality varies and tends to be specific to the market niche being served. For example, the functionality for booking activities online while you're in Japan will be rather different to booking hotels online before arriving. In addition, people at the pre-visit stage are almost 100% using mobile phones and need lightweight applications, while those still booking from the comfort of their own homes are more likely to be using PCs and can handle heavier applications.

Baseline Requirements of Digital Solutions

There are some baseline measures for digital travel technology that recognize and support the fact that users are shopping for a non-essential item (travel) and therefore are acting on dreams and stimulation, not on an essential need. This means that the user experience has to be smooth and responsive enough to facilitate the

user acting on impulse, and not giving them time to rethink an impulse action, or worse still, being driven away from the website because of frustration with it. These four factors are:
- Speed
- Ease of Access
- Utility
- Appropriate Language

We find that Japanese companies often fail in all four categories, mostly because they forget to put themselves in the customer's shoes and don't think enough about the "Customer Journey".

1. Speed

The point of technology is to make a process faster and hopefully easier, both for the user making trip decisions, and for the reseller/supplier, conducting all the behind-the-scenes connectivity, confirmations, and general logistics. Ideally, as a visitor sees something they like on your website, they should be able to impulsively and swiftly to buy that product/service — thus earning you a committed sale. We often see companies in Japan accept halfway measures as a means of faking speed. As a result, clients get disappointed, disillusioned, or just plain stressed, because they can't conveniently "book and forget". For example, if you buy a two-hour *washi* paper-making activity from a Japanese website, although you can search, book, and pay for it in just a few minutes, you won't actually get a confirmation from the aggregator for up to 24 hours, as he/she confirms with the final supplier whether or not the activity is really possible/available.

Why is this happening? Because most of the nation's activity operators are still telephone-driven. From the aggregator/reseller's point of view, the 24-hour turnaround is just commonsense and because they have to fit in with the primitive computing ability of many original merchants. Those extra hours allow them to properly confirm the availability and logistics. On the other hand, from the customer's point of view, having to wait the 24 hours means that the activity may not be available which would clearly be an unwanted point of uncertainty and stress. This kind of frustration with the website is just the type of thing that prevents users from trying to book the next activity, just in case the first one doesn't get scheduled. Or to abandon the site altogether. This is why on Japanese activity sites there are a few high-volume activities that get all the business, and the hundreds (or even thousands) of others get none.

2. Ease of Access

Traveling to Japan is becoming a popular thing to do. And since people are located literally anywhere the Internet is, if a Japanese travel operator wants to target this market, there are some minimum things they need to do to ensure easy access to their information and functionality. For example, we often see Japanese operators running a local dot.jp domain something like "japantravelconcierge.jp" (not a real site). From their point of view, this type of domain is convenient to register from within Japan, and once activated, if you use a PC anywhere in the country (of Japan), you will find that it is plenty fast enough, and well indexed on local search engines (Yahoo! Japan and the like).

But in fact, a dot.jp address is not a Top-level Domain (TLD), and so while its content may be well indexed within Goo, Google, Yahoo! Japan, or Bing, in fact for people overseas the international search engines will assume that Japanese domain content is of low interest to non-Japanese (even if the site itself is in English) and subsequently downgrade the search results returned to the overseas user's browser. The level of impact of not choosing a TLD can mean a degradation of 10 times on successful search results in the Inbound travel space. In other words, 500,000 page views for a website whose otherwise high-grade content might bring 5,000,000 pages views, if only it had a dot.com or similar TLD domain.

Another ease of access consideration is being able to use a website on any device and for it to be usable under all user situations. Too often we see Japanese travel operators trying to make users download heavy apps to their smartphones, then wondering why they hardly get any long-term users. The reason is because a user will generally only download an app if they think they will use it regularly; otherwise they may download it out of curiosity, then dump it soon after. The classic example of this is in "Free WiFi" apps, which according to Google Play statistics have good download numbers, but which we know from talking to industry players are quickly dumped. Why? Because most so-called Free WiFi apps show a limited and not particularly useful selection of free access nodes in the major cities, where most users are located, then try to push the users to a paid service to fill the gaps. Users resent this, and will punish the maker's switch-and-bait approach by getting rid of the app entirely.

Then there is the app size issue itself. Travelers to Japan most frequently come from East Asia, and such travelers often already have 50-100 discretionary apps on their phones. They are very conscious of the idea of running out of memory entirely, and certainly don't have room for a 50 megabyte bloat monster, which is the size of a typical low-end app from Japanese developers. In fact,

the general rule of thumb is that if you want your app to stay on a visitor's phone, it had better be less than 15 MB in size.

3. Utility

The word "utility" means here both a wide selection of competitively-priced product/service choices and also strong, relevant functions for what the user is trying to do at the time. This is one of the biggest points of failure by Japanese travel operators, who don't realize that users are already well serviced by best-of-class competitors such as Booking.com, Expedia, Viator, and others.

In fact, Booking.com is a great example of focus and excellent execution. This Dutch company early on made a bee-line for one of the richest parts of the travel experience, outside of owning some airplanes, which is accommodation. The firm decided that rather than try to be all things to all people, they would simply focus on being the best hotel bookings site possible. They have certainly succeeded in doing this and they now have around 50% of the online market for foreign traveler bookings of Japanese hotels — a remarkable achievement!

How they managed to do this was through: i) owning their own hotel content acquisition teams, including photographers and writers, ii) investing millions of dollars in refining their user-responsive interface and functionality (e.g., excellent search filters and wish lists), iii) offering outstanding payment and cancellation functionality to end users that the rest of the Japanese hotel bookings industry is still trying to catch up with, and iv) being ubiquitous. Booking.com is not the biggest hotels booking site in Japan; that honor goes to Rakuten Travel followed by Jalan (Recruit). But in terms of sheer traffic and successful user conversion, they are far head of any of their competitors. In fact, our guesstimate is that Japanese hotel booking sites servicing foreign tourists probably do less than 10% of all online pre-trip bookings. The other 40% is picked up by Booking.com's foreign competitors. Hotels are truly a very competitive market.

4. Appropriate Language

It is a well-established rule in modern marketing and sales that even if a customer prospect is multilingual, you want to appeal to their emotional selves (to buy a non-essential service or product). In other words, you need to communicate in their native language: the one they dream in. Therefore, while translating a website from just Japanese to at least English and Chinese is better than nothing, the reality is that even though the prospective customer from Thailand or Saudi Arabia can probably read the English, they will not be particularly influenced by it. Instead, to out-do the competition, you

CHART 4
Website evolution of language capability
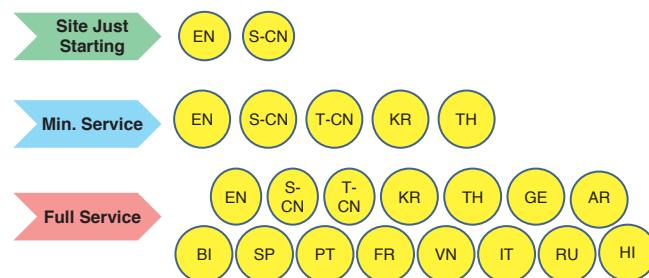
Note: EN=English, S-CN=Simplified Chinese, T-CN=Traditional Chinese, KR=Korean, TH=Thai GE=German, AR=Arabic, BI=Bahasa Indonesian, SP=Spanish, PT=Portuguese, FR=French, VN=Vietnamese, IT=Italian, RU=Russian, HI=Hindi
Source: Diagram, original concept by author.

need to serve up compelling content in their native language. Of course, with around 7,093 languages in the world, and over 50% of the global population speaking at least 23 of them, it is not possible to translate your materials into every language. Therefore, we advise clients to start small, and as their sites evolve and become successful, to implement more languages of their target markets. Something like this *(Chart 4)*:

"Appropriate Language" also means something else. Instead of just a translation, if you really want to influence the visitor, you need to be able to persuade them in naturally flowing, naturally phrased language. Therefore, we insist on our websites (and for client website projects) that the native creative writer of the target language first read the Japanese (or English derivative), then rewrite the content into their own voice and viewpoint. This of course means that the translation is no longer 100% faithful, but that's not the point. The point is to persuade the visitor to take an action. Remember: marketing is the emphasis here.

Core Applications & the API problem

Well implemented digital technology in a competitive Japanese Inbound travel company should cover all four layers of corporate activity and interconnect them — kind of like an Enterprise Resource Planning (ERP) system tries to do *(Chart 5)*.

1. Marketing
- Content Interest and Quality
- Delivery Platforms

CHART 5
Key factors in a modern travel business system

Marketing	Sales	Support	Operations
• Content (interest, quality control) • Delivery platforms • Languages • Social reputation	• Price • Choice (breadth of selection), via APIs • Payment options • Completeness • Convenience	• Speed and availability • Accessibility and ease of use • Appropriate language • Price • Accuracy and utility	• Business model (community, search, comparison, e-commerce, etc.) • Internal efficiency • Systems integration

Source: Diagram, original concept by author.

- Languages
- Social Standing

2. Sales
- Price
- Choice (breadth of selection) via APIs
- Payment Options
- Completeness, Convenience

3. Support
- Availability
- Accessibility
- Appropriate Language
- Price
- Accuracy and Utility

4. Operations
- Business Model (community, search, comparison, etc.)
- Internal Efficiency, Systems Integration

Most of these sub-systems are self-evident, and are frequently found in Japanese travel operations firms. However, they are often not connected because these firms lack solid internal software knowhow and are staffed by senior managers who don't understand the electronic processes being used. For example, we know of one major Japanese travel company which has five sub-systems (web store, shopping cart, CRM, accounting, and ministry reporting) that are not connected together. This not only means that their sales process is slow and inefficient, and they cannot tell if a previous customer is calling them again (repeat customers being the most valuable), it also means that the data has to be rekeyed and rechecked up to five times each! This is a huge waste of resources, and would never be acceptable in a Western firm.

But there is one other backend process that particularly stands out as a difficult challenge for Japanese travel firms, and that is Application Programming Interfaces (APIs). These are standardized end-point commands set up to safely manage and transfer data coming in and out of the sub-system they guard or service. APIs are useful because they let other programs and even other companies connect with the data they are set up to service. For example, in the hotels sector, there are a number of local Japanese giant travel agencies who have aggregated tens of thousands of hotels for their own Japanese customers, but who because of poor English skills and weak website marketing skills pass on their databases via API to foreign operators to resell.

The problem is that getting the APIs set up is painful, and can take many weeks on both sides to implement and stabilize. This is an expensive process, and as a result many Japanese online firms think it's just easier to either use a local manual data entry system, or to restrict the number of APIs that they will prepare and support. Worse still, because of the costs involved, some data owners are recently trying to charge for access to the API, even though the purpose of the API is generally to increase sales. You would logically think that a Japanese data aggregator would welcome the opportunity to leverage via APIs any reseller they can find, rather than trying to charge millions of yen for the "privilege" of reselling their services.

This allergy to APIs goes back to the culture of the companies involved. Many of them are decades old, if not 100 years or more, and the staff at these firms have been taught the whole time to fight off all competitors and trust no one. This means that one of the primary purposes of APIs, which is to share data and share sales opportunities, is the antithesis of the Japanese corporate culture. We suspect the sharing economy *will* eventually hit Japan's shores, but it could take quite some time for it to take root properly. In the meantime, foreign companies, which don't have these culturally limiting factors, are romping away with all the business. We think that in the end, the government itself may have to get involved in the API business, helping to create a public-private travel data utility that small Japanese firms can easily connect to and cheaply (or freely) upload data and download orders from. **JS**

Terrie John Lloyd is serial entrepreneur from Australia/ New Zealand who has been living in Japan for 35 years.