



# International Tourism and Today's Travel Business

Hiromi Tagawa\*

## Introduction

The Japanese tourist industry now faces a turbulent age deriving from a dramatic change of market trend and customer needs. In particular, the recent global economic crisis and diversification of emergency risks have a great influence not only on travel business circles but on the tourist industry as a whole.

On the other hand, the tourist industry is regarded as one of the most promising industries in the national strategy, while the realization of the concept of a tourism-oriented nation is strongly promoted as an economic growth strategy by the government. This is a natural reflection of the recent expansion of global tourism.

With the change of the times, we, the JTB Group, are now engaged in transforming our business style from a conventional "travel business" to a "cultural exchange business" which creates, produces and supports every chance and place of

exchange. In this article, I'd like to introduce our concept of these business styles as well as our perspective for the international tourism.

## Change of market trend and customer needs

First, I'd like to mention about the market trend in tourism. The most important issue is Japan's decreasing population. Demographically, the future population in Japan is certain to be decreased and is even estimated to fall below 90 million from 120 million at present in 50 years time. This means that a market of around six million will be shrunk per year and moreover the environment of the tourist industry will become more severe.

As for customer needs, there are some changes of keywords; i.e., from "groups" to "individuals," and from "ten different tastes for ten persons" to "ten different tastes for one person." Now customers demand diverse travel types and styles. An individual traveler is apt to change his or her

---

\*President and CEO, JTB Corp.

travel according to various travel styles, which surely complicates a situation. There is also the phenomenon of “consumption for convenience” and “consumption for premium.” Such a bipolarization clearly shows the customers’ inclination toward clever consumption by discerning the goods and products.

How to face a complicated and maturing market is a great challenge for us at the moment. I think that we cannot solve this issue by a conventional way of thinking in the tourist industry. Therefore, we need a different way of thinking and we ourselves in the tourist industry should innovate and develop our conception from a new viewpoint.

### **Economic value of tourism**

Next, I refer to the economic value of tourism. The total market volume of Japan’s tourist industry in 2008 was 23.5 trillion yen. This figure represents only the direct economic effect, but indirectly tourism creates a ripple effect in the economy of various industries by tourist interchange. For example, the agriculture and fisheries industry will benefit by the use of local foodstuffs, while the retail and service industry will prosper if souvenir goods are sold. In addition, many new types of travel are now on the market, such as green tourism by farming experience, ecotourism by studying and enjoying the natural environment, health tourism by relating travel with health, etc. If this economic ripple effect on peripheral industries is calculated, tourism constitutes a very big industry amounting to 53.1 trillion yen in total.

The tourist industry also has the great effect of creating employment. The number of direct employees of Japan’s tourist industry is 2.21 mil-

lion persons but if we include the employment in related industries, the number is 4.41 million, which indicates a substantial industry encircling a broad field of businesses.

As stated above, the development of tourism will surely contribute to the economy and employment.

### **Tourism promotion as a national policy**

The Japanese government realizes the great effect of tourism for economic vitalization as well as employment creation, and has started to declare regional vitalization by tourism as a growth strategy of the state.

Recent movements include the establishment of the Japan Tourism Agency in October 2008, and the inauguration of the Tourism-Oriented Nation Promoting Headquarters in December 2009, thus facilitating activities for achieving the tourism policy at a quick pace.

I consider that these movements will prove to be quite effective in boosting tourism. In fact there are hardly any industrialized nations which don’t place tourism as a pillar of national policy. It is said that Japan is 10 or 20 years late in tackling the issues but I think it most significant from a national point of view that tourism has been clearly declared as a growth strategy at this opportune time.

### **Present situation and future prospect of inbound market**

The most important issue of tourism promotion as a national policy is how we can attract more foreign visitors to Japan. Speaking of Japan’s inbound market at present, the number of foreign travelers to Japan amounted to 8.35 million (temporarily estimated number of visitors in 2009 being

6.78 million), ranking 6th in Asia and 28th in the world. France with the first rank in the world receives 79.30 million, and China with the first rank in Asia 53.04 million. Judging from economic globalization and the expansion of worldwide tourism exchange, one can easily understand that the number of visitors to Japan is too small

In this situation, in order to increase foreign visitors to Japan, the East Asia market should be most emphasized. More than 70% of the total foreign visitors in 2008 are from Asia. Korea ranks first with 2.38 million visitors, Taiwan second with 1.39 million, then China third with 1 million. These three countries support Japan's inbound market. Especially, the tourist interchange among Japan, China and Korea is estimated to increase from 14.34 million in 2008 to 18.52 million in 2015. We in the tourist industry should focus on this interchange expansion.

Travelers from China, in particular, will increase rapidly including those classified in the newly rich segment. These days, however, those in the middle income segment seem to have increased fourfold in a decade, which resembles the situation of Japan's travel market in the 60s. If visa and other issues are solved in the near future, the number of Chinese visitors to Japan will increase more rapidly. So, we have to be prepared for a possible increase of middle income earners in addition to attracting wealthy travelers which is our first priority at the moment.

As I mentioned before, it is evident that in view of Japan's decreasing population we cannot succeed in tourism-oriented regional vitalization without inbound tourism promotion. The Visit Japan Campaign which started in 2002 will be fur-

ther enhanced in 2010, thus enabling us to advertise further Japan's wonderful attractions abroad. This will inevitably contribute to a further expansion of foreign visitors to Japan.

More importantly, each region in Japan should cope properly with the reception of these foreign visitors in response to the expanded number of tourist arrivals. The improvement of hospitality centering around human resource development is strongly expected. At present, the main destinations of foreign visitors to Japan are Tokyo, Kyoto and Mt. Fuji, but in the future they will hopefully visit regional areas and experience various lifestyles rooted in local life and culture.

I believe that the mission of our tourist industry is to find these life cultures in Japan as tourism material and to dispatch that tourist information abroad.

### **Into a cultural exchange industry**

With major changes taking place in our market, the JTB Group has started a decisive challenge model. In the past, travel itself was an aim but now it is only a means. For what do you go to Hawaii? What are you going to do when you travel to Europe? So, the job of travel companies will inevitably change from travel coordinator to business partner who plans travel together with the customer.

We aim to achieve the new business model by transforming into a cultural exchange business, while we facilitate people-to-people exchange, solve clients' problems, and offer spiritual satisfaction.

One of the biggest aims in the creation of our new business model is our contribution to world peace through cultural exchange. I am confident

that the more people-to-people exchange increases, the more it will lead to world peace. Though the peace of mankind may sound a bit exaggerated, we sincerely hope to contribute to world peace.

Next, we aim to contribute to regional tourism development within Japan. As our strategy, the JTB Group has inaugurated the concept of “regional exchange business.” Customers’ behavior is drastically changing from the traditional “departure pattern” in which they decide and arrange travel using data and information provided by travel companies before departure, to “destination pattern” in which they get information through websites or magazines, and purchase travel at their destinations. We have to merchandise carefully by finding out the local attractions and regional exchange. For that purpose, we also have to reinforce coordinated business within the region. The JTB Group, therefore, has restructured our business entity into regional companies located from Hokkaido to Okinawa.

The JTB Group has many past experiences, achievements, and know-how of regional vitalization in many localities in Japan. We will provide each region with this know-how and support its development of internationally acceptable destinations.

Thus the JTB Group will evolve from a conventional travel business company to a cultural exchange business, and finally to a DMC (Destination Management Company) so that we can vitalize the regions.

Another important mission is our contribution to the expansion of worldwide people-to-people interchange through global strategy. With the economic growth of Asia in the background, the JTB Group is aiming to establish an integrated business group focusing on inbound, outbound,

MICE(meetings, events) and its peripheral business, in the three major areas of Europe, the Americas, and Asia Pacific, and also among those three areas. In the expansion of global people-to-people exchange, the CSR of the tourist industry will become more and more important. With many changes such as the restructuring of the airline industry, and the globalization of hotel chains taking place, we hope to evolve into a business enterprise which can cope with most of the varied needs of customers around the world.

### **In order to internationalize Japanese tourism**

I think what is needed to internationalize Japanese tourism is “mutual understanding.” What we need is to know our own local region. As a start, we have to learn and understand the culture rooted in Japanese life and its history. It is said that these days local residents who don’t even know their own festivals are increasing. The local events attracting the interest of visitors will be those which are not targeting outside people but which are fully enjoyed by the local community and are easily participated in by small children. At this stage, we have to return to the basics again, namely a community orientation.

Recently, Kyoto and Nara are becoming more and more popular among Asian visitors. In their opinion, though Japanese Buddhism culture was introduced into Japan from their countries, what they find most interesting is the way the Japanese have adapted it to Japanese life and culture as well as to the Japanese sense of beauty. As the interest of newly rich Asian people toward Japan changes from goods to culture, we in the reception side, too, have to seek proper human resource development as well as to enhance awareness for receiving

Asian people as our good neighbors.

### **Conclusion**

From the starting point of human nature, the Japanese people have “hospitality” in mind. In order to internationalize Japanese tourism, we have to cherish this virtue of “hospitality” and show it from

the heart to Asian and other foreign visitors.

We sincerely hope that many tourists from throughout the world will visit Japan abundant in attractive, wonderful tourist resources, enjoy the exchange with us Japanese, and be satisfied with their travel to Japan. We will be most happy to help them in that way.