

# **Basics of Japan Outbound Travel Market**

**September 21, 2006**

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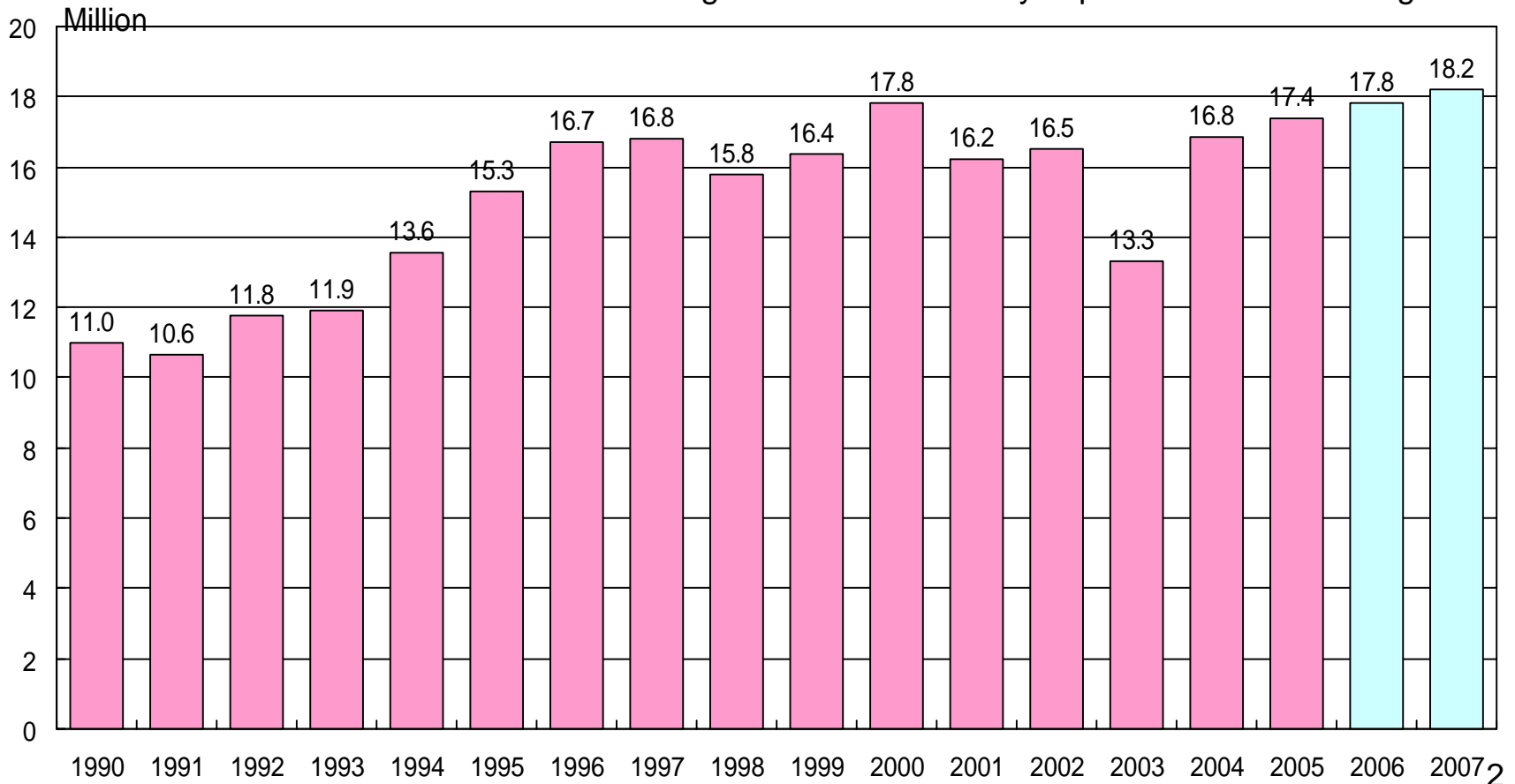
**Japan Tourism Marketing Co.**

# Facts on Japanese Outbound Tourism

## Japanese International Departure (1990 – 2005, 2006, 2007)

Full recovery after 5 years of market turbulence.  
 Steady growth is expected for the next few years.

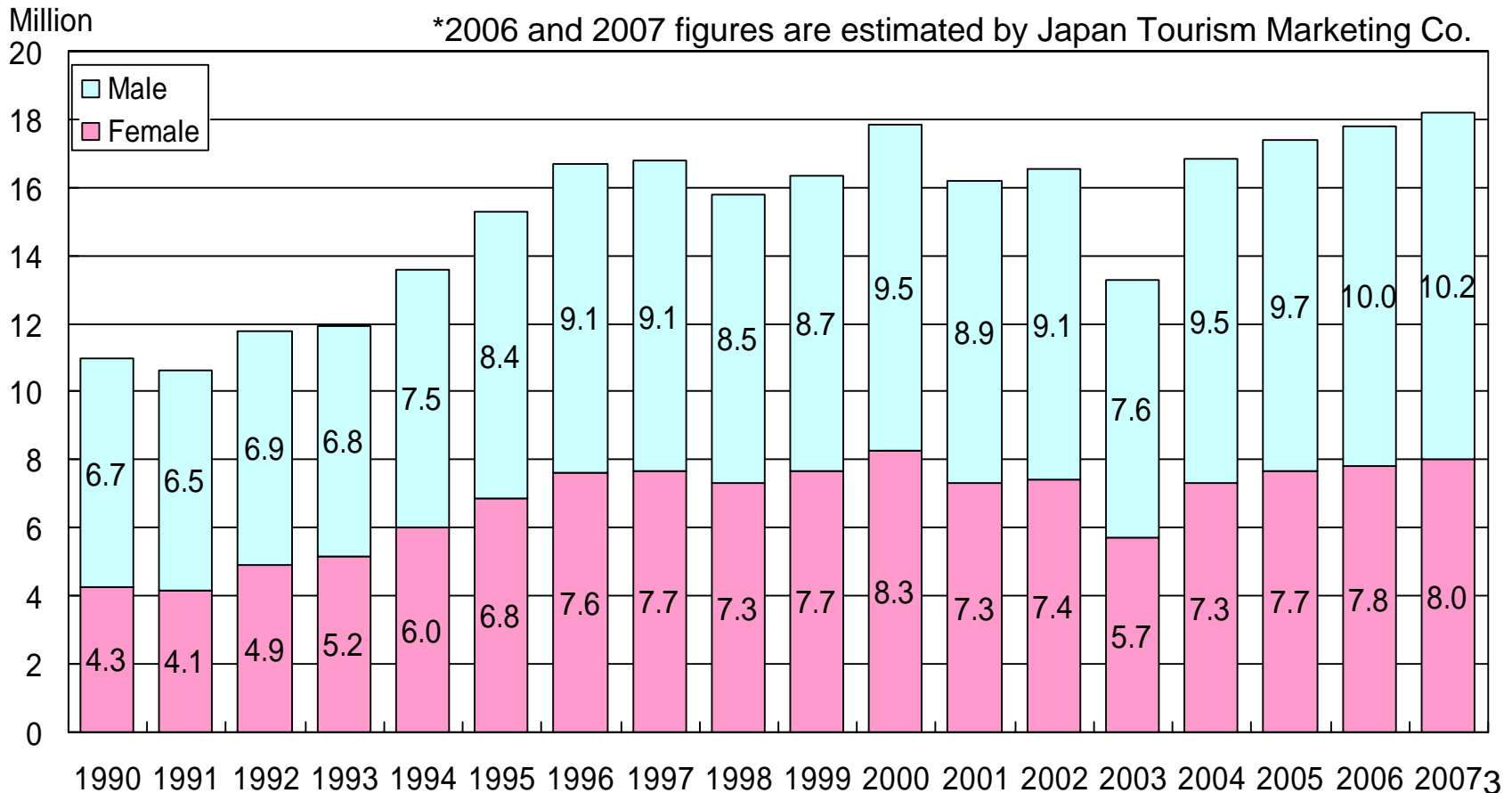
\*2006 and 2007 figures are estimated by Japan Tourism Marketing Co.



# Facts on Japanese Outbound Tourism

Japanese International Departure by Gender (1990 – 2005, 2006,2007)

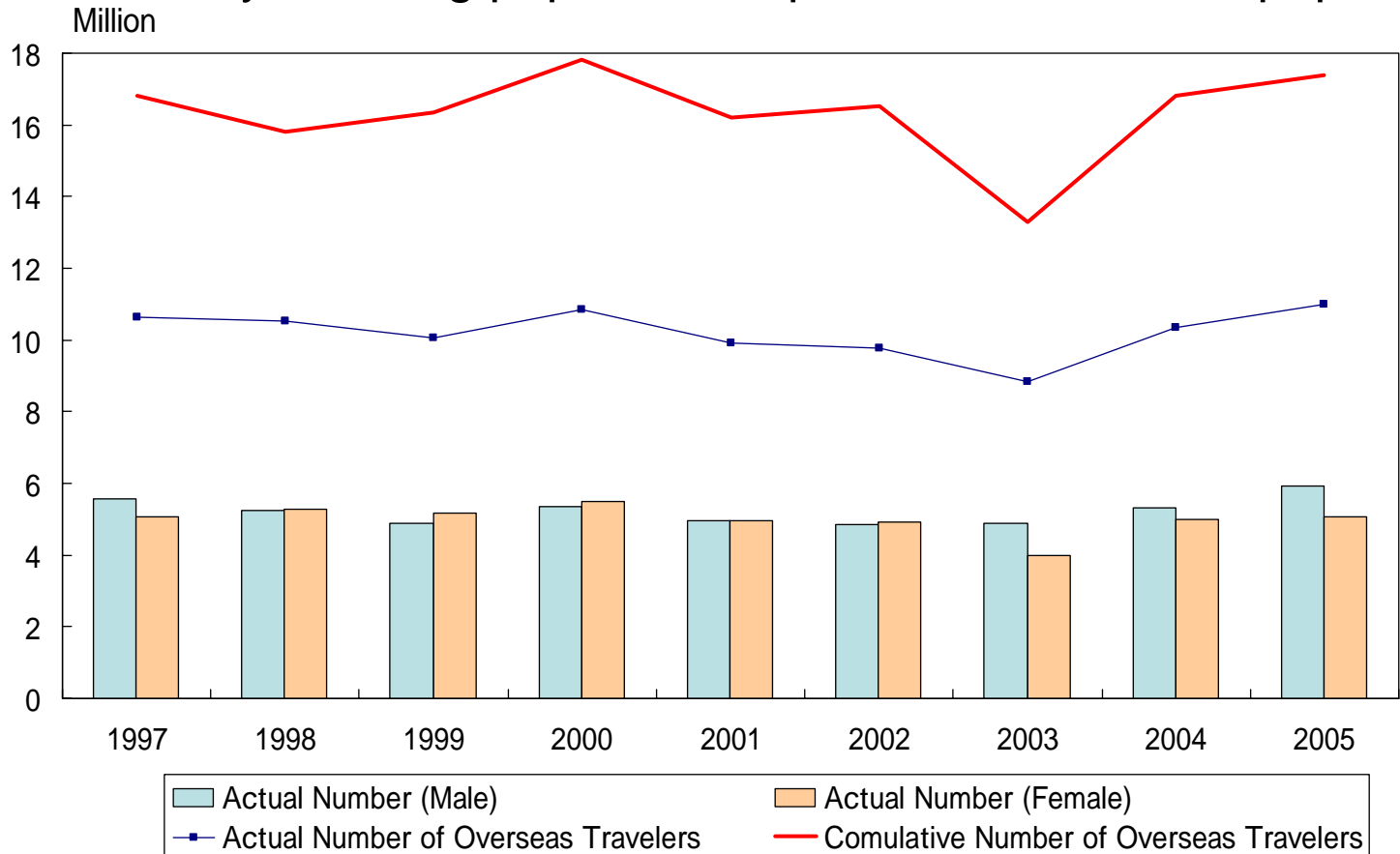
- Male travelers have already recovered and exceeded 2000 level.
- Female market is slower in recovery.



# Do Japanese Travel Less Frequently than They Used to?

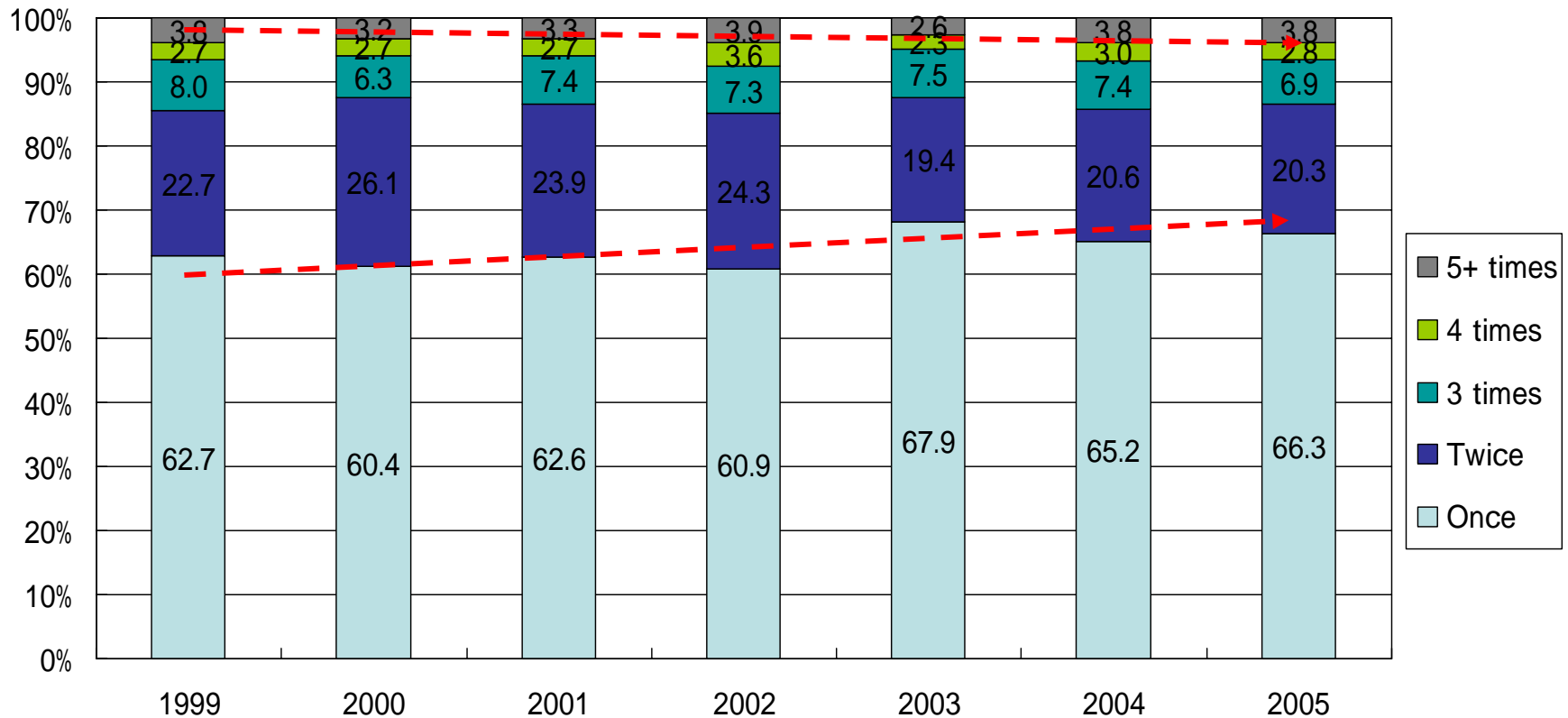
# Do Japanese Travel Less Frequently than Before?

- The actual overseas traveling population has stayed around 10 M.\*  
\* Estimation by JTM.
- Internationally traveling population represents 8% of total population.



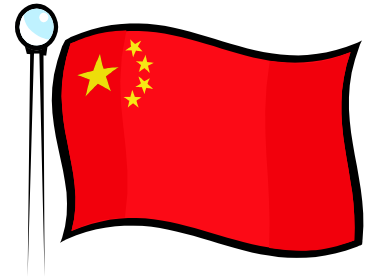
# Do Japanese Travel Less Frequently than Before?

- An increase in once-a-year travelers and heavily frequent travelers.
- Middle frequency (2 – 4 times a year) travelers have decreased.



# **Are China, India and Korea More Potential Source Markets than Japan?**

# Are China, India and Korea More Potential Source Markets than Japan?

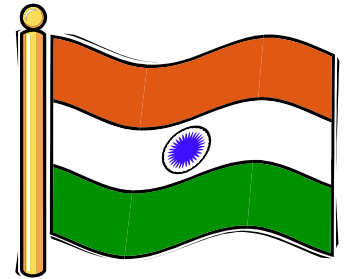


## China

- In 2005, the number of outbound tourists from China was 31 M, surpassing Japan's outbound market volume.
- Visitors to Hong Kong and Macau are included in above figure; Estimated actual INTERNATIONAL departure is approximately 14 M.
- Outbound market will continuously grow fueled by rapidly developing economy and increasing personal income.



# Are China, India and Korea More Potential Source Markets than Japan?

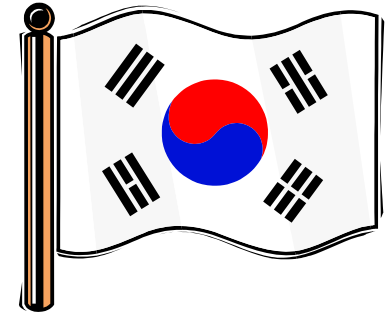


## India

- The number of international departure from India was 7.2 M in 2005.
- A large proportion of outbound travelers are emigrants and laborers working in Gulf countries; UAE, Baleen, Kuwait, Oman, etc.
- Business travelers and VFR travelers frequent to Singapore, U.S. and Thailand.
- Purely leisure travelers are still small in number, but are expected to grow during the next decade.

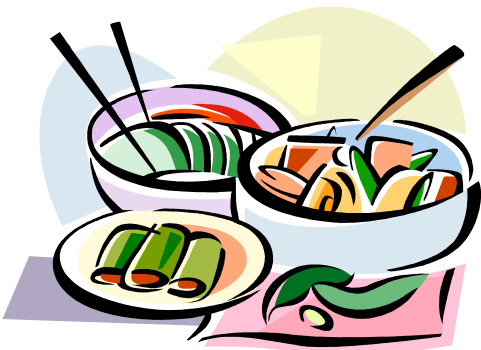


# Are China, India and Korea More Potential Source Markets than Japan?



## Korea

- 10 M Koreans traveled internationally in 2005.
- China and Japan are two biggest destinations having 50% of total outbound market share.
- Steady economic growth and strong Won accelerated the growth of outbound travel market.
- Departure ratio is 20%, higher than Japan's 13.6%.



# What Are the Frequently Visited Destinations by Japanese?

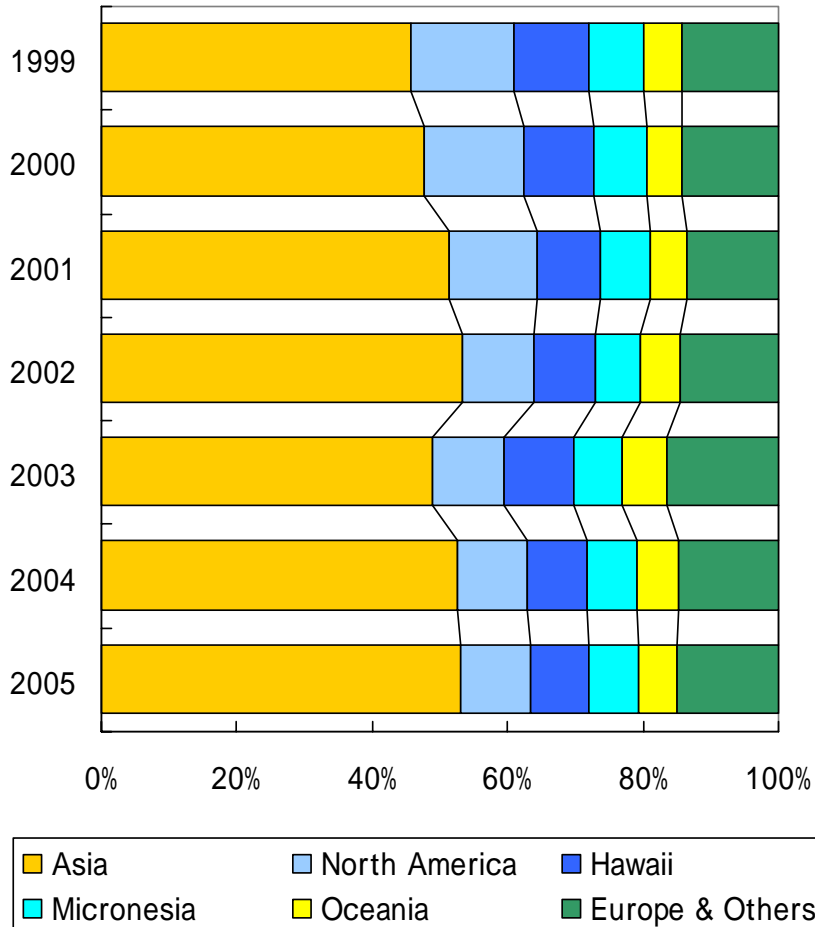
# What Are the Frequently Visited Destinations by Japanese?

## Japanese Arrival (2005)

	number	share
1. China	3,390,000	19.5 %
2. Korea	2,440,000	14.0
3. Hawaii	1,522,000	8.7
4. U.S. Mainland	1,407,000	8.1
5. Hong Kong	1,211,000	7.0
6. Thailand	1,197,000	6.9
7. Taiwan	1,127,000	6.5
8. Guam	955,000	5.5
9. Australia	686,000	3.9
10. France	667,000	3.8

# What Are the Frequently Visited Destinations by Japanese?

## Japanese Arrival by Region



Further shift to Asia:

- Asia +
- North America ±
- Hawaii -
- Micronesia -
- Oceania -
- Europe ±
- Other Regions ±

# Who Are Frequent Travelers in Japan?

# Who Are Frequent Travelers in Japan?

Currently frequently traveling market segment:

- Men in 30s – 50s.
- Women in 20s, 30s and 50s.



Future trends of traveling market segment

## Male

10s

20s

30s

40s

50s

60s

70s

## Female

10s

20s

30s

40s

50s

60s

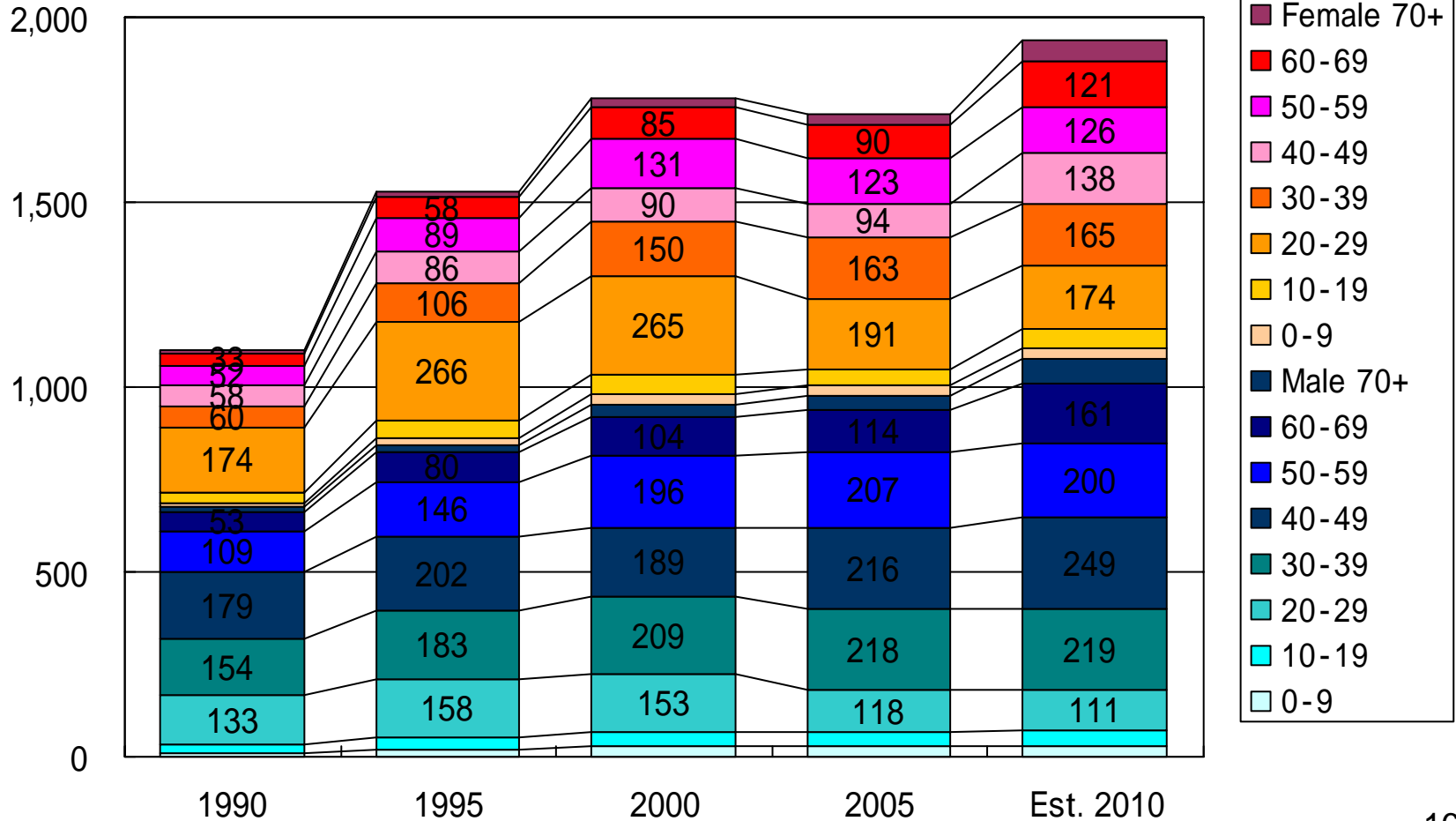
70s



# Who Are Frequent Travelers in Japan?

## Japanese Departure by Age Group

ten thousand

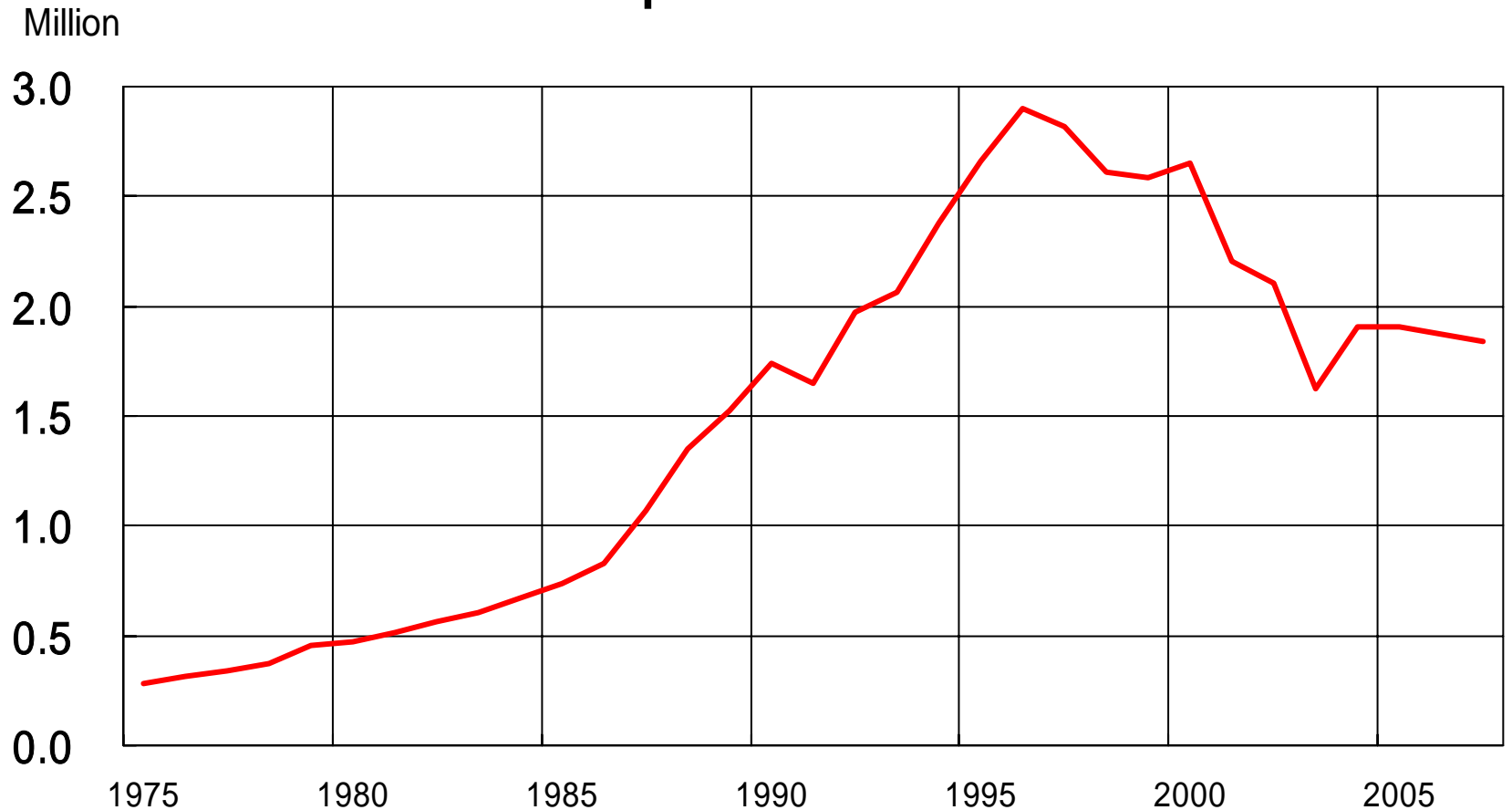


Source: Ministry of Justice, 2010 figure is estimated by JTM

# What Has Happened to Office Ladies in their 20s?

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## International Departure of Women in 20s.



# What Has Happened to Office Ladies in their 20s?

- Used to be the most frequently traveling segment until the turn of the century.
- Continuous decline since 1997.
- Still the largest segment among women.
- Will be outnumbered by 30s, 40s and seniors.



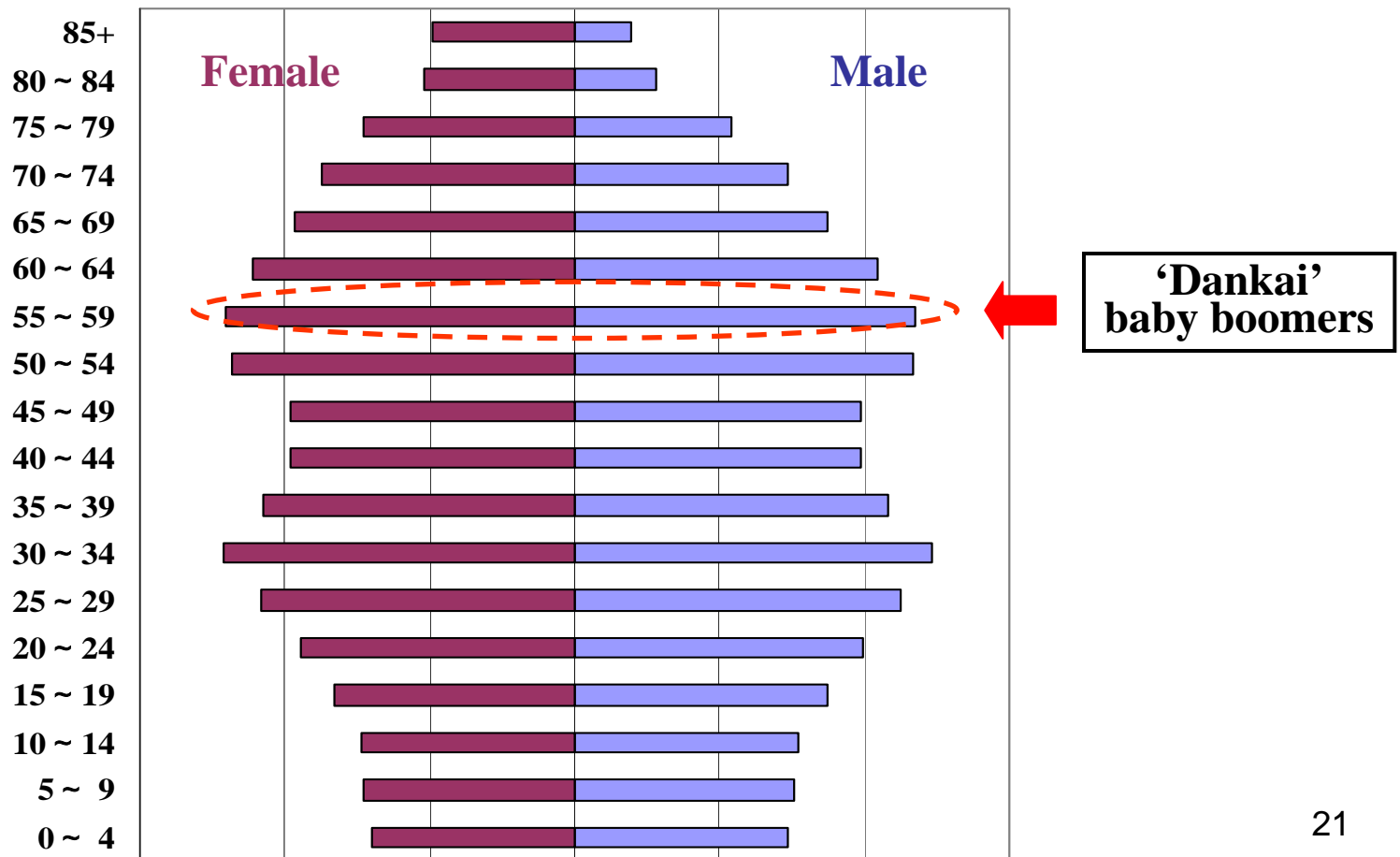
## Reasons for decline:

- Decrease in population
- Less interested in overseas travel
- Unstable employment and lowered income
- Growing cost for other activities (e.g. mobile phone)

## **How Will '2007 Issue' Affect Japanese Travel Market?**

# How Will '2007 Issue' Affect Japanese Travel Market?

'2007 Issue': social phenomena associated with mass retirement of 'Dankai' baby boomer generation born in 1947-1950.



## How Will '2007 Issue' Affect Japanese Travel Market?

### Positive aspects

- Expected increase in potential traveling population who have both 'money' and 'time'.
- Eagerness for overseas travel among Dankai seniors.
- Dankai seniors are experienced international travelers.
- Dankai seniors prefer high-end products.
- They are just as active as younger generations.



### Concerns

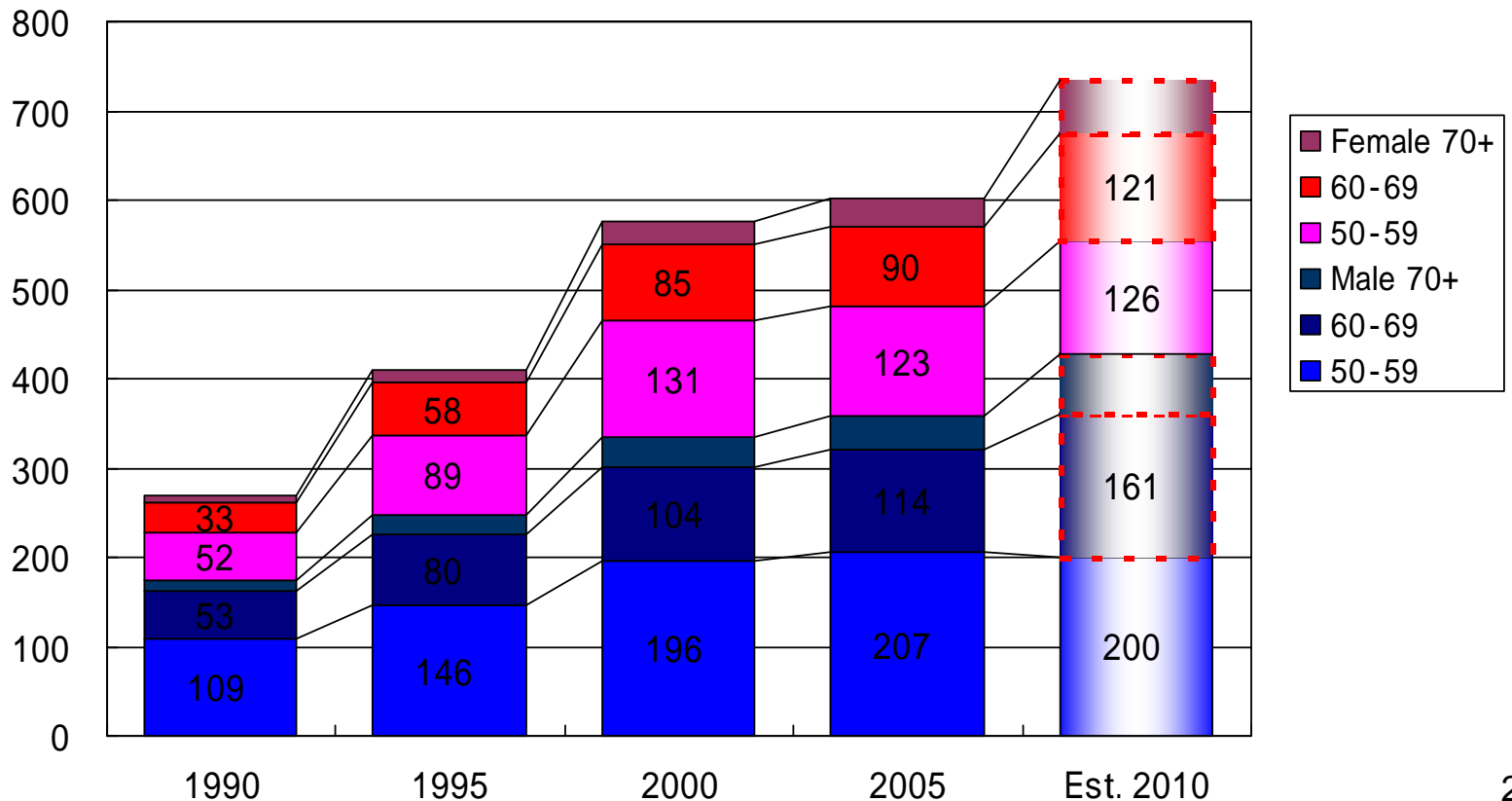
- Their personal asset is not as large as the preceding generation who are currently in their 60s and 70s.
- Couples may not want to travel together. Men and women have different preference for destination.
- Security and safety concern of overseas travel.

# Are Seniors Highly Potential Market?

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**In 15 years, senior market has grown to more than double the size. Further growth is expected among those aged 60 +.**

ten thousand      International Departure of Seniors Aged 50 +



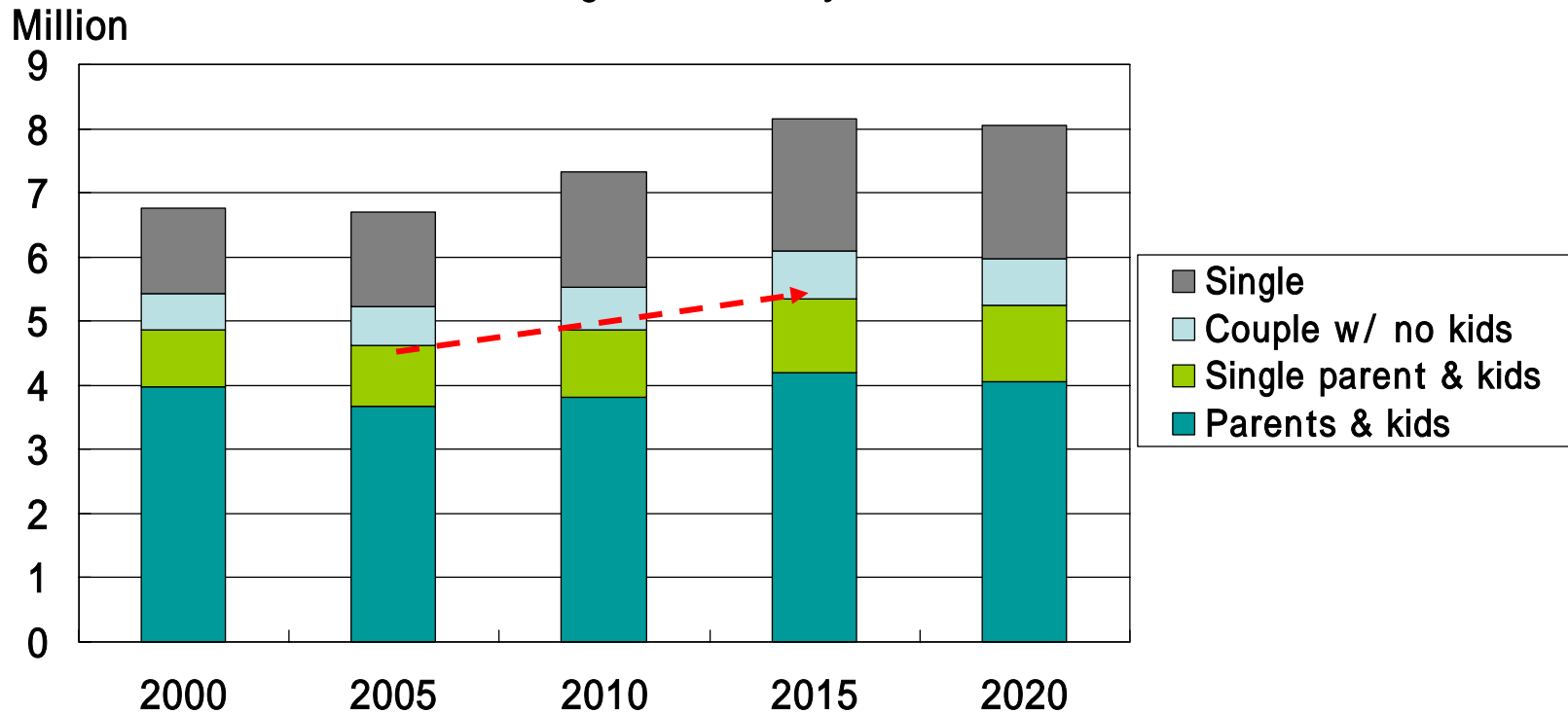
Source: Ministry of Justice, 2010 figure is estimated by JTM

## **Are Families Another Potential Market?**

# Are Families Another Potential Market?

- Families market will grow for the next decade.
- Mothers of the families are experienced overseas travelers.
- They were the market leaders in their 20s during 1990s.

Marriage and family status of 40s



# Are Families Another Potential Market?

Besides traditional 'parents + kids families';

- Three generation family trip
- Grand parent(s) + grand child(ren)
- Mother + kid(s)
- Mother & daughter duo
- Multiple family trip
- Family reunion



- Note: Retired grandparents are a big sponsor of family trip.

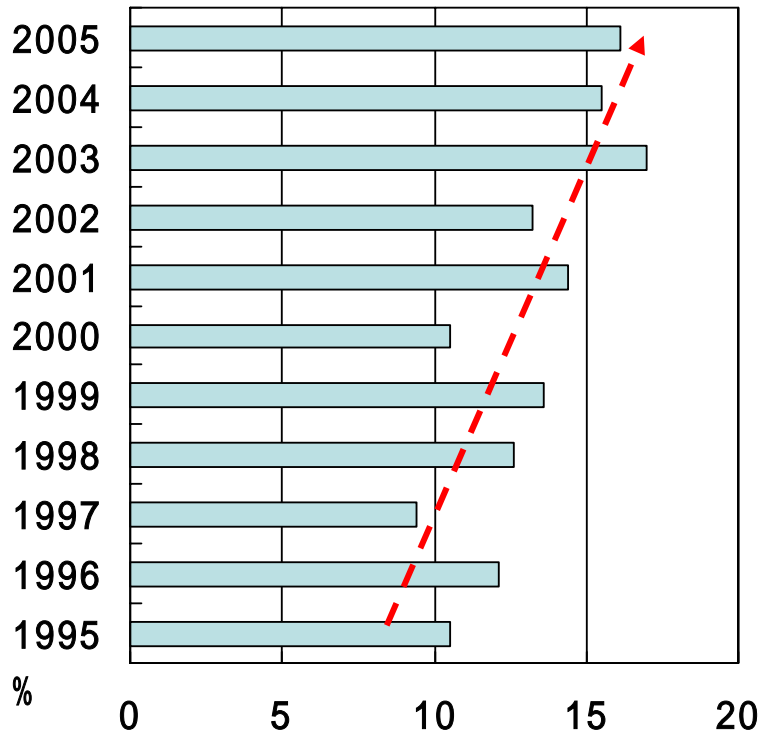
# Is Single Traveler Market Growing?

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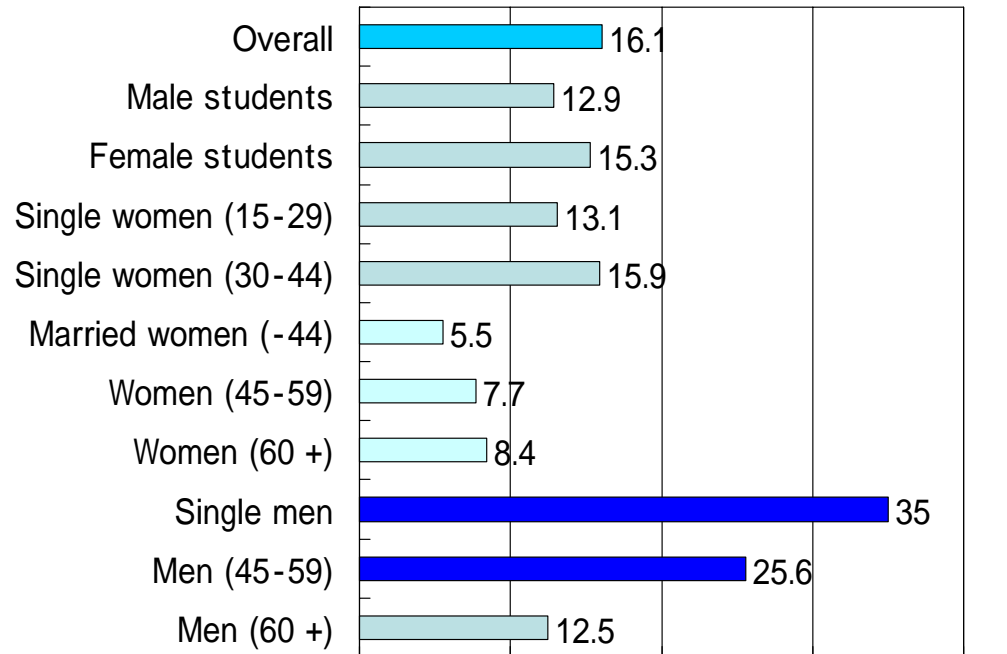


- The share of single traveler is on the rise.
- Men travel alone more often than women.

The Share of Single International Travelers



The Share of Single International Travelers by Market Segment



Source: JTB Report 2000 - 2006

# Is MICE Market Recovering in Japan?

## Is MICE Market Recovering in Japan?

- Yes, corporate group travel market including MICE shows the signs of recovery, in accordance with recent improvement of economy.
  - Meetings and conventions
  - Large sized corporate incentive travel
  - Company sponsored travel for employees
- In long term prospect, corporate sponsored group travel market will gradually shrink.

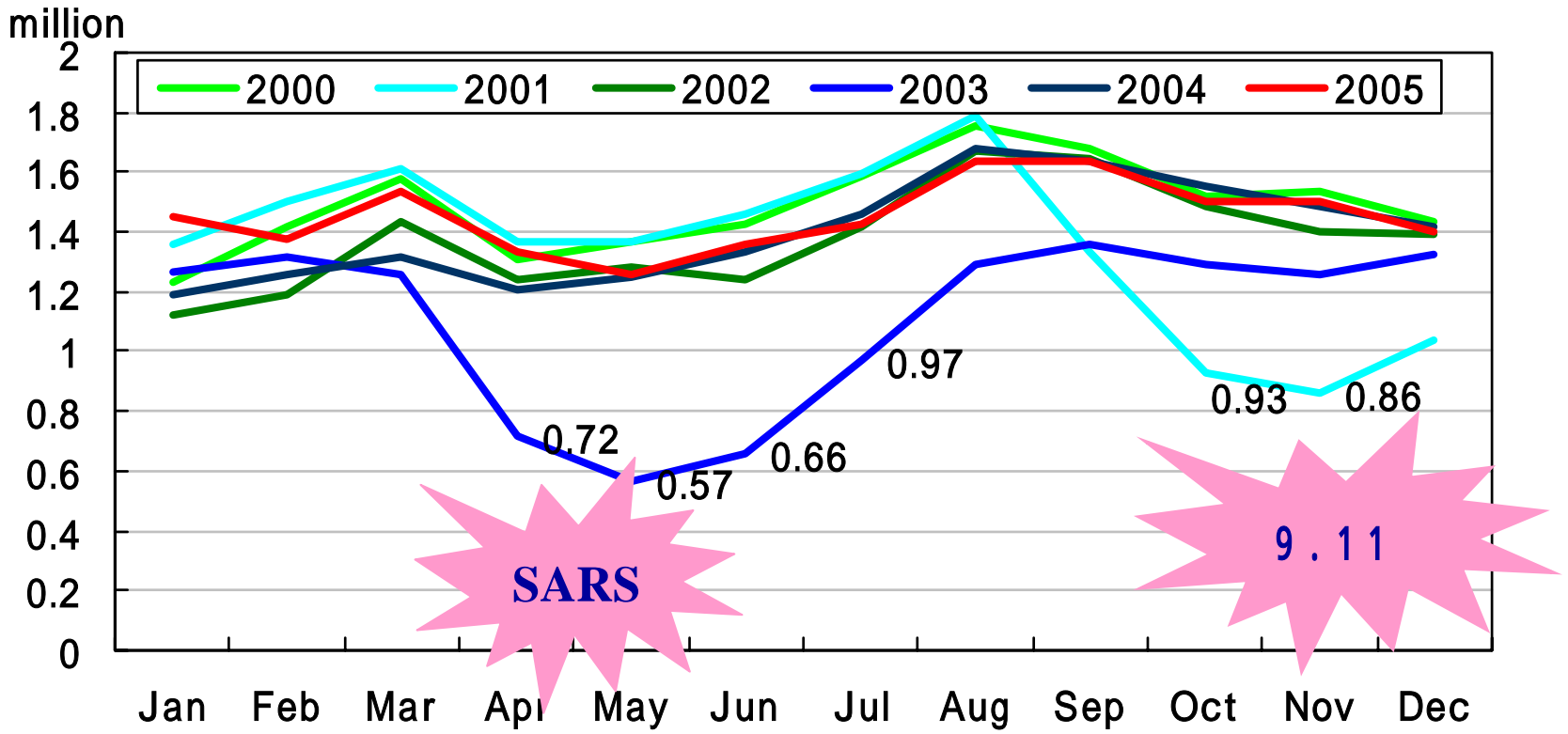
# Are Japanese Sensitive to the Changes in Environment?

## Are Japanese Sensitive to the Changes in Environment?

- Yes, Japanese are much more sensitive to changes in travel environment than people of other neighboring countries.
- They are concerned about safety and security of international travel.  
e.g. Contrast in reaction to 9.11 between Japanese and Koreans
- Japanese tend to make decisions simply by following people around.
- Employers sometimes forbids their employees to travel to international destinations even on personal trips.
- Once a 3<sup>rd</sup> level alert for travel is issued on a country or region by Ministry of Foreign Affairs, all package tours to the destination are canceled.
- After four years of subsequent incidents in the travel environment, some Japanese travelers have learned how to collect necessary info to make their own decision on international trip.

# Are Japanese Sensitive to the Changes in Environment?

- Japanese are sensitive to safety of travel.

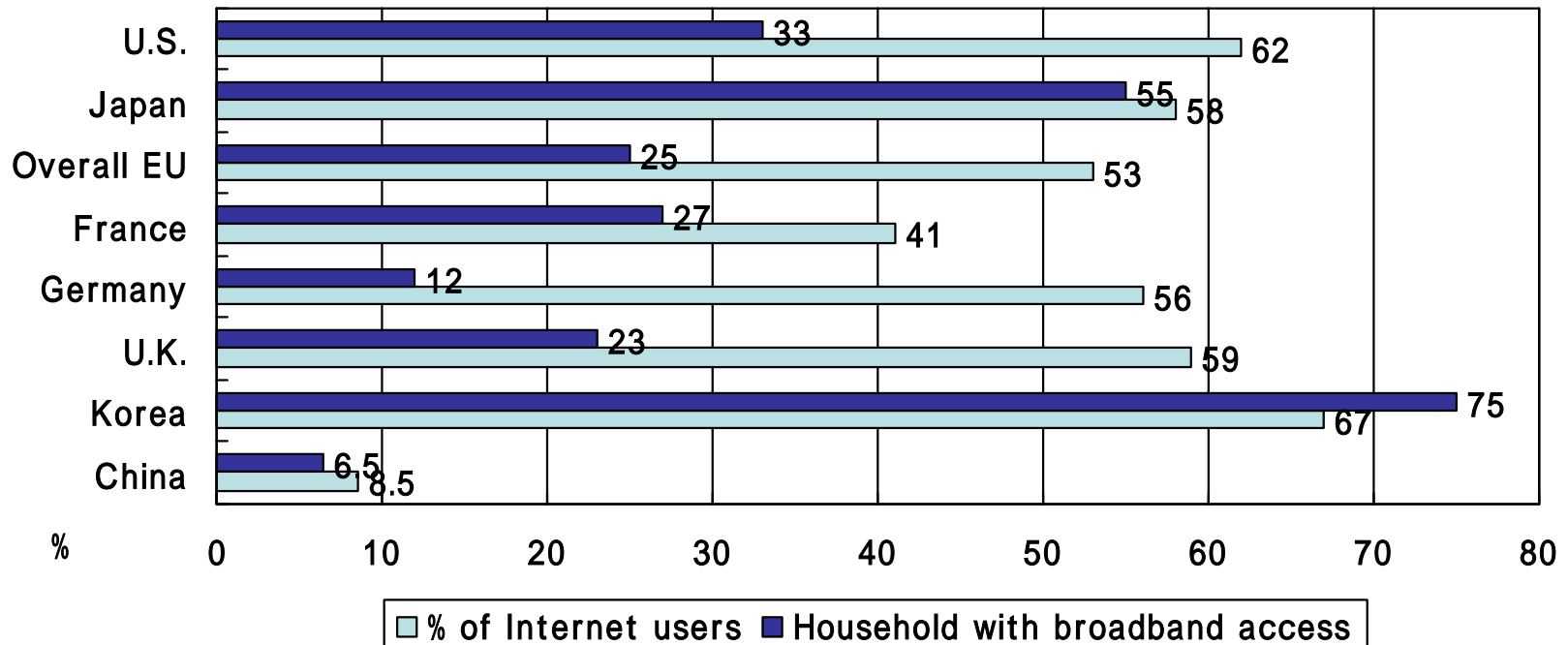


# Is the Internet an Effective Marketing Tool?

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- Japan is highly Internet accessible country in Asia.
- 66.8% of Japanese are Internet users.
- 55% of Japanese households are accessed through the broadband.
- 60 M Japanese access to the Internet through mobile terminal.

Internet Users and Broadband Access



# Is the Internet an Effective Marketing Tool?

- The Internet as communication media
  - 50+ % of travelers collect travel related information from the Web sites.
  - Web sites are the second most used information source after guide books.
  - Interactive communication sites (blogs and SNSs) are often participated by travelers.
  - Travel agents also use Web sites for destination information.
    - Some National Tourist Offices have a site specially designed for travel trade.

# Is the Internet an Effective Marketing Tool?

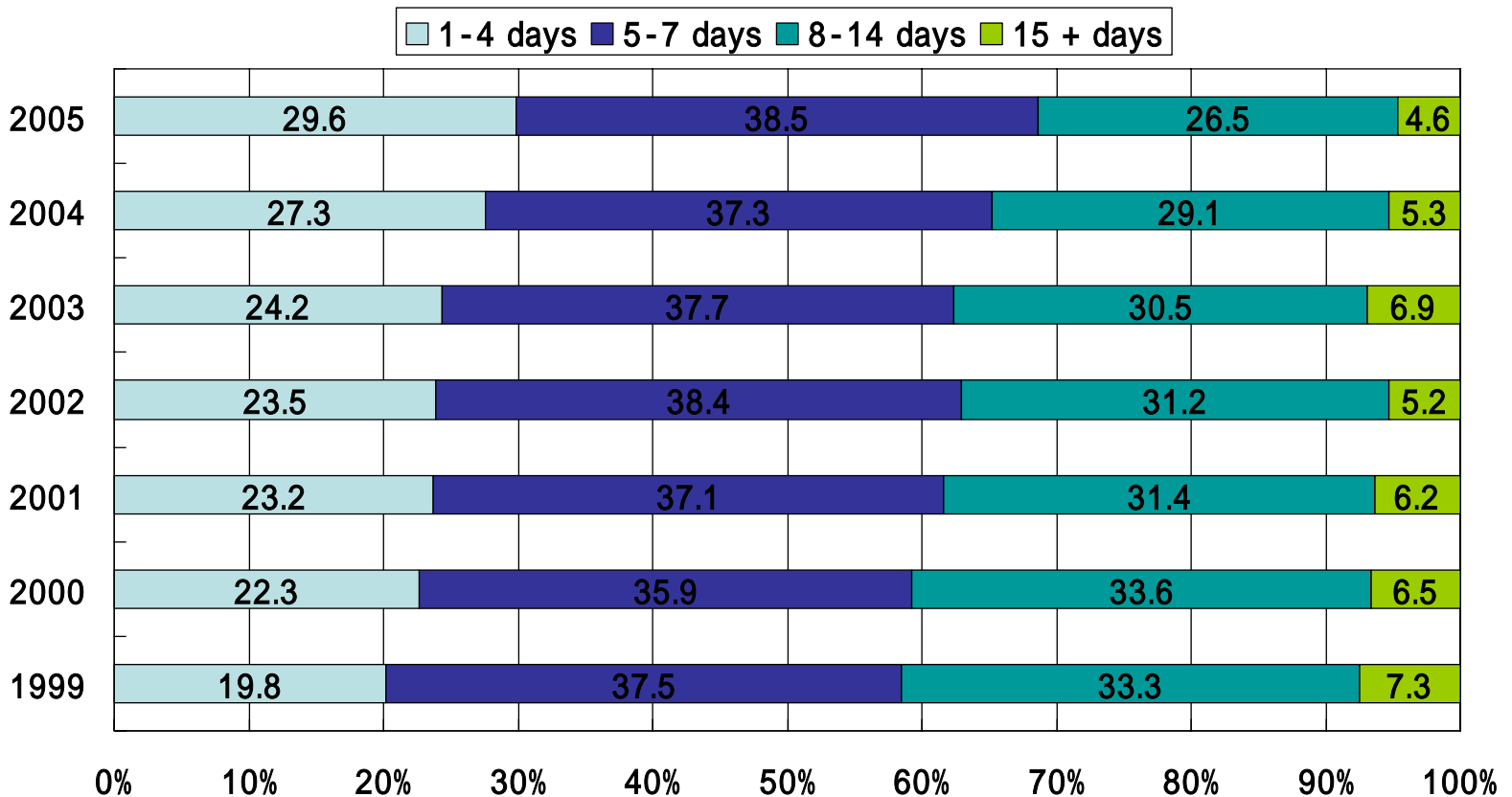
- Online purchase of travel products
  - 10% of travel products are purchased online.
  - The figure is expected to rise rapidly to 20 % by 2010.
  - Domestic air ticket and accommodation are fast to shift to online.
  - 35% of overseas travelers booked their trip through the Internet.
  - 40% of frequent travelers book their overseas trip online.
  - Overseas travel products are still slower to shift to online than the U.S. and E.U. countries.
  - Introduction of dynamic package will accelerate the shift.
  - International travel booking sites (Expedia, Travelocity) are targeting Japan.

# Japanese Styles of Traveling

# Length of Trip

A continuous shift to shorter trip

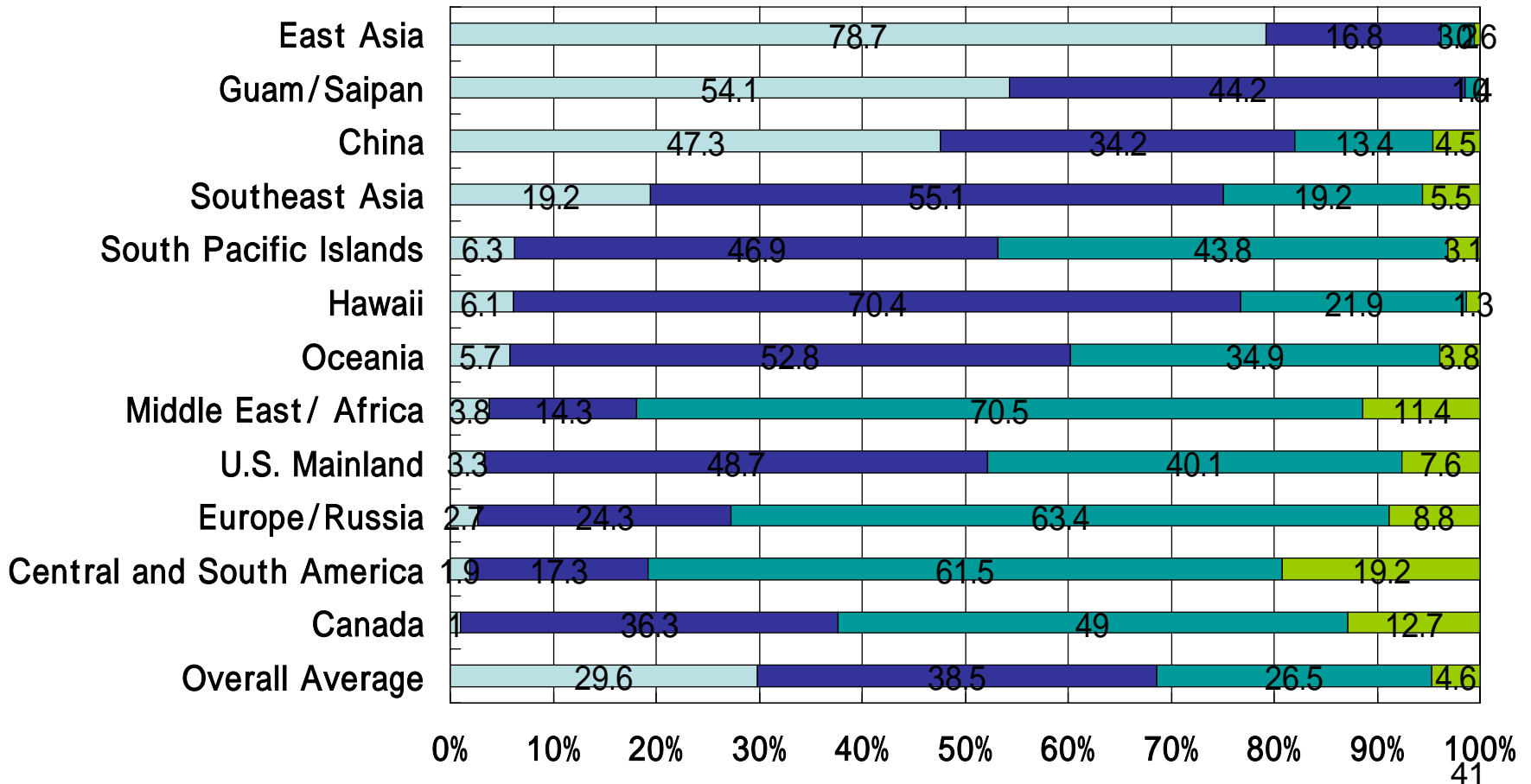
## Travel Duration



# Length of Trip

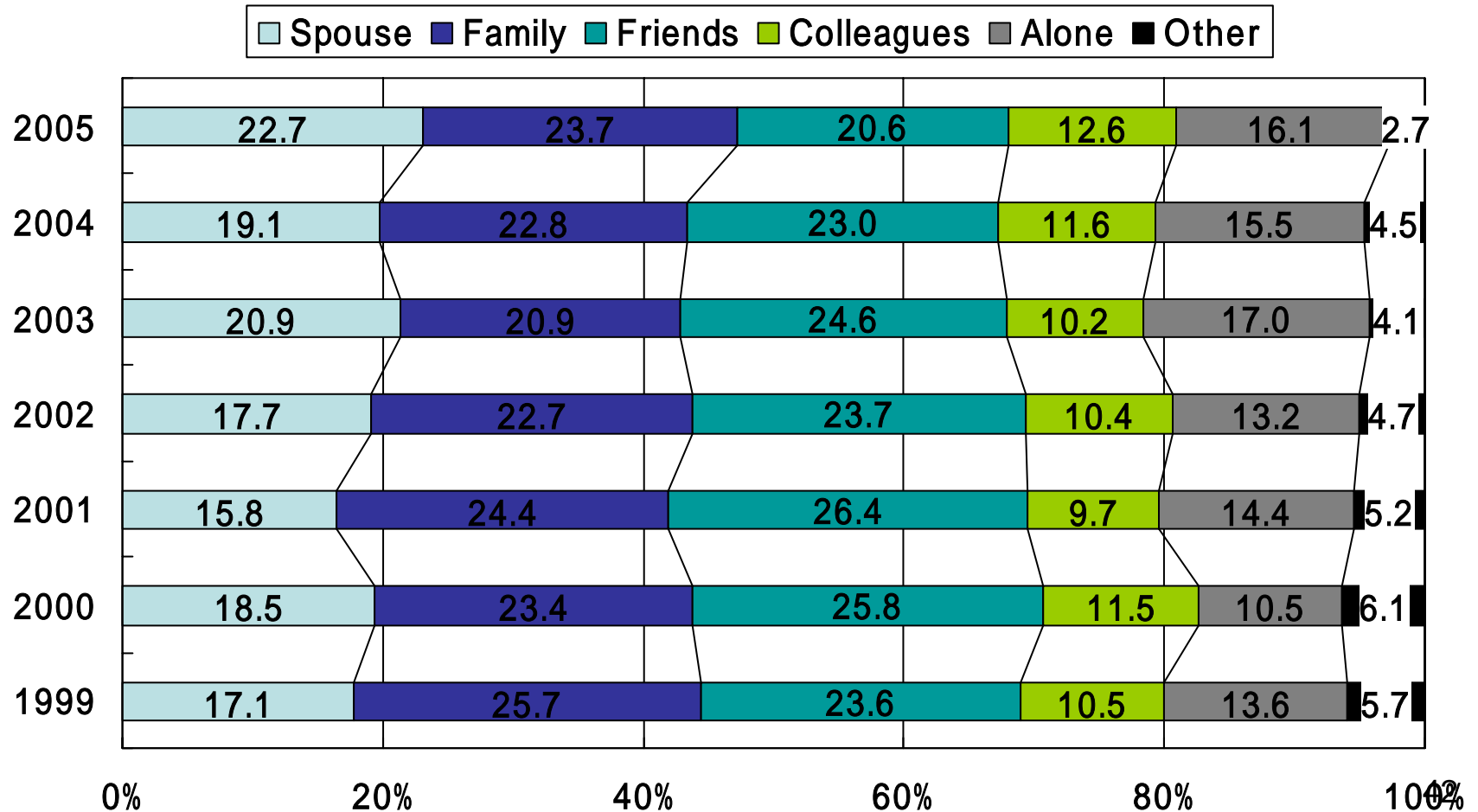
## Travel Duration by Destination

1-4 days 5-7 days 8-14 days 15 + days



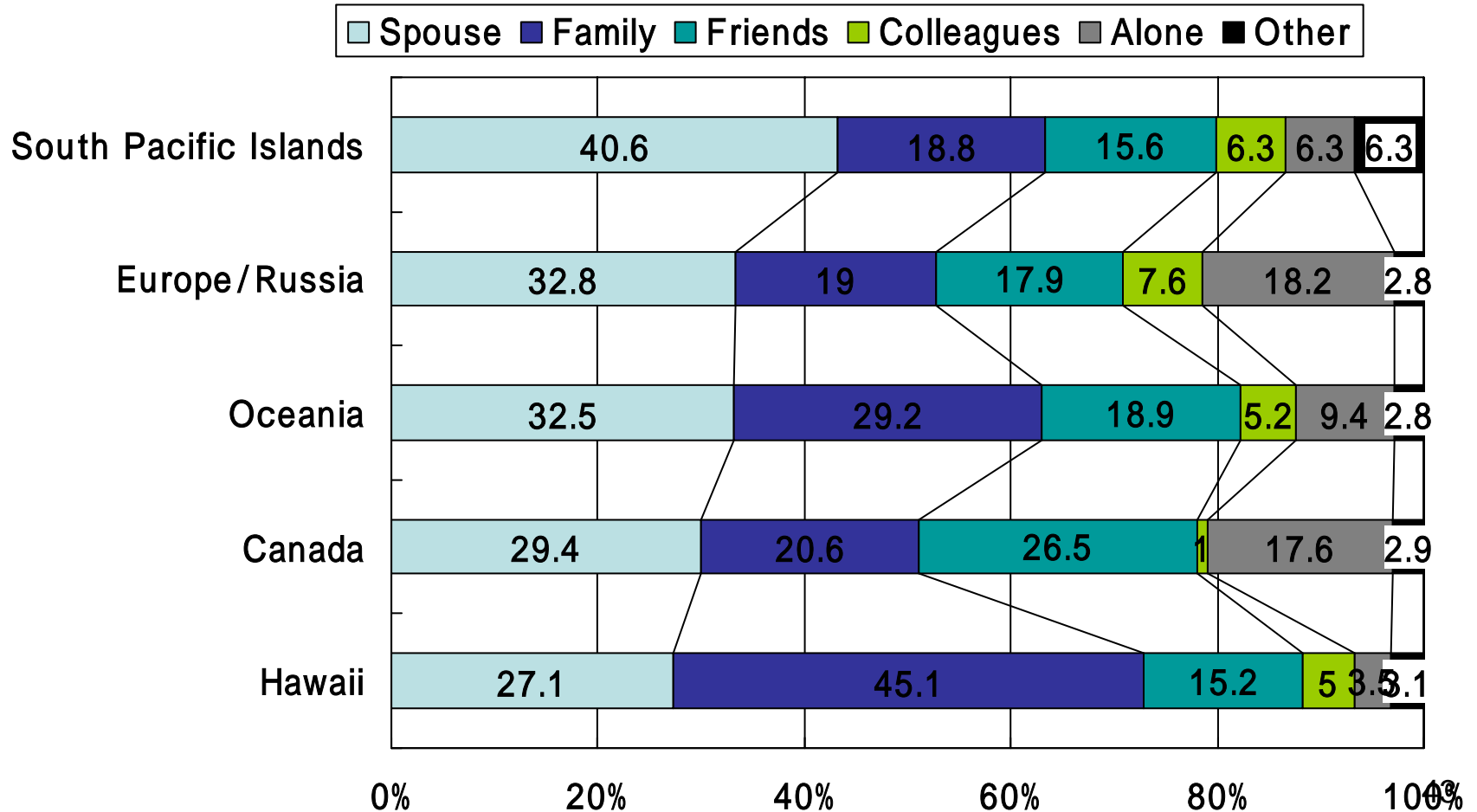
# Travel Companions

Travel with spouse and traveling alone are on an increase.



# Travel Companions

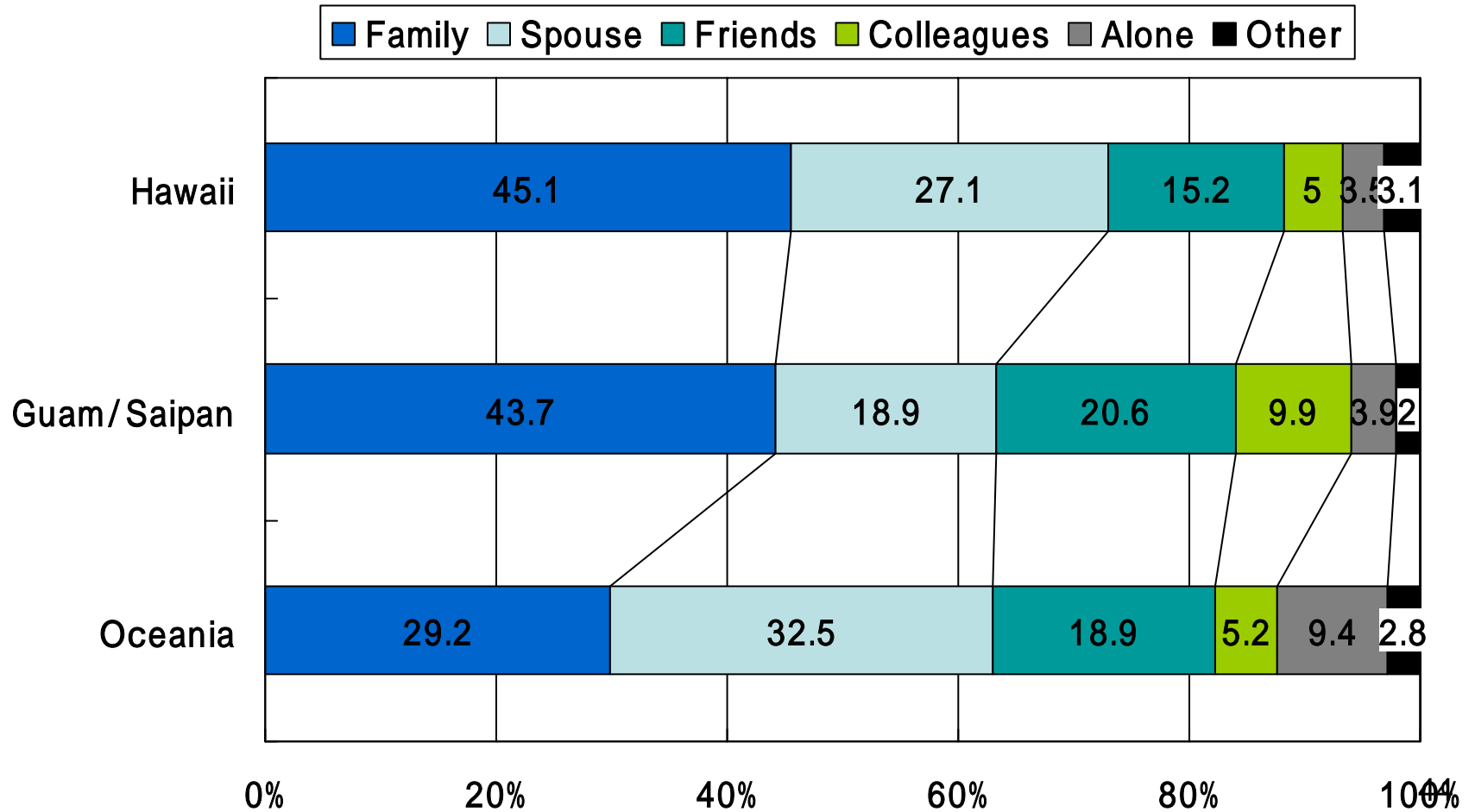
## Top Couple Destinations



Source: JTB Report 2006

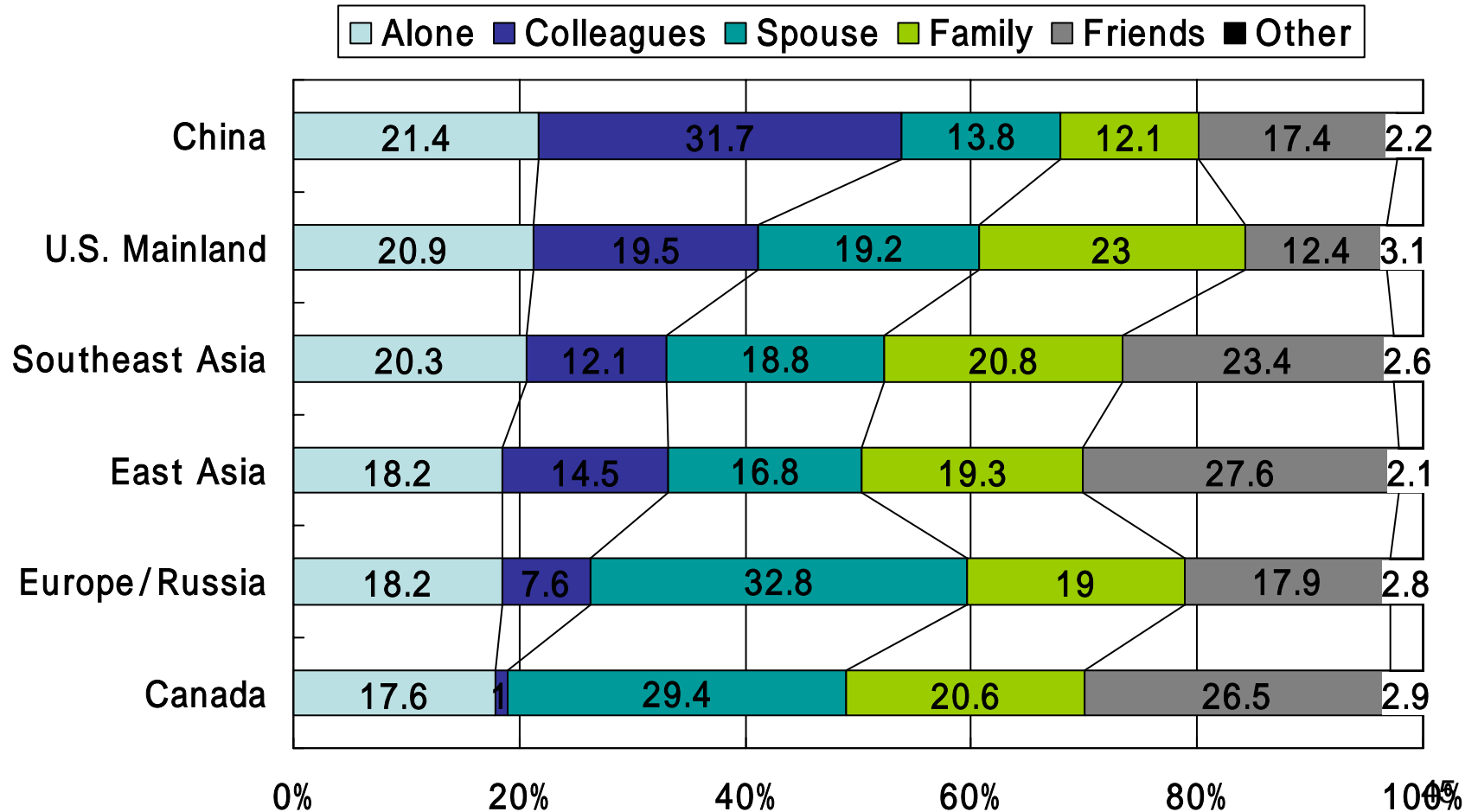
# Travel Companions

## Top Family Destinations



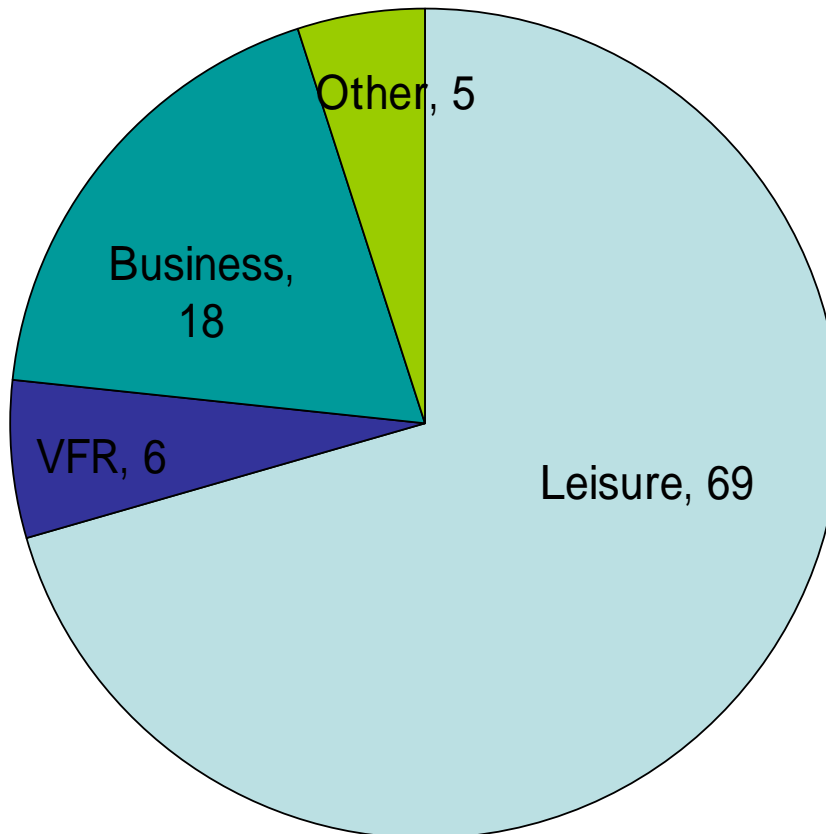
# Travel Companions

## Destinations Frequently Visited by Single Travelers



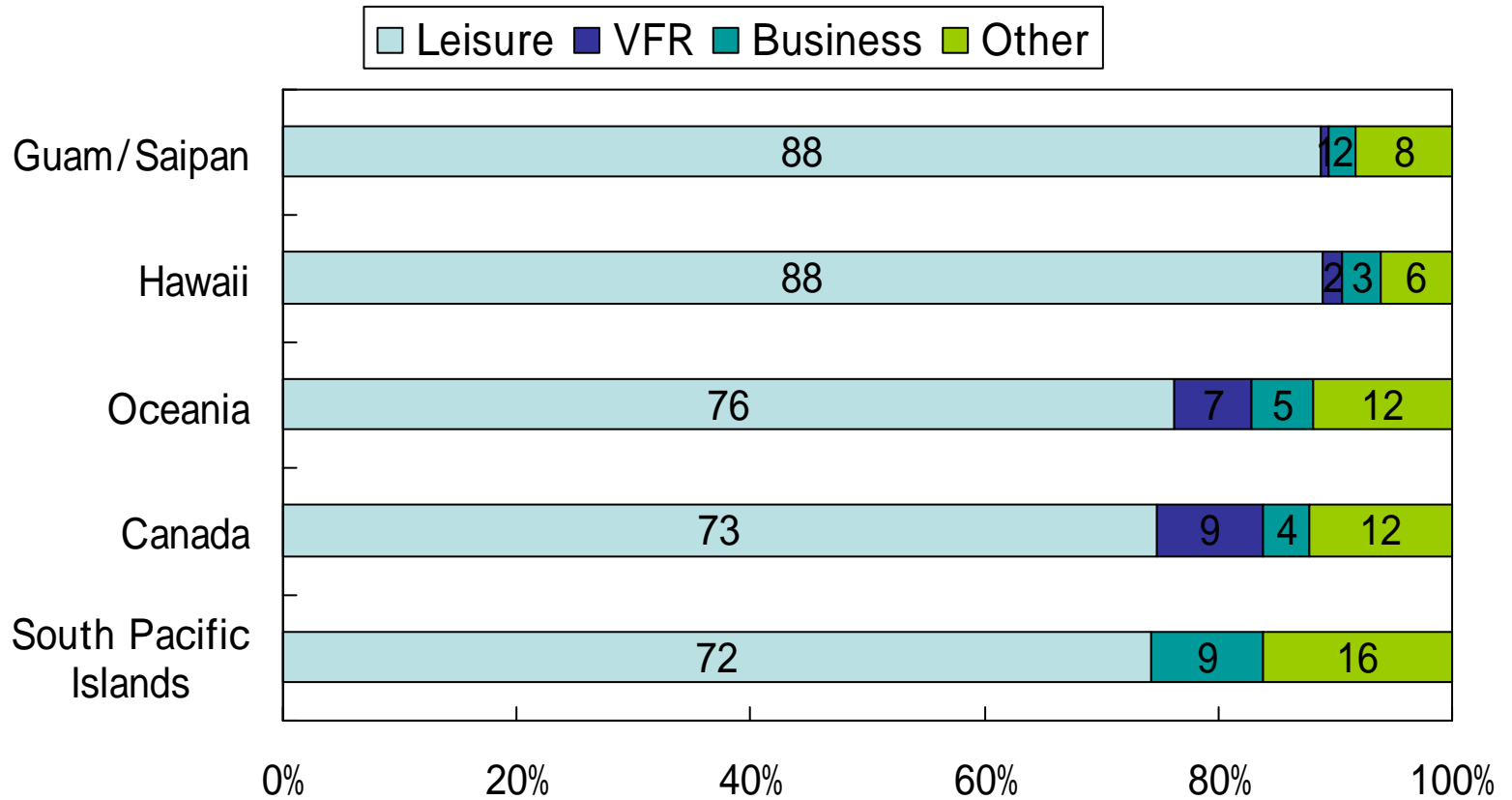
# Purposes of Travel

Leisure travel including honeymoon consists of two thirds of all international travel made by Japanese.



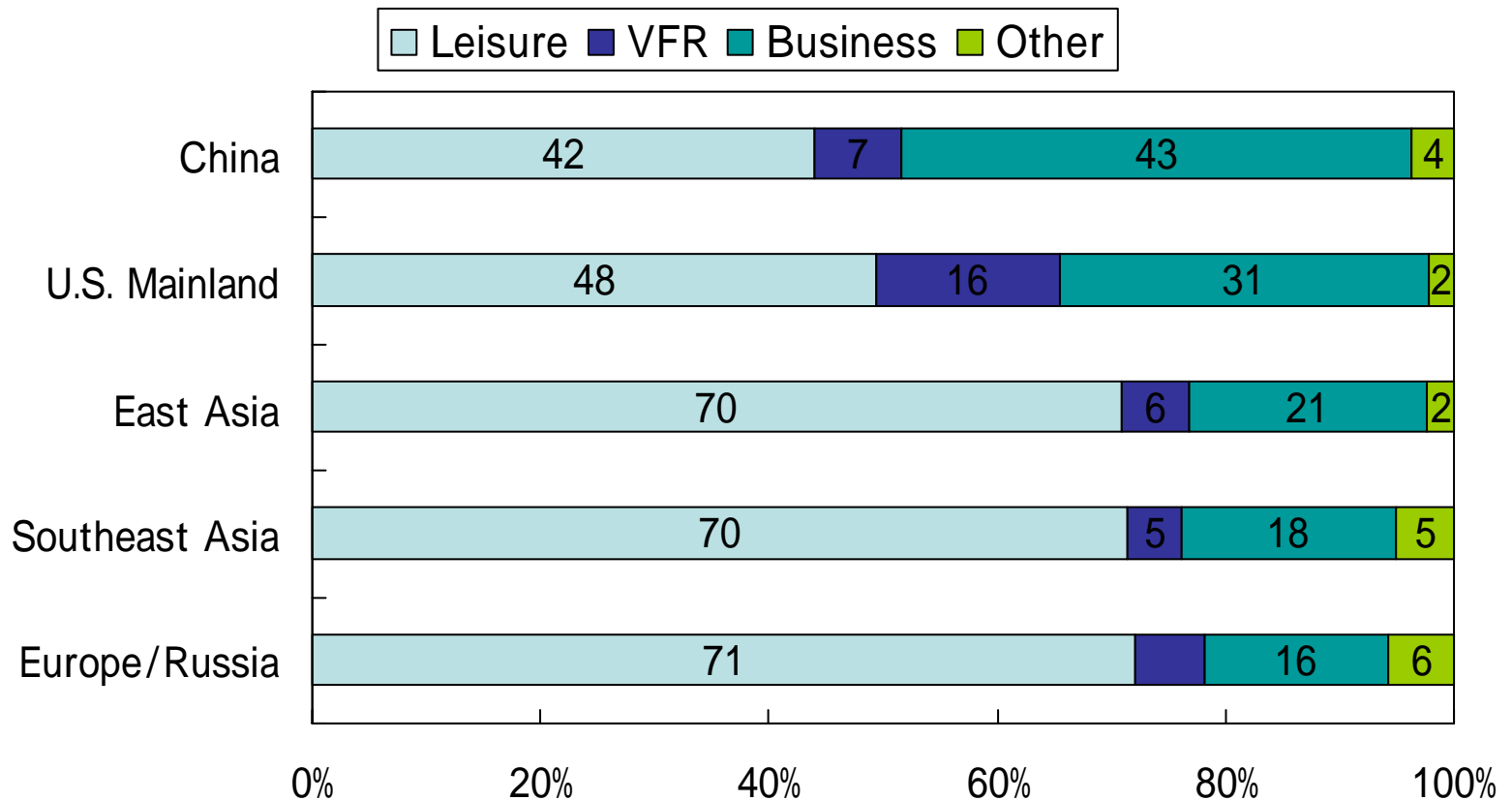
# Purposes of Travel

## Highly Leisure Destinations



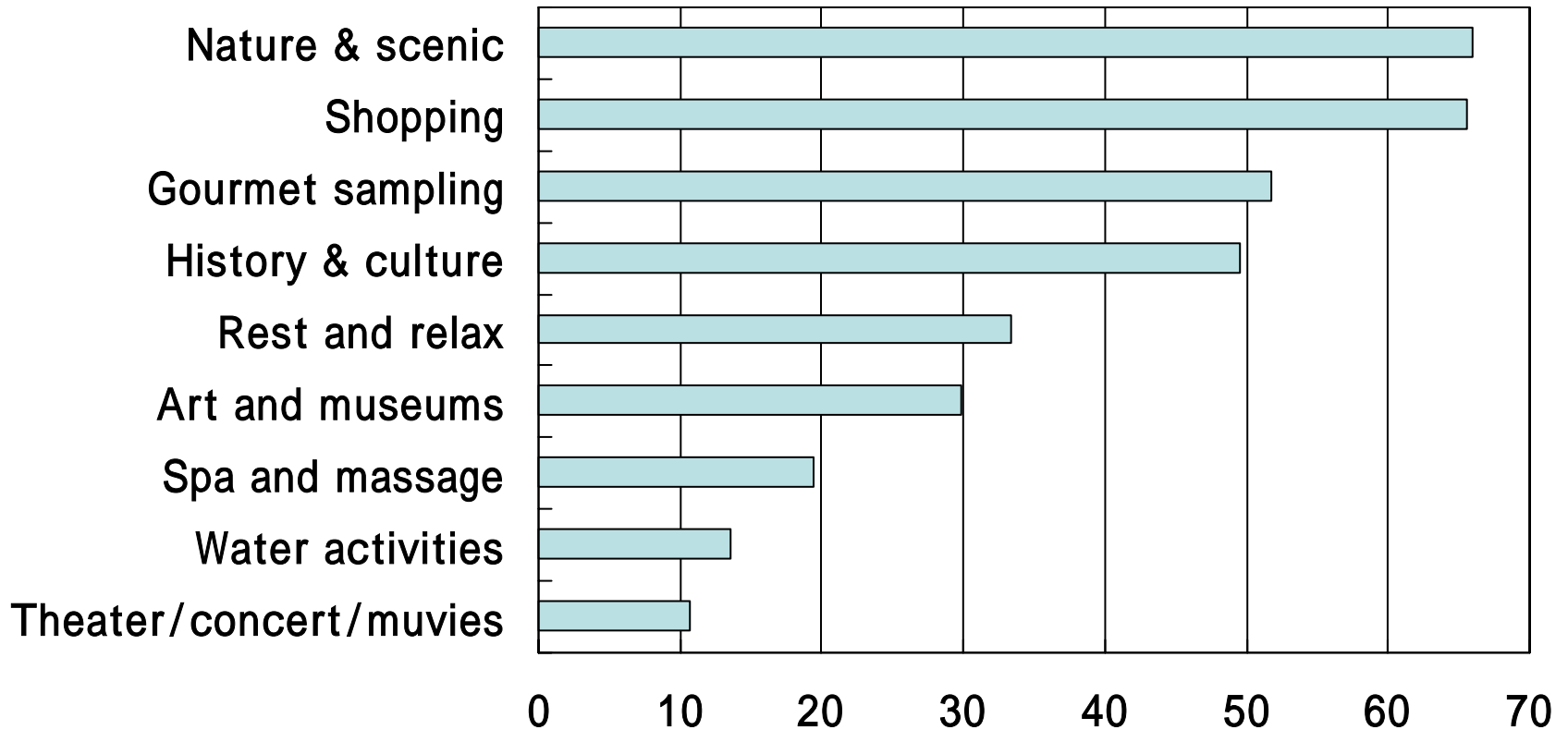
# Purposes of Travel

## Destinations with a Higher Share of Business Travelers



# Activities at Destinations

## Frequently Participated Activities at Overseas Destinations



# Activities at Destinations

## Frequently Participated Activities at Overseas Destinations

### East Asia

1. **Gourmet sampling**
2. **Shopping**
3. Historic and cultural attractions
4. **Nature and scenic attractions**
5. Spa, treatment and massage

### Southeast Asia

1. **Nature and scenic attractions**
2. **Shopping**
3. Historic and cultural attractions
4. **Gourmet sampling**
5. Rest and relax
6. Spa, treatment and massage

### China

1. Historic and cultural attractions
2. **Nature and scenic attractions**
3. **Gourmet sampling**
4. **Shopping**
5. Art galleries and museums

### U.S. Mainland

1. **Shopping**
2. **Nature and scenic attractions**
3. **Gourmet sampling**
4. Theme Parks
5. Rest and relax
6. Theater/concert/movies

# Activities at Destinations

## Frequently Participated Activities at Overseas Destinations

### Canada

1. **Nature and scenic attractions**
2. **Shopping**
3. Historic and cultural attractions
4. **Gourmet sampling**
5. Rest and relax

### Guam/Saipan

1. **Shopping**
2. Rest and relax
3. **Nature and scenic attractions**
4. Water activities
5. **Gourmet sampling**

### Hawaii

1. **Shopping**
2. **Nature and scenic attractions**
3. Rest and relax
4. **Gourmet sampling**
5. Water activities

### Oceania

1. **Nature and scenic attractions**
2. **Shopping**
3. **Gourmet sampling**
4. Rest and relax
5. Historic and cultural attractions

# Activities at Destinations

## Frequently Participated Activities at Overseas Destinations

### Europe/Russia

1. Historic and cultural attractions
2. **Nature and scenic attractions**
3. Art galleries and museums
4. **Shopping**
5. **Gourmet sampling**

### Middle East/Africa

1. **Nature and scenic attractions**
2. Historic and cultural attractions
3. Art galleries and museums
4. **Shopping**

# Travel Shopping

Continual decline of spending amount for travel shopping

- A shift from traditional duty free items and premium brand products to handicrafts and local products.
- Japanese travelers know where to shop reasonably.
- A thorough study on items to buy prior to the departure.
- Seniors are big spenders.
- Younger generations have obviously lost buying power.
- Overseas travel is so common that there is much less needs to buy souvenir gifts to people at home.

# Educational Travel

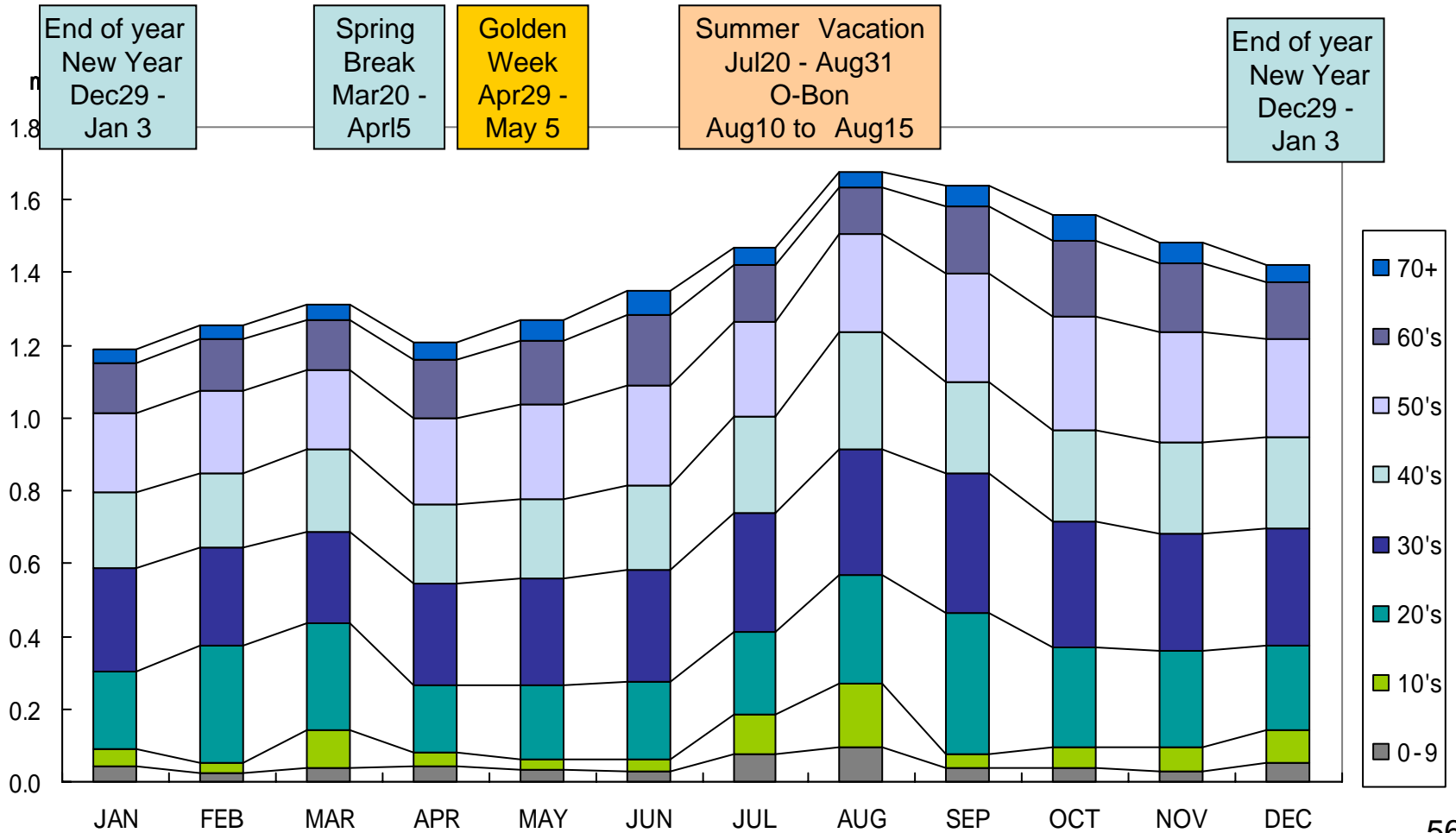
Despite the decline of teen-ager's population, overseas educational travel market still has potential for growth.

- Overseas school trips are fueled by;
  - Further emphasis on internationalization
  - Competition among schools to attract students
  
- Preferred destinations for school trip;
  - Safe
  - Easily accessible from major airports in Japan
  - Rich in educational resources and programs
  - English speaking
  - Offer exchange programs with local schools and communities

# When Do Japanese Travel?

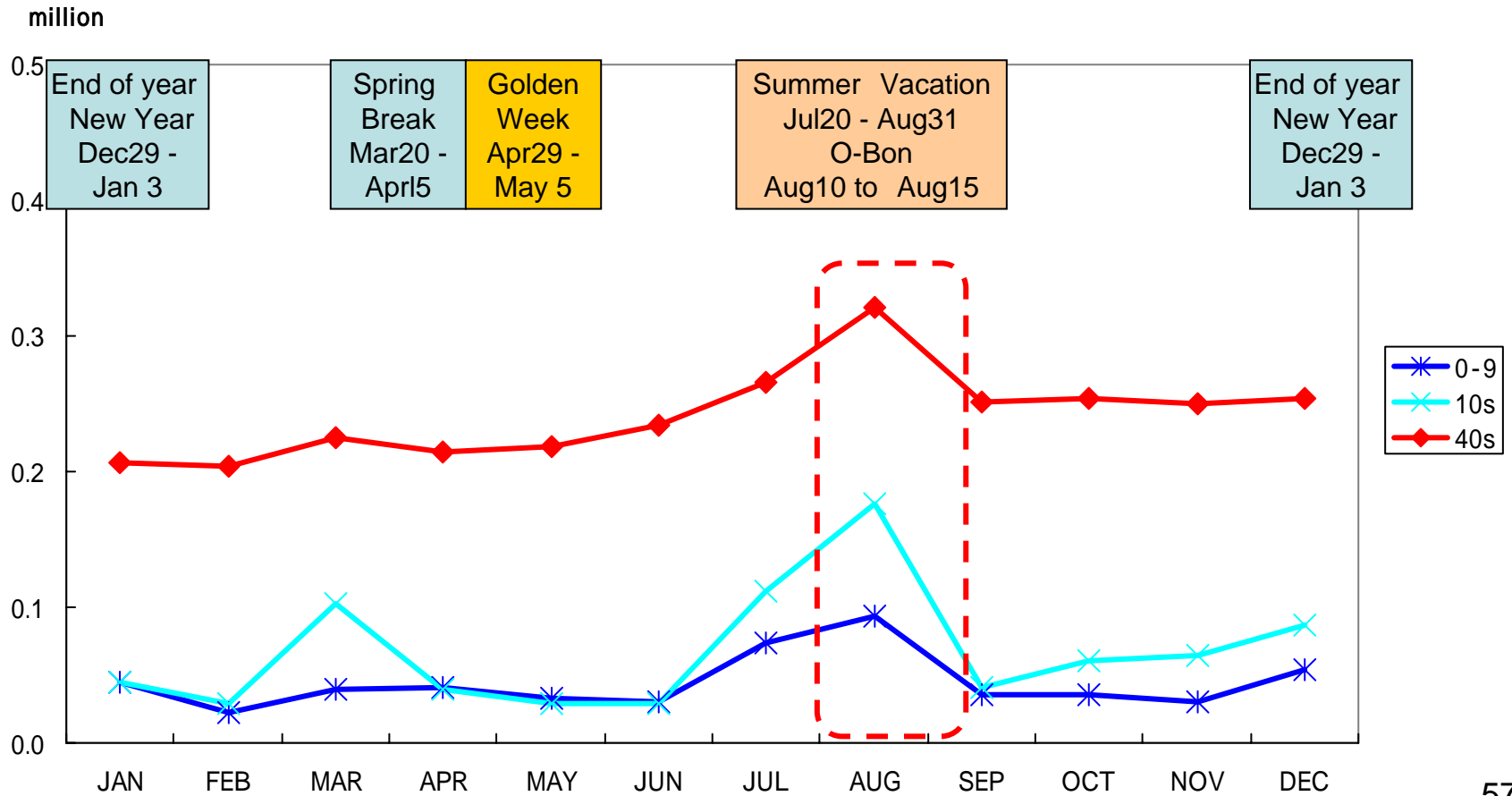
# When Do Japanese Travel?

## Monthly Departure by Age Group



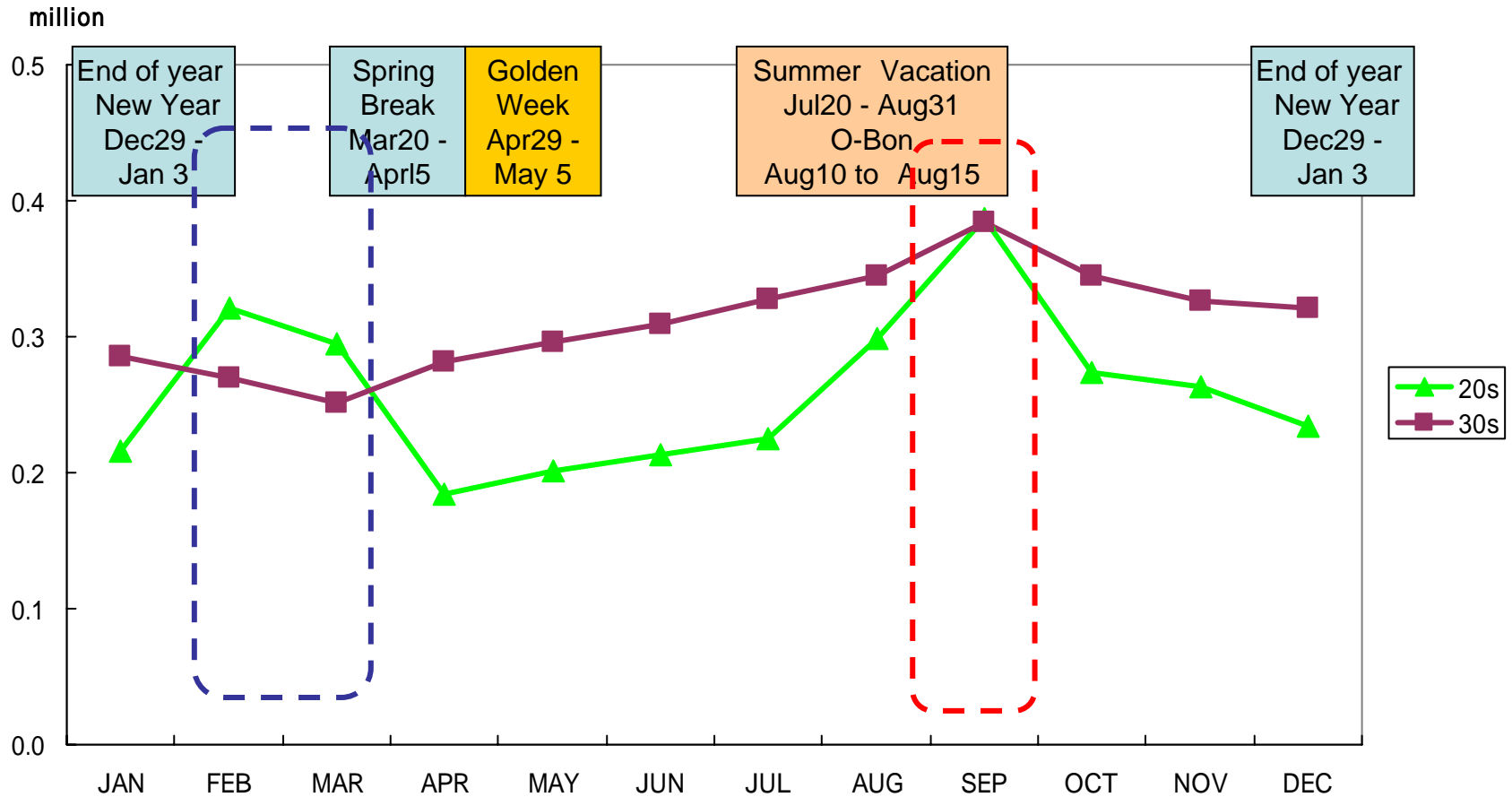
# Travel Seasonality by Market Segment

## Monthly Departure by Age Groups (0-19, 40s)



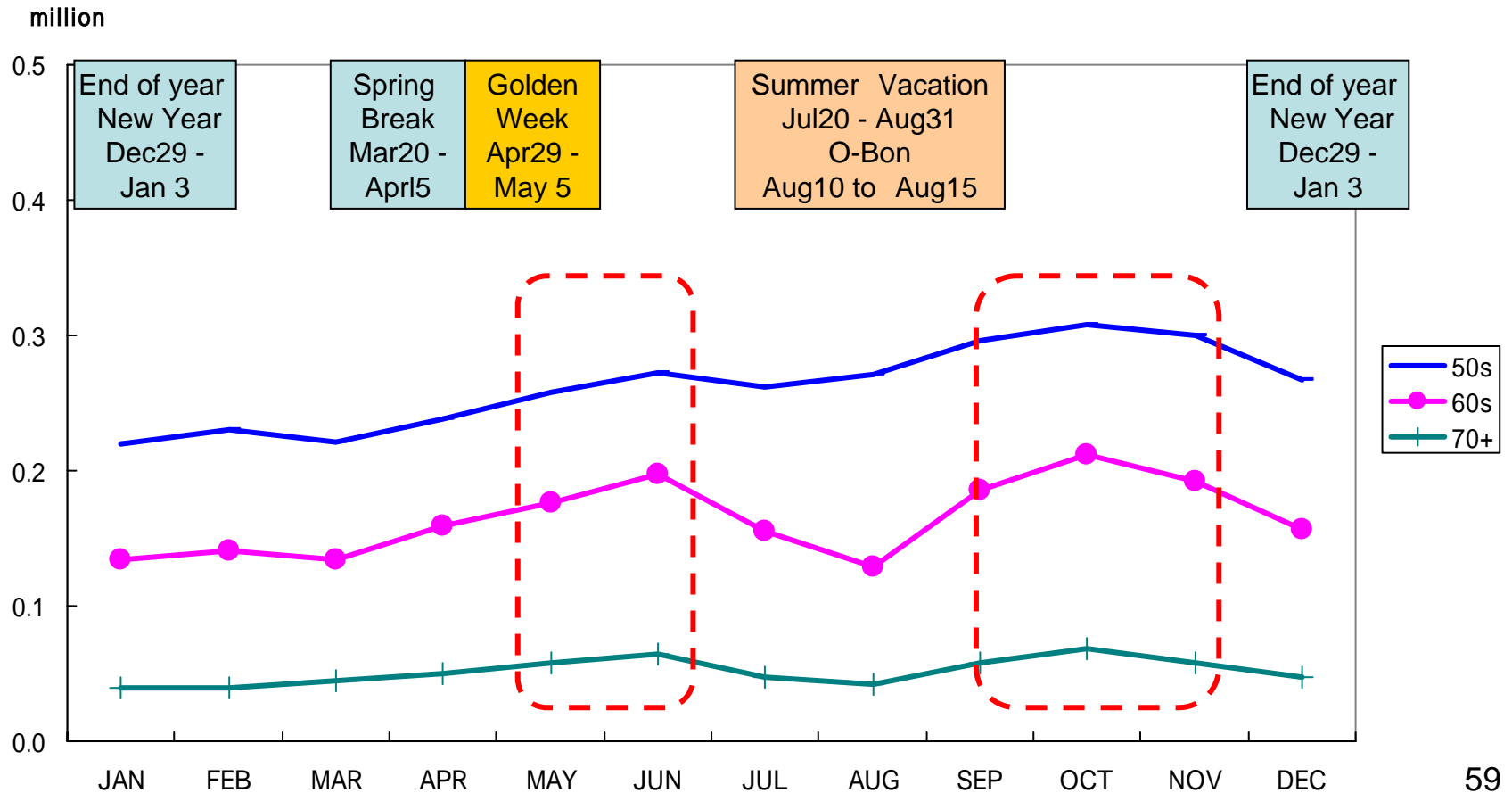
# Travel Seasonality by Market Segment

## Monthly Departure by Age Groups (20s, 30s)



# Travel Seasonality by Market Segment

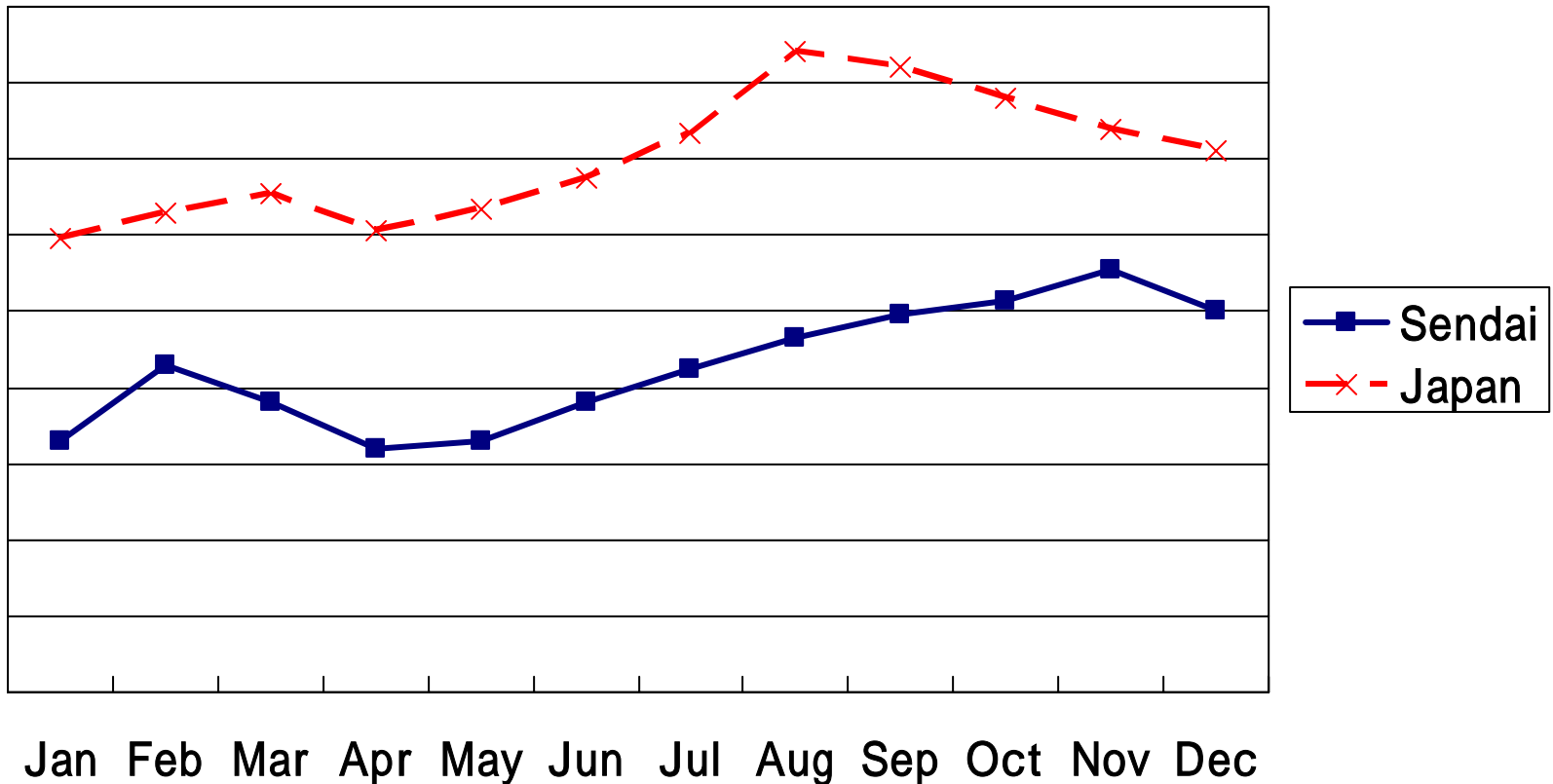
## Monthly Departure by Age Groups (50s, 60s, 70+)



# Travel Seasonality by Region

Local markets have different seasonality from urban communities.

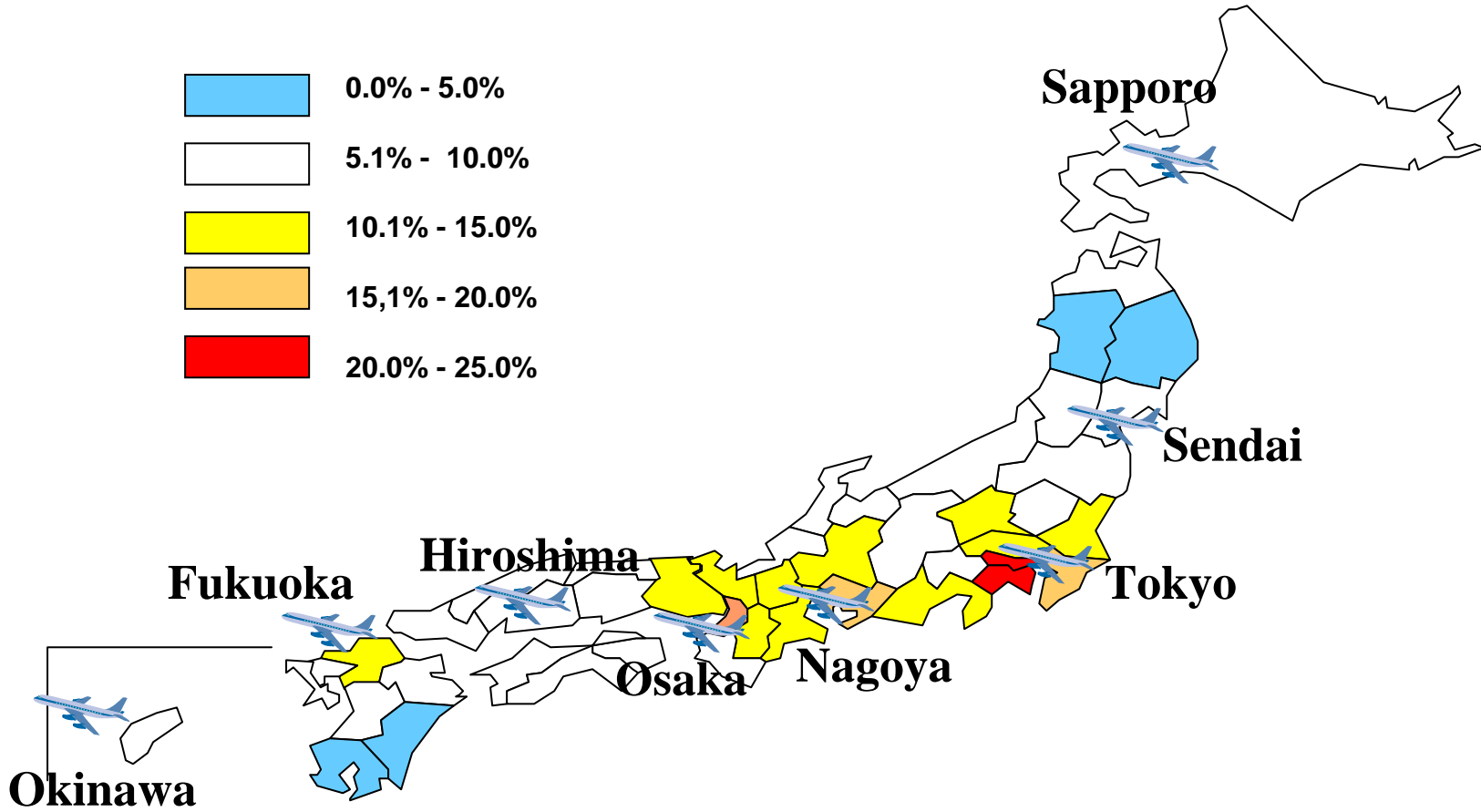
Local people travel more often in late autumn and winter.



# How Potential Are Local Markets?

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## Departure ratio by prefecture (2004)



# Package Tour Distribution Channel in Japan

