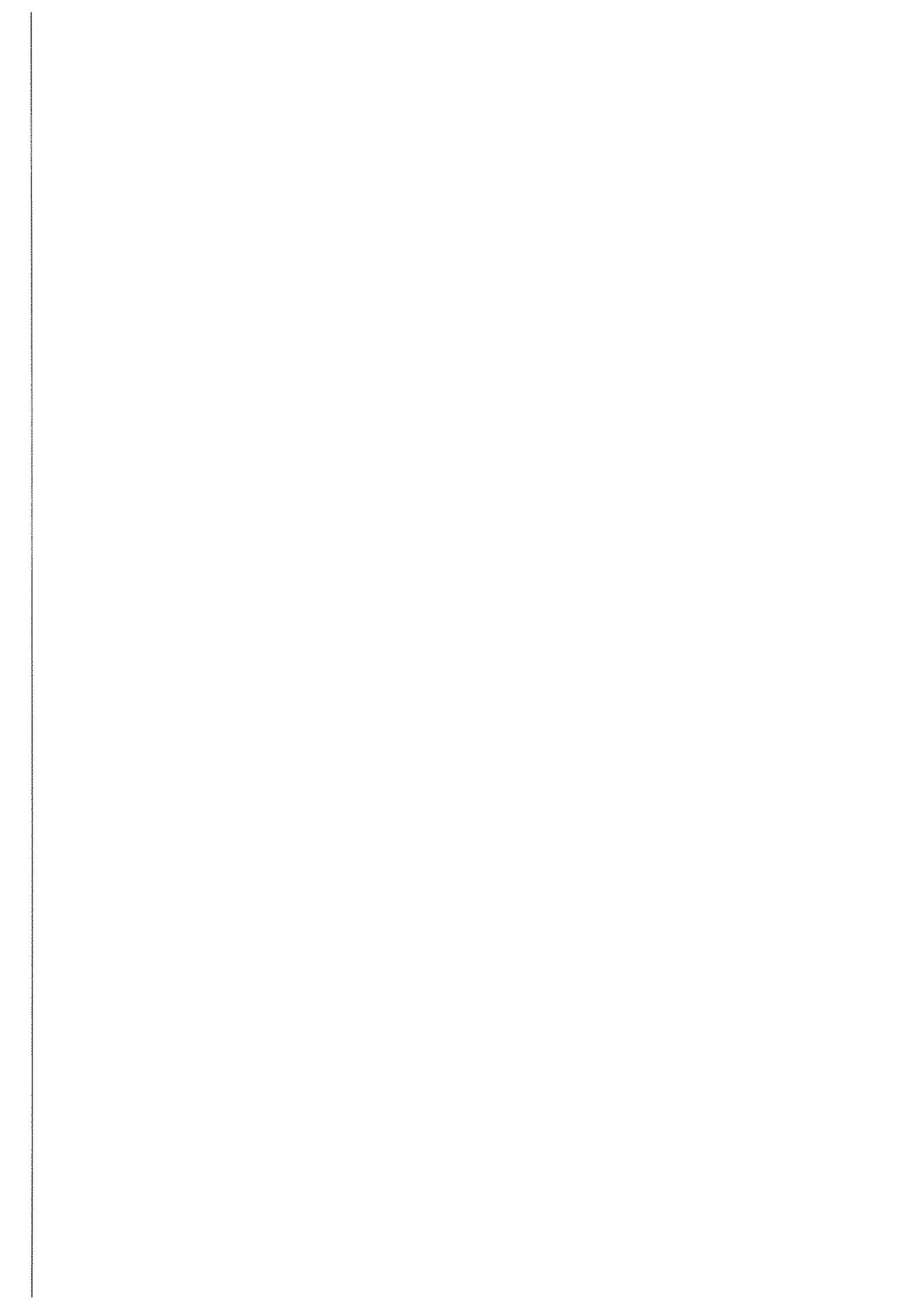


Marketing to foreign tourists
Opportunities and challenges for Hokkaido's
tourism industry
Part 1: The importance of Asia for inbound tourism

Praet, Carolus
Otaru University of Commerce



Marketing to foreign tourists

Opportunities and challenges for Hokkaido's tourism industry

Part 1: The importance of Asia for inbound tourism

Carolus L. C. Praet, Otaru University of Commerce

Paper presented at the Globalization and Regional Economic Cooperation Crisis and Opportunity seminar, Otaru University Of Commerce, November 27, 2009

Overview

In this paper, I will first give a brief description of the global tourism industry and the effect the 2008 worldwide recession has had on global travel. I then point out that Asia—and in particular the PR of China— will be the main growth engine for the tourism industry.

Section 2 presents an overview of Japan's position as an international tourist destination and briefly introduces the efforts by the Japanese government to attract more foreign tourists. In section 3, I show the special efforts the Japanese government is making to target Asian tourists. Section 4 then explains the importance of the tourism industry for Hokkaido. Section 5 presents evidence of the growing importance of foreign inbound visitors for Hokkaido tourism. Data show that 8.1% of all foreign tourists visiting Japan visit Hokkaido and that the majority of them are from Asian countries, the top 5 countries being Taiwan, South Korea, Hong Kong, China and Singapore. These five countries together accounted for 85% of foreign tourists visiting Hokkaido in 2008. Section 6 presents results from a Nikkei survey, which shows how consumers in these countries perceive Japan as a tourist destination. Results from this survey show that Hokkaido is the preferred destination among consumers in these markets when visiting Japan. The survey also highlights the aspects tourists from China, Hong Kong, Taiwan, and Korea find attractive about Hokkaido and provides information on the kinds of

activities tourists from these countries like to engage in when visiting Japan. Finally, section 7 proposes the implications of the Nikkei survey results for Hokkaido's tourism industry.

I. Global tourism

International inbound tourism is an important source of income for the economies of many nations. According to the World Tourism Organization (UNWTO), receipts from international tourism count as exports and include all transactions related to the consumption by international visitors of accommodation, food and drink, domestic transport, entertainment, and shopping. Worldwide, as an export category, tourism ranks fourth after fuels, chemicals and automotive products. (World Tourism Organization, 2008)

Worldwide inbound tourism in recent years has been steadily growing from 534 million tourist arrivals in 1995 to 920 million tourist arrivals in 2008. In 2008, the World Tourism Organization estimated that approximately one billion people would travel abroad in 2010. However, as a result of the worldwide recession that started with the 'Lehman shock' at the end of 2008, international tourist arrivals have declined worldwide by 4% in 2009 to an estimated 880 million. After 14 months of negative results, positive growth returned in the last quarter of 2009 with the Asia-Pacific region leading the recovery. Against the backdrop of both the upturn in international tourism figures and overall economic indicators in recent months, the World Tourism Organization forecasts a growth in international tourist arrivals of between 3% and 4% in 2010. By region, Asia is expected to continue showing the strongest rebound. (World Tourism Organization, 2010)

A tourism "Big Bang" is expected in Asia between 2010 and 2019, leading to a worldwide inbound tourism increase to 1.56 billion in 2020. (Ishimori, 2009)

With its growing affluence and large population, China will be a leading tourism destination and source market for the world. Already as many as twenty million Chinese were expected to travel abroad in 2009 (Ng, 2009) and by 2020, Chinese overseas travelers are projected to reach 100 million (Ishimori, 2009). In order to make this big increase in tourism possible, China is building 92 new airports and accounts for 13 percent of all new aircraft orders in the next 20 years (Ng, 2009).

II. Inbound Tourism Japan

The tourism industry is also a vital part of the Japanese economy and features a vibrant domestic market. However, due to an ageing population, a low birth rate, and the economic recession, this domestic market is shrinking. It is therefore clear that Japan needs to increase its inbound tourism. In 2004, with 6.14 million foreign visitors, Japan only ranked 36th in the world in terms of inbound foreign visitors (JETRO, 2006). In a bid to increase inbound tourism to Japan, in 2003 the government department in charge of tourism—the Ministry of Land, Infrastructure and Transport (MLIT) —launched the Visit Japan Campaign (VJC). As a result of the tourism promotion efforts by the Japanese government and its affiliated organizations, the number of foreign tourists has been steadily increasing from 5.21 million in 2003, 6.14 million in 2004, 6.73 million in 2005, 7.33 million in 2006, to 8.35 million in 2007. In 2007, Japan was ranked 28th in the world in inbound tourism with 8.3 million foreign visitors and 9.3 billion US \$ in international tourism receipts. (World Tourism Organization, 2008) However, growth became stagnant at 8.35 million in 2008. (MLTI, 2009) Due to the worldwide recession and strong yen, the number of foreign tourists visiting Japan in 2009 steeply declined to about 7 million (Nagata, 2010), bringing the number back to 2005-2006 levels. This was the first decrease since the launch of the VJC in 2003. In the long term however, Japan is considered to

have the potential to become the world's nr. 2 or 3 in inbound tourism, as it possesses richness in key tourist attractions: a beautiful natural environment, many historical monuments, fine cuisine and high-quality shopping. (JETRO, 2006)

MLIT created the Japan Tourism Agency (JTA) —an external agency of the ministry— on October 1, 2008 to serve as the hub for tourism enhancing efforts. JTA has the Japan National Tourism Organization (JNTO), the official tourism bureau of Japan, under its jurisdiction. JNTO performs operations necessary to encourage overseas visitors to Japan, including tourism advertising abroad and tour guiding for international travelers. The original goal of the VJC campaign was to attract 10 million overseas visitors to Japan in 2010. Current transport minister Seiji Maehara now aims to increase this figure to 20 million by 2016 (Nagata, 2010).

III. The importance of Asia

JTA is targeting promotional activities at the 12 most important source countries of visitors to Japan and has designated these countries 'priority markets'. The 12 nations are Korea, Taiwan, China, Hong Kong, Thailand, Singapore, U.S.A., Canada, U.K., Germany, France, and Australia. (JTA, 2009)

In terms of region of origin of inbound travelers into Japan in 2006, Asia accounted for 71.5% of all foreign travelers with 5.25 million. South Koreans (more than 2.2 million) accounted for 29%, Taiwanese (1.3 million) contributed 17.8%, and nationals from the PR of China (880 thousand) made up 11.1% of the total. 13.7% of visitors were from North America (1 million), 10.9% were from Europe (800,000), and 3.1% came from Oceania (230,000). (JTA, 2007)

Asia is the region with the highest potential for the Japanese tourism industry, also due to its geographic proximity. The Japanese government is aware of the importance of

attracting more visitors from Asia and in particular those from China (Nagata, 2009). Chinese tourists accounted for an estimated 1 million in 2008. (Nikkei Shimbun, 2009)

Originally, the Japanese government did not grant tourist visas to Chinese nationals, but changed this policy in 2000 by giving tourist visas to Chinese citizens traveling in organized group tours. In 2008, Japan started issuing tourist visas to wealthy Chinese families and it further extended visas to individual Chinese travelers in July 2009. In October 2009, Japanese tourism minister Maehara indicated the government will consider granting tourist visas to more individual travelers from China by further easing visa requirements, which currently limit issuance of tourist visas to people with an annual income of at least 250,000 Chinese yuan (about 3.5 million yen). (Nikkei Shimbun, 2009)

IV. Hokkaido's tourism sector

The service industry makes up 80% of Hokkaido's economy and the tourism and hospitality industries are key industries. Total tourist expenditure in FY 2004 in Hokkaido amounted to 1.3 trillion yen, rivaling the value of agricultural production. Tourist expenditure in Hokkaido had an additional estimated production halo effect of almost 2 trillion yen on other industries. In addition, tourism created about 159,000 jobs, accounting for about 5.8% of total employment. (Hokkaido Bureau of Tourism, 2009) It is evident from these data that the tourism and hospitality industries are key to the economic well-being of Hokkaido.

V. Hokkaido's inbound tourism

The number of domestic and foreign tourists visiting Hokkaido has been steady around 6 million people since 1997. While the number of domestic tourists has decreased in recent years, the share of foreign tourists has been steadily increasing from 120,000 in

1997, 295,780 in 2003, to a peak of 710,950 in 2007. However, in 2008 the number of foreign visitors dropped by 2.8% to 688,750. (Hokkaido Bureau of Tourism, 2009) Data published by JNTO show that 8.1% of all foreign visitors to Japan visit Hokkaido (JNTO, 2008). The majority of foreign visitors to Hokkaido are from Asian countries, the top 5 countries being Taiwan, South Korea, Hong Kong, China and Singapore. These five countries together accounted for 85% of foreign tourists visiting Hokkaido in 2008. In 2006, Asian tourists accounted for 86% of all foreign tourists visiting Hokkaido, whereas they made up 71.5% of all foreign tourists visiting Japan. These data show that the reliance of Hokkaido on Asian tourists is even higher than is the case for Japan as a whole. The 8.1% figure of all foreign visitors to Japan visiting Hokkaido also suggests that if Hokkaido is marketed effectively to foreign tourists there is still ample room for growth.

In fact, the Hokkaido government has been making efforts to attract more foreign visitors. In line with the national VJC campaign, Hokkaido introduced a three-year campaign (2005-2007), entitled "International Tourism Promotion Program – Welcome to Hokkaido". This campaign has focused on tourists from Hong Kong and Taiwan and aimed to boost the number of foreign visitors to 540,000 by the end of 2007. As can be seen in Table 1 this campaign appears to have been very successful, easily surpassing the original goal with 710,950 foreign visitors in 2007.

Table 1 Number and share of foreign visitors to Hokkaido by country and region

Country/region		1999		2000		2001		2002		2003	
Asia	Taiwan	120,900	59%	109,700	53%	119,450	51%	133,200	48%	119,750	40%
	Korea	17,800	9%	19,900	10%	27,850	12%	41,900	15%	61,200	21%
	Hong Kong	20,800	10%	29,400	14%	45,900	19%	55,450	20%	58,600	20%
	China	2,100	1%	2,400	1%	3,900	2%	5,200	2%	5,800	2%
	Singapore										
	Others	3,950	2%	6,200	3%	5,450	2%	7,050	3%	8,200	3%
America		7,350	4%	8,350	4%	6,950	3%	7,500	3%	7,850	3%
Russia		6,400	3%	5,100	2%	6,100	3%	6,800	2%	6,950	2%
Australia		2,900	1%	3,700	2%	1,550	1%	2,230	1%	7,550	3%
Others		21,700	11%	20,850	10%	18,950	8%	20,020	7%	19,880	7%
Total		203,900		205,600		236,100		279,350		295,780	

Country/region		2004		2005		2006		2007		2008	
Asia	Taiwan	208,600	49%	276,800	54%	267,900	45%	277,400	39%	227,600	33%
	Korea	63,850	15%	70,050	14%	133,850	23%	169,300	24%	139,100	20%
	Hong Kong	82,750	19%	86,500	17%	86,050	15%	108,000	15%	125,600	18%
	China	12,050	3%	15,650	3%	17,350	3%	26,950	4%	47,400	7%
	Singapore							37,150	5%	45,300	7%
	Others	11,250	3%	n.a.		n.a.		n.a.		n.a.	
America		9,100	2%	n.a.		n.a.		n.a.		n.a.	
Russia		8,700	2%	n.a.		n.a.		n.a.		n.a.	
Australia		14,650	3%	18,900	4%	22,950	4%	33,350	5%	29,450	4%
Others		18,100	4%	45,750	9%	62,550	11%	58,800	8%	74,300	11%
Total		429,050		513,650		590,650		710,950		688,750	

Compiled by author based on data from Hokkaido Government Department of Economic Affairs, Bureau of Tourism

Taiwanese tourists have consistently accounted for a large share of foreign tourists to Hokkaido, with a peak of 277,400 (39% of the total) visitors in 2007, but dropping in 2008, both in absolute numbers and as a percentage (33%). Tourists from South Korea and Hong Kong have been alternating in second place. While there was a sudden increase in South Korean tourists in 2006, the number dropped again in 2008. The total number of tourists from Hong Kong increased in 2008 and now rivals the number of Korean tourists. The number of Chinese tourists also has been suddenly increasing from 26,950 (4% of the total) in 2007 to 47,400 (7% of the total) in 2008. (See Table 1 for details)

From these numbers it is clear that East Asia is both the most important and the most promising source market of foreign tourists for Hokkaido's tourism industry. Thus it is important to know what attracts Asian tourists to Hokkaido and what kind of experiences they are looking for. The section below discusses findings and implications from a 2008 Nikkei survey among consumers in 6 major cities in the East-Asia-Pacific region.

VI. Overview and main results of Nikkei survey

For the survey a total of 3,000 people were interviewed, 500 each in Seoul, Hong Kong, Taipei, Shanghai, Beijing and Sydney in mid-March of 2008. The survey was consigned to local companies in each city through Yahoo Japan Value Insight Corp. (Nikkei Marketing Journal, 2008b)

Some 86% of all those interviewed said they would like to visit Japan for sightseeing. Among those respondents who had visited Japan on a previous occasion 96.4% said they would like to go again. About 31.2% of those surveyed had visited Japan before and the percentages for Hong Kong, Taipei, Seoul and Shanghai were even higher at 40.5%. However, repeat visitors indicated they want to visit different places in Japan the second time, and would prefer to travel individually or with a few friends, rather than in large groups. (Nikkei Marketing Journal, 2008b)

The top reasons among respondents for visiting Japan tended to differ depending on the city: for people from Seoul and Shanghai Japan's hot springs are the main attraction; for those in Beijing Japan's beautiful nature is the main draw; for those from Hong Kong it is the high-quality shopping experience. Especially respondents from Shanghai, Seoul, Hong Kong, and Taipei are interested in shopping and culinary experiences when visiting Japan. Respondents in Hong Kong and Taipei showed particular interest in buying Japanese food products in case they would visit Japan again. (Nikkei Marketing Journal, 2008b)

For respondents in Beijing and Shanghai who had already visited Japan, nearly 40% in each city said they would like to buy cosmetics. Of the 40% of respondents in Seoul who had visited Japan before, more than 70% said they would like to go to a hot-spring resort if they were to visit Japan again. The Nikkei poll also found that respondents preferred Japanese-style inns to Western-style hotels as accommodations. As much as 63.6% of the

respondents in the six cities said they would like to stay in traditional inns, while only 18.2% said they preferred Western-style hotels. (Nikkei Marketing Journal, 2008b)

When asked to select three places they would like to visit from among 43 sightseeing spots in Japan, Hokkaido ranked number 1, even ahead of Tokyo. More than 50% of the respondents who had visited Japan before and an almost equal proportion of consumers who had not yet visited Japan selected Hokkaido as their preferred destination. It was also the favorite destination among consumers in the four cities of Shanghai, Seoul, Hong Kong, and Taipei. Many respondents said they wanted to visit Hokkaido to experience hot springs and the food. More than 60% of respondents in Taipei mentioned Hokkaido as the main place they wanted to visit, and nearly 50% of respondents said they would like to visit a hot-spring resort. (Nikkei Marketing Journal, 2008a, b)

VII. Implications for Hokkaido's tourism industry

The results of the survey indicate that Hokkaido has a very positive image as a touristic destination among Asian tourists, including those who have not visited Hokkaido before. In addition, many Asian consumers who have visited Hokkaido tend to be satisfied with their experience to the extent that they express a desire to visit Hokkaido again.

First-time visitors, who are unfamiliar with the foreign destination, tend to travel in organized group tours. However, repeat visitors have different needs and tend to prefer to travel in small groups or individually. This means that the Hokkaido tourism industry needs to distinguish between first-time and repeat visitors and should provide different services (e.g., type of accommodation and transportation), information and promotional materials when targeting the two types of traveler.

Depending on their nationality –and in the case of China, even depending on the region or city they live in– Asian visitors tend to have different needs and wants

regarding activities they want to engage in and services they want to use when visiting Japan. This means that the Hokkaido tourism industry needs to segment the Asian market according to nationality or city/region and target each of these segments with different services and promotional materials.

While Hokkaido promotional efforts should focus on promoting Japanese-style *ryokan* inns to most foreign tourists, Koreans and Taiwanese should be targeted with the abundant hot springs Hokkaido offers. When targeting Chinese tourists, Hokkaido should promote the high-quality experience of cosmetics shopping and shopping for high-end luxury brands at up-scale department stores, outlet malls and duty free shops. In promotional materials targeting consumers from Beijing, focus should be placed on Hokkaido's beautiful nature. Shopping opportunities for Hokkaido food products at New Chitose airport, department stores, and other shops should be stressed when targeting tourists from Hong Kong and Taipei. Tourists from Hong Kong will be especially interested in shopping at up-scale department stores in Sapporo and at Chitose's Rera outlet mall.

In fact, while overall sales at Japanese department stores are dropping, a recent survey by the Japan Department Store Association among 42 member department stores shows that, with a year-on-year sales increase of 152% compared to December 2008, the only area of growth is in duty free sales (excluding cosmetics and food items) to foreign tourists. The most popular items among foreign tourists were ranked as follows: 1) Ladies accessories 2) High-end brands (Bulgari, Armani, Prada, Gucci, Luis Vuitton, Hermes) and ladies fashion 3) cosmetics and 5) Art and jewelry objects. The ranking of number of tourist requests processed at department store duty free counters in Japan during December 2009 by nationality was: 1) PR of China; 2) Taiwan; 3) Hong Kong; 4) Singapore; 5) Korea; 6) Australia and 7) Malaysia. (Japan Department Store Association,

2010)

The same phenomenon can be observed at department stores in Sapporo. Department stores in Sapporo report that Prada, Gucci, and Armani are the top selling products to foreign tourists. They also report the popularity of high-end sweets among foreign tourists as souvenirs and for consumption in hotel guest rooms. Moreover, reflecting the trend reported in the Nikkei survey, department stores in Sapporo report a shift from group tourists toward individual tourists and a decrease in using group bus tours as a means of transportation among Chinese tourists in Hokkaido. (Japan Department Store Association, 2010)

In conclusion, it is clear that the growing number of wealthy Chinese consumers, their desire for upscale luxury brands not yet available in China, their perception of Japan in general and Hokkaido in particular as a desirable destination for travel, and the liberalization of tourist visa requirements for individual Chinese tourists by the Japanese government, present unprecedented opportunities for Hokkaido's tourism industry.

The challenge is to convert this underlying potential into an increase in tourists from China and other Asian nations by effectively understanding their behavior as tourists and by matching their consumer needs and preferences with Hokkaido's rich tourism resources.

References

- Hokkaido Government Department of Economic Affairs, Bureau of Tourism, (2009) "Hokkaidou kankou no genkyou (Current state of Tourism in Hokkaido)," October 2009, retrieved from <http://www.pref.hokkaido.lg.jp> on November 22, 2009
- Ishimori, Shuzo (2009), "Striving to create new tourism in the northern land", Management Center for Intellectual Property and Innovation, Hokkaido University, http://www.mcip.hokudai.ac.jp/eng/hokudai_inquiry/striving_to_create_new_tourism.html, accessed on November 26, 2009

- Japan Department Store Association (2010), "12gatsu gaikokujin kankoukyaku no uriagedaka-raiten doukou (Trend in foreign tourist sales and number of visitors for December)," News Letter, January 22, 2010, retrieved from http://www.depart.or.jp/common_press_release/list/1 on January 27, 2010
- Japan External Trade Organization (JETRO), 2006, "Report on the Current Situation of Foreign Tourist Visits and Investment in Niseko Area," retrieved from www.jetro.go.jp/ on November 25, 2009
- Japan National Tourism Organization (JNTO), 2008, "Nihon de honba no Japaniizu fuudo wo!! ~JNTO hounichi gaikyaku houmonchi chousa 2008 kekka sokuhou~ (Authentic Japanese food in Japan! – News flash on the 2008 results of the JNTO destination survey of foreign visitors to Japan", retrieved from http://www.jnto.go.jp/jpn/downloads/090225_houmonchi2008.pdf on August 1, 2009
- Japan Tourism Agency (JTA) (2007), "White Paper on Tourism in Japan, 2007," retrieved from www.mlit.go.jp/kankocho/en/whitepaper.html, on November 7, 2009
- Japan Tourism Agency (JTA) (2008), "White Paper on Tourism in Japan, 2008," retrieved from www.mlit.go.jp/kankocho/en/whitepaper.html, on November 7, 2009
- Japan Tourism Agency (JTA) (2009), Visit Japan Campaign, <http://www.mlit.go.jp/kankocho/en/inbound/vjc.html>, accessed on November 24, 2009
- Ministry of Land, Infrastructure, Transport and Tourism (MLIT) (2009), "Heisei 21nendo kankou hakusho – Heisei 20nendo kankou no joukyou (FY 2009 Tourism White Paper – The State of Tourism in FY 2008)" retrieved from <http://www.mlit.go.jp/hakusyo/kankou-hakusyo/h21/images/01.pdf>, on August 1, 2009
- Nagata, Kazuaki (2010), "Tourism 'czar' aims high, targets Chinese," The Japan Times, Wednesday, Jan. 6, 2010
- Ng, Eileen (2009) "Asia travel to rebound modestly in '10, group says", Associated Press November 3, 2009, retrieved from <http://www.etaiwannews.com/> on November 26, 2009
- Nikkei Shimbun (2009), "Japan To Relax Visa Requirements For Chinese Tourists," Sunday, October 18, 2009 retrieved from <http://www.nni.nikkei.co.jp> on October 18, 2009
- Nikkei Marketing Journal (2008a), "Japan On Travel Wish List For 86% In 6 Asian Cities," April 30, 2008, retrieved from <http://www.nni.nikkei.co.jp/> on May 18, 2008
- Nikkei Marketing Journal (2008b), "More Asia Tourists Coming Back To Japan For More: Survey," May 2, 2008, retrieved from <http://www.nni.nikkei.co.jp/> on May 18, 2008
- World Tourism Organization (UNWTO) (2008), "World Tourism Barometer," Volume 6, No 2 (June), retrieved from www.unwto.org, on November 20, 2009
- World Tourism Organization (UNWTO) (2010), "World Tourism Barometer," Volume 8, No 1 (January), retrieved from www.unwto.org, on February 4, 2010