

# Tourism Industry Intelligence

Strategic Information for Decision-Makers

## Prospects for the Japanese Market in 2000

November 1999

### Japan's economy still recovering

Japan's national income (GDP) is expected to grow by only 1% in 1999 and decline to 0.8% in 2000. The economy is still recovering from the effects of the Asian financial crisis coupled with low consumer spending. In May, the unemployment rate fell for the first time in 10 months to 4.7%.

### Travel down since 1997

Since the Asian financial crisis in 1997, Japanese outbound travel has decreased every month up to the beginning of this year. This translates to a 6% drop from 1997's figures to under 16 million travellers. The Japanese outbound market represents 25% of all visitors to the Asian region.

### Future prospects

The Japanese outbound market will increase by 0.1% to 15.8 million trips in 1999 according to a modest forecast by the *Japanese Travel Bureau*. Spending on travel abroad, is expected to fall by 2% to US\$43.9 million. The outbound market still shows signs of growth for the year 2000 as the yen is very strong (Y104: US\$1) and the economy should pick back up.

## Key Trends in the Japanese Market

### Changing regional preferences

Although the Asian region is the preferred destination of the Japanese, this may be changing as its share of the outbound market decreased from 44.8% in 1995 to 43.1% in 1998. North America obtained 33.9% of Japanese outbound and Europe 14.1%.

### Silver market growing

Young people in their 20's make up the biggest segment in the Japanese outbound market but this may soon change. **Huge pension payouts earlier this year coupled with an ageing population should result in an increase in older travellers.**

### Average travel expenditure declining

Average travel expenditure was US\$3,096 (Y322,000) in 1997, down from US\$4,327 (Y450,000). Within a destination, Japanese tourists spend US\$510 on average per trip, on food, beverages, accomodation and transport while shopping accounted for US\$875 per trip.

### Honeymooners spending less

A 15% fall in daily spending by Japanese honeymooners was projected by the *Japanese Travel Bureau* for 1999. **This amounts to a 40% decrease in spending since 1990.**

### Hawaii is number one

Hawaii is forecasted to be the most visited destination in 1999. It should capture 26% of Japanese travellers reported the *Japanese Travel Bureau*. **Following closely is the US with 23.9% market share and Europe in third place with 15.6% of the Japan outbound market.**

### What's Inside:-

- Japanese Market - Winners and Losers
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## Japanese Market- Winners & Losers

	Country	No. of months	%Growth 1998/1997	Total Japanese Arrivals
<b>Hungary tops the list</b>	Hungary	12	24.2%	53,433
	Cuba	12	24.0%	4,442
	Korea	12	14.2%	1,954,416
	Portugal	9	13.6%	34,150
	Guam	12	12.4%	975,402
<b>Korea holds its own</b>	Australia	12	6.7%	751,110
	France	12	6.5%	1,440,120
	Greece	12	2.5%	87,130
	Thailand	12	2.2%	986,264
	Austria	12	1.0%	269,365
	Germany	12	-0.4%	814,946
	China	12	-0.6%	15,720,926
	Switzerland	12	-0.9%	536,189
	Denmark	12	-2.0%	35,817
	Dominican Republic	12	-3.8%	2,455
	South Africa	12	-5.8%	23,781
	Taiwan	12	-8.7%	826,632
	Micronesia	12	-13.1%	1,374,289
	Costa Rica	12	-13.6%	4,952
	Cayman Islands	12	-13.6%	1,012
	Costa Rica	12	-13.6%	4,952
	Canada	12	-14.0%	843,683
<b>Massive declines for Macau</b>	Singapore	12	-22.9%	486,695
	USA	12	-29.4%	3,790,247
	Hong Kong	12	-30.9%	945,334
	Jamaica	12	-31.7%	10,781
	Macau	12	-42.5%	167,164

Source: World Tourism Organisation and Caribbean Tourism Organisation 1999

## Market & Consumer Trends

**Spontaneity rules for US travellers** More than half (53%) of US travellers wait to plan some of their activities only while on vacation, according to a survey. Included in this is the 48% who wait to decide which restaurants to visit and the 45% on where to shop. As much as 25% determine which museums are to be visited or tours to take after their arrival. Travellers first follow the recommendations of friends, relatives or colleagues and then those of hotel room guides, brochures, newspapers and hotel employees.

**Spanish outbound defies economy** The weakness of the peseta against the US dollar and other strong currencies has failed to curb the growth of the Spanish outbound market. In 1998, an increase of over 10% occurred on the two previous years with estimated expenditure abroad rising by 13.4%. Asia and the Americas are quickly becoming popular holiday destinations for the Spanish, however, Europe still heads the list accounting for almost 90% of arrivals. These holiday trips are usually pre-booked rather than independently organised, while package holidays make up a mere 13%.

**Canada is down** A 11.7% drop in Canadian travel to the US occurred in 1998 and is expected to continue. This slide, according to *Travel & Tourism Intelligence*, has been attributed to the low value of the Canadian dollar when traded with US currency. The result of the fall is manifest by an 8.2% overall drop in Canadian outbound trips. Nonetheless, outbound to destinations such as Turkey, Malta, Spain and India have all increased by at least 15% each.

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## Focus: The European Adventure Travel Market

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### Over half a million trips

The adventure tours market has experienced steady growth, from 350,000 arrivals in 1994 to 555,000 in 1998. Despite the small base, **adventure tourism has shown remarkable growth potential with an average of 13-15% increase per year.** While international tourist arrivals increased by 2.4% the adventure travel market grew by 15.6% in 1998.

### Global concern for the environment

The emergence of a global concern for the environment has spurred the growth of adventure tourism and **while it accounts for only 0.5% of tourism expenditure in Europe, the average expenditure has been recorded at US\$1,597.43 – US\$2365.23 per trip.**

### Characteristics of adventure travel

**The essential ingredients of adventure travel seem to include a remote, underpopulated region with a traditional culture, where facilities are extremely limited.** The element of exploration or expedition differentiates it from an activity-based or ecotourism holiday. **Adventure packages differ from the common package as groups are small, individual overheads are high and a greater choice in destinations are offered.**

### Profile of the European adventure traveller

This market has a wealth of potential. Consider that the European adventure travellers are typically:

- middle aged, about 40 years old;
- put less emphasis on comfort and more on adventure travel;
- have already experienced the comforts of luxury hotels, or have this at home and need a change;
- more fit than the previous generation and can trek at least 5 hours a day and sleep in tents;
- have large disposable incomes;
- are entitled to long holidays and can take advantage of these trips which are usually 3 weeks long;
- have travelled extensively and are therefore confident enough to experience the vigorous demands of adventure travel;
- can afford organised adventure holidays which are usually expensive; and
- rarely return to the same places, unlike most vacationers, the lure of adventure is new thrills and exciting destinations hence.

### Future growth

Most of the middle aged are more fit than their parents were and hence show a greater interest in physical challenges such as canoeing, hang gliding and bungee jumping etc. **It is estimated that this market will continue to grow at 15% per annum.**

### Germany the largest adventure market

**Europe's largest market, due to its size and affluence is Germany, with spending of US\$46 billion on adventure in 1997.** The U.K. adventure travel market, accounted for US\$28 billion in adventure travel sales in 1997. These markets were followed by **France, Austria** and the **Netherlands** with spending of US\$16, US\$11 and US\$10 billion respectively.

### Targeting this client

**Direct marketing techniques are most feasible due to the size of the clientele.** Additionally, tour operators and travel agents believe that their personal expertise is the advantage in selling adventure tourism.

### South America is an emerging market

Some destinations, like Nepal, are constantly in high demand, due to the attractiveness of Mount Everest as an adventure destination. **South America, previously overlooked, is a new emerging adventure market.** Ecuador and Peru replaced Indonesia and Turkey as most popular destinations due to the political unrest in those countries.

*Source: Travel & Tourism Analyst No 4, 1999.*

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## Editorial

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The honeymoon does seem to be over in the Japanese market. Since the Asian Crisis, Japanese outbound travel has been falling. Future growth will depend on the strength of the Japanese economy and the yen. The Japanese are still travelling, but at a slower rate. This means that competition for this market is very keen. Like the Japanese market, the Canadian market is down. However, much growth is evident in special interest markets such as adventure travel - more than half million trips; double-digit growth; nearly US\$2,000 per trip; and a nearly US\$50 billion market in Germany!

**Future topics: US market prospects for 2000; Strategies for the Information Age; Top Ten Trends for 2000; Hotel and Resort Trends.**

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## Trends to Watch

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### Yogi on request, Stress-less rooms and Fitness Suites.

**Business travellers can now acquire relaxation even while they work**, according to *USNews & World Report*. **Hilton has introduced a Stress-Less room** where business persons can relax to the bubbling sounds of a rock fountain, or while typing on their laptop receive an **invigorating shiatsu-like massage when seated in the special high-tech desk chair**. These amenities represent just a small portion of **Hilton's** new policy of providing business travellers with stress busters. The **Sleep-Tight room is another one of Hilton's 51 speciality rooms in 13 locations and provides the business traveller with black-out drapes and the BioBrite Sunrise Clock which is a simulated sunrise that slowly brightens over 30 minutes to gently awaken guests**. Other hotels such as **Holiday Inn** are providing business travellers with **Fitness Suites, inclusive of recumbent bikes, abdominal benches, and a VCR with exercise tapes**. At the **Fitzpatrick Grand Hotel in New York**, in addition to the hotel gym, **a yogi is sent to your room on request for \$80 per hour**.

### Taxes strangling Caribbean tourism

**Chairman of Sandals Resorts International, Gordon "Butch" Stewart, has appealed to Caribbean governments to reduce the taxes placed on hotels**, according to the *Trinidad Guardian*. A severe inequality has also been observed when comparing the taxes levied on cruise ships to hotels. This is regarded as self-destructive and only to the benefit of the cruise industry. **The tax burden is viewed by Mr. Stewart as a hindrance to the development of the hotel sector, with further detriment to the Caribbean tourism industry's competitiveness as well as the countries' revenue and employment rates**.

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## Technology Update

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### Europeans surf to vacations

The internet is quickly supplanting travel agents as the vacation-planning medium for Europeans. **Europeans spent US\$380 million on on-line plan ticket bookings last year**, according to *Newsweek*. As a result, hotels and airlines such as **Lufthansa, British Airways and Swissair** are now setting up shop on the Net. For example, London-based airline **EasyJet Airlines, sells 40% of its seats through on-line customers**. It is predicted that **by 2002, air travel will become the leading the e-commerce niche on the internet**.