



Canadian Tourism
Commission

Commission canadienne
du tourisme



Japan Market Profile

February 2013



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Introduction

The Canadian Tourism Commission (CTC), in conjunction with various Canadian tourism industry partners, undertakes three major consumer research studies on a rotating basis: [Global Tourism Watch](#), [Explorer Quotient](#)[®] (EQ[®]), and Advertising Evaluation studies.

This report summarizes findings from the CTC's research studies as well as analyses that the CTC has conducted with other data sources. In particular, this report provides:

- *An overview of market conditions and an outlook for 2013*
- *A profile of Japanese visitors during 2011*
- *An overview of key long-haul competitors*
- *Highlights of marketing insights along the path to purchase.*

Please note that neither the Global Tourism Watch nor the Advertising Evaluation study was conducted in Japan during 2012. The contents of this report reflect findings from the [2011 Global Tourism Watch](#), 2007 EQ[®], and 2010 Advanced Path to Purchase studies. The *Global Tourism Watch* will be conducted in Japan during 2013.

Executive Summary

While the volume of Japanese outbound travel has remained virtually unchanged over the past decade, there has been a shift from long-haul to short-haul travel. Japanese arrivals within northeast Asia increased 20% since 2002 whereas long-haul travel to destinations beyond northeast Asia decreased 11%.

Japanese overnight arrivals to Canada fell 50% from 2002 to 2010. In fact, the 10 largest long-haul destinations for Japanese travellers in 2002 all experienced declines in Japanese visits over the same time period, and most had declines of more than 20%. Only a handful of destinations registered substantial growth, including Spain, Croatia, Turkey, India and Cambodia.

The CTC estimates a 9% increase to 203,000 Japanese overnight arrivals in 2012 and a 3% increase to 209,000 arrivals in 2013. Scheduled nonstop seat capacity is set to increase 3%, reflecting Air Canada's additional service between Tokyo and Calgary.

Japan's economy is expected to slow during 2013 to 0.4% after expanding 1.9% in 2012. Japan's exports declined in 2012 as a result of a strong yen, slowing demand from Europe and China. A dispute over the Diaoyu Islands also led Chinese consumers to boycott Japanese products. Exports are expected to decline further in 2013 before recovering in 2014. After broad appreciations from 2008 to 2012, the yen was relatively stable in 2012 and is expected to depreciate over the next few years.

Despite the decline in arrivals, Canada continues to place among the top five long-haul destinations most considered for a holiday among Japanese travellers. When asked to list up to three long-haul destinations they were seriously considering, 8% of Japanese long-haul pleasure travellers mentioned Canada in the CTC's 2011 *Global Tourism Watch* study (behind the US at 30%, Italy at 10% and Australia at 10%).

Though more than half of Japanese travellers believe Canada offers good value for money, only 20% of travellers agree that Canada is affordable to get to by air. The more competitive airline environment in the US, with significant year-on-year capacity growth for both new and existing routes, has made that country an attractive gateway to Canada for tour operators. This has led to the creation of new package itineraries for eastern Canada and western Canada as well as the development of new Canada-US dual nation packages. These new itineraries have benefitted from lower US airfares. Itineraries via the US also improve product for travellers residing in western Japan, who prefer to fly from Osaka and Nagoya. United Airlines operates Osaka - San Francisco and Delta Air Lines operates Osaka - Seattle and Nagoya - Detroit.

Based on Statistics Canada's *International Travel Survey*, older travellers aged 55+ represent a growing share of visitors over the past decade. Visit Britain observed somewhat similar findings of a decline in Japanese visitors aged 25-34 and no change in those aged 55+. While the *Global Tourism Watch* indicates that younger travellers represent nearly as many intenders as older travellers, a conservative approach may be to focus primarily on older travellers with a secondary focus on younger travellers.

Japan Market Conditions & 2013 Outlook

Japan's economy rebounded in 2012 to grow 1.9% following a contraction of 0.5% in 2011. GDP growth is expected to slow to 0.4% in 2013 as the short-term boost provided by a reconstruction stimulus (following the recent earthquake) expires. However, as **exports growth begins recovering in 2014 (+6.3%) after two years of decline**, the Japanese economy is forecast to expand 1.8%. Unemployment remains low (4.3% in 2012) and relatively stable. While the economy is expected to slip into deflation again in 2013, **modest inflation of 1.1% is forecast for 2014, which should improve the investment climate further as the economy accelerates.**

From a currency standpoint, **the yen was relatively stable against global currencies in 2012**, depreciating 0.2% against the US dollar and appreciating 1.5% against the South Korean won and 0.9% against the Canadian dollar. This stands in contrast to the broad appreciations of the 2008-2012 period, where the JPY rose 32.3% against the USD, 44.2% against the KRW and 27.2% against the CAD. **As the Bank of Japan moves to weaken the yen and drive exports growth, the currency is expected to depreciate broadly in the next few years**, falling 7.9% against the USD in 2013 and 22.2% by 2016. In the same period, the JPY is forecast to fall 5.7% against the CAD in 2013 and 11% by 2016.

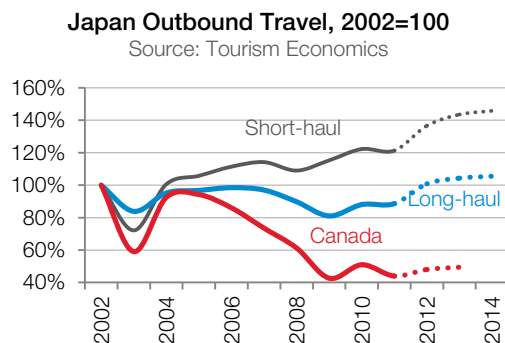
The Japanese Economy					
	2010	2011	2012	2013	2014
Real GDP (% yoy)	4.7	(0.5)	1.9	0.4	1.8
Unemployment (%)	5.1	4.6	4.3	4.6	4.7
Inflation (%)	(0.7)	(0.3)	0.0	(0.5)	1.1
Consumer spending (% yoy)	2.8	0.5	2.3	0.8	1.3
Exports (nominal % yoy)	30.6	7.1	(1.3)	(1.8)	6.3
Exchange rate (JPY/CAD)	85.06	80.48	79.78	84.36	89.31

Source: Oxford Economics, 2013; Bank of Canada, 2013.

OUTBOUND TRAVEL

Over the past decade, international arrivals from Japan to long-haul destinations dipped during the global financial crisis and have been slow to recover following the earthquake and tsunami in 2011. Arrivals to short-haul destinations within northeast Asia increased 20% over the same period.

After recovering from the SARS crisis in 2003, **Japanese arrivals to Canada entered into long-term decline and fell 56% from 2002 to 2011.** The CTC forecasts that traveller volumes to Canada will increase 9% in 2012 and 3% in 2013. Many of Canada's key competitors have also experienced declines of 40% to 60% since 2002. The few countries that experienced substantial growth in Japanese arrivals include Croatia, Spain, Turkey, India and Cambodia.

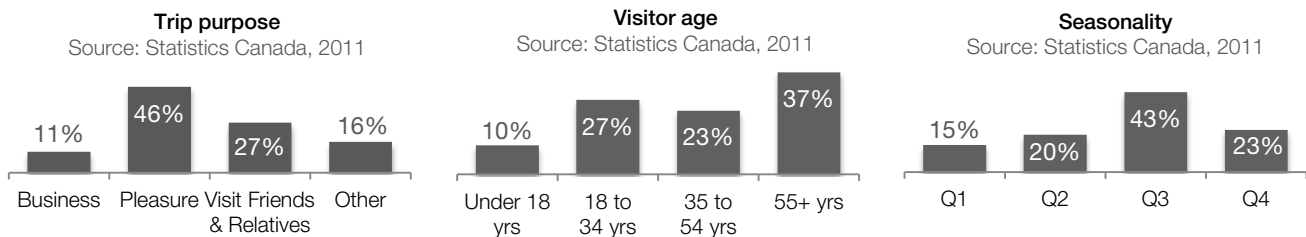


Japan Travel to Canada

TRAVELLER CHARACTERISTICS

In 2011, three-quarters of Japanese trips to Canada were for pleasure or to visit friends and relatives (VFR), a proportion that has been relatively consistent since 2003. The summer months of Q3 were the choice of 43% of Japanese travellers for their trips to Canada in 2011.

Over the past decade, **the proportion of trips made by travellers aged 55+ has increased from 21% in 2001 to 37% in 2011**, while the proportion of those aged 18 to 34 has declined from 35% to 27% over the same period.

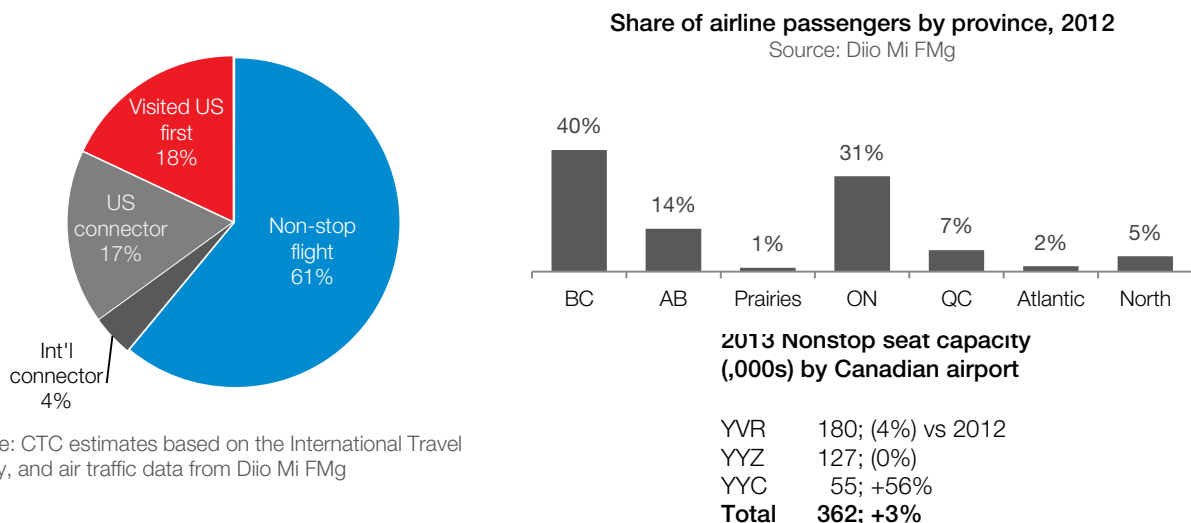


TRAVELLER ROUTINGS TO CANADA

The CTC has estimated that 61% of overnight Japanese visitors in 2011 arrived in Canada via a nonstop flight and 18% arrived following a visit in the US (10% entered via land and 8% via air).

Among travellers who booked their flight to Canada through a Japan-based travel agency or online retailer, about 60% *first* travelled to western or northern Canada and 31% to Ontario.

Nonstop seat capacity between Japan and Canada is scheduled to increase by 3% in 2013 versus 2012. The increase is primarily due to Air Canada's additional service between Tokyo and Calgary, with three weekly flights between November and April and daily flights between May and September.



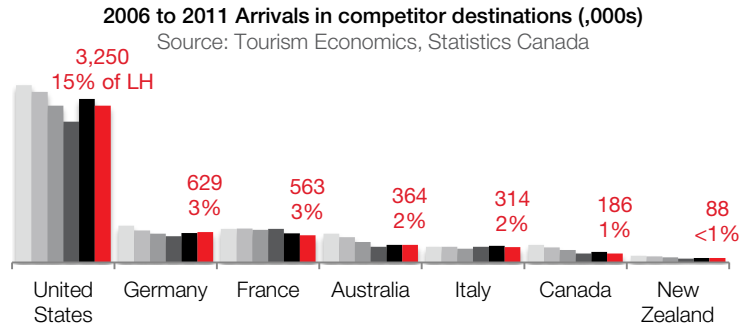
Source: CTC estimates based on the International Travel Survey, and air traffic data from Diio Mi FMG

Source: Diio Mi, February 2013
YVR: Vancouver; YYZ: Toronto; YYC: Calgary

Competitive Environment

ARRIVALS

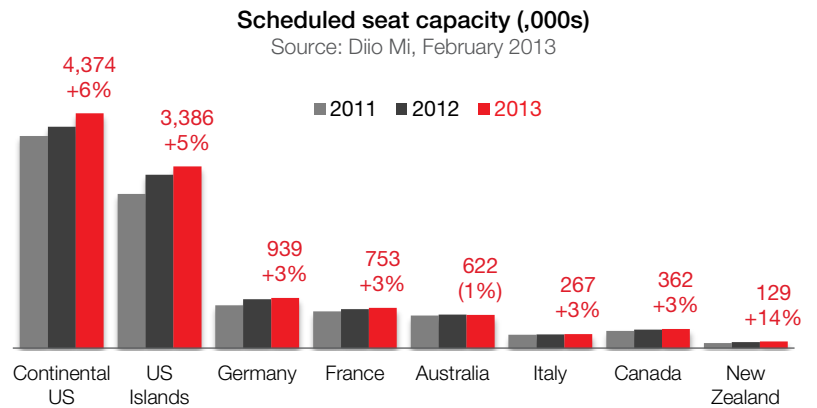
Since 2007, Canada has ranked as the sixth most-visited destination among key long-haul competitors, behind the US, Germany, France, Australia and Italy. **Canada has been losing ground in the Japanese market, seeing its share of arrivals fall from 2% in 2002 to 1% in 2011.**



AIR SERVICE

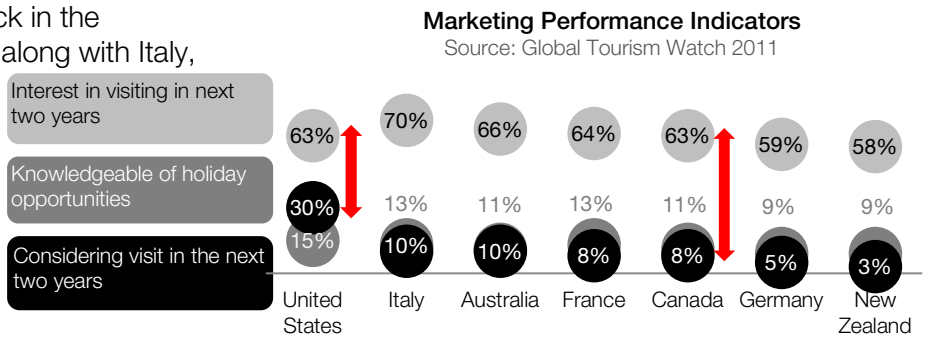
In 2013, the US represents 38% of scheduled seat capacity beyond northeast Asia. Southeast Asian destinations represent 33%, European destinations 18% and Canada just under 2%.

At the time of writing this report, airlines affected by the grounding of Boeing 787s had either temporarily cancelled their service or had continued to serve affected routes with a different aircraft.

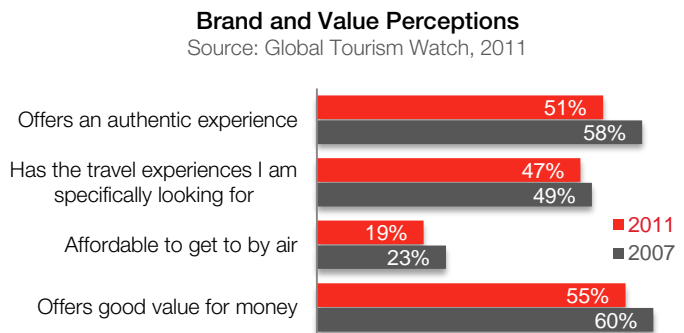


MARKETING PERFORMANCE

Canada is in the middle of the pack in the competitive set on consideration, along with Italy, Australia and France. At 30%, the US is three times more popular than those destinations in the second tier, with "Hawaii" being a major contributor to its leading position.



Canada is perceived as an expensive vacation option with the scores on price perceptions bearing downward. Canada's image among Japanese long-haul travellers is also weakening.



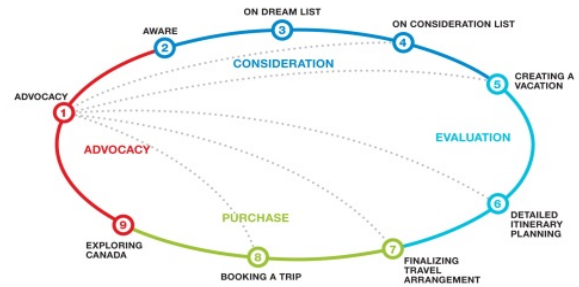
Marketing along the Path to Purchase

The path-to-purchase model aids in understanding the decision journey of a traveller and the opportunity to influence it. It effectively identifies motivators and blockages to building destination awareness, consideration, evaluation and ultimately, purchase of Canada.

TRAVELLER PROFILE

The traveller profile charts illustrate the distribution of travellers along the path to purchase:

- Long-haul (LH) travellers represent all travellers on the path to purchase.
- Intenders are those at the consideration and evaluation phases.
- Recent visitors came to Canada in the past three years for a holiday.
- Promoters have visited Canada at least once and are very likely to recommend Canada for a holiday.

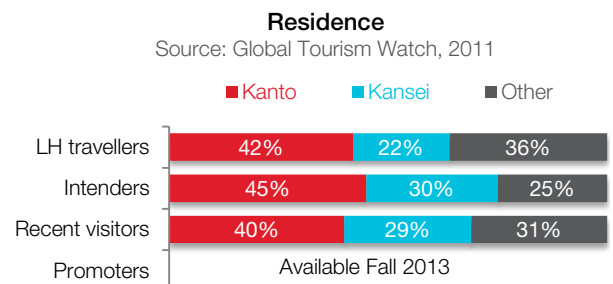
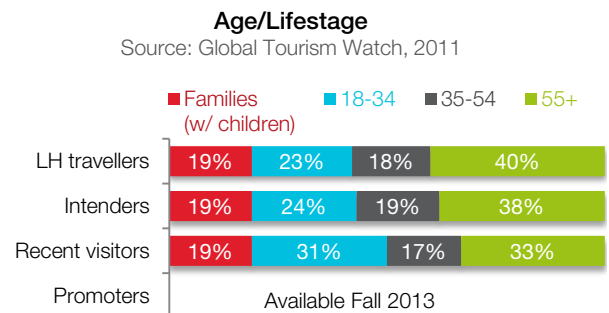
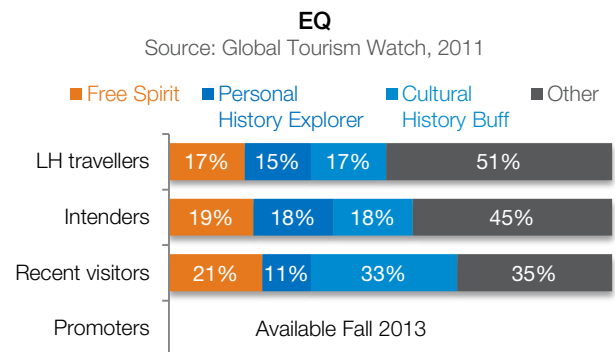


In the 2011 *Global Tourism Watch* study, the three target EQ[®] segments represented **55% of intenders** and **65% of recent visitors**. In particular, one third of recent visitors were Cultural History Buffs.

Compared to all long-haul travellers, Canada attracted a greater proportion of young travellers between 18 and 34 years.

Older travellers aged 55+ represent the largest segment of intenders. **Consider a primary focus on older travellers and a secondary focus on young travellers.**

The two regions of Kanto and Kansei represent 75% of intenders.



Consideration: 91% of long-haul travellers

MOTIVATORS

In a 2010 study, Japanese travellers indicated that visiting historical attractions, experiencing an interesting culture, affordability and seeing something unique were among their top reasons for choosing their holiday destination. Note: The CTC will further explore travel motivators among Japanese travellers in its 2013 Advertising Evaluation study.

Drivers of destination choice

- Historical sites and attractions
- Interesting culture
- Affordable
- Unique
- Sense of freedom
- Warmth and sun

BARRIERS

Travellers at the consideration stage indicate that they **don't have enough time** for a holiday in Canada and **affordability** as reasons preventing them from visiting.

SOURCES FOR TRIP INSPIRATION

Traditional media (e.g. travel shows on TV and word of mouth) plays a more important role at the early stages of the path to purchase.

Evaluate: 8% of long-haul travellers

MOTIVATORS

Canada's target Japanese travellers seek different experiences.

Free Spirits are attracted to **exciting** experiences they cannot find at home including **learning about other cultures** and customs and **trying different cuisine**. Travelling provides an opportunity to take a break from their daily lives and be a little more **indulgent**.

Personal History Explorers are open to **different cultures** and want to experience what it's like to live as the locals do. They will carefully research the **history** of a destination before visiting. They are more **comfortable travelling with a guide** because of their security concerns.

Cultural History Buffs travel as much as possible and tend to take **longer holidays** of at least two weeks. They immerse themselves in the local culture by **learning the language** and veering **off the beaten path**. They will avoid organized tours in favour of **independent travel**.

Travel motivators

Free Spirit	Personal History Explorer	Cultural History Buff
Excitement	Ancestry	History
Experiences they cannot find at home	Concerned about safety	Longer holidays
Lives for travel	Enjoys multiculturalism	Cultural immersion
Indulgence, carefree	Cultural experiences	Off the beaten path
Open to diverse cultures	Researches history of places before visiting	Travel related to hobbies
Escape from daily life	Organized tours	Lives for travel
		Self-touring

BARRIERS

Many travellers say that either it's not the right time or they do not have enough time to take a holiday to Canada in the next two years.

SOURCES FOR TRIP PLANNING

Travellers use a mix of **traditional and online sources to plan** their trips: travel books, brochures, online retailers, and destination-specific websites.

Purchase: <1% of long-haul travellers

BOOKING TIMEFRAME

The CTC's key travel-trade accounts report an increase in last-minute bookings. Although 65% still book at least four weeks prior to departure, it is no longer unusual to see travellers booking within four weeks of their trip.

TRIP TYPE

According to JTB's 2008 through 2011 reports on Japanese Overseas Travellers, findings suggest that holiday travel is trending away from package tours towards independent travel.

BOOKING METHOD

While Japan is a market of high Internet use, more than 80% of consumers still predominantly book long-haul travel through a travel agent.

Advocacy

TRAVELLER PROFILE

Over the coming year, the CTC will provide more information on how recent visitors share their Canadian holiday experiences with others and the role of social-networking sites.

MEDIA RECALL

The CTC's 2011 Global Tourism Watch study reported that **almost two thirds of Japanese long-haul travellers recalled recently seeing or hearing information on Canada**. "TV travel shows" was the most recalled source for Canada followed by other traditional media such as in-flight magazine articles and travel guides/books.

Media recall

Travel shows on TV (35%)
In-flight magazine articles (17%)
Travel guides/books (14%)
Word of mouth e.g. from friends and family (12%)
Travel/destination websites (12%),
Travel agents (10%)
News shows (10%)