

Japan

Japan is a mature market for the United States but has seen almost no growth in travel and tourism since 2004. While the market has seen declines, it has also posted large increases to help recover from these declines. Japan has demonstrated an increased economic impact on the United States for 32 of the last 41 years. Because of its size, and its citizens' interest in and continued dedication to traveling to the United States, despite its current economic stagnation, Japan will likely remain a top market for the United States. To attract an increasing number of visitors from Japan, the private sector must ensure that Japanese traveler preferences and growth segments match up with U.S. products, and work with the U.S. Government to better coordinate work in market through a travel and tourism country plan.

Overall Rank

5

Historically, Japan has been, and still is, one of the top 15 outbound tourism markets in the world. The number of Japanese travelers visiting locations outside of Japan totaled 17.5 million in 2013, nearly 1.6 percent of all global outbound travel. According to Brand USA research that asked Japanese travelers "what countries did you visit on your last international holiday in the past two years", the United States was the top destination, followed by South Korea, "other countries in Asia," France, and China.

In 2013, travelers from Japan spent \$21.8 billion when traveling abroad, a decline of 22 percent when compared to the previous year. Japanese spending overall has declined by almost 32 percent since 2000.^{xxii} Japan now accounts for more than 1.8 percent of global tourism expenditures. This positions Japan as the world's 13th largest spender on international travel and tourism.

After reaching a high of 18.5 million in 2012, the number of travelers from Japan fell by six percent in 2013 to 17.5 million. While four to seven days is the most common length for outbound trips in Japan, it was more difficult for workers to take longer breaks in 2013, as public holidays fell on weekends and days off were more spaced out than normal during Golden Week and Obon, when travel typically increases.

According to the Euromonitor^{xxiii} forecast, the number of outbound trips is expected to increase by a two percent compound annual growth rate to reach 19.1 million in 2018. Growth will be supported by expanding capacity among low-cost air carriers and stronger demand from senior travelers. Disputes with China and South Korea have dampened travel flows

between Japan and these countries, but if the number of departures to these two popular destinations recovers, it will contribute to the overall growth of outbound tourism flows in the forecast period. This would result in greater competition for travel to the United States.

Market Overview

The United States welcomed more than 3.7 million visitors from Japan in 2013, an increase of only one percent when compared to the previous year. In fact, 2013 showed a dramatic slowing as compared with 2012. In 2011, Japanese outbound travel dropped as a result of its stagnant economy, the effects of the tsunami, and the disaster at Fukushima Daiichi Nuclear Plant, but recovered with 14 percent growth in 2012. Arrivals from Japan have been erratic, dropping in each of the years between 2006 and 2009 but increasing overall in five of the last 10 years.^{xxiv}

Since 2004, arrivals from Japan have declined by more than 17,000 visitors. Even with the slight decline over the decade, Japan remains the second largest overseas (excluding Canada and Mexico) arrivals market for the United States, a position it assumed in 2001 and has held ever since. While not a growth market, Japan has generated over 2.9 million visitors to the United States every year since 1989. The record year for Japanese travel to the United States was 1997, when the country hosted nearly 5.34 million Japanese visitors.

As an export market, in 2013 Japan ranked fourth in total travel and tourism-related spending in the United States. However, with only 23 percent growth over the decade, Japan has declined from the number one spot

it held in 2004; Canada, China and Mexico have all posted far stronger growth during this time to surpass Japan. In 2013, Japanese travel and tourism exports totaled \$17.6 billion. This translates into roughly \$48 million per day^{xxv} being injected into local economies around the country, supporting more than 91,000 U.S. jobs.^{xxvi}

U.S. travel and tourism exports to Japan now account for nearly 38 percent of all U.S. services exports and more than 16 percent of total exports to Japan. Travel and tourism has enjoyed a positive trade surplus with Japan for decades, a surplus that totaled over \$13 billion in 2013.

Understanding the “Typical” Traveler from Japan

The National Travel and Tourism Office Survey of International Air Travelers provides key insights into travelers from Japan:

Purpose of Trip— Most Japanese visitors to the United States come for leisure activities. As to the main purpose of their trip to the United States, the majority were on vacation/holiday (70 percent), followed by business (12 percent), visiting friends and relatives (eight percent), and convention/conference/trade show (seven percent). When considering all purposes of trip (multiple responses), the net purposes of business and leisure totaled 22 percent and 79 percent, respectively.

Ports of Entry—The top U.S. ports of entry used by Japanese travelers included Honolulu, Hawaii (41 percent), Agana, Guam (24 percent), Los Angeles, California (eight percent), New York, New York (five percent), San Francisco, California (five percent), and Chicago, Illinois (three percent).

Number of States Visited—The overwhelming majority (90 percent) of Japanese travelers visited only one state during their stay; more than seven percent visited two U.S. states; and three percent of Japanese travelers visited three or more states.

U.S. Destinations Visited: States/Territories and Cities—The top U.S. states/territories visited include Hawaii (42 percent), Guam (25 percent), California (13 percent), New York (nine percent), Florida (three percent), and Illinois (three percent). Japanese visitors favored Honolulu, Hawaii (38 percent), followed by New York City, New York (eight percent), Los Angeles-Long Beach, California (five percent), San Francisco,

California (four percent), Chicago, Illinois (three percent), and Orlando, Florida (three percent).

Leisure Activities—The top leisure activities of Japanese visitors were shopping (86 percent), sightseeing (85 percent), experiencing fine dining (40 percent), participating in water sports (24 percent), taking guided tours (23 percent), visiting national parks and monuments (11 percent), traveling to historical locations (11 percent), and traveling to small towns/countryside (10 percent).

Transportation Used in the United States—The mode of travel most popular with Japanese visitors while in the United States was the use of a taxicab/limousine (41 percent), followed by bus between cities (33 percent), city subway/tram/bus (26 percent), air travel between U.S. cities (25 percent), rented auto (21 percent) and private or company auto (16 percent). Fewer than five percent used the U.S. rail system between cities.

Accommodations and Nights in the United States— The overwhelming majority of Japanese visitors stay in hotels (95 percent), while six percent stay in private homes. The average number of nights Japanese visitors stay in the United States is seven nights, with 55 percent staying four to seven nights and 31 percent staying one to three nights.

Income—The average annual income of visitors from Japan was nearly \$101,200 in 2013, with 16 percent of Japanese visitors making \$40,000 to \$59,999 a year and four percent making \$300,000 or more. Over 61 percent make less than \$100,000 in annual income.

Export Opportunities

Currently, Japan is the fourth largest travel and tourism export market for the United States. While arrivals have been up and down over the past decade, travel exports, including passenger fares, have increased in five of the last seven years and are up 39 percent over 2009. The record year for Japanese travel exports was 2000, followed by a staggering three-year decline of 37 percent, due to factors such as 9/11, SARs, and the Gulf War. This decline was not unique to Japan and was exactly in line with the decline from the entire Asia-Pacific region. Since then, spending by visitors from Japan has increased in seven of the last 10 years. Travel exports, excluding passenger fares for the United States, increased dramatically in 2013, while total spending by Japanese travelers going

abroad declined by nearly 22 percent. As a result, the U.S. share of travel exports was 55.6 percent. This was up from 26 percent in 2009, and the United States has seen its share of travel exports increase in three of the last five years.

The 3.7 million visitors the United States welcomed from Japan in 2013 accounted for 21.3 percent of total Japanese outbound travelers. This was up for the second straight year. In 2009, the U.S. share of total Japanese outbound travel was 18.9 percent. In 2013, the percentage of Japanese travelers that visited the United States as a percentage of Japan's total population was small (0.3 percent), demonstrating clear opportunity for growth.

As a result, the potential for attracting a greater number of visitors from Japan will require taking advantage of, and creating, additional opportunities. The National Travel and Tourism Office Forecast for International Travel anticipates a compound annual decline rate of more than -0.2 percent for Japan, culminating in 3.69 million arrivals from Japan in 2019, a one percent decline over the 2013 visitation level. If this decline is realized, Japan would drop to become the fifth largest international market (behind Canada, Mexico, China, and the United Kingdom, respectively) and the third largest overseas market in terms of visitation.

Despite the forecast, there is the potential to increase travel from Japan to the United States through targeted marketing and products that match Japanese preferences. There has recently been an increase in non-stop flights to Tokyo from Boston, Seattle, San Diego, San Jose and Denver, making it easier for Japanese travelers to get to the United States.

Additionally, within the Japanese outbound travel market, the senior travel segment shows especially good growth potential for U.S. firms and destinations. While the overall size of the Japanese population will slowly decrease, the number of people aged 60 and over is steadily increasing. Projections indicate that by the end of 2015, one out of every three people in Japan will be over the age of 60, which equates to roughly 42 million people (of the total population of 127 million). The Japanese senior segment, especially the 6.6 million baby boomers born between 1947 and 1949, was strongly influenced by American music, film and television. As a result, these baby boomers, especially Japanese males, have a favorable impression of the American lifestyle and culture. These seniors

have time, money and energy to spend on leisure travel and are the best match for long-haul destinations such as the United States.

Another opportunity to attract visitors from Japan is special interest tours (SIT). The Japanese are very focused on this segment, and participate in tours that emphasize such interests as:

- Spectator sports, such as baseball, basketball, soccer, and golf;
- Sports activities, such as golfing, hiking, fishing, diving, skiing and marathons;
- Art and cultural tours, such as visiting museums and art galleries, and going to concerts and theaters;
- UNESCO World Heritage Site tours;
- Hobby tours such as quilting, photo-taking, drawing, and dancing;
- Gourmet tours such as wine tastings and famous restaurants; and
- Cruises.

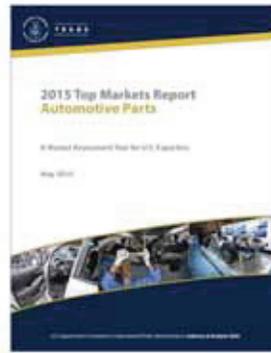
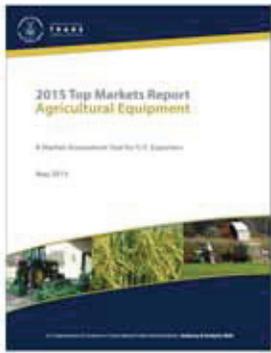
Challenges & Barriers

The National Travel and Tourism Office Forecast expects an overall decline in travel from Japan to the United States by 2019. Due to recent economic stagnation, coupled with the effects of the tsunami, Japanese travel to the United States has not been as strong and consistent as it could be. As the United States is a long-haul market for Japan, there are other factors that increase the cost to travel to the United States:

- **Fuel surcharge.** Fuel surcharges in Japan are set bi-monthly and are closely regulated by the Japanese Government. The prices are dependent on Singapore kerosene prices. For example, in February-March 2015, the fuel surcharge on tickets to North America was \$117 (each way). Starting April 1, 2015, the fuel surcharge changed to \$88 (each way) on tickets to North America. With the surcharge changing bi-monthly, it is difficult to predict what the rates will be, and there is a negative perception of the surcharge for long-haul travel.
- **Exchange rate.** The Japanese yen is weaker than it used to be against the U.S. dollar. In 2012, the exchange rate was USD1:JPY79.82, and in 2015, the exchange rate is USD1:JPY120.

Even with these challenges, the Japanese show a continued interest in traveling to the United States, particularly among certain segments of the population. This indicates the importance of targeted marketing

campaigns, tourism products that match up with Japanese traveler preferences, and U.S. Government and private sector coordination in market.



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