

JAPAN

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GENERAL MARKET OVERVIEW

- Population: 127 million. Major regions: Kanto (Tokyo) 40 million, Kansai (Osaka) 21 million and Chubu (Nagoya) 11 million.
- Economic situation: The world's second largest economy. A large proportion based on local consumer spending and exports to the US, both of which were heavily impacted by the Global Economic Crises. GDP decreased 3.1% from January to March, however, increased 0.9% from April to June. Consumer uncertainty rose as news of staff lay-offs and reduced bonuses were announced.
- Annual leave entitlement: This is normally 15-20 days per annum. As it is rare to utilise one's full entitlement (often only 8 days), overseas tour durations are comparatively short.
- Language: Japanese

MARKET PROFILE

Japan is Australia's 4th largest source market in terms of inbound visitor numbers. In 2008, Japanese visitation to Australia totalled 457,232 (-20%) and Australia's market share of outbound travel also dropped to 2.86%. The decline is in part attributable to a sluggish economy, reduced job stability, weaker yen, high fuel surcharges (especially long haul), safety concerns, and changes in routes and direct air capacity to Australia. In particular since 2005, there has been a decline in the number of young female travellers aged 20-29, a traditionally strong segment to Australia.

Approximately 80% of visitors to Australia stated holiday as their main purpose of visit. The median night stay for holiday visitors in Australia is five nights, although the average stay is much longer. The majority of Japanese speak and read some English but often lack confidence to use it. Package tours (57%) usually include a Japanese-speaking guide however an increasing number of travellers are willing to travel as FITs (32%).

Tourism Australia's primary target is the experience seeker. Demographically, office ladies (OLs) young office ladies (YOLs), the mature market (Jukunen), students on school excursions. Nature/wildlife and Australian lifestyle are the key themes.

Airline Access

Direct access from Japan to Australia is limited to Cairns, Gold Coast, Sydney, Brisbane, and Perth, with 3 carriers: Jetstar (42%), Japan Airlines (38%), Qantas (20%). Jetstar began flying from Osaka and Nagoya to Cairns in mid 2007, but in mid 2008 changed routes to Gold Coast and stopped servicing Nagoya. Jetstar launched a Narita to Cairns service in December 2008. The Qantas service from Narita is 7 flights to Sydney and 3 flights to Perth per week.

During 2008 there was a decline in total direct air capacity between Japan and Australia of around 25%, and a large increase in Jetstar's share of the market to Queensland (Gold Coast and Sydney). JAL has begun code shares with the Qantas flights via Singapore to various ports in Australia. There is now an increased concentration on Tokyo as an exit port (85%), and a 50% increase in capacity for Southern Queensland, and no direct access from Nagoya. The lack of direct airline access (now only 31% to Sydney) is an impediment for SA due to the short duration of holiday tours. The majority of Japanese visitors to SA from Tokyo arrive through Sydney with Qantas, and from Osaka and Nagoya, using an Asian carrier primarily Singapore Airlines.

DISTRIBUTION IN THE MARKET

The Japanese Travel Trade Structure

The trade distribution system is highly structured and vertically integrated. Major wholesalers have their own retail brands with their own Australian package brochures, and their own inbound operations in Australia despite the fact that Australia may account for around 5% of their total outbound business. Main brochures are normally produced twice a year – ‘*Kamiki*’ (Apr-Sep) and ‘*Shimoki*’ (Oct-Mar) – the latter being the stronger season for Australia. Products and costings are collated approximately 6 months in advance. Seasonal brochures target specific segments, for example, family summer holiday travel, group packages with tour escort.

The Aussie Specialist Program will be reintroduced to Japan in late 2009. Until recently a tiered structure of trade servicing was maintained, comprising of JAAG (Japan-Australia Advisory Group), Club Oz (GM level) and Oz Net (Product Manager level).

Top Five Wholesalers	Retail Brands
JTB World	Look JTB
HIS	Ciao (Fit brochure), Impresso (Group Tours)
KNT	Holiday Tour
NTA	Mach, Best Excellent, & Best
JALPAK	I'll & Ava

Market Segments By Demographics

Segment	Age Range	Characteristics
<i>Jukunen & Dankai sedai</i> (mature age and baby boomers) - male & female	50 y.o.+	Affluent, becoming independent, enjoy nature and interactive experiences but need care and attention.
Young office ladies (YOL) and office ladies (OL)	20 to 35 y.o.	Affluent, adventurous, relatively independent, like luxury, spa, resorts, shopping, lively activities and night life.
Students (groups and independent long & short stay)	14 to 20 y.o.	Travel in group tours organised by the school, with educational and tourism components, and absolute safety & reliability is required. Two types: <i>shugakuryoko</i> (school excursion - often large groups of students) and <i>gengogakukenshu</i> (language study - usually smaller groups 20-50).
Free Independent Travellers (FIT)	All ages, most under 25, a few mature age as well	Research on the internet, use guidebooks and purchase a lot of product post arrival in Australia, budget travellers, adventurous, speak some English and small number of mature FITs.
Family, parents and younger children	Parents 30 to 40 with children	Economic travel, educational, safe, some adventure.

Market Segments By Tour Type

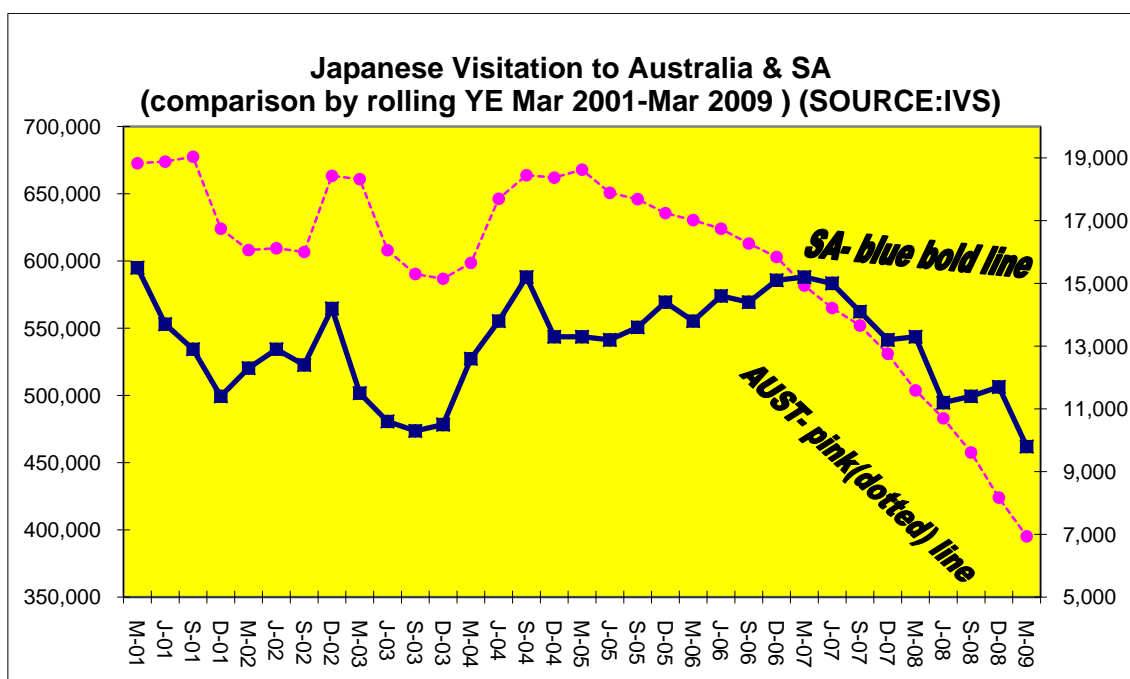
Tour Type	Characteristics
Package	Packaged travel tour brochure products ranging from air and hotel only (young female market) to all-inclusive tours (honeymoon) and escorted tours (older market). Purchased by all ages, seeking convenience and value based on agents' ability to bulk purchase. Used less by experienced travellers.
Media	Inclusive group package tours usually with a tour escort. Different to package in the way it is sold direct to consumer through newspaper ads, travel club magazines and direct mail (not retail), primary target is the mature/senior traveller.
Group	Organisational travel such as companies, schools or any organisation whose members travel together. eg: Incentive, school groups and technical visits, tours are arranged on a charter basis.
FIT	Free Independent Travellers. Explorers, budget travellers, longer stay, adventurous, usually younger but some older people also becoming FITs.

Education / Student tours are a key and growing market for Australia, and SA attracts a good proportion of these. The majority of tours are handled by the education/group tour divisions of the major wholesalers. South Australia attracts mainly language study tours. Peak seasons are school holiday periods in July / August and March / April.

FIT Travellers are also an important segment for SA. Many backpackers (tend to be female aged 20-29) visit Adelaide on their Australian trip generally arriving via Melbourne or Perth. This segment rely heavily on guidebooks like '*Chikyu no arukikata*' (Globetrotter), word of mouth and the Internet for planning and information. Increasingly well travelled seniors are becoming FIT style travellers and seeking new destinations and interesting experiences.

Japanese Visitor Arrivals

Despite the national decline, SA was the only State to increase visitor arrivals from Japan for three years during 2005-2007, however since late 2007, visitation to SA has also declined to just under 10,000 Japanese visitors at year ending March 2009.



OPPORTUNITIES FOR SA

The SATC's key target market segments in Japan are the mature market "*jukunen*", baby boomers "*dankai sedai*" and the student/educational market.

Traditionally, SA was a difficult sell in the Japanese market, as the majority of tourists to Australia were young females, and SA suffered for reasons such as higher cost, lack of direct flights and appropriate product.

However the increase in experienced travellers and the increase in the senior market (the only demographic segment currently increasing) has led to increased opportunities for SA. Japan has the highest percentage of ageing population in industrial nations, with 24 million or one fifth of the population being over the age of 65 years. By 2015, they will represent the largest single market segment. They possess high spending power from years of saving, regard international travel as a high priority, have unrestricted seasonality, seek quality experiences, have more time to travel further from the gateways of Australia, and do things not included in mainstream package tours, therefore there are fewer barriers to travel to SA. Special interest tours are a key focus of these tours and there is a growing market for niche activities such as photography, volunteer programs, train journeys, trekking and wild flowers. There are also opportunities in the high-end luxury segments.

MARKET TRENDS

Media sales (tours sold through newspaper advertising and direct marketing) are on the increase, but tours only sell to the price conscious travellers. Lead times for package tours are decreasing with 80% of visitors planning their trip within 3 months of departure. Consumers also increasingly compare pricing. The travel-trade is struggling to provide more individual travel options to meet increasing traveller maturity and consumer demand for more FIT style tours. As the market matures, the market share of the long dominant package tours is decreasing and FIT style travel is increasing.

However package tour brochures still act as a strong media to introduce a destination and increase awareness. The Internet still plays a relatively minor role in the distribution system for bookings, but in addition to guidebooks is a very important tool for consumers to source information. FIT travel suits SA, as it overcomes the lack of package and group tour infrastructure.

KEY THEMES/ EXPERIENCES PROMOTED IN THE MARKET

Key Experiences

Nature and wildlife, wine and gourmet, Adelaide as a lifestyle city, and The Ghan and Indian Pacific train journeys.

Regions

Core: Adelaide, Kangaroo Island, Barossa.

Secondary: Adelaide Hills, Limestone Coast (World Heritage), Eyre Peninsula

KEY HIGHLIGHTS OF MARKETING ACTIVITIES IN 2008/09

Japan Australia Mission (JAM)

JAM is the key trade-show held annually in Japan by Tourism Australia in late February. Operators are strongly encouraged to participate in this event.

JATA (Japan Association of Travel Agents) International Travel Fair

This Fair held annually in mid September at Tokyo Big Sight, is the largest travel consumer show in Japan, drawing a crowd of over 100,000. The SATC participates as part of the Tourism Australia booth area. Last year the event had 980 exhibition booths representing 136 countries. This year's Australian booth features Nature & Wildlife.

'Visit World Campaign' Consumer Advertising in Japan

The SATC joined with 22 other tourism organisations for two weeks in mid September 2008 to participate in the 'Visit World Campaign' coordinated by the Japan Association of Travel Agents to conduct a 'track jack' (Chartered Advertising) on six train lines simultaneously in central Tokyo, which carry approximately 9.9 million people every day. The two week campaign represented an excellent awareness raising opportunity, as the inside of trains on the most popular routes are a very sought after advertisement medium, and enabled the SATC to leverage a usually cost prohibitive campaign with value in excess of AUD\$300,000 at a minimal cost. Images of Kangaroo Island and Adelaide were displayed to an estimated 33 million Japanese consumers. The campaign was repeated from 15 to 30 June 2009, with a total of 176 exposures of SA on 10 private train lines that carry an estimated 10,839,000 passengers per day.

Tourism Australia's 'World Heritage Campaign'

The campaign was launched by Tourism Australia in September 2007 only for the Japanese market, and focuses on 16 World Heritage sites in each state of Australia. The World Heritage site for SA is Naracoorte Caves (Australian Fossil Mammal Site), so this represents the majority of exposure, but wherever possible it is tied to Adelaide, Barossa and Kangaroo Island as well. The SATC leverages this major campaign as much as possible.

MAJOR PLANS FOR 2009/10

The SATC's strategic focus is to concentrate on a few key leading wholesalers matched to particular market segments, particularly for the senior market. Trade marketing will be focussed on attending the Japan Australia Mission 2010 and conducting targeted sales calls to Japanese wholesalers and inbound operators.

The SATC also has a strategic alliance with Singapore Airlines and cooperative advertising will be undertaken with key trade partners from October 2009 to March 2010.

Where possible, the SATC will continue collaborating with Education Adelaide to raise the profile of SA as a student tour destination by participating in trade and sales seminars and obtaining exposure of SA in key education related materials. The SATC also aims to raise awareness of the destination and product with consumers through the editorial coverage generated by the media familiarisation program.

ACTIVE INBOUND COMPANIES

In Adelaide

- Adelaide Japan Desk [retail only]
- Tranquil Travel Service [inbound only]
- HIS Westralia Pty Ltd [retail and inbound]
- Encounter SA Pty Ltd. [inbound only]
- Bunnik Travel [inbound only]

In Sydney

- JTB Australia Pty Ltd
- Kintetsu International Express (Oceania) Pty Ltd
- Jalpak International Oceania Pty Ltd
- Nippon Travel Agency (Australia) Pty Ltd

NB. Operations usually subcontracted to the Adelaide based inbound operators, but planning and quotations for Japan based wholesalers are done in Sydney.

OPPORTUNITIES FOR OPERATORS

Product Promotion

For package and group tours it is necessary to get your product to Japanese travel agents to be brochured. This takes time and usually only reliable and relatively large capacity products are included. For product suitable for the FIT market, it is possible to get your message to potential clients post arrival in Australia.

Japan Australia Mission (JAM)

The Japan Australia Mission (JAM) is the key trade show held annually in Japan by Tourism Australia in February (proposed dates are 25 to 27 February 2010). The aim of JAM is to meet the Japanese travel trade, establish relationships and raise awareness of tourism products, and introduce new products to the market. Subsidies are offered to SA operators who participate and registrations close in the October prior.

Australian Tourism Exchange (ATE)

This is the largest trade event for the tourism industry of Australia, with Japanese wholesalers and senior managers also in attendance, and provides an opportunity to introduce your product.

Inbound Operators Sales Calls

Inbound operators are very important and it is strongly suggested that you visit these and update them on your product. The inbound operators are based in Sydney and subcontract the SA portion of tour-guiding and ground arrangements to the local operators in Adelaide. These inbounders offer an excellent conduit to get your product information to the tour planners in the major agencies in Japan.

In-market Sales Calls

Michael Seeliger, International Operations Manager (Acting) conducts regular sales visits to Japan to service the trade in market. Operators wishing to be involved in the Japan market but unable to conduct their own sales calls should ensure that he is kept informed about their product.

Media Familiarisations

The SATC and Tourism Australia are continually attracting journalists and travel agents to South Australia to experience tourism product. Ensure that you make contact with both organisations to advise that your business is interested in Japanese media famils.

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Japanese Website

The SATC maintains a Japanese language website in Japan that provides exposure and links to SA product. This website is an important resource especially for FITs. The website is www.southaustralia.com/jp and the better known and advertised address www.adelaide.jp is pointed to this site.

Local Website and Magazines Advertising

A large number of FIT travellers make their bookings for day tours post arrival and therefore advertising with local Japanese magazines such as 'You Yu Adelaide Lifestyle Magazine' or the 'GoGo Adelaide' website may be beneficial to your business.

USEFUL TIPS FOR WORKING WITH JAPAN

- To create a good first impression, be punctual and rise to greet other people.
- Japanese usually bow but are familiar with handshakes, however they do not grip too firmly. Females are less likely to shake hands.
- When meeting someone, present your business card facing out with two hands so they can read it. Receive their business card with two hands and treat it with respect as they are seen as an extension of the person. Study it briefly and note their job title. Don't write on a business card in the owner's presence or put it in your back pocket.
- Names are important: ask how to pronounce if you are unsure. Japanese names consist of a family name and first name in that order. It is easiest and polite to use the family name and 'san' for everyone. First names are generally not used for business contexts in Japan although this rule is broken for Westerners.
- Age = rank = respect. Japanese have a high respect for authority
- English is becoming more commonly spoken by the trade. But often their written English is better than their spoken, and they will be embarrassed to admit they do not understand. Laughter and smiling may be hiding confusion or embarrassment.
- Japanese will go out of their way to avoid conflict and will not express negative sentiments or disagreements directly, as doing so would be discourteous. Therefore there is a tendency to be indirect and ambiguous. Be mindful that phrases like "under consideration", "would be difficult" and sucking air through the teeth are ways of essentially saying "no" whilst saving face.
- Courtesy and formality maintains face, becoming emotional causes loss of face.
- Be subtle with gestures as all gestures have meaning. Don't point with a finger (use an open palm instead), yawn or blow your nose.
- Presentation and wrapping for gifts are very important (avoid black or white wrapping). Use both hands to give and receive gifts. Don't open gifts in the presence of the giver (unless requested to do so).
- Japanese people generally do not touch each other. If you do not know someone very well, avoiding touching them.
- Decisions are normally consensus based – so can be hard to get quick decisions.
- Personal relationships are very important in Japan. Eating and drinking at bars/restaurants after work are an important part of establishing a rapport and creating trust which is vital for business. The host and junior people normally fill guests glasses (never fill your own - fill others around you and they will fill yours), seating arrangements are important (low status close to door). Dinner maybe followed by a 'nijikai' (second party) with karaoke afterwards.
- Japan's society is patriarchal & hierarchical so males generally have more authority although this is slowly changing.
- Japanese are fastidious about cleanliness.
- Brand names are very important and trusted.
- Japanese society is very homogenous and Japanese regard themselves as unique. They generally do not like being compared to other Asians.