

Japan

How Consumers Purchase Travel

How Japanese Purchase Travel

Consumer Booking Patterns

- The solid growth of the outbound market from Japan in 2005 clearly illustrates strong economic conditions and improved consumer confidence, following the decline in travel demand in 2001 – 2003.
- The increasing popularity of media sales (sales driven by newspaper advertising or database marketing campaigns) is quickly changing the way consumers book travel. Lead times are shortening and consumers are more willing to shop around.
- The evolution of the Japanese travel industry into a more specialised, consumer-orientated sector will continue. Australia needs to maintain a close involvement with the industry in Japan in order to maintain knowledge of the industry and to take advantage of the current rapid pace of change.

When buying travel there are a number of distribution channels available to consumers. They may research and book their trip using a combination of traditional distribution partners and online options. The structure and function of distribution channels in this market are as follows:

Online Environment

- Media sales specialists are leading the way in the development of new distribution channels, such as membership magazines and the Internet, as advertising rates in traditional media becomes more expensive and companies search for new and cheaper distribution mechanisms.
- Internet only companies with a retail license are emerging, although the Internet currently plays a minor role in the distribution system for overseas travel. A number of travel agencies are launching online services however any significant change towards online distribution mechanisms is expected to be long term.
- The Internet is popular as an information gathering tool but is still in the early stages of adoption as a booking channel, particularly for international package travel. With the total population using the Internet expected to be around 76.7 million in 2005 (Japan Association of Travel Agents), the importance of the internet to the travel industry as both an information tool and a booking mechanism is expected to increase. Repeat travellers especially tend to be higher users of the internet in addition to the more traditional sales channels.
- The Tourism Australia consumer website www.australia.jp delivered over 5.5million pages to users in 2005.
- Tourism Australia launched travel club section called “My Style Australia”. My Style Australia includes a bulletin board (BBS), Blog (weblog) and travel diary sections to communicate with others and share their previous experiences and knowledge about Australia.
- JAL also has an established and influential website, www.jal.co.jp/australia, which continues to be developed to support the ‘JAL Slow Stay Australia’ campaign with great success. The site features product and lifestyle information to support the campaign, in addition to leading to a booking mechanism.

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Retail Agents

Commission Level: 10%

- All wholesalers compete for retail business and most wholesalers have a 'same-brand' retail chain, which operate with relative autonomy. These retail offices of the large General Travel Agency's (GTA's) sell their own and other brand packages.
- Most GTA branch offices have a group sales force, an FIT section and a retail counter.
- Key FIT agents, media sales companies and school excursion organisers are now important producers for Australia.
- Communication with the retail community by the Australian industry is almost solely in the hands of the Tourism Australia, the airlines and STO's based in Japan. This is because information flows from the ITO to the wholesaler to the retail chain. Product suppliers should not plan to visit retail agencies/front line staff on a sales visit to Japan.

Aussie Specialists

- According to JTB Foundation, the analysis of reasons for choosing a destination reveals "read tour brochure" in the top place to Australia (36.5%). However "recommended by travel agency" is the lowest reason (2.6%). Tourism Australia has focused on product planning staff as Aussie Specialists in Japan, and developing a three tier trade structure led by the Japan Australia Advisory Group (JAAG). JAAG is positioned in the first tier of the structure and comprises the highest level of representation from 15 major travel agencies. Club Oz, an organization for the general manager level within 54 major travel agencies, is positioned second tier. Oznet is the third level made up of 216 "working level" product planning staff focussing on general product and experience development. As part of this program Tourism Australia provides educational opportunities for Oznet members including familiarization tours.

Wholesalers/Large Agents

Commission Level: 15 - 20%

- The top-six wholesalers for Australia are JTB, HIS, Jalpak, KNT, NTA and NEC all producing Australia-only brochures.
- Australia accounts for approximately five to ten per cent of total outbound business for wholesalers in Japan.
- In addition to the two major brochure seasons, Kamiki (April - September) and Shimoki (October - March), wholesalers have begun packaging tours on a market demand basis taking advantage of last minute trends and peak/trough travel periods.
- Major wholesalers provide national coverage by distributing packages through their own and other retail outlets. There are also strong regional brand wholesalers such as Meitetsu in the Tokai region centred on Nagoya and Nishitetsu on Kyushu. They are of critical importance to Australian suppliers, with Oceania departments for whom Australia is the key destination.

Inbound Tour Operators

Commission Level: 20 - 25%

- Most of the large Japanese travel agencies operate their own inbound tour companies in Australia. These inbound companies buy products, operate tours and provide product information for their parent companies.
- Middle and small-sized travel agencies and some sections of large general travel agents (GTA's) use Australian inbound tour operators. These Inbound Tour Operators have a sales office in one or more Japanese cities. They include companies that sell to other international markets, usually Asia and Oceania.



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Integrated Distribution

Japan has a highly regulated travel industry structure with four levels of travel agencies. The industry applies stringent and complex licensing laws, with high levels of consumer protection.

First Level Agencies – General Travel Agencies (GTA's)

These are companies that package, wholesale and retail international and domestic tours. They generally have a wholesale division looking after both international and domestic travel as well as a media sales division, a group tours division and retail shop fronts.

Second Level Agencies

These companies' wholesale/package domestic tours only. They sell international products (produced by GTA's) to consumers as a retail travel agent. They do not package or wholesale international product.

Third Level Agencies

These are retail travel agencies that sell international and domestic packages produced by GTA's and second tier agencies. They have no wholesaling/packaging departments.

Fourth Level Sub-Agencies

These companies can sell domestic and international tours, but have no wholesaling/packaging departments. They are more likely to be 'implant' agencies in larger organisations, such as those set up in the recent agreement between JTB and the department store chain Marui.

First Level Agencies (GTA's) usually have several divisions covering wholesaling, one-off groups, retail and media sales. The divisions include:

Wholesale Division

The division that designs and produces packaged tours known as group series tours. The tour products are then on-sold to retailers, either via their own retail shops or to other agencies.

Media Sales Division

The Media Sales division of a GTA produces packaged tours for direct sales.

Media tour products are sold directly to consumers via advertising in newspapers and members magazines (the name media sales relates to the method of promotion) and direct mail. Increasingly the Internet is being used to sell media tour products.

Group Tour Sales Division

Arrange and sell special order and one-off tours for clients and other tour organisers. Deal in incentives and conventions, technical visits, school excursions and other one-off group touring.



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Retail Division/Office

Counter sales offices that sell direct to consumers as a retail travel agency. These offices sell packages produced by the in-house Wholesale Division and those produced by other agencies.

Other Commentary

- The Japanese travel industry is one of the most vertically integrated in the world. Major Japanese companies control all levels of the distribution system, and although the distribution chain is becoming more fragmented this integration remains a key feature of the Japanese trade.
- Traditionally the key targets for Australia have been wholesale package tour divisions of the GTA's, however, increasing focus is being placed on the Media Sales Units and Group Tour Sales Divisions, especially those producing school excursions. Australia also has potential with the strong regional wholesalers.