

## **Re-imagining the Australia-Japan Relationship**

### **Tourism**

#### **Why Tourism?**

As the main contributor to people-to-people interaction, tourism plays a vital part in the ongoing development of the Australia-Japan relationship. Tourism has been a major factor in building strong bilateral ties for more than 50 years, with the Tourism Australia office in Japan having been established in 1968.

While the COVID-19 pandemic has caused the temporary cessation of international tourism, potential travellers and key industry stakeholders respectively are now rethinking what kind of tourism experiences they desire, and wish to provide, once borders re-open.

In 2019, almost 500,000 Japanese visitors came to Australia and a similar number of Australians visited Japan, the great majority (68%) of whom travelled for tourism. This represented very strong growth of approximately 50% over five years, however was still less than the peak of 814,000 in 1997. Other major segments include business travel, working holiday makers, school groups and longer-term students. This balanced two-way movement of travellers helps the people of both countries to better understand each other and enjoy the unrivalled experiences both have to offer, and also to underpin the stability and growth of airline capacity.

This paper focuses mainly on inbound travel from Japan to Australia, which is the remit of Tourism Australia. Over the 5 year period to 2019, inbound tourism from Japan generated \$8.8b in spend, with over 2.1m visits, of whom 48% were repeat travellers. Repeat travellers tend to spend slightly more per visit, but even more importantly play a role in encouraging travel by other family members and friends, across generations.

## **The Market and the Role of Tourism Australia**

The tourism industry is highly competitive, with Australia receiving approximately 2.5% of Japan's total overseas tourists in 2019, even though Australia consistently ranks very highly in terms of awareness, consideration and intention to visit. To contribute to an even stronger and deeper Australia-Japan relationship, we aim for a higher market share in future, subject to sufficient levels of air capacity and the sustainable provision of supply-side infrastructure.

During the pandemic, Tourism Australia continues to lead the "Team Australia" tourism marketing effort for Australia in Japan, along with state and territory tourism organisations (STOs), to crystallise interest in Australia. This includes demand-creating consumer marketing campaigns (for conversion once borders reopen) along with STOs and key distribution partners, travel industry training and support programs such as the Aussie Specialist Program, and a comprehensive media relations program. Another key function is to provide structured opportunities for Australian tourism suppliers to connect directly with Japanese industry buyers, through such events as Australian Tourism Exchange and Australia Marketplace Japan. These events provide the opportunity for one to one meetings (face-to-face or virtual) between suppliers and buyers which otherwise may be too costly or logistically challenging to individually facilitate. Targeted media visits and travel industry familiarisation visits also play an important part in the overall mix of activities helping generate and maintain demand.

In July the Minister for Trade, Tourism and Investment, Dan Tehan, led a Tourism Australia roundtable meeting with the major distribution players in the Japanese market which culminated in the signing of a Memorandum of Understanding to commit to working as quickly as possible towards the strong recovery of the Japan-Australia tourism market including air services.

## **Air Capacity**

In the “Team Australia” approach, Tourism Australia also works closely with other government agencies and the airline industry to support new and existing services which are vital to the development of tourism. In the past five years, there has been a significant growth in air capacity with the inauguration of the following new routes.

- August 2015 - Qantas: Tokyo (Narita) to Brisbane
- December 2015 – ANA: Tokyo (Haneda)-Sydney
- December 2016 - Qantas: Tokyo (Narita) to Melbourne
- September 2017 - Japan Airlines: Tokyo (Narita) to Melbourne
- December 2017 - Qantas: Osaka (Kansai) to Sydney
- September 2019 – ANA: Tokyo (Narita)-Perth
- December 2019 – Qantas: Sapporo (Shin-Chitose) to Sydney

As market demand recovers from the pandemic, we aim to work with the airline industry to rebuild air capacity back to 2019 levels and then to achieve higher levels of capacity and new services on additional city pairs, to help drive further growth in tourism.

## **Changing Consumer Preferences**

In order to continue to position Australia strongly as a tourism destination from Japan into the future, we need to ensure that changing Japanese market preferences and trends are well understood and that a broad range of product and services are available in Australia to meet those requirements.

Japanese travellers are typically seeking destinations they perceive as safe and secure, offer unique natural experiences and wildlife, high quality food and drink, of historical interest and with sophisticated urban environments. Australia is well-placed in providing these features and experiences.

Recent trends in the Japanese market (many of which are shared with other markets) provide additional opportunities for marketing, product and service differentiation and therefore increased traveller satisfaction and market share. Examples include:

- Increased importance of “food and drink” as a driver of destination choice

- Strong interest in the UN's Sustainable Development Goals (SDGs) such as climate action, sustainable cities and communities, responsible consumption and production, "life below water", etc
- An increasing interest in learning about indigenous communities and history - in Japan and other countries
- Development of new digital platforms by existing and new industry participants, for the provision of information and travel purchase
- Less structured travel and fewer group tours, more FIT (flexible independent travel), providing more opportunities to develop and market optional tours and activities (including digital marketing)

All major travel wholesalers are re-examining their business models, products, marketing and distribution strategies during this period while international borders are largely closed. Upon initial border re-opening, it is not expected traveller segments or tour products will look quite the same as before. Initial travel segments are likely to be those less risk-averse (e.g., younger travellers and/or fully vaccinated people). The number of marketed tour products may be fewer as the market recovers, with a higher proportion of "choose your own" add-ons, rather than pre-structured tours.

### **Investment in People, Products and Ideas**

Now, more than ever, we need to invest in people - training and skill development – to meet market needs and increasing demand.

*Japan market "literacy"* is crucial to success in expanding Japanese tourism opportunities. Programs such as the joint Australian Tourism Export Council and Tourism Australia "Japan Host Program" are invaluable in providing targeted market information, cultural context and product and service development advice to the industry.

*Language* is both an opportunity and challenge in tourism. Many Japanese travellers see visiting other countries including Australia as a good way to practice their English language skills while enjoying a holiday, yet still of course wish to have access to marketing and product information in Japanese, and Japanese-speaking staff in hotels, stores, medical facilities, attractions and with ground operators. Japanese-speaking tour guides and support staff are in short supply in many areas of Australia, especially as many who were in Australia on working

holiday visas before the pandemic, have returned to Japan. We need to ensure we continue to invest in the development and provision of suitable language services in Australia, so as to lead in this field and underpin long term growth. This includes not only native speakers, but skills development for non-native Japanese-speakers as well. Better language services can only serve to enhance the people-to-people elements of tourism.

Above all, continued *innovative thinking and strong customer focus* at all levels of the tourism industry will help maintain our competitive position.

### **What Does Success Look Like?**

Initially, restoration of tourism to 2019 levels is an important first milestone but as noted above, traveller segment mix may well be different to the pre-2019 market.

Subsequently, further sustainable growth with an increased ratio of repeat travel, higher overall market share and average spend, even greater “dispersal” of tourists across all states and territories to both urban and regional areas, and increased levels of customer satisfaction, will define our success. Increasingly, as awareness and market demand increases, sustainable products and services will enjoy a larger share.

In this way, tourism will continue to share a large role in the overall “balanced scorecard” of the Australia – Japan relationship.

### **Risks and Challenges**

As the global tourism industry begins to emerge from COVID lockdowns and border closures, Australia may not be among the tourism destinations to become available for Japanese travellers in the very short term.

The international travel market in Japan has always been hyper-competitive and with other major destinations (‘out of region’ destinations such as Hawaii, Europe, Canada, mainland US and also ‘intra-region’ destinations such as South Korea) likely to re-open before Australia, we need to maintain a vigorous marketing

effort in Japan to maintain awareness, consideration and intention to travel to Australia.

However, this challenge can be met through strong and innovative collaboration with our partners in the travel industry to ensure quality and value-for-money product; media; the airline industry and Australian tourism suppliers and operators.

As we look to the future, we can also build on the major successes achieved and the relationships forged over a period of more than 50 years.