



UNDERSTANDING THE JAPAN TRAVEL MARKET

THE JAPANESE TRAVELER: DIVERSE AND DISTINCT

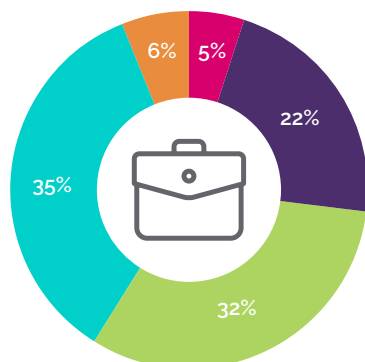
Japan has a sizeable travel market. In Atmosphere Research's Q3 2016 online study of adult (age 18+) Japanese consumers, 86% reported taking at least one personal/leisure trip to a destination 50 miles/80 kilometers away from their home in the previous 12 months. Fifty-one percent took at least one business trip. Extrapolating from Japanese census data, Atmosphere estimates there are approximately 105.5 million adults (age 18+) living in Japan and that 93%, or 98.1 million, use the Internet (source: CIA World Factbook). That means there are approximately 84.4 million adult Japanese online leisure travelers, and 50 million business travelers.

The Japanese leisure and business travel audiences are, however, very distinct.

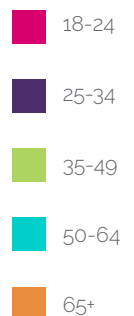
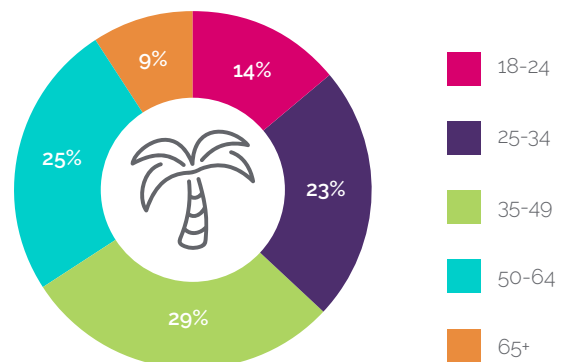
The largest block of Japanese travelers (29%, 25.5 million people) are ages 35 to 49. While these travelers, as well as the travelers in the adjacent two demographic age groups, certainly form the bulk of the Japanese online travel market, smart travel marketers will embrace a broader perspective. Why? Because they won't want to miss the 11.8 million 18-to-24 year old online leisure travelers (14% of the market) or the 7.6 million online leisure travelers age 65 and older. In other words, to reach Japanese leisure travelers, brands will need to have tailored campaigns that span the entire adult population.

The business travel market skews older than the leisure segment. Almost all Japanese business travelers in Atmosphere's study – 89% (44.5 million people) – are ages 25 to 64. Nearly two-thirds (32.5 million) are between ages 35 and 64. The older skew may reflect that business travel in Japan appears to be dominated by middle and senior-level managers and executives. This suggests that travel sellers that want to attract more Japanese business travelers need campaigns that can show how their products and services can not only serve the traveler's immediate needs, but contribute to the traveler's professional success.

BUSINESS TRAVELERS



LEISURE TRAVELERS



Base: Japanese online travelers

Source: Atmosphere Research Group's Japan Online Travel Study, Q3 2016

ADARA, the world's travel data co-operative, has extensive insights into Japanese travelers. This data, culled from ADARA's data co-op of 500 million monthly unique users, 9 billion annual searches, and 500 million annual transactions, allows precise analysis into traveler trends. To help travel marketers better understand Japanese market dynamics and trends, we've analyzed ADARA's data from June 1, 2016 through May 31, 2017. Here's what we learned.

1. MOST JAPANESE TRAVELERS TRAVEL ON THEIR OWN.

COMPOSITION OF JAPAN-BASED TRAVELERS



ADARA's data co-op of actual transactions shows the majority of Japanese airline passengers and hotel guests are solo travelers.

Among airline passengers, there are more individual passengers and fewer couples and families. In 2016-2017, 64% of Japanese air passengers were individuals. Couples accounted for 24% and families 12%. The implications for airlines? Holiday packages and family vacation promotions matter – they could potentially appeal to more than one in three passengers. But, most promotions should be targeted to individuals, something that may actually be more beneficial to airlines. After all, it may be easier for an individual traveler to decide to take a trip than for a couple or family.

At hotels solo travelers also comprise more than three in five guests (61%). Families accounted for 11% of bookings. The remaining 28% of reservations were for couples. As with airlines, hotels will need to focus on the solo traveler. Because couples and families represent a larger audience for hotels than airlines, hotels need to give additional thought to promotions and rates that appeal to these segments.

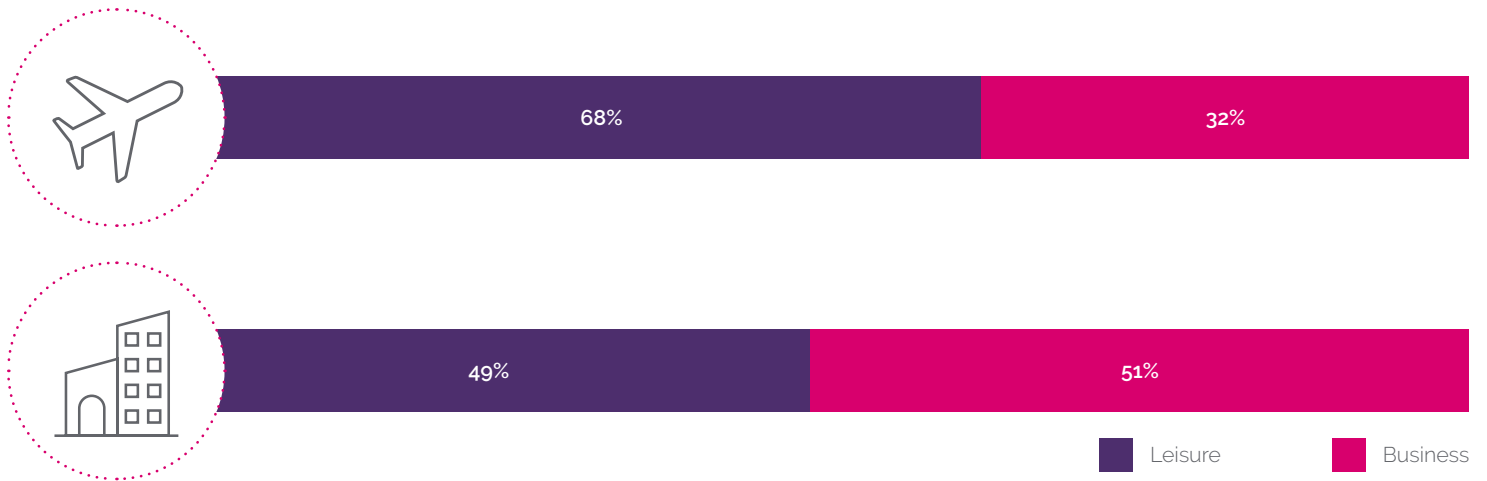
An advantage of the ADARA data ecosystem is the ability that it offers marketers to track and analyze potential and known customers. As a result, a marketer can use this information to customize brand messaging. While selling to an individual traveler may be the "default" option for many brands appealing to Japanese travelers, ADARA's data can inform the brand if they should adjust messaging to appeal to a couple or family based on shopping behavior, potentially improving the brand's ability to convert that shopper into a buyer.

2. LEISURE TRAVELERS MAKE UP NEARLY 7 IN 10 JAPANESE AIRLINE PASSENGERS.

ADARA's booking data for 2016-2017 shows that 68% of Japanese airline passengers flew for personal or leisure purposes.

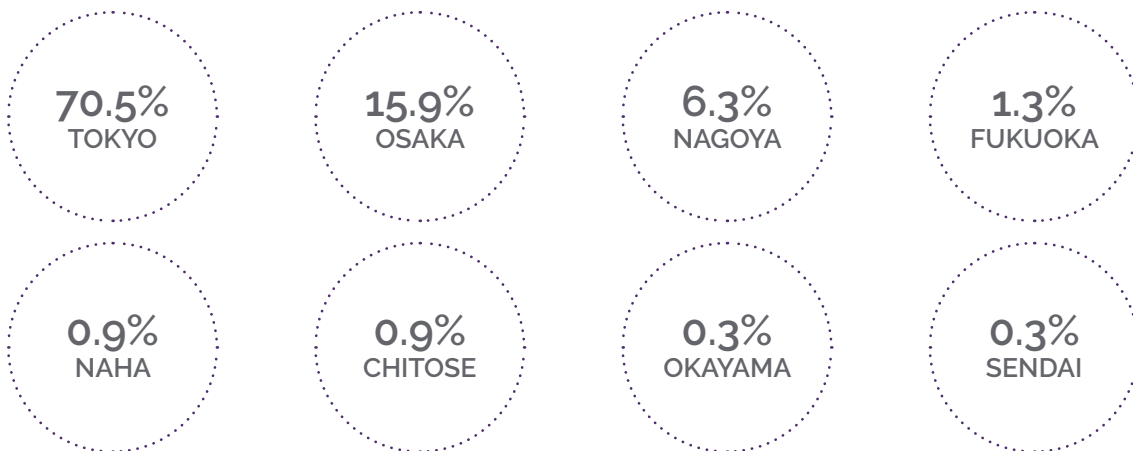
Looking at where people book flights reveals a significant benefit of ADARA's data eco-system – getting to local market (for Japan, prefecture) level data, not just higher-level city/MSA or airport data.

BUSINESS/LEISURE SPLIT, JAPAN-BASED TRAVELERS



During the 12 months in 2016-2017 that we examined, the top five origin markets for air reservations were Tokyo, Osaka, Nagoya, Fukuoka, and Naha. These five cities produced nearly 98% of the air reservations tracked by ADARA. Concentrating marketing investments, such as advertising, PR, and social media promotions, in these five cities may allow airlines, travel agencies, and vacation holiday sellers to reach almost all of the country's air travelers.

JAPAN'S TOP 8 AIR TRAVEL ORIGIN MARKETS BY AIRPORT



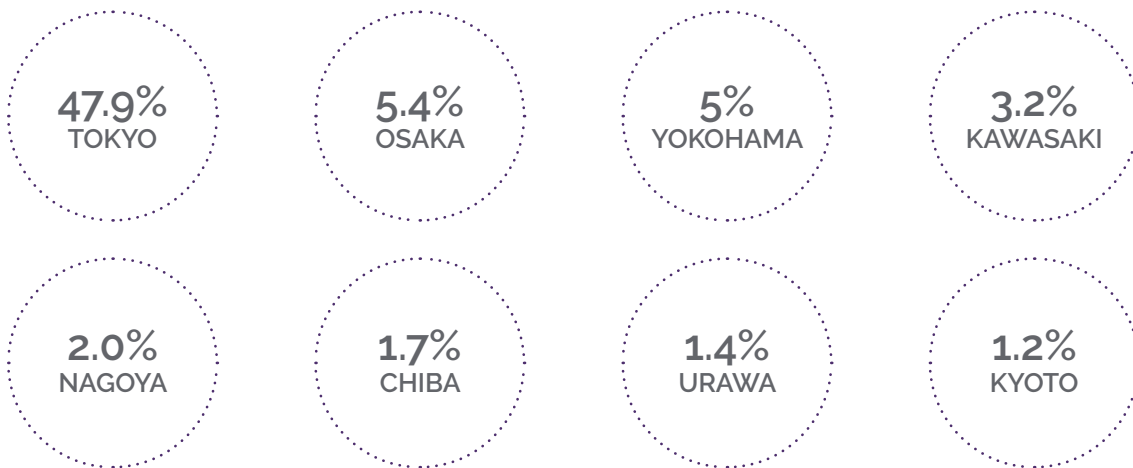
Where do these passengers go? Tokyo, Chitose/Tomakomai, and Osaka are the top three domestic destinations. Taipei, Hong Kong, and Seoul are the top three international destinations. What's interesting is that the three top international markets account for almost as large a share of reservations as the three top domestic cities (9.4% and 10.7%, respectively), illustrating the reliance Japanese travelers place on the country's extensive network of high-speed rail. And when Japan's travelers' take to the skies, they tend to go away for a fairly long time – 13 days, or almost two weeks, no doubt due to the large volume of leisure travelers among Japanese passengers.

3. BUSINESS TRAVELERS MAKE UP MORE THAN HALF OF JAPANESE HOTEL GUESTS.

Though leisure travelers are responsible for most of the air reservations made in Japan, ADARA's data shows that business travelers are the largest segment of hotel guests, accounting for 51% of the reservations tracked in ADARA's data ecosystem.

Just over 60% of the hotel reservations booked in 2016-2017 were made in the top five origin markets of Tokyo, Osaka, Yokohama, Kawasaki, and Nagoya. These five cities thus represent a key cluster of source markets. Similar to air, hotel marketers can target their marketing investments in a relatively small number of cities – just not entirely the same as those for airline ticket sales.

JAPAN'S TOP 8 HOTEL TRAVEL ORIGIN MARKETS



Hotel guests visit a much more varied mix of destinations compared to airline passengers. Japan's top three domestic destinations – Tokyo, Osaka and Yokohama – represent 2.5% of the hotel reservations seen by ADARA. The top three international destinations (Bangkok, Singapore, and Shanghai) generated nearly four percent of hotel reservations. A typical leisure domestic hotel stay is 1.9 days; for international trips, the average hotel stay increases to 4.2 days.

The highly fragmented nature of these reservations indicates to travel marketers that Japan represents an enormous opportunity. Though bookings may be concentrated in a handful of cities, Japanese travelers visit an extensive variety of destinations. Whether targeting business travelers, leisure travelers, or both groups, airlines, hotels, travel agencies, and tourism organizations should review their Japanese marketing plans to ensure they are allocating adequate resources and that their strategies, campaigns, messaging, and offers are relevant.

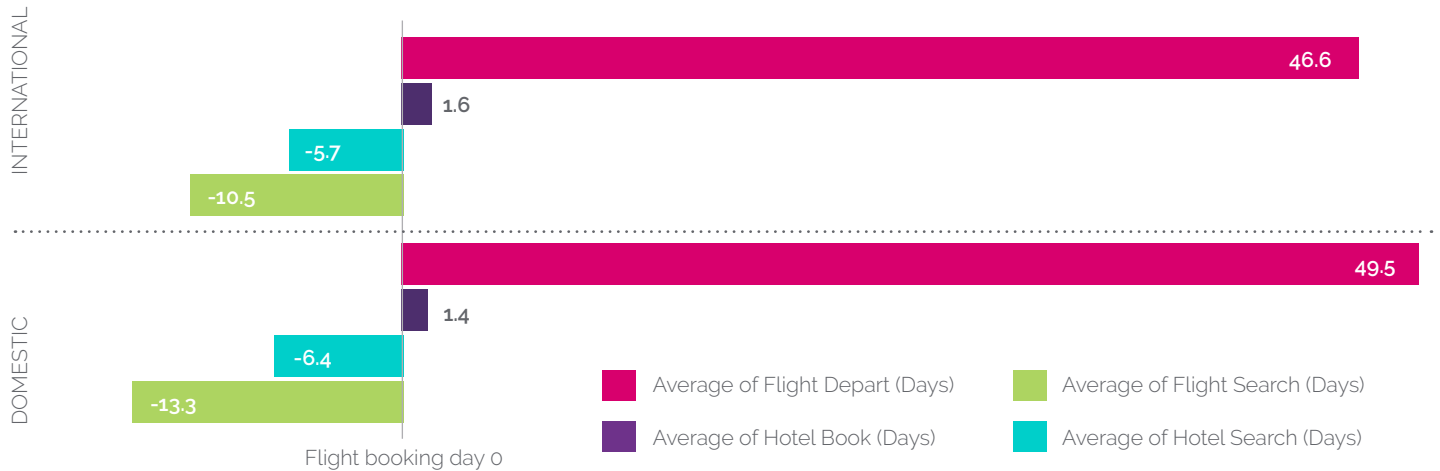
4. TRIP PLANNING VARIES BASED ON WHAT'S BEING BOOKED.

Japanese travelers exhibit different planning and booking behaviors based on whether they're booking flights and hotels, or just one or the other, along with whether they're booking a domestic trip or an international one.

One thing to note: whether for a domestic or international trip, when booking both flights and hotels, Japanese travelers find flights first, and then swiftly move to book their hotels.

Examining domestic trips within Japan, Japanese travelers will spend more than twice the time shopping for their flights as they do their hotels – 13.3 days for flights and 6.4 days for a hotel. Flights are booked approximately seven weeks (49.5 days) before departure – quite a long lead-time. Hotels are booked within 1.4 days of the flight, meaning the hotel is booked more than six weeks out as well.

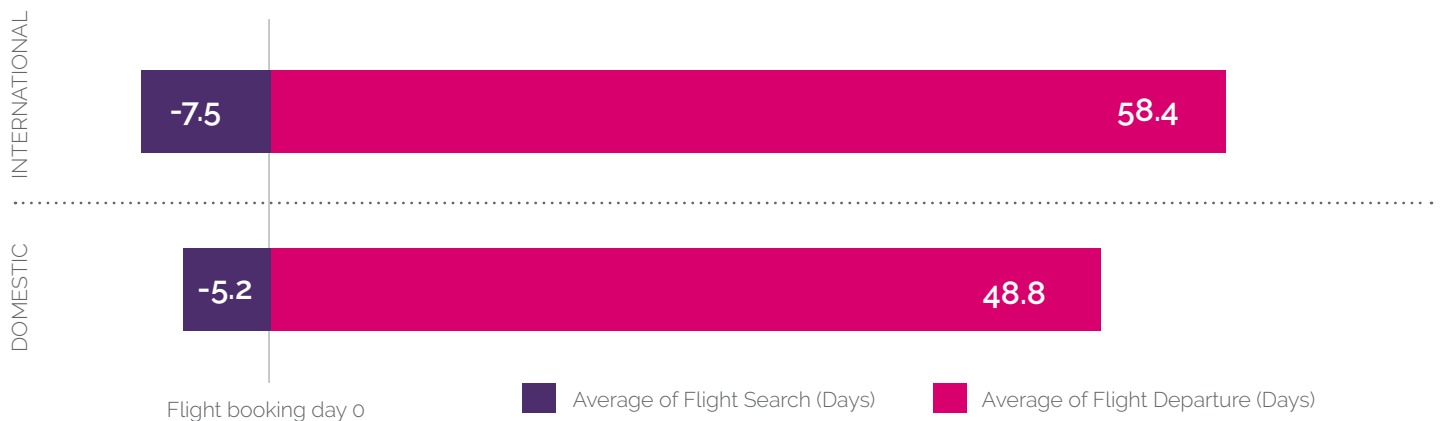
OUTBOUND FLIGHT & HOTEL TRIP PLANNING



Japanese travelers who travel abroad spend slightly less time shopping for flights and hotels, indicating they may have already decided on a destination before they start their trip planning. Japanese international travelers spend 10.5 days shopping for their flights, approximately three fewer days than for domestic flights. They spend 5.7 days shopping for an international hotel stay, just a half-day less than for a domestic hotel stay. The advance booking window for international trips is about three days shorter than for domestic trips – 46.6 days, with hotels booked within 1.6 days of the flight.

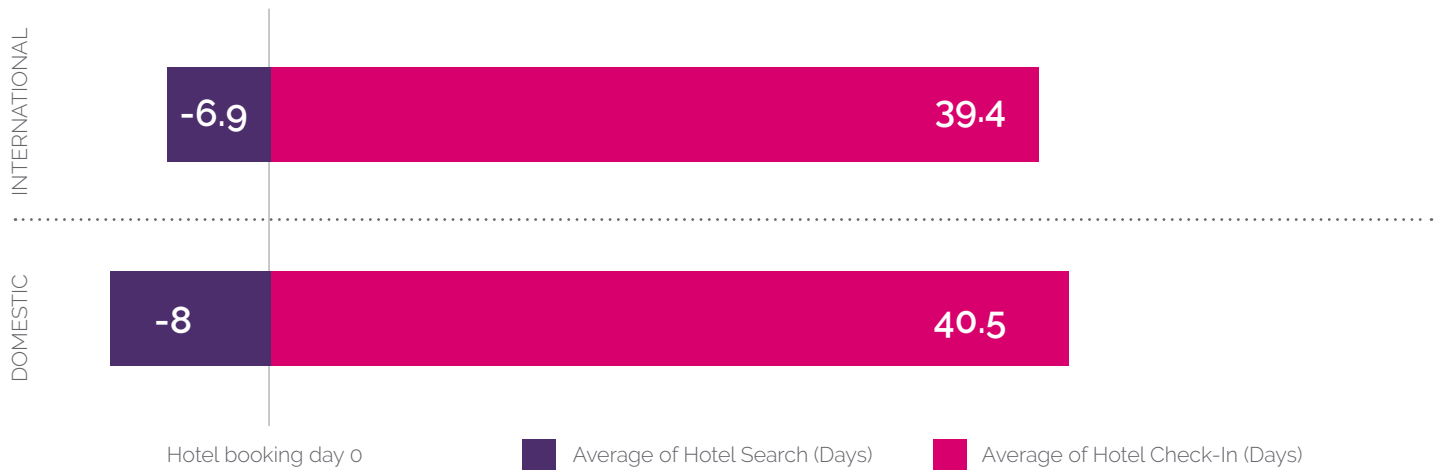
For Japanese travelers booking only flights, ADARA's data shows tangibly different behavior. A flight-only traveler spends slightly more than 5 days researching a domestic journey, which they book nearly 49 days before departure (they stay in their destination just over four days). An international air-only traveler spends 7.5 days shopping for their flights, which they book almost two months (just over 58 days) in advance.

OUTBOUND FLIGHT PLANNING



Hotel-only guests spend 8 days shopping for domestic stays, and 6.9 days shopping for an international stay – again suggesting that when they travel internationally, Japanese travelers are more decisive about where they want to stay, and perhaps slightly less focused on price. Japanese travelers are planners when it comes to their hotel stays as well, booking their domestic stays 40.5 days ahead of check-in, and international stays 39.4 days in advance.

OUTBOUND HOTEL PLANNING



But who pays a higher price? Surprise: Leisure travelers. The typical Japanese leisure guest pays an average of \$196 per night for her or his hotel room, compared to \$189 per night for a business guest. Why is this? Business travelers may be eligible for corporate discount rates. And, though hotels offer a variety of discounts to attract leisure guests, leisure guests may be more willing to indulge themselves than business travelers. Business travelers may be required by their travel budgets or company travel policies to stay in more modest accommodations, while leisure guests may be more likely to treat themselves to higher grade hotels, better quality accommodations, or both. The implication here? Leisure guests may be a more profitable audience than business travelers for Japanese hotels.

JAPAN-BASED TRAVELERS' HOTEL ADR



\$196

Average daily rate for leisure



\$189

Average daily rate for business

All of this suggests that marketing campaigns intended to appeal to Japanese travelers should anticipate the traveler may book a trip almost a season ahead. To sell summer travel, for example, marketing campaigns would need to be in full force no later than the middle of spring.

5. OVER HALF OF JAPANESE HOTEL GUESTS ACTIVE IN LOYALTY PROGRAMS HAVE ELITE LOYALTY STATUS.

In most travel loyalty programs, based on Atmosphere Research's analysis, fewer than 15% of members have "elite" status. Japanese airline passengers who are active members of loyalty programs (5% of all Japanese air travelers) are more than twice as likely to have elite status with at least one airline. And among hotel guests with loyalty program membership (19% of all Japanese hotel guests), a full 56% have elite status with at least one hotel brand. For loyalty marketers, this is certainly good news. Japanese travelers appear to be loyal, frequent travelers – exactly what they want to see. Just don't take their loyalty for granted. Although 36% of Japanese travelers identified themselves as loyal to at least one travel brand in Atmosphere's 2016 Japanese traveler research, 64% did not.

LOYALTY MEMBERSHIP STATUS, JAPAN BASED TRAVELERS ACTIVE IN LOYALTY PROGRAMS

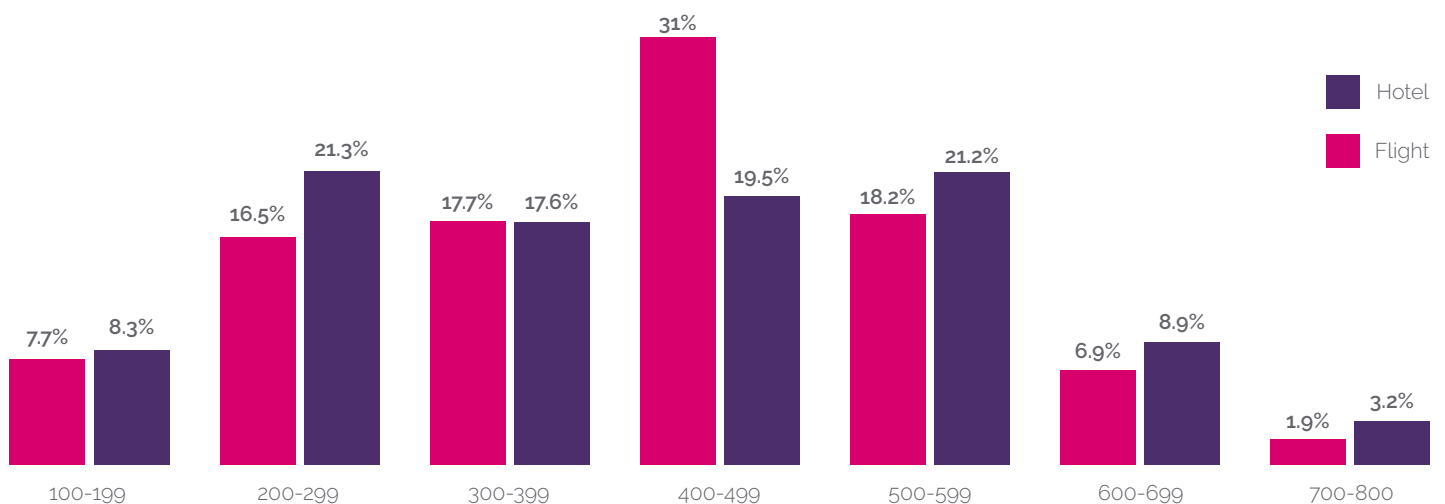


6. JAPANESE TRAVELERS HAVE HIGH POTENTIAL VALUE TO AIRLINES AND HOTELS.

Using the data collected through its vast network of participating brands, ADARA's unique Traveler Value Score, or TVS, indexes each traveler based on her or his true revenue potential. A person's TVS is based on a proprietary algorithm that ADARA developed, looking at the traveler's behavior across the entire ecosystem: the number of trips she or he takes each year, spend, loyalty status, and more. With the score values ranging on a spectrum between 100 and 800, this comprehensive index helps marketers assess which types of travelers warrant a higher level of investment. For example, occasional, brand agnostic and price sensitive travelers, including the coveted Millennial segment, are scored from 100 to 199, while elite, on-the-go travelers at the pinnacle of loyalty status are scored from 700 to 800.

Based on ADARA's TVS data, Japanese hotel guests skew more toward being elite travelers than airline passengers. Fewer than two percent of Japanese air travelers, versus 3.2% of Japanese hotel guests, are at the top of the TVS spectrum (700 to 800). Looking at the top two index groups – 600 through 800 – the picture is very similar. More than 12% of Japanese hotel guests are in the top two index groups – 43% more than found in these same two segments among Japanese airline passengers.

ADARA TVS DISTRIBUTION, FLIGHT & HOTEL



Arguably, any well-designed index will have a "bell curve," with more people concentrated in the center than at either end. This is why it's important for mass-market travel marketers selling in Japan to look beyond the top two index groups. A considerable number of Japanese travelers are in the middle of the TVS spectrum. Just over 49% of Japanese airline passengers and nearly 41% of hotel guests have TVS scores of 400 to 599 – typically, these are frequent leisure or business travelers with appreciation for the perks of loyalty programs. When combined with the top two segments, that means 58% of Japanese passengers are in the upper-half of the TVS spectrum, almost 10% more than Japanese hotel guests.

This is good news for travel sellers serving the Japanese market. In spite of so many Japanese airline passengers flying for personal or leisure purposes, ADARA's TVS scores indicate Japanese travelers are not exclusively price-focused. Price will be important to attract Japanese travelers, but for mid-tier and higher quality brands, price should not be the sole focus of a marketing campaign. Content about quality and service also matters to the majority of Japanese travelers.

7. THE JAPANESE INBOUND TRAVELER: A PREMIUM AUDIENCE

More than 24 million international business and leisure travelers visited Japan in 2016, according to the Japan National Tourism Organization (JNTO), an increase of almost 22% from 2015. Growth is even stronger thus far in 2017. Through April 2017 (latest data available), JNTO estimates more than 9.1 million international travelers have visited Japan, 16% more than the first four months of 2015.

ADARA's data not only tracks travelers within a country, but also travelers from abroad who have shopped for and purchased travel to that country. Data from ADARA's ecosystem for the June 1, 2016 through May 31, 2017 timeframe provides a rich perspective of international inbound visitors to Japan.

ADARA's data ecosystem tracks the destinations that travelers shop. Bangkok, San Francisco, and Taipei are the three most popular destinations for flights, while Seoul, Hong Kong, and Bangkok lead hotel searches.

ALTERNATIVE FLIGHT DESTINATIONS SEARCHED BY INTERNATIONAL AIR PASSENGERS TO JAPAN

Destination	% of Bookings
Bangkok, TH	4.6%
San Francisco, US	4.1%
Taipei, TW	4.1%
Los Angeles, US	4.0%
Chicago, US	3.6%
Newark, US	3.5%
Singapore, SG	3.3%
Hong Kong, HK	2.9%
Manila, PH	2.7%
Houston, US	2.6%

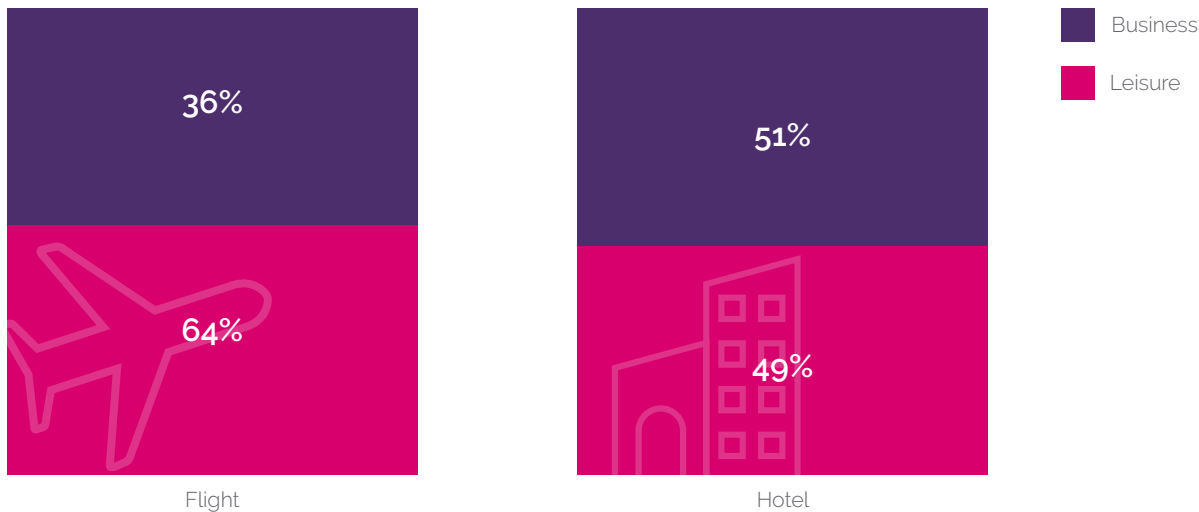
ALTERNATIVE HOTEL DESTINATIONS SEARCHED BY INTERNATIONAL HOTEL GUESTS TO JAPAN

Destination	% of Bookings
Seoul, KR	8.2%
Hong Kong, HK	7.6%
Bangkok, TH	4.6%
Singapore, SG	4.4%
Shanghai, CN	4.3%
New York, US	2.8%
Los Angeles, US	2.2%
Beijing, CN	2.2%
Taipei, TW	2.2%
Paris, FR	1.7%

8. LEISURE TRAVELERS REPRESENT NEARLY TWO IN THREE INBOUND AIR PASSENGERS.

In ADARA's data ecosystem, 64% of international air passengers to Japan are leisure travelers, suggesting that Japan is a popular destination for people who may be visiting family and friends or for a vacation. The smaller proportion of inbound business travelers indicates airlines will have to compete aggressively to capture the all-important Japan-bound business traveler. Airlines that find themselves with excess premium cabin capacity due to lower business traveler demand to Japan should explore options to entice some leisure travelers to upgrade. How? Paid upgrades, of course, but also consider selling attractively priced, capacity-controlled discounted business class fares or vacation packages that include business class air as an option.

BUSINESS/LEISURE SPLIT, INTERNATIONAL VISITORS TO JAPAN



9. INBOUND HOTEL GUESTS ARE MOSTLY BUSINESS TRAVELERS.

Based on the shopping and booking behaviors of international travelers to Japan within ADARA's data ecosystem, 51% of the bookings were made for business stays. No doubt some portion of international visitors will be staying with family or friends, or will use non-traditional lodging, such as home-sharing or ryokans (Japanese inns).

As we saw with Japanese travelers, leisure travelers to Japan pay a higher average daily rate than business travelers: \$258 versus \$204, respectively. This suggests that the leisure traveler may be more focused on quality than price. For hotel marketers, the inbound international market – and, within that, leisure travelers – may be a more profitable one to serve. Where pricing and revenue management systems permit, it may be more advantageous to preference international points of sale rather than domestic, since international visitors may represent a more profitable segment.

AVERAGE DAILY RATE, INTERNATIONAL HOTEL GUESTS TO JAPAN



\$258

Average daily rate for leisure



\$204

Average daily rate for business

10. TOP ORIGIN MARKETS VARY FOR AIRLINE TRAVEL AND HOTELS.

In ADARA's data ecosystem, the three largest source markets for airline bookings to Japan are Taipei, Hong Kong, and Singapore, which collectively account for nearly 30% of inbound air travelers to Japan. Los Angeles was the fourth largest air origin market – noteworthy given that it is a long-haul source market and one of the largest metropolitan markets in the US.

The three largest sources of inbound Japanese hotel guests are Hong Kong, Singapore, and Seoul, which produced nearly 18% of the inbound hotel bookings to Japan in 2016-2017.

TOP FLIGHT ORIGIN MARKETS, INTERNATIONAL AIR PASSENGERS TO JAPAN

Origin	% of Bookings
Taipei, TW	13.5%
Hong Kong, HK	10.4%
Singapore, SG	5.6%
Los Angeles, US	5.4%
Bangkok, TH	2.6%
Seoul, KR	2.5%
Kaohsiung City, TW	2.4%
San Francisco, US	2.3%
Detroit, US	1.8%
New York, US	1.8%

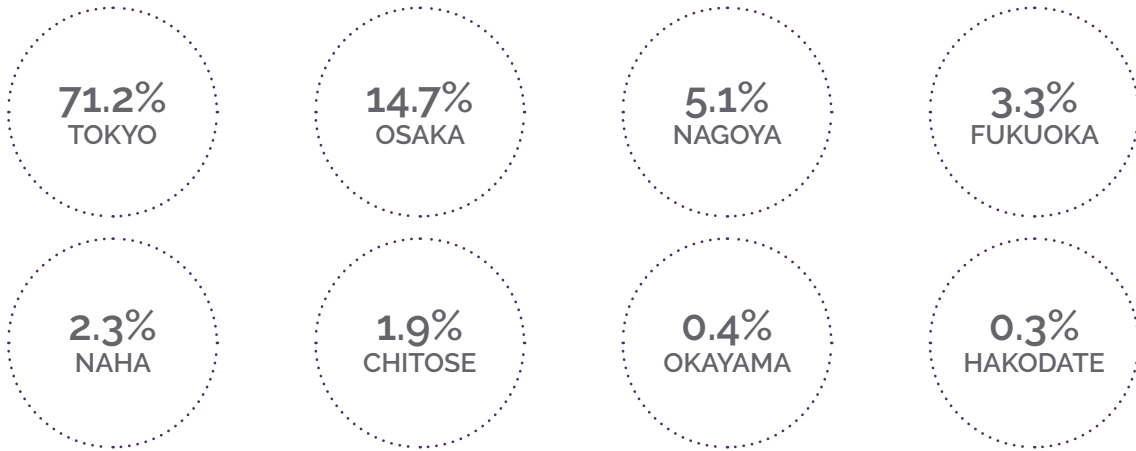
TOP HOTEL ORIGIN MARKETS, INTERNATIONAL HOTEL GUESTS TO JAPAN

Origin	% of Bookings
Hong Kong, HK	7.8%
Singapore, SG	4.9%
Seoul, KR	4.8%
Shanghai, CN	2.4%
New York, US	1.9%
Taipei, TW	1.3%
Bangkok, TH	1.1%
Beijing, CN	1.1%
San Francisco, US	1%
Los Angeles, US	1%

What's interesting is how much more fragmented hotel source markets are compared to air, suggesting there is less correlation between people who fly to Japan and those who choose to stay at hotels once they're in the country (we believe this partially reflects the disparity between air being more leisure-focused than hotels). Eleven cities account for almost half of the Japan-bound airline bookings that ADARA tracks. The top 20 hotel source markets for Japan produce just over one-third of the hotel reservations tracked in the ADARA ecosystem. Hotel marketers in Japan, therefore, will likely have to include a more extensive mix of markets than airlines to reach adequate volumes of inbound international visitors.

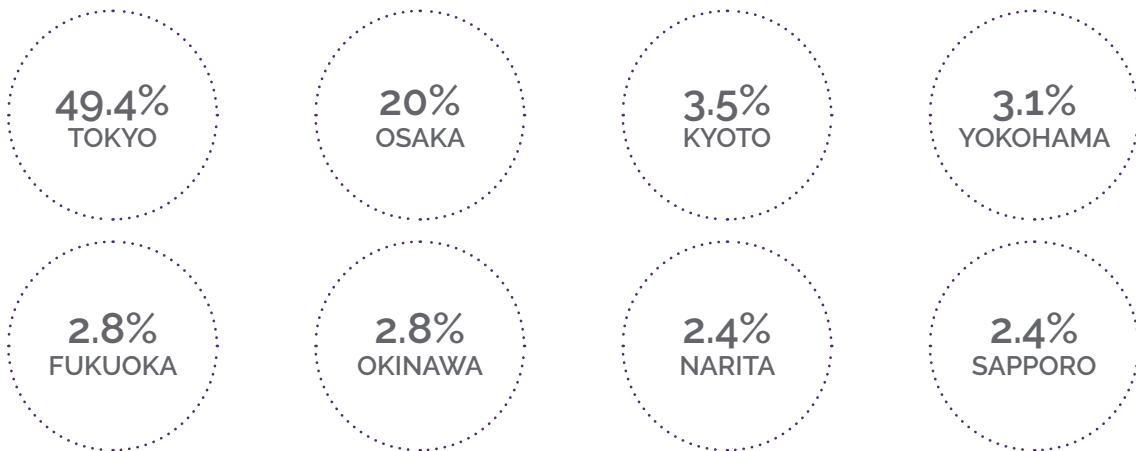
11. TOKYO IS THE TOP INBOUND FLIGHT DESTINATION, BUT HOTEL STAYS ARE SPREAD ACROSS JAPAN.

INTERNATIONAL AIRLINE PASSENGERS TO JAPAN, TOP 8 JAPANESE DESTINATIONS



More than 71% of the flights to Japan booked on the websites within the ADARA ecosystem are to Tokyo. The two other top air destinations, Osaka and Nagoya, collectively attract almost one in five inbound passengers from abroad. As we'll see, though, hotel data shows that while Tokyo may attract a substantial volume of air travelers – reflecting its role as Japan's primary international gateway and a major air hub – hotel booking shows international visitors actually travel to a broad mix of Japanese cities.

INTERNATIONAL HOTEL GUESTS TO JAPAN, TOP 8 JAPANESE DESTINATIONS

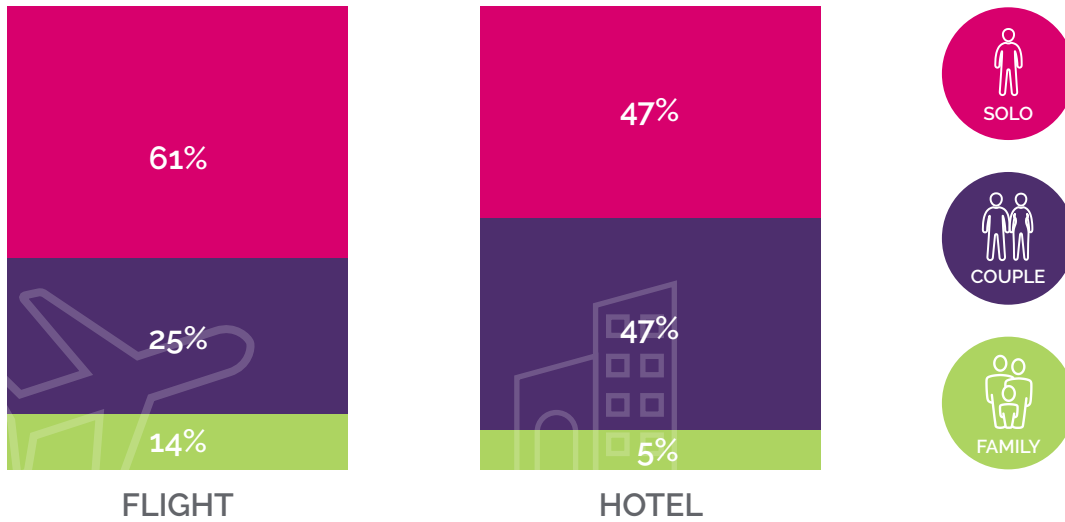


Japan's three largest markets for hotel bookings by international visitors are Tokyo, Osaka, and Kyoto, collectively attracting just over 70% of hotel reservations. Air travel may be highly concentrated among three cities, but hotel bookings are scattered across the country. Hotel marketers should promote their network of properties across Japan to international inbound guests.

12. MOST AIRLINE PASSENGERS ARE SOLO TRAVELERS; HOTELS SPLIT BETWEEN INDIVIDUALS AND COUPLES.

Sixty-one percent of the flight reservations to Japan captured by ADARA's data ecosystem are for individuals. One in four reservations are for couples, and 14% are for families. Hotel reservations are divided evenly between individuals and couples (47% apiece). Only five percent of inbound hotel guests to Japan are families. What's behind this discrepancy? Atmosphere believes the data show a critical mass of inbound travelers who fly to Japan may be traveling with a friend or companion with whom they may share a hotel room.

COMPOSITION OF INTERNATIONAL VISITORS TO JAPAN

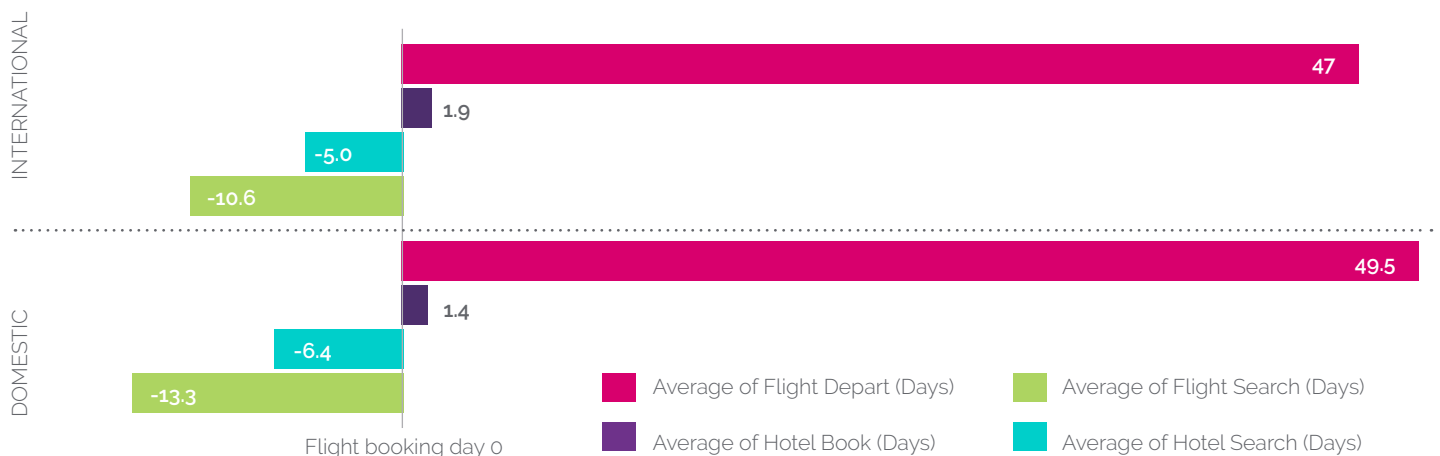


13. INBOUND TRAVELERS ARE ADVANCE PLANNERS AND BOOKERS.

Inbound international travelers have similar planning and booking behavior to Japanese travelers, perhaps as a result of a shared discipline to obtain good value and a desire for choice and control when making travel arrangements.

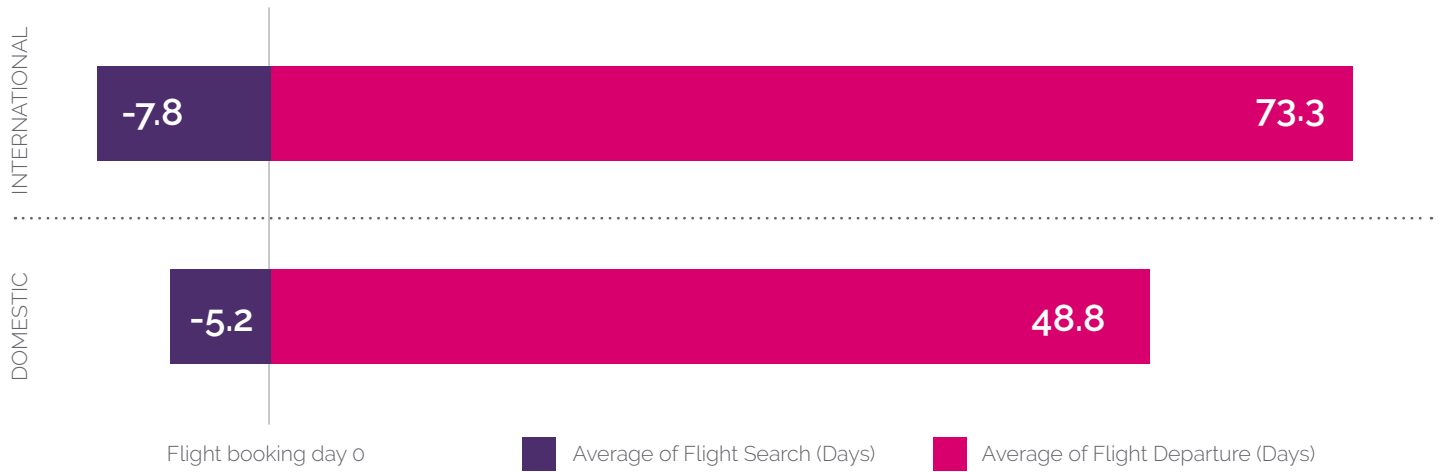
When booking both flights and hotels as part of an itinerary, the flights are booked first. An inbound international visitor to Japan spends almost 11 days researching flights for their trip, which they book more than six weeks (47 days) before departure. These same travelers spend just five days – less than half the time they spend researching flights – shopping for their hotel accommodations (they book their hotel within two days of their flights).

INBOUND FLIGHT AND HOTEL TRIP PLANNING, INTERNATIONAL VISITORS TO JAPAN



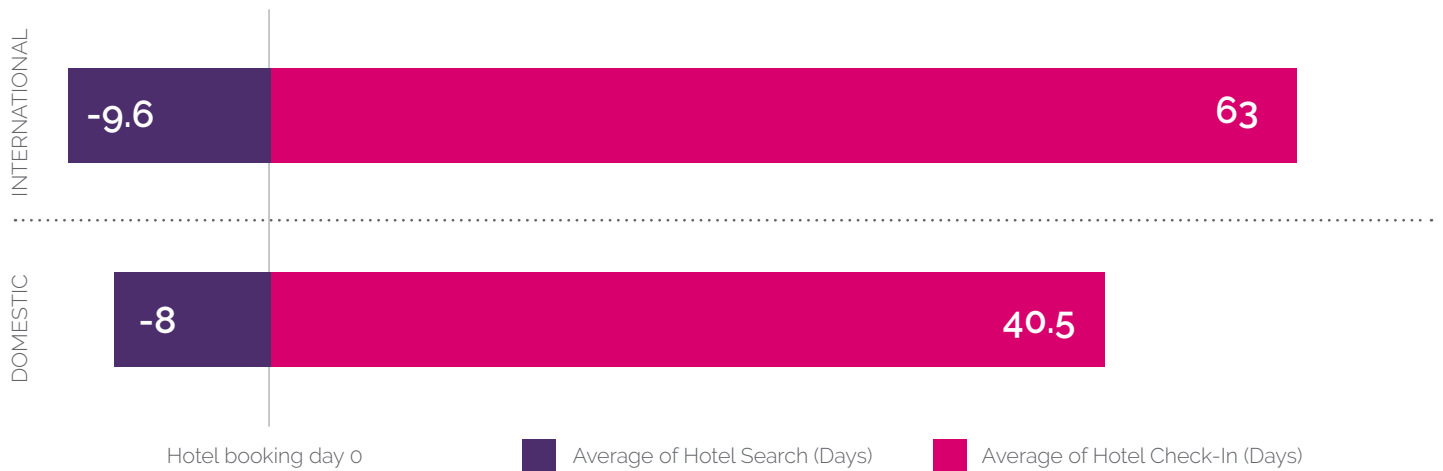
Inbound travelers to Japan who book only flights spend just 7.8 days researching their flights, but they book these flights more than 10 weeks (slightly more than 73 days) in advance. Coupled with an average stay in Japan of nearly 16 days, and it's reasonable to presume this group consists primarily of leisure passengers.

INBOUND FLIGHT PLANNING, INTERNATIONAL VISITORS TO JAPAN



International visitors to Japan who book only hotels spend nearly 10 days researching their stays, which they book more than two months (63 days) before check-in. The average stay for international hotel-only reservations is 2.7 days, which reflects that the majority of inbound hotel guests are business travelers. For revenue managers accustomed to business travelers who book fairly close to arrival, the international hotel guest heading to Japan may be a methodical planner that knows her or his travel schedule well in advance.

INBOUND HOTEL TRIP PLANNING, INTERNATIONAL VISITORS TO JAPAN



For revenue managers, the international inbound market to Japan appears to be one with a "long" booking curve that peaks many weeks in advance. As a result, if load factors or occupancy rates are below forecast close to flight departure or hotel check-in, securing "last minute" travelers may be difficult.

14. HOTEL GUESTS ARE MORE LIKELY TO HAVE ELITE STATUS THAN AIR PASSENGERS.

In most travel loyalty programs, fewer than 15% of members have "elite" status. The inbound visitor to Japan is considerably more likely to hold elite status, suggesting this audience is one who travels both often and on long journeys. Among inbound hotel guests to Japan who are active in loyalty programs (7% of all International hotel guests), the majority (62%) hold elite loyalty status – far ahead of airlines (43%). Incumbent brands shouldn't take these travelers' business for granted – traveler loyalty can be fragile, so delivering on brand and program promises will be important. Brands that hope to steal away dissatisfied customers should focus on the "base" level travelers, who don't have elite status and may be easier to attract. Offer them "fast track" programs to a mid-tier status to help lock them into your program. ADARA's data ecosystem may be able to assist your marketing campaign targeting efforts.

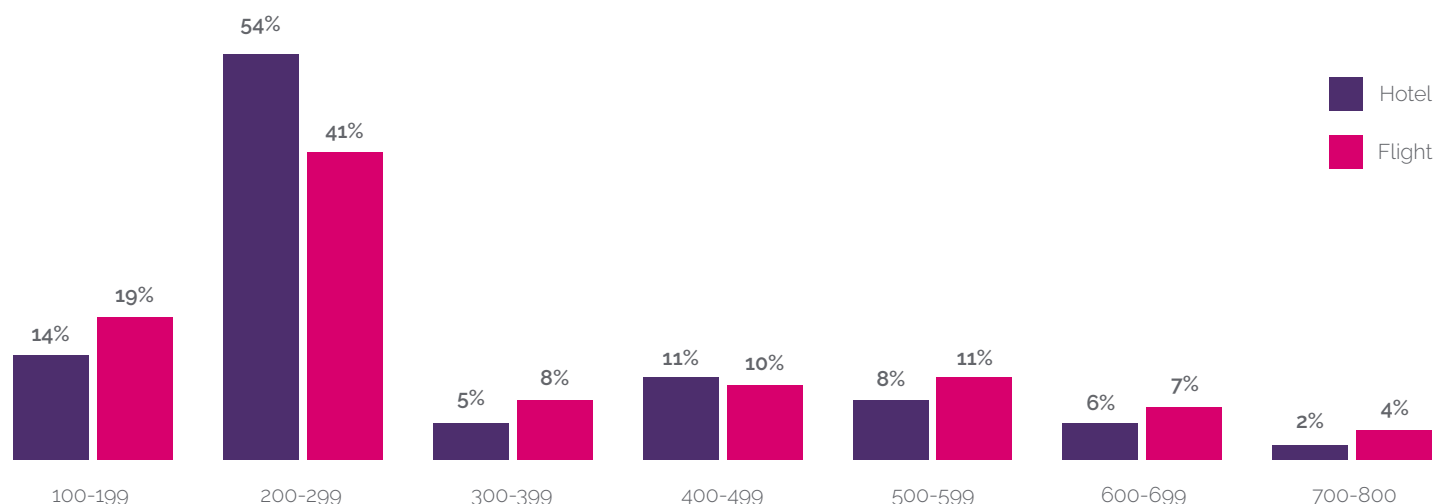
LOYALTY MEMBERSHIP, INTERNATIONAL VISITORS TO JAPAN ACTIVE IN LOYALTY PROGRAMS



15. INBOUND TRAVELERS' TVS SCORES SKEW VERY LOW.

Unlike travelers in Japan, the majority of international visitors to Japan are found toward the bottom of the ADARA TVS spectrum. Sixty-eight percent of inbound airline passengers to Japan have TVS scores between 100 and 299, the two bottom index groups. Sixty percent of international inbound hotel guests are in the bottom two TVS groups, with almost one in five in the lowest segment (100-199).

ADARA TVS DISTRIBUTION, INTERNATIONAL VISITORS TO JAPAN



The message for travel brands appealing to the inbound Japanese traveler is clear: Price matters – a lot. Although the inbound traveler pays more for her or his Japanese hotel accommodation than a domestic traveler, ADARA's TVS data indicates this traveler is likely to conduct extensive rate searches and book only when and where they find a rate that provides good value. That "value" may include added-value features or amenities, such as breakfast, internet access, and hotel spa credit – or a unique experience. Price must be the "lead actor" in marketing campaigns to successfully attract many inbound visitors to Japan.