Japan Report

I spent last week in Tokyo. The journey was mainly for pleasure, but it gave me an opportunity to visit our company’s representatives there and make a couple of courtesy calls on some of our major suppliers.

After years of economic weakness that has been one of the key causes of the decline in Japanese visitors to Hawaii, it was great to see numerous signs of vibrant economic activity throughout the city. The streets were jammed with cars and trucks, the sidewalks were crowded in the popular shopping areas, and there seemed to be lots of activity in the restaurants and nightclubs in the entertainment district. The early morning activity in the Tsukiji fish market was as hectic as ever, with small electric and gasoline-driven carts zooming up and down narrow passageways, barely missing each other as they delivered giant ahi (tuna) and other seafood to markets and restaurants following their purchase at auction.

That is not the most accurate way to judge an economy, so I did a little research to see if my casual observations were backed-up by any hard data. Initially, the news I found was not so encouraging. According to Bloomberg News:

• Toyota Motor Corp. recently announced it will shut down a domestic assembly factory.
• Japan Airlines (JAL) said it may cut 5,000 jobs, or about 10 percent of its workforce, in three years. After receiving a government loan of $1 billion and experiencing continuing losses, JAL faces significant restructuring.
• Sanyo Electric Co. said it will offer employees early retirement, as it scales back some businesses.
• Nikon forecasts a 28 billion yen ($300 million) annual loss for 2009 and plans to cut 1,000 jobs.
• Unemployment is 5.7 percent, and many who remain employed face wage and salary cuts.

The electorate is not happy. Polls indicate that the Liberal Democratic Party, which has dominated Japanese political life throughout the post-World War II era, will be ousted from power in tomorrow’s election, and the Democratic Party of Japan (DPJ) will win about 300 out of the 480 seats in the lower house of Japan’s Diet, or parliament. The DPJ already controls the less-powerful upper house.

Despite the discouraging unemployment news — employment is, after all, generally considered to be a “lagging indicator,” one of the last things to show improvement as an economy starts to rebound — other recent data suggests that Japan’s economy may finally be turning around. The country’s gross domestic product (GDP) expanded at an annual rate of 3.7 percent in the three months that ended June 30. This is the first growth in five quarters, and it reverses an 11.7 percent decline (annualized) in the first quarter of 2009. Exports led the expansion, jumping 6.3 percent from the previous quarter.

The sluggish economy has decreased overseas travel significantly. Hawaii’s arrivals from Japan are off about 10 percent so far this year, so the early signs of an economic turnaround are good news.

For the future, there will be a significant change in travel from Japan resulting from social changes in that country. When I first visited there in the 1960s, most of the women you’d see in public places were wearing kimonos. That was much less common in the 1980s. Today one rarely sees kimonos on the streets. Blue jeans are the typical uniform in most casual areas. In the commercial districts, women, as well as men, wear business attire. However, shops and street stands will rent kimonos to either tourists or locals who want to walk around the way women did years ago.

I believe Japanese tour operators will be facing a lot of changes too. Their customers are increasingly the same young people I saw walking around in blue jeans with cell phones glued to their ears. Unlike their parents, they may not consult a colorful, printed brochure produced by a tour operator when they are thinking about a vacation. They are computer savvy and know how to use the Internet to book the best travel deals.

Just as the Internet has drastically changed the travel distribution system in the U.S., I feel it will do the same in Japan. I am sure that the partnership between our company and Japan’s tour operators will remain strong, but we will have to explore new ways to work together to attract the new generation of customers. One good example is the very successful partnership we have built with Japan Airlines’ consumer site JALWeb, which enables JAL customers to book directly with Outrigger, while still earning mileage – an industry first.

Hawaii will remain a popular destination for Japanese travelers, but they are becoming increasingly sophisticated and are finding new and sometimes more distant places to visit, including the continental U.S., Europe, Australia, and Southeast Asia, including our own new properties in Bali and Thailand. As a result, Hawaii will face many challenges in maintaining its share of the Japanese travel market in the future.
My recent trip to Tokyo reminded me of a journey I made there in February 1983, 26 years ago, when I had the opportunity to meet then Crown Prince Akihito at a reception inside the Imperial Palace grounds. The photo below records that moment. It was only a brief meeting, but I remember that we discussed birthdays. We were born only five days apart in 1933. His birthday is December 23, while mine is December 28. Akihito became Emperor of Japan on January 9, 1989. He and his wife, Empress Michiko, recently visited Hawaii with stops on Oahu and the Big Island.