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**Setting new KPIs to assist Japan to become a Leading Tourism-Oriented Nation  
— Appropriate Goals Produce Appropriate Strategies and Appropriate Action —**

**What exactly is the “leading tourism-oriented nation” goal that is the subject of these recommendations?**

The form of the leading tourism-oriented nation to which Japan should aim through these recommendations must have the following characteristics.

A country where each regional area refines its unique charms so that it becomes attractive to many travelers and tourists from within Japan as well as internationally, and where the travel and tourism industry is positioned as a mainstay industry that contributes to the community-based revitalization of regions facing decreasing populations by creating new employment opportunities and bringing in investment.

**Recommendations**

In order to transform Japan into a leading tourism-oriented nation, Keizai Doyukai recommends that the government undertake the following three actions.

1. Set the KPI goal that by 2020 the number of foreign visitors will reach 20 million annually, as well as KPIs relating to economic effects such as tourism GDP and labor productivity, and reform the travel and tourism industry on a structural level (improvement in areas such as profitability and productivity).
2. Boost Japan’s ranking to within the top 3 of the World Economic Forum’s “Travel and Tourism Competitiveness Index” (currently ranked 9) by 2020 through analyzing Japan’s strengths and weaknesses in reference to that index.
3. Consult the ‘Indicators for Measuring Competitiveness in Tourism’ currently being developed by the OECD for appropriate indices to be used in setting KPIs.

## **Background to the Recommendations**

In 2014, the number of overseas travelers visiting Japan reached a record 13,410,000 people. This trend has continued into 2015, and it looks more and more likely that the KPI goal that the government has set of reaching 20 million visitors by 2020 will be achieved ahead of schedule.

However, with the number of travelers continuing to increase worldwide, tracking the number of overseas visitors to Japan will not reveal structural problems in the Japanese travel and tourism industry. There are three problems, as detailed below, which if not addressed may be obstacles to Japan becoming a leading tourism-oriented nation.

1. Weak earning capacity — Compared internationally and with other industries, the labor productivity, ratio of ordinary profit to total capital or return on assets (ROA), and economic profit generated per employee in the travel and tourism industries (lodging and food service industries, etc.) are low and show its relatively weak earning capacity.
2. Uneven geographic and seasonal distribution of demand — Overnight stays by international travelers are concentrated in the Tokyo area and in the main tourist areas, so the economic effect of a buoyant inbound tourism trade is not well dispersed across the country. It is generally the same situation for accommodations for domestic travelers. Also, travel demand is unevenly concentrated into specific periods. As a result, accommodation facilities and transport systems become congested, driving up costs for travel, which suppresses latent demand and impedes improving productivity in the travel and tourism industry.
3. A shift away from domestic travel — Not only are Japanese people taking fewer domestic trips and staying fewer nights in domestic accommodations on average, but more and more Japanese people are not taking any domestic trips involving overnight stays at all. With over 90% of Japan's tourism market consumption coming from overnight stays and day trips by Japanese, this kind of downward trend combined with the falling population may trigger a contraction in the domestic travel and tourism market.

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