International Tourist Traffic Seen from the Receiving Side

--- Economic Condition of a Tourist Destination and how it affects the Japanese Travelers ---

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日本人海外旅行者数と受入国側要因

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日本人海外旅行者数は、海外旅行が自由化された１９６４年以来例外的な３年を除き常に増加している。増加の主な要因には、日本の経済成長、円高傾向、国際航空運賃の低廉化、社会のグローバル化などが上げられる。ところが海外旅行者総数が大きな増加を見せた年でも、旅行先国によっては、ほとんど増加していない国がある。一方で、平均を上回りさらに大きな増加を示した国もある。このような旅行先国間の凸凹はなぜできるのだろうか。旅行者の目的地決定を左右する要因には、旅行価格に最大の影響力を持つ航空運賃を決定する航空会社の施策、目的地の観光的イメージを高揚させんとする在日観光局の活動、その目的地国に関して日本人が抱く価値観、世相、イメージなどがある。そして、この世相・イメージの形成にはその国の経済状況が深くかかわっている。日本人は、景気のよい国に旅行したがる傾向をもっている。

1. Growing Number of Japanese Overseas Travelers

Over 17 million Japanese traveled overseas in 2000. This was an increase of more than 8% over the previous year. Despite the lagging economic conditions, the enthusiasms of the Japanese people to travel abroad never seem to fade away. In fact, ever since the overseas travel was liberalized in 1964, the statistics have shown a constant increase. A little less than 128,000 people left the country in 1964. They were the adventurous and affluent minority who utilized the newly introduced privilege of buying foreign currency. But in less than a decade, the number jumped to 2 million. 1990 was the year when the nation saw the ten millionth overseas traveler of the year. Backed by the strong Yen, introduction of jumbo jets, opening of new international airports, and internationalization of the society, overseas travel changed its label from top luxurious leisure to everyone's affordable pastime. In this thirty plus years of Japanese overseas travel history, the only years in which the figure had shown a decrease were 1980 (the second world oil crisis), 1991 (The Gulf War), and 1998 (burst of the "bubble economy"). Otherwise, always more people traveled abroad than in the previous year.

2. Growing and Decreasing Overseas Destinations

In 1988, approximately 8.4 million people traveled overseas. This was 1.6 million people more than the number of people who went abroad in 1987. The increase rate of 23.4% was one of the largest in the history.
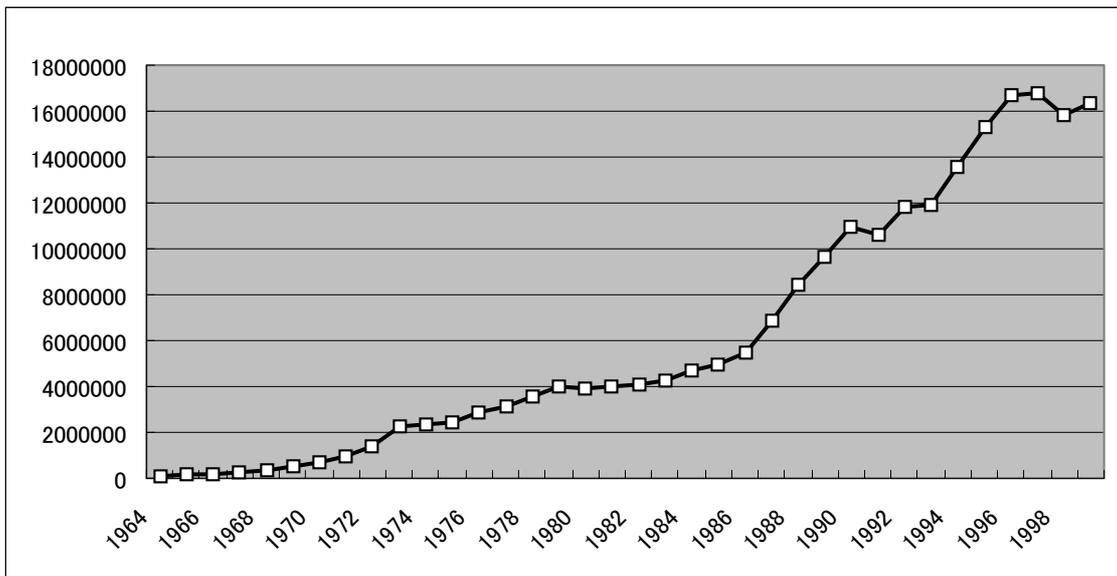
Figure 1: Number of Japanese Overseas Travelers (1964-99)

Source: Japanese Arrivals and Departures, Ministry of Justice.

Quite naturally, the total mass of overseas travelers is made up from travelers to specific countries. Generally, ten top tourist destinations account for 80% of the total number of travelers[1], but statistics show more than one hundred destinations visited by the Japanese[2]. Among such destinations, some have shown an increase, but in the same year some have shown a decrease, while some destinations showed no change. In Figure 2, we can witness that in 1988, when the total increase was 23.4%, Australia showed an increase of more than 60%, while Italy was unchanged. Similarly in 1996, Hong Kong grew more than 40%, but Italy as well as
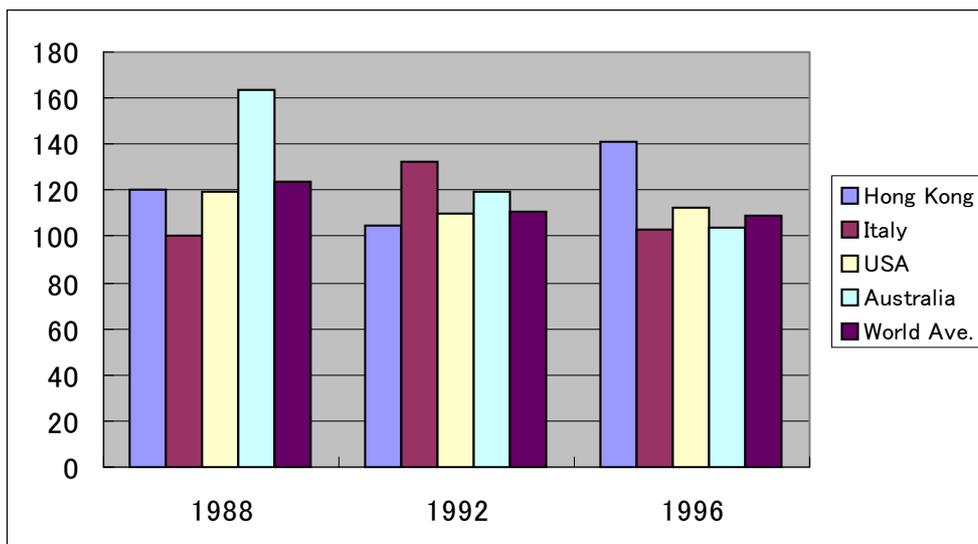
Figure 2: Growth Rate Index of Major Tourist Destinations

Source: Japan National Tourist Organization

Australia showed a small increase only. Differences among the destinations are sometimes considerable. What causes these differences?

3. What affects the travelers' destination decision making?

Three factors affect the decision making of a traveler's destination.[3] One is the policy of the airlines on flight routes, frequencies and fares, because it has a great influence over the tour price. The second is the policy and the activities of Foreign National Tourist Offices in Japan, or FGTOs, that promote travelers to their home countries. The third factor affecting the decision making is the "social condition" or the "general attitude" of the Japanese people toward a destination country. Or, it can be described as how the Japanese people feel about the country. Or even more simply put, it is whether the Japanese people like the country or not. In this paper, I will use the term "general attitude" to describe such attitude, feeling or liking.

As far as overseas travel is concerned, the general attitude can be considered as a "fashion" or even "popularity." A country, or a tour destination, can be a "fashion." For a young male traveler, it might be a fashion to travel to the United States, while for a female traveler in her twenties, traveling to France might be a fashion. Traveling to Hawaii might be "out" of fashion to some people. In a country like Japan, where "being in the majority" is many people's concern, fashion talks a lot. People make great efforts to do what others do. Travelers are urged to travel to destinations where others are visiting.

General attitude can be very powerful. It can supersede the two foregoing factors. If the general attitude toward a country is negative, majority of tourists decide not to visit that country, however practically low the tour price becomes, or how much effort an FGTO puts in for a large-scale campaign. It is often said that FGTO's campaign will not be a success if it fails to judge the general attitude of the time. FGTO must read where the general attitude is heading to. If it sees that its heading is unfavorable to the country, it should postpone the campaign schedule to a certain time in the future. Or it needs to scale down the size of campaign to reduce the risk.

If we successfully analyze the three factors, namely, airline policy, FGTO's promotional activities and general attitude of people, we would be able to forecast which destination is going to be visited by more travelers.

Airline policy is generally kept confidential. It is especially so when an airline has many competitors flying the same route. However, airline policy becomes known as the time progresses. Airline announces the flight schedules in advance, citing the frequencies and the equipment it plans to use, and the airfare it hopes to sell at. Even if it is difficult to forecast the policy of the distant future, we are able to have statistical data of the policy, as seen from its past.

FGTO's promotional activity plans are more easily accessible. Although it is not always customary for an FGTO to release any such plans beforehand, by an interview, we can study its plan. For example, we will be able to know the size of the campaign, i.e., the timings and the duration, what type of media is used, and its extent. Therefore data of FGTO's promotional activities are readily available for analysis.

4. How is a "General Attitude" created?

The "general attitude" of people toward a

certain country is quite different from the foregoing two factors in that it deals with people's feelings or psychology. This will be a study of people's likings and disliking. The question may be put, "why have you come to like the United States?" or "On what grounds do you feel unfriendly toward the United States?" Partly because it is a study of people's feelings that is not easily put into scientific data, the general attitude has not been fully researched. It is therefore not known in the tourism industry how or when a general attitude is created and what factors are responsible for it.

The general attitude of people towards a country is created and influenced by various elements. School education helps create a general attitude, or liking, of a country, and the existence of entertainment and movie stars will have an effect on the attitude. One's acquaintance in a foreign country has a very strong, positive effect. The news of a foreign country, such as situation of economy or accidents, will influence people's general attitude also.

As school education is something that is stable and given to each student equally, and acquaintance is something personal, the two elements leave little room for investigation or analysis. Therefore, this paper will concentrate on analysis of the news of economic situation of a country. If we can find out how economic condition of a country influences the general attitude of a person towards that country, we can at the same time tell its influence to the number of the Japanese travelers visiting the country.

5. Data to be analyzed

The United States of America is the best destination country for this paper's analysis. The reasons are 1) as of the end of 2000, twelve airlines have routes between Japan and the United States. This is by far the largest, the second largest being Thailand with eight airlines. With this large number of airlines, a change of policy of one airline has little or no affect on the total traffic. 2) Strangely, the United States does not have an FGTO. The United States Travel Service, an equivalent body to United States government travel organization, was opened in Japan in 1963 to promote tourists to the US. It was active and was a model organization for following countries, but in recent years, its activities were slow, due to limited budgets. It was officially closed in April 1996.

Therefore, among the three factors that affect the travelers' decision making of destinations, the two do not apply to the United States. The absence of airline policy and FGTO activity will conveniently leave only one remaining factor; the "general attitude." In the United States' figures, the relationship between the number of tourists and the general attitude becomes most clear.

Previously, we discussed that the economic condition of a country is one of the factors that are responsible for the general attitude. Then how should we determine the economic condition?

In Figure 3, we can clearly see that in articles of Nihon Keizai Shimbun, the economic keyword of the United States is quite different from that of other Asian countries. Inflation rate and unemployment rate appear much more frequently, while in other countries GDP is the dominant term. This shows that, in the Japanese media, the people are more sensitive to inflation or the unemployment rate in the United States.

Misery index is a sum of consumer price index and unemployment rate, and is an "unofficial" indicator of economic woes. [4] Generally, the higher the score of the misery index, the greater a country's misery, which is a topic media would love to take up.

Number of Articles 1975-99 (Nikkei)

- GDP
- Unemployment
- Inflation rate

(Chart with categories: NIES, Singapore, Hong Kong, Korea, USA; y-axis 0 to 5000)
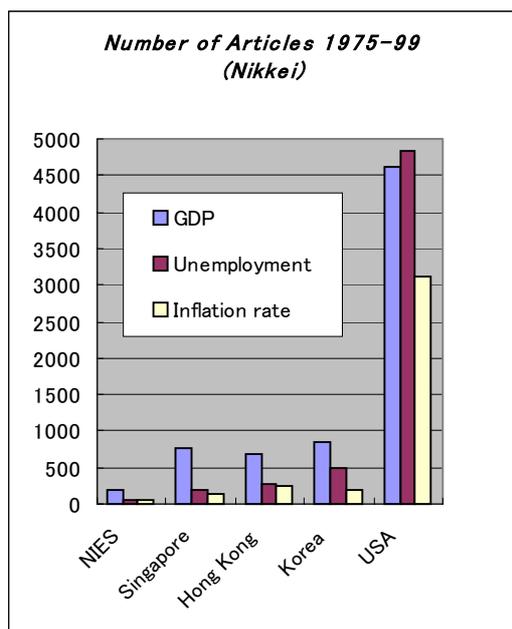
Figure 3: Number of Article Topics carried in 4 Nikkei Newspapers. (1975-99)

Therefore, to investigate how general attitude will affect the number of tourists, I will analyze the relationship between the misery index of the United States of America and the number of Japanese visitors.

Then how should number of visitors be analyzed? Studying the change of number of tourists to the US is not appropriate. If the travelers to the US grew 10%, but the growth of all overseas travelers was also 10%, the US growth is not at all significant. We need to know how the change of the number of tourists to the US is as compared with the other destinations. Therefore, I will use, as a data denoting the change of the number of tourists visiting the United States, the difference of change over previous year between the total number of people traveling abroad and the number of people visiting the United States. I will call this difference "advantage index." Advantage Index (A) can be expressed as:

$$A = a_0/a_p - t_0/t_p$$

t : total number of overseas travelers.

a: number of travelers to a country.

o: current year

p: previous year

Some people argue that not all travelers are deciding their travel destination at their own will. Most business travelers' destination is decided by the business they are engaged in. The number of such business travelers is included in the statistics and thus they should not be treated as a mass. Their discussion, simply put, is that among the approximately 5 million Japanese people who traveled to the United States in a year, it is only a portion that is traveling to the United States because they want to.

However, the statistics show that more than 80% of some 16 million plus people who traveled overseas in 1998 have pleasure purposes. Those who left the country on purposes such as business, research, study or joining the family, etc., amounts to less than 20%[5]. This portion of travelers is indeed one that is not at all affected by the three factors of destination decision making. However, given the scarcity of such portion, this paper will not take into consideration the influence of these travelers. I will treat the number of tourists to a country in one mass.

6. US Misery Index and the number of Japanese visitors

My assumption is that, as the US economy worsens, less Japanese will visit the United States. It is because the news of poor economic condition of the US will reach the Japanese people and will change the general attitude negatively. Or in other words, the misery index and the number of Japanese tourists will have a

negative correlation. Figure 4 shows the advantage index of Japanese visitors to the US and the change of US misery index.
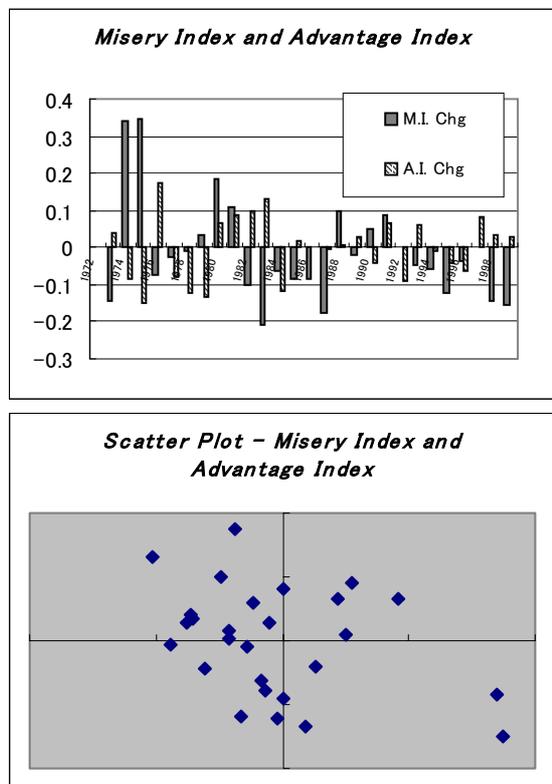
Figures 4 (bar) and 5 (scatter plot): Misery Index and Advantage Index (1972-1998) Produced from data by Annual Report of the Council of Economic Advisers 1999[5], and Ministry of Justice.

It may already seem visually evident in the Figures that the two values have negative correlation. However, when the strength of relationship between the two values is quantified by correlation coefficient[6], it shows a mere –0.362. The correlation coefficient always takes a value between –1 and 1, with 1 or –1 indicating perfect correlation. Therefore the value –0.362 is not sufficient to conclude that the misery index and the advantage index have negative correlation. From this result, we cannot say that the economic condition of the United States of America affects the number of Japanese travelers visiting it.

However, in the preceding discussion, I noticed an inappropriate use of data. We have seen that negative correlation does not necessarily exist between change of US misery index and the advantage index of Japanese travelers visiting the United States.

Number of visitors to the United States is taken from the statistics from the Ministry of Justice's Japanese Arrivals and Departures, which, naturally, treats United States as one whole country. The United States of America as a destination includes mainland US, Hawaii, and Guam, etc. In other words, those who are traveling to Hawaii and those to New York are counted in the same destination category. But it is obvious, when we compare Hawaii and New York, that the two travelers have quite different objectives or motivations of travel. More importantly, when a newspaper reader encounters an article of US economic conditions, he/she will relate it to New York, rather than Hawaii. In other words, the Japanese people do not regard Hawaii as United States. This is also endorsed by other facts such as; travel agencies produce separate tour brochures for US Mainland and Hawaii; and the State Tourism Office of Hawaii does not use the term, "State of Hawaii" in its promotion materials, while other States such as Oregon, California, New York, Pennsylvania refer to themselves as "State of." In the similar manner, Guam is also separated from the United States in Japanese people's mind. Therefore, in my discussion, it becomes necessary to extract the figures for the Mainland United States only and analyze them.

Although, such figures are not readily available, we can create an estimate figure by subtracting the number of travelers to Hawaii and Guam from the number of visitors to the United States as a whole. This is possible as the

State of Hawaii and Guam release statistics of Japanese visitors they received. Of course, the created figure, for example, will include the number of visitors to Alaska. But it will be much closer to the one now required. I will recalculate the data and produce the advantage index for the mainland USA.

Figure 6 shows the association of Misery Index and the New Advantage Index of mainland USA. The period of time analyzed is shortened to 1975 - 1998, because of the limitation of the data available by the States. The correlation coefficient here is –0.62. The negative correlation between the misery index and the number of tourists deciding to travel to the United States is evident. This result endorses the hypothesis that when the misery index of the United States is higher, less Japanese tourists will decide to travel to the United States mainland. The correlation coefficient given in the same manner from the number of tourists to all United States is –0.3. The value is still
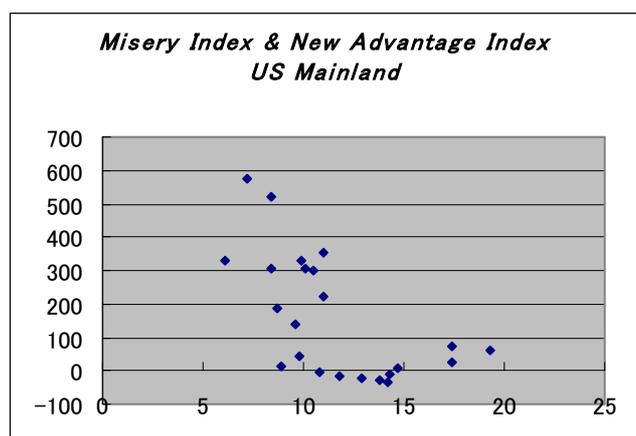

Figure 6: Misery Index and US Mainland Advantage Index (1975-1998). Produced from data by Annual Report of the Council of Economic Advisers 1999, and Ministry of Justice, and Japan National Tourist Organization.

insufficient to prove the correlation between the two factors.

7. Application to Other Destinations

We have so far seen that the number of Japanese travelers is generally expanding since the liberalization of overseas travel in 1964. The two of the three years when the total number showed a decrease were affected by the down turn of the Japanese economy. Then, among the many travel destinations, what factor is playing the role of pushing a destination to attract more Japanese tourist than others? The case study on the United States had shown us that its economic condition is the factor. When the economic condition is good, more Japanese travelers are visiting the United States mainland.

How does this formula apply to other destinations? I will now take up major Asian tourist destinations of Singapore, Hong Kong and Korea. However, in verifying the formula, I need to make some adjustments to the data. As we see in Figure 3, unlike the United States, the Japanese newspapers carried much more articles on Gross National Product than consumer price index or unemployment of these countries. It is important to remember that media is one of the main factors that molds the general attitude. The difference is significant. It is therefore necessary to study the association of advantage index and GNP, not the misery index, of these destinations.

Figure 7 is produced from Singapore's GDP change and the advantage index of 1980 to 1998. The correlation coefficient of this scatter plot is calculated at 0.51, showing moderate positive correlation. But if we shorten the survey period to 1987 to 1998, to give greater focus on the 1997 Asian economy crisis, the correlation coefficient
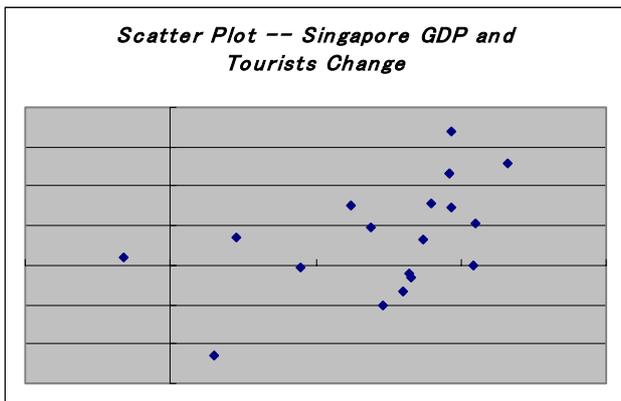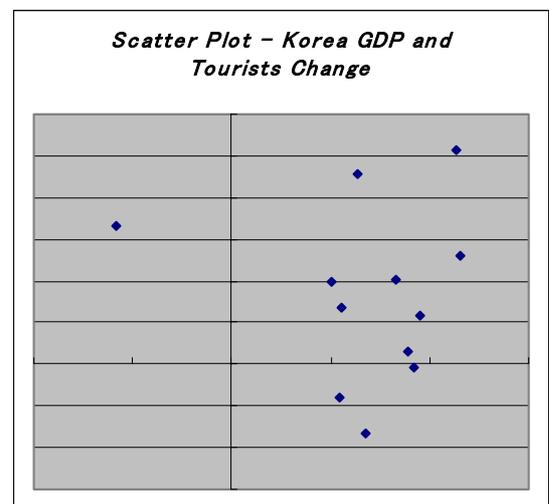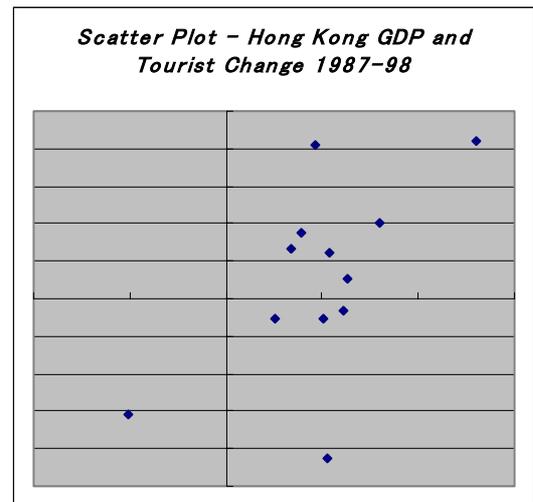
Figure 7: Scatter Plot – Singapore GDP Change and Number of Tourists Change 1980-1998. Produced from data by Economic Planning Agency and

Figures 8 (Hong Kong) and 9 (Korea): GDP Change and Number of Tourists Change. Produced from data by Economic Planning Agency[8] and Ministry of Justice

jumps up to 0.69. Positive correlation between the two values is evident. In case of misery index, the greater the value, the poorer the economy. But with GDP, the greater the value, the more robust the economy. So, positive correlation between the GDP change and the tourist number change endorses the hypothesis. In case of Singapore, when its economy is in good condition, as represented by GDP, more Japanese tourists would decide to visit there.

Studied in the same manner as Singapore, the correlation coefficient of GDP growth change and the number of tourists to Hong Kong is 0.58. The value is sufficient to say the hypothesis is applicable to Hong Kong also. However, in case of Korea, the value is –0.06, showing no evidence of correlation. The number of tourists to Korea is constantly growing despite the Asian currency crisis. The only major exception is 1996, when large portion of the Asian tourist traffic headed to Hong Kong for the last minute "capitalist territory." One of the reasons why the number of tourists to Korea did not drop in 1998, when both Singapore and Hong Kong experienced a considerable decrease, can be attributed to the successful promotion activities carried out by the

Korean National Tourist Office.[7] The campaign, supported by exchange rate favorable to the tourists, was a big success. This led to bring Korea to the number one destination in 1999.

8. New Indicator for the Travel Industry

We have learned that Japanese travelers tend to visit destination countries whose

economic conditions are good. When they start to receive more news that a country's economy is slowing down, they decide to travel somewhere else. This is to be one of the few formulae the Japanese travel industry knows.

Unlike other industries, marketing activities were not seriously taken up by the overseas travel industry. This was simply because they were not necessary. As previously discussed and seen in Figure 1, the market of the overseas travel was almost constantly growing. When one knows that its market will continue to expand, it is quite natural that it wishes to spend all its resources to produce more products, rather than try to find out the market mechanism. But as the recovery of Japanese "post bubble" economy stumbles, the industry can no longer afford to stay away from such study practices. It will need to know more about the future of its market.

The findings of this paper will give the Japanese travel industry a new indicator for the future of a travel destination. Studying economic forecast of a destination country will enable us to tell how the demand from the travelers will be. This will conveniently serve the industry to make more accurate purchasing plan of travel components, or investments in the destination, the importance of which has never been more vital to the industry before.

[1] Sato, Hiroyasu. Life Stage Marketing is the Key to Survival, *Nihonjinno Kaigai Ryoko 35 nen*. Tokyo. Travel Journal 1999.

[2] Ministry of Justice, Japanese Arrivals and Departures. (Shutsunyukoku Kanri Tokei). Tokyo. Ministry of Justice, 1999.

[3] Sato, Kishimitsu. Not the intention of the destination, but the intention of the tourists. (Mokutekichi no ishi kara ryokosha no ishi e.) *Nihonjinno Kaigai Ryoko 35 nen*. Tokyo, Travel Journal 1999.

[4] Miyamoto, Kunio, *Introduction to Modern US Economy*. (Gendai America Keizai Nyumon) Tokyo. Nihon Keizai Shimbun. 1997, p13

[5] Council of Economic Advisers, *The Annual Report of The Council of Economic Advisers*, 1999 Tokyo. Mainichi Shinbunsha. 2000.

[6] Given a set of observations (x_1, y_1), (x_2, y_2), $\cdots$ (x_n, y_n), the formula for computing the correlation coefficient is given by:

$$r = \frac{\sum_{i=1}^{n}(x_i - \bar{x})(y_i - \bar{y})}{\sqrt{\sum_{i=1}^{n}(x_i - \bar{x})^2}\sqrt{\sum_{i=1}^{n}(y_i - \bar{y})^2}}$$

where $\bar{x}$ is the average of x, and $\bar{y}$ is the average of y.

[7] Korean National Tourist Office's promotion campaign in 1998 included Korean President Kim Dae Jung appearing on television commercial. It was the first time in international tourism promotion that a nation's leader took part. In Japan, the TV commercial on Korea by the President was broadcast from September to November 1998.

[8] Economic Planning Agency. Asian Economy 1999.