



Japan Market Report
May 2019

Visit Finland Country Representatives
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Semiannual Report – JAPAN

Winter season 2018-19 and outlook for summer 2019

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Factors affecting the results of the winter season 2018-19

Reasons for the increase/decrease in overall outbound travelling from your market?

Economic situation, security situation

- Japan's economy has been in a gradual expansion phase since December 2012. According to the government statement, it has become the 2nd longest expansion during the post war era. Consumer sentiment is positive.
- Stock market in 2018 was sluggish. Nikkei Index went down from JPY22,764 to JPY20,014 by -12.0% at the year-end due to concern over trade conflict between US and China as well as US interest rate increase.
- The unemployment rate continues to stay at a very low rate around 2.3%. Aging and declining population is facing shortage of labor for many industries.
- There are more job opportunities for university students. Corporations are raising base salaries to attract quality people. The job market remains favorable for university students and career changing opportunities creating a decent sense of financial security in the mind of consumer especially younger segments.
- Spending on travel among Japanese young generation is increasing.
- Japanese Yen has been appreciating against Euro. The favorable currency condition has been giving travel agents incentive to promote European destinations.

Factors affecting the results of the winter season 2018-19

Reasons for the increase/decrease in overall outbound travelling from your market?

Travel industry

- The number of Japanese overseas travelers was a record high in 2018 at 18.9 million (+5.6% yoy). According to JTB Tourism Research & Consulting Co., the estimate for 2019 will be a slight increase in the outbound market to 19.1 million outbound.
- Japanese outbound overall grew by 8.5% yoy during the winter season. Asian destinations especially Korea had surging increase. Beach holiday destinations had decent growth Hawaii +2.9%, Australia 8.1%
For European destinations Italy, France and Spain were driving traffic while Germany, Austria and Poland also had a decent increase.

Japanese monthly outbound (visitors)

OCT18 +12.8%

NOV18 +8.2%

DEC18 +10.9%

JAN19 +2.0%

FEB19 +10.4%

MAR19 +6.8%

Factors affecting the results of the winter season 2018-19

Reasons for the increase/decrease in overall outbound travelling from your market?

Other (for example holiday periods/timing, possible new traveller segments)

- The year-end and new-year holiday period were only 6 days long this season. The calendar pattern was not favorable for long haul destinations. Alternatively, 2019 Golden Week holiday was 10 days long from 27th April to 6th May due to the celebration of the Japanese new era to "Reiwa," due to abdication of the former emperor Akihito on 30th April. Consumers preference for Europe destinations shifted towards the Golden week holiday.
- Inbound to Japan continues to grow. Foreign visitors in 2018 exceeded 30 million for the first time in history. The demand balance for international airlines has been shifting and putting further pressure on ex-Japan outbound inventory and pricing strategy.
- Fuel surcharge remained at a high level. European destinations was JPY28,000 for return trips in the beginning of 2018 winter season. It was only JPY7,000 in 2017 during the same period. This drastic change had impact on travel agents' pricing strategy. Japanese younger market segments especially university students and millennials are price sensitive. Winter is the peak season for graduation trips by university students in their final academic year before starting careers in spring.
- The Japan market has been shifting more towards a year round business. Aurora viewing in fall has taken business share from winter.

Factors affecting the results of the winter season 2018-19

Reasons for the increase/decrease in travelling to Finland?

- Changes in demand
 - Demand over Christmas period continues to attract travelers.
 - We have seen some positive signs of sauna enthusiasts called "saunner" traffic to Finland from Visit Finland sauna campaign launched in last fall. Millennial and young male segments are the emerging markets for this new theme.
- Finland's image as a travel destination
 - Fundamental USP remains to be the main attraction such as designs/shopping, aurora, Santa Clause, Moomin
 - Perceived as safe, secure and clean destination
 - Emerging image is lifestyle, innovation and sauna.
- Changes in distribution
 - Specialized travel agents such as Finntour recorded a healthy growth +112.0% while Nordic tour operators dealing with traditional travel agents struggled due to strong market demands to central and southern European destinations such as France, Italy, Spain and Portugal. UK and Russia are also growing. Ad hoc group and series group bookings continue to lose market share to those destinations. OTAs market share remains to be limited. Consumer direct business is the key for Finland.

Factors affecting the results of the winter season 2018-19

Reasons for the increase/decrease in travelling to Finland?

- Changes in accessibility
 - As for airlines, there has not been major change except for HELKIX/Osaka increased frequency and capacity ex-Japan.
 - Capacity and pricing beyond Helsinki to Lapland destinations continue to have significant impact for product development, pricing and also during booking process for aurora tour packages. Booking lead time for Japanese is much shorter than that of European and other markets.
- Products that have been attractive
 - Northern lights and Santa Clause in Lapland, city holiday in Helsinki, Moomin museum in Tampere.
 - Educational programs to Oulu region showed major growth during the spring break in March.
 - The Japanese movie "Snow Flower" is attracting teenagers and female university students.
 - Emerging tour product in this winter is non-seasonal product "sauna"
- Regions that have been attractive
 - Helsinki, Lapland and Western Lakeland such as Tampere.

Factors affecting the results of the winter season 2018-19

Reasons for the increase/decrease in travelling to Finland?

- Campaigns, joint promotions results
 - Visit Finland sauna campaign which has been driven by Finland Sauna Ambassador members and its “Goshuincho” stamp rally is going well at its initial phase after the launch in fall 2018. There were no tour packages in the market featuring sauna until late 2018. We have at least five major travel agents such as Finntour, Hokuo Travel/Tumlare, HIS, Tabikobo and Nippon Travel Agency are endorsing the campaign theme.
 - Joint promotions with the key travel agents have been showing positive impacts in the distribution. Finntour recorded a healthy growth of +112.0% yoy. They have undertaken new initiatives in its consumer promotion such as sauna and the movie “Snow Flower” while reinforcing sale activities for its existing popular product line-up.
 - Aurora destinations suffered a major decline. Japanese visitors to Canada between November and February went down by -15.4% yoy. Visitors to Norway also decreased by -6%. Travel agents are not as confident in this type of nature phenomenon sightseeing products as they were in the past. Finland has performed relatively well with +2% growth between October and March. The industry trend of increasing pricing and more strict booking conditions for air and land arrangements are making aurora tour packages less attractive to the Japanese travel agents against competing European destinations such as France, Italy, Spain, Portugal, UK and Russia.

Outlook for the summer season 2019

The overall outlook of travelling to Finland for the coming summer?

- Increase/decrease and reasons for the increase/decrease
 - This year celebrates 100th anniversary of diplomatic relations between Finland and Japan. We are expecting some special demands for community and cultural exchange programs.
 - 10 day straight holiday over Golden week in April and May is expected to increase traffic to long haul destinations especially Europe.
 - Finnair commenced operation of its new 3 time weekly night run flights on KIXHEL route. Its new flight schedule is expected to expand the market beyond Osaka to such area as Hiroshima, Okayama, Takamatsu and Fukui. Travelers from these areas needed to spend overnight before departing with the morning flights for Helsinki in the past. The night flight is also convenient for young travelers whose holiday and budget are less flexible compared to older market segments. They can depart for Finland right after work shifts to catch the night flight.
 - Joint promotions with Finntour, HIS, Tabikobo, Nippon Travel Agency and Hokuo Travel will generate exposures of Finnish tour products and promotions in the market.

Outlook for the summer season 2019

The overall outlook of travelling to Finland for the coming summer?

- New summer products
 - There have been more sauna related tour packages available this summer thanks to the joint promotion with the select travel agents as mentioned above. It is a good combination of nature, culture and lifestyle of Finnish USP for both city breaks and Lakeland regions.
 - There has been a growing attention to the educational tourism by the travel and education industry. Summer language camps in July and August are popular programs in UK, Canada, Australia and New Zealand.
 - The film location sightseeing of the movie "Snow Flower" DVD release is scheduled on 3rd July.
- What are the trends for the summer 2019?
 - Overall trends continue to be similar to last year.
 - Special demands
 - 100th Anniversary of diplomatic relations
 - The movie fans of "Snow Flower"
 - Opening of Moomin Valley Park in Japan
 - Growing demand for solo travelers and experience seekers

Outlook for the summer season 2019

The overall outlook of travelling to Finland for the coming summer?

- Negative impact
 - The election for the House of Councilors is scheduled in July. It has some impact on the leisure industry due to the election campaign.
 - World Rugby Championship 2019 (WRC) will take place in September and October. There will be a heavy traffic of rugby fans from European countries visiting Japan during that time.
- Which are the traveler segments?
 - Female in 30's to 40's
 - Series group tours for senior segments over 60 years old
 - Solo travelers
 - Families
 - Honeymoon stopover in conjunction with other European destinations

Outlook for the winter season 2019-20

Ad hoc marketing opportunities

- Finnair will commence the operation of the new route Helsinki/Shinchitose (Sapporo) in December. It is expected to create new business opportunities in north island "Hokkaido" which has a population of 5.5 million people. Visit Finland will work closely with Finnair Japan and Hokkaido prefectural government towards its inaugural flight.
- 2019 year-end and new-year holiday will be 9 days. Compared to the previous season, this calendar pattern will be favorable to long haul destinations.
- Visit Finland Japan is currently working on prospecting for joint promotion opportunities with travel agents for the themes such as sauna, city break and aurora viewing.
- Cross industry "Sauna EcoSystem" promotion will continue with other Business Finland units such as Food, Lifestyle and Consumer.

Prospects for the autumn/winter season 2019-20

The overall outlook of travelling to Finland?

- What trends should be considered in product development to increase the demand in the autumn/ winter time?
 - The newly started Finnair's night run flight of Kansai International Airport is creating new demand. This schedule is ideal for working people who could now have a choice to go straight to travel after work. It is time effective and cost saving as it allows travelers to go sightseeing right after the arrival on the same day itinerary. In addition, the night run flight has been expanding the market beyond greater Osaka area to Hiroshima and Shikoku region. Travelers from these places had to spend a night before in Osaka for the morning flights as it takes over 3 hours transportation to the airport.
 - DVD release and rentals of the movie Snow Flower are starting in July. Snow Flower featuring aurora watching in Levi and Helsinki city holiday has attracted over 890,000 theater audience earlier in the year. Travel agents are developing tour packages around the location footage of the movie. This release is expected to reach much wider audience.
 - The sauna campaign will continue onto the latter half of the year.

Prospects for the autumn/winter season 2019-20

The overall outlook of travelling to Finland?

- Which present target groups should be considered to increase the demand?
 - Female repeat travelers in 30's and 40's
 - Sauna enthusiasts "saunner" male in 20's and 30's with the sauna campaign theme
 - Millennial
 - Education and student groups
- Which new target groups should be considered to increase the demand?
 - Stopover
 - University student
 - Honeymooner

Theme check: Sustainability, digitalization and year-round tourism

Visit Finland strategic cross-cutting themes are sustainability, digitalization and year-round tourism.

What kind of demand or potential of these themes you find in the market you represent ? (Products, target groups)

- Sustainability is appealing to educational tour programs for students and teachers as the Ministry of Education is trying to comply with SDGs guidelines.
- Digitalization offers opportunity to promote stopover as well as experience type of growing trend such as soft adventure and active holiday, cottage stay and sauna hopping. Language barrier and accessibility are the main challenges at an early stage of travel planning.
- Year-round tourism theme is working well in Japan. City break continues to attract Japanese consumers with shopping, museum visits and sightseeing. Visit Finland Sauna campaign fits well with the year round attraction.

Trends and other relevant travel related topics

Trends

- There has been a major shift in the market demand from sightseeing type of holiday to more experience driven travel especially among young generations. There is a growing demand for active holiday and soft adventure type of tour products. Direct consumer business has growth potential as traditional travel agents continue to focus on sightseeing tour packages and series group business.

New distribution channels

- The market share of OTA in Japan is still limited. In addition, Finnair's direct booking share of revenue Point of Sales Japan is still relatively small. Targetted promotion to experienced travellers who are not concerned about the foreign language is important.

Online channels

- An OTA agent called Evolvable Asia's "Airtrip" is expanding its outbound business. https://www.airtrip.jp/index_en.php
- Online media such as Tabilabo <https://tabi-labo.com/> and Tabippo <https://tabippo.net/> are trend setting online media for millennials and university students. Their target audience is interested in Finnish culture and lifestyle.

Trends and other relevant travel related topics

Competitors' actions

- Market demand continues to be very strong for Central and Southern European destinations. Traditional series groups and pre-packaged tours are popular for destinations such as France, Italy, Spain, Portugal and Austria.
- UK and Russia are selling well in 2019.
- All Nippon Airways launched Haneda/Vienna on 17th February. It is a timely inauguration for the celebration of 150th anniversary of diplomatic relations between Austria and Japan. Visitors to Vienna in 2018 grew by +12.0%. The tourism board is expecting another double digit increase this year.
- Growth trend continued for Lithuania, Estonia and Latvia in 2018. However, preliminary statistics have shown decline in January and February.
- There is a growing concern over safety and security in France in consumers' mind, a sign of slowdown .
- Denmark/Copenhagen has enjoyed growth in 2018/2019 winter while other Nordic countries struggled. Denmark seems to be attracting FIT travelers and OTA for a city break holiday. Hygge concept continues to get media coverage, giving good impression in the minds of Japanese consumers. Ad hoc group such as SDGs technical visit is also driving the traffic.

Trends and other relevant travel related topics

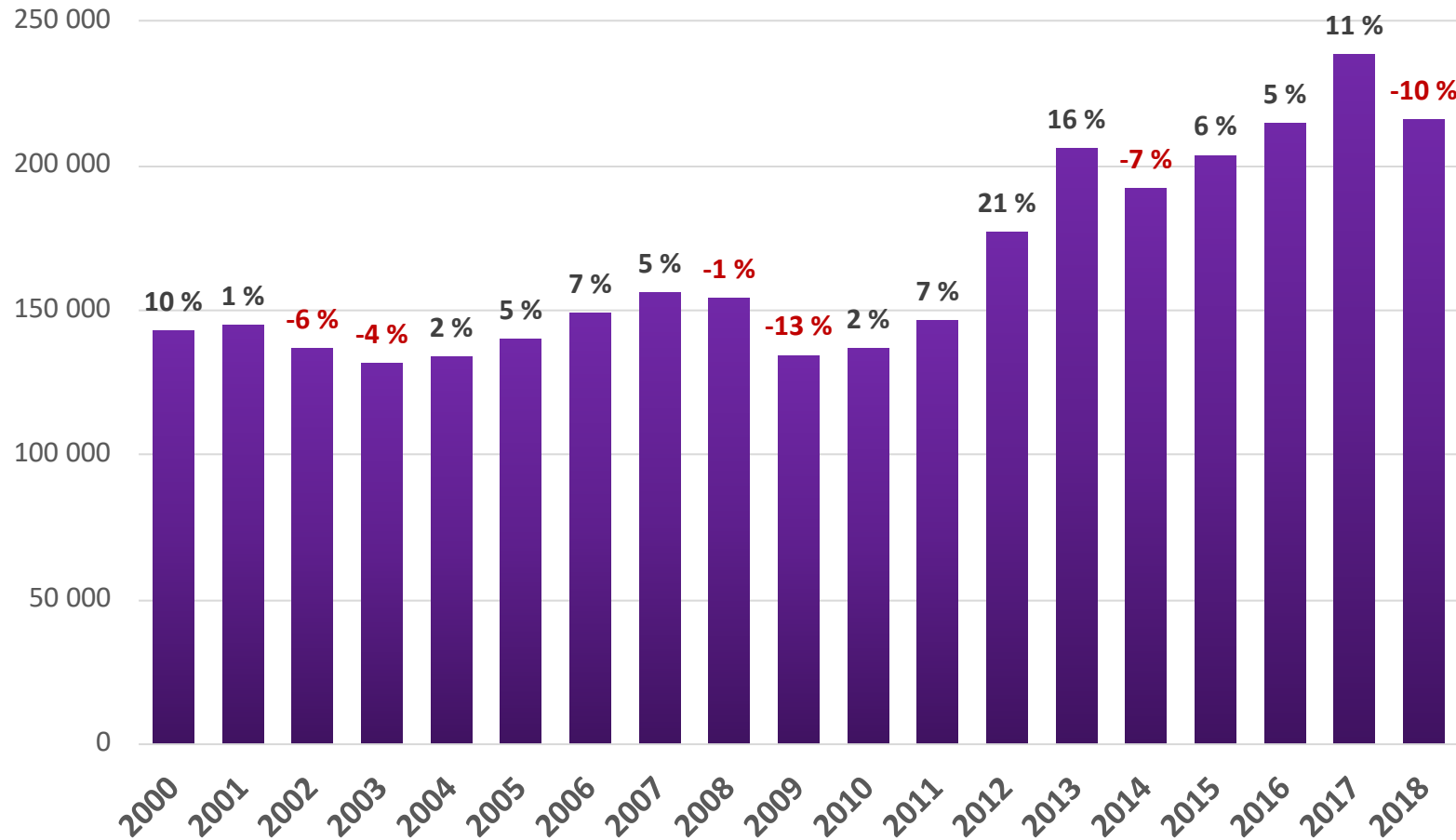
- 2019 is the centennial anniversary of the diplomatic relations between Finland and Japan. Finland is getting extensive media attention and positive coverage. Royal family recently visited Embassy of Finland and also one of Finnish design exhibitions in Tokyo. Federal and municipal governments, various ministries, corporations and start-up companies are interested in social, cultural and technological attractions in Finland . It is critical to take advantage of this momentum in reinforcing Finland's USP as well as promoting new emerging admiration for lifestyle, innovation and wellbeing especially among the Japanese youth and family segments.
- Working together beyond just tourism industry is another critical importance in Japan. Team Finland among Embassy of Finland, Finland Chamber of Commerce, Finnish Institute and Business Finland is very capable of delivering joint promotions to increase Finland's presence and touch points to remind Japanese consumers of the attractive destinations. "Visit Finland Sauna Campaign" is a fine example where it has started to evolve to a cross industry project with Food and Consumer units towards the concept of Sauna EcoSystem in the East Asia region. The trend is shifting from a conventional sightseeing to an experiential and influential type of travelling. Finland shares similar values and mentalities with Japanese. There is a great potential in capitalizing on this movement in attracting more Japanese visitors to spend quality time with the Finns.

Japan – Market Review



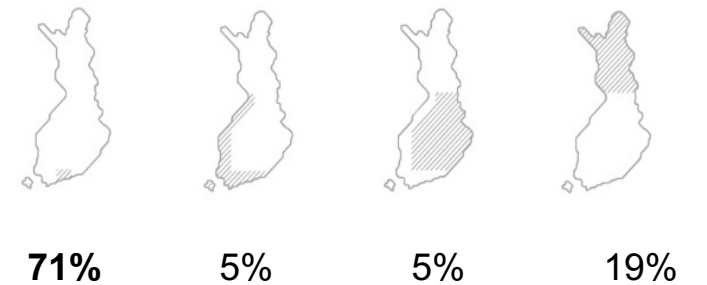
Visit Finland

Japanese overnights in Finland



Year 2018
10th in country rankings
 with a **3% share** of foreign overnights
 Average change 2000-2018: **+3%**
 Change 2018 compared to 2000: **+51%**

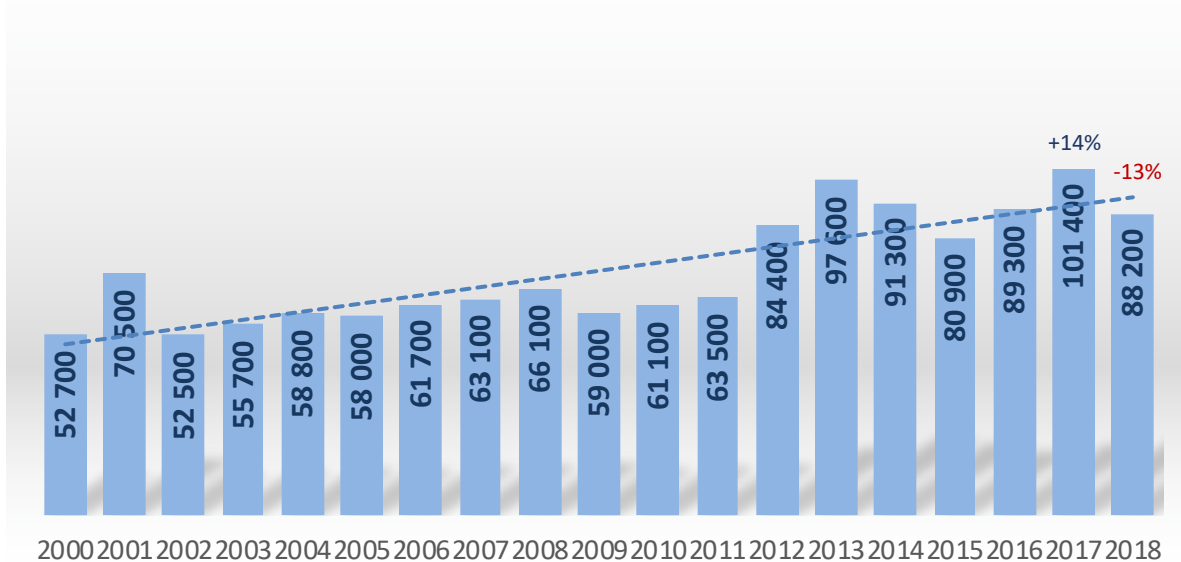
Share of overnights by regions 2018



Winter and Summer 2018



Registered overnights in winter season (Nov-Apr)
by Japanese visitors

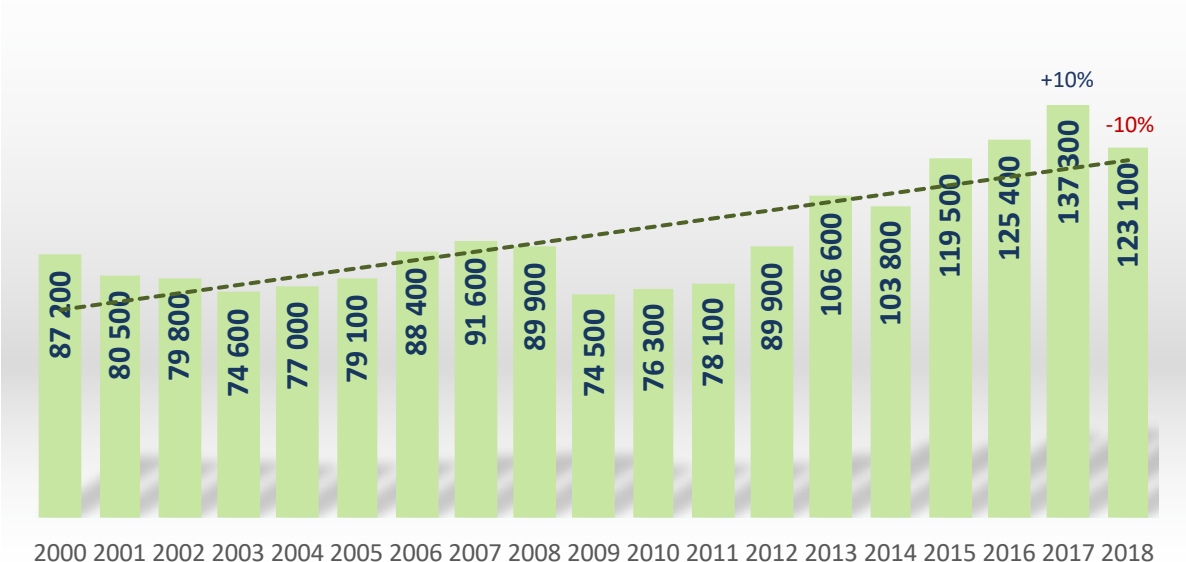


Winter 2018: **11th** in country rankings
with a **3%** share of foreign overnights

Average change 2000-2018: **+4%**

Change 2018 compared to 2000: **+67%**

Registered overnights in summer season (May-Oct)
by Japanese visitors



Summer 2018: **7th** in country rankings
with a **4%** share of foreign overnights

Average change 2000-2018: **+3%**

Change 2018 compared to 2000: **+58%**



Source: Visit Finland Statistics Service Rudolf, Statistics Finland

Seasonal overnights

Whole Finland

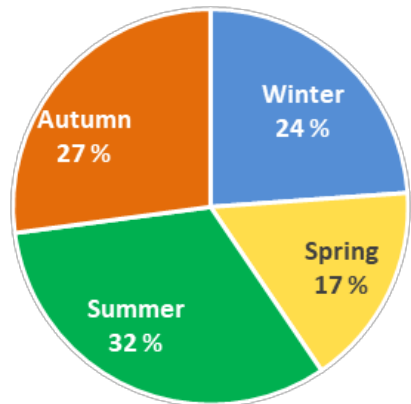
	No. of Japanese overnights			
	2016	2017	2018	2019
Winter (Dec-Feb)	53 400	53 800	51 100	49 800
Spring (Mar-May)	36 100	47 400	35 600	
Summer (Jun-Aug)	68 700	76 300	69 400	
Autumn (Sep-Nov)	57 100	61 800	58 200	

Seasonal YtoY change

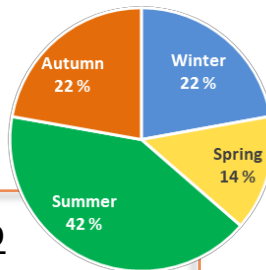
	2017 vs. 2016	2018 vs. 2017	2019 vs. 2018
Winter	+1%	-5%	-3%
Spring	+32%	-25%	
Summer	+11%	-9%	
Autumn	+8%	-6%	

Japanese overnights in Finland by season in 2018

WHOLE COUNTRY 2018



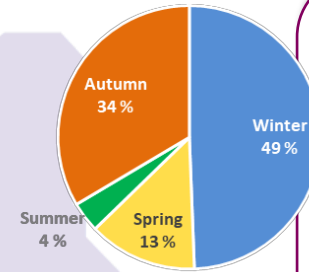
COAST AND ARCHIPELAGO 2018



Coast & Archipelago

Winter 2018:	2 400	(+52%)
Spring 2018:	1 500	(-1%)
Summer 2018:	4 500	(-2%)
Autumn 2018:	2 400	(+5%)
Winter 2019:	2 000	(-18%)

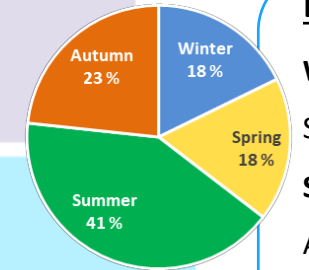
LAPLAND 2018



Lapland

Winter 2018:	19 800	(-18%)
Spring 2018:	5 400	(-10%)
Summer 2018:	1 500	(-3%)
Autumn 2018:	13 400	(-15%)
Winter 2019:	19 600	(-1%)

LAKELAND 2018



Lakeland

Winter 2018:	2 000	(+4%)
Spring 2018:	2 000	(+6%)
Summer 2018:	4 700	(-5%)
Autumn 2018:	2 600	(-20%)
Winter 2019:	2 500	(+24%)

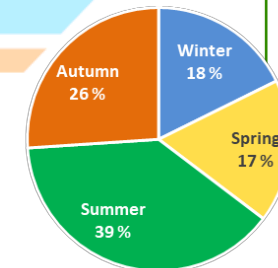
Importance growing:

- Oulu

Importance growing:

- Tampere
- Sotkamo
- Lahti region

HELSINKI REGION 2018



Helsinki area

Winter 2018:	26 900	(+3%)
Spring 2018:	26 700	(-30%)
Summer 2018:	58 700	(-10%)
Autumn 2018:	39 700	(-2%)
Winter 2019:	25 700	(-4%)

Trends for seasonal overnights in Finland – Japanese visitors

