

Special Report

Dialogue on the Quality Assurance System

Raising the Level of the Inbound Market with the Quality Assurance System

Boosting Japan's Brand Power and Improving the Industry's Status



Kazuaki Maruo

(President and CEO of Nippon Travel Agency), chairperson of the Inbound Travel Promotion Committee, Japan Association of Travel Agents (JATA)

The Japan Association of Travel Agents (JATA) established a Quality Assurance System for Tour Operators with the aim of enabling inbound visitors to enjoy high-quality trips safely and securely. JATA intends to promote expansion in the number of visitors to Japan by improving the quality of the tour operator industry and travel products, in addition to strengthening the brand image by appealing to overseas customers with trips that feature the charms of Japan. We talked with Kazuaki Maruo, chairperson of Inbound Travel Promotion Committee, and Hiroyasu Sato, chairperson of the Quality Assurance System for Tour Operators Review Committee.

---Please tell us about the background and the process of the establishment of the Quality Assurance System for Tour Operators by JATA.

Maruo: First, we would like to increase the number of foreign travelers who visit Japan. The Japanese government aims to make Japan a travel destination and has set a goal of expanding the number of inbound foreign visitors to 15 or 20 million in the future. So, expansion of the inbound market is one of the pillars in its efforts. Promotion by the government is necessary for this, but we also must endeavor to boost the quality and raise Japan's brand power as a destination so that the foreigners who visit Japan are actually satisfied. If we are unable to do that, inbound foreign visitors will not increase, and we will not gain repeat visitors. The travel industry has recognized this as an issue.

Another thing is that, as reported in the mass media, cheap inbound tours where "you get what you pay for" are running rampant, and so there is concern that, if things are left as they are, it will have a significant negative impact on the image of travel to Japan. Naturally, with the competition among destinations in the international travel market, there are travelers who select destinations by price, but we believe that we should expand the inbound market by pursuing quality rather than price, enabling travelers to enjoy the high quality of Japan safely and securely. Since June of last year when I became chairperson of the Inbound Travel Promotion Committee, I have studied the quality certification system, which is an independent initiative by the industry.

Sato: We gave a great deal of consideration to what Japan's "selling point" is in the inbound market, and in fact it turns out that being a "safe and secure country" is Japan's biggest selling point. Until now, this point



Hiroyasu Sato

(Professor at Matsumoto University), chairperson of the Tour Operators Review Committee for the Quality Assurance System

was conveyed in advertising almost as an afterthought, while advertising focused on the character of the Japanese people and activities particular to the Japanese. It is an extremely groundbreaking idea for JATA, as an industry body, to make "safety and security" a visible selling point by incorporating it into the criteria for the certification system. In short, we think it is highly significant that the system is not driven by government laws and regulations but rather is a completely independent, private initiative. I admire the fortitude of the industry overall as it sets its aim high and takes the initiative to boost the quality of inbound travel.

---What are the criteria for certification?

Maruo: Broadly speaking, there are three criteria: (1) observance of laws and ordinances, (2) quality management and service level, and (3) CSR. At the same time, the major significance of the certification system is that it leads to consumer protection. We will now be able to offer high-quality tours that are safe and secure to foreign travelers who come to Japan. Having travel agencies offer tours that are certified by the quality certification system is expected to boost Japan's appeal overseas, presenting Japan overall as a destination where visitors experience trips that create new value. The social status and presence of the travel industry will also rise as the increase in the number of certified operators improves the level of service and management as well as the observance of laws and ordinances in the industry overall. In local areas that aim to expand the number of foreign visitors, if high-quality destination-oriented products that highlight the particular qualities of each destination are offered, then it will also contribute to those local areas.

Sato: For promotion of travel to Japan, it is necessary to set numerical targets, but on the other hand, quality is also an important point. In short, inbound travel is essentially private-sector diplomacy, and it holds great significance as an opportunity for Japan to gain the understanding of people around the world. How shall we shape the points of contact between foreigners who visit Japan and the people and places that receive foreigners? If we do not outgrow the types of trips that are nothing more than sightseeing tours and shopping, we will not be able to promote inbound travel to Japan in the true sense. I think it will be wonderful if we apprehend the fact that, in the quality certification system that has been launched, it is not only a contest of numbers but also of quality.

Discussion Urged for Partnership with LCCs Collaboration Expected to Contribute to Revitalization of Local Economies



The JATA Management Forum held on February 26 included a session where stakeholders discussed business partnerships between low-cost carriers (LCCs) and travel agents. The session confirmed the necessity of continuing the discussion to sell air seats through partnerships between LCCs and travel agents because it is expected that the air seats supplied by LCCs will increase dramatically.

Establishing a Distribution Model before Increasing Share

At the beginning of the session, Mr. Haruo Ushiba, Deputy Representative Director and Principal Analyst of Japan Aviation Management Research, pointed out that LCCs' air seat supply share reached 25% at the Kansai International Airport in the summer last year, while their share in Japan's airline market stands at only about 5.5%. According to Mr. Ushiba, LCCs are expected to hold a share of 20%-30% in Japan's entire air market by 2020, which is comparable to the LCC share in Europe and the U.S. In particular, he stressed the "Pan-Asia LCC Big Bang" phenomenon in Southeast Asia and anticipated that hybridization between LCCs and full-service airlines (FSA) will accelerate with the new expansion of middle-income groups.

Mr. Ushiba noted that the global distribution system (GDS), billing and settlement plan (BSP), and distribution system including group fares between LCCs and travel agents are underdeveloped. He said, "It is necessary to establish a distribution model before LCCs increase their shares" and urged travel agents to pursue innovation to establish a new business model which can respond to the trends in foreign independent/free individual travel (FIT), both inbound and outbound tours, regardless of their existing products.

Mr. Masaaki Uchiyama, Representative Director & CFO of AirAsia Japan, which started to use the distribution system of the travel industry through a partnership with Big Holiday in advance of other LCCs, explained, "The

LCC model is to have no inventory, but it is difficult to sell all air seats under Japan's regulatory environment. We need to sell our seats in a unique way, so we started the partnership with Big Holiday as we set the same customer group as our target." Mr. Uchiyama continued, "This partnership revealed a great demand among young people who have never traveled by air but plan to make a graduation trip or travel for job hunting or an entrance examination." He stressed the importance of "combining sales channels flexibly in accordance with the business environment" and expressed a positive stance toward partnerships with travel agents in the future.

Creating a New Market through Effective Use of LCCs

Mr. Tadao Nishio, Executive Director of Jetstar Japan, which guarantees the lowest prices, cited "niche" and "last minute" as keywords. He said, "We have opened up an undeveloped niche market with lower last-minute fares and created a new demand for packaged day trips to Hokkaido," and encouraged travel agents to "attract first-time travelers."

Mr. Nishio also urged the agents to "use LCCs to create a new market" because the demand for FIT is increasing in Japan's inbound market. Jetstar Japan depends on travel agents for 25% of its international seat sales. Mr. Nishio explained, "We will start a code sharing and mileage partnership with Japan Airlines and continue to strengthen cooperative ties with travel agents."

Mr. Naoki Shimizu, Vice Chairman of the JATA Study Group on Aviation and Airports, pointed out that LCCs reduce costs thoroughly and offer air seats as "consumer goods," while travel agents position air seats as "producer goods" because they procure, process, and provide them to the market. While he indicated his view that "it is difficult for travel agents and LCCs to do business in line with each other," he said, "LCCs are also changing, and I would like to have active talks with LCCs if we can meet halfway," referring to possible collaboration between travel agents and LCCs.

Mr. Shimizu suggested that integrated efforts by three sectors (government, airports and LCCs) designed to revitalize local economies, such as Open Sky, promotion of LCC entry, and airport management reforms, should be promoted by "four" sectors including the travel industry. He claimed, "Collaboration between the travel industry and LCCs should aim to realize local revitalization through integrated efforts by the four sectors. Travel agents should be able to increase synergy by developing products through integrated efforts on both the sending and the receiving sides, particularly by establishing a sustainable business model in destination areas."