

Japan

A CWT White Paper

High expectations and unique challenges for managed travel

Japan's travel market continues to be a complex and challenging environment for managed corporate travel programs, particularly for multi-national companies less familiar with the market. Although doing business, especially corporate travel business, in Japan is unlike most Western cultures; the importance of this market has persuaded many companies to learn how to conduct business and travel most effectively in Japan. The country's widely documented financial concerns have been largely resolved; and its economy has been robust with sustained growth however now suffering from the global economic downturn. Acceptance of change comes slowly in the Japanese marketplace; however the changes in the Japan business travel market in recent years and now to be expected in the coming 1-2 years seem almost shocking when compared to the relative stability of the previous 30.

Japan's market

■ Strong and growing stronger

Japan's focus on increasing productivity and corporate transparency has led to increased interest in this market by multi-national and global companies. The economy is now suffering from the global downturn with 2009 expected to be extremely difficult. While the travel market in Japan is one of the top three in the world, only 15%-20% of the market is managed by specialized travel management companies, with the vast majority—more than 70%—served by in-house or traditional general service travel agencies.

■ Extremely high service expectations

The Japanese, in general, have extremely high service expectations in all aspects of their lives and in business. High-touch expectations in travel traditionally mean that Japanese travelers have been used to the maximum amount of documentation from their travel agency—not only printed itineraries; but also completed embarkation and disembarkation cards delivered to them in their offices. Balancing the level of service and value with cost of providing the service continues to present challenges. Relationships, especially long-term relationships, are crucial to buying decisions and can often take precedence over Western priorities such as cost savings with a total cost of ownership perspective.

■ Travel patterns and suppliers

The airline market is dominated by two carriers—Japan Air Lines and All Nippon Airways—covering the domestic market as a duopoly and managing over 60% of all international traffic ex Japan. All major foreign carriers have extensive routes into Japan with Narita Airport in Tokyo serving as the main international gateway.

Seat availability can be a challenge, particularly during peak vacation periods—New Year (Dec. 27-Jan.5), Golden Week (late April-early May), and summer vacations (second and third weeks in August). Opening of Narita extended runway and new Haneda runway will provide significant additional capacity and market entry of new carriers in 2010.

Both the domestic and international airline markets are regulated, although limited deregulation in the domestic market has occurred already. Additional deregulation is expected in both the international and domestic markets, although there is no clear timeline. IATA commissions on air travel currently between 0%-5% will move to a standard 0% from April 2009.

Domestic travel dominates Japan, both via airlines and rail, accounting for more than 70% of all client transactions. Availability and use of international consolidator (market net and non-GDS—consolidator and market net agency) fares has become common in the past decade, although these fares come with restrictive booking, change, and cancellation conditions. Major airlines are moving away from consolidator fares to focus on published excursion fares or other GDS fare types.

Market Characteristics

■ Travel suppliers dictate distribution

Air, rail suppliers dominate the market

The GDS market is dominated by Axess and Infini provided by the two largest carriers, Japan Airlines and All Nippon Airways. Global GDSs (Apollo, Amadeus, Sabre, Worldspan) combined account for around 40% of the market. Domestic air and rail must be booked through proprietary local supplier computer reservation systems and are Japanese (2 Byte) based. So, for a travel management company to provide full service for their clients with full airline content and ticketing capability (e-ticket and/or market net fare), they must use multiple GDS plus three more for domestic air and rail. As a result, data capture between disparate systems and travel management in general for Japan becomes quite complex.

Adoption of online booking tools (OBT), electronic booking templates, and technology-driven buying processes has been slow, primarily because of the highly personalized service expectation of travelers, but also because of language: tools must be in Japanese language to drive acceptance. Additionally, the complexity in developing tools that can access content from multiple GDS makes it difficult for such automation to be developed and less cost effective. Domestic airline self-booking tools now account for more than 70% of all bookings driven by convenience and discounts only available if booked through the online tools. Increasingly electronic booking tools are now available for domestic rail – although still proprietary by JR Rail Regional Operating Company.

For a TMC to manage all reservation needs they need multiple international air GDS plus Japan domestic air and rail CRS

Corporate travel programs

Corporate travel programs vary in their level of sophistication, with few mandated corporate travel programs of similar maturity as those in the U.S. and Europe. In many companies, travel policy remains limited to the type of fare used while others now include preferred carriers and hotels, a formal travel approval process, and exception procedures and reporting. Generally, there is resistance to mandate and impose program policies, with most policies implemented as a guideline only. Employees in Japan will predominantly observe company recommendations; even though requirements are not usually strict. Programs and policies that dictate and provide enforcement of what travelers can or cannot do are rare and less likely to succeed because they are viewed culturally as too confrontational. Implementing travel programs to optimize results without creating confrontation requires sufficient time and sensitivity to manage program expectations in place of individuals' expectations.

Culture, traditional practices, reluctance to impose, and highly personalized service expectations present challenges to the introduction of a structured and managed travel policy; a dilemma that is often compounded by travelers who are unfamiliar with global or regional company procedures and practices, making it more difficult for them to understand the need for a consistent travel management program at their local level.

Payment systems

Japan remains predominantly a cash society; as a result, payment systems tend to be centered around billing and cash. More than 50% of companies still provide daily allowances to their travelers. However, credit card payments and use of cards as a means to streamline expense management and administrative processes are becoming more accepted particularly with foreign multi-national companies and are now penetrating multi-national Japanese companies, although many still operate using per diems and invoicing.

Effective Strategies

■ Looking ahead

Ensuring successful travel management in Japan

In 2008 IATA commissions will drop further. In 2009 we will see IATA commissions eliminated completely for all major airlines including JAL and ANA. Japan can expect more aggressive adoption of online booking tools with Japan Rail online-booking tools and electronic ticketing, and integration of domestic air OBT into travel management portals. Higher adoptions of domestic electronic tools are creating a platform for introducing International online tools when their functionality and the market environment allow effective implementation and use, most likely in 2010. Electronic processes which will eliminate some of the resistance to mandating travel policies as policy parameters are built into the tools. Many international business travelers speak and read sufficient English to communicate their needs; however, it remains a priority to provide full Japanese language servicing to ensure broad adoption and success of a managed travel program.

Relationships are the key to any successful business activity in Japan. Local partners with cultural and market credibility and presence can provide a critical success factor for effective travel management. Additional factors corporate travel managers should consider in Japan:

- Understand the local company's and/or travelers' expectations and needs; listen and accommodate their concerns and requirements—respect is critical.
- The program should handle domestic travel—both air and rail which averages 4 out of every 5 business travel transactions, with domestic rail representing more than 50% of all transactions—use available online tools to meet this requirement.
- Devote time and resources to ensure there is good understanding of the overall benefits and value of a managed travel program in place of individuals' expectations and transactional comparisons.
- 95% or more of all business travelers are Japanese: Tools, documentation, and travel program materials need to be in Japanese to ensure understanding and support.
- Change management and program seminars are critical to communicate any new initiatives and program objectives. Sufficient time and resources need to be allocated for these efforts.
- Introduce electronic processes and tools to automatically manage and drive compliance and control.
- Build relationships and understanding; demonstrate patience to gain acceptance.

About CWT Japan

■ Joint venture with JTB Corp.

JTB-CWT Business Travel Solutions (BTS) is a joint venture between Carlson Wagonlit Travel and JTB Corp., Japan's leading travel agency and travel group. JTB-CWT BTS has developed its travel management product for a broad spectrum of regional and global multi-national companies around a balanced approach designed to meet high local service and market expectations with the maximum use of electronic processes and tools. To learn more about JTB-CWT Business Travel Solutions, please contact: Guy Mackee at guy_mackee@jtb-cwt.com or Mike Bezer at mbezer@carlsonwagonlit.com or refer to <http://www.jtb-cwt.com>.