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Changing Japanese

This month's issue covers topics associated with changes in the values and behaviors of Japanese people, focusing on their relationships with industries that are likely to be affected by these changes. Changes in values include, for example, the growing importance of the quality of daily life and expectations of the public toward sports, while changes in behaviors indicate ordinary people are attempting to make rational choices in response to the changing social environment and systems. Due to social factors including the aging of society, in addition to the emergence of the aforementioned changing values and behaviors, there are both new opportunities and threats for society and companies to deal with. Companies are also required to have a flexible mindset to take advantage of new opportunities and deal with threats.

Changing Values and Buying Behavior:
"Survey of 10,000 Consumers" Shows the Transition of Japanese People

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1. Recession and Economic Anxiety

In the ten years since the late 1990s, there were many changes in the economic environment in Japan, including the bursting of the IT bubble and the Lehman Shock. NRI has conducted its "Survey of 10,000 Consumers[1]" every three years since 1997 and the latest survey was just conducted in 2009. People's attitude toward future life planning was one survey item greatly affected by the recession.

Regarding future life planning, due to the impact of the recession, the percentage of people who make their future life plans based on less income than the current level marked the highest level since the survey was first conducted (see Figure 1). Regarding anxiety about retirement, approximately 30% of all respondents chose "Very concerned," up a little more than 4 points from the 2006 survey (see Figure 2). Long-term anxieties over living and a drop in income have continuously become stronger in the Japanese consciousness.

2. Changing Values

Figure 3 shows the top five and the bottom five items, in terms of increase in the percentage of respondents, extracted from over 30 survey items regarding "Attitudes toward consumption." Some characteristic trends are described below.

Figure 1. Percentage of people who make their future life plans based on less income than the current level

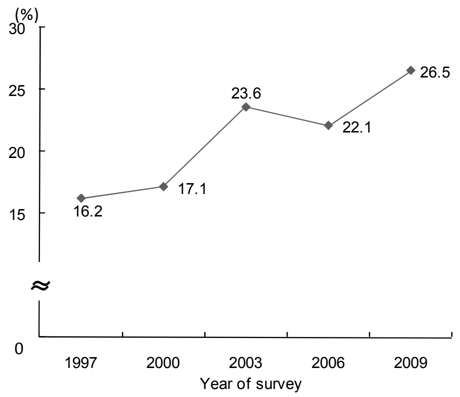


Figure 2. Level of anxiety about retirement

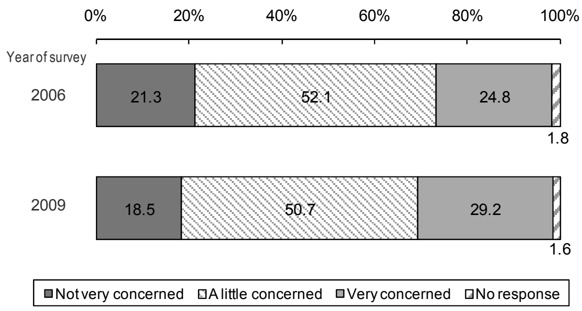


Figure 3. Attitudes toward consumption

(Units used: 2000-2009 in %, Total change in points)

Items with an increased percentage of respondents	2000	2003	2006	2009	Total change from 2000 to 2009
Choose Japanese products with the same function and price over foreign products	32.7	39.0	44.8	52.2	19.4
Gather information before buying	22.3	28.4	28.9	35.8	13.5
Interested in other users' opinions	13.6	16.2	20.9	26.9	13.3
Choose products that suit my lifestyle	22.9	31.2	31.5	34.6	11.7
Think twice as to whether the quality is worth the price before buying	52.4	58.5	62.0	63.4	11.0
Items with little increased or decreased percentage of respondents	**2000**	**2003**	**2006**	**2009**	**Total change from 2000 to 2009**
Buy whatever is cheap and economical	50.2	46.9	45.3	45.4	-4.8
Value colors and designs more than convenience	19.1	17.2	19.2	19.4	0.3
Save money to buy what I want even if it is expensive	16.1	17.9	20.2	19.5	3.4
Buy eco-friendly products	14.4	16.6	17.6	18.2	3.8
Choose unique products to be different from other people	10.5	13.5	15.3	14.4	3.9

Note: Selected survey items are limited to those with more than 10% of respondents in each survey.

[1] This is a mail-in survey targeting 10,000 people nationwide conducted by NRI. Survey data used in this article hereinafter are all sourced from "Survey of 10,000 Consumers."

1) Increasing preference for domestic products

The preference for domestic products shows the highest increase from 2000 to 2006. The percentage of people who answered that they would "Choose Japanese products with the same function and price over foreign products" increased from 32.7% in 2000 to 52.2% in 2009 (see Figure 3).

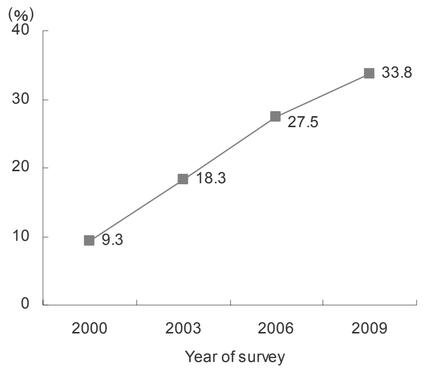
The increasing preference for domestic products seems to reflect not only people's focus on quality and safety, but also the impact of a series of accidents relating to the safety of imported food. "Food poisoning in Chinese-made dumplings" was selected as the top news item in the 2008 edition of "The top 10 news stories selected by readers" dated December 20, 2008, a collection of news articles that Yomiuri Shimbun releases every year. Issues relating to the quality and safety of imported food were frequently discussed.

2) Increasing sensitivity to information and the spread of the Internet

Survey items that indicate a trend of sensitivity to information also increased significantly, including "Gather information before buying" and "Interested in other users' opinions," next after the preference for domestic products. The percentage of respondents for both items increased by more than 13 points from 2000 to 2009 (see Figure 3).

This is because the Internet has become widely used as a tool for gathering information and companies have started providing detailed information to the public through the Internet. In addition, active information exchange through word of mouth on Internet bulletin boards and community sites among ordinary people also seems to be a major cause of the increase. In fact, the percentage of people who use the Internet almost every day significantly increased from 9.3% in 2000 to 33.8% in 2009 (see Figure 4).

Figure 4. The percentage of people who use the Internet almost everyday



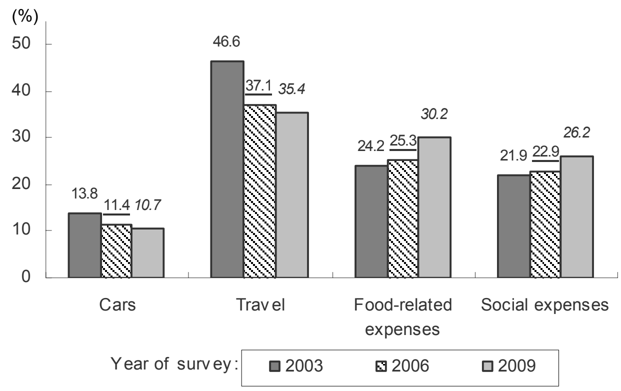
3) Shift of focus from economic efficiency

The only item with a decreased percentage of respondents from 2000 to 2009 was "Buy whatever is cheap and economical," down 4.8 points from 50.2% in 2000 to 45.4% in 2009 (see Figure 3). It has been almost flat since 2006, however, as it did not increase during the recession, which seems to indicate that consumers are no longer only attracted to cheap prices over the long term.

4) Decline in mass consumption

With respect to consumption trends of individual products and services, big-ticket items including cars and travel have been decreasing (see Figure 5). Looking at "Attitudes toward consumption," the percentage of people who chose "save money to buy what I want even if it is expensive" has slightly decreased from 2006 to 2009 (see Figure 3). On the other hand, consumption trends of small amount expenses on each occasion that can be managed within a daily budget, including food budgets and social expenses, have been growing (see Figure 5).

Figure 5. Things that are worth the money



5) Growing importance of the quality of daily life

Under such circumstances, it is assumed that many people have valued the quality of their daily lives, which means, for example, they prefer indulging themselves a little when buying food or daily commodities rather than taking out a loan to make a big purchase. It is true that people tend to prefer budget prices these days, but it will still be possible to market products and services to a wider range of people by keeping them low-priced and adding extra value, including high quality and a hint of luxury, instead of focusing exclusively on being cheap.

3. Changes in Buying Behavior

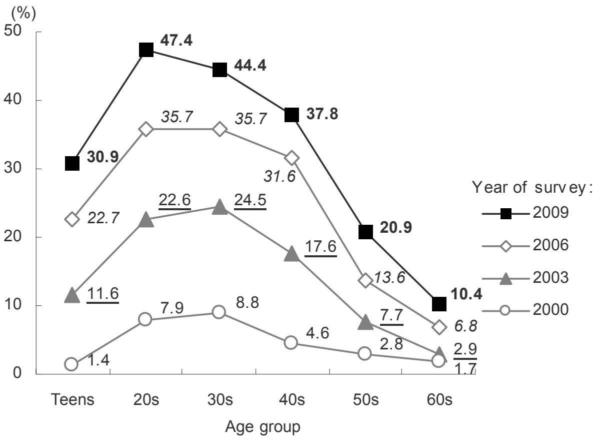
There have been some changes in people's buying behavior. In addition to the spread of new channels including the Internet, the range of users for some existing channels and stores has been changing over the last few years.

1) Internet shopping

Internet shopping typified by Amazon and Rakuten Ichiba has rapidly become popular recently. The percentage of people who shop on the Internet once or more a year has been increasing in every age group, particularly in people in their 20s and 30s (see Figure 6).

To put it the other way around, for people in their 20s, the age group with the highest percentage of Internet shopping users, the utilization rate was only 47.4% in 2009, remaining less than a majority. Internet shopping seems to still have a lot of room to grow in the future.

Figure 6. The percentage of people
who shop on the Internet once or more a year

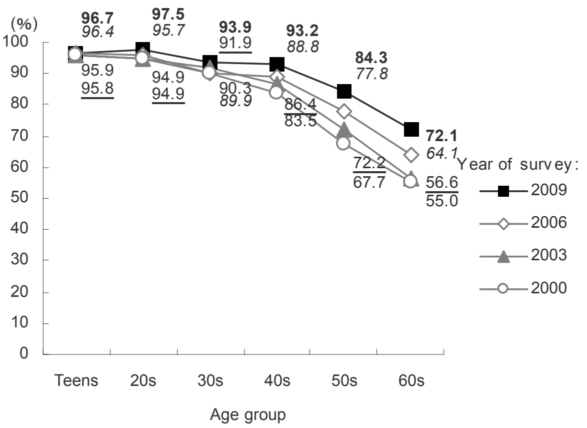


2) Convenience stores

The percentage of people in their teens to 40s who use convenience stores once or more a month has been hovering high at around the 90% level since the survey was first conducted. Furthermore, with respect to older age groups, the percentage of users has increased greatly by about 17 points in the 50s and 60s age groups from 2000 to 2009 (see Figure 7).

Behind this large increase in the percentage of elderly users, convenience stores started offering extensive services including home delivery, ticketing and bill payments. Expanding the range of high-priced items and commodities and not overly focusing on young customers also seems to have attracted the older age groups. Convenience stores have become a major channel used by customers of all age groups.

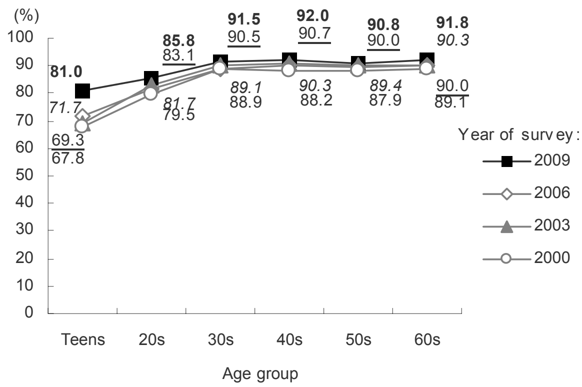
Figure 7. The percentage of people
who use convenience stores once or more a month



3) Grocery stores

It is interesting that the percentage of grocery store users in young age groups have increased. The percentage of people in their teens has increased from 67.8% in 2000 to 81.0% in 2009, while people in their 20s have also increased from 79.5% in 2000 to 85.5% in 2009 (see Figure 8). According to the Census of Commerce conducted by the Ministry of Economy, Trade and Industry, in spite of the general downturn in sales in the supermarket industry, the annual sales of grocery stores have improved slightly by 0.3% from 2004 to 2007.

Figure 8. The percentage of people
who use grocery stores once or more a month



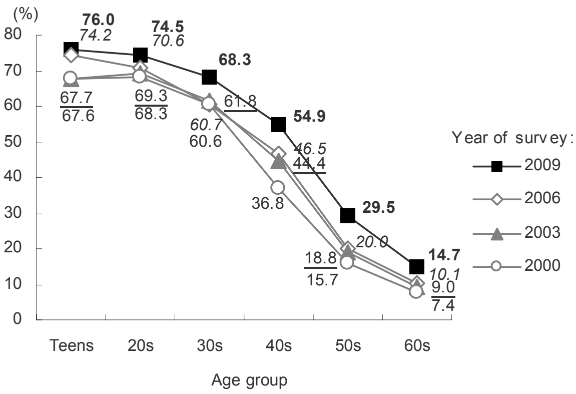
The growing preference for eating in seems to have a great influence on the increase of the percentage of grocery store users in young age groups. This trend has been labeled "sugomori shouhi" (literally consumption while hiding in your nest), which probably means that young age groups prefer eating in rather than eating out and therefore, they shop for food by themselves more often than ever before. In addition, with the growing preference for eating-in, the level of interest in grocery shopping has increased. It is assumed that people have re-evaluated the value of grocery stores that have a wide range of reasonably-priced items, instead of going to convenience stores just for quick and convenient shopping.

4) Fast-food restaurants

Fast-food restaurants, the same as convenience stores, have recently spread from the young to a wider range of age groups. The percentage of users in their 40s and 50s has been rapidly increasing from 2000 to 2009 by about 18 points and 14 points, respectively (see Figure 9).

Major factors for this increase include that (1) the preference for low prices has increased and salaried workers who used to avoid fast food have started visiting, (2) many people started using fast-food restaurants for purposes other than lunch, such as housewives using them as cafes and (3) people in their 40s to 50s – who were in their teens back in the 1970s when fast-food restaurants became popular for the first time in Japan and many fast-food chains opened up stores one after another – continue to use them on a regular basis.

Figure 9. The percentage of people who use fast-food restaurants once or more a month



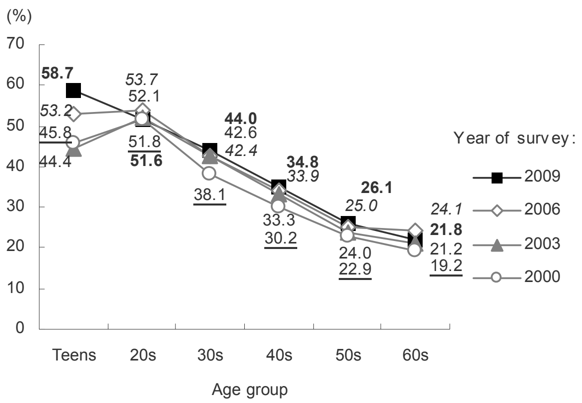
Fast-food chains have also focused exclusively on marketing efforts that target salaried workers and housewives. McDonald's has been successful in introducing a series of high-priced items, including the "Quarter Pounder" and the "Big America" burgers, which sufficiently serve as lunch or dinner for salaried workers. It has also attempted to increase the number of cafe users (mainly housewives) during off-peak hours by increasing the choice of items on the "McCafe" menu and remodeling its stores.

5) Family restaurants

The number of teenage users of family restaurants has increased over the last few years. The percentage of teenage users was 45.8% in 2000 and increased by more than 10 points to 58.7% in 2009 (see Figure 10).

Factors behind this increase include the fact that family restaurants have become accessible to junior and senior high school students as they introduced drink bar systems and overall price reductions. In addition, as high-end portable game devices typified by Nintendo DS have become very popular, family restaurants have transformed into favorite hangouts for junior and senior high school students.

Figure 10. The percentage of people who use family restaurants once or more a month



6) Increasing diversity of buying behavior based on the value of individual channels

As described in items 2) to 5), users in age groups that were not initial targets of individual channels have been increasing of late. It is assumed that once the value of channels and stores are properly recognized, people in various age groups start using them and overcome common stereotypes such as shops young people use or stores for housewives.

4. Reviewing Value

As described above, the business categories of grocery stores and family restaurants have expanded their users in nontraditional age groups. The important thing is to focus on the substantive value of individual channels or stores. By doing so, existing channels and stores are also expected to attract a new range of customers, which will lead to further business growth. Therefore, a selection of items and pricing suitable for target users are essential for further growth, which includes an extended range of items targeting older age groups at convenience stores and overall price reductions at family restaurants.

Upscale supermarket Seijo Ishii, which has maintained good sales during the recession, has private brand products (PBs) that account for 30 to 40% of its sales. PBs are generally thought to be of poor quality and cheap, but Seijo Ishii focuses on meeting customer needs from a retailer's perspective and is deeply committed to offering unique PBs. Prices are set within the range of “a hint of luxury,” though not cheap. When targeting customers of a certain income level who live in urban areas, one major value of supermarkets is that customers can find some good deals on quality items. It is assumed that Seijo Ishii attracts many customers because it has the right selection of items and appropriate prices, which is important to offer such value.

People’s values and buying behavior change with the times. As a result, it is important to perform a series of actions that includes identifying target customers of the company, reviewing the company’s value to customers and adjusting the selection of items and prices according to this review and based on a quantitative grasp of changes in consumer attitudes while breaking down old stereotypes.

Efforts to Prevent Increase of Dysfunctional Condominiums and Achieve Sound Management : Japanese Condominiums Face Two Kinds of Aging

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1. Condominiums Facing Two Kinds of Aging

The number of existing condominiums in Japan was about 5.62 million at the end of 2009. The number of residents was approximately 14 million, which means that over 10% of the population lives in condominiums. Condominiums are given an important role in terms of type of residence in Japan.

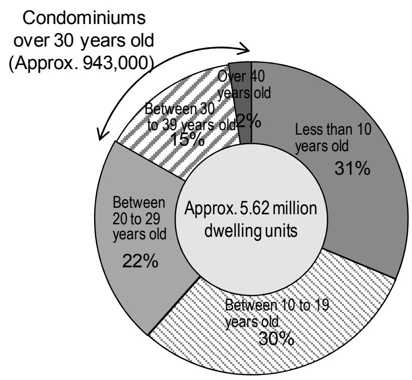
Of all the condominiums in Japan, the number of buildings constructed over 30 years ago (dwelling units that were subdivided before 1980) is about 943,000 and will be over one million in 2011. The measure of whether a building is old is usually about 30 years after construction. Old buildings require agreements among residents regarding proper maintenance, management and reconstruction, etc.

On the other hand, homeowners of individual dwelling units have also been aging. According to the "General Condominium Survey 2008"conducted by the Ministry of Land, Infrastructure, Transport and Tourism, the percentage of dwelling units having a head of the household aged 60 and over was 25.7% in 1999, increasing to 39.4% in 2008. The homeowner and the head of the household are not necessarily the same, but it is assumed that homeowners have also aged. The number of condominiums that are facing these two kinds of aging – aging of the building and aging of the homeowner – has also been increasing.

In order to deal with the aging of buildings and facilities, it is necessary to create agreements among individual homeowners on how to address this problem and to shoulder the financial burden. However, as homeowners have aged, some of them are not capable of paying for the costs. Mainly in the suburbs, there are many condominiums that have become slums[1] due to insufficient maintenance and management. With continued aging, it is feared that the number of poorly-managed condominiums will increase further in the future.

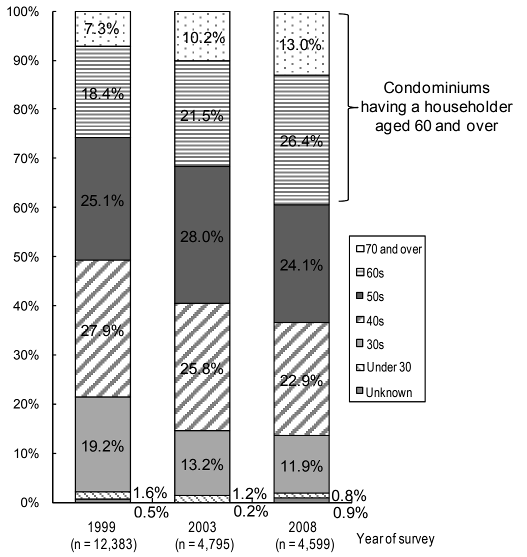
This article defines condominiums that have grown old and become slums due to the insufficient maintenance, management and repairs as "dysfunctional condominiums", explains the background of their emergence and suggests a course for a solution[2].

Figure 1. Age breakdown of existing condominiums in Japan at the end of 2009



Source: Prepared by NRI based on "The number of existing condominiums nationwide," Ministry of Land, Infrastructure, Transport and Tourism

Figure 2. Age breakdown of condominium householders



Source: "General Condominium Survey 2008," Ministry of Land, Infrastructure, Transport and Tourism

2. Trends of Indifference, Aging and Renting, behind Dysfunction

Daily maintenance, management and repairs are not sufficiently conducted in dysfunctional condominiums

[1] The state of condominiums is left damaged and deteriorated, due to aging, is indicated. This is caused by the dysfunction of the homeowner's association due to the aging of homeowners and residents and an increase in the percentage of empty units. The percentage of empty units increases as more dwelling units become slum dwellings, which leads to a further increase in slum dwellings in a vicious cycle.

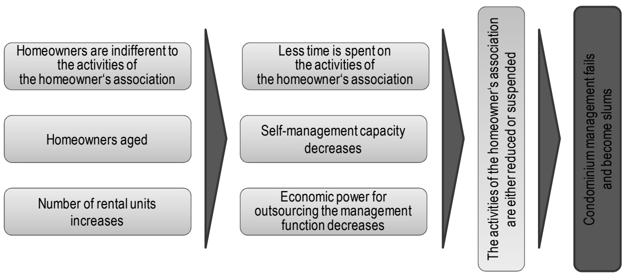
[2] Housing complexes other than condominiums include privately-rented housing and public housing. However, this article discusses management issues focusing on condominiums.

and large-scale renovations have also never been conducted after subdivision for sale in many cases. Consequently, the building itself and other facilities, including feeding pipes, drainpipes and elevators, have aged.

Behind this situation is an attitude of indifference of homeowners to the activities of the homeowner's association and the increase in rental properties, in addition to the aging of homeowners as described above. When these elements occur simultaneously, homeowners seem to have difficulty in spending the time, energy and money required for the effective operation of the homeowner's association, in view of the proper maintenance, management and reconstruction of the building, etc.

The Japanese population is expected to age further in the future. Therefore, there is a high possibility that the number of condominiums, which are owned by the elderly without sufficient energy and money, will increase. As self-managed condominiums and those consigning the management function to outside companies are facing difficulties in maintaining the existing form of their homeowner's associations' activities, it is feared that the management of these condominiums will become dysfunctional.

Figure 3. Process of failing condominium management



3. Two Effective Solutions: Achieving Soundness and Preventing Dysfunctional Management

In order to solve issues related to dysfunctional condominiums, it is necessary to form measures to restore the sound management of existing dysfunctional condominiums, as well as to prevent the problem from happening.

(1) Measures to restore the sound management of existing dysfunctional condominiums

Making use of the capabilities of experts is one effective possibility for a dysfunctional homeowner's association to put itself back on the right track. In order to support condominium management, a broad range of knowledge and expertise is required that covers the hardware side, including the building and facilities and the software side, including laws relating to condominium management and community formation among homeowners. As a first step to restore the sound management of existing dysfunctional condominiums, it will be effective to receive advice and gain support from experts in various fields such as property management firms, architects, lawyers, judicial scriveners and tax accountants, in addition to someone qualified in condominium management.

However, making use of the capabilities of experts requires the payment of reasonable fees. Many homeowner's associations with a tight budget will have difficulty in bearing the costs required to obtain support from experts. Accordingly, it will be necessary to start with self-help efforts in order to subsidize the expense of the service fees of experts, such as, reviewing the activities of the homeowner's association and the allocation of maintenance fees. Additionally, it is expected that issues relating to dysfunctional condominiums will be recognized as a social matter and national and local governments will establish support systems that include subsidies for the service fees of experts.

(2) Measures to prevent failures in condominium management

The first thing is to make use of the knowledge of experts in order to prevent failures in condominium management. It is highly effective to exchange advisory contracts with experts in various fields, including someone qualified in condominium management and to receive appropriate advice and support.

Secondly, it is necessary to look ahead and finance the costs of the aging building, including maintenance fees and reserve funds for repairs. In particular, there has been debate in the Diet over the appropriate amount of reserve funds for repairs set at the time of subdivision for sale. A framework for setting the appropriate amount of maintenance fees and reserve funds for repairs must be established.

Thirdly, it is assumed that educating homeowners and future buyers is also effective. It appears that some of them do not fully understand the activities of the homeowner's association and the roles expected of homeowners. The government and condominium developers should educate homeowners beforehand about their obligations and the possible risks of failing to perform them.

(3) Common issues and solutions for restoring soundness and preventing failures in condominium management

Common issues for restoring soundness and preventing failures in condominium management include the selection of the most appropriate expert. Individual condominiums have various issues and required measures greatly vary depending on each situation and thus, the expertise and knowledge expected of experts also vary.

Whether the appropriate expert for solving and preventing problems is found has a major effect on the successful accomplishment of the goals. However, individual homeowner's associations usually do not have the necessary strategies or expertise to select the experts best suited to solving their respective problems from the many available. Therefore, the development of guidelines that cover the process of selecting experts and the explicit criteria thereof is also required, so that individual homeowner's associations can select these experts.

It is also very important that the current residents and buyers, who will also become future residents of the condominium, care about and become aware of the issues relating to the maintenance and management of the condominium, in order to solve and prevent the problems of dysfunctional condominiums.

Changing Expectations of the Public toward Sports and the Ideal Corporate Support Activities for Sports: Gold Medal Better than Nobel Prize

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1. Social Value of Sports

A number of international sporting events were held in 2010, including the Vancouver Olympic Winter Games, in which Mao Asada won the women's figure skating silver medal and the World Cup, in which Japan's national soccer team advanced to the final round. It is still fresh in our minds that people closely watched every move of the athletes whose remarkable results swept the entire length of Japan. Many people are interested in and have great expectations for Japan's national teams and Japanese athletes making excellent sporting achievements on the international stage.

NRI conducted a questionnaire on the social value of sports in July 2008, on consignment from the Osaki Sports Foundation. This survey quantitatively evaluates the degree of people's interest in sports. Unlike conventional surveys, which focus on whether people are interested in sports, this questionnaire survey had a very interesting implication that clarified the relative value of sports by comparing them with other kinds of activities.

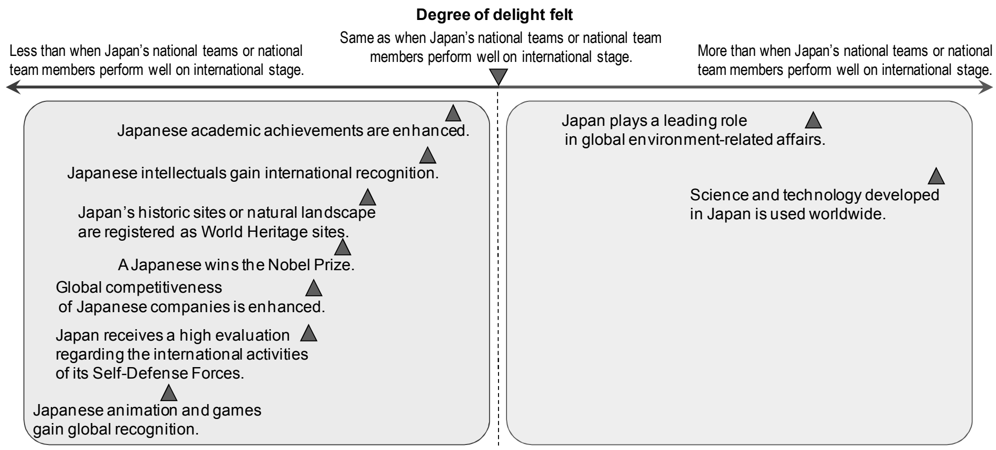
Specifically, it concluded that Japanese people highly value the fact that Japan's national sports teams or Japanese athletes perform brilliantly on the international stage, compared with the fact that Japanese people make remarkable achievements in the fields of academics or science and technology. Figure 1 explains this conclusion in detail. Many people feel more delight when Japan's national sports teams or Japanese athletes perform well on the international stage than when Japanese intellectuals gain international recognition or Japanese scientists win the Nobel Prize, but people still have the highest respect for the fact that the science and technology developed in Japan is used all over the world or that Japan plays a leading role in environment-related affairs, however.

2. A Wave of Corporate Withdrawals from Support Activities for Sports

Despite the public's high level of interest in sports, many companies have recently withdrawn from support activities for sports. Table 1 is a list of companies that have decided to fold or suspend the activities of their sports clubs since October 2008. Many traditional clubs disappeared from the sporting world, including baseball teams owned by Nissan Motor Company and TDK. With respect to the motor sports field, Honda withdrew from Formula One racing and Mitsubishi Motors pulled out of the Dakar rally. In addition, the number of companies that have withdrawn from sponsoring sporting events, as well as those that have reduced sports-related activities, is too numerous to mention.

Large-scale cost reduction policies, due to the downturn in corporate earnings, are behind these withdrawals. In the midst of the economic recession, unless support activities for sports are considered worthwhile in terms of the enhancement of corporate value, they will become targets for restructuring. If support activities for sports do not effectively lead a certain level of enhancement of corporate value, it will be difficult to erase fears over frequent corporate withdrawals from support activities for sports.

Figure 1. Comparison in the degree of public delight at Japan's excellent performance in sports and other activities



Note: Degree of delight felt when Japan's national teams or national team members perform well on the international stage is set as the median and the distance from the median indicates the degree of public delight.
Source: "Questionnaire on social value of sports" conducted by NRI in July 2008

Table: List of company-owned sports clubs suspended or folded since October 2008

Type of sport	Name of company
Baseball	Nissan Motor Company, TDK
Softball	Panasonic Electric Works, TOETECK, Leopalace 21
Football	Tasaki Shinju, TDK
Volleyball	Takefuji, NEC
Handball	Honda Motor Company
Rugby	World, Secom
American football	Onward Kashiyama
Tennis	Ebara Corporation,MIKI Corporation
Ice hockey	Seibu Prince Hotel
Motor sports	Honda Motor Company(F1), Fuji Heavy Industries, Suzuki Motor (WRC), Mitsubishi Motors (Dakar Rally), Daihatsu Motor (JRC, etc.), Kawasaki Heavy Industries (Motorcycles, MotoGP)
Track and field	Phiten, Nissan Motor Company
Table tennis	Nissan Motor Company

Source: Prepared by NRI based on corporate news releases, etc.

3. Focusing on Effective Support Activities for Sports

1) The role of sports in society and people

In order to overcome this situation, close communication and cooperation between the sporting world and companies is required. The sporting world, including sports associations, will be required to explain the operational advantages of providing support activities for sports to companies and to actively attempt to address corporate requests. On the other hand, companies also have to clarify the meaning and purpose of their support activities for sports and make efforts to find the most cost-effective methods.

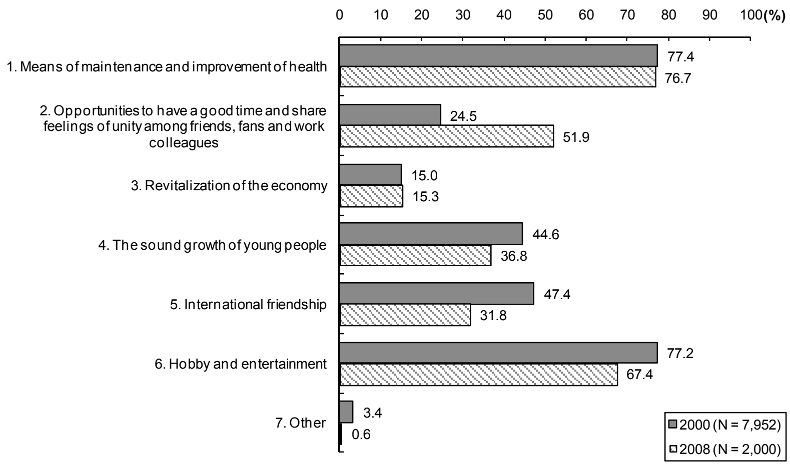
NRI conducted another survey in 2000, similar to the aforementioned questionnaire and the two surveys indicated that society and people have always regarded sports mainly as a means of the maintenance and improvement of health or for the purpose of fun and entertainment. However, it is notable that the percentage of people who recognize sports as an opportunity to have a good time and share feelings of unity among friends, fans and work colleagues greatly increased from 2000 to 2008. This proves that the value of sports is again appreciated in modern society, in which the weakening of loyalty to and among organizations is often highlighted.

2) For the effective use of support for sports

Companies provide support for sports for (1) the improvement of the visibility and image of the company and its products, (2) promoting interaction with other companies and using sports as an effective tool when entertaining clients, (3) boosting employee motivation and providing benefits and (4) making a social and regional contribution. The "Questionnaire on social value of sports" results suggest that it will be effective to use support activities for sports in the future as a means of rebuilding loyalty to and among organizations. For example, inside the company, active transmission of information to employees about the company's support activities for sports – while encouraging them to participate in the support activities – is expected to improve employee motivation and enhance the capability of communication among employees. With respect to outside the company, by not only providing support for sporting events or having sports clubs, but by also providing opportunities through support activities where the club members and fans can interact with each other, it is expected that society's loyalty to the company will be further enhanced. Companies are advised to study these methods and seek better use of support activities for sports as an effective management strategy.

If the efforts described above are properly made, companies can secure the funds to invest in sports, which will help prevent the international competitiveness of sports from deteriorating. Furthermore, it is also expected that opportunities for Japanese people – who highly value sports – to feel a sense of delight, will be steadily created in the future.

Figure 2. The role of sports in society and people



Source: "Questionnaire on the public awareness of corporate sports" conducted by NRI in November 2000 and "Questionnaire on social value of sports" conducted by NRI in July 2008

Japanese Traveling Trends after Revision of Expressway Tolls

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1. Outline of Expressway Toll Revisions

A new expressway toll system (a maximum rate of 1,000 yen on holidays) was implemented for two years from March 2009. Social experiments on toll-free expressways also started on 50 sections of 37 expressways across Japan on June 28, 2010.

If some travel costs are made a flat fee or eliminated altogether and the total cost is essentially reduced, traveler awareness can be expected to change. Meanwhile, the toll revisions do not directly benefit those who dislike traveling in the first place or dislike going out by car or those who don't have a driver's license, but even such people are assumed to be indirectly affected, being inspired by the people around them that choose to actively travel by car and felt reluctant to visit tourist spots thinking that they are crowded, for example.

This article examines changes in the Japanese awareness about traveling[1] caused by the revision of expressway tolls (toll discount) and summarizes proposals to travel service providers that have been affected.

2. Awareness Change Caused by Expressway Toll Revisions

1) Hypotheses of patterns in decision making on travel plans

Even if it sounds simple, "Japanese awareness of traveling" greatly varies by individual taste and environment. To sort out the influence of the toll revisions over Japanese awareness of traveling and make it easy to understand, this article focuses on the decision-making structure concerning travel behaviors and select destination, means of transportation and cost (see Figure 1) as the elements that influence decision-making.

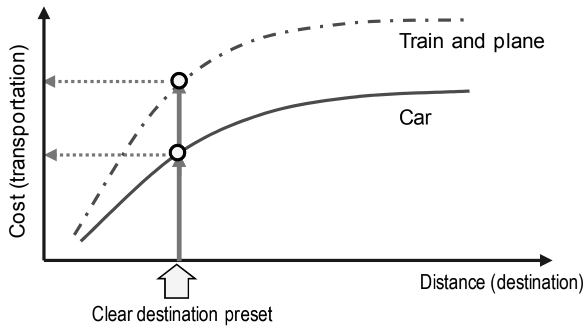
Before traveling, people generally either (1) have a specific destination in mind from the beginning and select a means of transportation to get there (see Pattern 1 of Figure 1) or (2) explore and decide an appropriate destination based on a rough idea (primarily how far they would travel) considering means of transportation and cost (see Pattern 2 of Figure 1).

The recent toll revisions, however, may have added a new pattern to this conventional decision-making structure. That is the pattern where people "choose a destination" from tourist spots based on how much money they can "save" by driving there on the expressway (longer than the distance that would cost more than 1,000 yen on a weekday) and how long they can travel and stay (see Figure 2).

[1] In this report, "traveling" refers to "traveling for leisure."

Figure 1. Previous patterns of decision making on travel plans

Pattern 1. Select a destination first and select means of transportation



Pattern 2. Explore and decide a destination by comparing costs

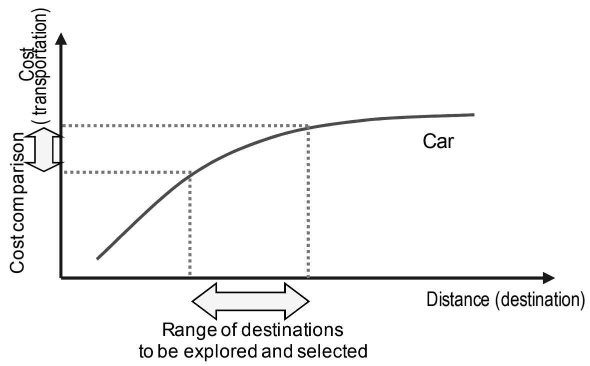
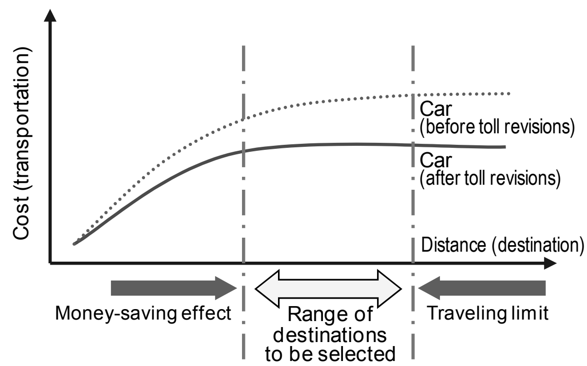


Figure 2. New pattern of decision making on travel plans

Pattern 3. Choose a destination based on "how much money can be saved" by expressway toll discounts and traveling limit



2) Influence over the selection of travel destinations

According to a survey conducted by the “Research Group on the Reduction of Expressway Tolls” (secretariat of the Institute of Transportation Economics and NRI, hereafter “research group”) in 2009, the zone traveled to became farther among tourists that used expressways even before the toll revisions, reflecting their intention to make the most of the new toll system that set “the maximum toll at 1,000 yen regardless of distance traveled” (see Table). In addition, according to the results of the research group’s interviews, visitor numbers to “places easily accessible from expressways (such as Karuizawa and Nasu) and places with larger toll discounts (such as Shikoku and Chiba)” are increasing compared with the situation before the toll revisions.

Based on these circumstances, it can be considered that the toll revisions caused tourists to change their destinations, exposing a new pattern of decision-making, specifically “destinations are selected based on how much money can be saved by toll discounts and how far can be traveled.”

Table: Changes in traveled distance after expressway toll revisions

(%)

Distance actually traveled \ Assumption of traveled distance “if tolls were not revised”	0-100 km	101 -200	201 -300	301 -400	401 -500	501-	Total
0-100 km	100	–	–	–	–	–	100
101-200	*3*	97	–	–	–	–	100
201-300	*4*	*3*	93	–	–	–	100
301-400	*3*	*4*	*1*	92	–	–	100
401-500	*3*	*3*	*1*	*4*	90	–	100
501-	*2*	*3*	*3*	*3*	*3*	86	100

Note: Italics: Rate of people who actually traveled longer than assumption

Source: Report by the “Research Group on the Reduction of Expressway Tolls” (2009)

3) Newly induced tourists

In the research group’s report, of the people who have traveled on Saturdays, Sundays and other holidays using expressways after the implementation of the toll revisions, 24% said they “started traveling because of the toll revisions.”

These “induced tourists” would not have traveled if expressway tolls had not been lowered and, in other words, do not specifically like traveling (they also value other activities in their leisure time). The revision of expressway tolls can be said to have changed such people’s views.

4) Influence over the selection of means of transportation

As for the selection of means of transportation, the impact of the toll revisions seems more obvious as the time and cost required for travel can be easily compared. The research group also reported a shift from other means of transportation to the use of expressways (cars). According to the report, tourists that shifted from the use of general roads, trains, buses and airplanes to expressways accounted for 8.4, 2.2, 0.4 and 0.3% of all tourists, respectively.

Including coastal ferries, many other means of transportation are also heavily impacted by the toll revisions. When tourists select a means of transportation by comparing and examining cost and utility, a certain percentage of tourists previously selected coastal ferries as their fares are low, although it generally takes longer than by car. Due to the toll revisions, however, using expressways became more beneficial both in terms of cost and utility in many cases, accelerating the shift of users to expressways. Although coastal ferry operators are lowering fares and implementing promotional campaigns, some operators have chosen to reduce services and abandon routes.

3. Measures for Travel Service Providers

All of these changes in the Japanese style of traveling I have summarized above can be seen in the future as long as expressway tolls remain revised. Moreover, if the revision of expressway tolls is further accelerated, the tendency to select destinations and travel purposes based on the use of expressways is expected to strengthen further. Consequently, it is quite likely that means of transportation and destinations that would be adversely affected will find it extremely difficult to survive.

To survive under these circumstances, travel service providers that would be adversely affected need to respond to changes in Japanese awareness of traveling and offer new services. Coastal ferries, for example, need to consider leveraging the increasing use of expressways on Honshu and Shikoku to increase ferry users by proposing a form of traveling that uses expressways in Honshu, ferries from Honshu to Shikoku and expressways in Shikoku, while establishing infrastructure and services[2] that increase the attraction of overall traveling at the same time.

If the popularity of a certain means of transportation or the places connected to that means of transportation increase rapidly, both travel service providers and tourists might benefit in the short run. Such a situation will lead to fewer options for travel plans, however, resulting in less attractive travel overall. To avoid a situation like this, I believe it is essential for related service providers to make efforts and for the government to support those efforts.

[2] Programming car navigation systems to include ferry routes and establishing services and fare systems for ferries to be used as rest areas and parking space can be considered, for example.
Reference: Report by the “Research Group on the Reduction of Expressway Tolls,” the research group’s secretariat and November 2009 issue of “Unyu to Keizai (Transportation and Economy)”

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