

## Japanese Senior Tourists – An Untapped Potential in Thailand's Tourism Industry

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### Abstract

The senior tourist market has recently gained more and more attention from tourism suppliers due to its high potential for market expansion. The phenomenon of an ageing society has been taking place in many leading industrial nations around the world, including Japan. The senior Japanese tourist market should be studied more in-depth for a vast number of reasons. This article recommends that Thailand should explore this as yet untapped and high potential tourism niche market for the benefit of Thailand's entire tourism industry.

Key words: Japanese senior tourists, Untapped potential

### 1. Introduction

Coltman (1989: 2-3, 4, and 19-22) stated that travel is the common thread in most descriptions of tourism. It is linked closely to time availability in attracting potential tourists. In general, younger and older people have the most discretionary time, since working people may have blocks of free time only during annual vacations or on weekends due mainly to their career and family care-taking responsibilities. When defining tourism, 4 stakeholders may be broadly identified: the tourists, the suppliers, the government of the destination country, and the local residents of the tourist destination. Tourism can be perceived as the interrelationships arising from the interaction of these 4 groups in the process of attracting and catering to tourists. The term tourist encompasses a variety of individuals with different motives and objectives for their travels and includes vacationers, businesspeople and convention delegates. A tourist destination can be described as an area which combines a number of features attractive to tourists such as natural beauty, historical interest and cultural heritage for example.

Mass travel has its origins in period after the Second World War, when family incomes began to rise, weekly working hours were shortened, and much of the drudgery associated with work began to decline. The three R's, namely, rest, relaxation, and recuperation, became possible almost year-round. Availability of automobiles, highways, airplanes, motels, restaurants, campgrounds, attractions, entertainment centers, and souvenir and gift shops, all contributed to the growth of global mass tourism. With the mixed blend of tourism, recreation, and people's increasingly free lifestyles, it is expected that tourism growth will continue due to a number of reasons. First is the changing global population trend wherein a declining birth rate has led to a decline in childbearing responsibility. This in turn has led to an increase in disposable incomes for people of working age which may be spent on travel. Second is the observation that 50% of all person trips are by people between 25 and 55 years of age. Third is the increase of women entering the workforce. These working women are able to significantly contribute to the disposable income of their families,

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which may be spent on vacations. Fourth is the relative decline in costs of travel which both allows and attracts more people to travel and to travel further and more frequently. Lastly, better education has led to people yearning for more knowledge which can be satisfied through travel.

Perhaps the most important factor for the continued growth in tourism is the change in global demographics. The major population segment that is growing is the over 55 market. These people have more disposable income as they are free from family care-taking responsibilities. Moreover upon ending their careers they have a great deal of free time. On a per capita basis they spend more and stay longer in their destination than any other population segment. They are retirees with pensions arranged to allow a constant income for the rest of their retirement life. They could represent a large new market if the right communication channels are created to reach them and provided that suitable tourism products are made available. This segment is, in fact, a vast untapped niche market with great potential. The senior tourist market segment has special needs and wants related to age. It is these needs and wants that one has to look at closely if one wants to successfully tap into this expanding market segment.

Japan, as one of the leading industrial nations in the world, is currently facing the phenomenon of an ageing society and the problems that entails. The population structure in Japan has undergone a huge change. The average annual population growth rate in Japan is declining and there has been a shift in the distribution of the population among the 3 major age groups (0-14 years, 15-59 years, and 60 years and upwards), resulting in a greater number of Japanese senior citizens (Population Division, 2001: 286-287). Japanese seniors are fond of traveling overseas when taking advantage of their discretionary time. Thailand has been one of Japanese tourists' favorite destination countries for overseas travel. Japanese seniors are readily equipped with a steady income from the pension fund provided by their government, thus enabling them to spend part of their retirement life comfortably in the country of their interest. Although Japanese senior tourists represent a large new market for Thailand's tourism industry, there have been only a few serious studies conducted to learn more about this market segment. In fact, this segment is unique in terms of its needs and therefore, should Thailand want to be successful in attracting and catering to this market, it is required that Thailand put effort into exploring this old age group market. This is complementary to and not in conflict with serving other age groups in the current mass tourism market.

This paper's aim is to motivate an in-depth study of the senior Japanese tourist market for the benefit of Thailand's tourism industry. There are 5 divisions in this paper: first is the theory of demographic transition, second is a summary of population structural change in Japan, third is a description of niche market targeting as part of wider market targeting strategies, fourth is an examination of the preferences of senior Japanese tourists, and finally is a summary of conclusions and recommendations.

## **2. The theory of demographic transition**

Prasartkul (2000: 34-37) cited Thompson, Blacker, and Notestein when he described the theory of demographic transition. The demographic transition theory referred to the experiences of western countries, especially those in Europe, during a period of population structure change. It is believed that the demographic transition theory developed can be applied to other countries around the globe.

Warren S. Thompson, in his 1929 book on "Population", divided the world into 3 categories which corresponded to the steps of change in birth and death rates as follows:

- (1) countries with rapidly declining birth and death rates which brought about a reduction in population growth rate;
- (2) countries with declining death and birth rates in some population groups created a faster decline in death rate than birth rate. As a result, there might be a stable population growth rate or some small increase of population growth rate in place;
- (3) countries with natural birth and natural death rates with no control or with little control, signaled that the death rate would be declining faster than the birth rate and, thus, the future trend for population growth would be rapidly increasing.

C.P. Blacker, in his 1947 book on "Stage in Population Growth", divided the evolution of population change into 5 steps:

- (1) a stage of stable population growth rate occurs when the level of birth rate and death rate are equally high;
- (2) a primary phase of initial population growth takes place when the birth rate is high and the previous death rate was lowered;
- (3) a secondary phase of population growth occurs when the birth rate is lowered while death rate is lowered even more;
- (4) a second stage of stable population growth takes place when the level of birth rate is low and is balanced by a low death rate;
- (5) a declining population occurs when the death rate is low while the birth rate is even lower.

Frank W. Notestein, in his 1953 book on "Economic Problems of Population Change", explained the phenomenon of population increase in the European continent at the time. The evolution started first with the lowering of the death rate. Once the society became more modern with a better standard of living and with more advances in disease control, there was a directly related lowering of the death rate. The response of society in terms of fertility behavior was slower than the change in the death rate. However, in the end, a decline in fertility took place which balanced the lowered death rate. The birth rate was additionally lowered by the widespread use of contraceptive methods. The increasing urbanization of society led to people having higher expectations in life. As a result, people adjusted their behavior in terms of childbearing in order to realize these expectations. Depopulation initially began in urban areas but eventually spread to encompass the whole of society. Notestein divided the evolution of population change into 3 steps:

- (1) countries which have undergone their "transition period" have a decline in their population. For instance, the case of the United States of America, some European countries, and Australia.
- (2) countries which have undergone "transition period" are, for instance, Russia, Japan, and some countries in South America. These countries have a high growth rate with a lower birth rate
- (3) countries which have not yet undergone a "transition period". For instance, the majority of countries in Africa, Asia, and South America. The populations in these countries still exhibit high birth rates with no signs of decline. At the same time, their population death rate, which used to be high, has started to decline rapidly and thus, their population has a very high growth rate.

Notestein was confident that the demographic transition theory experienced in European countries could be applied to other countries in other continents.

Some experts believe that the demographic transition theory is simply an explanation for historical events that have taken place in European countries. The purpose is to interpret the changing point in population evolution and to demonstrate the factors which have impacted on elements of population increase. In their judgment, demographic transition theory is merely a concept which describes the relationship system between various factors and the population change phenomenon. It could not be applied for the prediction of population change in other countries. However, Prasartkul himself believed that the demographic transition theory has been widely understood and has been well accepted as a theory which can help project population trends clearly.

Beaver (1975:4) found that there was a decline in birth rate in Japan at the end of 19<sup>th</sup> century. In 1875, the birth rate in Japan was still high, but after advances were made in socioeconomics, it experienced a decline in both death and birth rates. During the decade 1920-1930, real per capita income in Japan increased by 3.4 % per annum on average. The expected average life span of Japanese women increased by 23.3 years, from 48.2 to 71.5 years, during the period 1930-1940, and again during the period 1960-1964. Moreover, between 1920 and 1960, the crude birth rate was reduced by 0.44% on average. Therefore, Beaver confirmed that Japan's experience in of population structure change supported the demographic transition theory as stated above.

#### Population structure change in Japan

From the study of the Population Division, DESA, United Nations (Population Division, 2001: 286-287), it is known that the number of elderly Japanese has been increasing at a rapid rate. The Japanese population's median age is as high as 41 years, while that of Yemen is only 15 years. Japan is one of the leading industrial nations which are facing the unprecedented phenomenon of the Ageing Society. It is estimated that the year 2050 will be the first time ever in world history that the elderly will outnumber those in childhood. Considering the age dependency ratio of old age to adult age, the ratio will be higher than that of childhood to adult age. This implies that the Japanese population aged 60 years and up will depend on those between 15-59 years of age (adult age) more than those in childhood (0-14 years). Simultaneously, the number of Japanese of adult age who are capable of being responsible for all of the population over 60 years old (potential support ratio) will continue to decrease as a result of declining birth rates. In addition, the parental support ratio of the Japanese population aged 50-64 years towards those over 85 years old will be heightened due to the increasing longevity of Japanese elders, as detailed in Table 1.

Table 1 Changes in population structure in Japan

Year	0-14 years old (%)	15-59 years old (%)	60 years old and up (%)	Median age	Age Dependency Ratio (whole)	Childhood	Ageing	Potential Support Ratio	Parental Support ratio
1950	35.4	56.9	7.7	22.3	67.8	59.5	8.3	12.1	1.5
1975	24.3	64.0	11.7	30.4	47.5	35.8	11.6	8.6	2.6
2000	14.7	62.1	23.2	41.2	46.8	21.6	25.2	4.0	8.1
2020	12.1	52.8	35.1	50.0	69.6	20.5	49.0	2.0	27.7
2050	12.5	45.2	42.3	53.1	95.8	24.5	71.3	1.4	56.0

### **Niche marketing as one of target marketing strategies**

Kotler and Armstrong (2004:253-254) defined niche or concentrated marketing as a market-coverage strategy in which a firm goes after a large share of one or a few segments or niches. In accordance with the old adage "one size does not fit all", different niches have different needs, wants, and demands of their own. Although, niche marketing intends to cover only one or a few segments, they are the segments within which needs are responded to most thoroughly. Through niche marketing, a firm achieves a strong market position because of its greater knowledge of the needs of the niche consumers it serves and the special reputation it acquires. It can market more effectively by fine-tuning its products, prices, and programs to the needs of carefully selected segments and by targeting its products or services, channels, and communication programs toward only consumers that it can serve best and most profitably. In this way, a firm can plan its marketing strategy more accurately and thus be able to predict its incomes in a more realistic manner.

In the case of Thailand, the Tourism Authority of Thailand (TAT) has been solely responsible for Thailand's tourism industry since 1960. TAT has chosen to focus on Japanese pensioner tourist market by taking into consideration the three factors of market segment evaluation, namely: segment size and growth, segment structural attractiveness, and Thailand's objectives and resources compared to its competitors for long stay tourism. Several factors have motivated TAT to make this decision. First is the expansion and growth of the market segment resulting from an increasingly ageing society in Japan. Second is the segment structural attractiveness since Japanese seniors have a steady income from their government provided pension fund. The exact level of income depends on the individual's past working background. The last factor is Thailand's objectives and resources for the senior tourist market as compared to its competitors. Tourism revenue is important for Thailand due to its impact on country's gross domestic product and local employment. TAT supports a variety of tourism campaigns in order to attract international tourists' attention. This support ranges from catering to the needs of mass tourism and to those of the MICE market (meeting, incentive, conference, and exhibition), to organizing events such as the grand music festivals in Pattaya and Bangkok. Thailand's resources for the senior tourist market compare very favorably with other competing countries. Thailand offers a full range of resources. It boasts a variety of geographic sites with natural surroundings suitable for a long-term stay. It has an abundant food supply and a unique cuisine which tourists find both exotic and delicious. There are high quality medical resources available, as well as a plethora of local cultures in each regional area of the country.

### **Preferences of senior Japanese tourists**

The research conducted by the Thai Professional Association in Japan (1997: 7.1-7.5) found that Japanese retirees would like to spend their time in a valuable and meaningful manner. They want to lead a happy and relaxed life style by traveling to foreign lands of their interest and to experience traditional ways of living. Since they are free from their career and family care-taking responsibilities, they have abundant free time to travel to developing countries in order to spend time with the locals. After a

long, hard working period, their second life offers them a chance to gain new experiences.

The research conducted by the Faculty of Commerce and Accountancy, Thammasat University (2002: iii-viii and 83-96), found that most senior tourists, including those from European countries, the United States of America, as well as from Japan, would like to stay long-term in Thailand. They are attracted by Thailand's variety of geographic sites, harmonized culture, warm climate, tasty food, reasonable standard of living, and most importantly, Siam's unique smile. The majority of senior tourists want to visit Thailand during the months of November-March. Westerners prefer to stay around the seaside area, but many also enjoy traveling to the mountainous and urban areas. Japanese senior tourists in contrast like to stay only in urban areas such as Bangkok or major cities in the provinces. As regards accommodation, Westerners prefer to stay in hotels, followed by apartments, guest houses, and resorts. Japanese senior tourists mostly prefer to stay at guest houses and apartments. Westerners like to go sightseeing while visiting Thailand, while Japanese senior tourists like to play golf and to do some gardening. Out of the total Westerners under study, 70% of them do not want to stay in a group while traveling. On the contrary, more than 60% of Japanese senior tourists under study want to stay with their own group.

The research conducted by Acorn-Omnitrak Marketing and Research Consultants Co., Ltd (1994: 1-17) stated that senior tourists from Australia, the United States of America, European countries, as well as from Japan, are more financially sound than the tourists in other age groups. They have more discretionary time as they are free from their career responsibilities. Senior tourists over 65 years of age are limited in the amount of adventurous travel they may do and thus, they want a simple and relaxing trip. They do not care much for shopping as they are not of an age where trends and fashion play a key role in their lives. Senior tourists need more care than tourists in other age groups. They are less affected by their peer groups and are less materialistic. They have more of their own individuality and exhibit more prudent behavior when they are in this stage of life. They care less about the pricing of goods or services offered and exhibit more sophistication when determining their own values. Senior tourists' acknowledgement is more compromised and more flexible. Of senior tourists under study, 92% were interested in visiting Bangkok, the rest were interested in visiting Pattaya and Chiangmai. This research also recommended that Thailand should conduct an in-depth study of the senior tourist market due to its potential for substantial expansion.

### Conclusions and Recommendations

A number of reasons have been discussed which genuinely support the argument that the senior tourist market, in particular the Japanese senior tourist market, will soon become a large new market for Thailand's tourism industry. First, Japanese seniors are increasing in number every year due to the population structure change in Japan. Second, senior tourists have substantial discretionary time due to the fact that they have completed their career and family care-taking responsibilities. Third, senior tourists are financially stable due to their steady pension income. Fourth, senior tourists are well educated and want to learn more about local ways of living in the selected country of their interest. Fifth, the country level relationship between Japan and Thailand has historically been a good one and, therefore, Thailand has been one of the preferred destination countries for Japanese tourists both for short-term and for long-term stays. Sixth, Thailand offers a full range of resources which Japanese senior

tourists are fond of, such as a variety of geographic sites, exotic food, standardized medical resources, as well as locally abundant culture combined with the Thai people's unique hospitality.

Although the Japanese senior tourist market is a large new market for Thailand's tourism industry, it is currently an untapped market segment. It has its own unique needs, wants, and demands and if Thailand wants to successfully develop it to its full potential, Thailand needs to employ the concept of niche market targeting (Kotler and Armstrong, 2004:253-254). The key aspect of the core marketing concept is the importance of learning about the needs of Japanese senior tourists, by linking together (and indeed, each concept builds on the one before it) identification of the needs, wants, and demands of the customers; marketing offers (through products, services, and experiences); customer value and satisfaction; exchange, transactions, and relationships; and markets. Although much work needs to be done in order to respond to the true needs of this market, it is worth exploring as it will ultimately benefit Thailand's tourism industry.

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