

## J-WING TRAVEL

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#### **\*HIS to revise its business model under a new young leadership**

HIS has decided to promote Managing Director Akira Hirabayashi (40 years old) to President as of April 1 this year. President Yoshio Suzuki and Executive Managing Director Kazumasa Namekata will become executive advisors. Chairman Hideo Sawada will remain in his post.

Sawada said of the switch of presidency, "It has passed 28 years since HIS began dealing with discounted air tickets for individual travelers. Now time is largely changing. It is time for HIS to change to a travel company to compete with new systems. In preparation for globalization coming a few years later,

we need a young leadership."

Hirabayashi said, "I think it is necessary to revise conventional business models thoroughly and to make up new business models. The most important thing is to provide our customers with the best services. I believe that is our base for the future growth." However, the outbound FIT continues being a core business for HIS, Hirabayashi emphasized.

He also revealed that he would try to make an organization with speedier decision-making and smoother communications by taking advantage of young powers, like when HIS was born. I want to change the decision-making style from top-down today to matrix."

Hirabayashi pointed out that the biggest issue for HIS is the Internet-related business. "Internet has a versatile tool, such as booking, collection of information, communication among customers or in an organization or local supports. We have to think carefully how we can blend Internet with retail shops," he added.

Hirabayashi also said of the today's business environment, "I feel that the border between the travel industry and the information industry is gradually losing. The travel industry has a basic business model to purchase air tickets or hotels and collect commissions by selling those items. However, today we have to compete with even the information industry with a different business model from ours."

Sawada explained that HIS would develop the business globally under the Hirabayashi's leadership. "Asia is a big market with some 100 million potential travelers. It is kind of Age of Geographical Discovery in Asia," he added. He pointed out that it would be probable for HIS to have more sales of travel businesses in foreign countries, such as products departing from foreign countries or of trilateral travels, than sales of the outbound travel business from Japan ten years later. Sawada recognizes that the Japan market no longer achieves a double-digit growth yearly, as it is already matured.

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## **\*Club Med is developing a new campaign "Happiness" this year**

Club Med is accelerating its upscale strategy and strengthening business approaches into the wealthy market by developing a new campaign "Where Happiness Means the World" worldwide this year. For the Japan market, with a subtitle of "Club Med is full of happiness," the resort vacation provider will begin renewing its pamphlets for the first half of FY2008 in late March.

Club Med Asia Pacific President & CEO, Caroline Puechoultres, said at an interview with the Wing Travel Weekly, "We regard 6 million wealthy Japanese as a potential target in Japan. Through the new campaign, Club Med will demonstrate its high-end strategy, providing different services from other luxury accommodations."

According to the upscale strategy, Club Med has invested 1 billion euro (160 billion yen approximately) in total to upgrade its properties in the world or 40 million euro (6,400 million yen approximately) to renovate its facilities in Asia Pacific regions for the last five years. Puechoultres said with confidence, "Club Med is now providing customers with the same grade accommodations as other luxury hotels."

Club Med will continue active investments to opening of new resorts or renovation of existing properties. Puechoultres revealed that Club Med is discussing opening of one or two resorts in Japan for the next five years. "We place Japan as a leader of ski resorts in Asia Pacific region," she added. Club Med plans to establish five ski resorts in Asia, including China and Korea.

Also, Club Med will expand its business in Vietnam, India, Cambodia, Philippine or Fiji.

Club Med succeeded in more than 20% increase of sales in Japan market in 2007 compared to 2006. Puechoultres said, "We may have a hard time in 2008 when we look at the current trend of the outbound market of Japan. That's why we have to target high-end customers. "Club Med expects to deal with around 100,000 Japanese customers in 2008, almost the same as 2007.

Puechoultres said, "I believe our all-inclusive system and upgraded facilities attract Japanese baby boomers' interests. We will offer a long stay program to boost the senior market and make effort to expand the senior market as the third core market following family and honeymooner."

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### **\*VJC aims at 9.15 million foreign visitors in 2008**

Visit Japan Campaign (VJC) Headquarters announced on March 6 that it aims at 9.15 million foreign visitors in 2008, 9.6% more than 8.35 million foreign visitors in 2007. VJC has a final goal to accept 10 million foreign visitors in 2010.

VJC decides particular goals and actions for each of 12 focal markets. For Korea, a main target is 20's to 30's. Take advantage of "Japan-Korea Tourism Exchange Year" events through this year, VJC will develop promotions in the period from summer to winter.

For Taiwan, VJC targets 20's to 30's female travelers. It is proposing Fly & Drive in Japan to FIT particularly. For China, targets are wealthy travelers in Beijing, Shanghai or Guangdong Province and newly emerging middle-class travelers. For Hong Kong, VJC targets 20's to 30's female travelers and family travelers, for whom it is appealing shopping, Japanese foods or change of four seasons.

In the Thailand market, VJC is focusing on wealthy travelers living in Bangkok mainly and also is exploiting demand of family travelers as well. Targets in Singapore are 20's to 30's singles and 30's to 40's family travelers. Also VJC is making efforts to attract school trips of Singapore to Japan in cooperation with Education Ministry of Singapore.

For the US market, main targets are highly-educated travelers, wealthy travelers, over 45 years old travelers or travelers living in major cities. Also, young travelers and Asian Americans are regarded as sub-targets. A

promotion theme is tradition of Japan. At the same time, VJC is strengthening joint promotions with the related airlines.

For Canada, VJC targets the same segments as those in the US market, appealing experience-style travels especially. Also, it is developing a joint campaign with Flight Center, the largest travel retailer of Canada.

For Australia, VJC is making efforts to increase skiers, introducing new ski resorts in Tohoku area in addition to Hokkaido or Nagano.

In Europe, VJC defines UK, France and Germany as three focal markets. A common promotional theme for the three countries is "Cool Japan ? Fusion with Tradition." For France, featuring "Japan-France Tourism Exchange Year" in 2008, VJC emphasizes Kanazawa City, Koyasan in Wakayama Prefecture, Kagawa Prefecture and Miyazima in Hiroshima Prefecture as new destinations with themes of traditional cultures, Japanese foods, healing or health.

For UK, skiers, including snowboarders, are regarded as potential targets. Also, Japanese foods are featured, as those are preferred very much in UK.

For Germany, VJC will join educational programs for local travel agencies to let them know more about Japan. One of the actions is to invite major travel agencies, such as TUI or Thomas Cook, to help them create new travel products for Japan.

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### **\*JAL to revise upward its financial goals under a new revival plan**

JAL revealed that it has revised upward goals of operating income and ordinary income for FY2010 from 88 billion yen in the last year's plan to 96 billion yen and from 58 billion yen in the last year's plan to 74 billion yen, when it announced its midterm revival plan for FY2008-FY2010 on February 29 this year. At the same time, JAL aims to increase its cash flow to 736 billion yen, adding 25 billion yen, to improve Debt Equity Ratio from 2.2 in

the last year's plan to 1.1 and capital adequacy ratio from 19.0% in the last year's plan to 30.0% under the new revival plan.

To accomplish the goals, JAL will make efforts to ensure a total of 153.5 billion yen from 14 companies through allocation of new shares to a third party, to cut labor cost and to introduce more efficient aircraft such as B787.

For higher productivity, the JAL Group, as a whole, will reduce its employees from 53,100 at the end of FY2006 to 48,800 by the end of FY2008 and will cut consolidated labor cost of 50 billion yen after FY2008. Furthermore, by reviewing the wage system, JAL will continue to reduce personnel costs, resulting in a reduction in costs of 10 billion yen on a yearly basis.

For the fleet plan, JAL will introduce 65 new aircraft and retire 46 aging aircraft under the new revival plan. According to the plan, the fleet will increase from 272 aircraft at the end of FY2007 to 291 by the end of FY2010. Also, it tries to increase the ratio of fuel-efficient aircraft from 25% today to 50% by the end of FY2010 on international flights and from 20% today to 41% by the end of FY2010 on domestic flights.

All of B747s will be retired by the end of FY2009. The fleet for international flight operations will consist of 12% for small-sized aircraft (5% today), 50% for middle-sized aircraft (44% today) and 38% for large-sized aircraft (52% today). The fleet for domestic flight operations will consist of 62% for small-sized aircraft (61% today), 31% for middle-sized aircraft (the same as today) and 7% for large-sized aircraft (9% today).

Also, JAL will further downsize seat availability per flight from 303 seats today to 259 seats on international flights by the end of FY2010 and from 191 seats today to 180 seats on domestic flights by the end of FY2010.

JAL will take advantage of its group members, as JAL ways and JAL Express, which are regarded as a low-cost carrier of the group, increase their international flight operations from 25% today to 38% of all international flight operations in FY2010. In the domestic flight market, flight operations by J-Air and JAL Express will increase from 25% today to 41% of all

domestic flights in FY2010.

JAL Express (JEX) currently serves domestic Japan routes, but in FY2009 will start operating 737-800 aircraft on international routes, primarily China. JAL Ways will expand its operations to business-oriented routes for Asia in addition to leisure-oriented routes today. J-AIR operates CRJ regional jets in Japan and its operations will expand with the introduction of Embraer 170 to the JAL fleet in FY2008.

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**\*JAL expects to serve more international charters through FY2007 than the initial goal**

JAL forecasts that its international charter flights, except Haneda-Gimpo and Hongqiao regular charters, will reach 910 to 930 through FY2007, more than the initial goal of 800, and at the same time JAL expects to ensure 10% more revenue of the business than the initial goal of 10 billion yen. For FY2008, it aims to serve more international charter flights than FY2007 and to increase revenue by around 10% compared to FY2007.

The large growth results from increase of two-ways charter operations to meet inbound demands from Korea and Hong Kong particularly. Products using late night and early morning charters from Incheon (Seoul) to Haneda, for example, are preferred by Korean tourists who visit Tokyo in the weekend. Also, JAL serves charter flights from Hong Kong every weekend during the period from February to March this year.

In addition to charters from Korea and Hong Kong, JAL served charters from Singapore in FY2007 and is planning to serve two-ways charters between Taipei and Haneda in FY2008.

For FY2008, JAL plans to increase international charters during the latter half, focusing on middle or short-haul charters taking advantage of domestic flight aircraft available during midnight. For midnight charter flight services, JAL

will take advantage of 24 hours airport, such as Kitakyushu Airport, in addition to Haneda Airport.

Also, JAL is positive about serving more international charters from Haneda to resort destinations, such as Micronesia or Hawaii, to meet outbound tourist demands in the Tokyo Metropolitan area particularly, appealing easy-to-access to Haneda even after finishing daily works.

JAL will try to expand the long-haul charter market by continuing serving charters to Croatia, Czech or Hungary and serving charters from local cities of Japan as well. The main purpose is to satisfy baby boomers who want to fly to such Europe destinations directly.

Charter products for Alaska are still important for JAL. JAL has started offering charter products between Narita and Anchorage every summer since 2003. Last year, the services were shifted from the period from June to August to the period from July to September to give a chance to observe aurora. This year, JAL will offer a charter product including cruise between Vancouver and Anchorage. Also, if approved, JAL hopes to sell air tickets only for Anchorage charter flights, according to the new ITC charter rule (It is possible for an airline to sell up to 50% seats of all available seats directly).

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**\*ANA carried 4.1% more international flight passengers in January this year**

ANA reported on March 5 that the Group, including Air Nippon (ANK), carried 372,240 passengers on its international flight routes in January this year, 4.1% more than the same month last year. ASK and RPK increased by 0.5% and by 3.8% respectively. The monthly load factor on international flights was 71.7%, lower than 72.5% in December 2007.

Passenger results by flight destination are as follows:

North America = 80,706 passengers (down 3.4%)/load factor of 77.8%

Europe = 41,294 passengers (up 0.9%)/load factor of 77.9%

Asia and Oceania = 250,240 passengers (up 7.3%)/load factor of 63.6%  
The number of domestic flight passengers in January this year was down 3.3% to 3,189,923 over the same month last year. ASK and RPK reduced by 0.2% and 2.5% respectively, and the monthly load factor was 55.2%, lower than 58.4% in December 2007.

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### **\*Narita reduced Japanese international flight passengers in January**

Narita International Airport Co. (NAA) recently reported that the number of passengers in January this year was 2,893,627, almost the same as January last year. On international flights, the airport decreased Japanese passengers by 5% to 1,483,003, however largely increased foreign passengers by 13% to 743,001. Transits decreased by 2% to 569,796.

Passenger growths were found on Asia flights (up 2%), China flights (up 6%) and Taiwan flights (up 9%). Passengers on Europe and Oceania flights were almost the same as a year ago, however those on other flight destinations resulted in year-on-year reductions.

The number of domestic flight passengers in January this year was down 1% to 97,827 over the same month last year.

Narita handled 16,116 aircraft take-offs and landings in January this year, 1% less than a year ago, resulting in the first year-on-year reduction since June 2006. The monthly reduction mainly resulted from 14% reduction of Hong Kong flights.

The NAA survey shows that the number of passengers on scheduled flights between Narita and Pudong of Shanghai in January this year was down 10% to 43,300 compared to a year ago, while the number of passengers on charter flights between Haneda and Hongqiao of Shanghai in January this year was 17,000 approximately.

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## **\*Kansai continued reducing Japanese passengers in January**

Kansai International Airport Co. reported on March 3 that the number of Japanese passengers on international flights in January this year continued decreasing by 4% to 58,420 over the same month last year, while the number of foreign passengers largely increased by 11% to 249,720. Including 45,110 transits (down 6%), the total number of international flight passengers in January this year was up 2% to 1,303,282 compared to a year ago.

Kansai succeeded in increasing domestic flight passengers in January this year by 8% to 423,032 compared to a year ago, resulting in year-on-year growths for five consecutive months.

The airport handled 6,689 aircraft take-offs and landings for international flights in January this year, 8% more than a year ago, broken down into 5,086 for passenger flights (up 1%), 1,469 for cargo flights (up 12%) and 134 for others (up 60%). Also, the number of aircraft take-offs and landings for domestic flights was up 9% to 3,999, broken down into 3,778 for passenger flights (up 12%), 128 for cargo flights (up 91%) and 93 for others (down 60%).

The airport dealt with cargoes of 66,668 tons in total, including international cargoes of 62,983 tons (up 19%), which were broken down into 33,582 for loading (up 23%) and 29,401 tons for unloading (up 15%).

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