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## Essay: The Kanto region

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The Kanto region is located in the southeast of Japan. Providing a mild climate, the region is divided in 7 prefectures; Chiba, Gunma, Ibaraki, Kanagawa, Tochigi, Seitama and Tokyo (Japan-guide.com, 2015). It hosts key cities like Tokyo, Yokohama, Chiba, Seitama and Kamakura. The pivot of the region, the Tokyo-Yokohama district, is the centre of Japan's commerce and industry (Ibid). The 'Keihin Industrial Zone' and the 'Keiyo Industrial Region', along Tokyo Bay, form the largest and most important industrial- and business zone of Japan (Ibid). Agriculture is playing an important role in the areas to the east and north and is part of Kanto's economy (Ibid). Even though it is by far the most flourishing area in Japan, it is constantly threatened natural tragedies like earthquakes and tsunamis due to its' geological location (Ibid).

' The Cities

Tokyo is the capital of Japan. It hosts most of the domestic corporations, foreign companies and considered to be center of education (Japan-guide.com, 2015). It offers an immense choice of shopping, entertainment, culture and dining (Ibid). The city's history can be appreciated in nature of many excellent museums, historic temples and gardens (Ibid).

Kamakura is one of the cultural highlights offered by Kanto (Japan-guide.com, 2015). Abundant temples, shrines and other historical monuments are spread all over the city (Ibid). In addition, Kamakura's sand beaches attract large crowds during the summer months (Ibid).

Yokohama is Japan's second largest city with a population of over three million (Japan-guide.com, 2015).

Yokohama is located nearly adjoining to Tokyo with excellent connections between both cities (Ibid).

Yokohama is considered to be the most international city of Japan, hosting one of world's biggest China towns. (Ibid)

#### ' Nature

Hakone, part of the Fuji-Hakone-Izu National Park is located less than 100 km's from Tokyo (Japan-guide.com, 2015). It hosts a large number of hot springs, natural lakes, massive forest areas and an impressive view on Mt. Fuji (Ibid).

Nasu-Shiobara Natural Park is known for its natural scenery (Japan-guide.com, 2015). Mount Nasudake is a unique hiking hotspot, hosting forested hiking trails combined with waterfalls and suspension bridges (Ibid).

#### ' Connectivity & Infrastructure

Kanto is highly accessible from abroad due to the three international airports; Haneda, Narita and Ibaraki (Japan-guide.com, 2015). The Greater Tokyo Rail Connection is known as the largest, busiest and most modern in the world (Ibid). 40 million passengers daily make use of these infrastructures (Ibid). For all urban rail there are 49 operators, 146 lines, 4,714.7 km and there are 2,141 stations ensure a perfect connection between the major cities, as well as the surrounding attractions (Ibid).

For further information about the location and the infrastructures, please refer to Appendix 2: Location & Greater Tokyo Railway Connection.

### 1.2 Scope Countries

In order to attract the most lucrative type of guest to our hotel, the focus during our research was placed on the long haul markets of China, USA and UK (Japan Tourism Agency, 2015).

Country	2012	2013	2014	Rank 2014
China	1.425.100	1.314.500	2.410.000	3
USA	716.800	799.000	892.000	5
UK	174.000	191.000	220.000	10

Figure 1.1: Tourist arrivals annually per country & ranking in 2014 (Japan Tourism Agency, 2015)

#### ' China

The Chinese market first seemed to regress after 2013, but has known an impressive boost in 2014 by doubling the amount of visitors and the trends predict a future positive evolution in the upcoming years (Japan Tourism Agency, 2015).

Opportunity: As the Japanese government specifically tries to attract wealthy Chinese tourists (Chinadaily.com.cn, 2015). The current astonishing progress, especially of this size, is a major opportunity not

only for Kanto, but also for the entire country (Ibid).

#### ' USA & UK

Both countries have known a consistent and increasing evolution in number of tourists visiting Japan. Furthermore, both are represented in the top ten of the visitors ranking, tending to improve (Japan Tourism Agency, 2015).

Opportunity: After having overpassed the ruins of the 2008 economical crisis, both economies are under the most stable and productive of the planet (ITB Berlin, 2015). Focusing on those countries ensures us a constant flow of tourists originating from the UK and the US (Ibid).

Furthermore, according to Fig. 1.2, China, the US and the UK are in the top four of the tourists with the highest spending pattern in Japan (Japan Macro Advisers, 2015).

Figure 1.2: Total expenditure per visitor in Japan (2014)  
(Japan Macro Advisers, 2015)

Opportunity: With steadily increasing average wages in all of the scope countries, the spending behavior is predicted to be similar or higher in the upcoming years (Japan Macro Advisers, 2015).

### 1.3 Macro Environment

#### 1.3.1 Economic Environment

##### ' GDP Growth (USA/CHINA/UK)

According to figure 1.3, all of the selected countries experienced a growth in GDP over the last 5 years. The UK and the US both currently have a growth of 2,5% and the Chinese growth turns around 1,5%. Both are signs of a recovering (USA & UK) or growing (China) economy.  
(Yahoo Finance, 2015)

Opportunity: A consistent growth of the GDP directly influences the purchasing power of the population (Economicshelp.com, 2015). An increase of general purchasing power is linked to the rise of number of outbound travels (Ibid).

##### ' Currency Evolution (JPY ' USD/CHY/GBP)

As represented in Fig. 1.4, the GBP and the USD remain extremely high in value to the JPY and didn't face any major fluctuations over the past 2 years. According to Yahoo Finance, the CHY even gained about 10% during the past 12 months, even though the exchange rate is a lot smaller compared to the USD and GBP.

Figure 1.4: Currency Evolution (JPY'CHY/USD/GBP)

(Yahoo Finance, 2015)

Opportunity: Exchange rates like the JPY/USD & JPY/GBP give those specific tourists an extremely high purchasing power in Japan. The high number of JPY purchasable with USD and GBP can barely be higher than at the moment. With a decrease of the CHY, the Chinese purchasing power on the Japanese market is rapidly increasing.

##### ' Average Wage Growth per Year (CHINA)

The average salary in China increased by 185,28% in 8 years. Furthermore, according to the Chinese Central Network, their current 5-year plan states that their goal is to increase the minimum salary by 13% each year.

Effects of the current consistent enrichment of the entire population are noticeable in the increase of the spending patterns and the total outbound tourism in general.

(Trade Economics, 2015)

Opportunity: As stated in Fig. 1.6, the impact on our business is of a immense importance because the rising Chinese middle and high class is one of the main current trends in the hospitality industry, since they are willing to spend a large part of their salary while travelling (Oxford Economics, 2015).

(China Business Review, 2015)

### Unemployment Rate (USA)

As embodied in Fig. 1.7, one can see that the unemployment rate in the USA has nearly reached the level of pre-crisis. The significant recovery of the country led to a positive and consistent evolution of the job market. (Trade Economics, 2015)

Opportunity: With the dropping unemployment rate, the average US citizen tends to increase it's time abroad as well as his spending habits while travelling (Tourism Intelligence International, 2015)

### 1.3.2 Demographic Environment

(The Economist, 2015)

Opportunity: A consistent drop of the unemployment rate is expected in the close future, which leads to an increase of the country's productivity and will attract educated, foreign workforce.

Threat: 'Unless Japan's productivity rises faster than its workforce declines, which seems unlikely, its economy will shrink' (The Economist, 2015). The region of Kanto is not involved yet in that aging process because of its' popular cities. Nevertheless, the forecasts predict a similar evolution in the upcoming centuries. (Ibid)

### 1.3.3 Political Environment

#### ' Visa Policies

In 2015, Japan relaxed visa requirements for high-income Chinese tourists by extending the validity of their three-year multiple-entry visas to five years (China Central Television, 2015). The tourists will also have unrestricted travel throughout Japan (Ibid). Furthermore, The acceptance in terms of minimum wage required for short-term tourists has been lowered (Ibid). Regarding US- and UK tourists, they are visa free for up to 90 days (Japan-guide.com, 2015).

Opportunity: According to multiple sources, the effect of the visa relaxation towards Chinese inbound tourists is noticeable in the current number of visitors originating from China. With Kanto being the most visited region in Japan (Fig. 1.11 pp.19), this trend is an enormous prospect for the region.

### 1.3.4 Technological Environment

#### ' Mobile & Online Booking

As stated in Fig. 1.9, our scope countries combined host approximately 952 million Internet users. This embodies 25,64% of the entire market (Internetlivestats, 2015). With consistently increasing numbers, every second Internet user books travel-related products online.

(Internetlivestats, 2015)

Opportunity: The forecasts state that the evolution of this trend is positive and especially on the Chinese market, where the upper limit of Internet users and mobile bookings is far from being achieved (The Economist, 2015). The hospitality business following the technological evolution of the booking process will be likely to succeed, because of the high amount of last minute bookings and the growing importance of sharing experiences online, recorded over the past years (Ibid).

### 1.3.5 Socio-Cultural Environment

#### ' Individual & Independent Travelling

Individual and independent travelling is the biggest trend in the upcoming years. Currently, 37,41% of the Chinese outbound tourists prefer to travel on their own and 18,74% prefer semi-independent travelling (Maxxelli Consulting, 2015). North American, as well as British outbound tourists seek for dynamic city trips which they want to choose and manage in small groups or alone (ITB Messe Berlin GmbH, 2014).

Opportunity: Tokyo, Yokohama and Seitama and many more are the perfectly connected cities hosted by the Kanto region. Benefits can be drawn out of this trend because individual- and independent travellers are looking for a large amount of well-linked activities (Maxxelli Consulting, 2015). Apart from the position of the hotel, the infrastructure is a possible attraction for this specific type of travellers.

#### ' Co-Creation & Participation

According to the Office of Travel and Tourism Industries, taking part in activities of a cultural nature while on holiday is growing in importance. 51% of the 40 million Americans travelling abroad visit historical places; 32% visit cultural heritage sites; and 25% visit an art gallery or museum (Tourism Intelligence International, 2015). Furthermore, the demand for cultural events at local communities in which visitors participate and fusion with locals is increasing (Ibid).

Opportunity: Since Kanto hosts various metropolises and a vast repertory of cultural heritage, the region offers more than enough arguments for being a centre of attraction for this exclusive market segment.

#### ' Eco-Tourism

This trend is nowadays nearly unavoidable, because changing the way of travelling is not an option anymore.  
Global footprint of travellers  
Differentiate between scope countries

To conclude, one can say that the predictions for the region of Kanto in terms of foreign inbound tourism are very promising. By taking a closer look at the scope countries, on one hand, the healthy and consistent growth of visitors from the UK and the USA and on the other hand, the overwhelming swelling of the number of Chinese tourists visiting Japan set perfect conditions for the hospitality industry to flourish. Furthermore, several environmental analyses have been made in order to be aware of the opportunities and threats surrounding the potential business.

For further information about the opportunities & threats, please refer to Appendix 1: Opportunities & Threats.

### 1.4 Micro Environment

#### 1.4.1 Competition

In order to be successful, a company must identify its' competitors and their programs to provide greater

customer value and satisfaction. (Kolter, 2013)

#### ' Global

The 'Travel and Tourism Competitive Index' measures attractiveness of a country in terms of travel and tourism (Blanke & Chiesa, 2013). According to this Index, Japan's main competitors are Australia and New Zealand. Furthermore, since Japan gained 8 spots in the ranking, the current 14th of the ranking becomes more and more popular, especially in the Asian outbound market (Japan Tourism Agency, 2014).

Figure 1.10: TTCI per country & score (2013)  
(Blanke & Chiesa 2013)

#### ' National

Consistent with Fig.1.11, Kanto has a 37% market share of the total accommodations in Japan and hosted double as much people as the main competitor Kinki. This is an opportunity because it indicates that Kanto has a steady flow of foreign and national visitors. Furthermore, with events like the Olympic Games 2020 in Tokyo and the Paralympic Games one year later, the number of visitors in Kanto is expected to climb significantly (Japan Tourism Agency, 2015).  
(Japan Tourism Agency, 2015)

#### ' Regional

With major upcoming events like the Olympic games, Tokyo will be the centre of attraction in the near future. Moreover, a large share of 4-5 star hotels is located in the greater Tokyo area (Tripadvisor, 2015).

#### ' Local

The following figure gives a precise insight about the number of hotels in Kanto, the total number of rooms and the overall occupancy rate of the region in 2013.

Figure 1.12: Overview of hotels in Kanto (2014)

Region	5-Star	4-Star	3-Star	2-Star	1-Star	Unrated	Nr. Rooms (x1000)	Occup. Rate %
Kanto	54	110	152	265	505	1169	210,4	75,3

(Euromonitor, 2015)

There is a high offer of middle and low class hotels in the region, but for its' size and capacity, it hosts surprisingly low number of small 4 star hotels. This is a clear opportunity, since the target market, which will be elaborated in chapter 'Target Marketing', is looking for status, moderate luxury and recovery during their holidays (Euromonitor, 2015). A closer look at the local competition can be found in chapter '2.4 Direct Competition'.

To conclude, one can say that the forecasts in terms of foreign inbound tourism in Kanto are flourishing. The Olympics in 2020 as well as a large offer of attractions in terms of culture, cuisine, wellness, large cities, nature and sports are the perfect crowd-puller for foreign visitors. Nevertheless, a large local competition poses a threat because the chance to find a 'niche market' decreases.

### 1.4.2 Customers

Figure 1.12: Average foreign person visiting Japan (2014)

Age 29+

Occupation Worker/Manager International Company

Reason for travelling Leisure 77%

National or international visitors 15% China, 13% USA 3% UK

Average length of stay 11 days

What are they looking for Adventure tourism, getting under the skin of the locals, nature and wildlife activities

(Euromonitor, 2015)

The total number of foreign tourists in Japan was 1.036.000 in 2014. According to National Tourist Organisation Japan, 37% of this number was accommodated in Kanto, which gives us the number of 383.320 persons that year with a year-on-year increase of 2.3% (Japan Tourism Agency, 2015).

For further information about the customer profile, please refer to Appendix 1: Segmentation Tables.

For further information about the opportunities & threats, please refer to Appendix 1: Opportunities & Threats.

## 2 Target Marketing

### 2.1 Segmentation

'A segmentation table is a physical tool that can be created within a database or a spread sheet providing rankings and calculations for identified critical elements that are necessary to meet your objectives within a particular segment.' (Deebmacdonaldassoc, 2015)

A segmentation table for each country was created providing physiographic and demographic facts according to their main interests and 'wants'. By gathering information of these tables, we will be able to read and focus on specific segments of the market.

For the entire segmentation table regarding each of the scope countries please refer to Appendix 1: Segmentation Tables.

### 2.2 Targeting

After analysing our segmentation tables, the focus was put on the 'self-challengers' and the 'Comfort adventurers'. Both are very passionate and experienced travellers who have a drive to challenge themselves, with space for recovery and comfort (XXX,XXXX). They don't opt primary for luxury experiences, but still want their status to be respected (Euromonitor, 2015).

' China

Name Xiu Ying

Nationality Chinese

Age 34

Life Stage Single

Language Chinese (Partly English)

Occupation Manager

Personality Confident and Organised

Reason for Visit Leisure

Interested in Merge with the locals, cities, culture & local cuisine

(Australia Tourism, 2015)

' USA

Name John Smith

Nationality American

Age 29

Life Stage Engaged

Language English

Occupation Worker/Manager International Company

Personality Hard worker

Reason for Visit Leisure

Interested in Reading, sports, outdoor activities, cultural interest, local food

(Australia Tourism, 2015)

' UK

Name Jane Waters

Nationality British

Age 34

Life Stage Married

Language English

Occupation Worker in International Company

Personality Confident but stressed

Reason for Visit Leisure

Interested in Enjoying local lifestyle, self-discovery, nature and wildlife activities

(Australia Tourism, 2015)

## 2.3 Positioning

Figure 2.1 represents a positioning map of Sakura Hotel and its' competitors towards 2 major variables requested by its' target market; authentic experience/touristic experience and city centre/nature.

By taking profit of Kanto's excellent railway infrastructures, Sakura Hotel can allow to position itself in a natural environment with superb connectivity to all of the regions major cities. Furthermore, besides seeking for nature and cities, challengers and authentic adventurers also want to experience all of their travel destination's cultural habits and traditions, by respecting a certain level of comfort (Australia Tourism, 2015).

Figure 2.1: Positioning Map

## 2.4 Direct competition

Figure 2.1 relates to the direct competition in the region. A selection of one four-star hotel per main city was chosen and analysed on different factors.

Yokohama Bay Sheraton Hotel & Towers Shinjuku Grandbell Hotel Kawasaki Nikko Hotel Richmond Hotel

Asuka

Location Yokohama Tokyo Kawasaki Chiba

Rooms 398 380 93 134

Star Classification \*\*\*\* \*\*\*\* \*\*\*\* \*\*\*\*

ADR \$180 \$123 \$93 \$134

Facilities – 7 Restaurants

– Indoor Pool

– Gym – Bar

- Restaurant
- Massage Studio – Restaurant
- Bar – Restaurant
- Bar
- Gym

S & W according to guests' online feedback

Strengths Close to cultural heart of Yokohama Close to transportation facilities Close to shopping malls Great breakfast & Service

Weaknesses Personnel lacks the ability to interact with the guests Small basic rooms Very small rooms Very quiet, boring

Figure 2.1: General information & Feedback about direct competition

(Booking.com, 2015) (Tripadvisor.com, 2015)

Except for one, all the hotels focus on 'mass service', due to the high number of rooms. All of them are located in cities and have good connections to the infrastructures (Booking.com, 2015). None of the four hotels offers a specifically traditional concept and are rather 'western orientated' (Ibid).

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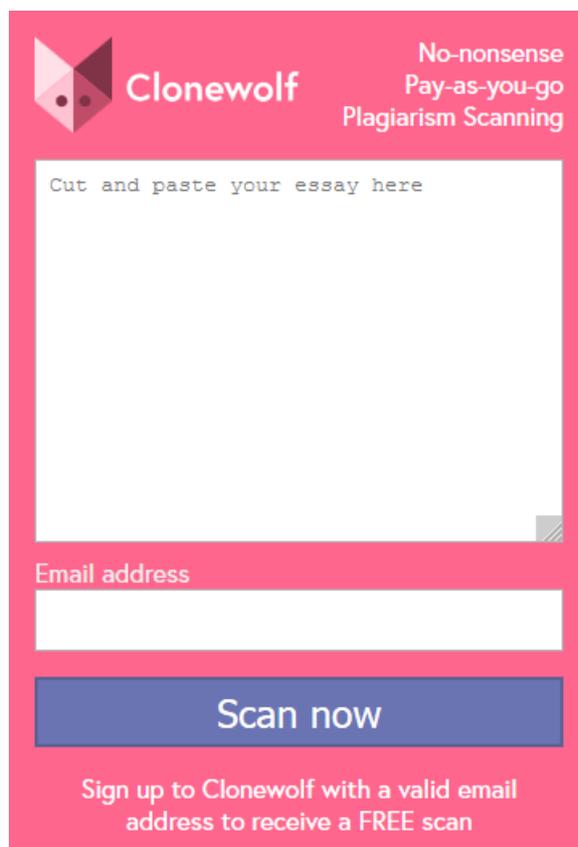
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