



Business Plan: Tour Operator in Mie, Japan

~ Tour Agency Ise (TAI) ~



Plan de Negocios para Optar al Grado de Magister en Administración

Student: Nao Munemura Matsudaira

Professor: Max Errazuriz

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Executive Summary

NOTE: This thesis has been developed since August 2019 before the outbreak of COVID-19, therefore this thesis does not analyze the impact of the outbreak. It is expected that this business will be launched after normalization from the COVID-19 pandemic.

With drastic increase of foreign tourists to Japan (CAGR: 8.7%), their characteristics and needs during their stay have been diversified. Although tourists, mainly from Western countries, wish to visit less-visited area to obtain authentic and local experiences, due to the issues such as language, transportation and lack of information, unfortunately it is not easy. In order for them to fulfill their needs, a local tour operator which organizes authentic activity tours is in need. In the Ise Shima National Park of Mie Prefecture, where there are many attractive tourist attractions, including Ise Jingu – the top of all the shrines in Japan, there is business opportunity for an inbound ground tour operator. A Tour operating company, TAI (Tour Agency Ise) will be established in the Ise city, with the aim of fulfilling the tourists' needs of local authentic experiences and vitalizing the local community. TAI will plan and organize cultural and activity tours in collaboration with local enterprises. The annual national total target market size of inbound ground tour operator is considered \$513 million with CAGR 21.9%.

The inbound ground tour operator market in the Ise Shima area is not developed and there is not yet any strong competitor. Thus, TAI would be a pioneer to focus on providing authentic tours to foreign tourists. In differentiating itself from other local tour operators, TAI would provide many varieties of authentic tours in English and Mandarin with the price at the international standards. TAI plans to promote the Ise Shima National Park as a whole together with the local governments to increase the market size in the area, using governmental grants. The main target customers are Western tourists who visit Japan as couples and families who seek for modern luxury experiences. TAI's value proposition is "authentic experience in your travel without stress".

Financial projection of TAI is estimated that TAI's monthly net income becomes surplus in the

10th month after the launch of operation and pay-back period is 29 months.

In order to launch its business, US\$200,000 is necessary to cover investment and working capital, and TAI would like to invite investors to this attractive investment for the amount of \$150,000 for the 24% ownership of the company. The expected return of this investment is following.

Expected Return of Investor		
Invested Amount	\$	150,000
NPV	\$	877,434
IRR	\$	50%
Discount Rate	%	9.47%

Considering the trend of growth of tourism industry with tailwind by the governmental support, it is definitely time to start the tour operating company, TAI in the Shima National Park. The investment in TAI is considered very attractive.

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1. Business Opportunity

Chapter Summary: There is business opportunity in a local tour operator which can provide varieties of tours with authentic experiences in different languages with clear information in less-traveled areas in Japan.

Japan is experiencing drastic increase of foreign tourists. Number of annual foreign visitors in 2018 recorded high of 31 million visitors (CAGR: 8.7%). This is a large boost from 10 years ago – only 8.4 million visitors in 2008 (Japan Tourism Statistics, 2020) (see Appendix A). This trend is expected to continue. The government of Japan set a goal to reach 40 million annual visitors by 2020 and 60 million by 2030, and has been implementing many different international tourism promotion measures to meet this goal, such as the “Visit Japan Campaign” (JTA, 2020) (See Appendix B).

As the number of visitors increases, the characteristics of visitors also have been changing. One of the notable changes is the increase of “repeat visitors” (visitors who visited Japan for more than two times). In year 2017, 57.7% of tourists are the repeat visitors (CAGR of repeat visitors: 26.6%) (Japan Tourism Statistics, 2020) (see Appendix C). The government of Japan has set separate goal to increase annual repeat tourists to 24 million by 2020 and 36 million by 2030 (MLIT, 2016) (See Appendix B).

Another change is the increase of non-group, self-arranged tourists (a.k.a. FITs - Foreign Independent Tour). 76.2% of tourists visited Japan with FITs in 2017 (CAGR: 24.4%) (Japan Tourism Statistics, 2020) (see Appendix D). Raise of FITs is due to increase of tourists who would like to customize their trip. FITs are becoming common in tourists with different nationalities, but especially major for American, Australian and European tourists.

Above mentioned changes of characteristics have cultivated 2 different needs of tourists, a)

needs of varieties of destinations and b) needs of varieties of activities during their stay.

Traditionally the main destinations for foreign tourists have been so-called the “Golden Route” (the route between Tokyo to Kyoto) (see Appendix E and F), however, as repeat and FIT tourists increase, the demand to travel to less-visited areas is getting larger (JTA 2018, see Appendix G). Repeat and FIT visitors wish to visit non-Golden Route destinations and tend to spend more money than first time travelers (JTA, 2018, see Appendix H). There exist many more tourist attractions other than Golden Routes in Japan, however, many of less-travelled areas are both not-well-known and far behind to be ready to accept tourists yet. There is a large gap of demand and supply in these less-visited areas.

Increase of repeat visitors and FITs also resulted diversification of tourist needs. More tourists are interested in spending money on “experiences” rather than “goods” (DBJ, 2019). As the graph in Appendix I indicates, % of tourists who purchased entertainment and service fee¹ during their stay in Japan has been increasing year on year. Only 21.5% of tourists in Japan purchased entertainment and service in 2012, however, 40.9% purchased in 2018. This shows that traditionally tourists’ main attraction to come to Japan was shopping, however now the trend has shifted and tourists’ needs are broader than before.

Appendix J shows the result of questionnaire on “what tourists have done during their stay in Japan” and “what they want to do in future” from the Consumption Trend Survey for Foreigners Visiting Japan. The result of the survey shows that there are many different matters which they desire to do during their stay. The more they visit Japan, tourists would like to have more authentic and local experiences, not just shopping or eating Japanese food (DBJ, 2019).

Although there is high demand of authentic and local experiences in the less-visited areas, the truth is that there exists high barrier for foreign tourists to travel to these areas. A lot of difficulties

¹ Entertainment and Service Fee includes fee for local tours, guide, theme parks, museums, zoos, sports spectating and other activities.

are identified by experts, articles and documents, for example, language barriers, information availability, lack of infrastructure, complexity of transportation system, lack of service model, lack of capability to name a few (McKinsey & Company, 2016; JTA, 2019; Bank of Japan, 2019).

One of the issues is language. Appendix K indicates the complaints of tourists, and according to this survey by Japan Tourism Agency (JTA), top dissatisfaction of foreign tourists was related to language, especially in public transportation. It is very difficult to tour around Japan and have authentic experiences by themselves without a tour guide.

The report by McKinsey & Company identifies one of the issues is lack of available information. According to their study, “surprisingly, it was discovered that foreign tourists don’t know the touristic locations where Japanese people think touristic attractions” (McKinsey & Company, 2016). Appendix L shows how tourists’ interest to visit touristic locations changes after the information of the location is provided. When there is good marketing showing the value of less-visited locations, it boosts the tourists to these areas.

Ministry of Land, Infrastructure, Transport and Tourism (MLIT) and JTA identify one of the issues is the lack of private operators in the rural areas. In the rural areas, there is no enough capability to accept foreign tourists. JTA says that it is important to increase players in local tourism industry who can develop “contents” that satisfy tourists’ needs in the touristic attractions. JTA formulate a policy and grants to encourage local private entities to enter into the tourism industry (MLIT, 2016).

With above – growing market, customer trends and existing barriers, business opportunity could be illustrated below. In order to meet the increasing and changing customer needs, it is clear that there is business opportunity in local tour operator which can provide varieties of tours with authentic experiences in different languages with clear information in less-traveled areas.

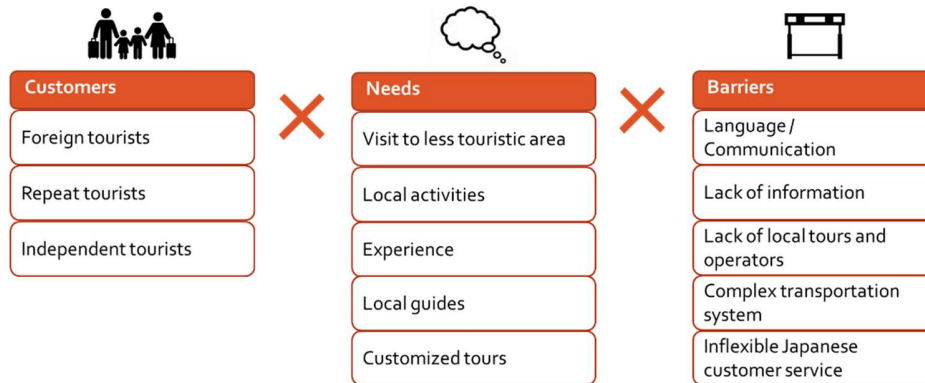


Figure 1: Business Opportunity

Business Opportunity in the Ise Shima National Park in Mie Prefecture

Chapter Summary: The Ise Shima National Park is the ideal place to start a tour operating company.

There are many less-visited touristic areas in Japan with this business opportunity to start a tour operating company, however I personally find the opportunity in the Ise Shima National Park area in Mie Prefecture more promising for following reasons (See Appendix M for the details of additional information about the Ise Shima National Park).

First of all, Ise Shima has many varieties of tourist attractions and is very well-known tourist destination for Japanese people. Although Mie prefecture is ranked 34th out of 47 prefectures with only 0.6% of foreign tourists visited in 2017, for Japanese domestic tourists, it received the 8th largest visitors in 2016 (see Appendix N and O). Also, Ise City is chosen as the 14th most attractive city throughout Japan in 2018 (DIAMOND Online, 2018).

This shows that Mie has many attractive tourist destinations known by Japanese people. Ise Shima area can offer variety of experiences to meet foreign tourist needs from authentic local food, Ninja cultures, historical heritage to beautiful nature. The biggest tourist attraction is Ise Jingu, the top of all the shrines in Japan with history of more than 2000 years (see Appendix P for the information of the shrine and Appendix Q for the examples of tourist attractions).

Once the information is discovered and the barriers are lowered, Mie has a large potential to attract foreign tourists. Appendix K also shows Ise Jingu has high potential to increase tourists

(McKinsey & Company, 2016).

Secondly, the location of Ise Shima is ideal for foreign tourists to include in their journey in Japan. Ise Shima is located between Osaka and Nagoya, two major cities with international airports and bullet train stations, and it is in the middle of “Golden Route” (see Appendix R).

Finally, there is strong support by the national and regional governments to enhance tourism in this area. Ministry of Environment have chosen the Ise Shima National Park as one of the 8 national parks for the “National Park Step-up Program 2020”. Under the program, the many policy measures are executed systematically and intensively with an aim to increase the annual number of international visitors to national parks in Japan to 10 million by 2020, from the 4.3 million in 2016. One of their measures is encouraging private entities to start tourism business because they understand that this is one of the barriers preventing more foreign tourists to visit the parks (Ministry of Environment, 2016).

Also, Ise Shima has been chosen as one of the 30 tourism zones by JTA. A tourism zone is an area consisting of tourism sites that are closely linked in terms of nature, history and culture, where MLIT supports and put intensive promotion plans (JTA, 2016, see Appendix S).

Additionally, Prime Minister Abe chose Ise Shima as a site for the G7 Summit held on May 2016. Prime Minister said the reasons for choosing Ise Shima as “There’s beautiful nature that could be described as an unspoiled Japanese landscape. I want the leaders to get a first-hand feel of the scenery of Japan’s spiritual home.” (Ministry of Foreign Affairs, 2016 and InsideTours, 2016; See Appendix T). With this fair wind from the government to increase tourists to the area, Ise Shima area could be considered to be a great place to start a tour operating company.

Business Opportunity Description

Given above reasons, I would like to explore the business opportunity of a tour operating company which can provide varieties of tours with authentic experiences in different languages with

clear information in the Ise Shima area for foreign tourists in this thesis. Hereinafter, the company will be called TAI (Tour Agency Ise). A Japanese word, “Tai” (鯛) means “red snapper”. Red snappers in Japan is believed to be fish which bring good luck and it is served at celebrations.

2. Industry, Competitor and Customer Analysis

2-1: Industry: An Inbound Ground Tour Operator Industry

Chapter Summary: The inbound ground tour operator industry in Japan is developing market especially in the Ise Shima area with a large potential. Its total available market is \$1.3 billion and target market (foreign repeat and FIT tourists) is \$513 million with CAGR 21.9%.

The industry where the business is located is an inbound ground tour operator. TAI handles tour arrangements in the Ise Shima National Park area, Mie; and the types of tours it curates are specifically for non-residents touring in the country (not for domestic tourists).

Total Available Market Size

According to TSA (Tourism Satellite Account), the total annual expenditure of foreign tourists in Japan is \$38.2 billion² (2017) (JTA, 2019). Expenditure on “experience” (leisure and services) accounted for \$1.3 billion, therefore this \$1.3 billion is considered to be the total available market size. The expenditure on experiences by foreign tourists visiting Japan accounted only 3.3% of their total expenditure, however, the average % of expenditure on experience by tourists visiting all OECD countries is much higher, 12.2%. Considering the tourists’ behavior globally, it could be said that there are a lot of room to grow for the total market size of “experiences” in the inbound industry in Japan (JTA, 2019; see Appendix U).

Target Market Size in Quantity

As mentioned in the section “Business Opportunity”, the size of total inbound tourism market in quantity (the annual number of foreign visitors to Japan) is 31 million visitors with annual growth

² All the monetary unit used in this thesis is in US Dollar. The exchange rate used is JPY108.50/USD, yearly average TTB in year 2019.

rate, 8.7% in 2018. This growth trend is expected to continue as the government set the goal. The target market for TAI shall be narrowed down to “foreign” “FIT” and “repeat” “tourists”. The number of foreign FIT and repeat tourists, the target market size in quantity per year is 12 million tourists with CAGR 8.7% (calculated as below).

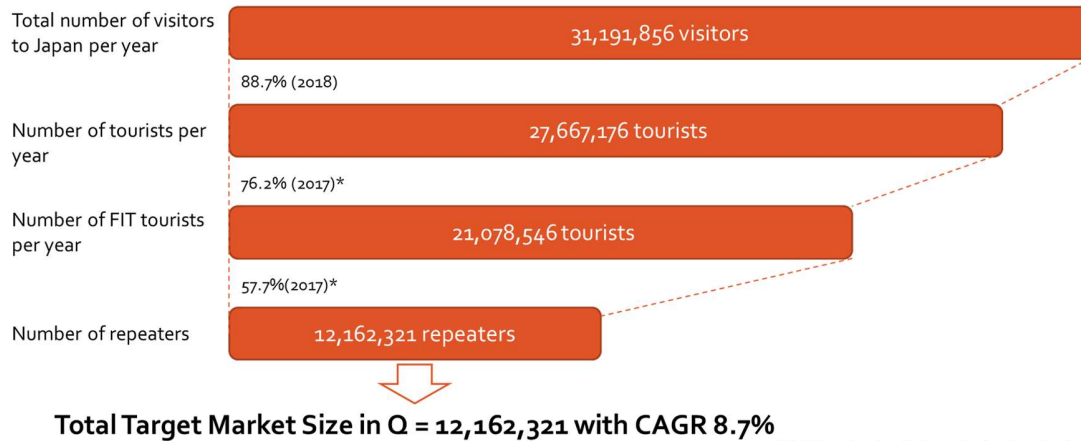


Figure 2: Calculation of Target Market Size in Quantity

Target Market Size in Money Value (US\$)

According to the consumption survey by JTA, average expenditure on “experience” (leisure and service) per tourist in 2018 is \$93.1 and 45.3% of tourists had expenditure on experience (JTA, 2019). The % of tourists spending on experience has been growing with CAGR of 12.1%. Therefore, the total expenditure on experience by the target customers (foreign FIT and repeat tourists), the annual total target market size in 2018 in \$ is \$513 million with CAGR 21.9%, calculated below.

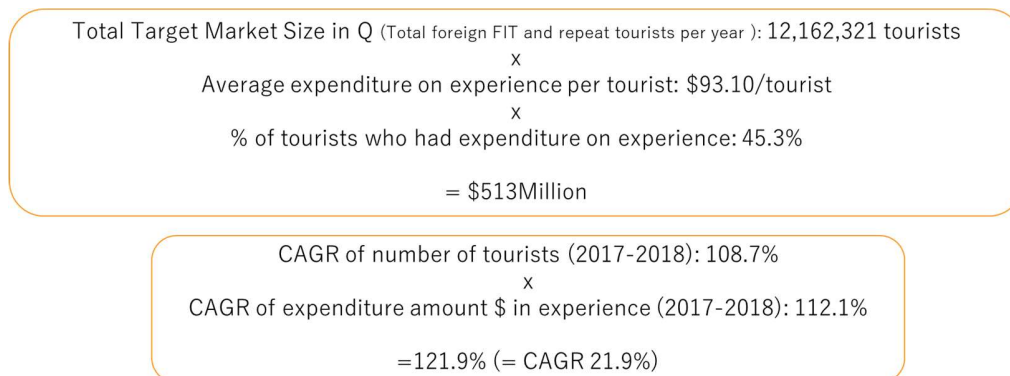


Figure 3: Calculation of Target Market Size in \$

Market Size of Inbound Ground Tour Operator Industry in Ise Shima

Chapter Summary: The inbound ground tour operator industry in Ise Shima in 2017 is only \$4 million but with potential to grow more due to the government's initiative to increase local enterprises to enter into the market.

Thanks to the G7 Summit and promotion by the national and regional government along with the Summit, foreign tourists visiting Ise Shima National Park has been increasing drastically from 33,000 (2015) to 76,000 visitors (2017) (CAGR (2016-2017): 24.6%). The total expenditure of foreign tourists within the park is \$631.1 per person, out of which \$52.9 per person is the activity and service expenditure.

The expenditure on “experiences” in the Ise Shima National Park is much lower compared to national average, and the reason is considered because there is not enough places, attractions and services to spend money currently within the Park (Ministry of the Environment, 2019, see Appendix V). With above numbers, the annual market size of inbound ground industry in Ise Shima in 2017 can be calculated as \$4 million, which is relatively small and under development.

As a part of the National Park Enjoyment Project, the government's goal is to increase annual foreign tourists to 100,000 in 2020. Another important goal is the growth of expenditure by tourists and satisfaction level during their time in the park. In order to accomplish the goals, Regional Council of Ise Shima National Park has been enforcing many measures such as encouraging private entities to enter into the industry so that tourists can satisfy their needs to have the authentic experiences during their stay in the Park and spend money (Regional Council of Ise Shima National Park, 2018). If the consumption level of foreign tourists to activities and services increases at least to the average level of total tourists in Japan in 2018, which is \$93.1, the market is expected to grow to \$9.3 million in 2020, with potential to grow more. The market is considered unmaturred.



Figure 4: Calculation of Total Market Size in Ise Shima National Park

Summary of the Market Size Analysis and Business Opportunity

The total available market of the inbound tour operator industry at national level is large (\$1.3 billion) with more potential to grow more, however when it comes down to the Ise Shima area, it is under development with only \$4 million (2017).

The goal of TAI is not only capturing the big market share within this current market of the Ise Shima National Park, but also to enlarge the total market pie of the Ise Shima National Park by bringing more foreign tourists to the Park.

Porter 5 Forces Analysis

With below analysis, the industry is considered attractive.

1. Threat of New Entrants: Middle

- High) Low capital requirement to start business and low fixed cost.
- High) The Japanese government encourages new entrants to fulfil the needs of tourists.
- Middle) Difficult to differentiate tours but creativity is possible.
- Low) Economies of scales work.
- Low) It is necessary to obtain license and hire certified personnel.
- Low) Need connection and relationship with local governments and enterprises.

2. Competitive Rivalry: Low

- Low) No major competitors in the area which provide and arrange variety of tours in English and Mandarin.

3. Threat of Substitutes: Middle

- High) Videos, blogs and other information available online can become substitute of guides.
- High) Advancement of translation technology such as GoogleTranslate could substitute translators and that could take out barriers and difficulty of traveling for tourists.
- Low) There is nothing which can substitute the “real”, “authentic” and “local” experience.
- Middle) Websites which connects non-professional locals and tourists to provide tours are starting, however technically it is illegal to provide tours without certification.

4. Bargaining Power of Buyers: Middle

- Low) Almost no options of tour operators for foreigners in the area to choose from.
- Middle) Ultimately tourists could visit tourists' attractions by themselves without guides with available information online and guidebooks.
- Middle) No loyalty of customers as the most of them would not come to the same area again, however they could bring new customers in future with their reviews and word-of-mouth.

5. Bargaining Power of Suppliers: Middle

- High) Not many certified and bilingual guides in the rural area. They have bargaining power.
- Low) Local enterprises such as hotels, transportation and restaurants would like to receive more and more foreign tourists as their important source of income (since Japanese population is getting smaller and domestic tourists are decreasing), however most of them don't have knowhow. They are happy to collaborate with tour operators to bring foreign tourists in general so they don't have strong bargaining power.

Summarizing Five Force Analysis, the inbound ground tour operator industry in the Ise Shima is considered attractive with low competition and high profit potential. Once TAI enters the market, there is high potential to win high market share.

PESTEL Analysis

● Political Factors

- Governmental Support: As mentioned above, there is strong support from the regional and national government toward tourism industry and the government has set initiatives and goals to increase foreign tourists. Governmental support toward tourism industry has been leading relaxing of visa and duty-free requirements.
- Governmental Relationship: The governmental relationship with other countries (Foreign Affairs and Security Policy) could impact tourism. (For example, the governmental relationship with South Korea in 2019 had let boycott of Japanese products and anti-Japan activities by South Korean citizens.)
- Governmental Stability: Political stability is a major factor in the success of tourist destinations. Most popular tourist destinations are considered to be safe. Japanese government is pretty stable.

● Economic Factors

- Global Economy: Growing global economy leads individuals' disposable incomes to raise. Raise of disposable income results in more individuals being able to travel. These are seen in the increase of Chinese and South East Asian tourists to Japan.
- Yen Appreciation/Depreciation: To keep tourism strong, Japan will need a weaker yen. A strong yen immediately cuts arrival of tourists and the purchasing power of tourists.

● Social Factors

- Population in Japan: Aging population and declining population in rural area could increase difficulty in hiring.
- Customer Attitude: As mentioned above, there is shift of preferences for expenditure on experience than goods in tourists' behavior. In addition, with the rise of social media,

individuals now have a constant online presence, and they want to use that to impress. This changes the ways of how people travel.

- **Technological Factors**

- **Transportation System:** The development of transport gives influences to tourism industry. Cheap and fast transport options will bring tourists toward less-visited areas easily.
- **Sharing Economy:** Innovations of sharing economies such as Airbnb increase tourists' options and ideas to travel.
- **Smartphones/Applications:** Innovations on smartphones, applications and web-platforms has changed how tourists gather information before and during their travel.

- **Environmental Factors**

- **Tourists' footprint towards environment:** Pollution caused by the rise in tourism is destroying local environment around the world, which has been resulting the raise of trends in eco-tourism. Especially TAI is located in the national park, environmental conservation and concerns are strong.

- **Legal Factors**

- **Legal regulations:** Related regulations and acts such as Travel Agency Act, Ecotourism Promotion Act and Tourism-based Country Promotion Basic Act has been changed to ease some restrictions.
- **Visa regime:** As mentioned in political factors, change of visa regime has been resulting increase of foreign tourists (For example, the Japanese government has been relaxing visa requirements for tourists from ASEAN countries in order to increase tourists).

As summary, as a result of PESTEL analysis, it is understood that each of the macro-environmental (external marketing environment) factors of the inbound ground tour operator industry has impact on TAI. Successfully monitoring and responding to changes in the macro-environment will enable

TAI to differentiate from the competition and create a competitive advantage.

2-2: Competitors: No Competition in the Market

Chapter Summary: There is no strong competitor in the inbound ground tour operator industry in Ise Shima which focus on the foreign tourists. When TAI enters the market, TAI can be a pioneer.

With respect to competitors, there is no direct competitor in the Ise Shima National Park area for TAI. There does not exist any ground tour operator concentrating in foreign tourists throughout the area of Ise Shima National Park. Although they don't directly compete in all the areas of services which TAI operates, the potential competitors can be categorized below (see Appendix W for the overview of each competitor). None of the potential competitors below have certain volume nor strong market share.

Competitor Category 1	Local tour operators with tours in English	a. Kaito Yumin Club
		b. Shima Nature School
Competitor Category 2	Tourist attraction with their original tour	Hachiman Kamado, Osatsu Kamado
Competitor Category 3	Individual tour guides in English	Individuals
Competitor Category 4	Large tour operators which coordinate package tours in English	a. JTB
		b. Voyagin

Table 1: Categories of Competitors

Competitor Category 1: Local Tour Operators (the Highest Potential Competitor)

Competitor Category 1 has more similarity than any other competitors in business with TAI, but even they don't directly compete. There are only 2 companies; a. Kaito Yumin Club and b. Shima Nature School. They both offer many different tours (mainly nature activity tours such as kayaking, fishing and cycling and few local cultural tours) in Japanese and English, however their main target customers are Japanese tourists. Also, both of them offer tours only in Toba area (the northern part of the Ise Shima National Park). They don't offer any tours in Ise Jingu, the main shrine. They only provide transportation from local Toba station, and they don't coordinate total tours within the area. In case of Kaito Yumin Club, 4,000 tourists participated in their tour, out of which 353 are foreigners

in 2017. Their sales in 2016 was \$300,000 (Toba City, 2018; Ministry of Finance, 2017).

Competitor Category 2: Tour Attractions with the Original Tour (Possible Collaborator)

Competitor Category 2 is local touristic attractions (Ama Huts) which provide their own tour (Ama hut culture tour in Toba) such as Hachiman Kamado and Osatsu Kamado. They are not tour operating companies, thus they only offer tours within their facilities. They could be potential collaborators to TAI as the destinations of TAI organized tours (to be mentioned later).

Competitor Category 3: Individual Local Tour Guides (Possible Contractor)

Competitor Category 3 is individual local tour guides. There are several web services such as TripleLights that local individuals can create tours and offer to foreign tourists. They usually offer private tours for a small group and they don't provide any transportation. They could be potential contractors to TAI (to be mentioned later).

Competitor Category 4: Non-local Tour Agencies

Competitor Category 4 is large nationwide tour agencies. They coordinate 1-day package tour of Ise Jingu from Nagoya with an English tour guide. Their tour is a comprehensive fixed tour including transportations usually without any local experts.

As the market is not developed and unmaturred (Blue Ocean) in the Ise Shima National Park, there is no strong competitor in the market and TAI could be a pioneer.

2-3: Customers:

Chapter Summary: Out of 12 million foreign repeat and individual tourists to Japan per year, TAI's primary target customers are Western (American, European and Australian) tourists who visit Japan with their partners and families and seek authentic and real experiences.

As mentioned in the "Business Opportunity" section, in broad, the target customers for TAI is foreign repeat and individual tourists who seek for varieties of tours with authentic experiences. As mentioned, the total available foreign repeat and individual tourists to Japan per year is 12 million people. Appendix Y proves how tourists expect for authentic and real experiences during their stay

(JTA, 2019). This section describes the target customers in more detail.

Nationality: Primary Target = Western Tourists, Secondary Target = Chinese Tourists

Tourists' behavior differs from nationalities. Although Chinese and other far-east Asian tourists are the biggest tourist groups to Japan, they are not necessary the main customers for TAI because they are the ones who individually seek for authentic and local experiences and spend money on it. As Appendix D shows, many of Chinese and far-east Asian tourists visit Japan in a large group with packages. More % of American, European, Australian and South East Asian tourists are FITs with more flexible and individualistic needs to their tours (JTA 2018).

The other reasons why American, European, Australian and South East Asian tourists are the main target customers for TAI is because of their expenditure behavior. Appendix Y shows the % of tourists who spent on leisure and service expenditure during their stay in Japan and average amount of their expenditure. Australian tourists have highest % of spending on leisure and service with 76.4%, followed by European tourists such as British, French and German tourists. Asian tourists have relatively lower % of average 42.7%. In terms of the expenditure amount, Singaporean tourists have highest amount of \$397.5, followed by Australian tourists of \$314.58. Again, American, European and Australian tourists tend to spend more money on tours and guides (JTA 2019).

Another data by nationality is Appendix Z: the tourists to the Ise Shima National Park in 2015 and Appendix AA: users of a potential competitor, Kaito Yumin Club in 2016. The largest visitors to the Park are Asian tourists, however, they are not necessary the largest tourist group to Kaito Yumin Club (Regional Council of Ise Shima National Park, 2018; Toba City, 2018). TAI should not omit Asian tourists completely as the biggest repeat tourists to Japan are obviously Asian tourists. Therefore, TAI would like to state that TAI's first target is American, European and Australian tourists (English speakers) and second target is Chinese and other Far-East Asian tourists.

Age Group and Other Characteristics: Couples (over 40 years old) and families (30~50 years

old with their children)

Tourists' needs differ depending on their age also. Higher their age is, tourists tend to visit less-traveled area and seek for experiencing authentic cultures. Younger generations tend to visit large cities and enjoy shopping and visiting theme parks (Cabinet Office, 2018).

Appendix BB shows with whom foreign tourists visit Japan. Many people visit Japan with their families (with their children or their partners).

With above said, the main targets for TAI are couples (over 40 years old) for cultural tours and families (30~50 years old with their children) for nature tours with activities.

Socio-Economic Status: Modern Luxury

According to the survey, Japan is ranked 7th in the ranking of countries visited within 3 years by Americans, both high-income class (household income more than \$200,000) and mid-income class (household income between \$70,000~ \$199,999) (Intage, 2019). This means that Japan has been chosen as tourist destinations regardless of their economic status.

According to JNTO (Japan National Tourism Organization), there are two types of "Wealthy Travelers". One is called "Classic Luxury" and the other is "Modern Luxury" (JNTO, 2019).

Elmsbridge states modern luxury as "Except for, perhaps, ultra high-net worth luxury travelers seeking the best of everything, there's a clear desire among high spenders to mix traditional luxury delivery with artisanal, craft, DIY, and singularly local experiences that deliver a strong sense of place and uncontrived engagement with residents." (2017).

The needs of traditional classic luxury travelers and modern luxury travelers differ greatly, the former seek for high quality service, comfortability, brands and high-status symbols, however, the latter seek for real experiences, once-in-lifetime experiences and ecotourism. The keywords for modern luxury travelers are culture, origin, heritage, style, identity, authenticity and quality (JNTO, 2019). In this sense, customers which TAI targets are modern luxury travelers, from upper-mid to

high class.

3. Company Description and Value Proposition

3-1: Business model

Chapter Summary: TAI's value proposition is "authentic experience in your travel without stress". TAI focuses on providing locality, authenticity and easiness to tourists' experiences during their stay in Japan in collaboration with local enterprises.

Value Proposition

The values (Principle benefits) for tourists which TAI provides are;

- Opportunity to visit to "less-travelled" but "wealth in tourist attractions" area
- Authentic, local, and real experiences which tourists cannot obtain by their own
- Language Options - No stress of communication. Without language barriers and information shortage
- Local guide – tour accompanied by local bilingual tour guide
- Variety of tours – different types of tours available from local culture to nature
- Small group tours – Private and semi-private tour with flexible arrangement
- Transportation
- Consultation/Advise

Value Proposition model can be drawn as below. TAI's value proposition is "authentic experience without stress". (Price strategy will be mentioned later)

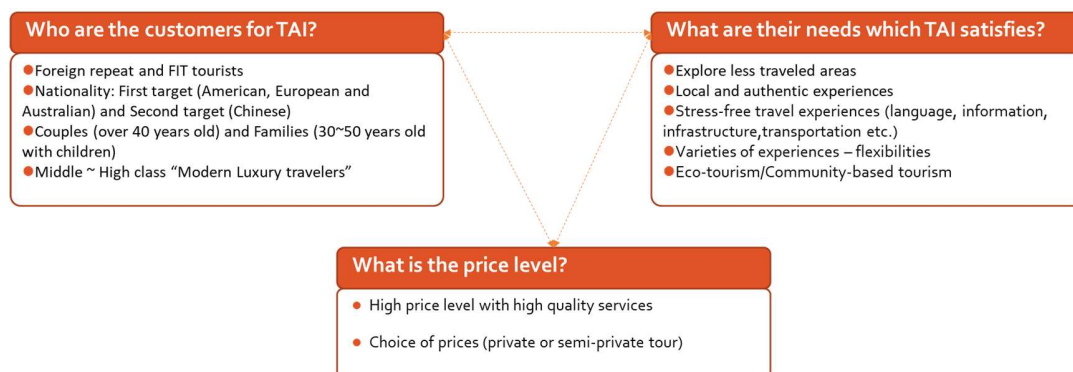


Figure 5: Value Proposition Model

TAI provides tourists the benefit of visiting less-traveled area with authentic experiences which they cannot visit their own and solves tourists' issues during their stay in Japan, such as communication issues and complexity of transportation.

The business model can be drawn as below figure. In order to take out stress on the reservation, tourists can process all the preparation of their trip online, and TAI provides complete package to their tour including transportation and local guides according to their needs in collaboration with local enterprises.

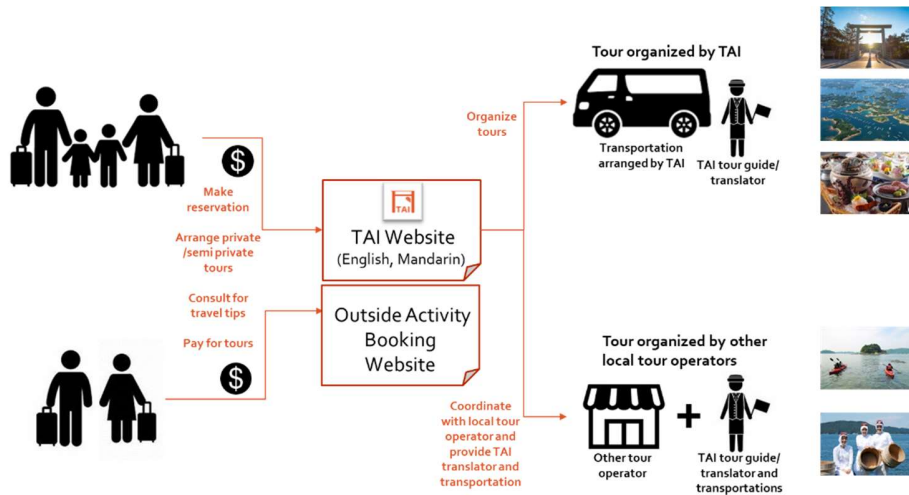


Figure 6: Business Model

Business Model CANVAS

<p><u>Key Partners</u></p> <ul style="list-style-type: none"> • Ministries (especially MLIT (JTA), Ministry of Environment) / National government • Regional government (Prefecture) • Local municipalities • Local tourist associations • Local communities • National park association • Other local tour operators • Local Hotels, Restaurants, Souvenir shops • Local guides • Influencers, Bloggers • Activity booking webservices 	<p><u>Key Activities</u></p> <ul style="list-style-type: none"> • Organizing and operating private and semi-private tours with local experiences • Introducing local tour operators, restaurants, shops to tourists and providing translators and transportations 	<p><u>Value Propositions</u></p> <ul style="list-style-type: none"> • Travel opportunity to less traveled areas • More authentic, local, real and original experiences that tourists cannot explore by their own without stress of language barriers and information shortage • Varieties of tours from cultural tour to nature tour • Close connection to local enterprises 	<p><u>Customer Relationships</u></p> <ul style="list-style-type: none"> • Close communication and follow-ups throughout their trip • Semi or total private tour arrangement • Different languages (reservation, during the tour etc.) • Provide advises on their trip 	<p><u>Customer Segments</u></p> <ul style="list-style-type: none"> • Foreign repeat and FIT tourists who would like to explore less traveled areas, who are not in group-tour, and who value local and authentic experiences. • Nationality: First target (American, European and Australian) and Second target (Chinese) • Couples (over 40 years old) and Families (30~50 years old with children) • Middle ~ High class "Modern Luxury travelers"
<p><u>Cost Structure</u></p> <ul style="list-style-type: none"> • HR (Translators, local guides, drivers, administrators, etc.) • Rent (Office) • Ads and marketing • Logistics, Transportation • Web system 		<p><u>Revenue Streams</u></p> <ul style="list-style-type: none"> • Tour fee (direct sales and sales through Activity booking webservices such as "asoview") • Mediating fee (by introducing tourists to other local tour operators) 		

3-2: Description of the Company

Chapter Summary: TAI's Mission is "Authenticity to Travelers, Vitality to Locals". TAI's strength lay on the strong focus on fulfilling foreign tourists' needs together with local collaborators.

Vision and Mission

Mission of TAI is "Authenticity to Travelers, Vitality to Locals". Not only providing the real and original experiences to clients (tourists³) as described in the value proposition, TAI's mission is to vitalize the local communities by bringing tourists to the local areas and through connecting tourists to local enterprises. It is accompanied by the vision of TAI; "to make win-win travel experience for travelers and locals by providing stress-free tours for everyone". Through its dedication to providing the most authentic and local experiences without barriers to tourists, TAI aims to support the local communities.

SWOT Analysis

- **Strength**

- Specialization on foreign tourists
- Language options (English and Mandarin)
- Variety of tours – different types of tourist attractions
- Locality (local guides, local connections etc.)
- Collaboration with other local tour operators which specialize in Japanese tourists
- Flexible arrangement – private/semi-private tours, transportation addition
- International experience – knowhow of international tourism standard
- Support by local government, national government and tourist associations
- Web-marketing

³ In the Mission and Vision Statement, TAI does not call tourists as tourists, but travelers, because sometimes tourists do not like to be identified or called as "tourists". Especially for those who seek for authentic experiences tend to identify themselves as travelers rather than tourists. However, in the other parts of this thesis, to make it simple, the word "tourists" are used.

- Easy- reservation system

- **Weakness**

- Not strong international recognition and brand of Ise/Mie yet
- Tourist facilities still in development in the area (wifi and tourist information centers)
- Lack of experiences (start-up)
- Seasonality of business
- Not full capability to cover all the tours by own
- Due to private/semi-private tours, not possible to scale up easily

- **Opportunities**

- Better access to Ise – plan to extend highway
- Raise of tourists during Tokyo Olympics
- Increase of tourists from different countries due to change of visa requirements
- Stronger interest to less-visited area with more repeaters
- Recognition of “Mie food brand” (such as Matsusaka beef) by foreign high-class tourists
- Governmental support and promotion to increase tourists in rural area
- “National Park Step-up Program 2020” by Ministry of Environment
- Collaboration with other cities, national parks, prefectures
- Raise of eco-tourism and community-based tourism

- **Threats**

- Governmental relationship with other countries (Foreign Affairs and Security Policy) – i.e. current trade problem with Korea
- National disaster - i.e. typhoon, earthquake
- Strong Japanese Yen
- Aging population and declining population in rural areas

- Increase of competition between rural areas
- Outbreak of virus

Summarizing SWOT analysis, TAI's strength lay on the focus on fulfilling foreign tourists' needs in collaboration with local enterprises. Weakness of TAI is common with weakness of the Ise Shima National Park, and it is necessary to overcome together with local governments.

3-3: Growth and Scaling Strategy

Chapter Summary: TAI starts its business only within the Ise Shima National Park, but it plans to expand to providing tours throughout Mie Prefecture with different language options.

TAI is going to start business in the main areas of Ise Shima National Park (around Ise Jingu, Ago bay and Toba area). At first, the tours are offered only in English and Mandarin. In 5 years, TAI aims to increase the number of own tours and of collaborators throughout the Ise Shima National Park. Additionally, it aims to start expanding its business to other part of Mie Prefecture outside of the Ise Shima National Park, such as Kumano Kodo (south of the Park). Also, the language option shall be expanded to Cantonese. In 10 years, it aims to cover all the areas in Mie Prefecture.



Figure 7: Growth Plan

3-4: CSR

Chapter Summary: TAI enforces community-based sustainable tourism and support local community development.

As its Mission and Vision describes, community engagement is an important aspect for TAI. TAI will integrate the local communities to its business as below. First of all, TAI will collaborate with local enterprises such as restaurants, shops and hotels. TAI's tour includes local enterprises as its

destinations. TAI encourages local production for local consumption. Secondly, TAI will hire local community members as guides and drivers, train them in order for them to revalue their natural and cultural heritage showing that sustainable tourism can generate growth and opportunities for them. In collaboration with the local government, TAI encourages more local people to get certain trainings in order to obtain licenses and certifications such as “National Government Licensed Guide Interpreter”.

Also, TAI will comply with the concept of sustainable tourism. According to the World Tourism Organization, sustainable tourism is “Tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment, and host communities” (UNEP and UNWTO, 2005). In both natural and cultural tours, TAI makes optimal use of environmental resources that constitute a key element in tourism development, maintaining essential ecological processes and helping to conserve natural heritage and biodiversity, respects the socio-cultural authenticity of local communities, conserve their built and living cultural heritage and traditional values, contributes to inter-cultural understanding and tolerance, ensures viable, long-term economic operations, providing socio-economic benefits to all stakeholders that are fairly distributed, including stable employment and income-earning opportunities and social services to host communities, and contributing to poverty alleviation.

4. Marketing Plan

4-1: Marketing objectives

Chapter Summary: TAI's goal is to capture 30% of current market and enlarge market size of the Ise Shima National Park by bringing more tourists and increasing their spending during their stay.

As mentioned, first goal of TAI, as a pioneer in the market, is to capture the large market share (30%) of the current unmaturred available market of the Ise Shima National Park, which is \$9.3 million per year. But at the same time, it's ultimate goal is to increase foreign tourists visitors to the Ise Shima National Park and to enlarge the market pie of the Park. The current market share of the

Ise Shima National Park within the total market of Japan per year (the expenditure on the experiences of foreign tourists; \$1.3 billion) is only 0.31%. TAI wishes to increase the market share of the Ise Shima National Park to 3%, around \$40 million, in future.

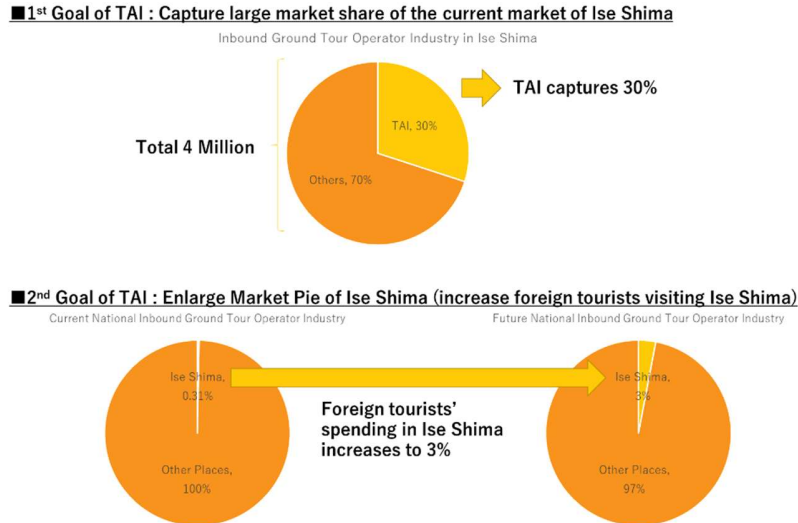


Figure 8: TAI's Goal

In order to achieve above two goals, below are the SMART marketing objectives.

Objectives	For Goal 1 or 2	Description	Term
Visitors to the own website	Goal 1	50 visitors per day	By the end of year 1
SNS	Goal 1	Facebook: 2,000 likes Instagram: 1,000 followers	By the end of year 1
Reviews	Goal 1	Facebook: 4.5 TripAdvisor: 4.5	By the end of year 1
Tours	Goal 1	Develop at least 3 own tours (Type 1) and 5 collaboration tours (Type 2)	By the end of year 1
Guidebooks or online article	Goal 1	Futered in at least 1 guidebook or online article	By the end of year 1
Local government	Goal 2	Start promotion project with the local government	By the end of year 1
Press tour	Goal 1 and 2	In collaboration with local government, organize at least 1 press tour and invite foreign influencers to the Park.	By the end of year 1

Subsidy	Goal 2	Apply for subsidies available in JNTO/MLIT/JTA for marketing and promotion campaign and obtain at least 1 to start in year 2	By the end of year 1
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For the purpose of this thesis, in this chapter, marketing strategy for the first goal – capturing the share of current market will be mentioned.

4-2: Segmentation Strategy

Chapter Summary: TAI's target customers are repeat individual Western tourists in their 30~40s (families) and over 40s (couples) with middle to high class economic status.

As analyzed in the section Customer analysis, target customers are segmented as below. TAI operates varieties of tours for foreign tourists who seek for authentic and real experiences during their stay in Japan.

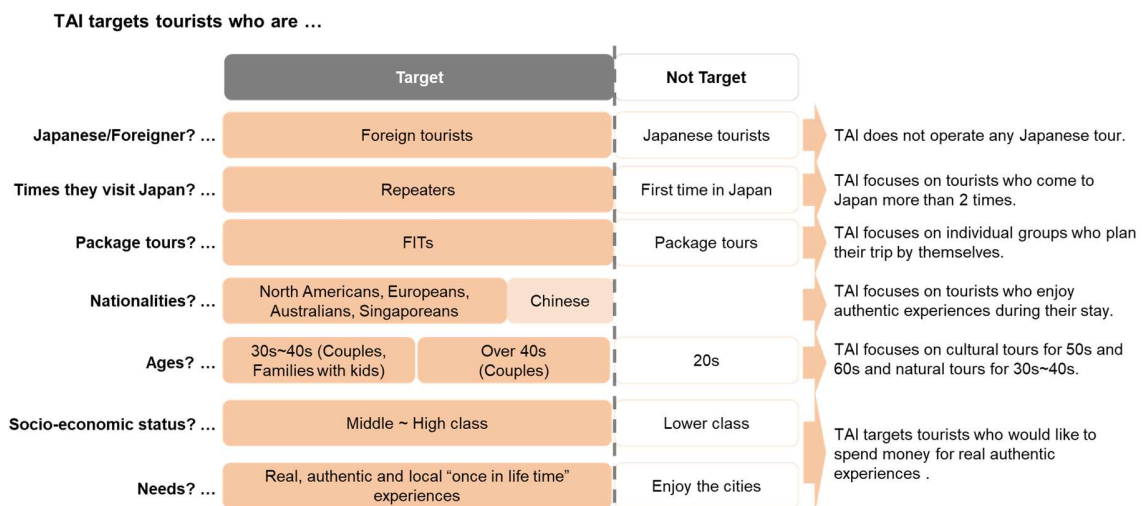


Figure 9: Customer Segmentation

4-3: Product/Service Strategy

Chapter Summary: TAI differentiates itself from competitors by providing varieties of authentic tours in two languages which meets specifically the needs of foreign tourists. There are two types of TAI's tours – tours totally operated by TAI and tours of local tour operators with translators and transportation provided by TAI.

In order to serve above segmented target customers, TAI differentiates itself from other competitors as below.








								
Main Focus		Foreign tourists	Japanese tourists	Japanese tourists	Japanese tourists	Foreign tourists	Both	Both
Language Availability	English	✓	✓	✓	✓	✓	✓	✓
	Mandarin	✓						
Area		Throughout Ise Shima National Park	Only Toba	Only Toba	Only Toba	depends	Mainly Ise Jingu	Mainly Ise Jingu
Varieties of tours	Ise Jingu	✓				✓	✓	
	Food	✓	✓		✓			
	Ama	✓	✓		✓			
	Landscape	✓	✓	✓				
	Local Culture	✓	✓	✓	✓			
	Nature Activities	✓	✓	✓				
	Pearl	✓						
Collaboration with local enterprises		✓	✓	✓	✓			
Flexibilities of reservation		✓	✓			✓		✓
Information Access		✓	✓	✓	✓	✓	✓	
Private/Semi-Private		✓	✓	✓		✓	✓	✓
Duration		2hrs~2days	1~5hrs	2hrs	2hrs	6hrs	8hrs	6.5hrs
Overnight		✓					✓	
Transportation		✓					✓	

Table 2: Differentiation from Competitors

Unlike other competitors in the tour operator market in the Ise Shima National Park, TAI focuses only to the foreign tourists with the tours operated in English and Mandarin. Also, TAI provides varieties of tours throughout the National Park in collaboration with the local enterprises in order to provide true authentic experiences to tourists. At the same time, not only providing the activity tours, TAI can provide transportation and hotel arrangement upon tourists' individual request to meet their needs.

Below figure shows the mapping of different competitors.

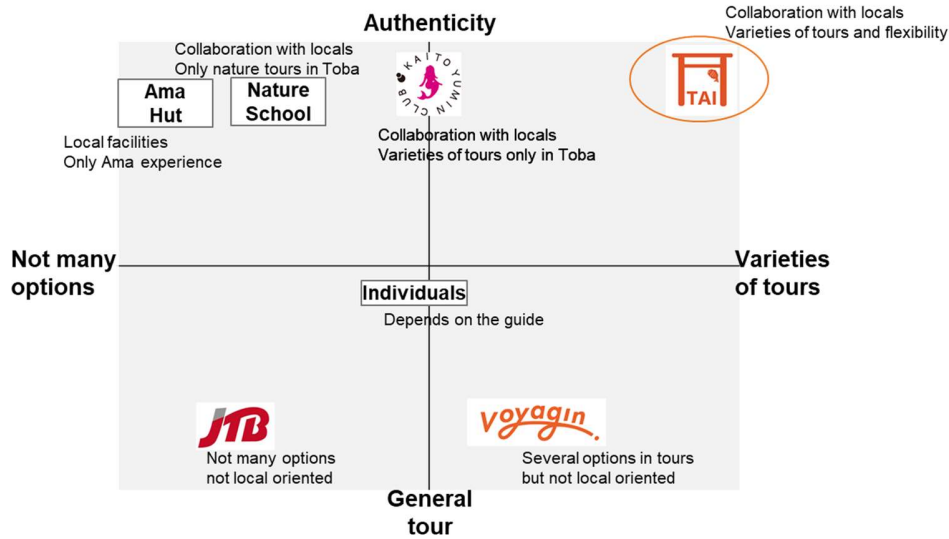


Figure 10: Mapping of Competitors

TAI differentiate itself from competitors by satisfying needs of target modern luxury travelers, “real once-in-lifetime experiences” by providing varieties of flexible tours which fulfills keywords like “culture, origin, heritage, style, identity, authenticity and quality” in 2 different languages with transportation included in collaboration with local enterprises. Tourists can travel the authentic experiences without feeling stress of not being able to communicate or finding the right transportation.

Appendix CC shows there are many different tourists’ needs (with highest ones are related to cultural activities rather than nature). Currently there is no competitor which can serve all the tourists’ needs. The Ise Shima National Park is introduced as “National Park of Ise Jingu with eternal history and Satoyama Satokai⁴ with harmony of nature and human beings”, Ise Shima National Park has high potential and possibility to meet all tourists’ needs for TAI to operate varieties of tours.

Details of TAI’s Product (Tour)

Appendix DD shows the details of two different examples of tours by TAI. In order to have flexibilities and varieties of tours, TAI operates “Type A tours” which are produced and operated by

⁴ Satoyama Satokai means “the rich local natural woodland and ocean near a village”.

TAI in collaboration with local enterprises (for activities within the tours and for lunch) and “Type B tours” which are operated by local Japanese tour operators (such as *ShimanoTabisha* in the example) but transportation and translators arranged by TAI. In Appendix, Tour 1 is an example of Type A and Tour 2 is of Type B. By mixing those 2 types tours, TAI enables to serve varieties of authentic tours to foreign tourists.

4-4: Price Strategy

Chapter Summary: TAI set higher prices than the local competitors but within the range of the international standards.

Generally, the tours in Japan are lower than the international standard (JTA, 2019; see Appendix EE). For example, Sake tasting tour in Japan is \$100 lower than wine tasting tour in Australia. Therefore, it is important to position the price not only in comparison of competitors in the region but also the international standard as the tourists come from different backgrounds. JTA's analysis concludes that foreign tourists have appetite to pay higher prices than the current prices in Japan for experiences. Also, the analysis on “modern luxury travelers” states that modern luxury travelers wish to pay price for high quality, authentic experiences (JNTO, 2019).

As below Table 3 indicates, the prices of tours offered by the competitors in the area vary from \$25 to \$410 depending on what are included in the tour. The prices of tours by Competitors 1-a, 1-b and 2 (Kaito Yumin, Nature School Shima and Ama Hut) are for Japanese tourists at Japanese standard, which means their tours are prices at much lower level than international standards. The Individual tour guides set aggressive pricing for foreign tourists. Although their tours don't include transportation, their prices are set at very high price, and yet there are tourists who buy their tours.

As indicated in above Table 2, since TAI fulfills more needs than any of competitors, TAI should price its tours at higher price than competitors. Also, as Appendix DD shows, the prices of TAI tour vary upon the options chosen by tourists. Tourists can choose different prices and options upon their needs.

							
Price (USD)	→ \$50~\$400	→ \$25~\$140	↓ \$28~55	↓ \$32	↑ \$155~410	→ \$185	↑ \$249~\$341
Duration	3hrs~2days	1~5hrs	2hrs	2hrs	6hrs	8hrs	6.5hrs
Overnight	✓					✓	
Transportation	✓					✓	

Table 3: Competitor Price Comparison

With above analysis, TAI would like to take following strategies on its pricing.

- Premium Pricing: A higher price than competitors is set to establish an exclusive product of high quality.
- Competition Pricing: price higher to create a higher quality perception.
- Product Line Pricing: Different products in the same range may be set at different prices.

TAI's tours provide options for the tourists to choose such as options of private or semi-private tours.

The prices should vary depending on the options chosen.

4-5: Distribution Strategy

Chapter Summary: TAI's most important sales point is own website. Although the online sales would play the most significant role, TAI also holds offline, face-to-face sales points.

When deciding distribution strategy, it is important to understand tourists' behavior "before trip" and "during trip". According to the survey, most of tourists have planned their travel before their trip through web (JTA, 2019). Therefore, although TAI plans to have below 4 sales points of tours, the most important sales points for TAI would be online.

First and the most important is TAI's own website. With the direct sales through own website and reservation system, it is more economical for TAI. TAI's website should have the reservation system together with credit card payment system available in English and Mandarin so that tourists' can easily access information and complete through their reservation before their trip.

Second sales point is the activity booking websites. There are several large activity booking websites in Japan and some of them are available in English (See Appendix FF). Also, there are

international websites such as “Expedia” and “TripAdvisor”. Mie Prefecture was the first prefecture in Japan to start collaboration with TripAdvisor and trying to encourage local enterprises to make use of it effectively (Mie Prefecture, 2016). All of those booking websites are very expensive as they take commissions for all the sales through their websites, which are 10~20%.

Third sales point is offline, TAI’s office in front of Ise Station. Although according to tourists’ survey, the most of tourists decide their travel plans before their trip starts, however, there are certain amounts of tourists who decide to join guided tour in the last minutes at the arrival.

Last sales point is at the tourist counters at the affiliated hotels. With some commission fee to the hotels, TAI asks them to introduce TAI’s tour to their guests. Those hotels should not be limited to the local hotels but also the hotels in the large close cities such as Nagoya and Osaka, where tourists can easily take day-trip or 2-days trips from.

Generally, the sales points which TAI focuses are above four locations, “B to C” distribution strategy, in order to sell to TAI’s main target – the individual tourists. However, until the demand becomes stable, TAI also should consider “B to B” business. For example, TAI should approach tour agencies globally and sell the tours to them and ask them to include TAI’s tour as a part of the package tours which they organize.

4-6: Communication and Sales Strategy

Chapter Summary: TAI enforces different promotion plans for tourists’ stages - “before trip” and “during trip”, but also “after the trip”. SNS is the most important tool of communication with tourists.

In case of foreign tourists, it is said their customer behavior is considered to be SIPS (Sympathize, Identify, Participate and Share&Spread) model. In SIPS model, empathy with the information disseminated by a person serves as the initiator of consumer behavior. Through consumers’ empathy and identification, the motivating for action is born in turn leading to participation, sharing, and the beginning of diffusion. Through initial motivation, consumers look for further information using search engines or social media and take certain actions (Sawatani, Y.,

Spohrer, J., Kwan, S., Takenaka, T., 2017). As the several surveys at Appendix GG show, the main source of information for foreign tourists are through web. Traditionally tourists used to obtain information through guidebooks, however, nowadays, SNS plays the most important role in the marketing for tourism (JTA, 2019). Therefore, the promotion is important not only at their “before trip” and “during trip”, but also “after the trip”.

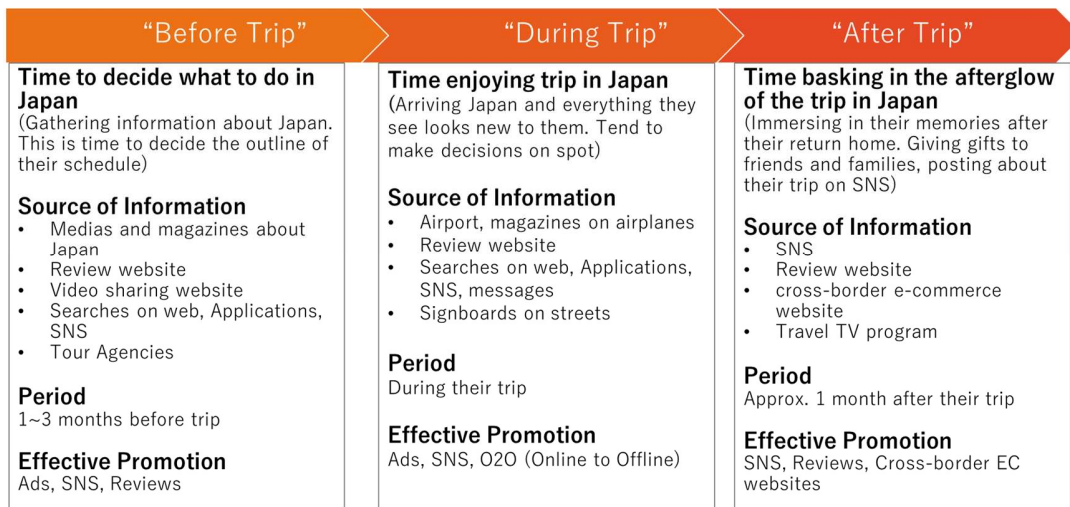


Figure 11: Effective Promotion depending on the Stage of their Tour

The promotion on SNS such as Twitter, Facebook and Instagram and review site such as TripAdvisor and Google will be very important. Opening own accounts on each SNS to convey direct messages (“Owned media”) and having pages at the review sites in order for the tourists’ to leave reviews (“Earned media”) will be primary actions for the promotion.

At the same time, in collaboration with local government, organizing press-tours and inviting foreign influencers such as bloggers, YouTubers and Instagrammers, to come to the area and let them participate to the tours will be an effective marketing tool.

Also, utilizing the paid-media such as “Japan Travel.com” where foreigners living Japan writing columns and articles in 10 different languages about their experiences, is an important marketing tool. Japan Travel.com receives 550,000 viewers every month from 190 countries (JTA, 2019).

Not like the traditional ads, those reviews, blogs of influencers and the articles and columns in

the paid-media can give empathy to people which serves as the initiator of consumer behavior.

Promotion should be done throughout the season, however as more tourists tend to visit Japan between March to July (see Appendix HH), the large promotion should be held 1~3 months before March to July as this is the “before trip” period when tourists plan their travels.

4P Marketing Matrix

With above all the analysis, 4P Marketing Matrix can be summarized as below.

Product

- What need does your product satisfy?: Need for authentic and real experiences.
- What problem does it solve, or what challenge does it help the customer overcome?: Language, lack of information and difficulties of transportations etc.
- What features does the product have that help it meet the needs of your customer?: Varieties of tours, different options to choose from, language availability, transportation and local guides.
- How is your product different from your competitors?: Providing different tours to satisfy the varieties of tourists' needs in different languages. All the tour can be arranged by TAI (transportation and hotels) upon request.

Place

- Where will your potential buyer look for your product?: Online (own website and outsourced activity booking website) and offline (TAI's main office and at the tourist counter of the affiliate hotels)
- Will you sell directly to your customers or use a distributor or a sales team?: Both. Direct sales at own website and the office, but also with the distributor such as activity booking website and the affiliated offices.

Price

- What amount does your competition sell the product for? How will your price compare to your

competitors?: Prices of TAI would be higher than competitors in the region to meet at the international standards. The prices of TAI will be between \$50 to \$400 depending on the tours and options which tourists' choose.

- Will you offer discounts or buying advantages?: For larger group, discount can be applied.
- Will your product be offered at more than one price point?: Tourists can choose different options for their tours and the prices can vary depending on their choices.

Promotion

- By what means will you get your marketing message to your potential customer?: SNS, Review sites, use of influencers
- Is the product seasonal? If so, how will that impact when, where and how you promote it?: In general throughout year, however the heavier promotion should be held during 1~3 months before March to July.

4-7: Demand Estimation and Annual Growth Opportunities

Chapter Summary: the demand of TAI tours is expected as \$0.6 million in Year 1 and grow to \$4.6 million in Year 5.

Below is the estimation of demand and annual growth rate in 5 years.

Business Year	1	2	3	4	5
Number of Tourists in Ise Shima National Park (thousands)	100	111	123	138	157
		8.7%	8.7%	8.7%	8.7%
		2.0%	2.0%	4.0%	5.0%
% of tourists with expenditure in "Experience"	56.9%	63.8%	71.5%	80.1%	89.8%
CAGR	12.1%	12.1%	12.1%	12.1%	12.1%
Expenditure on "Experience" per a tourist	\$98.38	\$101.14	\$103.97	\$106.88	\$109.87
CAGR	2.8%	2.8%	2.8%	2.8%	2.8%
Target Market Share	10%	15%	20%	25%	30%
Estimated Demand (\$)	\$559,953	\$1,071,280	\$1,821,804	\$2,956,977	\$4,648,384

Goal of 2020 set by the Government (points to Year 1)
 # of tourists to the Park expected to grow as CAGR of total tourists(b)
Additional growth rate expected as the result of marketing campaign TAI enforces together with the local government (c)

Estimated to grow as the same rate as before
Estimated to grow as the same rate as before
As there is no major competitor, targeted for 30% market share (ref: market share of competitor – 0.5% only)

Table 4: Demand Estimation and Annual Growth

In the year 1, the total tourists to the Ise Shima National Park is expected to be 100,000, assuming it accomplish the government's goal (colored in yellow). The number of tourists is expected to grow at the CAGR of total tourists to Japan, which is 8.7% (colored in gray). Additionally, as mentioned, TAI will enforce marketing campaign together with the local government to increase tourists to visit the Park, and the additional growth rate as the result of this promotion is expected from 2~5% (colored in blue). With these growth rate, the number of annual visitors to the Park is expected to be 157,000 visitors.

The % of tourists' expenditure on leisure and service ("experiences") is expected to grow at the current rate of 12.1% from 56.9% in Year 1 to 89.8% in Year 5 (colored in orange).

The amount of expenditure on leisure and services is also expected to grow from the latest data (2018) in \$93.1 at the current level of 2.8%. Therefore it is calculated \$98.38 in Year 1 to \$109.87 in Year 5 (which is considered to be conservative as the market research mentioned it is expected to grow more) (colored in green).

With above estimation combined ($A*B*C*D$), the demand of TAI tours is expected as \$0.56 million in Year 1 and grow to \$4.6 million in Year 5. This means receiving average 2 small groups of tourists every business day in Year 1 and 17 in Year 5, capturing 30% of market share of the Ise Shima National Park. Currently, there is no major player in the market. One of the identified competitors, Kaito Yumin Club only captures 0.5% of market share. As mentioned, TAI also plans to expand its business to other areas of Mie in Year 5.

4-8: Marketing Budget

Chapter Summary: TAI budgets its own marketing cost (\$9,954 per year), and also apply for the governmental grants for marketing.

TAI's marketing budgets are expected to be below.

Website Development Expense (One time)	\$4,608
Website Maintenance Expenses (per year)	\$885
TAI Own Marketing Cost (per year)	\$9,954
Governmental Grants for marketing (per year)	\$12,903

Table 5: Marketing Budget

Before launching the business in Year 1, TAI plans to develop its own website where would be the main sales points and marketing hub for its tours. The budget of the development is \$4,608. In order to maintain the website active and attractive, it is expected to spend \$885 yearly for maintenance expenses of the website.

There are many varieties of governmental grants for tourism development offered by different ministries. For example, the grant named “Grant for Development Japan Brand” is provided to SMEs for development, branding and promotion of new tourism services and products in order to capture inbound demands, up to \$46,083 (JTA, 2020). TAI will apply for one of those grants per year for marketing of its own tours and the Ise Shima area. As its own cost, it is budgeted to spend \$9,954 per year, and the governmental grant will be received \$12,903 per year.

5. Operation Plan

5-1: Strategy, Scope and Size of operations

Chapter Summary: TAI’s strategy of the operation is to keep flexible and small, therefore the only physical location required at the beginning will be an office with tourist information center.

The basic idea of TAI’s operation is to keep the size of operation small in order to maintain its flexibility and keep low fixed costs until the business become stable and scale-up.

Physical Location and Infrastructure

As a tour operator, only very minimum physical location and infrastructure is required. TAI will open a small office with the tourist information counter in front of Ise Station. In front of Ise Station, there is shopping arcade where there are many vacant stores for leases with monthly rent at \$553. Tourists can stop by at this office to make tour reservation. In terms of infrastructure, TAI plans to

own a van for tourists' transportation from year 1. As it expands its business to other areas within Mie Prefecture in Year 10, it would require satellite offices around the area.

Online

The main operation of TAI (reservation, travel consulting, contacting tourists and contractors and arranging the tours etc.) will be processed online. Unless the reservation is done through the main office physically, there is nothing delivered to tourists (paper-less operation). The own website of TAI will be the main face of contacts with tourists, therefore the development of the website plays very important role. The online payment system will be introduced.

Rentals

In order to maintain the flexible operation and start business with less investment, TAI will own only 1 van, and for additional requirements, it will rent different size of vans and buses for operation of the tours. There are several options of car rental services for commercial use in the area.

Contractors

The guides, translators and drivers will be hired as the contractors with flexible work schedule (details mentioned later at the organizational chart section).

5-2: Operational Flow

Below figure shows the operational flow of TAI.

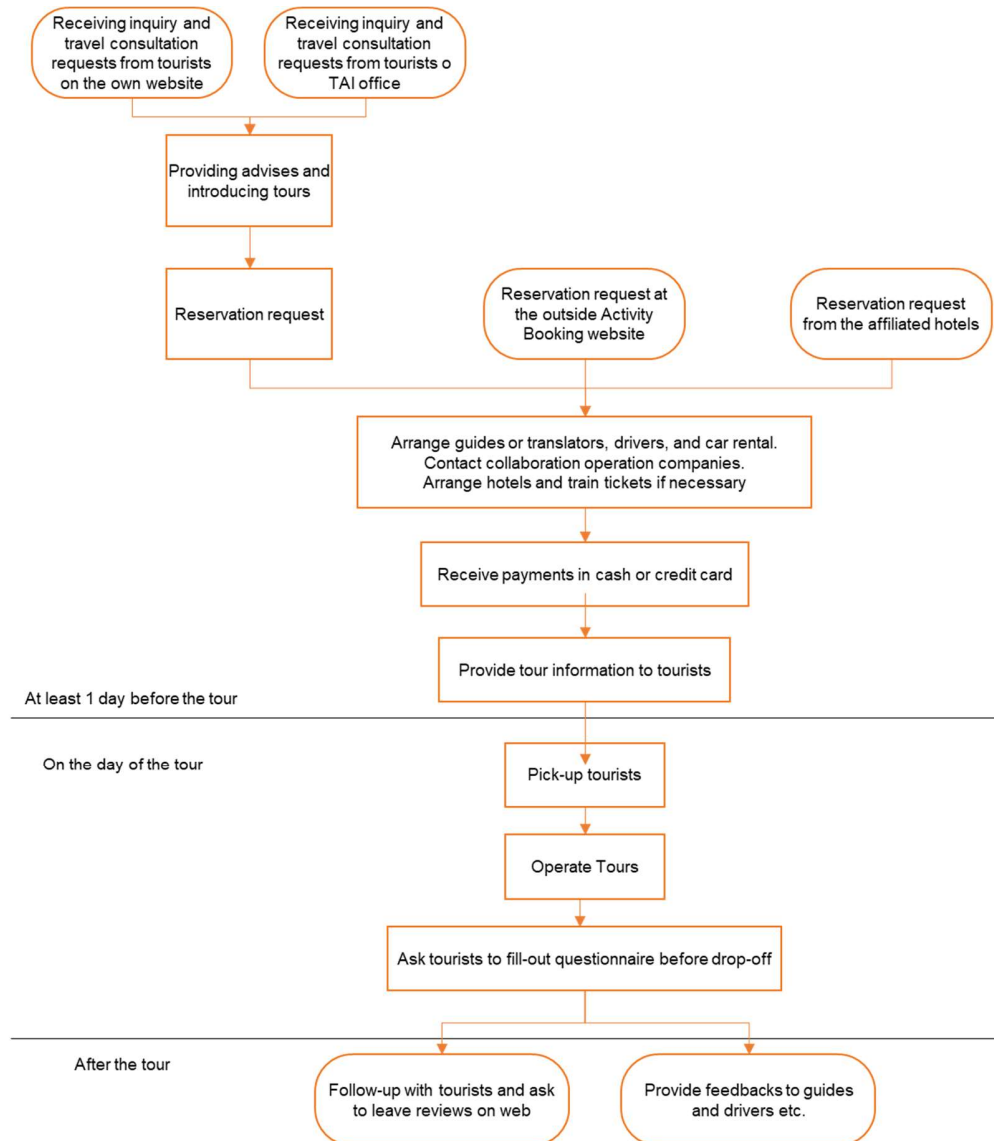


Figure 12: Operational Flow

5-3: Development and Implement Plan

Chapter Summary: It is expected to take 6 months before launching the business of TAI after the incorporation of the company.

Below Gantt chart shows the activities before the launch of tour operations. After the incorporation of the company, the first most important activities are hiring of COO, CAO and Marketing Manager, and Legal registration as a tour operator. With these activities done, together with COO and Marketing Manager, other activities commence. It is expected that the

implementation period would take 5 to 6 months.

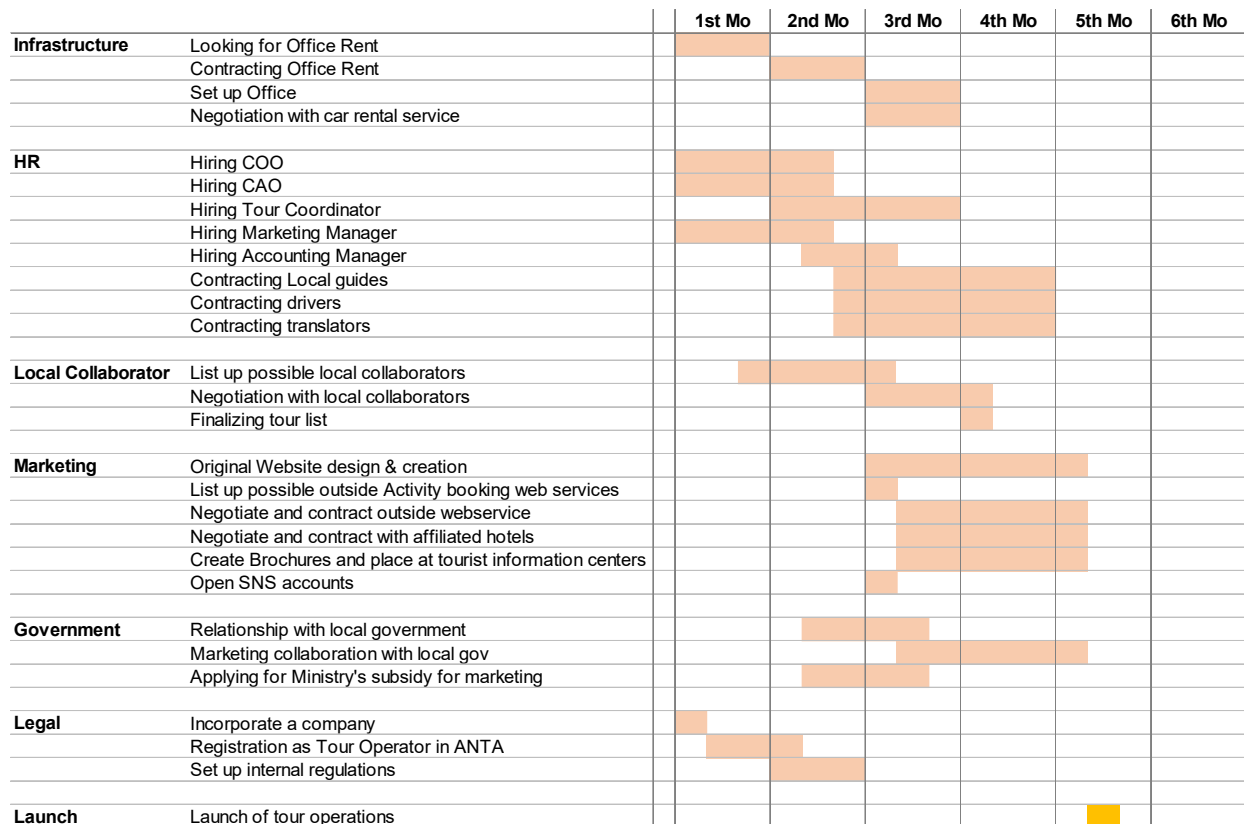


Figure 13: Gantt Chart

6. Project Team

6-1: Management Team

Chapter Summary: Management Team will be consisted of CEO, CAO and COO.

Management team will be consisted from three main positions at the beginning of the business; CEO, CAO and COO. Each position has below responsibilities.

CEO (Chief Executive Officer)

- In charge of setting strategy and direction, modeling and setting the company's culture, values, and behavior, building and leading the management team, allocating capital to the company's priorities and building relationship with external stakeholders such as local and national governments.
- Master's degree in Business Administration. Certified Domestic Travel Service Supervisor

and National Government Licensed Guide Interpreter.

- Must be local in the area.

CAO (Chief Administrative Officer)

- Responsible for overseeing the administrative operations and managing the day-to-day operations of the company. In charge of HR, Finance, Cost Management and Accounting. Reporting directly to CEO.
- As a start-up company, until the company becomes stable and hire more managers, CAO's role covers many departments. To be a successful CAO, he/she should be driven to succeed, able to handle stress, and have excellent communication and interpersonal skills.
- A Bachelor's or Master's degree in Business Administration. Solid work experience in a managerial position.

COO (Chief Operational Officer)

- In charge of tour planning and operation. COO focuses on executing and implementing the company's business plan.
- To be a successful COO, he/she should be an executor. This position requires good communication skill as COO needs to negotiate with local enterprises as collaborators and managing contractors such as tour guides, drivers and translators. Reporting directly to CEO. He/she will be in charge of managing all the contractors.
- Need to be Certified Domestic Travel Service Supervisor and National Government Licensed Guide Interpreter.
- Has extensive and practical experiences in the field. At least 5 years of experience in the industry. Preferably from the local area.

6-2: Organizational Structure

Chapter Summary: TAI begins its business with the minimum number of full-time employees. The guides, drivers and translators are contracted outside.

The idea of the organizational structure at the first phase of the company is to start with small team. It should be the minimum number of full-time employees with contractors and part-time employees. In addition to the management team, Marketing Manager, Tour Coordinator and Accounting Manager will be hired.

In addition to the management of the company, the CEO's focus should be building the relationship with external stakeholders such as local and national governments, local tourism associations and local enterprises.

Marketing Manager should be in charge of the promotion of tours and also the Ise Shima National Park. He/she shall work closely with the CEO in the case of joint-promotion of the Park with national and local governments.

The planning and operation of tours should be led by the COO. The COO should manage contractors such as guides, drivers and translators. Until the company becomes stable, the tours would be run mainly by the contractors in order to have flexibility. Hiring local free-lance guides, drivers and translators would help the local society as it enables local people who cannot work full-time (such as mothers with children) to earn money.

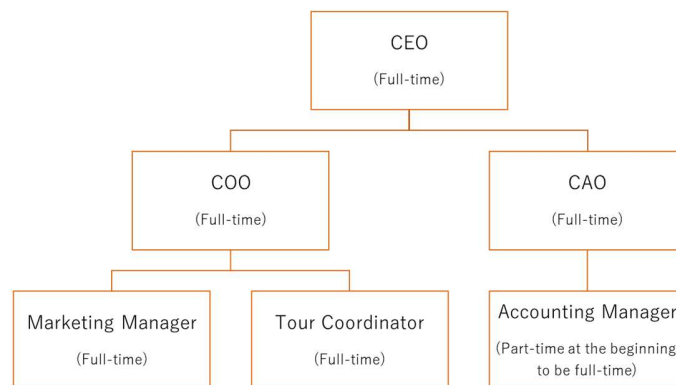


Figure 14: Organizational Structure at the Beginning

As the company becomes stable and scale up, the organizational structure should be developed as below to cover all the areas. At this stage, some part-time and full-time guide, translators and drivers would be hired, but still the company will rely on some contractors in order to keep flexibility.

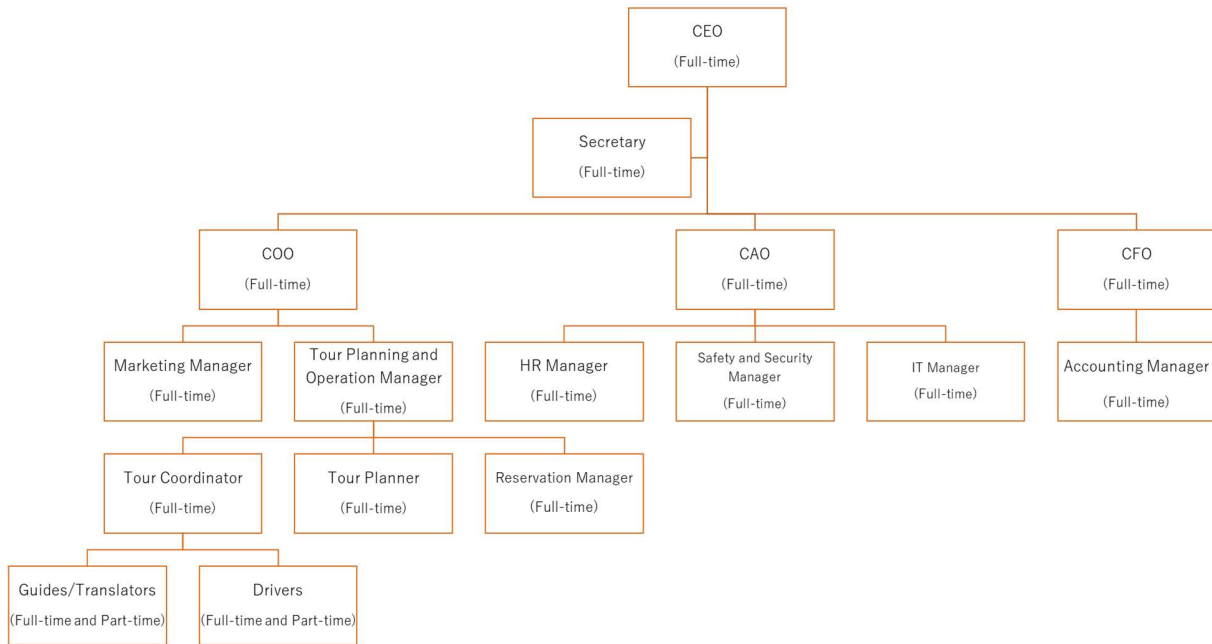


Figure 15: Organizational Structure in future

6-3: Incentives and Compensation

Chapter Summary: In order to retain the best employees in the area, TAI plans to budget higher remuneration than regional and industry average.

Compensation

The remuneration level of Mie Prefecture is lower than national average. According to the data by Doda, the average annual income of Mie prefecture is \$36,000, on the other hand, national average \$38,000 and Tokyo \$40,000 (2020). At the same time, the national remuneration level of tourism industry is very low; \$27,000.

TAI's customers are mid-to-high-class foreign tourists from around the world who seek for the best hospitality and experiences in Japan, therefore TAI's employees and contractors should have adequate skills and experiences. In order to capture the best people, TAI promises compensation

level of TAI is higher than industry and area average (at least 10% more than average, but depending on the role).

Incentives

After each tour, tourists will be asked to fill the questionnaire in order to see how satisfied they are. The satisfaction level of tourists will be reflected to the compensation of tour coordinator, guides, drivers and translators. The guides, drivers and translators who receive the highest satisfaction level will win the prize every month. At the same time, although there is no tipping culture in Japan, as the tourists are from the cultures, TAI will accept tipping for the employees. Tipping box will be set within the van in order to encourage the tourists to tip.

Marketing Manager will also receive valuable compensation as his/her bonus depending on the number of tourists.

7. Financial Plan

Chapter Summary: TAI's monthly net income becomes surplus in the 10th month after the launch of operation and pay-back period is 29 months. Without perpetuity, IRR is 85% and NPV is \$0.47 million.

Financial model has been created based on below assumptions.

Assumptions – General

Item	Units	Amount	Basis of Assumption
Exchange Rate	USD/JPY	¥108.50	Yearly average TTB in year 2019
Business days per month	days	25	1 - 2 days off per week
Corporate Tax	%	19%	Corporate tax for SMEs in Japan
Depreciation- Office Equipments +α	Years	8	
Depreciation - Webpage Development	Years	5	According to accounting regulation
Depreciation - Van	Years	6	

Table 5: Assumption – General Items

Assumptions – Sales

Sales of TAI consisted of “sales of TAI own tour”, “sales of Collaboration tour”, “sales of transportation and hotel arrangement” and “governmental grants”.

Sales of each category is calculated with the below assumptions.

Category	Item	Units	Amount					Basis of Assumption
			Year 1	Year 2	Year 3	Year 4	Year 5	
TAI Own Tour	Number of Groups/day	Groups	0 (Jan-Jun), 1 (Jul-Dec)	2 (Jan-Mar), 3 (Apr-Jun), 4 (Jul-Dec)	5	6	9	Assuming number of groups gradually increases as the result of marketing effort
	Number of Tourists/Group	Tourists	6	6	6	6	6	In average, assuming a group is consisted from 1 couple and 1 family (2 kids)
	Average Hours/Tour	Hours	6	6	6	7	7	Tourists expected to join the full-day tour in general
	Average Price of Tours	\$	\$92.17	\$96.77	\$101.61	\$106.03	\$111.33	The average price is nearly equal to the average expenditure on experiences. The average price is expected to increase as more tours will be introduced as years to come.
Collaboration Tour	Number of Groups/day	Groups	0 (Jan-Jun), 1 (Jul-Dec)	2 (Jan-Mar), 3 (Apr-Dec)	3	5	7	Expected TAI own tour would have more tourist attraction
	Number of Tourists/Group	Tourists	6	6	6	6	6	Same as above
	Average Hours/Tour	Hours	6	6	6	6	6	Same as above
	Average Price of Tours	\$	\$92.17	\$96.77	\$101.61	\$106.03	\$111.33	Same as above
Transportation & Hotel Arrangement	% of Tourists with Arrangement	%	0%(Jan-Jun), 15%(Jul-Dec)	25%(Jan-Jun), 30%(Jul-Dec)	30%	30%	30%	Assuming number of tourists who wish to ask TAI for complete package tour gradually increases as the result of marketing effort
	Average Arrangement Price	\$	\$276.50	\$276.50	\$276.50	\$276.50	\$276.50	Price for transportation from major cities (Nagoya or Osaka) and Hotel
	Commission Fee for Arrangement	%	15%	15%	15%	15%	15%	Average commission fee for the arrangement in Japan
Government Grants	Amount of grant per year	\$	\$6,452	\$6,452	\$6,452	\$0	\$0	As mentioned in marketing budget section, TAI plans to apply for government grants for its marketing expenses

Table 6: Assumption – Sales

For example, sales of TAI own tour are calculated as below.

Sales of TAI own tour = number of group/Day * number of tourist/group * 25 business days

* average price of tours

Assumptions – Cost

Cost of TAI consisted of “COGs of TAI own tour”, “COGs of Collaboration tour”, “COGs of transportation and hotel arrangement” and “SGAs”.

Costs of each category is calculated with the below assumptions.

Category	Item	Units	Amount					Basis of Assumption
			Year 1	Year 2	Year 3	Year 4	Year 5	
TAI Own Tour + Collaboration Tour	Hourly Fee for Contracted Guides	\$	\$13.36	\$13.82	\$14.29	\$14.75	\$15.21	Above industry average
	Hourly Fee for Contracted Drivers	\$	\$11.98	\$12.44	\$12.90	\$13.36	\$13.82	Above industry average
	Hourly Fee for Contracted Translators	\$	\$12.44	\$12.90	\$13.36	\$13.82	\$14.29	Above industry average
	Van Rental Fee per day	\$	\$50.69	\$51.19	\$51.70	\$52.21	\$52.73	According to Market research of the area
	Lunch Cost per tourists	\$	\$18.43	\$18.43	\$18.43	\$23.04	\$27.65	Average high quality lunch price in the area
	Other Cost per tourists	\$	\$23.04	\$23.04	\$23.04	\$27.65	\$29.95	Other costs (water bottles etc) + options
	% of reservation through outside website	%	30%	30%	25%	25%	25%	With marketing effort it is expected to increase direct reservation through TAI website
	% Commissions for Reservation	%	15%	15%	15%	15%	15%	Industry average
SGAs	Rent (Office) per year	\$	\$6,083	\$6,636	\$6,636	\$8,018	\$9,401	According to Market research of the area In Year 4, expected to expand office due to the increase of employees
	TAI Marketing Cost per year	\$	\$6,636	\$9,954	\$9,954	\$11,613	\$13,272	According to market research. Mainly ads on the internet
	Mie Marketing Cost (Gov Grant) per year	\$	\$12,903	\$6,452	\$6,452	\$7,558	\$0	Same amount mentioned in Sales section
	Salary per year	\$	\$131,336	\$211,982	\$230,415	\$296,774	\$400,346	Details mentioned in HR section
	Legal Welfare Expense for employees per year	\$	\$21,283	\$34,352	\$37,339	\$48,092	\$64,876	16.21% of salary is required for health insurance, employee pension insurance, nursing care insurance etc..
	Hiring/Training Cost per year	\$	\$1,373	\$1,392	\$1,392	\$1,438	\$1,954	In Year 0 and Year 4, new employees are hired
	Vehicle Expenses (Gas + Maintenance) per year	\$	\$3,318	\$7,465	\$7,880	\$8,323	\$9,843	In colloration with the number of tours. From Year 4, includes the cost related to vehicles such as vehicle tax
	Insurance Cost per year	\$	\$1,713	\$10,576	\$14,747	\$21,223	\$32,314	According to the market research. In colloration with number of tours
	Webpage/Communication Expenses per year	\$	\$516	\$885	\$885	\$885	\$885	Monthly cost for maintenance and updating TAI website. According to the market research
	Utilities Cost per year	\$	\$1,124	\$1,327	\$1,327	\$1,493	\$1,659	According to market
	Miscellaneous Expenses per year	\$	\$5,589	\$8,731	\$9,511	\$12,162	\$16,036	As contingency, including 3% of all the cost for miscellaneous
Depreciation per year	\$	\$5,036	\$7,942	\$7,942	\$8,120	\$8,298	Calculated according to accounting law	

Table 7: Assumption – Cost

Assumptions – HR

Human Resource (full-time and part-time employees) plan is assumed as below. In Year 1, 2, 4 and 5, new employees are hired. As mentioned, the average annual income of Mie prefecture is \$36,000, and the remuneration level of tourism industry nationally is \$27,000. TAI compensates its employees above average.

Position	Units	Yearly Salary				
		Year 1	Year 2	Year 3	Year 4	Year 5
CEO	\$	\$39,171	\$41,475	\$46,083	\$50,691	\$50,691
COO	\$	\$39,171	\$41,475	\$46,083	\$50,691	\$50,691
CAO	\$	\$39,171	\$41,475	\$46,083	\$50,691	\$50,691
Marketing Manager	\$	\$29,954	\$32,258	\$34,562	\$36,866	\$39,171
Tour Coordinator	\$	\$27,650	\$29,954	\$29,954	\$32,258	\$32,258
Accounting Manager	\$	\$0	\$25,346	\$27,650	\$29,493	\$32,258
CFO	\$	\$0	\$0	\$0	\$46,083	\$46,083
Tour Planning and Operation Manager	\$	\$0	\$0	\$0	\$0	\$32,258
Tour Planner	\$	\$0	\$0	\$0	\$0	\$32,258
Reservation Manager	\$	\$0	\$0	\$0	\$0	\$32,258

Table 8: Assumption - HR

Assumptions – Investment

The investment amount is calculated with below assumptions.

Item	Units	Amount		Basis of Assumption
		Year 1	Year 4	
Incorporation Fee	\$	\$2,765	\$0	Average incorporation fee of a company in Japan
Admission Fee for ANTA (Association)	\$	\$3,687	\$0	Admission Fee is required for Tour Operator Registration for ANTA Association
Security Deposit for Office	\$	\$553	\$0	Security deposit is usually 1 month rent price
Business Deposit for Tour Operator Registration	\$	\$1,843	\$0	Deposit is required for Tour Operator Registration for ANTA Association
Office Equipments	\$	\$3,687	\$0	According to the market research
Office Set-up Miscellaneous	\$	\$1,843	\$0	According to the market research
Webpage Development	\$	\$4,608	\$0	According to the market research
New Office Equipments	\$	\$0	\$2,765	For increase of capacity
Van	\$	\$36,866	\$0	According to the market research
Total	\$	\$55,853	\$2,765	

Table 9: Assumption - Investment

In order to cover above investment amount in Year 1 and Working Capital of first months before the company becomes profitable, \$200,000 is necessary for paid-in capital at the beginning of business.

Item	Units	Amount
Working Capital	\$	\$144,147
Incorporation Fee	\$	\$2,765
Admission Fee for ANTA (Association)	\$	\$3,687
Security Deposit for Office	\$	\$553
Business Deposit for Tour Operator Registration	\$	\$1,843
Office Equipments	\$	\$3,687
Office Set-up Miscellaneous	\$	\$1,843
Webpage Development	\$	\$4,608
Van	\$	\$36,866
Total	\$	\$200,000

Table 10: Calculation of Paid-in Capital in Year 1

Income Statement

With all the above-mentioned assumptions, Income Statement of TAI is simulated as below.

Income Statement		FY 1	FY 2	FY 3	FY 4	FY 5
Unit: 1,000 JPY		Total	Total	Total	Total	Total
Sales		253	1,865	2,629	3,705	5,519
TAI Own Tour		83	556	893	1,121	1,761
Collaboration Tour		83	469	536	934	1,369
Transportation/Hotel Arrangement		75	834	1,194	1,642	2,389
Government Grants		13	6	6	6	0
COGS		186	1,448	2,067	2,988	4,494
TAI Own Tour		58	359	607	845	1,355
Collaboration Tour		65	381	445	746	1,108
Transportation/Hotel Arrangement		63	709	1,015	1,396	2,031
Gross Profit		67	416	562	717	1,025
TAI Own Tour		25	197	286	276	406
Collaboration Tour		18	88	91	188	261
Transportation/Hotel Arrangement		11	125	179	246	358
SGA		197	308	334	426	559
Operating Profit		-130	108	228	291	466
Op Profit Ratio		-51%	6%	9%	8%	8%
Depreciation		5	8	8	8	8
EBITDA		-125	116	235	299	474
EBITDA Ratio		-49%	6%	9%	8%	9%
Interest		0	0	0	0	0
Tax		0	0	43	55	89
Net Income		-130	108	184	236	378
Net Income Ratio		-51%	6%	7%	6%	7%

Table 11: Income Statement

The monthly net income of TAI becomes profitable with surplus from April of Year 2 (10th month after launch of operation), and TAI eliminates its accumulated deficit at the beginning of Year 3.

Balance Sheet

TAI's balance sheet is simulated as below. TAI plans not to have any debt.

Balance Sheet

Unit: 1,000 JPY

	FY0	FY 1	FY 2	FY 3	FY 4	FY 5
	Total	Total	Total	Total	Total	Total
Cash	200	21	122	313	547	920
Account Receivable	0	20	94	111	156	233
Inventory	0	0	0	0	0	0
Current Assets	200	41	216	424	703	1,153
Deposit	0	2	2	2	2	2
Office Equipment	0	6	6	6	8	8
Software	0	5	5	5	5	5
Vehicle	0	37	37	37	37	37
Accumulated Depreciation	0	5	13	21	29	37
Fixed Assets	0	44	36	28	23	15
Total Assets	200	86	252	452	726	1,168
Account Payable	0	15	74	89	127	191
Short-term Debt	0	0	0	0	0	0
Current Liabilities	0	15	74	89	127	191
Long-term Debt	0	0	0	0	0	0
Fixed Liabilities	0	0	0	0	0	0
Total Liabilities	0	15	74	89	127	191
Shares	200	200	200	200	200	200
Retained Earnings	0	-130	-21	163	399	776
Shareholders Equity	200	70	179	363	599	976
Total Liabilities and Equity	200	86	252	452	726	1,168

Table 12: Balance Sheet

Cash Flow Statement

Cash Flow Statement of TAI is simulated below. Free Cash Flow of TAI becomes positive from

April of Year 2 and cumulative Free Cash Flow becomes positive in 29th month after the launch.

Cash Flow
Unit: 1,000 JPY

	FY0	FY 1	FY 2	FY 3	FY 4	FY 5
	Total	Total	Total	Total	Total	Total
Operating Cash Flow						
Net Profit	0	-130	108	228	291	466
Depreciation	0	5	8	8	8	8
Change in Account Receivable	0	-20	-74	-16	-45	-77
Change in Account Payable	0	15	58	15	38	64
Deposit payment	0	-2	0	0	0	0
Interest	0	0	0	0	0	0
Tax	0	0	0	-43	-55	-89
Operating Cash Flow	0	-132	100	191	237	373
Investing Cash Flow						
Investment in Equipment etc	0	-47	0	0	-3	0
Investing Cash Flow	0	-47	0	0	-3	0
Free Cash Flow	0	-179	100	191	234	373
Financial Cash Flow						
Short-term Debt	0	0	0	0	0	0
Long-term Debt	0	0	0	0	0	0
Capital invested by shareholders	200	0	0	0	0	0
Financial Cash Flow	200	0	0	0	0	0
Cash Increase/Decrease	200	-179	100	191	234	373
Cash Balance	200	21	122	313	547	920

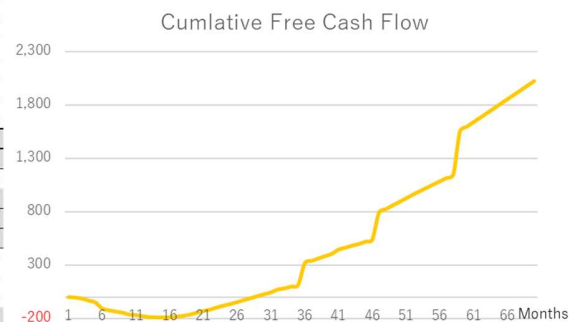


Table 13: Cash Flow Statement and Cumulative Free Cash Flow

Return (DCF)

In order to calculate NPV, the discount rate is calculated with the formula; $R_f + \text{Beta} (R_m - R_f)$, using the below data (Damodaran, 2020). The discount rate applied is 9.47%.

Assumptions	
D/A	0%
E/A	100%
Interest Rate (Kd)	0%
Tax Rate	19.00%

Results	
Risk Free Rate (Rf)	-0.01%
Equity Risk Premium (ERP)= Rm-Rf	5.89%
Unlevered Industry Beta	1.27
Levered Beta for the firm	1.27
Liquidity premium for closed business	2%
Discount Rate	9.47%

Table 14: Calculation of Discount Rate

NPV and IRR of TAI is calculated as below.

DCF	FY1	FY2	FY3	FY4	FY5	Perpetuity
Unit: 1,000 USD						
Operating Cash Flow						
Net Income	-130	108	184	236	378	
Depreciation	5	8	8	8	8	
Change in Working Capital	-7	-16	-4	-7	-13	
Operating Cash Flow	-132	100	188	237	373	
Investing Cash Flow						
Investment in Equipment etc	-47	0	0	-3	0	
Investing Cash Flow	-47	0	0	-3	0	
Free Cash Flow	-179	100	191	234	373	375
Terminal Value					4,176	
Net Cash Flow (with Perpetuity)	-179	100	191	234	4,549	
Net Cash Flow (without Perpetuity)	-179	100	191	234	373	
Net Cash Flow (Closing business in Year 5)	-179	100	191	234	1,796	
IRR	161% (With Perpetuity)			85% (Without Perpetuity)		122% (Closing Business in Year 5)
NPV	\$3,123 (With Perpetuity)			\$466 (Without Perpetuity)		\$1,372 (Closing Business in Year 5)
Discount Rate	9.47%					
Growth Rate	0.50%					

Table 15: Return Calculation

With perpetuity, IRR is 161% and NPV is \$3.12 million. Without perpetuity, IRR is 85% and NPV is \$0.47 million. If we assume the business of TAI will be closed and cash left is returned, IRR is 122% and NPV is \$1.37 million.

Sensitivity Analysis

Below table shows the sensitivity analysis of TAI's financial projection. It is projected that TAI is still profitable and attractive investment with Sales $\pm 10\%$ and Discount Rate $\pm 2\%$. According to the simulation, NPV for the case with perpetuity becomes 0 only if Sales becomes -41% from the base case. Also, in terms of discount rate, NPV for the case with perpetuity becomes 0 only if Discount Rate becomes 97.99%, which unlikely to happen.

Sensitivity	W/ Perpetuity		W/o Perpetuity		Closing in Year5	
	NPV	IRR	NPV	IRR	NPV	IRR
Base Case	161%	\$3,123	85%	\$466	122%	\$1,372
Sales +10%	186%	\$3,893	110%	\$633	145%	\$1,689
Sales -10%	134%	\$2,357	60%	\$303	99%	\$1,061
Discount Rate +2%	152%	\$2,411	85%	\$427	122%	\$1,254
Discount Rate -2%	172%	\$4,260	85%	\$510	122%	\$1,503

Table 16: Sensitivity Analysis

8. Critical Risks

Chapter Summary: There are several internal and external risks in our operating business, but TAI mitigates those risks with insurance, adequate training and collaboration with outside stakeholders.

First category of the risks are external risks which are crisis or events beyond the control of management such as natural disasters, acts of war or terrorism, political upheavals, crime waves, epidemics and sudden global economic downturns. Second category of the risks are internal risks such as crisis or events which result from a failure of management action, process or lack of contingency measures taken to deal with predictable risks. These risks could be mapped as below.

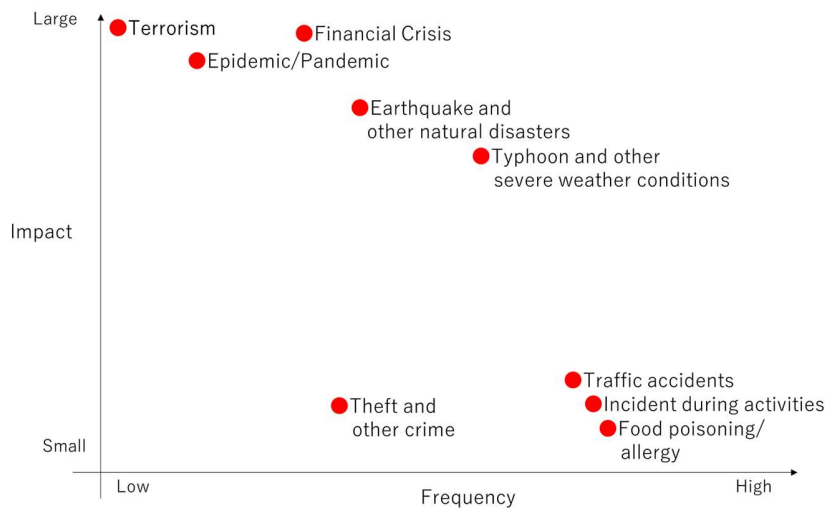


Figure 16: Critical Risk Mapping

As it is said “80% of businesses that experience a major crisis and do not have a continuity plan do not survive more than 2 years”, risk mitigation plan is necessary for all the risks (Australian Government, 2013).

One approach to transferring risk is to take out adequate insurance. Having identified the key risks to the business, finding the right insurance which ensures that these events are covered are necessary. In Japan, tour operators are required to form insurance contracts and there are several options of insurance available such as travel agents' liability insurance and travel itinerary booking guarantee liability insurance.

Another mitigation plan is to have a cancellation policy. A clear, concise and well communicated cancellation policy can reduce the consequences of risk. Knowing the own legal obligations is important.

In case of internal risks such as traffic accidents or incidents during the activities, employee trainings and manualizing emergency response is very important. Guides and drivers should attend the seminars on travel medicines. All the employees should be aware of emergency response, contingency measures and safety measures, such as a small thing requiring all the tourists to wear seatbelts during their tour. The basis of risk management is to protect tourists.

In case of external risks such as decrease of tourists due to outbreak of virus or natural disaster, it is important to collaborate with external stakeholders such as the governments and other tour companies. For example, after the outbreak of SARs in Hong Kong, private enterprises in collaboration of the government implemented a large promotion campaign in order to recover the tourist industry (Ochi, n.d.).

9. Investor Proposal

Chapter Summary: TAI would like to invite investors to invest in TAI for the amount of \$150,000 for 24% ownership of the company. NPV of this investment is \$824,290 with IRR 61%.

TAI will be originally founded by the founder with \$50,000, issuing 100 common shares. TAI would like to invite investors, investing to TAI for the capital of \$150,000, with following valuation, using the estimated discounted cash flow model. Taking the NPV without perpetuity, the company value is estimated as \$466,414.

DCF

Unit: 1,000 USD

	FY1	FY2	FY3	FY4	FY5	Perpetuity
Operating Cash Flow						
Net Income	-130	108	184	236	378	
Depreciation	5	8	8	8	8	
Change in Working Capital	-7	-16	-4	-7	-13	
Operating Cash Flow	-132	100	188	237	373	
Investing Cash Flow						
Investment in Equipment etc	-47	0	0	-3	0	
Investing Cash Flow	-47	0	0	-3	0	
Free Cash Flow	-179	100	191	234	373	375
Terminal Value						4,176
Net Cash Flow (with Perpetuity)	-179	100	191	234	4,549	
Net Cash Flow (without Perpetuity)	-179	100	191	234	373	
Net Cash Flow (Closing business in Year 5)	-179	100	191	234	1,796	
IRR	161% (With Perpetuity)			85% (Without Perpetuity)		122% (Closing Business in Year 5)
NPV	\$3,123 (With Perpetuity)			\$466 (Without Perpetuity)		\$1,372 (Closing Business in Year 5)
Discount Rate	9.47%					
Growth Rate	0.50%					

Table 17: Return Calculation

Below is the company valuation table and company ownership capitalization table of TAI.

Company Valuation

Series A	Total Value (\$)	Per Share (\$)	# of Shares	% of Total
Pre-Money Valuation	\$466,414	\$4,664	100	76%
New Equity Raised	\$150,000	\$4,664	32	24%
Post-Money Valuation	\$616,414	\$4,664	132	100%

Company Ownership Cap Table

Shareholders	Capital	Common Shares	Preferred Shares	Total Shares	% Ownership
Founder	\$50,000	100		100	76%
Investor	\$150,000		32	32	24%

Table 18: Company Valuation and Cap Table

By investing to TAI's 32 preferred shares (24% ownership) for the capital of \$150,000, estimated discount cash flow of the investor is following under the dividend policy where 70% of cash at the end of year is paid out as dividend from Year 2. NPV of this investment is \$877,434 with IRR 50%.

This investment is considered very attractive to the investor.

FCF of Investor (24% ownership)	FY0	FY1	FY2	FY3	FY4	FY5	Perpetuity
Expected Dividend	0	0	18	38	50	76	76
Paid-in Capital/Terminal Value	-150					847	
Net Cash Flows (with Perpetuity)	-150	0	18	38	50	922	
NPV	\$877						
IRR	50%						

Table 19: Estimated Investor DCF

10. Conclusions

TAI would enter the market at the time of growth in tourism demand in Japan. The change of tourists' characteristics and needs, together with the support from the local and national governments will be tailwind for launch of TAI business.

The inbound ground tour operator market in the Ise Shima area is unmaturing. As a pioneer, in collaboration with local enterprises and governments, TAI invites more tourists around the world, especially from Western countries, in need of authentic experiences during their stay to visit the beautiful Ise Shima National Park by providing hospitality and stress-free activity tours at international pricing. With success of TAI's business, not only for tourists, but also it brings vitality to the local communities.

TAI maintains its organization and operation as flexible and small to minimize the fixed cost. Since it is a ground tour operator, it is possible to start business without heavy investment. It is projected that TAI's monthly net income becomes surplus in the 10th month after the launch of operation. The cumulative free cash flow becomes positive in the 29th month. Without perpetuity, Project IRR is 85% and NPV is \$0.47 million, and with perpetuity, IRR is 161% and NPV is \$3.12 million.

In order to launch its business, \$200,000 is necessary to cover initial investment and working capital. The company will be founded by the founder with \$50,000, and TAI would like to invite investors to this investment for the amount of \$150,000 for the 24% ownership of the company. The expected return of this investment is following.

Expected Return of Investor		
Invested Amount	\$	150,000
NPV	\$	877,434
IRR	\$	50%
Discount Rate	%	9.47%

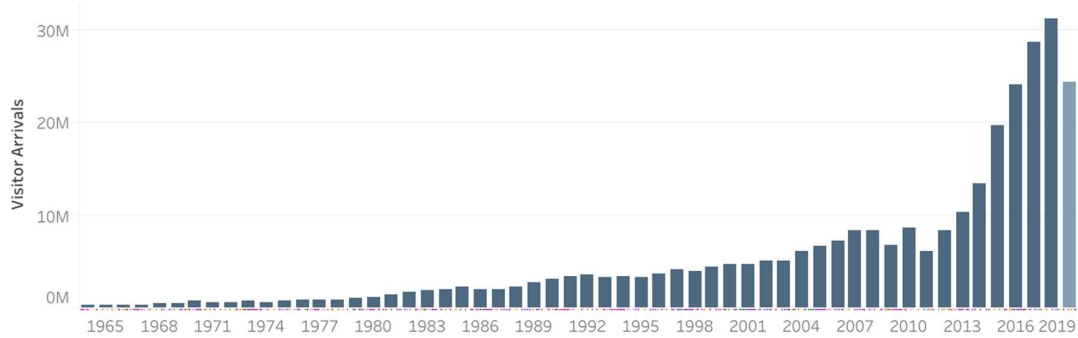
Table 20: Investor Return

Considering the trend of growth of tourism industry with tailwind by the governmental support, it is definitely time to start the tour operating company, TAI in the Ise Shima National Park. The investment in TAI is considered very attractive.

Appendices

Appendix A: Trends in the Visitor Arrivals to Japan by Year

Trends in the Visitor Arrivals to Japan by Year



	Number of Visitors	CAGR
2008	8,350,835	0.0%
2009	6,789,658	-18.7%
2010	8,611,175	26.8%
2011	6,218,752	-27.8%
2012	8,358,105	34.4%
2013	10,363,904	24.0%
2014	13,413,467	29.4%
2015	19,737,409	47.1%
2016	24,039,700	21.8%
2017	28,691,073	19.3%
2018	31,191,856	8.7%

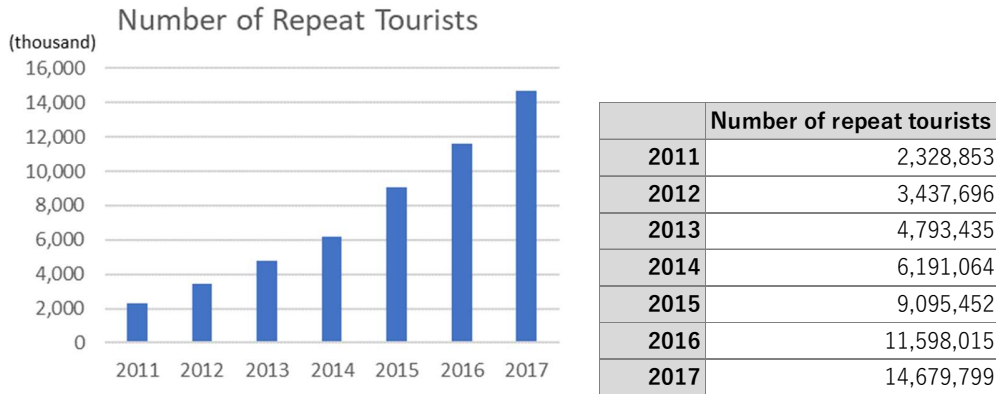
(Graph and table by Japan Tourism Statistics)

Appendix B: Quantitative Governmental Goals Set at “Conference on Tourism Vision to Support the Future of Japan” Led by Prime Minister Abe

	Governmental Goal		Achievement % of 2020 Goal as of end of 2018
	By 2020	By 2030	
Number of Foreign tourists visiting Japan	40 Million	60 Million	77.9%
Amount of Inbound Tourist Consumption	\$73.7 Billion	\$138.2 Billion	56.4%
Cumulative Total Night of Stay by Foreigners in Local Region	70 Million Nights	130 Million Nights	51.9%
Number of Repeaters of Foreign tourists	24 Million	36 Million	73.3%

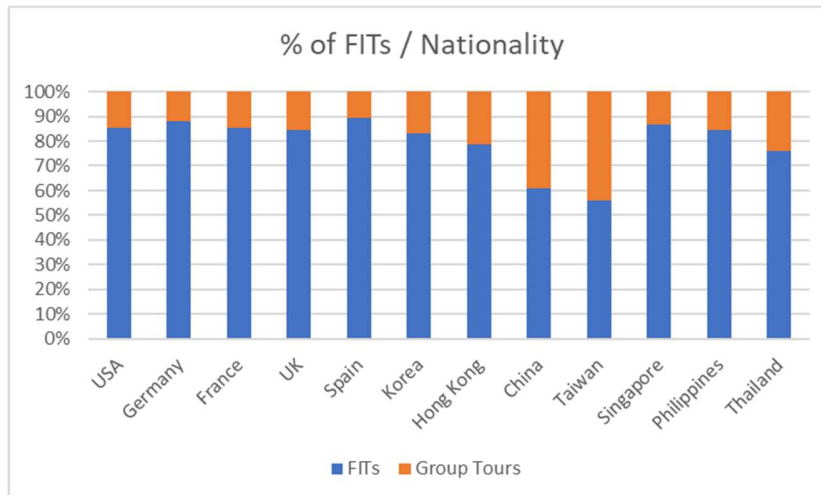
(Graph created by the author from article of Honichi Labo (2019))

Appendix C: Number of Repeat Tourists by Year



(Graph created by the author using the data extracted from Japan Tourism Statistics)

Appendix D: FITs



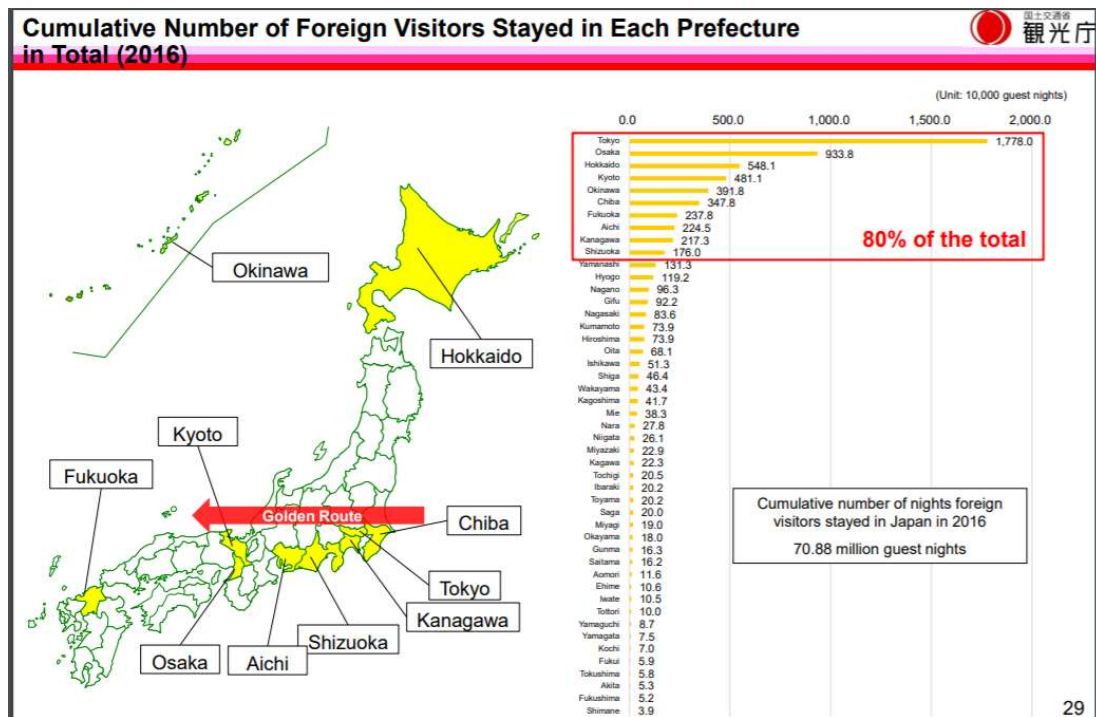
(Graph created by the author using the data extracted from Japan Tourism Statistics)

Appendix E: Golden Route

- The “Golden Route” is considered as “showcase of the very best of Japan” where starts from the modern capital, Tokyo to the ancient capital Kyoto, via Hakone National Park near Mount Fuji. This is considered as the ideal route for the first-time visitor to Japan (InsideJapan Tours, 2020).



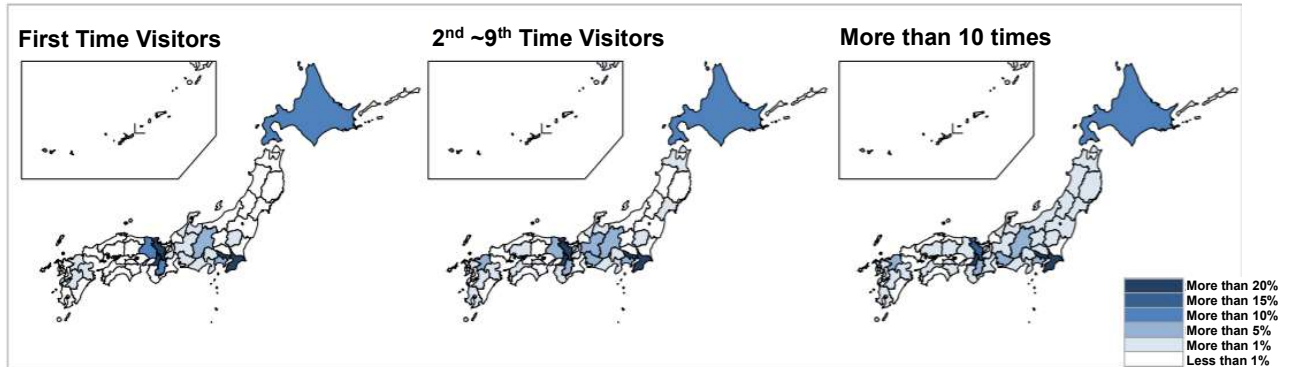
Appendix F: Cumulative Number of Foreign Visitors Stayed in Each Prefecture in Total (2016)



(Slide taken from "Urban Regeneration and Sustainable Tourism - Laws, Policies, Strategies and Structures – National Perspective from Japan" by JTA 2018)

Appendix G: Places of Visit Depending on How Many Times Tourists Visit Japan

<In Case of Tourists from Taiwan>

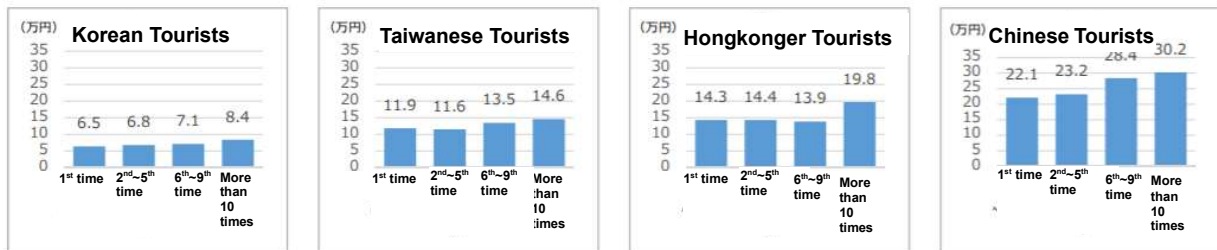


<In Case of Tourists from Hong Kong>



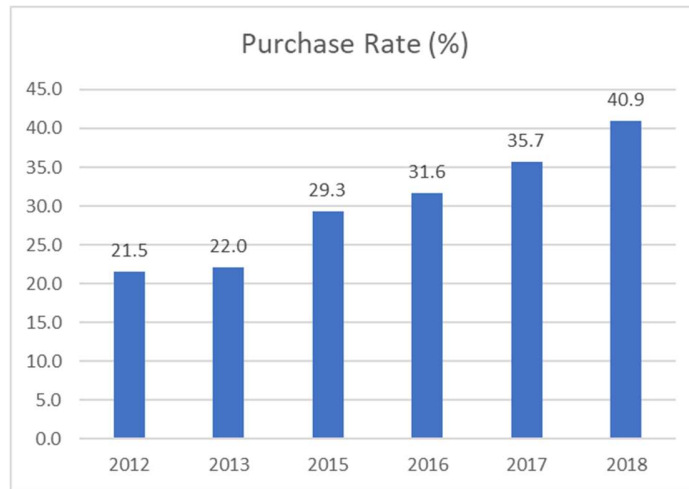
(Taken from JTA 2018 and translated by the author)

Appendix H: Spending per Person During their Stay in Japan -
Depending on How Many Times Tourists Visit Japan



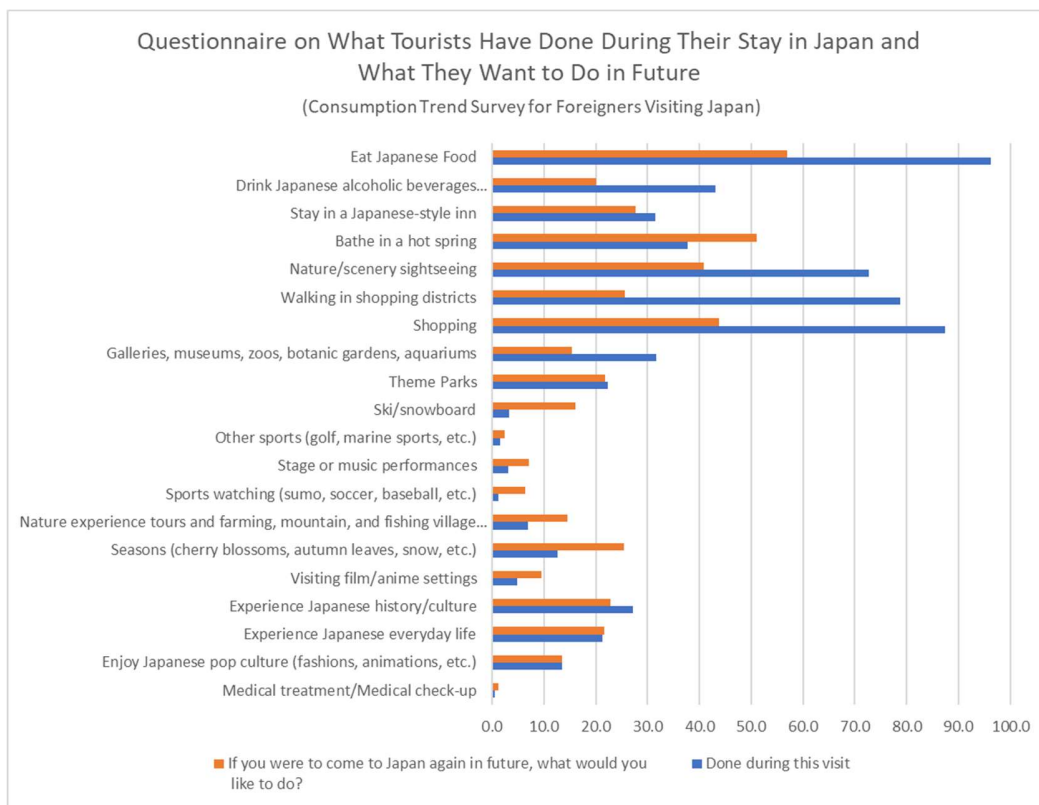
(Taken from JTA 2018 and translated by the author)

Appendix I: Purchase Rate of Entertainment & Service Fee



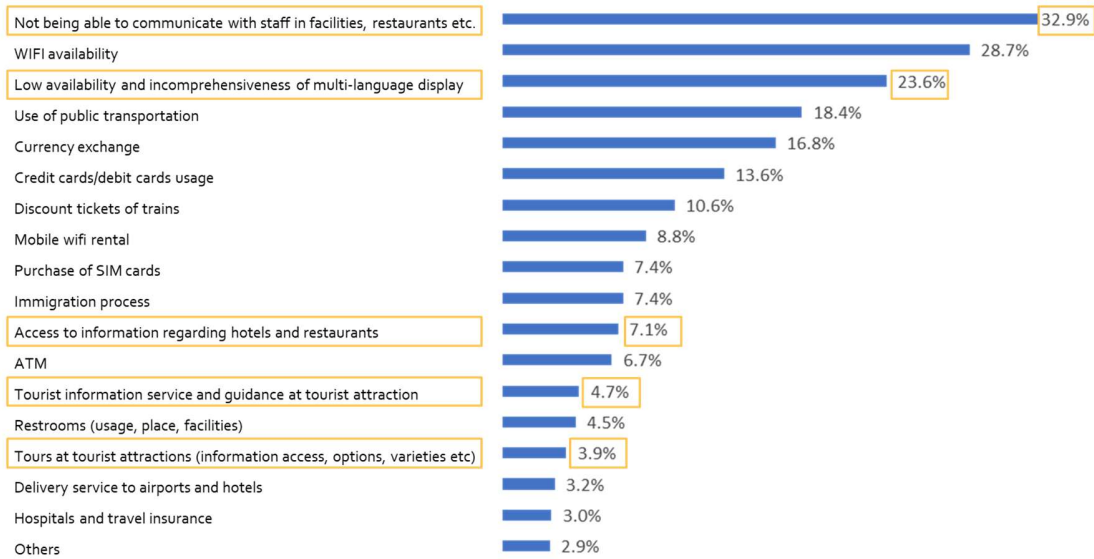
(Graph created by the author with data from JTA “Foreign Tourists Consumer's Behavior Survey”)

Appendix J: Activities of Tourists During Their Stay



(Graph created by the author with data from JTA “Foreign Tourists Consumer's Behavior Survey”)

Appendix K: Complaints of Tourists



(Graph created by the author with data from JTA 2019)

Appendix L: Awareness and Attractiveness of Touristic Locations

Western tourists have low awareness toward touristic locations in Japan, however, once information is provided they show high interest

 = Touristic locations with high potential to increase tourists

Attractiveness Ranking *1	Name of Touristic Location	Recognizability*2	Attractiveness after Information Provided*3
1	Mt. Fuji	53	50
2	Okinawa	29	49
3	Kyoto Area	22	44
4	Kamakura Area	9	42
5	Nara Area	7	38
6	Nikko Area	5	36
7	Oirase-keiryu (Aomori)	1	35
8	Ise Jingu (Mie)	3	34
9	Shiretoko National Park (Hokkaido)	4	33
10	Himeji Castle (Hyogo)	8	33

*1: Ranking of Attractiveness of 36 touristic locations chosen for this survey

*2: % of tourists who answered "I know this tourist location"

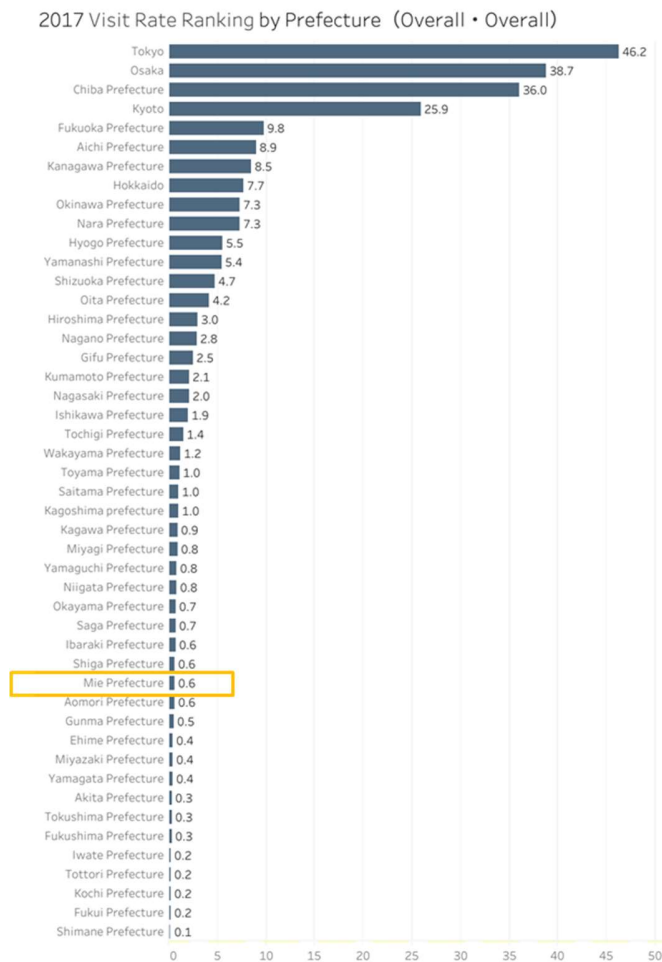
*3: % of tourists who answered "It is worth visiting Japan to visit this touristic location" and "It is worth extend the stay in Japan to visit the tourist location" after the information is provided

(Graph from McKinsey & Company 2016 translated by the author)

Appendix M: Overview of Ise Shima National Park

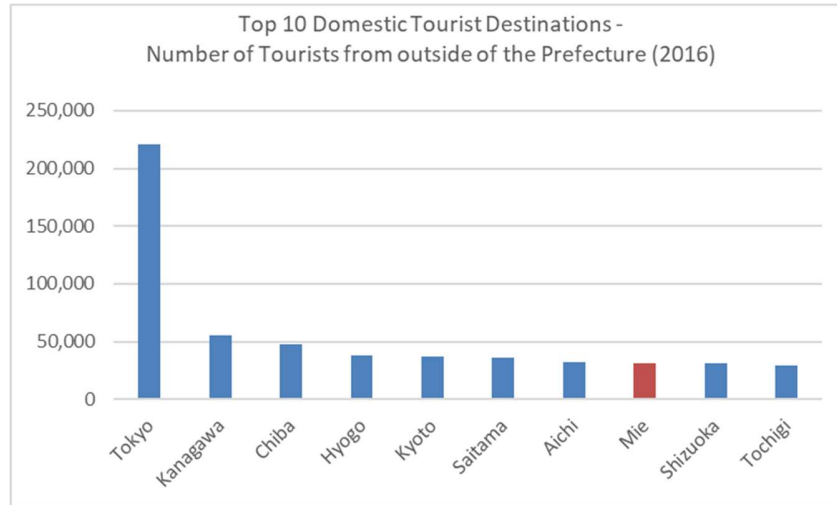
- Ise-Shima National Park lies on the Shima Peninsula, which is set in the center of Mie Prefecture, and its surrounding areas. It expands over the cities of Ise, Toba, Shima, and Minami-Ise, occupying a vast area of nearly 60,000 hectares. Ise-Shima National Park is broadly divided into two areas. One is the inland area where the Ise Jingu is situated surrounded by a forest environment. The other is a coastal area noted for complex terrain and geological features dotted with a myriad of inlets and capes as typified by the ria coast.
- By contrast, the park boasts an extremely high proportion of private land (over 96%) and has a large residential population within the park. For that reason, the biggest feature of this park is to be able to come in close contact with local people's livelihoods, history, culture and customs, and visitors can appreciate the beautiful landscapes as well as the relationship between people and nature.

Appendix N: Foreign Tourist Visit Rate Ranking by Prefecture (2017)



(Graph by Japan Tourism Statistics)

Appendix O: Number of Japanese Tourists Who Come from Outside of the Prefecture



(Graph created by the author from the data by Touristic Visitor Statistics of JTA)

Appendix P: Ise Jingu

- The Ise Shrines consist of two major shrines that stand several kilometers apart from each other, the Inner Shrine (Naiku) and the Outer Shrine (Geku), and over a hundred smaller shrines spread across the region. The Inner Shrine is dedicated to Shinto's most important god, the Sun Goddess Amaterasu.
- JNTO explains Ise Jingu as “Nowhere is more sacred to the Japanese than Ise-jingu Shrine's Inner Shrine. The pilgrimage to this holy site will provide you with a unique opportunity to connect with the spirit of Japan and its people.



Appendix Q: Examples of Tourist Attractions in Ise Shima Area



Traditional culture – Ise Jingu:
 The most sacred shrine in Japan
 with 2,000-year long history



Scenery/Landscape – Ago Bay:
 Deeply indented coastline



Ecotourism – Sea kayak:
 Marine sport activities in Toba
 Coast



Local culture – Ama Hut:
 Ama fishing divers



Food – Seafood and Beef:
 Famous for diverse local seafood
 and Matsusaka Beef



Shopping – Pearl:
 Mikimoto pearl

(list created by the author)

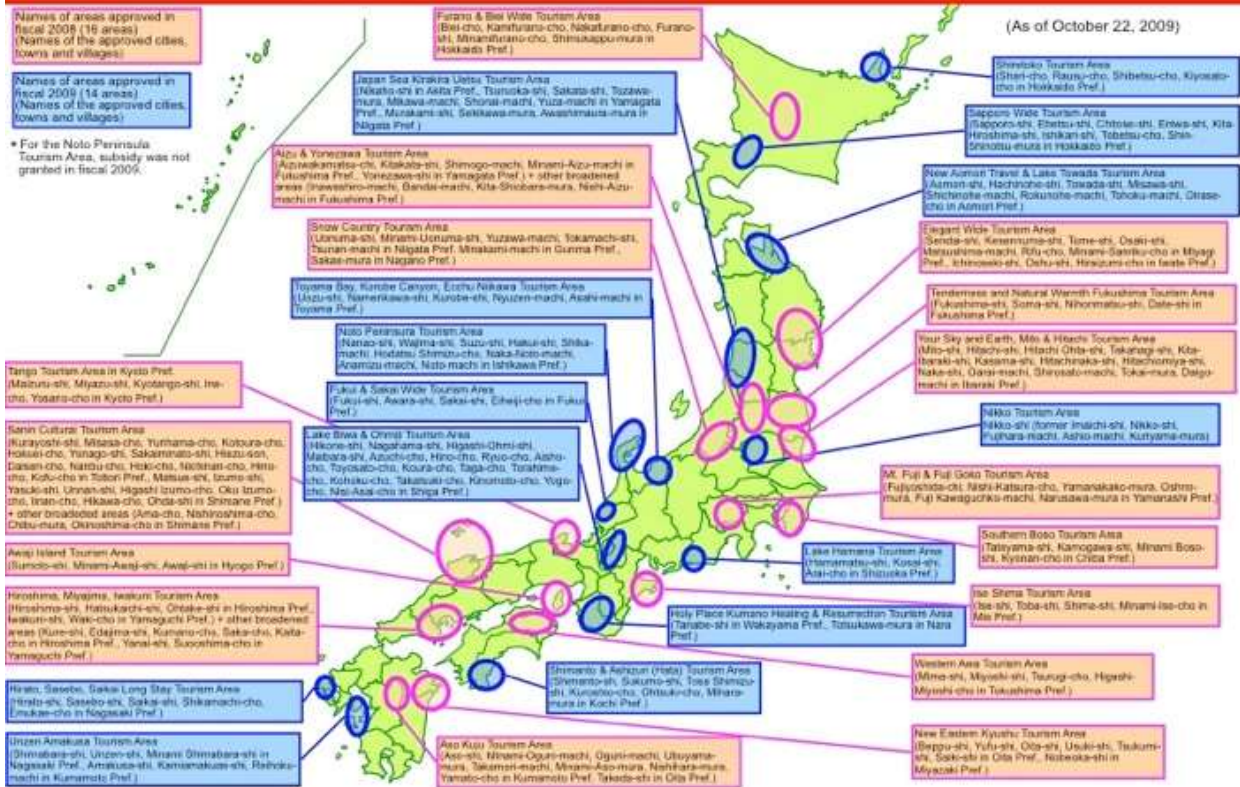
Appendix R: Map of Mie Prefecture



(Map taken from the website of Mie Prefecture Tourism Federation)

Appendix S: Tourism Zones

Areas of which Implementation Plans for the Tourism Area Development have been approved (30 Areas)



(Slide taken by JTA website)

Appendix T: the G7 Ise-Shima Summit

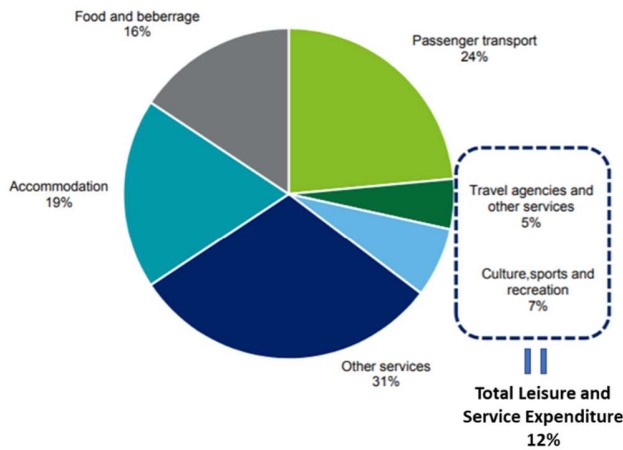
- Eight Japanese cities bid to host the 42nd G7 summit in 2016. Prime Minister Shinzō Abe announced on 5 June 2015 that Shima in Mie Prefecture was selected against other bids from Hiroshima, Kobe, Nagoya, Sendai, Niigata, Karuizawa and Hamamatsu.
- Prime Minister Abe started his Opening Statement of the Summit by describing Ise Shima as “I imagine you have had the opportunity to enjoy **the charms of Japan’s heartland areas-- beautiful inlets, a wealth of natural beauty, and sumptuous seafood and mountain area food specialties.** Whenever I encounter the dignified atmosphere in the solemn setting of Ise Jingu, I always have a very sobering feeling. **Ise Jingu has spun a history that extends some 2,000 years, from time immemorial.** There, people have offered up prayers for bountiful harvests, prayers for peace, and prayers for human happiness.”



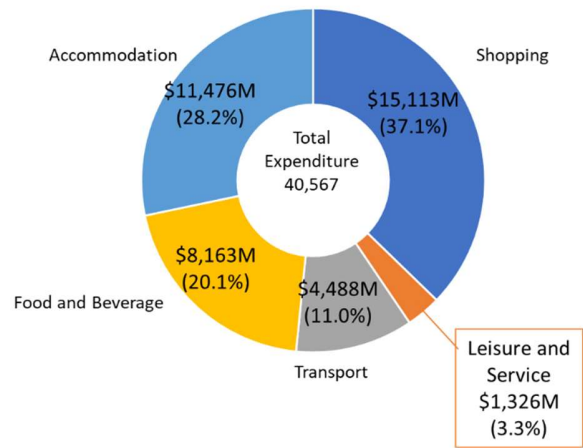
(Pictures taken by the website of Ministry of Foreign Affairs)

Appendix U: % of Leisure and Service Expenditure

% of "Leisure and Service Expenditure" within Total Travel Expenses (Tourists to OECD countries, 2016)



% of "Leisure and Service Expenditure" within Total Travel Expenses (Tourists to Japan, 2017)



(Graph taken by JTA 2019 and translated/converted to US\$ by the author)

Appendix V: Foreign Tourist Statistic of Ise Shima National Park

	2015	2016	2017
Foreign Visitors to the Park	33000	61000	76000
(CAGR)		84.8%	24.6%
Cumulative total number of guests stayed over night in the Park		80,000	82,000

Total Expenditure			\$631.1
Accommodation			\$247.5
Food and Beverage			\$139.3
Transportation			\$61.5
Activity and Service			\$52.9
Shopping			\$118.1
Other			\$11.8






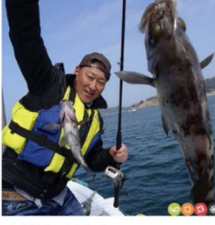


(Table created by the author from data from Ministry of the Environment)

Appendix W: Details of Each Competitor

● **Competitor Category 1-a: Kaito Yumin Club**

- Company: Kaito Yumin Club
- Type: Local tour company
- # of tours in Mie: 14 (variety)
- Tour: Local culture, food and nature activities tours
- Language: English
- Price: \$25 ~140
- Included: English speaking guide, Lunch
- Not included: Transportation
- Duration: 1~5 hours
- Web: <http://www.oz-group.jp/kaitoyumin/>
- Examples of their Tours:



 <p>Explore Fishermen Island in Japan</p> <p>Welcome to Toshi Jizandi! A 20 minute boat-ride takes us to Toba's fishermen village, regarded as the best place to explore the daily life of fishermen in Ise-Shima. You'll be ready for lunch in their local cantina.</p> <ul style="list-style-type: none"> • Price: \$92.2 • Duration: 3.5hr • Include: Lunch + Boat 	 <p>Ama Village Tour</p> <p>Let's go to explore Osatsu, area with most Ama population in Ise-Shima area!</p> <ul style="list-style-type: none"> • Price: \$82.9 • Duration: 3.5hr • Include: Lunch 	 <p>Island Adventure Sea Kayak Tour</p> <p>Come on an uninhabited island adventure by sea kayak!</p> <ul style="list-style-type: none"> • Price: \$92.2 • Duration: 3.5hr • Include: Lunch + Kayak 	 <p>1 Day Ama Experience Tour</p> <p>Immerse yourself in Ama Culture while watching an Ama Ojisan demonstration on Mikimoto Pearl Island, before indulging in delicious seafood grilled by Ama-san on this full-day cultural tour!</p> <ul style="list-style-type: none"> • Price: \$124.4 • Duration: 5hr • Include: Lunch
 <p>One-Bite Fest Toba</p> <p>The tastiest way to understand Toba history, culture and heritage is to eat it!</p> <ul style="list-style-type: none"> • Price: \$23 • Duration: 1hr • Include: Lunch 	 <p>Fishing With Japanese Fisherman</p> <p>Get a memorable fishing experience with Japanese fisherman and enjoy your fresh caught fish for lunch!</p> <ul style="list-style-type: none"> • Price: \$138.2 • Duration: 4hr • Include: Lunch 	 <p>The Secrets of Japanese Food from Mie</p> <p>Step into the world of hidden Japanese cuisine in this cultural day tour! Our guide will escort you to a local factory for a glimpse into the food culture of Ise-Shima.</p> <ul style="list-style-type: none"> • Price: \$138.2 • Duration: 4hr • Include: Lunch 	 <p>Ise-Shima National Park Ama Village Tour</p> <p>Do you enjoy walking through the forest? Come with us as we explore Ise-Shima National Park!</p> <ul style="list-style-type: none"> • Price: \$110.6 • Duration: 4hr • Include: Lunch

● **Competitor Category 1-b: Shima Nature School**

- Company: Shima Nature School
- Type: Local tour company
- # of tours in Mie: 4 (Eco-tour, Guide tour)
- Tour: Ago Bay Eco-Tour (Sea Kayak, Water Ball), Cycling, Landscape Walk
- Language: English
- Price: \$28 ~ \$55
- Included: English speaking guide, activities
- Not included:
- Duration: 2 hours
- Web: <https://www.shima-sg.com/en/index.html>



Plan

Kayak Water Ball Walk around MTB

Family Fun Ago Bay Eco-Tour: Sea Kayak Touring

Sea kayaking can be enjoyed year-round in Ago Bay. It has a mild climate enabling you to try the sport not only in spring through autumn, but also in winter as long as warm clothing such as boots and wool caps are worn. The coastline with its intricate network of coves makes for a picturesque and fascinating boat ride. Set off from a beautiful sandy beach and paddle toward an uninhabited island in Ago Bay, then move on to the uninhabited island of Masakijima. Here you can disembark and go swimming in the bay in summer, or walk around the island in other seasons.

Thorough, professional guidance by an instructor makes it possible even for beginners to enjoy sea kayaking in Ago Bay. Bring your whole family and steep yourself in the natural splendor of Ise-Shima.



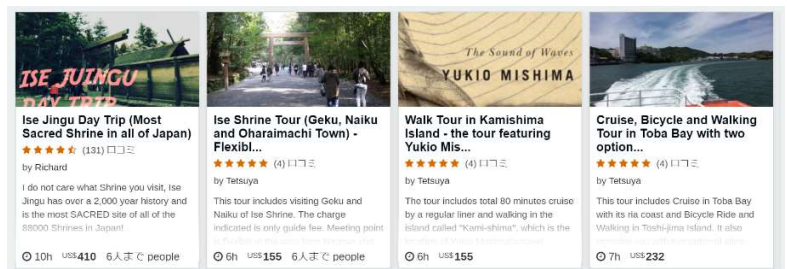
● **Competitor Category 2: Osatsu Kamado**

- Company: Osatsu Kamado
- Type: Local facility
- # of tours in Mie: 1 (Ama)
- Tour: Ama Hut Lunch
- Language: N/A
- Price: \$32
- Included: Lunch
- Not included: Guide
- Duration: 2 hours
- Web: <https://osatsu.org/en/>



● Competitor Category 3: Individual Tour Guides

- Company: N/A
- Type: Individual local guide
- # of tours in Mie: 6 (Ise Jingu and Toba)
- Tour: Ise Jingu Day Trip
- Language: English
- Price: \$155~410
- Included: Only English speaking guide
- Not included: fee for activities/food/beverage for tourists themselves and for the guide, transportation
- Duration: 6 ~ 10 hours
- Web: <https://triplelights.com/japan/mie>

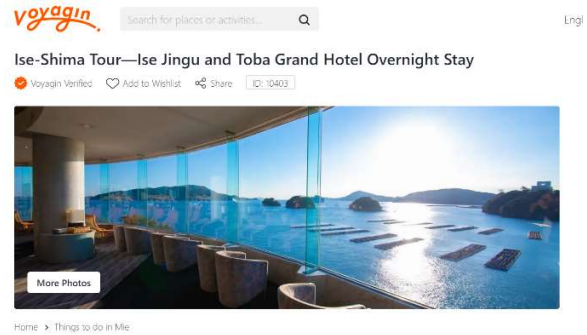


● Competitor Category 4-a: JTB

- Company: JTB Group
- Type: Nationwide tour company
- # of tours in Mie: 1 (Ise Jingu)
- Tour: 1-Day Shinto Learning Tour at Ise-Jingu (Round Trip from Nagoya)
- Language: English
- Price: \$185
- Included: Round-trip transportation expenses(train), English speaking guide
- Not included: Lunch
- Duration: 8 hours
- Web: <https://www.jtb.com.sg/national-park/1-day-shinto-learning-tour-at-ise-jingu/>

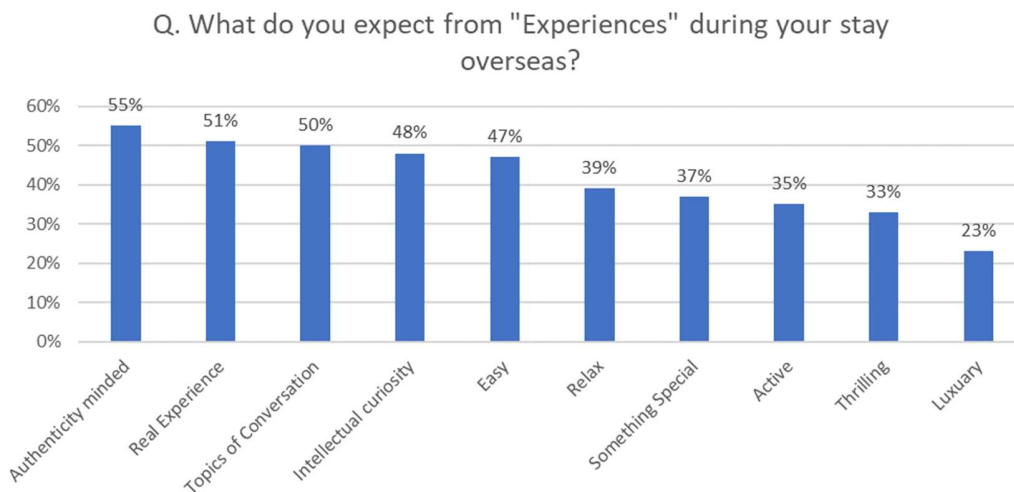
● **Competitor Category 4-b: Voyagin**

- Company: Voyagin (tour operator not listed)
- Type: N/A
- # of tours in Mie: 2 (Ise Jingu)
- Tour: Ise Jingu and Toba Grand Hotel Overnight Stay
Overnight Stay/ Purify your soul with sea water & visit the holy Ise Jingu
- Language: English
- Price: \$249~\$341
- Included: Hotel, transportation within Ise, Dinner, Breakfast, English speaking guide
- Not included: guide on day 2
- Duration: 1 day + hotel
- Payment: through voyaging in advance
- Web: <https://www.govoyagin.com/activities/japan-mie-ise-shima-tour-ise-jingu-and-toba-grand-hotel-overnight-stay/10403>
- Web: <https://www.govoyagin.com/activities/japan-mie-purify-your-soul-with-sea-water-and-visit-the-holy-ise-shrines/4599>



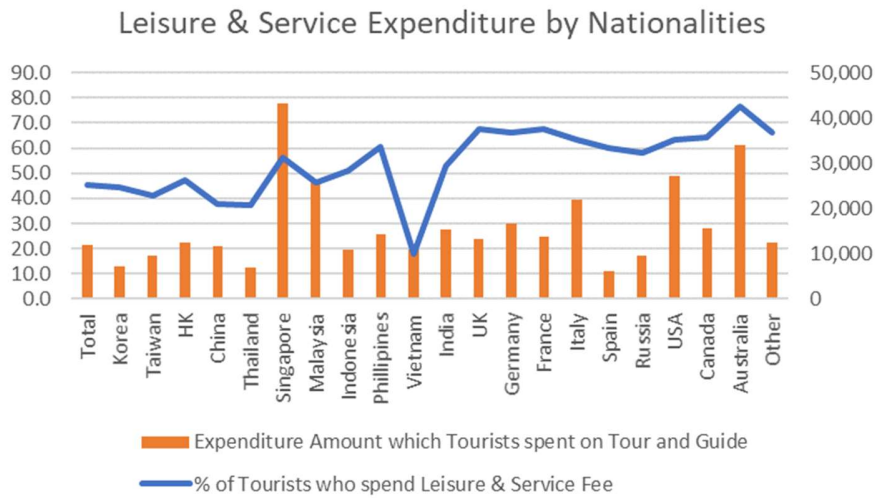
(Photos taken by each of their webpage)

Appendix V: Foreign Tourists' Expectation on their Experience during the Stay



(Graph taken by JTA 2019 and translated by the author)

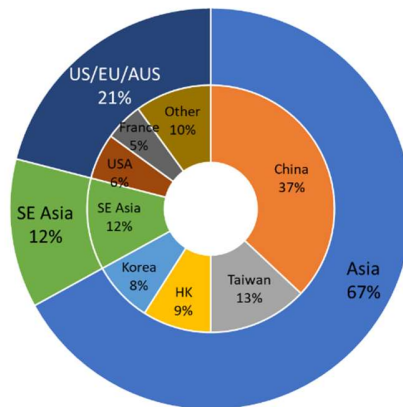
Appendix Y: % of Leisure and Service Expenditure by Nationalities



(Graph created by the author with data from JTA “Foreign Tourists Consumer's Behavior Survey”)

Appendix Z: Tourist Nationalities to Ise Shima National Park (2015)

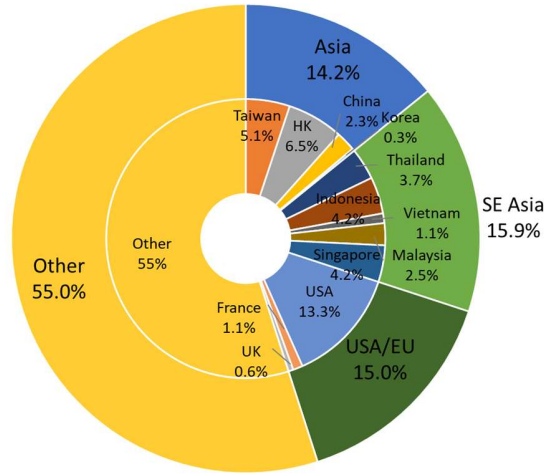
Tourist Nationalities (Ise National Park, 2015)



(Graph created by the author with data from Regional Council of Ise Shima National Park)

Appendix AA: User Nationalities of Kaito Yumin Club (2017)

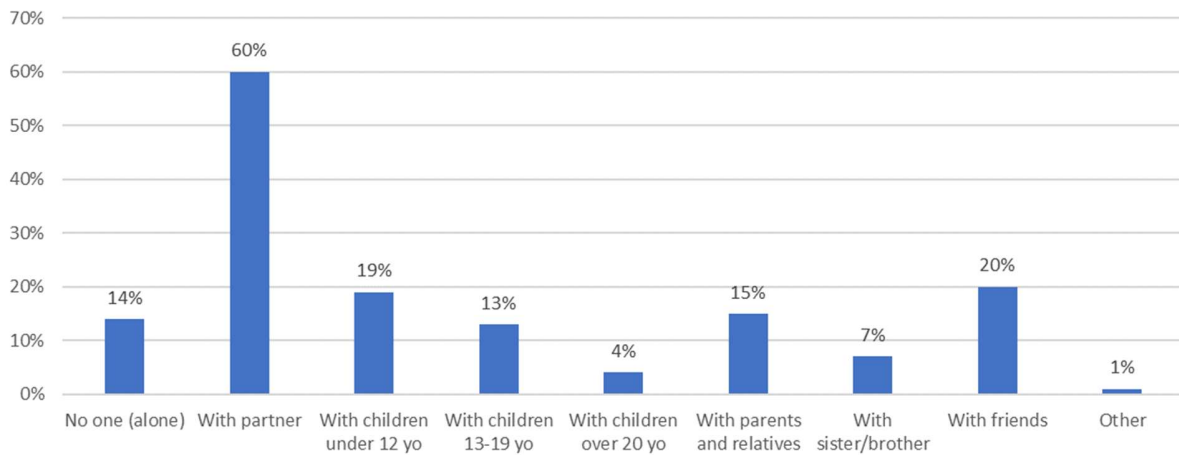
Tourist Nationalities (Kaito Yumin Club, 2017)



(Graph created by the author with data from Toba City)

Appendix BB: Traveling Companion of Foreign Tourists

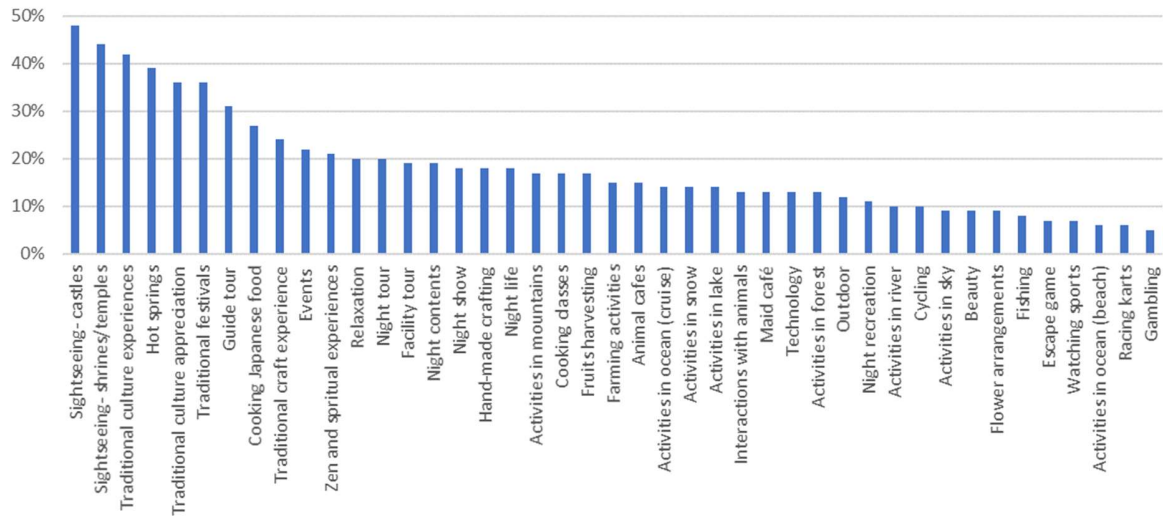
Q. Who did you come to Japan with? (Answer everything applicable)



(Graph taken by JTA 2019 and translated by the author)

Appendix CC: Tourists' needs in Japan

Q. What are the things you would like to experience in Japan? (Answer everything applicable)







(Graph taken by JTA 2019 and translated by the author)

Appendix DD: Example of Tours by TAI

● **Tour 1: Experience the Eternal History ~ Ise Jingu and Okageyokocho Tour**

- Language: English or Mandarin
- Local guide: Included
- Transportation: choose from a) pick-up in Ise Station or hotels in the area or b) including train tickets from Nagoya, Osaka or Kyoto Station (additional fee)
- Number of people: Private or Semi-private (maximum 9 people)
- Duration: 8 hours
- Price: \$90 per person (Semi-private), \$115 per person (private if under 4 people), \$100 per person (private if more than 4 people)
- Basic itinerary of tour:

8:30	Meet at Ise Station or pick-up at your hotel	
8:45	Visit local Ise-washi craft shop and create your own Goshuincho (Ise-washi: Japanese traditional paper made only in Ise. Founded in 1899. The paper is provided to Ise Jingu as its talisman) (Goshuincho: Stamp book for collections of shrine and temple seals called Goshuin. Goshuin is a red color stamp given at a temple or a shrine as the proof of visiting them.)	

10:00	Visit Ise Jingu and feel the sacred area. Get your first stamps on your Goshuincho	
12:00	Lunch at special local restaurant	
13:30	Stroll around Okageyokocho	
16:30	Drop-off at your hotel or Ise Station	





- Options to add or change:
 - ✧ Add “wear Kimono or Yukata for the visit of Ise Jingu” (+\$45)
 - ✧ Change “original Goshuincho craft” to “original chopsticks craft” (±\$0)
 - ✧ Change “original Goshuincho craft” to “visit to Ise Kadoya Brewery” (±\$5)
- Others: Hotel reservation upon requests



● **Tour 2: Walk around Toshi Island with Local Aunties Tour**

- Language: English or Mandarin
- Local guide: Provided by Shima no Tabi Sha, Translator provided by TAI
- Transportation: choose from a) pick-up in Toba Station or hotels in the area or b) including train tickets from Nagoya, Osaka or Kyoto Station (additional fee)
- Number of people: Private or Semi-private (maximum 9 people)
- Duration: 4.5 hours
- Price: \$75 per person (Semi-private), \$95 per person (private if under 4 people), \$85 per person (private if more than 4 people)
- Basic itinerary of tour:

10:00	Meet at Toba Station or pick-up at your hotel (Meet your translator)	
10:15	Pop on to ferry to Toshi Island	

10:30	Arrive at Toshi Island and meet your “local auntie” (local guide from the island)	
	Stroll around back alley of the island and try the local food at various spots	
	Lunch at Ama Hut	
14:00	Ferry back to Toba	
14:30	Drop-off at your hotel or Toba Station	

- Options to add or change:
 - ✧ Add “Pearl Harvesting and Accessory Making Experience” (+\$25)
- Others: Hotel reservation upon requests



Appendix EE: Comparison of Tour Prices

Comparison of Prices of Tours - in Japan vs other countries

Type of tour	Countries	Name of tour	Price (USD)
Cycling Tour	Japan	Shimanami Kaido Cycling Tour (2 days)	\$241
	Australia	Trail Cycling Tour (2 days)	\$440
Nature Tour	Japan	Yakushima 1 day tour	\$127
	Australia	Daintree Rainforest 1 day tour	\$142
Food Tour	Japan	Sake Tour	\$50
	Australia	Wine Tasting tour	\$157
Relaxation	Japan	Thai Massage	\$59
	France	Thai Massage	\$83
Night Tour	Japan	Tokyo Night Photo Tour	\$90
	Italy	Milano Night Life Experience	\$117
Night Attraction	Japan	Tokyo Bay Dinner Cruise	\$82
	USA	New York Dinner Cruise	\$199
Historical	Japan	Kyoto Shrine/Temple tour	\$123
Heritage tour	France	Palace of Versailles Tour	\$156
Facility Tour	Japan	Winery Tour	\$5
	France	Winery Tour	\$47

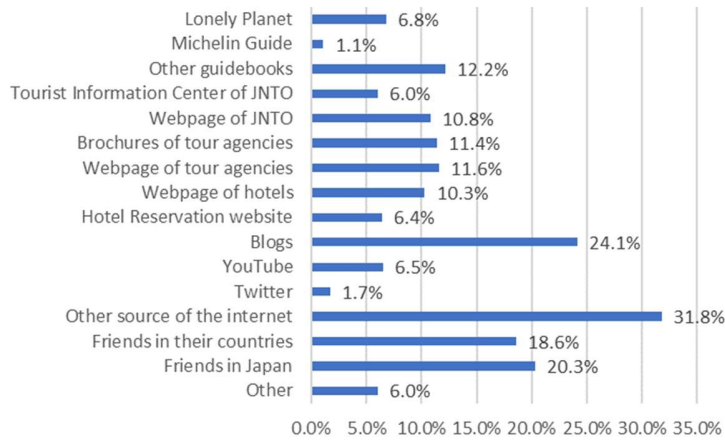
(Table taken by JTA 2019 and translated by the author)

Appendix FF: Example of Activity Booking Websites



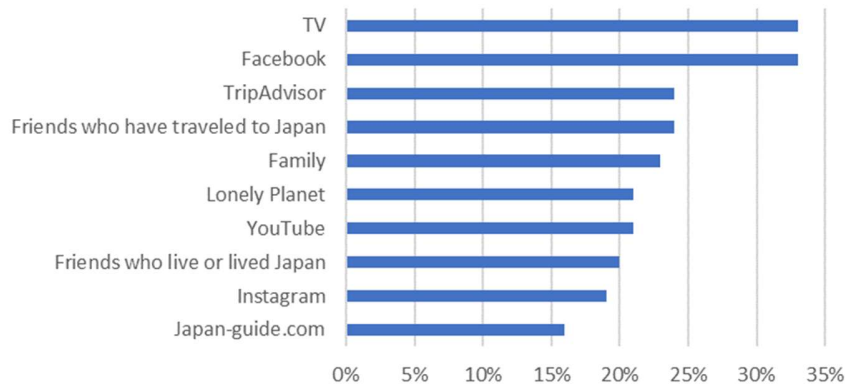
Appendix GG: Source of Information for Foreign Tourists

Where did you get information about the travel?



(Table taken by MLIT 2016 and translated by the author)

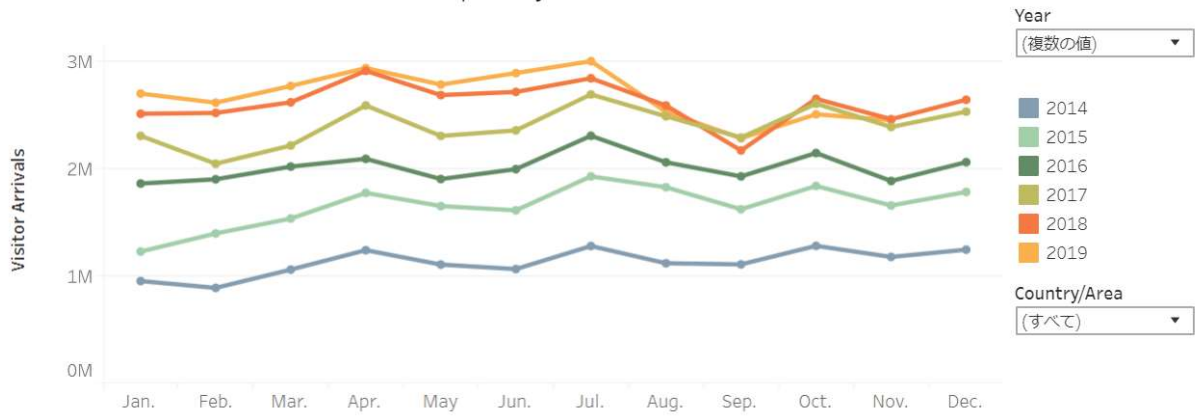
Which information source did you refer before coming to Japan?



(Table taken by JTA 2019 and translated by the author)

Appendix HH: Trends in the Visitor Arrivals to Japan by Month

Trends in the Visitor Arrivals to Japan by Month



(Graph by Japan Tourism Statistics)

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