

# Startup Businesses Serving Inbound Tourism in a Frontier Market

— Issues Faced and Lessons Learned in the Kanazawa Tour Industry —

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## Abstract

This paper develops previous research into local businesses serving inbound tourism in the frontier market (for walking tours) of Kanazawa. It identifies issues faced by a start-up business in the walking tour industry and proposes solutions based on basic marketing principles (4Ps and SAVE). The preliminary effect of implementing a set of solutions is gauged and reported on using three cases. It was found that walking tour businesses can improve sales and revenue by moving away from an instant booking system to a mechanism through which customers can contact the business and ask questions or give details about their needs before making a booking, coupled with the business offering value added services (connecting with other local service providers) at higher prices. The customer communication mechanism (an online form) also served the purpose of providing the business with information about what customers in general require, guiding the development of new services offered.

**Keywords:** *Frontier Tourism Market, Kanazawa, Marketing Solutions, Walking Tours*

## Introduction and Background

Previous research into inbound tourism and the associated provision of tourism services found that changes were needed to current business models in order to ensure improved service and greater profitability (Lynch and Keenan, 2016). The same research also revealed a lack of success in matching global demand for (paid) tour services with locally offered products, when investigating the situation in the city of Kanazawa, Japan. This research investigates the results of changes to business and marketing approaches, and exposes further areas to be improved.

The city of Kanazawa has seen a huge rise in tourists visiting in recent years. There are a number of reasons for this, including a rebound in tourism since the fall off in numbers immediately following the 2011 Fukushima disaster (Beade, 2015), a weakening local currency from 2012 to 2015 (Shimizu, 2015), and a more than doubling of foreign tourists to Japan from 2003 to 2015 (Otake, 2016) resulting in a spill-over effect from well-known areas such as Tokyo and Kyoto to hitherto less known cities such as Kanazawa. The number of foreign visitors to Japan in 2003 was 5.21 million, reached 8.61 million in 2010, and recorded 19.73 million in 2015, rising further (by 15.3%) year-on-year by May, 2016 (JNTO, 2016), (Otake, 2016). Kanazawa, however, has seen even larger increases

in tourists (both foreign and domestic) due to ① the bullet train (shinkansen) service which started in March, 2015, providing a 2.5-hour connection from Tokyo to Kanazawa (Japan Rail Pass, 2015), ② advertising of Kanazawa as part of the “Rising Dragon Route” (Shoryudo) encompassing the “Three Star Road” (Kanazawa, Takayama, Shirakawa-go/Gokayama) (JNTO, 2013), and ③ Japanese tourists deciding to go to Kanazawa as other spots such as Kyoto and Tokyo become crowded (the domestic spillover effect, (YaoYun and Shan, 2015)). In 2014, over eight million tourists (combining foreign and domestic) visited Kanazawa (Kanazawa-tourism, 2015), and it is estimated that this number has now already exceeded twelve million people per annum judging from increases in visitor numbers to famous sightseeing spots (Hatenablog, 2016). In the future, Kanazawa city expects the number of foreign tourists to continue to increase, with people opting to stay over in accommodation in the city set to double to 400,000 people by 2020 (Asano, 2015). In short, both domestic and foreign tourism to Kanazawa has increased, and that trend is expected to continue into the future.

Such a situation is a business opportunity for service providers in the local area. By 2014, tourists were spending 262 billion yen (approximately 2.62 billion US dollars) in Ishikawa (of which Kanazawa is the prefectural capital), and this is projected to rise by 50% to 392 billion yen by 2025 (Ishikawa Tourism, 2016). While an increased number of tourists results in greater amounts of tangible products being sold (such as food and souvenirs), visitors also demand intangible services such as information and guided tours. The provision of such guided tours could be a growth area in the local economy in Kanazawa. However, it is not a case of simply offering services and expecting the tourists to purchase them. Previous research by Lynch and Keenan (2016) revealed some problems that local business can have when attempting to capture a slice of the tourist market or, as is currently the case in Kanazawa, develop the market from scratch.

Lynch and Keenan (2016) described a local business in Kanazawa which began offering walking tours of popular areas in Kanazawa in 2016, with few or no competitors. The company invested in a professionally made website with high quality photography, the site was written in English by qualified language teachers, and online booking was enabled and offered to potential customers. The tours were priced very competitively (1,700 yen per tour), and a calendar was shown on the site showing days and times available (with all days and times initially shown as “available”). The site was registered with tourist information sites such as TripAdvisor, and the company paid for their site to be at the top of Google searches. Analysis of website traffic showed that new users were accessing it every day, and that most users were using the Google browser, Chrome. However, it turned out that the business only got one customer in over one month of business. Basically, the walking tour service offering was not a successful one, and was losing money for the local business. There was clearly something wrong with the business situation.

## **2. Research Method and Recommendations**

The walking tours service offered was not successful and the business had to find out why such a situation had come about. The research method involved ascertaining whether or not walking tours were an in-demand

product in similar markets and, if so, understanding what was wrong with either the product offered or the marketing method of the company offering the tours. It was decided to adjust what was offered by using the 4Ps (Price, Product, Place, Promotion) of the (traditional) Marketing Mix, together with an alternative view proposed by Ettenson, Conrado, and Knowles (2013) which describes them as 'SAVE' (Product → Solution, Place → Access, Price → Value, and Promotion → Education. This description, say the authors, ensures that the strategies enacted are not at odds with the imperative to deliver solutions (Ettenson, Conrado, and Knowles, 2013).

## 2.1 Product/Solution

The product offered was a walking tour of a famous area in Kanazawa, the East Tea District (Higashi Chayagai). It is the largest and best known of the three tea districts in Kanazawa (Higashi, Kazuemachi, Nishi), and is the most popular of them among inbound tourists (Kanazawa Tourist Association Survey, in Asano, 2015). The product was a walking tour of the area, and the solution to providing a unique experience while satisfying customers' needs was to guide tourists around the back streets of the area, visiting local workshops first before going to the more well-known areas. The tour included a lively talk about the history of the area, and ended up with a "bonus tour" of the geisha (geiko) district in nearby Kazuemachi. This product/solution was tested and was found very satisfying by test subjects. The one tourist who booked the tour was also satisfied with the contents.

An adjustment suggested to be made to the walking tour was to offer extra services on top of the standard walking tour. It was realised that tourists who visit Kanazawa, and especially those from abroad, may view their time there as a rare opportunity to experience as much as possible about traditional Japanese life. While listening to explanations about areas can be interesting, experiencing culture could be something customers would be especially eager to do. Due to this, the walking tour offering was expanded to include ① Gold Leaf Experience (customers make a traditional yet useful item such as chopsticks using real gold leaf, ② Tea and Sweets Experience (customers experience drinking local macha (bitter, green) tea and wagashi (traditional sweets served with macha), and ③ Kimono Wearing (tourists wear a traditional male or female kimono and walk around the streets of the local area). These services were in addition to the standard walking tour offered, and the prices were increased accordingly. Provision of such extras were made by combining individual services offered in the area (that many tourists would not be aware of) with the walking tour, resulting in the extra benefit of money flowing into the wider local economy.

Another adjustment made was to reduce the intensive pace by skipping over some areas/explanations, and to focus on engaging more in general conversation with the tourists. This was to take into account a comment by a customer that the tour was highly informative but "intense".

Is there demand for walking tours in traditional areas in Japan? Kyoto, a place with similar characteristics to Kanazawa (in terms of traditional culture, location in the west of Japan, and services offered) was investigated for the popularity of walking tours. A search on Viator.com (a Trip Advisor company) showed that there were fourteen walking tours of the area (Viator, 2016), showing that the product is one in demand in that city (at least fourteen

registered different companies, with possibly more unregistered ones). This shows that there is potential demand for walking tours in the Kanazawa area.

## **2.2 Place/Access**

The walking tour area is on the tourist bus route called the Kanazawa Loop Bus (Hokutetsu, 2015), making it easily accessible, with buses departing and arriving approximately every fifteen minutes. The starting point for the walking tour is at a main bus stop, and tour guides are very visible. There were no changes recommended to this, so the starting point of the tour was left unchanged.

The area tourists are guided around on the walking tour is well-known yet is not easy to understand without a guide. Therefore, it was thought that the place (Higashi Chayagai + Kazue Machi) is suitable for a walking tour, so, again, no changes were recommended or implemented.

## **2.3 Price/Value**

The price for the tour was 1700 yen, or about 17 US dollars. This was a very low price and offered great value for what the tourists received (a 90-minute walking tour by an English-speaking guide). However, tourists were not making bookings, indicating a problem with matching the service to the demand (Lynch and Keenan, 2016). There is also the issue of perceived value, where tourists see a very low price (which is what it is), and compare it to higher prices in other cities (e.g., the prices for walking tours in Kyoto start at four times the price), and see it as a “value loss” (Kolenda, 2015). As visitors to Kanazawa are usually travelling through other cities such as Tokyo, Osaka and Kyoto, they may make comparisons between services and pricing, making a judgement about the value. Therefore, the price was probably set too low for the Kanazawa tour if perceived value is taken into account. However, there is a popular tour in Kyoto called the “Johnnie Hillwalker Tour” which offers a five-hour tour for 2000 yen (Wairaido, 2016), showing that there could be room in the market for lower cost walking tours.

With the above in mind, it was decided to keep the lower priced tour (1700 yen) and also offer higher-priced tours with higher value content, as mentioned earlier. The higher priced tours ranged from 3000 yen to 18000 yen and included experiencing using local gold leaf to decorate items such as chopsticks (and be taken home as a souvenir), traditional macha tea and wagashi Japanese sweets, and having a kimono put on by experts, or a combination of these. Having a range of added value items would allow customers to make a value choice which suited them, and would also have the added effect of “referential pricing” as customers would see the highest price of 18000 yen, and then could regard the other prices (those below 18000 yen) as being cheap (or good value) in comparison (Kolenda, 2015).

The booking and payment system is covered in the “promotion/education” section, below.

## **2.4 Promotion/Education**

Finally, how the walking tour is promoted is important, while keeping in mind that effective promotion

should keep education in mind (Ettenson, Conrado, and Knowles, 2013). The website gave information about each tour, promoting the walking tours but not educating the online audience enough. The business was advised to add a blog with write-ups about parts of the tours. They had already begun this, to an extent, and had added facebook and twitter accounts for added promotion.

The booking and payment system were focused on making it easier to pay/collect fees. However, it was thought that this system may turn people off from booking as “people of a certain age are not likely to favour booking tourism products online” (Kucukusta et al., 2015), and this may have been exacerbated by the issue of tourists being unsure about whether or not they could commit to such a tour without further information. There was a contact form on the site, but it was not presented on the first page. It was decided to do away with the immediate booking system and replace it with a contact form on the first page, allowing potential customers to request information about the tour during or before committing to a booking. This was to have the added benefit of allowing the walking tour company to understand the customers’ needs (e.g., a single person, a young family, an elderly couple with limited mobility) and then to make a recommendation to them, as well as building up business knowledge of what to focus on during marketing and product design. The contact form, while requiring the need for a member of staff to spend time replying to customers (and, therefore, incurring a business cost), allowed a connection to be made between the customer and tour guide, building up a rapport while providing knowledge (education) about the walking tour. It was considered that the merits would greatly outweigh the demerits during the initial growth phase of the business.

### **3. Results of 4Ps/SAVE Changes**

While the changes described above in terms of 4Ps/SAVE were discussed and decided on very recently, there are already some results to be reported. Within a week of changing the automatic booking system to a booking contact form, a group of customers contacted the business looking for more information. Then, two more groups made contact. At this stage of the research, these are best described as cases (cases ①, ② and ③, below). For each of the cases, the walking tour website still hadn’t been updated to reflect extra value-added options, such as gold leaf, tea ceremony and kimono experience. The site was still offering only the basic 90-minute walking tour.

#### **3.1 Case ①**

Within days of changing to the contact form method of booking, an Australian family contacted the business (using the contact form). Their message was as follows:

We are family of four (2 x adults and 2 x kids) from Sydney and are visiting Kanazawa for the first time next week. Preferred day is 5 July at any time that is available. We would like to book a walking tour of the Chaya district. Thanks.

The walking tour company responded that they could take the family on a walking tour, and offered them a lower price for the children. Until then, the company hadn't considered pricing for children so having received the message detailing that children would be coming on the tour allowed the company to decide on a suitable pricing strategy. Also, the company offered the family the chance of a value-added experience (gold leaf experience). This was accepted by the family, resulting in greater satisfaction on the part of the family, and increased sales for the walking tour company.

In total, eight emails were sent between the customer and the walking tour company. Each email provided further information about the needs of the customer. The communication also built up a rapport and trust, and the customer even offered ideas for products and approaches the company could be take into consideration. After the tour, the customer left an enthusiastic review of the walking tour on Travel Advisor, giving the company five stars out of five (full marks), and saying their walking tour was “the highlight of their trip to Kanazawa” (TripAdvisor, 2016). Such positive reviews are important to a business as “online postings influence ... consumer beliefs, and ... in turn influence attitudes and purchase intentions” (Sparks, Perkins and Buckley, 2013).

### 3.2 Case ②

A few days later, an American (United States of America) couple contacted the walking tours business. Their message was as follows:

My husband and I are both 60. We are both in average health but not athletes. Are there a lot of hills and stairs to climb on the tour? Would we need winter boots in November? Thank you

Again, the message includes information that is useful to the walking tours company and which could not have been gathered using the previous automatic booking system. In fact, Case ② is not even requesting a booking, but is just expressing their concerns about the content of the tour and the weather expected. The company responded to the customer with answers, and again included information on value-added tours. The customer responded that they would be first visiting another city in west Japan before going on to Kanazawa, and asked for information about transport as well as for information about the other cities they were planning on visiting. Although the walking tour company is exclusively based in Kanazawa, it was realised that providing information about other cities would be useful to foreign guests, as such tourists have limited ability to gain knowledge due to 1. not being able to understand Japanese and 2. not being familiar with Japan.

The walking tour company found the information requested and conveyed it to the potential customer, including links to transport and a tourist. In total, six emails were sent between the tourist group and the company. The tourist was offered a list of tours ranging from 1700 yen to 5000 yen, and they ended up booking the most expensive tour for both participants (which included a walking tour, gold leaf experience, and Japanese tea and sweets ceremony). The final email from the tourist was as follows:

<Your information is> so informative and helpful. You are very kind to think about my husband and I. We look forward to meeting you and our time in Kanazawa.

Again, the company was able to make a connection with the customer, making them satisfied, and securing sales of higher value tours.

### 3.3 Case ③

Case ② was followed by another request for information, Case ③. This case seemed to be a combination of Case ① and Case ②, with the added request of a tour in January (off-season for tourism in Kanazawa). The message was from a family who were dropping by Kanazawa on their way to another city. Their message was as follows:

Hello We are coming to Kanazawa in January on our way to Hakuba. We have 2 nights; 16 and 17 Jan. We love walking tours! We have 3 children with us aged 11, 8 and 6. Can you please give me a little information about the walking tour including what we will see and the price for children. The girls love Japan and have been twice to Tokyo and Kyoto. I am planning my short visit at the moment. Also in January and with children what time is best for your walking tour. We are totally flexible. Many thanks.

From the message, it could be seen that there are at least two adults and three children. Again, the company answered the message offering a range of options. However, the company had not been planning to offer general walking tours in January (due to expected snowfall and low numbers of tourists), so just offered private tours, with added value options.

## 4. Discussion of Results, and Conclusions

### 4.1 Change Effects Understood from Cases ①, ② and ③

Following changing the booking form from an instant booking system to a contact form, there were three requests for information within the space of one week. It could be seen that the customers were more willing to make contact with the company when there wasn't immediate pressure to make a booking. Furthermore, providing a medium of communication in place of a booking button gave the walking tour company access to information about customers' needs, and allowed building of trust and rapport. Once a connection was established, offers of added value tours (or, selling up) were made possible. Such added value tours were popular with tourists, and the company was able to increase not only the number of bookings, but the revenue from each booking.

Other changes, such as explicitly putting information on the website about value added tours, were not evaluated in this paper as the tour company was not finished adding the tours to the digital platform at the time of

writing. The company also decided to expand its “FAQ” (frequently asked questions) section to include the questions asked by the tourists through the contact form. It will be of research interest to see how this website development together with tour content additions will impact the number of requests for bookings received.

The tour company is a startup business serving inbound tourism in a frontier market (that of walking tours in Kanazawa). It appears that applying basic marketing principles has initially produced positive results. It will be interesting to continue to carry out research on issues faced and lessons learned as the company grows and changes in the weeks, months, and years ahead.

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