



CLOSE UP: Tourism

Navigating Japan's Overtourism Challenge - Your Key to Sustainable Success

Key Takeaways

- **Post-COVID Tourism Surge:** Japan has seen a record-breaking surge in tourism post-pandemic, with 3.29 million foreign tourists visiting in July 2024 alone, and projections indicating 35 million visitors by the end of 2024. This is on track to meet the country's long-term goal of 60 million annual visitors by 2030.
- **Challenges of Overtourism:** Japan is facing overtourism challenges similar to those seen in Europe, particularly in popular areas like Kyoto. These issues include strained infrastructure, rising costs, and overcrowded tourist sites, negatively impacting both locals and the visitor experience.
- **Solutions and Opportunities:** To manage overtourism, central and local governments are implementing various measures, such as capping visitor numbers, raising taxes, and promoting lesser-known destinations. Additionally, digital transformation (DX) is a key part of the strategy to manage tourism sustainably, while unlocking potential in untapped areas like ecotourism, beaches and tailor-made experiences.

Japan's tourism has bounced back with incredible speed post-COVID, surprising even industry experts. Since lifting all entry restrictions in May 2023, Japan has set new records. In July 2024 alone, 3.29 million foreign tourists visited, and the first half of 2024 saw 17.78 million visitors—over a million more than pre-pandemic levels for a similar timeframe. Japan is on track to welcome 35 million visitors in 2024, with spending expected to reach 8 trillion JPY (56 billion USD) according to estimates by the Japan Tourism Agency (JTA). This brings Japan closer to its ambitious goal of 60 million annual visitors and 15 trillion JPY (105 billion USD) in spending by 2030.

Several factors are driving this boom. Japan ranks as the third most attractive destination globally, according to the World Economic Forum. The weak yen has made it even more appealing to foreign tourists, while the deep-rooted cultural concept of "omotenashi" (wholehearted hospitality) ensures they get a unique experience only imaginable in Japan. By 2019, more than 60% of foreign visitors were repeaters, and those returning for their fourth visit or more outnumbered first timers. Simply put, if someone visits Japan once, they are likely to return.

However, this rapid resurgence in mass tourism brings challenges. Overtourism has become a global buzzword, with Europe seeing frequent protests against the negative impacts of excessive tourism: rising consumer and housing prices, strained infrastructure, and disrespectful behaviour.

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Streets are overwhelmed with tourists, highlighting the urgent need for sustainable tourism strategies in Kyoto and other popular areas in Japan





Japan is starting to face similar issues, particularly in popular destinations like Kyoto. Overtourism not only frustrates locals but also degrades the experience for all tourists, leading to dissatisfaction and diminishing the perceived value of their visit.

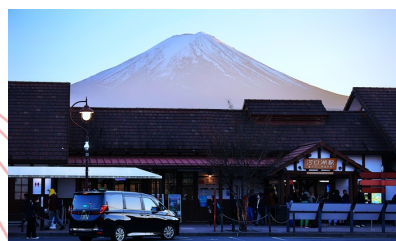
Japan's tourism industry was not prepared for such a swift rebound. Labour shortages in all industries have been widespread for several years, affecting everything from hotel staffing to tour guides. Accommodation and transportation are also in short supply, pushing the government to consider, for example, deregulating ridesharing. With a shrinking population and lagging hospitality education, balancing supply and demand will be a significant challenge. Without enough staff to uphold omotenashi, the quality of the visitor experience could decline, a problem that robots and stop-gap solutions such as foreign workers can only partly address.

Osaka Castle attracts throngs of visitors daily, showcasing the city's appeal but also the pressing challenges of overtourism



Efforts to address overtourism include tax rises, dynamic pricing and destination management, though the latter remains underutilised.

Yamanashi Prefecture, for example, has capped the number of daily climbers on Mount Fuji and introduced an entrance fee. Osaka Prefecture, which will host the EXPO in 2025 and Japan's first integrated resort facility from 2030, is considering introducing the country's first "entry fee": a dedicated tourist tax (100-300 JPY) for each foreign visitor. Proceeds will be used to finance measures combatting overtourism and pollution caused by the surge in tourists, but there is a legal obstacle to this as a discriminative tax targeting only foreigners would be unconstitutional. Kyoto is raising the accommodation tax by 200-1,000 JPY and has proposed the idea of dual pricing on public transport (local vs. foreign tourists); however, it is seeking national government support for regulatory changes because it too could be deemed discriminatory. *(continue to the next page)*



Mount Fuji's beauty draws tourists from around the globe, but the surge in visitors is taking its toll.



The Ministry of Land, Infrastructure, Transport, and Tourism (MLIT) and the JTA are cautiously addressing overtourism. Strengthening infrastructure, particularly in transportation, is critical. The JTA's strategy focuses on diverting tourists from overcrowded hotspots like Tokyo and Kyoto to lesser-known destinations. They've designated 20 model tourism destinations to test these efforts and selected 51 areas to divert incoming tourists to less travelled places with untapped areas of beauty. Providing a unique travelling experience. In this approach the "repeaters", who have already seen Tokyo or Mount Fuji, will be key for success.

Digital Transformation (DX) is central to these strategies. It aids in marketing, overcoming language barriers, managing accommodation, and providing real-time congestion data. Most importantly, digital solutions generate valuable data to inform better tourism strategies and prevent overtourism.

Japan's tourism sector is poised to become a key economic driver, as envisioned by former Prime Ministers Shinzo Abe and Yoshihide Suga. Based on a dynamic regulatory environment and supportive government policies, tourism-related businesses have numerous opportunities to thrive. Untapped areas like unique tailor-made experiences, ecotourism, and beach tourism hold significant potential.

Engaging proactively with stakeholders, including regulators and lawmakers, is essential for success. At GR Japan, with its diverse team of industry and public policy experts and over 15 years of experience, we can be your ideal partner. We can guide you through the complex web of stakeholders and create an effective engagement strategy to help you achieve your goals.

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