

A Study of Management Ideology of Japanese Traditional Inn Industry in Japan

by

Wee YihSze

Submitted to Amikura Seminar of the Department of Business Management,
in partial fulfilment of the requirements for the Bachelor Degree at Sophia University

2014

Introduction

The lodging industry in Japan had been traditionally made up of ryokan (Japanese style inns), which even these days still occupied the bulk of the Japanese accommodation market despite the market continues to evolve. In this study, an analysis on management ideology of Japanese ryokan (traditional inn) industry is conducted based on historical review on the development of Japanese hotel industry, overall market trend of Japan tourism. Next, I will focus on the business model, strategies, challenges faced by the management team in depth within the ryokan industry. A more successful approach for smaller ryokan to improve an operational management is to emphasis on customer added value rather than capital depending to the it's size. Larger size ryokan implies both hospitality and capital strength are relatively related in terms of management policy.

Another finding of which domestic leisure travel (mainly hot spring served as purpose) would be the first preferred leisure activities that comes into a Japanese mind according Japan Productivity Centre for Socio-Economic Development , and also interviews I had taken with Japanese would be brought in as it is the main catalyst driver for Japanese tourism. A case study on Ryokan Sayaka, which recently won Japan's Best Ski Boutique Hotel 2013 will be presented as a medium for exploration of development and operational management. Interviews with industry leaders in ryokan development, ownership and management were undertaken in order to obtain the most current operational and development perspectives. Later, this paper will describe how complex product refinement and market segmentation would influence ryokans to strive towards optimal operational efficiency.

The purpose I've chosen this topic as my thesis is because I've been involved in the lodging industry at Nozawa Onsen Village, Nagano for the past few years. The more time I spent learning this industry, the more intriguing I find being able to understand the ryokan management style and it's market place in current days. Adding to it, looking from a foreigner point of view, the paper will will further explain how local specialities (in this case onsen (hot spring)) mean to a Japanese society of which syntactically attributes to the local economics. Further more, some significant turning points that were identified as factors which shape the lodging industry with Onsen facilities drove my interest towards it. Once the innovations were recognized, the study will break down the development and operational advantages and disadvantages which associate with the brand identity.

Table of Contents

I. Overview

- Market trend of Japan tourism

- Market overview of entire hotel industry

II. Case Study : Japan's Best Ski Boutique Hotel 2013

- Ryokan Sakaya , Interview with Akira Mori-San, owner of Ryokan Sakaya and Jonnobi

- Personal experiences and interviews with management team, staffs

III. Business ideology : Ryokan as a community's cultural centre

- Directional movement of a ryokan : Omotemashi (hospitality) vs capital strength

- Community brand and brand identity

IV. Business strategy :

- Renovation, facilities improvement

- Customer relationship management - personalized assistance, automated assistance

- Media marketing : Magazines and internet

- Traveling packages - tie up with travel agents such as JTB, JR for special travel packages

V. Managing status : Advantages and disadvantages of the Substantial Efforts

- Brand identity

- Sales vs Revenue Streams

- Flexibility

VI. Conclusion

VII. References

I. Overview

Before looking at the hospitality industry of Japan, one must understand that the inception of people travelling for either business or pleasure has continuously changed, developed and reinvented as modes of transportation and commerce have evolved. First Japanese ryokan could be traced back to the so-called "fuseya" of Nara Period in 718 AD, where most ryokan were run by families that shelter travellers and make them feel at home since back in those days when transportation facilities and traffic networks were still undeveloped, travellers were forced to sleep out under the moon when large numbers of them died of starvation. Buddhist monks along with members of the imperial family and other powerful rich families started to set up accommodation facilities in temples and shrines for travellers with very little charges. The Japanese hospitality culture arose as a result of both the delicate climate and omotenashi - the spirit of hospitality, the urge to entertain people and see them happy. These two unique ideas made the unique Ryokan culture flourish, and as a result, the number currently totals around 47,000 nationwide today.

Since the opening of the Tsukiji Hotel-Kan (later renamed the Edo Hotel), in the 1860s, the Japanese hotel industry continued to grow. However, an increase separation of ownership and management sparked a turning point, and a new era began, as new hotel operators from other industries are becoming influential, and foreign capital is increasingly working its way into the Japanese hotel industry. Ever since the Western-style hotels were brought into the market of modern Japan, the operation of hotels and other lodging took off to a great expansion in the market since the first hotel boom that occurred as a consequence of Tokyo Olympic Games in 1964. Japanese ryokan industry back in that time still bulked the market, however along the westernization of lifestyle, there has always been a great preference of Western-style hotels especially for those existing well known foreign hotel chains such as Hiltons, Hyatt, InterContinental Hotels Group, Marriot and Sheraton. During the bubble economy years of the early 1990s as the economy waned, ryokan industry had been sustained and faced a drastic drop in corporate business, which had been the core of Japan's hotel industry, resulting in a serious operational crisis.

The hotel market accounted for about 70 percent of the ¥22.4 trillion in total spending on tourism in 2011, according to the Japan Tourism Agency. The average daily rate for hotels in Tokyo rose 7.6 percent to ¥15,751 in May from a year earlier, according to data compiled by STR Global, a London-based hotel industry researcher. Recent years, according to the Market Intelligence Report, Market Insight Japan, conducted by Jones Lang LaSalle Inc., sourced from Japan Tourism and JNTO on April 2013, the hotel investment market has been surprisingly active in 2012 reaching its peak level of transaction registered since

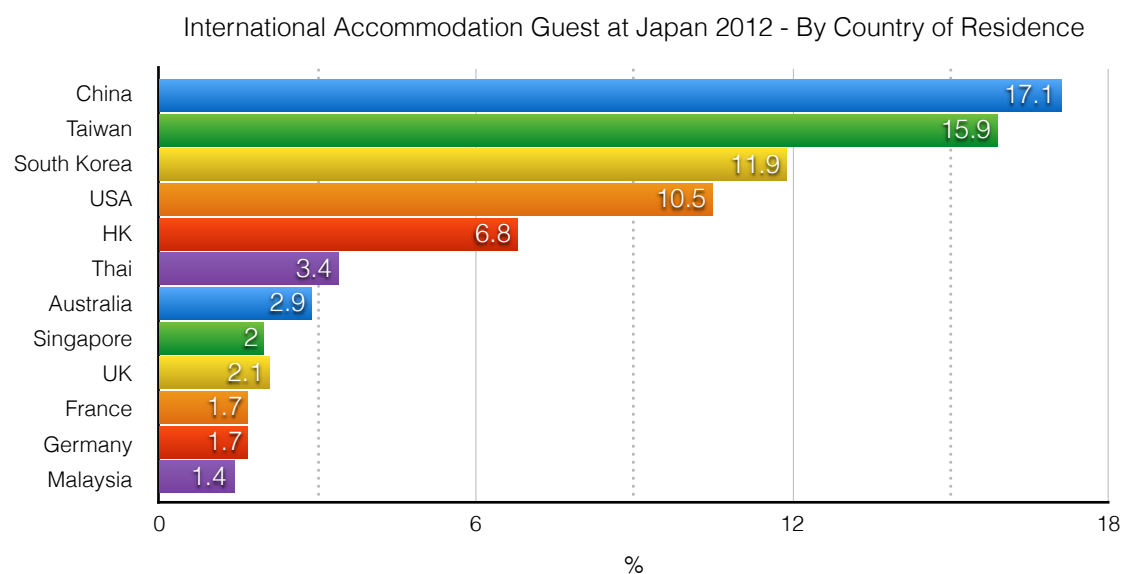
Total Number of Accommodation Guests in Japan (Million)

	2008	2009	2010	2011	2012
Domestic Guests	287.5	283.0	322.8	322.3	333.4
Growth	-	-1.5%	14.1%	-0.1%	3.4%
International Guests	22.2	18.3	26.0	17.0	22.9
Growth	-	-17.8%	42.2%	-34.6%	34.5%
Total	309.7	301.3	348.8	339.3	356.3
Growth	-	-2.7%	15.8%	-2.7%	5.0%

Source: Japan Tourism Agency

the global financial crisis in 2008. Furthermore, “Abenomics,” the new economic policy help by Abe Cabinet which was formed at the end of 2012 has proven to have a positive impact towards business and leisure activities which subsequently improved the hotel investment market.

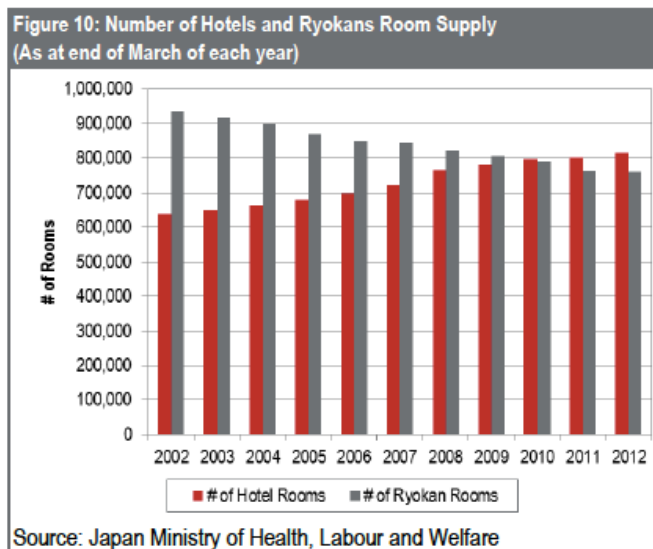
An increased recovery volume of accommodation demand in second half of 2012 has been observed prior the massive Tohoku earthquake in March 2011. The total number of accommodation for both domestic (333.4 mil) and international (22.9 mil) guests reached approximately 356.3 million, which is a 5.0% increased as compared to 2012. International visitors particularly from Asian countries began to approach after the negative subsequence of radiation has cooled off. Among international visitors from Asian countries, China ranked as the top international demand source market with a total of 17.1% , followed by Taiwan, 15.9% and South Korea which occupied 11.9% of the total international accommodation guests by country of residence in 2012. As the government recognised that the tourism industry could stimulate economic growth and employment, “Inbound Travel Promotion Project” (Visit Japan Project) has been launched, setting a comprehensive goal of getting 18 million visitors by 2020, 25 million visitors by 2025 and 30 million visitors in long terms.



A rather unexpected statistics which I find amusing was that, almost 94% of the accommodation is occupied by domestic guests while only 6.4% of accommodation is occupied by international guests. Then again, looking at the accommodation type which guests prefer to choose, a significant 75% of them picked hotels as their choices, while ryokans (Japanese traditional inns) accommodated 22% of the guests. Hotels were then divided into limited-service hotels, full-service hotels and resort hotels. With the latest data provided from Japan’s Ministry of Health, Labour and Welfare, Japan had 9,863 hotels with 814,355 rooms at the end of March 2012 with an average property size of 83 rooms. An increase of 153 hotels or 1.6% from the corresponding period previous year. Comparing to the end of fiscal year of 2002, there were 8,518 licensed hotels representing 649,225 rooms, and averaging 76.2 rooms per hotel. The number of hotels rose 1.9% over the previous year. This slow rise has been constant over the preceding years. Among them, there are presently 1,103 hotels registered under the Ministry of Land, Infrastructure and Transport (MLIT)’s Law for Improvement of International Tourist Hotel Facilities having a total of some 198,470 rooms.

On the other hand, as the chart shows us and increase demand of hotel rooms supply each each, there is a decline of ryokan supplies as there were 46,196 ryokan establishments with 761,488 rooms at the end of March 2012 as compared to 2011. By the end of fiscal 2002, the

nation's ryokan numbered 61,583, collectively having 915,464 rooms (14.9 rooms per ryokan). This exceeded hotels in the number of rooms and total establishments. Among them, some 2,011 ryokan (117,588 rooms) were registered under the MLIT's Law for Improvement of International Tourist Hotel Facilities. The ryokan market had shrunk by 16% by 2012 compared to 2002. Considering this point, this paper will shifts perspective to investigate the typical establishment, development, and management of a ryokan product, typically with onsen facilities.



II. Case Study : Japan's Best Ski Boutique Hotel 2013 - Ryokan Sakaya, Nozawa Onsen, a hot spring town now 1000 years old

The ryokan business is a dynamic industry which is marked by intense competition in the aspect of food service and accommodation which no two days are the same. As we all know that, along with the westernisation of the lifestyle, the “real Japan” has not been widely shown to the world as most Japanese ryokan can only be found and experienced in Japan despite having thrived for 1,300 years and most importantly, it embodies the elements from the Japan of olden times. Also, with the introduction of Western style hotels into the market , the number of ryokan has dwindled as the cutthroat competition has led to lot of bankruptcies. The declining trend of ryokan is mainly attributable to financial difficulties and succession problems which occur in small-sized family-run ryokan.

The big difference between a hotel and a ryokan is that the most important aspect of the ryokan is the meals which bring enormous challenge in terms of both hotel and food service management and professional cookery to the hotel industry. In fact, meals in a majority of ryokans are prepared by master chefs specializing in Japanese cuisine to create dishes based on seasonal ingredients that they obtain that day, so that each meal is unique and special and could only exist on that day and no other. Not only having variety dishes of the dinner, they are also created to delight the eyes and palate of customers. This is the hallmark of ryokan cooking. Most ryokan do not have a restaurant because meals are normally served in the guest room or some private dinning room in the old days. Another feature that most ryokans have is the tradition of “omotenashi” which means the highly personalized heart-to-heart guest centered services. Most ryokans offer free meeting and send-off services which western-style also do. However, the whole

journey from the meet up point until the guests are welcomed at the entrance with a deep bow, entered their rooms, get settled down and being served with teas and snacks, then the landlady will even chat with the guest, confirms the meal start time and offers information about the spa, baths and other ryokan facilities are all well-prepared and organized, which is rather uncommon for the westerners.

Moreover, a typical ryokan provides an itinerary for the guests and they are to follow the basic practices particularly at that certain time according to the arrival and check-in time. For example, check-in time is usually from 3pm and is better to check-in before 5.30pm. Dinner begins around 6pm - 7pm and the cuisine is traditional kaiseki meal, consisting of an 8 to 13 course dinner including a wide variety of small dishes with local specialties of sashimi (raw fish and shellfish), nabemono (boiled meat, vegetables and fish stewed in a pot), tempura (deep-fried fish and vegetables), grilled fish, boiled vegetables and meat, miso soup, and rice. This kaiseki set meal is fixed and the guests do not choose from a menu like at a restaurant.

Aspects mentioned above were some typical services which one would expect when walking into a ryokan, however in recent years, all these have changed as ever since boutique hotels have found their ways entering the market in the 1980s. Boutique hotel has gained its popularity among the crowds largely because its distinctive style of themed design, modernness life style captivity which embodies a sign of a design ethos of simple, understated luxury that delivers authenticity and individuality. Ryokan Sakaya, won the award of Japan's Best Ski Boutique Hotel 2013 organised by World Ski Awards which is heralded as "the Oscars of the travel industry" in Kitzbühel last year, is one of the pioneer of major hotel brand, Nozawa's finest to incorporate this type of environment without losing its Japanese essence of traditional onsen and the beauty of mother nature in mainland Japan.

From the interview with the owner of Ryokan Sakaya conducted on Dec 27th, I've learnt the business ideology and methodology of which certain prominent aspects serve as key elements when running a ryokan. The Ernst & Young's 2006 Lodging Report explains that the hospitality firms are "focusing not only on guests' basic needs and preferences, but also on creating an unique lodging experience that ties into guest's way of life, self-image and interests and delivers self-expressive benefits." This family-run ryokan business has been running for more than 50 years in Nozawa Onsen and is well known for its premier style and exquisite level of services and food. Mori-san, the owner of Sakaya, the second heir of the business who has ran this hotel for more than 20 years explained that around year 2000, Japanese hotel markets started to show a sign of rapid changes. Ryokan, which once hold the largest market share in the Japanese hotel industry, began to feel noticeable gaps with the needs of their customers, so this could represent a good time to sell/purchase them and convert them into medium-grade or low-price brand-name hotels. However, this didn't encourage him to sell the ryokan to foreign investors as he still believed that there were lots of space remains for new marketing when he decided to renovate and remodel the entire place even though most existing facilities are conventional. With his management team, they looked at the market segmentation through a slightly different lens, they then learned that modern guests gravitate towards an environment that is lively, imaginary, and more in line with how individual views their lives which in marketing study, this is closely related to "lifestyle" brand and how the operational management team would maintain brand loyalty of their customers.

III. Business ideology : Ryokan as a community's cultural centre

As mentioned in section II, both the uniqueness of exemplary hospitality service and the profound traditional Japanese meal differentiate a ryokan from a typical luxury hotel competition line is what a ryokan are aiming for the overall brand strategy has proven to be a successful approach in generating high levels of repeat business in the past. In this section, we will look in further to determine how the prominent aspects which determine the value propositions, complexity of product refinement and market segmentation would influence ryokans to strive towards optimal operational efficiency. The more the hospitality industry understand the desired taste and preferences of the guest population, the further the market becomes segmented. From a study done by a student at Yamagata University in 2005, customers added value propositions are determined by certain clusters which the paper will further explained in the following section. Narrowing down the market segmentation, we are now focusing more in ryokan with onsen facilities by means of recognising them as part of the product mechanisms with respect to the lodging industry.

Value Propositions	Aspects	Sales point
Onsen	Kakenagashi type	Non recycled, natural running hot spring
	Open air type	Scenery , closer to mother nature
“Omotenashi” Services	Personalized	Flawless,detailed services
Facilities	Modern contemporary	Sleeping arrangement, luxurious suites, lifestyle leisure, convention rooms
	Traditional	Futons, tatami, local show events
Cuisine	Local	Local supplies to promote community brand
	Fancy	Modern yet traditional dining

According to JETRO Japan Economics Report, August - September 2006, a survey conducted of which Japanese listed hot springs as their domestic leisure travel has been released. The Japan Productivity Center for Socio-Economic Development's 2006 white paper on leisure found that leisure time and expenses had increased indicating that Japanese consumers are more aware of their leisure time. Just a quick recap from the introductory section where statistics showed that almost 94% of the accommodation is occupied by domestic guests while

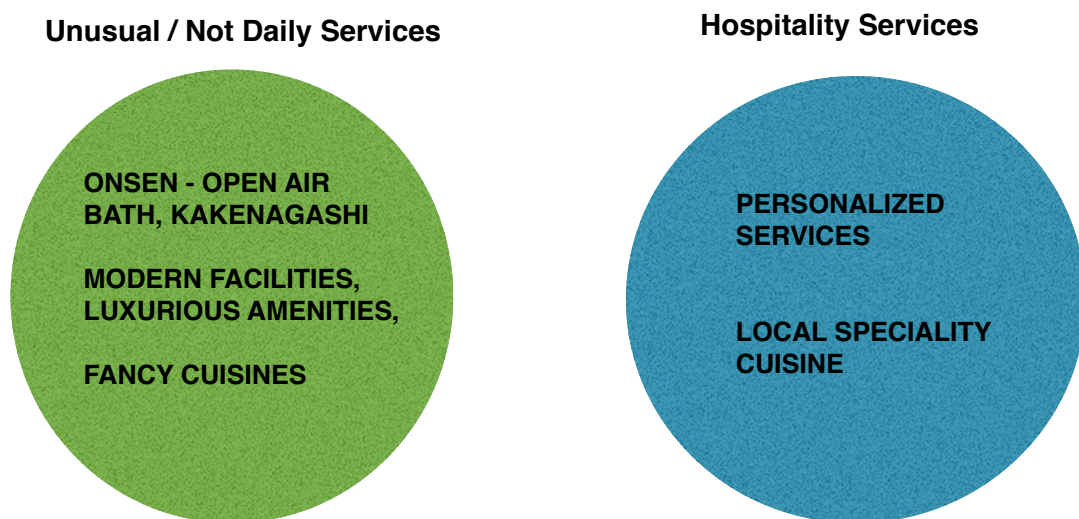
Fig. 8 Top 20 Preferred Leisure Activities

2003		2004		2005	
1	Domestic travel (hot spring, to escape heat or cold, etc.)	1	Domestic travel (hot spring, to escape heat or cold, etc.)	1	Domestic travel (hot spring, to escape heat or cold, etc.)
2	Dining out (not including everyday meals)	2	Dining out (not including everyday meals)	2	Dining out (not including everyday meals)
3	Going for a drive	3	Going for a drive	3	Overseas travel
4	Overseas travel	4	PC (for games, hobbies, communications)	4	Going for a drive
5	PC (for games, hobbies, communications)	5	Overseas travel	5	Movies (not including on TV)
6	Movies (not including on TV)	6	Lottery	6	Aquarium, botanical garden, museum, zoo
7	Lottery	7	Watching videos (including rentals)	7	Concerts, recitals
8	Aquarium, botanical garden, museum, zoo	8	Movies (not including on TV)	8	PC (for games, hobbies, communications)
9	Karaoke	9	Aquarium, botanical garden, museum, zoo	9	Karaoke
10	Watching videos (including rentals)	10	Karaoke	10	Lottery
11	Hiking, picnics, strolling outdoors	11	Watching sports (not including on TV)	11	Hiking, picnics, strolling outdoors
12	Concerts, recitals	12	Listening to music (CDs, FM radio, records, cassettes)	12	Gardening, yardwork
13	Listening to music (CDs, FM radio, records, cassettes)	13	Bars, drinking establishments, pubs	13	Listening to music (CDs, FM radio, records, cassettes)
14	Gardening, yardwork	14	Hiking, picnics, strolling outdoors	14	Amusement park
15	Amusement park	15	Gardening, yardwork	15	Watching videos (including rentals)
16	Events, expositions	16	Concerts, recitals	16	Events, expositions
17	Bars, drinking establishments, pubs	17	Video games (at home)	17	Exercising (without equipment)
18	Swimming (at a pool)	18	Events, expositions	18	Swimming (at a pool)
19	Watching sports (not including on TV)	19	Jogging, distance running	19	Traveling back to home town
20	Jogging, distance running	20	Fishing	20	Theater (not including on TV)

Source: Japan Productivity Center for Socio-Economic Development

only 6.4% of accommodation is occupied by international guests, which also means that Japanese usually travel domestically rather than internationally. Again, while choosing their accommodation type, Japanese prefer to choose modern hotels rather than Japanese traditional ryokans. In view of consumers changes in taste and needs, ryokans started to incorporate refinement to their product and brand image in order to attract more consumers in this competitive market.

Now lets us look at the following clusters which determines the value of a hotel. Of course there are several metrologies being utilized by hotel groups such as the room-rate (up-scale vs economy), the service (full-service vs limited service), the location (urban, suburban or resort), and even the identified clients as particular factors. Bare in mind that classification may varies within this industry depending on the methodology being used, and this study will introduce a methodology that is meant to incorporate with a more holistic perspective of the products, services and brand images. Two main specific suite of services for a ryokan are divided into : unusual services which mean services one don't usually receive in the daily lives and hospitality services which requires one's presence to be endowed with.

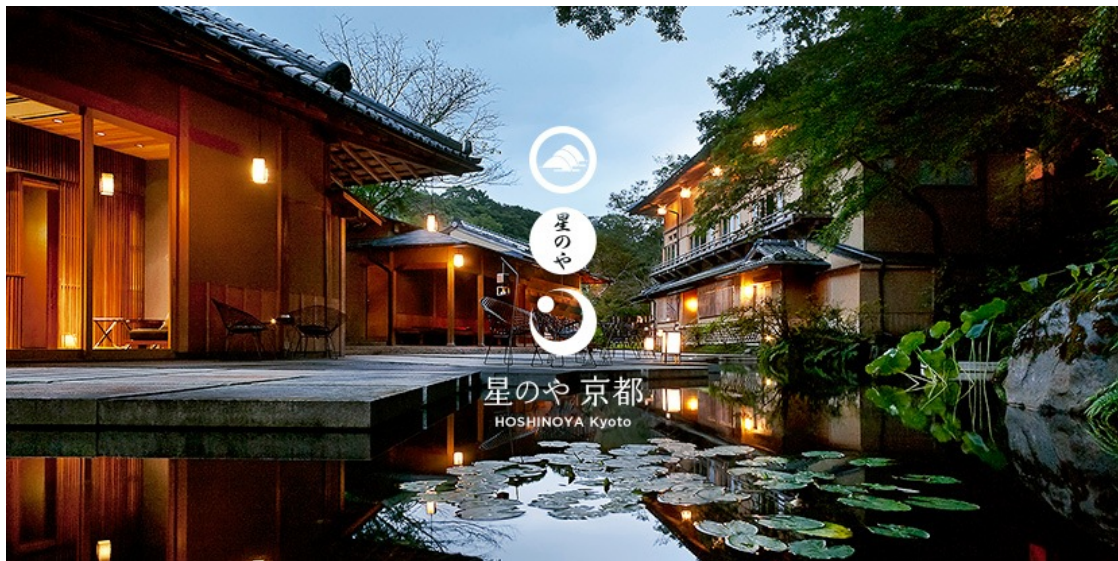


Natural hot spring facilities along with high end accommodation options; highly-skilled and well trained staff with diverse range of service skills to have a strong reputation within the local market and corporate and travel trade markets for reliability, exemplary service and quality; profound taste of Japanese cuisine with a choices of local street eateries are considered hospitality services which one have to seek for it intentionally. In order to offer guests sufficient added value and differentiating the ryokan brand than others, larger upper scale ryokan would capitalise the economies of scale while maintaining the management services with their capital strength. Unlike large ryokan, smaller ryokan which doesn't have that much capital would emphasis on the one-to-one in house hospitality service for customer's added value rather than capitalise on facilities.

In order to promote community brand and brand identity, it is said that ryokan served as a community's cultural centre. Unlike chain hotels, ryokans with natural hot spring facilities have a very uniform identity, recognition and image of which, onsen itself is the uniformity of the brand, and whether it is an open bath or kakenagashi-style (non-recycled, 100% natural running hot spring), guests know what to expect when going to one. When it comes to cuisines, it is always assumed that kaiseki cuisine will be served on the property of which is automatically included as part of your room rate and one simply don't have the option to opt out. One may not know that

normally that the kaiseki menus change every now and then, incorporate with the changes in season because chefs would go for seasonal ingredients that they obtained that particular day. Also the menu draws on the natural flavour of ingredients with a focus on simplicity, and expresses beauty through presentation select serving dishes with 3 basic five elements (Gomi (5 tastes): Sweet, Spicy, Salty, Bitter and Sour. Goshoku (5 Colors): Green, Red, Yellow, White and Black. Gohō (5 methods): Raw, Cooked, Fried, Simmered and Boiled.) Combining the philosophy of traditional Japanese kaiseki cuisines, the fancy cuisines reflects and honours the Japanese heritage and the local culture.

IV. Business strategy :



Hoshino Resort Co. Ltd, an international operator of ryokan founded in the 1904 would be the most well suited example as it's brand stuck to it's dedication to luxurious traditional Japanese hospitality with modern contemporary elements, earning JPY 32 billion in revenue in 2012. The brand itself became popular after Hoshino Onsen Ryokan rebranded itself as Hoshino Resorts in 1995 by the fourth - generation family heir Yoshiharu Hoshino. He restructured the company's management when he took over the company, reduced family members in the board and brought in more than half talented outsiders to the board to recreate a new operational team. With 30 resort properties located at different demographics, three separated brands : Hoshinoya, the high end KAI and Risonare were developed. For Ryokan Sakaya, owner Akira Mori hired an elite team, spending only half a year to reconstruct and redesign the whole hotel in 1994. Mori-san shared a similar business mindset with Hoshino-san when he saw the opportunity of luxury hotel market with Western influences.

Entering the world of modernization, many young Japanese found hotel rooms to be small and sleeping on a futon bedding is no longer comfortable. Japanese who once used to accustomed to the traditions: low tables and tatami sitting no longer seemed charming to them, Japanese young generations found more comfortable to sit on tables and chairs with backrests and armrests. Also, in terms of personal hygiene facilities, rooms with private bathroom are likely preferred over shared bathroom. In foreign cultures, foreigners have higher tendencies for personal

hygiene practice and are more attentive to individual healthcare, sense of well being, social acceptance and prevention of spread of illness to others. In correspondence to that matter, larger scale ryokans with systematic structural management would incorporate and design modern facilities, along with luxurious amenities specifically targeting on promoting and marketing hotel brand in expansion which both hospitality and capital strength are relatively related in terms of management policy.

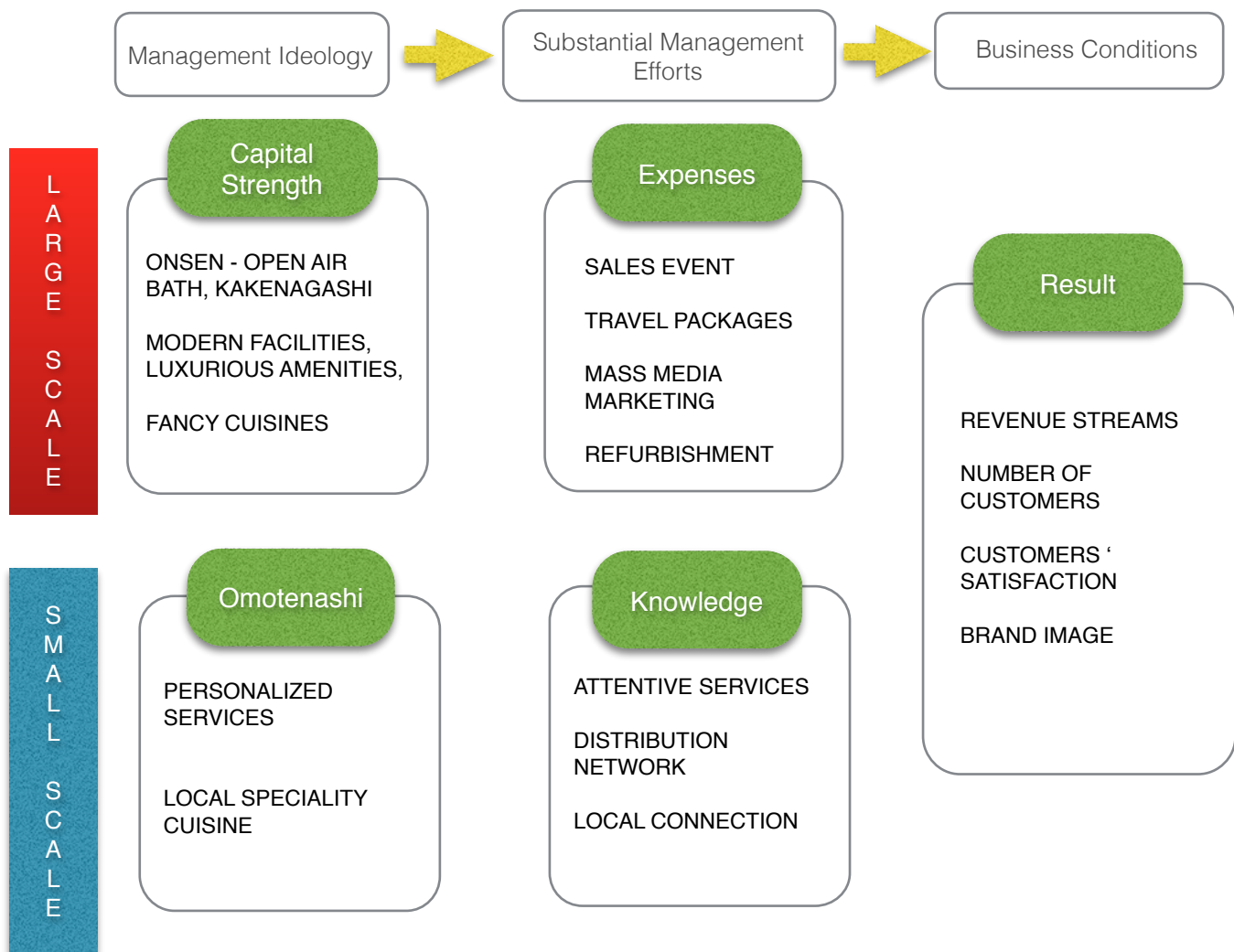


In contrast to larger scale renovation and facilities improvement done by large capital power ryokan , smaller scale ryokans with less concrete structural management would put priority on customer relationship management - personalized assistance, and regional gems first as their management policy. Due to their relatively limited resources and simplicity from a development standpoint, physical contact and communication is often far more straight forward than a large scale full service ryokan or hotel. Leaving hot spring facilities and spa facilities aside, hospitality services should be considered as their byproduct as they do not offer as much number of facilities or suite of services than a full-service hotel does. When it comes to customer services, let alone my personal experiences, staffs are basically trained in all sorts of service departments ranging from housekeeping to food operation.

International hotel groups tend to have a whole lot of various departments and basically staffs are specialised in certain functional operation so that a standard consistent services could be provided among all properties. Without consistency, the brand would begin to disintegrate and eventually fall apart. Based on information retrieved from Starwood Hotels & Resorts Worldwide Inc., one of the largest hotel companies in the world running 1162 properties around the world, "Staff Guide Roles and Responsibilities " with detailed information of staffing planning, suggested salaries position's roles and responsibilities is one of the important training documents for the management. However, it is rather uncommon to see franchise ryokan in Japan besides Hoshinoya Resorts Brand itself. One of the strategy that most ryokans execute is the holistic training method where staffs have to do everything so that the staffs could grasp a better understanding of the entire hotel management, and could aid in improving operations, in terms of productivity and increased levels of customer satisfaction.

V. Managing status : Advantages and disadvantages of the Substantial Efforts

At this section, we will further look into the advantages and disadvantages of substantial efforts that both large scale and small scale ryokans put in in improving the management efficiency. Considering, however, that there is a limit to how much a ryokan could do in improving its business revenue, the key to survival for the hospitality industry will rest with the balance of making use of its knowledge and function through changing its management policy or corporate policy.



Mentioned in section III in which hotels use various methodology to determine its brand value and proliferation of the hotel brand, depending to its size and capital. Chart above is an overall substantial efforts ryokans make in order to determine their directional movement. Yet these elements intertwine with each other if we examine the factors which contribute to popularity and success of a ryokan carefully. Lets say the food service, it is considered marginally profitable or some situations a loss, due to high supply and labour expenses associated with food and beverage

services in many hotel operations ; but considering the modernisation age, flexibility in travel packages whether to dine or not in both larger and small scale ryokan premises nowadays are often selectable with tie up with travel agents such as JTB, JR for special travel packages.

Logically, a simple, small ryokan is an ease in management operations from a development and management standpoint compared to structural, programmatic system of large ryokans have. Direct brand identification with relatively risk-free proliferation of brand could be enforced since there's no other branches nor franchisors since its family run business. On the other hand, unlike franchised chain hotels which have a uniform image, a disadvantage for this would be having less public recognition because it's yet widely developed and without its expansion, people couldn't recognise the brand and value offered. As for market competitive encroachment , big brand hotels would negotiate to set up on the best possible territory when they sign a license agreement being a position of dominance just so the brand position could be affirmed. This situation doesn't apply to all ryokans specially because each ryokans have their own distinctive features and with extensive local distribution networks and connections, ryokans sometimes would refer to each other in terms of accommodation settlement.

With the technology development in today's world, traditional reservations route such as making phone calls or bookings via travel agencies have declined since everything is done mostly online. Most consumers would book directly from the hotel's homepage, through online travel agents and booking portals. Hence, advertising and sales in mass communication via print ads in trade publications and on the Internet, TV would be effective for large corporates because direct online channels provides both short-term, immediate as well as long-term, strategic benefits. For ryokans with strong capital strength, building an easy navigated homepage by providing visual priority to customers at their homepage will be the most important element as the hotel facilities could develop the content directly to target audience. Letting guest to comment, review, and feedback directly will also be a plus since people will be more attracted to something which is popular. 'Everyone likes what everyone likes', leveraging the society is a proof. With the link of social networking Facebook and Twitter ; social bookmarking services Digg to the hotel facilities will directly connect with the customers. Get listed in booking portals such as Booking.com, WikiTravel, TripAdvisor, Yelp, and VirtualTourist as most tourists visit these sites which will encourage distribution and raise the sales too. With all these sales and promoting events, a variety expenses charged including an initial application fee, marketing fee, reservation fee are expected and the consolidated total fee is typically charged to an owner between 8% to 10%. However, smaller ryokan with less human resources in technical and financial supports, this would be a challenge for them. A lower fee arrangement between 3% to 4% are normally smaller ryokans would spend as most of them are dependent on referral system or word of mouth marketing to promote themselves and to generate more sales. With a centralized system, bookings are made by phone call for those without websites which normally consume lots of time in scheduling.

As ryokans normally don't have procedure manuals, a practical matter that is rather easy for them to develop and implement national brand positioning, pricing and promotional strategies. The management team of independent ryokan has greater flexibility in determining the price, customizing special plans for its marketing strategy to promote its uniqueness and attraction points

and to specifically target where and how the expenses are spent considering the affordability of its cost structure. They have greater control on altering the brand and costly adjustments needed to be made to their own property. Ryokan Sakaya for example, recognised its target are mostly wealthy consumers in their 40's and above, hence when introducing new supplies and assets, performance empowerment and refurbishment are done appropriately to increase the sustaining of profitability. As a part of the network of a particular brand in a franchised luxury hotel brand which marketing effort is centralized, this could be a major negative for the management team to take control over the brand value as every decisions must be approved by the headquarter.

VI. Conclusion

Recognizing that the tourism industry could stimulate the economic growth and employment rates, the government has set a target to attract 18 million visitors to Japan a year by 2016 from 8.37 million in 2012, 25 million visitors by 2025 and 30 million visitors in long terms. With the yen's 12 percent decline this year in comparison to the dollar, the depreciation has boosted the number of visitors to Japan by 31 percent in May, according to the Japan National Tourism Organization. Even though the Japanese government is making effort on attracting more inbound guests to Japan by promoting Japan proactively and deregulate visa requirements of certain countries, the government should't ignore the fact of accommodation supply trend as the market is evolving rapidly. The uniquely Japanese ryokan have traditionally captured a majority of the domestic accommodation market, but the present and future decline of the ryokan business is clear to see, and Westernization (that is, the shift from ryokan to hotel) is accelerating throughout the accommodation industry.

With the current state of lodging industry, to offer an ideal combination of services, operational efficiency, economic stability and profitability, smaller scale ryokans rely on customer relationship to revitalise customer added value rather than capital to improve an operational management by empowering internal training, improving human resources productivity by optimising the organization's work content. Larger size ryokan implies both hospitality and capital strength are relatively related in terms of management policy where both intertwine with each other in a sense that, the "omotenashi" spirit should be put as a priority, but with efficient financial support, hospitality services offered could be more tangible. In another words, regardless a limited capital, by selecting the appropriate product type to represent a brand is inevitable, and once the operational issues are identified and solved, exemplary hospitality services are implanted as one of their essential management services.

References

- Risa Sekiguchi, Nov 3rd,2011, "Hoshinoya: Imagining another Japan". Savory Japan.
- Sybil Kapoor, July 17th,2010. "Zen and now: Japan's ryokans get a modern twist". The Guardian.
- JR, Nov 12th,2010. "Boutique hotels report surge in interest". The Independent.
- Small Luxury Hotels of the World™, www.slh.com
- The Leading Hotels of the World, Ltd., <http://www.lhw.com>
- Hoshino Resorts, global.hoshinoresort.com
- The Ryokan Collection, <http://www.ryokancollection.com/eng/index.htm>
- The Japan Times, Jul 12th,2013. "CEO sees Hoshino Resorts REIT as his ticket to worldwide expansion"
- Stephanie Lagopoulos, "Interview with Yoshiharu Hoshino, Hoshino Resorts Co., Ltd." Macaron Magazine.
- Ryokan Sakaya, <http://www.ryokan-sakaya.co.jp>
- J Style Special Edition 2013/14, Colourful Experiences in Japan, "The Captivating Ski Resorts of Japan : Nozawa Onsen" pg.18-19
- Starwood Hotels & Resorts, Inc , 2006. Aloft Sensory/Brand/OSE/IT/F&B Overview. White Plains, New York: Author. <http://development.starwoodhotels.com/flash.html>
- Masayuki Kanai, Yamagata University, "Two Management Policies of Japanese-style Hotels in Spa Resorts : Statistical Analysis of the Compound Cause and Effect between Capital and Hospitality"
- Japanese Ryokan Association, <http://www.ryokan.or.jp/past/english/what/index.html>
- Tabi Lounge, Nov 12th, 2013, "Kyoto Ryokan Reservation Site, Inventory Management System Offered Free of Charge"
- No.75 JETRO Japanese Market Report, March 2005