

# **Tourism Service Strategy for Japanese Traditional Ryokan: Proposing visitors a well-being stay with resource integration\***

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## **Abstract**

The Japanese traditional taverns called *Ryokans* have been suffering for a while from its decreasing profitability due to the lack of innovation in the classical business model. Our research team works together *Ibusuki Hakusuikan*, a top-ranked Ryokan located in southern Japan famous for the beautiful sea and sand-bath *onsens*, aiming to renovate the business structure to head an international resort town. We conducted ethnographic research on workers in town and identified the variety of operant and operand resources available in the entire town. We also identified the core value of the town's tourism to propose the visitors as "discover your favorites on your own" and created a mobility service that lets the visitors actually go find out. We finally carried out an initial user study for an adequate mobility service to both visitors and employees. This paper reveals the challenge of developing a last-one-mile mobility in collaboration with a ryokan and indicate the need to integrate mobility service for tourism service and its strategy.

## **Keywords**

Well-being; Tourism Strategy; Town Design; Resource Integration; Mobility

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## 1. Introduction

Service industry has become a key player in Japan's industry in the past decade. Japanese current Abe government raised the "Japan Revitalization Strategy" targeting a GDP of 600 trillion yen, which shifts from the strong emphasis on manufacturing industry towards the service industry. especially on how to stimulate the growth of industries and raise personnel that want to work. Now facing the fourth Industrial Revolution, there are demanding needs of creating new markets with high potentialities. Service industries are indeed strong candidates, yet struggling in terms of integrating novel mobile technologies (such as IoT or big data) with the existing human-touch interface.

*Ibusuki Hakusuikan* is a traditional ryokan that exists in southwestern Japan that takes a big role in leading such cultural shift from traditional human-touch oriented service to innovative technology-supported service. The Ibusuki area is known for the *onsen* (Japanese natural hot spring baths), particularly the sand baths which you can lie down and get yourself packed in the warm sand to activate your body's blood circulation flow. Hakusuikan ryokan has welcomed guests from all over Japan for decades, and recently from the Asian continent like China, Korea, or Russia. Although they rank second within entire Japan on the "Ryokan Rankings by professionals" —first in service level and architectural environment—their challenge continues to reach a larger audience in the world.

Human-touch oriented traditional style does provide wonderful hospitality—called *omotenashi* in Japanese—towards the visitors. When it comes to operation management and business profitability, however, there lie profound issues to overcome. Most commonly mentioned issues are the labor shortage and its cost. The CEO of Hakusuikan ryokan mentioned the high labor cost to continue the current procedure, thus anything that can change the issue is worth investing. The challenge is how to balance the high service quality and the adequate cost, which is most of the time an unsolvable problem.

Our research challenged this issue with a service-dominant-logic approach (Vargo and Lusch, 2004), focusing on forming an service ecosystem of the entire town which a ryokan associates. We conducted a series of ethnographic research towards a variety of stakeholders of the town: ryokan workers, fishermen, farmers, chefs, taxi drivers, Japanese liquor wineries, tailors, food processing factories, and most importantly the visitors of the area. Our analysis highlighted diverse resources of the town remotely available—both operant and operand—with high potentials of providing visitors an enjoyable stay if integrated in a sufficient order. The way of impeccable integration is the key; whereas we pinned the customer experience as "discover your favorites on your own" and propose a mobility service that support visitors to

find out the town. There underlies our fundamental core: providing every actor a well-being.

Human living standards known as well-being had been on moving people towards adequate functioning from a condition of disorder. This criteria of well-being values, however, have shown a shift towards something more than just “getting by”. Studies concerning people’s happiness levels concluded “the only thing that really matters in life are your relationships with other people” rather than health information, by chasing after 268 Harvard graduates for over 75 years (Valliant, 2012). People want an enjoyable and satisfying life; the sense of delight contributing to the community, the sense of safety in a secured society, or the good relationships with neighbors.

Our attempt builds upon the “Eudaimonic well-being” approach examining happy livings and good societies (Vittersø, 2016). The approach place elements of happiness in society contexts, which exist in areas such as emotions, health, self-determination, work, or leisure. We especially appreciate the three factors: autonomy stimulating the freedom of maneuvering, relatedness encouraging the delight of communicating, and competence leveraging the sense of accommodating. Weaving these factors together with our mobility service will contribute to a tourism service strategy dealing with destination marketing.

## 2. Case Study: Ibusuki Hakusuikan Ryokan

### *Research Setting*

Ibusuki Hakusuikan exists in Ibusuki-city of Kagoshima which is on the southern tip of the Kyushu island (the most southwestern island of the 4 main islands Japan consists). The city consists of rich nature ranging from mountains to beaches, farmland to seaports, or wildlife to habitation. The area is isolated in terms of land but flying by air for less than 2 hours will get you from major Asian cities such as Taipei, Shanghai, Seoul, and of course Tokyo. The 007 movie “You only live twice” was filmed in this area. Of all the respected resources available in the area, hot spring *onsen* are the most notable, especially the sand bath onsen.

Hakusuikan opened in 1947 soon after WWII in the city of Kagoshima which is different from where it is now. It moved to the current location in 1960 when they renamed the ryokan to the current name Ibusuki Hakusuikan ryokan as a Hawaiian style hotel. The reason why they opened as a Hawaiian style was because Hawaii islands were the most adored area for the Japanese new-wed couples to travel for honeymoon at the time. But unfortunately the JPY-USD currency rate was extremely high that only the high net worth executive group could afford the trip. Therefore, Hakusuikan took the strategy of “imitation tourism” that could be

affordable by a wider target group with middle-class income. It was successful for a decade until the currency rate started to change and the real Hawaii became more and more affordable. Therefore, in the early 1970s, they decided to shift their concept to providing authentic Japanese style service, and transitioned into a traditional Japanese ryokan, which is still how it is of today. Some VIP guests that stayed at Hakusuikan includes Boris Yeltsin of Russia in 2003, politicians related to the Japan-Korea summit in 2004 including Junichiro Koizumi of Japan.

One of the main contents that the ryokan provide is the *Genroku-buro*, a theme park of natural hot springs. Genroku refers to an era in the Edo period in Japan from 1688-1707, which had a rich culture of public bathing in the urban area. Another important content is their museum hall *Denshokan*, a two story high Japanese traditional style architecture with a multipurpose event hall exhibiting various art from the Edo and Meiji restoration era in the late 19 century. With the floor area of more than 2500 square meters, the event hall can turn into a museum as well as a concert hall consisting more than 300 persons, or even a wedding banquet hall hosting more than 100 persons. With these strengths, the visitor number increased 161% in comparison with the previous year at Ibusuki Hakusuikan ryokan even after the damage of the large earthquake and tsunami that hit the northeastern part of the Honshu island (largest island among the 4 main islands) in March 2011.

Although the ryokan looks good in terms of business, it still challenges to raise the profitability. Likewise the vacant seats on airlines, any vacant rooms give no profit after the doors are closed for the night. Full occupancy for the capacity is ideal for airlines, as well as hotel business. Hakusuikan's current strategy is to decrease the number of guest rooms as well as the employees, raising unit price per room and paying less wages. Their idea is to improve the brand image with good hospitality, good taste, good service quality. This is built upon the case study of Hotel Windsor Toyako in Hokkaido (the northern island of Japan) where the G8 summit was held in 2008, which went bankrupt 3 times but managed to revitalize with a successful branding strategy. In particular, they want to brand their place as a destination encouraging visitors to stay long; utilizing the perspectives of destination marketing (Pike and Page, 2014), like how metropolitans luxuriate the exposure with nature landscapes skiing in Finland (Tyrväinen, Uusitalo, Silvennoinen, and Hasu, 2014) or driving the Australian coast (Wu, 2014).

However, this is not as easy as it sounds. Most Asian travelers tend to hop areas accordingly during their vacations which make them stay at one place for only one night and move on to the next area. Ryokans systems are built on that foundation, therefore the basic plan ryokans offer is a package of "1 night, 1 dinner, 1 breakfast" in which they keep on repeating day after day.

This would mean that if guests are staying for plural nights, they will be served the same meal for both dinner and breakfast repetitively, which is not guest-friendly. Encouraging the guests to stay longer at the same ryokan will need to overcome many issues that this old-fashioned system unfortunately gives; guests should not be board of staying at the same environment and spend a well-being time in terms of food, interior, exterior, landscapes, physical activities, or cultural insights, and even more. Knowing about the well-being way of living contributes to build a society that can be supportive and offer opportunities for such a way of living for all of its citizens (Vittersø, 2016).

Realizing such experience involves a paradox of labor cost balance. Good experience generally requires a richer human-touch service, however this does not suit Hakusuikan's strategy of decreasing employees. This is where our research started the challenge of balancing the high service quality and the adequate cost, without having employees work too hard and providing guests a fulfilling time during the long stay.

### *Designing the Concept*

Our research challenged this issue with a service-dominant-logic approach (Vargo and Lusch, 2004), focusing on forming an service ecosystem of the entire town which a ryokan associates. The main mission was to find out various contents within the town that project the area's attractiveness, in order to utilize them as components to drive the enthusiasm. Such contents should be unique, original, and compelling to the area. We figured that there must be some that are simultaneously generated effecting the people visiting, living, and working in the area, but are currently overlooked or not recognized. Such contents shall become valuable resources, both operant and operand, when coming to reintegrating them with different but efficient manner and an ecosystem. Our ultimate goal is to design a new institution that comprehends the core value accordingly towards each and every actor that exists within the town.

In order to reach the goal, our research team started with conducting a series of ethnographic research in the Ibusuki area from 2015 to 2017. We intended in-depth research and analyzing the society should identify valuable resources and mental models (Craik, 1967) that could contribute to the tourism strategy innovation. Any society confronts a radical shift from little bits of day-to-day life change, such as food or leisure, while any legislation or politics follows up on such reality. Our ethnographic research intended to understand the actual embodiment and possible shifts with in the current living environment.

Before starting this research we had no clue what this area possessed except for the onsen hot springs. During our two years, we gradually discovered the well-being components distributed

remotely within the town. In total, we conducted a series of ethnographic research towards a variety of actors of the town: ryokan workers, fishermen, farmers, chefs, taxi drivers, Japanese liquor wineries, tailors, food processing factories, and most importantly the visitors of the area. We formed master-apprenticeship relationship (Beyer and Holtzblatt, 1997) in order to understand the context as thick as possible. All of our research team wrote down thick description (Geertz, 1977) of each and every ethnography we have conducted. We then went through a series of analysis with different perspectives (Beyer and Holtzblatt, 1997), abstracted mental models of all actors to understand the world in a respective manner (Goodwin, 2009).

Our analysis highlighted diverse resources of the town remotely available—both operand and operand—with high potentials of providing visitors an enjoyable stay if integrated in a sufficient order. Most of the actors that are working in the area were generous enough to possess the mental model of responding as much as possible to any requests given. We pinned the visitor’s core experience to have a well-being stay as being able to discover your favorites on your own. Therefore the question was: how do we bring visitors to these actors working in the area, without having the employees of the ryokan to be their driver-of-the-day. We needed to a creative solution to provide the value accordingly, and we found that the town was lacking mobility that support visitors to maneuver within the town.

### **3. Proposal Design: Mobility as a service**

We propose providing mobility as a service towards the actors of the town to encourage the comfort of long stay at the ryokan. Visitors will go out on their own to explore various activities that the town can provide, being able to sightsee smoothly. This mobility service will be operated on the technology of autonomous driving; where the mobility itself will move around on its own without the people actually driving it. The user of the mobility service can call the driverless car to exactly where they are through a mobile app, just like how Uber or Lyft works. The driverless car will come on its own telling them to hop on. It can even have no persons on the driverless car and just the luggage being sent to where it is expected to be. With the support of DENSO Corp., such driverless technology is not a fantasy but will become reality in the coming years.

We hacked Honda’s senior cart ML 200 and refurbished it with a control board that will receive driving commands from a cloud server. We added various sensors and actuators includes steering motors, steering encoders, power distribution, wheel encoders, interface

circuits, and sensors such as GNSS, IMU, and LIDAR. Our additional control board is ran by Jetson TX1. With this, our initial prototype could run on its own.

One important aspect was the speed of which the mobility would autonomously move. Throughout the service design, we highlighted requirement and criteria for a simple autonomous vehicle shall consist for daily use as “low speed” but “fun”, in comparison with the current trend of autonomous driving for long-distance highways. Our proposal is the maximum of 6km/h, which is not faster than a bicycle but can go longer distance than walking.

We conducted our initial user study towards a worker of the ryokan, asking him to ride the mobility within the ryokan’s territory near the oceanside. Surprisingly, he insisted that he would want to use this mobility for internal use rather than external. His ideas were to have the workers use this inside the building when cleaning the rooms or porteraging the guest luggage. Other comments that he has mentioned included using the mobility for guests when they have outdoor events like fireworks or star watching at night. The most important thing he emphasized was to not technologize everything but keep things where human-touch is still needed, balancing the technology and the human service should lead to service innovation for the ryokans to survive in the future.

#### **4. Limitations, and Future works**

Mobility supporting visitors to maneuver within the town as a service with autonomous driving technology on a driverless car was one form of challenging the issue of balancing the high service quality and the adequate cost, without having employees work too hard and providing guests a fulfilling time during the long stay. Of course there still lies many gaps of technology chasms that need to be worked on, as well as psychological impacts “driverless” may provide to elder generations in terms of safety. Another technology that should be worked on is route navigation technology (Borràs, 2014), in other words how to construct algorithms to form the routes in an adequate way. We are also concern that we only had the workers of the ryokan to ride our system, we will continue on working to propose this towards more actors in the town, in order to weave the mobility service into the area in a natural manner.

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