

# Chapter 3

## A TOURISM STRATEGY FOR THE POST-EXPO ERA

### Section 1

#### SUPPLY CONSTRAINTS FOR INBOUND TOURISM DEMAND: THE CURRENT SITUATION OF LABOR AND ACCOMMODATION CONSTRAINTS

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With the Osaka-Kansai Expo scheduled to be held in 2025, the number of foreign visitors to Japan is expected to increase further in the future. While large-scale overseas brand hotels are currently being constructed mainly in Osaka and Kyoto prefectures, the number of available guest rooms may be limited due to a labor shortage in the lodging industry.

In Section 1, we analyze the trends of overnight guests and lodging facilities in the Kansai region, organizing the situation before and after the COVID-19 pandemic. In Subsection 1.2, we analyze the occupancy status of lodging facilities in the Kansai region by looking at multiple indicators to identify the characteristics of changes after the COVID-19 pandemic. Subsection 1.3 presents a micro-level analysis of the changes in the opening and operation of overseas brand hotels in Kansai.<sup>1)</sup> Subsection 1.4 presents the implications of the results of the previous analyses.

### 1. Trends in the Number of Overnight Visitors in Kansai: Japanese and Foreigners

Figure 3-1-1 shows the number of Japanese and foreign overnight guests in

1) For a more detailed analysis of overseas brand hotels, see APIR Trend Watch No. 97.

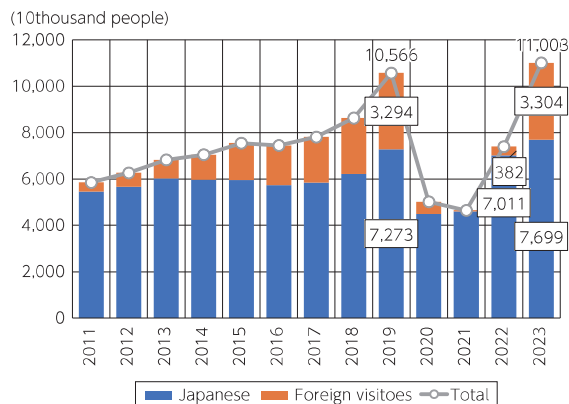


Figure 3-1-1

Changes in the total number of Japanese and foreign overnight guests: 2011 to 2023 in Kansai

Source: Compiled from the Japan Tourism Agency, "Overnight Travel Statistics Survey."

Kansai<sup>2)</sup> on an annual basis. As shown in the figure, the number of Japanese overnight guests remained almost flat from 2011 to 2018, and increased somewhat to 72.73 million in 2019 from the previous year. In 2020 and 2021, the number of overnight guests almost recovered to the pre-COVID-19 pandemic level of 70.11 million. In 2023, the number of overnight guests exceeded the 2019 level of 76.99 million, due to the normalization of socioeconomic activities and the recovery of travel demand.

The number of foreign overnight guests has been steadily increasing since 2011, reaching a peak of 32.94 million in 2019, before the COVID-19 pandemic. However, from 2020 to 2022, the number of foreign overnight guests decreased significantly due to the disruption of inbound tourism demand caused by border control measures. In 2023, the number of overnight guests increased further to 33.04 million, exceeding the pre-COVID-19 pandemic level as well as the number of Japan overnight guests.

Figure 3-1-2 shows the number of Japanese and foreign overnight guests by prefecture from 2011 to 2023.

The number of Japanese overnight guests in Osaka Prefecture was the largest, followed by Kyoto and Hyogo Prefectures. In 2019, the number of overnight guests in the three prefectures were 29.5 million in Osaka and 18.72 million in Kyoto, accounting for 66.3% of the total guests in Kansai (72.73 million). In 2023,

2) Kansai here is based on the six prefectures (Shiga, Kyoto, Osaka, Hyogo, Nara, and Wakayama prefectures).

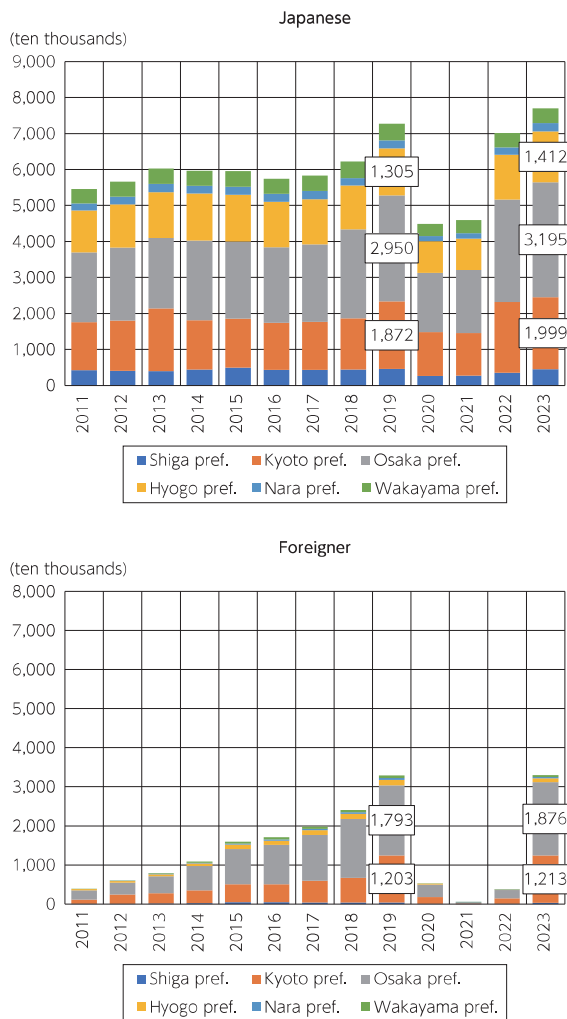


Figure 3-1-2

Evolution of the total number of Japanese and foreign overnight guests by prefecture in the Kansai region: 2011 to 2023

Source: Compiled from the Japan Tourism Agency, "Overnight Travel Statistics Survey."

Osaka and Kyoto prefectures accounted for 31.95 million and 19.99 million, respectively, exceeding the level before the COVID-19 pandemic and accounting for 67.5% of the total in the Kansai region. This means that the ratio of the two prefectures to the total of the Kansai region increased by 1.2 percentage points. Looking at the situation in the other prefectures in 2023, Hyogo and Nara

prefectures recorded 14.12 million and 2.31 million overnight guests, respectively, exceeding the levels of 2019 before the COVID-19 pandemic (Hyogo: 13.05 million and Nara: 2.19 million). However, Shiga and Wakayama prefectures recorded 4.51 million and 4.11 million overnight guests, respectively, both lower than the pre-COVID-19 pandemic levels (Shiga: 4.59 million and Wakayama: 4.67 million overnight guests). Osaka, Kyoto, Hyogo and Nara prefectures recovered, but the pace of recovery was slower in other prefectures.

The number of foreign overnight guests shows that from 2011 to 2023, the number of foreign overnight guests has been concentrated in Osaka and Kyoto prefectures. In 2019, before the COVID-19 pandemic, Osaka and Kyoto prefectures accounted for an overwhelming 90.9% share of the total number of foreign overnight guests in the Kansai region, with 17.93 million and 12.03 million, respectively. Although there was a large decrease between 2020 and 2022, in 2023 Osaka Prefecture had 18.76 million and Kyoto Prefecture had 12.13 million, both of which exceeded the 2019 level. The share of the Kansai region as a whole was 93.5%, an increase of 2.5 percentage points from 2019, and the concentration in Kyoto prefecture and Osaka prefecture. On the other hand, in 2023, Shiga Prefecture had 0.29 million (0.42 million in 2019), Hyogo Prefecture 1.02 million (1.37 million in 2019), Nara Prefecture 0.33 million (0.54 million in 2019), and Wakayama Prefecture 0.52 million (0.66 million in 2019). Compared to Osaka and Kyoto prefectures, all prefectures have seen only moderate increases, and have yet to recover to their pre-COVID-19 pandemic levels.

The above-mentioned trends in the number of Japanese and foreign overnight guests in the Kansai region show that both have exceeded the pre-COVID-19 pandemic levels. However, the pace of recovery was not uniform among the prefectures. Subsection 1.2 analyzes the characteristics of the pre- and post-COVID-19 pandemic period by examining the number of guest rooms and occupancy rates of lodging facilities in each of the Kansai prefectures.

## 2. The Occupancy Rates of Lodging Facilities

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In Subsection 1.2, we examine the occupancy status of lodging facilities in the Kansai region, focusing mainly on trends in the number of hotel rooms and occupancy rates. In order to compare with the analysis of overseas brand hotels that will be developed in the latter half of this section, we mainly focus on resort

hotels and city hotels<sup>3)</sup>.

Figure 3-1-3 shows the number of resort and city hotel rooms (estimated values)<sup>4)</sup> by prefecture from 2011 to 2023. The number of rooms in Osaka and Kyoto prefectures increased significantly compared to other prefectures (Osaka: 19,622 rooms in 2011 → 28,596 rooms in 2019; Kyoto: 11,353 rooms in 2011 → 18,098 rooms in 2019). From 2020 onwards, despite the impact of the COVID-19 pandemic, the number of guest rooms has increased, and it is characteristic that in 2022, Osaka Prefecture had a significant increase of 41,242 rooms and Kyoto Prefecture had a significant increase of 21,460 rooms. As mentioned in Subsection 2.3, this is thought to be due to the opening of overseas brand hotels mainly in Osaka and Kyoto prefectures during this period. The ratio of overseas brand hotels to the number of rooms in resort and city hotels in Kansai<sup>5)</sup> shows an upward trend from 2020, reaching 15.9% in 2023.

Next, let's look at the room occupancy rates of resort hotels and city hotels

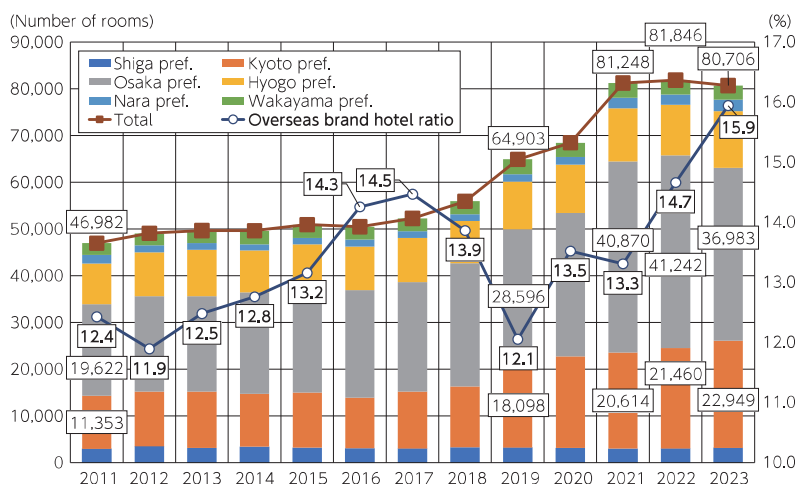


Figure 3-1-3

Changes in the number of rooms at resort hotels and city hotels: 2011 to 2023

Source: Compiled from the Japan Tourism Agency, "Overnight Travel Statistics Survey."

- 3) The Japan Tourism Agency defines city hotels and resort hotels as follows: City hotels: Hotels located in urban areas other than resort hotels and business hotels; Resort hotel: A hotel built in a resort or recreation area and mainly intended for tourists.
- 4) In estimating the number of rooms, the Development Bank of Japan, Kansai Branch (2022) was used for reference material.
- 5) The number of rooms in overseas brand hotels here is data obtained from APIR's own survey, and was divided by the number of rooms in resort and city hotels obtained from the Japan Tourism Agency's "Accommodation Travel Statistics Survey."

by prefecture (Figure 3-1-4).

The room occupancy rate of resort hotels in Osaka Prefecture exhibited a sustained level of 70-90% from 2011 to 2019. In Nara Prefecture, the occupancy rate increased markedly to reach 70% in 2014 and 2015, and has since remained at a level second only to that of Osaka Prefecture. In contrast, the percentage has typically remained within the 50-60% range in other prefectures. Across all

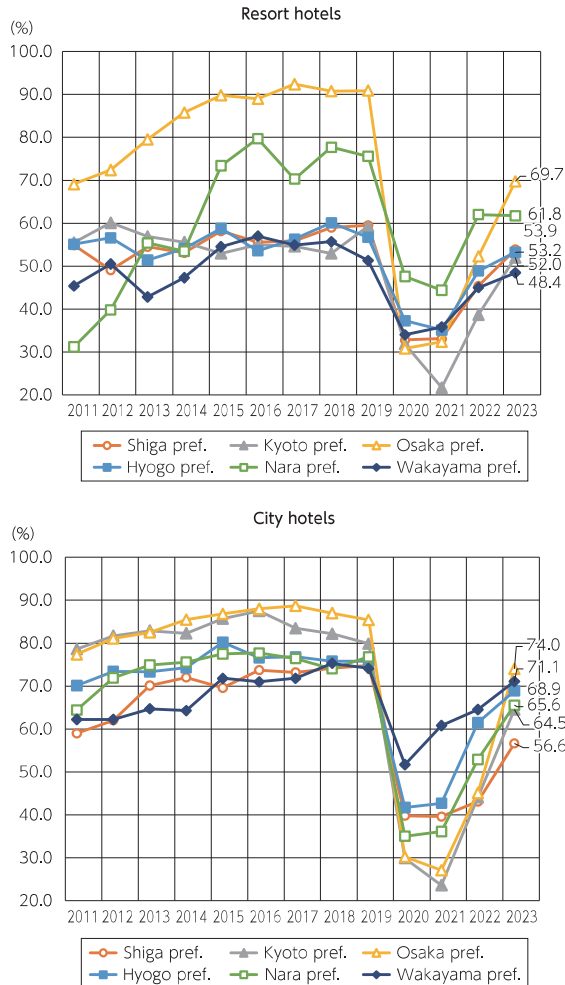


Figure 3-1-4

Changes in room occupancy rates at resort hotels and city hotels: 2011 to 2023

Source: Compiled from the Japan Tourism Agency, "Overnight Travel Statistics Survey."

prefectures, there was a significant decline in the occupancy rate between 2020 and 2021. However, this trend reversed course in 2022, and the rate began to gradually recover. In 2023, the occupancy rate was 69.7% in Osaka Prefecture, 61.8% in Nara Prefecture, 53.9% in Shiga Prefecture, 53.2% in Hyogo Prefecture, 52.0% in Kyoto Prefecture, and 48.4% in Wakayama Prefecture.

A review of the occupancy rates of city hotels from 2011 to 2019 reveals that the prefectures of Osaka and Kyoto have consistently exceeded 80% since 2012, while the rates in other prefectures have remained in the 60-70% range. Despite a notable decline in occupancy rates across all prefectures during the initial stages of the COVID-19 pandemic in 2020 and 2021, a gradual recovery has been observed since 2022. In 2023, the occupancy rate reached 74.0%. The respective occupancy rates in Osaka, Wakayama, Shiga, Kyoto, Hyogo, and Nara were 71.1%, 56.6%, 64.5%, 68.9%, 65.6%, and 65.6%.

As previously stated, hotel occupancy rates in each prefecture have yet to reach the levels observed prior to the onset of the COVID-19 pandemic. This discrepancy may be attributed to a number of factors, including the scarcity of labor within the lodging industry, which may be impeding the anticipated growth in occupancy rates.

Figure 3-1-5 shows the change in the number of overnight guests in the Kansai region and nationwide, indexed (2019 average = 100) by dividing the number of overnight guests by the number of people employed in the accommodation and food service industry in the relevant region. Looking at the index,

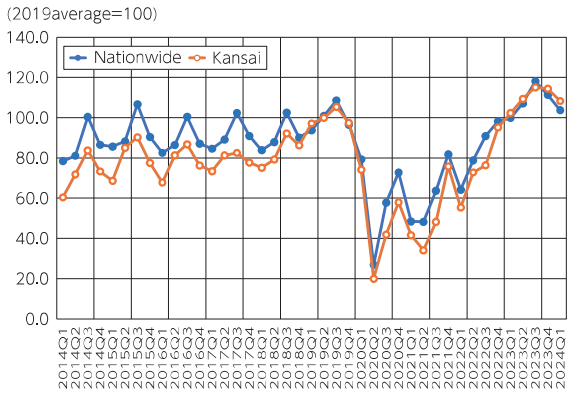


Figure 3-1-5

Changes in the number of foreign overnight visitors per employee in the accommodation and food service industry: Nationwide vs. Kansai: Q1 2014 to Q1 2024

Note: The 2019 average is set at 100.  
Source: Compiled from the Statistics Bureau of Japan, "Labour Force Survey" and the Japan Tourism Agency, "Overnight Travel Statistics Survey."

while the nationwide figure has remained largely unchanged since 2014, the Kansai figure has shown a gradual upward trend up to 2019. After the COVID-19 pandemic, the index showed an upward trend in the April-June period of 2023, but it has declined somewhat since the October-December period of 2023. The index shows that the number of workers in the accommodation and food service industries has decreased due to the COVID-19 pandemic and has not returned to normal, but that the industry is responding to the rapidly increasing number of domestic and inbound customers.<sup>6)</sup>

In conclusion, the number of rooms in both resort and city hotels in the Kansai region has been increasing, particularly in Osaka and Kyoto Prefectures. This growth can be attributed, at least in part, to the opening of overseas brand hotels. However, the return of workers in the accommodation industry, which was severely impacted by the COVID-19 pandemic, has been gradual, and the labor shortage is becoming more acute. In Subsection 2.3, we examine how lodging operators are responding to supply constraints in lodging facilities by examining the case of overseas brand hotels.

### 3. Overseas Brand Hotel Openings and Operating Characteristics

In Subsection 2.2, we pointed out that while the number of foreign visitors to Japan is increasing, there are growing constraints on the supply of workers in the accommodation industry. In Subsection 2.3, we take a look at how overseas brand hotels are responding to these constraints on supply.

Based on APIR's own research, this report focuses on and analyzes trends in the opening of overseas brand hotels in the Kansai region. Specifically, APIR conducted an independent survey of the number of overseas brand hotels that have opened and continue to operate in the six prefectures of the Kansai region between 1986 and 2024, and the number of rooms and the type of operation. The same analysis was also conducted for properties scheduled to open by 2026, covering the 40-year trend. The selected overseas brand hotels are listed in Table 3-1-1.<sup>7)</sup>

6) The number of workers in the accommodation and food service industry in the January-March period of 2024 was 4.04 million in Japan and 630,000 in the Kansai region, neither of which has recovered from the pre-COVID-19 pandemic peak (4.29 million in Japan and 710,000 in Kansai in the October-December period of 2007).

7) The following hotels were excluded from this survey. (1) Business hotel type (e.g. Accor "ibis" (4 hotels), Choice Hotels "Comfort Hotel" (14 hotels), etc.), (2) Small hotel (less than 35 rooms) (e.g. Banyan "Garrya" (25 rooms))

Table 3-1-1 Overseas brand hotel selection

Data Collected	
Period	Opening or planning to open in 1986~2026
Category	Shiga pref., Kyoto pref., Osaka pref., Hyogo pref., Nara pref., Wakayama pref.
Selected Hotels	All 80 foreign brand hotels Marriott (US), IHG* (GB), Hilton (US), Accor (FR), Hyatt (US), Four Seasons (CA), Banyan (SG), Dusit (TH), Capella (SG), Fauchon (FR), Centara Hotels (TH), Shangri-La (SG), Rosewood (HK)
※IHG(InterContinental Hotels Group)	
The location of the head office of the operating company is in parentheses	

Source: Compiled by APIR from various press articles

(1) Trends in the Number of Overseas Brand Hotels Opening in the Kansai Region

The number of overseas brand hotels in the Kansai region began with the Hilton Osaka, which opened in front of Osaka Station in 1986, the year before the privatization of Japan Railways, and increased gradually to a cumulative total of 20 hotels over a 30-year period until 2015. The number of hotels will increase four-fold to a cumulative total of 80, with a rapid increase of 60 in the 12 years from 2016 to 2026 in response to rising inbound demand. All operators are confident that demand will increase with the opening of the Osaka-Kansai Expo in 2025 and the subsequent increase in the number of foreign visitors to Japan from around the world (Figure 3-1-6).

(2) Trends in the Number of Stores Opened by Major Overseas Brands in Each Prefecture

The number of overseas brand hotels opened in the Kansai region by prefecture increased slightly by less than one per year until around 2010, mainly due to business demand in Osaka City and tourism demand in urban areas such as Kyoto and Kobe Cities. In 2010, the cumulative total was 14 openings: 8 in Osaka (57%), 4 in Hyogo (29%), and 2 in Kyoto (14%) (all in Kyoto City). In 2020, with the increase in the number of foreign visitors to Japan, the number of new establishments in Osaka Prefecture will be 18 (53%) (all in Osaka City), Kyoto Prefecture 11 (32%) (including 9 in Kyoto City), and Hyogo Prefecture 2 (6%) (all in Kobe City), a 5.5-fold increase in Kyoto Prefecture and a doubling of Osaka Prefecture compared to the 10-year total, while Hyogo Prefecture will see a halving of the number of establishments, with a concentration in Kyoto City and Osaka City. Although the concentration of hotels in the two prefectures will continue, with

	(Number of case)							
	1995	2000	2005	2010	2015	2020	2026	share
Marriott	1	3	5	7	11	20	34	42.5%
IHG				2	4	6	10	12.5%
Hilton	1	1	1	1	1	2	10	12.5%
Accor			2	2	2	2	10	12.5%
Hyatt and 8 others	1	1	1	2	2	4	16	20.0%
計	3	5	9	14	20	34	80	

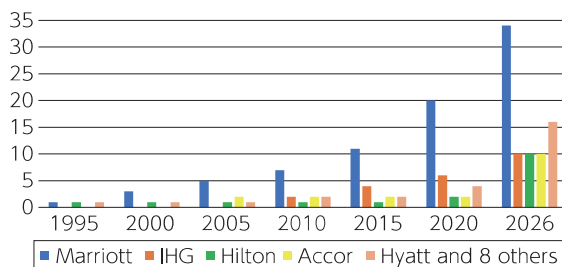


Figure 3-1-6

Changes in the total number of new openings (by operating brand)

Note: Real numbers until 2023, planned numbers from 2024 onwards.

Source: Compiled by APIR from various press articles.

31 in Osaka Prefecture and 30 in Kyoto Prefecture, each accounting for less than 40% of the total number of hotels opened in 2026, a small percentage, about 9% in Hyogo Prefecture and about 6% each in Nara and Wakayama Prefectures, have begun to open in anticipation of the diversification of accommodation demand outside Osaka and Kyoto by the resurgent foreign visitors (Figure 3-1-7).

Figure 3-1-8 shows the number of hotels opened in each prefecture in Kansai by brand. Nineteen hotels operated by IHG, Hilton, Hyatt and 8 other brands<sup>8)</sup> are concentrated in urban areas: 19 in Kyoto City, 16 in Osaka City and 1 in Kobe City.

Meanwhile, the Marriott and Accor brands are rapidly expanding into regional markets.

8) The eight Hyatt and other brands are, in addition to Hyatt, Four Seasons, Banyan, Dusit, Capella, Fauchon, Centara Hotels, Shangri-La, and Rosewood (see Table 3-1-1).

(Number of case)

	1995	2000	2005	2010	2015	2020	2026	share
Osaka pref.	3	4	5	8	11	18	31	38.8%
Kyoto pref.			1	2	5	11	30	37.5%
Hyogo pref.		1	3	4	4	2	7	8.8%
Wakayama pref.						1	5	6.3%
Nara pref.						1	5	6.3%
Shiga pref.						1	2	2.5%
計	3	5	9	14	20	34	80	

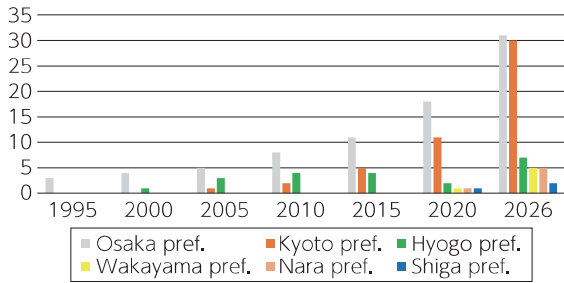


Figure 3-1-7 Changes in the total number of new openings (by prefecture)

Note: Real numbers until 2023, planned numbers from 2024 onwards.  
Source: Compiled by APIR from various press articles.

### (3) Rebranding and Dual-Branding: Trends in Overseas Brand Operators' Choices

#### 【Rebranding】

The term “rebranding” is used to describe a change in the name of a hotel. Rebranding may occur for a number of reasons, including a change in the hotel operator, a shift in management style, or a renewal of the hotel itself.

Since 2002, major hotels operated by railroad and airline companies, as well as corporate membership resort hotel chains, which have long operated under the direct ownership system<sup>9)</sup> and other methods, have formed alliances with overseas brand operators. As a result, 26 hotels have been rebranded to overseas brands and have joined the group.

Of the 80 overseas brand hotels in Kansai, 26 (33%) underwent rebranding, and 8,393 (44%) of the 19,155 rooms were rebranded, representing approximately half of the total (Figure 3-1-9).

9) In Japan, this method is widely used by major railroad and real estate companies and long-established hotels, while there are no examples of overseas brand properties.

(Number of case)

	Osaka pref.	Kyoto pref.	Hyogo pref.	Wakayama pref.	Nara pref.	Shiga pref.	Total	share
Marriott	13	9	5	3	3	1	34	42.5%
IHG	7	2	1				10	12.5%
Hilton	5	5					10	12.5%
Accor	2	2	1	2	2	1	10	12.5%
Hyatt and 8 others	4	12					16	20.0%
Total	31	30	7	5	5	2	80	

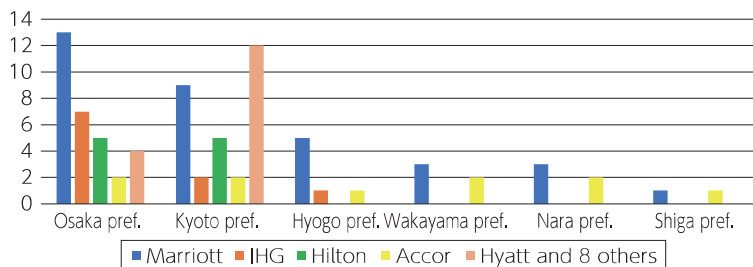


Figure 3-1-8

Changes in the total number of new openings (by operating brand × by prefecture)

Note: Real numbers until 2023; planned numbers from 2024 onwards.  
Source: Compiled by APIR from various press articles.

	Renovation of existing hotels (rebranding)		New construction		Total	
	Number of cases	Number of rooms	Number of cases	Number of rooms	Number of cases	Number of rooms
Original brand	18	4,341	49	9,578	67	13,919
	22.5%	22.7%	61.3%	50.0%	83.8%	72.7%
Dual brand	8	4,052	5	1,184	13	5,236
	10.0%	21.2%	6.3%	6.2%	16.3%	27.3%
Total	26	8,393	54	10,762	80	19,155

Figure 3-1-9

Organizing “new builds,” “rebrands,” “original brands,” and “dual brands”

Note: Top row: Number of houses and rooms, Bottom row: Composition ratio (%), Figure below: Representative examples.

Source: Compiled by APIR from various press articles.

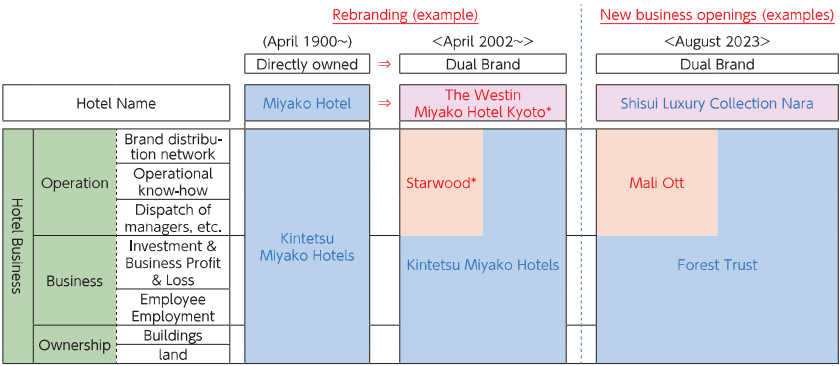


Figure 3-1-10

Image of a dual-brand management system: Examples of rebranding and new openings

Source: Compiled by APIR from various press articles.

### [Dual brand]

A dual brand is an intermediate type between the management contract method (MC method) and the direct ownership and management method,<sup>10)</sup> and usually calls itself a “dual brand” in which the brand name of the affiliated operator and the name of the owner-builder are both listed (Figure 3-1-10). The owner-operator continues “ownership,” “management,” and “operation,” but “operation” is carried out jointly with the operator, for which the owner pays a management fee. The operator provides brand management know-how and sales network, and dispatches key personnel such as the manager<sup>11)</sup>.

The percentage of dual-branded hotels in the 80 target overseas branded hotels in Kansai was 13 (16%), or less than 20%, and in terms of the number of rooms, 5,236 (27%) of the 19,155 rooms in the same category accounted for about 30%.

## (4) The Coexistence and Prosperity of Major Overseas Brands and Japanese Hotel Operators

Major overseas brand operators handle a variety of brands according to grade and purpose of stay. This diversity allows them to operate multiple hotels in the same city, and there is little competition among their own brands. In addition,

10) The management contract method (MC method) is a system in which the owner-operator of a hotel “owns” and “manages” the hotel and consigns the hotel “operation” to another operator, and is used by the majority of foreign brand hotels operating in Japan.

11) Toyo Keizai Inc. (2023) and Nikkei BP (2023) can be used as references for the hotel management style.

(Reference) Marriott Bonvoy

	Luxury		select		collection		Total	
	brand	cases	brand	cases	brand	cases	brand	cases
Osaka city	4	4	3	3	4	6	12	13
Kyoto city	3	3	2	2	1	1	6	6
Other	2	2	2	3	1	10	5	15
Kansai	6	9	4	8	4	17	14	34
brand	<a href="#">The Ritz-Carlton</a> <a href="#">THE ST. REGIS</a> JW MARRIOTT <a href="#">the W Hotels</a> <a href="#">The Luxury Collection</a> Autograph Collection		MARRIOTT <a href="#">Westin Hotels</a> <a href="#">Sheraton Hotels</a> Chapter TRIBUTE		Fairfield by Marriot Courtyard by Marriot <a href="#">aloft Hotels</a> Moxy Hotels			

Figure 3-1-11

The brand development of Marriott Hotels in the Kansai region

Note: The blue-colored brand names were acquired from Ritz-Carlton in 1998, and the red-colored brands were acquired from Starwood H&R in 2016. The black-colored brands are Marriott's own brands.

Source: Compiled by APIR from various press articles.

guests can feel a sense of security by selecting their accommodations based on the operator's brand, which guarantees a standardized and almost identical level of service in destinations around the world. Club membership provides the latest tourist information on the destination and a lineup of accommodations to choose from, as well as the benefit of a specified number of points and discounts. For operators, there is the advantage of being able to develop multiple original-brand hotels that match the size and characteristics of major cities, and provide a variety of services from their own brands to meet the needs of hotel guests. Marriott, for example, plans to open 13 hotels under 12 brands in Osaka City and 34 hotels under 14 brands in the entire Kansai region by 2026 (Figure 3-1-11).

On the other hand, most of the major Japanese brand operators have only one club in one city, which is inferior to foreign operators, which are expected to increase rapidly from around 2020. The number of members of their own brand clubs is also overwhelmingly small, ranging from 100,000 to 1,000,000 compared to the 100 million or so members of major foreign operators (Figure 3-1-12).

### [Flexible support for dual branding by major domestic brand operators]

In 2020, the Mitsui Fudosan Group opened "HOTEL THE MITSUI KYOTO," a new flagship hotel of the Group, on the site of the former Mitsui Soryoke residence on the east side of Nijo Castle, aiming to become Japan's premier hotel brand by mobilizing all its resources. Since its opening, the hotel has been

(From each brand's website) May 2024

Major Foreign Brands	brand	Country/Region	cases	domestic	Kansai	Club Name	Number of members (thousands)
Marriott International	33	139	8,800	90	34	Marriott Bonvoy	150,000
IHG Hotels & Resorts	19	100	6,000	46	10	IHG One Rewards	140,000
Hilton Worldwide	19	122	6,700	27	10	Hilton Honors	123,000
AccorHotels Group	30	110	5,200	49	14	ALL-Accor Live Limitless	68,000
Hyatt Hotels	28	72	1,200	21	4	World of Hyatt	30,000

Example: Major domestic brands	brand	Country/Region	cases	domestic	Kansai	Club Name	Number of members (thousands)
Okura & Nikko JAL City	3	12	82	46	9	One Harmony	More than 1,000
Hotel New Otani	1	1	15	15	1	New Otani Club	-
Hotel New Otani	2	1	4	4	1	Imperial Club	120
Rihga Royal Hotel Group	1	2	13	12	5	Rihga Members	300

**Figure 3-1-12** Overview of major overseas brands and size of brand club membership

Source: Compiled by APIR from various press articles.

listed as a soft brand of Marriott,<sup>12)</sup> and is described as “HOTEL THE MITSUI KYOTO, a Luxury Collection Hotel & Spa” in the club member (Marriott Bonvoy) catalog. It is one of the six brands in the highest luxury category out of 33 brands, and belongs to the Luxury Collection hotels. Although not a dual-branded hotel in Japan, the hotel’s partnership with Marriott has made it an option for the club’s 150 million members around the world when planning a trip to Kyoto.

Domestic operators opening new dual-branded stores recruit opening staff with experience in a wide range of occupations and ranks, while at the same time inviting a wide range of personnel from existing stores under their own brand, either as transferees or as support staff.

Overseas brand operators should assign managers and other manager-class employees to provide thorough training on system conformity to their own brand standards and global standard services.

Domestic operators can expect to improve the capabilities of their own personnel, and their opening staff can expect to receive reskilling at luxury brand

12) Soft brands are collections of hotels that allow the owner or operator to become affiliated with a major chain while maintaining the hotel’s original name, design, and features. Typical soft-brand hotels include Choice Hotels International’s Ascend Hotel Collection and Marriott International’s Autograph Collection.

hotels, and to gain work experience that will lead to higher wages and more lucrative career changes as they improve their capabilities.

We expect that rebranding and dual branding by overseas brand operators will continue to increase in the future, and we hope that higher wages accompanying improved employee skills may be one of the solutions to the serious shortage of workers in the lodging industry, as described in Subsection 1.2.

## 4. Summary

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The analysis to date can be summarized as follows:

- (1) The number of Japanese and foreign overnight guests in the Kansai region surpassed the pre-COVID-19 pandemic level in 2023. However, an examination of the number of foreign overnight guests by prefecture reveals that the prefectures of Osaka and Kyoto have already surpassed their pre-COVID-19 pandemic levels, while other prefectures are exhibiting a relatively modest recovery.
- (2) An analysis of the occupancy situation of lodging facilities in Kansai reveals a steady increase in the number of rooms in city hotels and resort hotels, largely due to the opening of overseas brand hotels. Conversely, the burden ratio of the number of foreign guests per worker in the lodging and food service industry is rapidly increasing in both Japan and Kansai. This is occurring concurrently with a surge in inbound tourism, placing a strain on the lodging and food service industry, which has experienced a decline in the number of workers due to the effects of the COVID-19 pandemic and has not yet recovered to its previous workforce levels.
- (3) As of 2020, at the height of the COVID-19 pandemic, none of the 33 overseas brand hotels that were still in operation had withdrawn. Despite the closure of numerous domestic hotel establishments during the 2021-22 COVID-19virus pandemic, 16 new overseas brand hotels (including two rebranded hotels) opened, thereby contributing to the maintenance of local economies and employment.
- (4) In Kansai, 26 of the 80 hotels (33%) underwent a rebranding process from existing domestic hotels, and 8,393 of the 19,155 rooms (44%) were rebranded from existing overseas branded hotels. Furthermore, 13 of the 80 hotels (16%) were dual-branded with domestic hotels, and 5,236 of the 19,155 hotels (27%) were dual-branded with domestic hotels.
- (5) Rebranded hotels have the potential to assume the personnel of experienced hotel establishments and capitalize on the expediency of launching their own-brand properties in areas where increased tourism is anticipated. For

dual-branded hotels, overseas branded operators will be able to enhance their own brand lineups with distinctive offerings, while domestic operators can develop the capabilities of their personnel. In addition, as employees gain experience, they can anticipate receiving higher wages.

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