



Business Plan

Establishing a Ryokan Style Inn in Northern Japan

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ABSTRACT

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The objective of this thesis is to create an initial business plan for an inn in Japan, which is designed with the theme of Japan's Shōwa era (1926-1989), and to understand the industry and market in which an inn like this will operate. This objective is reached by combining the theory learned during the Degree Programme in International Business with results of research.

The business idea comes from the author's interest in inn-keeping in Japan and in the popular culture and photography of the Shōwa era, especially its latter half from the 1960s to 1980s. The inn is a mix of the traditional Japanese inn, or ryokan, and a more modern guesthouse, and will have a café space which hosts occasional photography exhibitions.

Both primary and secondary research was conducted to find the answers to the main questions concerning the establishing and survival of an inn in Hirosaki city in the northern Aomori prefecture in Japan. The findings show that the number of foreign tourists in Japan is in fast rise and this trend is forecasted to continue. The whole northern Tōhoku region had a bad reputation after the 2011 Great East Japan Earthquake and the disasters that followed it, but recently the region has seen more visitors than before those tragic events. The situation is starting to look favourable for accommodations.

This business plan will be the basis for establishing a unique type of business in Hirosaki. Using the principles of experience economy, a full Shōwa era themed experience was designed in order to differentiate the inn from its closest competitors and offer a unique option for both overnight guests and daytime café customers.

Key words: business plan, inn, ryokan, Japan, Shōwa

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1 INTRODUCTION

1.1 Background

The idea for this thesis came from the author's general interest in Japan, and more specifically its culture and the hospitality industry in general. Before being accepted to TAMK as a student of business and tourism, the author was already interested in the popular culture and aesthetics of Japan's Shōwa era (1926-1989) and the Japanese ryokan, or traditional inn. Therefore, it was a natural, if not inevitable, decision to take these interests further by studying, working and travelling in Japan, and combining the knowledge acquired there with the knowledge acquired during the studies at TAMK, into this Bachelor's Thesis, a business plan for a Shōwa-themed ryokan style accommodation located in Japan.

Many of the decisions regarding the accommodation establishment planned in the business plan were based on the author's experiences working as a trainee in two different guesthouses in Japan. The first one was a smaller one with two private rooms and two dormitory rooms, housed in a renovated 100-year-old traditional building located in Onomichi in Hiroshima prefecture. The second one was a more conventional guesthouse with 16 rooms in four floors, located in the world onsen capital Beppu in Ōita prefecture. Working in these two very different guesthouses and staying in a few real ryokans while living and/or travelling in Japan were all crucial factors in the forming of the ideas that eventually became the business idea which is described in detail in this thesis.

1.2 Purpose and Objective

The purpose of this thesis is to research and understand the process of drafting a business plan while also applying the knowledge acquired from the course lectures of the TAMK Degree Programme in International Business. The result is a preliminary business plan for a business which will take several years from now to finally be established.

The objective of this thesis is to create a business plan as comprehensive as is possible at this stage, and to understand the industry and market in which this business is planned to be established in. Because the establishment of this ryokan style accommodation business will take years to happen, the focus is in understanding the market and finding ways to differentiate the business so that it will stand out from other accommodation businesses in a way that there is little or no competition because the business is a new kind of institution in the market, and not just a service but also a memorable experience. To have a chance of succeeding in this, it was necessary not only to research the current trends and state of the tourism industry of Japan, but also to gain deeper knowledge of the history of the ryokan, as it is a thing unique to Japan and has a set of features and traditions that make it very different from hotels or guesthouses.

1.3 Research questions

The main research question for this thesis is how to create and what to include in a successful initial business plan for an accommodation business which is a mix of the classic Japanese ryokan and the modern guesthouse. In addition to this, the thesis also aims to answer a set of more specific research questions which are:

- What is a Japanese ryokan?
- What is the situation of tourism industry in Japan?
- Will the planned location (city of Hirosaki in Aomori prefecture) be suitable and beneficial for the inn?
- How to differentiate the inn and make it stand out in the accommodation market?

1.4 Methodology

The process of looking for answers to research questions is also referred to as collection of data. There are two types of data sources, which are primary sources and secondary sources. Primary sources are sources from which the researcher directly collects first-hand information that has not been collected before. This could be, for example, interviews of customers or observations of consumer behaviour. Secondary sources are sources that provide data that has been collected by someone else and for a purpose other than the researcher's research. This is data that is readily available for the researcher to read and use for studies. This includes both published and unpublished data. Forms of secondary source data include different kinds of reports, financial statements, journals, newspapers and books (Krishnaswami & Satyaprasad 2010, 84-86). Figure 1 shows the data collection process of this thesis.

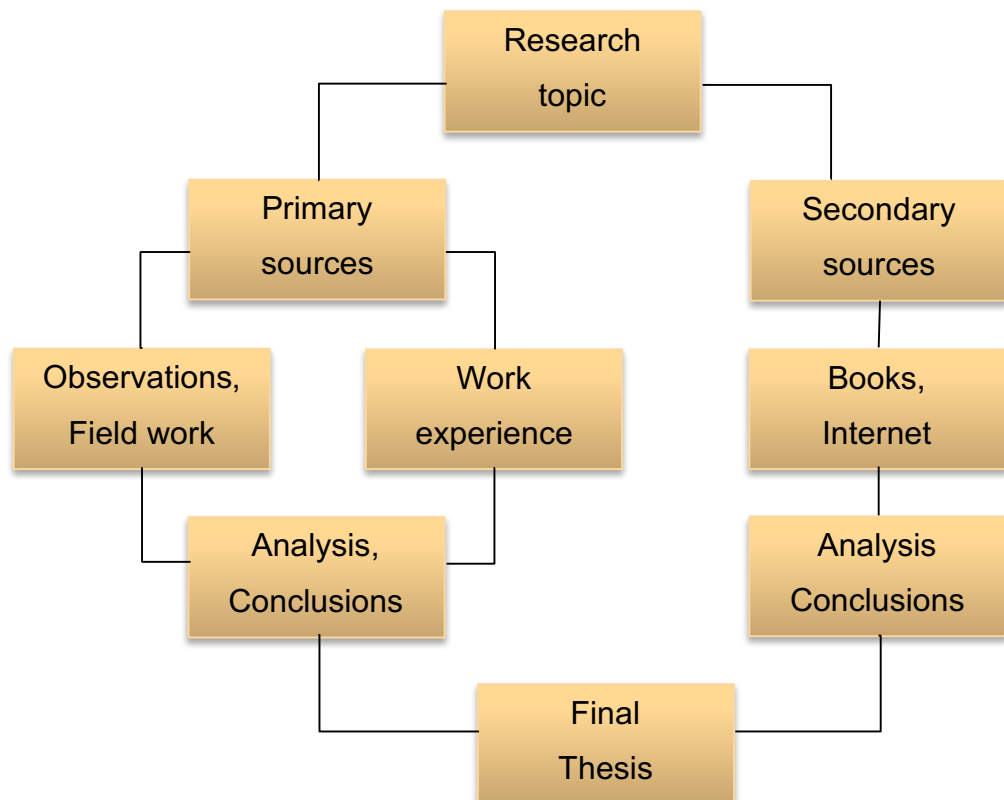


FIGURE 1. Data collection process

As Figure 1 shows, both primary and secondary sources were used in the data collection process of this thesis. It is hard to draw a line to a certain moment in time and say ‘this is where the thesis process began’, because in a way the process leading to this thesis began several years ago when the author became interested in Japan and Japanese culture, and started studying the Japanese language. These things made it possible to become employed as a trainee by guesthouses in Japan and gain important work experience. Other primary sources for qualitative data were observations and field work in Japan. This includes travelling in Japan and staying in both guesthouses and ryokans, and visiting several Shōwa era museums and an actual Shōwa-themed town. The author’s interest in photography also made it possible to include original photographs in this thesis that visualize the described concepts such as Shōwa nostalgia and Japanese ryokan.

Secondary sources, which provided most of the theory for things such as business planning and market research, included academic literature, internet articles, and reports on tourism industry of Japan.

Data collected from both primary and secondary types of sources was analysed, and this final thesis is the result of drawing conclusions from these analyses and putting the academic theory together with original ideas, observations and visual material.

1.5 Structure

This thesis is structured in a very simple way. Because the concept of the Japanese ryokan style accommodation is most likely alien to most people who haven’t stayed in one, it is important to start the thesis by defining the ryokan in Chapter 2, and taking a look at its history and what makes it different from the usual hotel.

In Chapter 3, the theory, purpose and different types of business plans are discussed, and the elements for the business plan are chosen. The concept of Experience Economy and experience design are also defined in this chapter.

In Chapter 4, which can be said to be the main part of this thesis, the business plan is presented in its entirety with executive summary, company description, market analysis, marketing plan etc.

In the end a final discussion and conclusions summarize the work and reflect on the findings of the research.

2 THE JAPANESE RYOKAN

Because the planned accommodation business will be heavily influenced by the Japanese ryokan, it is necessary to define what a ryokan is, how it came to be and how it differs from a hotel.

2.1 Introduction

The ryokan, or traditional Japanese inn, is a very unique type of accommodation. By staying in a Japanese ryokan, one can in a way travel back in time to the world depicted by historical films and novels, and feel the hospitality of the centuries past. These pockets of old Japan are preserving the great tradition of inn-keeping found in few other countries these days. (Price 1999, 7)

But what exactly are the ryokan and what makes them so special and different from the usual hotel or guesthouse? The word ryokan is a combination of two *kanji*, or writing characters that originate in China and were adopted to the Japanese language. The first character is 旅, pronounced *ryo*, meaning 'travel' or 'trip'. The second one is 館, pronounced *kan*, meaning 'hall', 'large building' or 'mansion'. Thus, the meaning of the word is simply something along the lines of 'travel building'. A ryokan is a place to take a rest on a long trip and to be taken care of by the hosts. It is a very different concept from the hotel of today. First thing one will notice is the appearance. The architectural style is often more traditional and very Japanese with distinctive features such as wooden verandas, sliding doors and maybe a Japanese garden. When entering the ryokan, one will be welcomed with the warmest hospitality and taken into care until leaving and continuing the journey. During the stay it is often possible to experience things such as walking around the town in the ryokan's *yukata*, a traditional robe, and taking a bath in a public bathhouse.

2.2 History

The first inn in Japan was built by a monk called Gyogi in the 8th century. This inn is presumed to be a resting place for travelling priests (Richie 1985, 11). In early

Edo period (1600-1868) there was another type of inn called *honjin*. The *honjin* were officially designated resting places for the daimyos on their way to the capital from their lands. The *honjin* had classical gardens and ornate shoin-style rooms with tatami mats. The samurai and servants had their own inns, the *waki-honjin* and *hatago*, respectively (Price 1999, 17).

The ryokan as we know it, an inn for the common people, was a little later invention. When Edo (today's Tokyo) grew and became more important as a capital, and commercial trade within the country increased, merchants and tourists started to frequent the highways (Price, 1999, 17). This led to a situation in which inns were necessary (Richie 1985, 11). Inns that were not *hatago*, were called *kichin yado*, *kichin* meaning "fee for firewood" and *yado* meaning "inn". In a *kichin yado* travellers were expected to fend for themselves, so they went to town for meals and entertainment. This didn't last long though, because the Tokugawa shogunate decided that all inns must serve dinner. This way the men would have no excuse to go out for prostitutes. The resulting concept was called *makanai-tsuki*, meaning evening meal + breakfast, and it became the mainstay in the Japanese inn. Many ryokans nowadays serve both meals to their guests (Price 1999, 18).

The ryokan experience in the Edo period started from the *choba*, the place travellers entered first and where they negotiated the price of the room with the ryokan's owner. Next the traveller was taken to their room, given tea and offered a bath before the evening meal. The meal would be brought to their room, dishes carried away after dining and the mattress laid on the floor. In the morning the traveller was woken up for breakfast. The meals consisted of rice, soup and pickles with perhaps some grilled fish. Today sashimi might be more common, but sashimi became popular later with the inventing of modern refrigeration. In those days people travelled on foot and carried simple things such as a wooden pillow, inkstone and brushes, candles and toiletries (Price 1999, 18).

The inns soon spread to locations other than just the post towns along the main roads: scenic spots, near temples, hot springs and merchant towns. At the same time inn-keeping became more and more of an art and different kinds of ryokan sprung up. There were exotic bathhouses with cotton robes, matcha tea and local

sweets. Japan became more and more of a one united country in the Edo period as the concepts of Japanese food and Japanese culture as we know them today started to form (Varley 2000, 168). But still, Japan has lots of mountains dividing the country into smaller pockets of culture. This can be seen in the *omiyage*, or souvenir culture that was born around the same time as the ryokan spread wider (Price 1999, 18). Still today Japanese people like to spend money on local speciality products when visiting a remote place and, perhaps, staying in a traditional ryokan.

2.3 The ryokan experience and etiquette

The ryokan can probably be enjoyed without any prior knowledge about its history and architecture, but the visit will be much more pleasant when one enters the ryokan knowing the traditions and etiquette of this very traditional type of establishment.

When arriving to the ryokan, open the slide door, walk in and close the door. If there's nobody at sight, call *gomenkudasai* to let the staff know that you have arrived. Shoes should be removed in the *genkan* entrance and put into a shoebox (*getabako*) next to a wall. When taking off shoes and putting on the provided in-doors slippers, make sure your feet or socks don't touch the ground. Allow the staff to guide you to your room, and make sure to step out of the slippers before going on the tatami floor of your room. At this point you can inform the staff about your desired times for dinner, bath and breakfast (Price 1999, 2).

In a ryokan the guests usually bathe before eating dinner, and the Japanese usually enter the bath immediately after arriving to the ryokan. Before bath, change to the light yukata robe provided by the ryokan. In the ryokan room there is usually a cupboard that contains the yukata robes, towels and toothbrushes. If it's winter, there might also be a woollen robe to wear over the yukata. If the outer robe is full-length, the sash should be tied over the outer robe instead of the yukata (Price 1999, 2). The ryokan usually have separated male and female baths indicated by red and blue colours, and/or the kanji 女 for female and 男 for male. In the chang-

ing room, undress and leave clothes in the provided basket or locker. When entering the bathing area, first wash your body and rinse the soap off properly. No soap should enter the bath water. After a nice soak you can wash again and then take another soak if you want to.

Inside the ryokan, the guests are expected to wear the provided yukata. If the ryokan is located in an onsen town, it is usually possible to go out and visit onsen, or public bathhouses, in the ryokan's yukata. In the evening, return to the room and ask for beer or sake for dinner, if needed. When the dinner is served, eat each course as it is presented. Rice, soup and pickles are served last, so it is good to save room for them. Drinking of beer and sake should be stopped when the rice arrives (Price 1999, 2). If the meal is served in your room, after eating you will soon be disturbed by someone who takes out the futon beddings and lays them on the tatami floor. If you wish, you can sleep wearing the ryokan's yukata (Price 1999, 2).

Depending on the ryokan, you might get a wake-up call in the morning. Nowadays it is rare to have breakfast in the room but in some ryokan, even cheaper ones, this tradition still lives on. Whether the breakfast is served in your room or in a common dining room, it is possible to eat it in either the yukata or in your own street clothes (Price 1999, 3). After breakfast it is time to pay the bill, say goodbye and step out, back to the modern world.

3 BUSINESS PLAN THEORY

3.1 The concept and purpose of a business plan

A successful business plan is a document that commercializes a business idea to potential investors and stakeholders by conveying the most significant opportunities and growth capacities of the business. It should realistically depict not only the strengths of the business, but also the problems, risks and obstacles it can face. The solutions for these should be presented as well (Schwetje & Vaseghi 2007, 2-3). A business plan is a blueprint for the business, and should also indicate what makes the business different from its competitors, and how the competitive advantage will be sustained in long run (Friend & Sehle 2004, 8).

A business plan can be used for several purposes, and it is very important to specify the purpose before writing the business plan. A company might create a business plan for external use, hoping that it will attract investors to help get together the capital needed for the starting of the business, or for launching a new product. The main purpose of a business plan made for external use is to secure existing business relations, or creating new ones. These stakeholder relations might include venture-capital financing, financing by bank credits, strategic alliances, mergers and acquisitions, and customer and marketing relations (Schwetje & Vaseghi 2007, 2-3).

A business plan can also be created for internal purposes. In these cases, the business plan serves as a valuable tool for the management team. When updated regularly, the business plan provides an insight into all business matters and helps the management in developing the business and making daily decisions in a more structured way (Schwetje & Vaseghi 2007, 4).

For this thesis, the author has chosen to create a business plan which is more on the internal side. This is because the establishing of the business is not going to happen in the next few years, so it is not relevant to focus on financial matters at this point.

3.2 Types of business plan

There are many different kinds of business plan types, and the components and elements of these types vary depending on the purpose for which the business plan is created. It is important to choose the right components for the plan to convey the business idea and the current circumstances in the most efficient way.

There is no single official right way to categorize the types of business plan. Different books and publications written about business planning present their own views and classifications. For example, according to Schwetje and Vaseghi (2007, 4), business plans can be divided to short business plans, extended business plans and operational business plans. McKeever (2016, 4) divides business plans to complete plans and quick plans. Entrepreneur (2015), in turn, states that there are four types, which are the miniplan, the presentation plan, the working plan and the what-if plan. However, some sources mention a 'traditional business plan', and present a list of elements that are essential for that kind of plan. Traditional business plans are detailed and comprehensive (U.S. Small Business Administration). The business plan presented in this thesis is a traditional business plan, but without financial calculations.

3.3 Elements of a business plan

The structure of the business plan created for this thesis was constructed from elements suggested by two or more sources as an essential part of a business plan. The structure is as follows:

1. **Executive Summary.** A brief description of the business and why it will be successful. In a way, the executive summary is a synopsis of the whole business plan (Tribby, 2013).
2. **Company Description.** This is a more detailed description of the company than in the executive summary. Things to describe in the company

description include competitive advantages, location and an overview of products and services. Company description is where all the strengths of the company should be highlighted (U.S. Small Business Administration).

3. **Services and Products.** This part describes the services and product that the business is offering for its customers. Focus is on the benefits that they will provide to the customer. The market role of the services/products, and research and development activities for future services/products should also be discussed (NFIB, 2009).
4. **Industry and Market Analysis.** The aim of an industry analysis is to analyse the industry in which the business is operating in, in this case Japan's tourism industry, and more specifically who are the possible competitors, what are their offerings and how the offerings of the business planned in this thesis are better than theirs. The purpose of market analysis is to unravel the trends and needs of the market and define who are the customers and how to attract them (Sweeney).
5. **Marketing Plan and Strategies.** The last chapter of the business plan will focus on strategies needed to reach the desired target market. Contents of this chapter include marketing strategy, differentiation strategy, a SWOT analysis etc.

3.4 Experience Economy and the memorable experience

Experience economy is the next level up from a service-based economy. In experience economy, businesses use their services as the stage and goods as props to engage their individual customers. The result is a memorable event, or in other words, an experience (Pine & Gilmore 1998).

Experiences are the next step after services in what Pine and Gilmore (1998) call the progression of economic value. This progression is depicted in Figure 2 below.

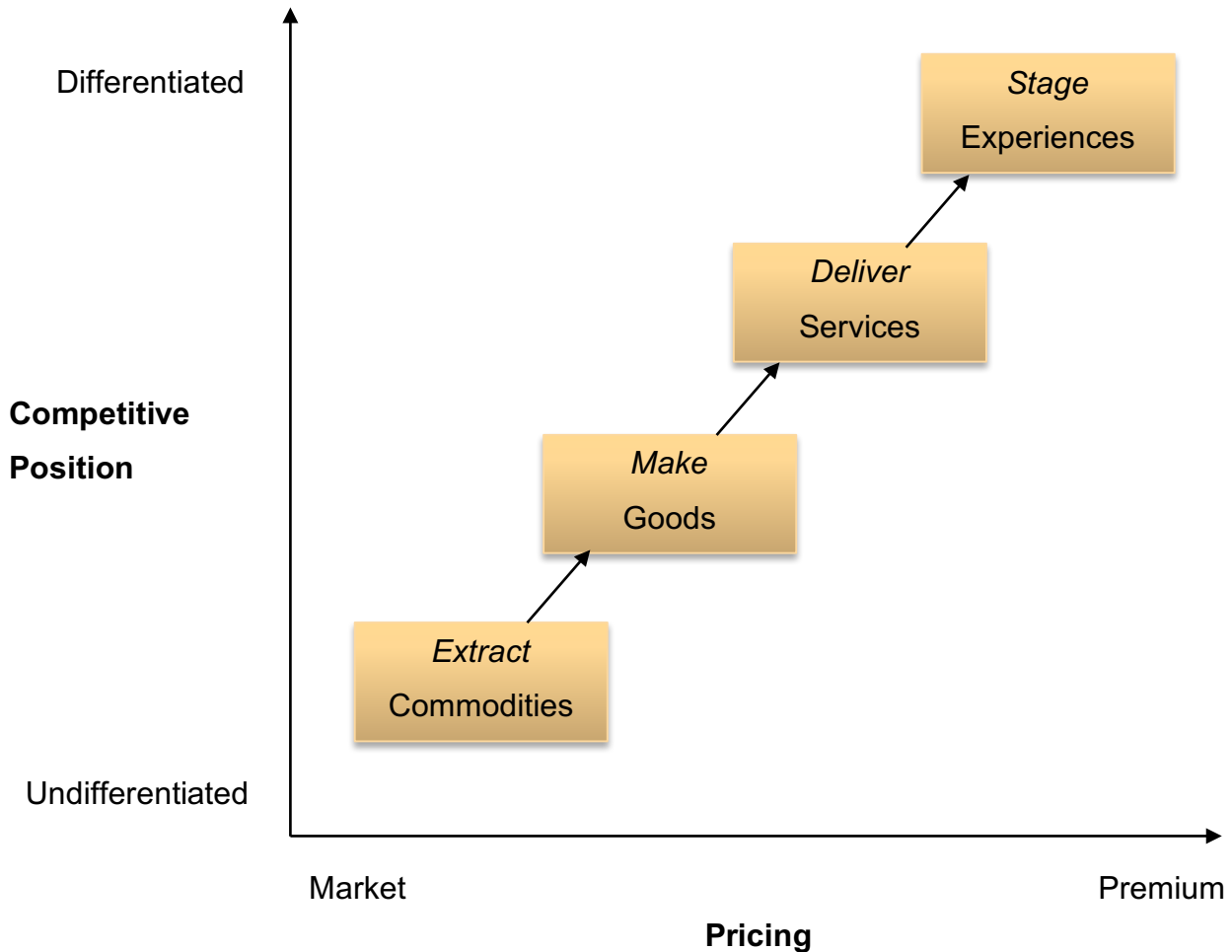


FIGURE 2. Progression of Economic Value. (Pine & Gilmore 1998, modified).

The stages depicted in Figure 2 can be explained by taking fishing as an example. Fish as an initial product or commodity are found in fish markets or supermarkets almost anywhere in the world. People buy fish to prepare it buy themselves. On the goods-based economy stage, the fish is processed by a company and sold as industrial products, such as canned tuna or sardines. These are then bought by consumers and used in home cooking. On the service economy stage, the customer goes to a restaurant where he simply orders a fish dish and it is served without the customer having to do anything except wait for a while. On the level of experience economy, the question is: how to satisfy a customer who wants to eat fish, but also wants a special memorable experience? In Japan, there are restaurants where customers first catch their own fish from a pond indoors, and then the fish is prepared for them by professionals

(Tham 2018). Organizing fishing trips on which the catch is cooked would also fit on the experience economy level.

Just like goods and services, experiences have to meet a customer need, and they are results of a process of exploration, scripting and staging. The following five principles have been identified as being important for designing memorable experiences (Pine & Gilmore 1998).

Use a theme. The experience becomes more memorable when everything is connected by a theme. The theme is not a marketing technique or a company mission statement, but a force that drives all design elements toward a unified storyline that captivates the customer (Pine & Gilmore 1998).

Use positive cues. Cues create the impressions in people's minds, and making sure that the cues are positive will result in an experience which will be remembered as a positive one. The cues must support the theme in a way that when the guests leave, the impressions they take away will be of the desired kind. If cues are unplanned or inconsistent with the theme or with each other, the customer might be left confused (Pine & Gilmore 1998).

Avoid negative cues. As important as making sure that there are lots of positive cues, it is to eliminate all the negative ones (Pine & Gilmore 1998). Examples of negative cues are inadequate service, interruptions of conversations and excessive commanding with distractive information signs.

Use memorabilia. Memorabilia are goods that are bought as a physical reminder of an experience. When an item represents a dear memory, people are usually also ready to pay for it more than for a similar item to which they don't have the same emotional attachment (Pine & Gilmore 1998).

Engage all five senses. The more senses the experience can engage, the more effective and memorable it will be. But in this aspect it is more important to find the working combinations than just add more and more triggers and sensations (Pine & Gilmore 1998).

4 BUSINESS PLAN

4.1 Executive summary

The business described in this business plan is essentially a midrange ryokan-inspired accommodation business styled after a Shōwa era (1926-1989) house and located in the city of Hirosaki in Japan's Aomori prefecture. The founder and owner of the business will be Toni Jauhainen, the author of this plan. He is an experienced traveller with a passion for Japan's culture, hiking and hot springs.

More and more tourists visit Japan every year, and the number of tourists to the northern Tōhoku region where Aomori prefecture is located, is also growing steadily (JTB Tourism Research and Consulting Co. 2019). This business is answering to the demand for backpacker-friendly accommodation in Hirosaki. The city has several old buildings that are preserved as tourist sights, but no Shōwa museum or accommodations with a Shōwa-inspired style were found during the research. In other words, this business would fit well in this cultural city and would not have any competitors with the same ideas.

4.1.1 Mission statement

The mission of this business is to provide comfortable accommodation with a distinctive, original and nostalgic atmosphere, and a memorable themed experience for both overnight guests and café/bar customers in the culturally rich city of Hirosaki. As a member of the local community, a mission of the inn is also to promote the region and offer guidance and travel recommendations for tourists, and keep alive Hirosaki's reputation as a culturally rich city.

4.1.2 Future vision

When the inn has been established as a distinctive point of interest and a place known by local people, its vision is to become not only a successful accommodation but a must-see place in town for every tourist interested in the Shōwa period and/or art in general. With regularly changing photography and art exhibitions in the café, it aims also to become a place where local and visiting photographers and artists can meet and exchange views and ideas, and communicate with the local people of Hirosaki.

4.2. Company description

The company is a hospitality business offering accommodation as its main service. It is planned to be located in the city of Hirosaki in Japan's Aomori prefecture, offering a distinctive and differentiated hospitality experience and a cross-cultural meeting place for locals and visitors.

In addition to guestrooms, the premises will also have a bar/café with drinks on offer. The system of accommodating guests is modelled after the traditional Japanese ryokan, but for a more affordable price and without some of the luxuries that ryokans usually have. The overall style of the facilities will be designed so that they look like a house from the 1960s, the nostalgic golden era of Japan's Shōwa period (1926-1989).

4.2.1 Ownership and legalities

The inn will be registered and privately owned by the author alone, unless potential partners emerge before the establishing and registration. The legal form of the business will be *gōdō gaisha* (合同会社), which translates to 'joint company' or 'congruence company' and basically means limited liability company. In this form the liability of the members is limited to the capital they have contributed and it is managed by a manager, a natural person or a corporate body (Company Formation Japan, 2018).

Setting up a business in Japan can be difficult for a foreigner even if they speak Japanese fluently. All the bureaucracy is done only in Japanese and English is not as widely spoken as in Finland or other European countries. Therefore, it is advised to consult an English-speaking lawyer who can translate all the required documents in the setup phase of a business. The author will also try to find a Japanese person to act as a business partner during the setup phase to come along to important initial meetings. This is possible if the person invests one yen or more in the company (Be Here 2016).

4.2.2 Management and organization

The inn will be managed by the author and run with the help of two or three staff members. For five days a week the manager will be in charge of guest check-ins and the café, while on his days off a part-time staff member will do it. The check-in staff's working hours will be from 15:00 to 22:00, and guest check-in time from 16:00 to 22:00. The first hour is used to checking the reservations and preparing for receiving the guests.

The café will have one worker from its opening time at 11:00 until the check-in starts, and from then on whoever is in charge of check-ins will also work at the café when it gets busy. The regular café staff member will have Saturday and Sunday off, and for those two days a part-timer is hired. The café staff are also the inn's cleaning staff, and their working hours are from 8:00 to 17:00, after which the café is run by the check-in staff until it's closing at 22:00. The café will serve alcoholic drinks only after 17:00.

The reservations are managed predominantly by the manager, but when the manager is off or being busy with something else, other staff members can do it as well. The reservations are managed online with a single computer at the office/front desk space. All reservations are collected from various websites and organized in one spreadsheet.

4.2.3 Location and premises

The location of the inn is planned to be the city of Hirosaki in Aomori prefecture in northern Japan. However, because the business is in very early stage of planning, this is subject to change in case a more suitable and/or intriguing location emerges. For the time being, the market and competition research was conducted based on data about Hirosaki.

Hirosaki is a city with a population of 170,766 in May 2019 (Hirosaki City 2019). It is famous as one of the best spots in Japan for cherry blossom viewing, usually from late April to early May. The cherry blossoms together with Hirosaki castle, a landscape garden called Fujita garden and an old samurai residence district are the main tourist attractions (japan-guide.com 2018).

To have sufficient space for the planned facilities, a two to three-storied house must be bought or rented. The best case scenario would be to find an old Japanese style house for sale and renovate it according to the needs. A perfect house would have three to five rooms for private rooms and one larger room for a dormitory with space for four to six futons (traditional Japanese mattress). The café area will be in the ground floor and will have seats for 10-15 customers. A building such as an old ryokan with lots of dark wood already in place would be a perfect basis for the actualization of this project.

4.3 Services and products

The inn will provide both services and products. Its services are associated to offering accommodation for overnight guests, and the products are the drinks and snacks served in the café, and the inn's own memorabilia in various forms.

4.3.1 Services

The main service of the inn is providing accommodation for guests who have made a reservation for an overnight stay. Since the inn takes inspiration from a traditional Japanese ryokan, it aims to take the quality of its service one step further than the average hotel. Japan is known for its high quality of customer service, and Japanese customers are very demanding when it comes to customer service experience. A survey has shown that 56% of Japanese will take their business elsewhere after just one bad service experience, while in other researched countries the portion was less than 40% (General, 2017).

The experience in the inn starts with greeting the guests when they enter. If they are staying guests, they will go through the check-in procedure which includes filling out a check-in sheet form and completing the payment in case the stay is not paid for in advance by credit card. In case of guests who do not reside in Japan, the law requires the inn to ask for details such as nationality, address and occupation, and have the guests to show passports and take copies of them for recording purposes (AirbnbCitizen, 2018). At the time of check-in, the guests will be given coupons that they can use at the café to get one soft drink or alcoholic drink for free. After the check-in procedures, the staff will show the guests to their rooms and help carry their luggage there.

Like in any traditional ryokan, the guest rooms will have yukata robes for the guests to wear. They will be in a closet with the belts, and in winter time the outer woollen robes will be provided as well. Green tea, tea tableware and seasonal small local snacks will be placed on the table.

The guests will have a common bathing area divided to men's and women's sides. Both sides will have a common warm bath and a few showering spots with shampoo, body soap and conditioner. The size of the baths and the number of showering spots will depend on the premises, as well as whether the water in the bath will be regular warm pipe water or natural volcanic hot spring water.

4.3.2 Products

The inn's product offerings can be divided to two main categories: the products sold for immediate consumption at the café at site, and the products sold as souvenirs or memorabilia to be taken home after the stay. The café of the inn will focus on drinks and snacks or light eats, and will most likely not offer meals or food courses. The menu will contain hot coffee, ice coffee, green tea and some popular Japanese drinks such as melon soda and Ramune, a nostalgic soda drink related to Japan's summer festivals. Alcoholic drinks will be Sapporo draught beer, some local brand of umeshu (Japanese plum wine), a few varieties of nihonshu (Japanese sake), white wine, red wine and Scotch whisky. The brands of the last three will change from time to time depending on sales and customer feedback. Also local craft beers will be on the menu if they prove popular.

Aomori prefecture is known nationwide for its apple production, and apple-picking is a popular activity (Aptinet 2019). Various apple products are produced in Hirosaki as well, and the inn plans to work out a deal with a local apple cider producer to have locally made apple cider on the restaurant menu. One strong candidate would be a producer called Kimori, which produces both dry and sweet apple ciders (Kimori 2014). The food menu will contain apple pie made with a Finnish grandmother's recipe.

The inn will serve the beer in a glass decorated with the inn's own logo, and it will be placed on a coaster that has the same logo. These two products, along with t-shirts and other memorabilia will also be for sale in the café/reception counter. This way guests and customers can take a little piece of the inn with them when they return home. This is not done by many places, so it will help stand out.

Other products sold at the inn will be related to the planned photography exhibitions. If the exhibited photographer has published a book, a zine or something along those lines, the inn will be more than happy to have the items for sale during the exhibition.

4.4 Industry and market analysis

4.4.1 Overview of tourism industry in Japan

It is rather difficult to acquire recent information on Japan's tourism industry, especially in English. World Economic Forum's latest Travel and Tourism Competitiveness report is from 2017 but its data is from 2015. The report ranks Japan 4th in the world and the best in Asia with 19,7 million international tourist arrivals, and travel and tourism industry covering 2,6% of GDP. In 2015 the travel and tourism industry employed 1,9% of Japan's population, or 1,222,550 people (World Economic Forum 2017).

4.4.2 Market trends

The total number of inbound tourists in Japan in 2018 was 31,2 million, which is 8,7% more than in 2017, when 28,7 million people visited. (Japan National Tourism Organization 2019). Based on these statistics it is safe to say that the number of incoming visitors is growing steadily. The Japanese government hopes to attract 40 million foreign visitors every year by 2020 (Bhattachariya 2016). Monthly and yearly reports of Japan National Tourism Organization (2019) show the growth in the number of incoming foreign tourists during the past five years (figure 3).

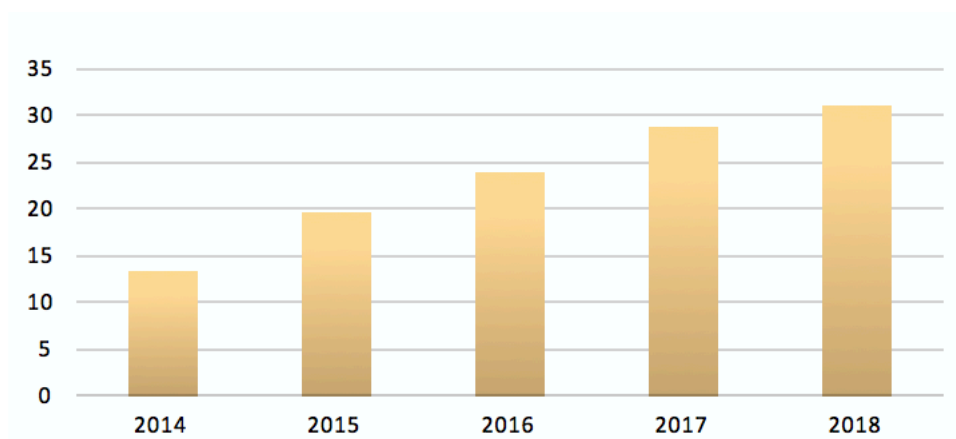


FIGURE 3. Yearly number of foreign incoming tourists in Japan 2014-2018 (millions)

Tourism has increased worldwide but in Japan's case there are three main reasons to the rapid increase in the number of visitors: relaxed visa restrictions, the rise of China's middle class and the falling value of Japanese yen (Smith 2018).

In 2013 Japan made it easier for people from several Southeast Asian countries to visit Japan, and visa restrictions have been slowly eased for the Chinese as well since 2015 (Smith 2018). The effect of this can be seen from annual visitor statistics. In 2018, 11,2% of visitors were from Southeast Asia, which is more than U.S. and European visitors together (Japan National Tourism Organization 2019). In total, 66 nationalities can visit Japan without having to obtain a visa in advance (Smith 2018).

From 2000 to 2017, the number of overseas trips made by the Chinese has increased from 10,5 million to 145 million. Today China is the world's biggest outbound market, Chinese tourists having spent \$261,1 billion on overseas trips in 2016 (Smith 2018). In 2018, 73,4% of all tourists in Japan were from other East Asian countries. The Chinese overtook South Koreans in 2014 as the most frequent visitors, and have been on top of the list ever since. In 2018 3,38 million Chinese visited Japan, which is 26,9% of all foreign visitors (Japan National Tourism Organization 2019).

The falling value of the Japanese yen has also affected on travellers' decision to travel to Japan. In 2012 one US dollar bought ¥80 and one pound ¥129 on average (Smith 2018). Currently one US dollar buys ¥108 and one pound ¥137 (XE Corporation 2019).

As good as increasing tourism can be for a country's economy, it can also present big problems. In Japan the so-called *kankō kōgai* or "tourism pollution", in other words overtourism, in popular places such as Kyoto has become a problem for local residents. People have started to complain that public transport is crammed with tourists, making it difficult for local people to commute, and that loud and inconsiderate tourists have ruined "miyabi", the refined atmosphere unique to Kyoto (Brasor 2018).

The current situation with foreign tourism is complex and has many sides to it. The government has implemented an exit tax of ¥1000 for leaving tourists, starting in 2019, and the money will be used to reinforce infrastructure for tourism. But at the same time there have been plans to legalize casino gambling to bring more visitors in from the mainland (Brasor 2018).

When planning an inn like this, it is necessary to keep in mind that international inbound tourism is just a fraction of the whole market. The Japan Tourism Agency states that each year it summarizes the state of both domestic and inbound tourism and measures taken by the government into a so called White Paper on Tourism. Despite this statement, the latest White Paper is from 2017, containing information and statistics of the year 2016. According to the 2017 White Paper, the total number of guest nights in Japan in 2016, international visitors and Japanese combined, was 494,2 million. 423,3 million, or 85,7% of all guest nights were guest nights of Japanese guests. In 2016 Japanese took an average of 1,39 domestic overnight trips per person, which was 2,9% more than in 2015. The number of Japanese people who took an overnight trip was 325,66 million, which is up 4,0% from 2015. The population of Japan in 2016 was 127,7 million. The number of both guest nights and overnight trips of Japanese people have fluctuated between 2011 and 2016 but generally the numbers of both have increased. (Japan Tourism Agency 2017, 23–24).

Statistics on occupancy rates of different types of accommodation show that international visitors occupied 7,7% of guest nights in ryokans in 2016. In 2011 they occupied 1,3% of guest nights. Ryokans seem to be gaining popularity among foreign visitors but the vast majority of guests in ryokans are still Japanese. The general occupancy rate of ryokans was 37,9%, a relatively low rate compared to the 78,7% rate of city hotels. The most popular type of accommodation among international visitors were city hotels. They occupied 32,6% of guest nights in them (Japan Tourism Agency 2017, 25–26).

4.4.3 Tourism in Tōhoku region and Aomori prefecture

The Japan Tourism Agency divides Japan to ten regions: Hokkaidō, Tōhoku, Hokuriku Shinetsu, Kantō, Chubu, Kinki, Chugoku, Shikoku, Kyushu and Okinawa. Based on the number of guest nights, among international tourists the Tōhoku region was the 9th most popular in 2016. Among Japanese travellers Tōhoku was the 6th most popular region. The tourism industry of Tōhoku took a blow in 2011 because of the Great East Japan Earthquake and its consequences. In 2011 the number of guest nights of international visitors dropped to 32% of what it was in 2010. Number of guest nights of Japanese dropped to 87% of 2010's number. 2016 was the first year when the number of international visitors was above the number of 2010. Number of guest nights of Japanese has stayed close to what it was after the earthquake, and in 2014-2016 it was in steady decrease (Japan Tourism Agency 2017, 30–32).

In 2016 the number of international guest nights to Tōhoku was at record high, but due to decrease in guest nights of Japanese, the overall number of guest nights was lower than in 2015. A goal of 1,5 million visitors to Tōhoku has been set for 2020 in co-operation with each prefecture and various tourism organizations. New routes to Sendai airport has also brought more visitors from places such as Hong Kong and Thailand (Japan Tourism Agency 2017, 33).

The planned location for the inn is Hirosaki City in Aomori Prefecture, which is located at the northern tip of Japan's main island Honshu, in the Tōhoku region. Aomori prefecture is home to many attractions such as the famous Nebuta festival, the Hakkōda mountains and Shirakami Sanchi, the world's largest virgin beech forest. The prefectural government is using these and other local wonders to make an effort in increasing the number of visitors. The Tōhoku Shinkansen bullet train line which was opened in December 2010 takes visitors from Tokyo to Aomori in less than 3,5 hours (Aomori Prefectural Government). Picture 1 illustrates the location of Aomori prefecture and Hirosaki, and the distance from the popular tourist cities of Tokyo and Osaka.



PICTURE 1. A map illustrating the locations of Aomori Prefecture and Hirosaki city (Organizing committee of the ISAO, 2018).

Along with Aomori, the Tōhoku region covers five other prefectures, which are Iwate, Miyagi, Akita, Yamagata and Fukushima. After the Great East Japan Earthquake in 2011, all of these prefectures except Aomori suffered a drop in the number of guest nights of Japanese visitors. Number of guest nights of Japanese in Aomori has stayed the same as in 2010 or increased from that between 2010 and 2016. Number of guest nights of international visitors to Aomori experienced a decrease after the 2011 earthquake, but has since then gone through a significant increase compared to other prefectures of the region (Japan Tourism Agency 2017, 28–29).

After the 2011 Great East Japan Earthquake, Tōhoku region was behind the general inbound tourism surge but in 2015 finally recovered to the level before the earthquake. Promotional projects and acceptance environment improvement projects have helped to revive the region's tourism (Japan Tourism Agency 2017, 36). The yearly number of Tōhoku's foreign overnight visitors exceeded 1 million for the first time in 2017, and the number of overnight guests in Hirosaki saw a threefold rise, totalling 38,132 (Osumi 2018).

4.4.4 Market needs

In an article by The Japan Times, a Japanese tourism expert said that since the number of Japanese travellers is decreasing, an effort should be made to steer foreign visitors to destinations that are not on the usual tourist trail. He said that this can be done with better transportation, accommodations that can deal with foreign visitors, as well as more complete infrastructure (Brasor, 2018). An inn like this established in the city of Hirosaki would be an answer to several needs of the local tourism industry.

According to a municipal government official in Hirosaki, local residents need to make improvements to respond to the changing business environment, as inns are not ready for a large number of tourists. He said that the language barrier is the biggest problem because not many people can speak English there. Tōhoku as a region has traditionally been a destination for domestic tourists and has never really been promoted to foreign visitors like Kyoto (Osumi 2018). The inn plans to have English-speaking staff present at all times, should it happen that a guest doesn't speak Japanese.

Another need very distinctive to Japan is related to payments. Japan is generally a cash country and Japanese customers prefer to pay in cash. Many shops do not accept credit cards or e-money at all, which can come as a surprise for many foreign visitors. Helping businesses become less dependent on cash payments would be one target for the money collected as the aforementioned ¥1000 leaving tax (Brasor 2018). The inn plans to offer the possibility for both cash and credit card payments. One tool for this could be Square, an application that comes with a card reader device, which was also used by both of the author's training workplaces in Japan.

4.4.5 Target market

The inn's target market are all travellers, Japanese and foreign, who plan to stay in the city centre within about 2km from Hirosaki station, but especially those who want an experience a little more traditional and original than a regular hotel or guesthouse. With the retro Shōwa era theme and the photography exhibitions the inn also hopes to have visits by people interested in these and related things. In terms of the traveller's budget, the inn's target market is also broad. A night at the inn will be cheaper than a night in a traditional ryokan or a business hotel, but a little more expensive than a night in a hostel or capsule hotel. It will be affordable for backpackers on a budget trip, but also a good option, for example, for a couple that needs privacy.

4.4.6 Competition

For a city of its size, Hirosaki has quite a few accommodations. Booking.com, the site ranked by many as the best for booking an accommodation, and according to the author's first-hand experience also the most popular, gives following results for Hirosaki: 13 hotels or business hotels, two chalets/maisonettes, one capsule hotel and one guesthouse which only rents one quadruple room. Most of the hotels are also listed on other booking sites such the Japanese Rakuten Travel. Airbnb has two accommodations in Hirosaki city, but they are both private houses with rooms for rent. However, an internet search found three ryokans in the city, and these three ryokans are the main competitors for this inn. Two of them, Kobori Ryokan and Ishiba Ryokan, are housed in old Japanese buildings, while the third one, Miyazaki Ryokan is a more modern one. Kobori and Ishiba also have public bathing facilities while Miyazaki has only bathtubs in the shower rooms.

4.5 Marketing Plan

This final chapter explains the inn's strategy for entering the market, differentiation and promotion.

4.5.1 SWOT

SWOT, short for Strengths, Weaknesses, Opportunities and Threats, is a tool used to help assess a company's competitive position and build strategic plans (Grant 2019). Table 1 indicates these four powers in the case of the planned inn.

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> - Education and experience from travelling and working in Japan - Language skills (English and Japanese) - Distinctive and original idea and theme - Social media skills - Business Plan 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> - Lack of experience in establishing a business - Being a foreigner in a highly unique culture and business world - Gathering enough capital will take time
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> - Number of incoming tourists in Japan is rising year by year - Tōhoku region has lots of potential and attractions still undiscovered by many frequent visitors - Many Japanese are interested in Shōwa era attractions 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> - Location still relatively unknown among tourists and away from Japan's biggest attractions - Finding suitable premises for sale and acquiring them might prove difficult - Competition from ryokans that are attractive but relatively inexpensive

TABLE 1. SWOT Analysis.

Strengths and weaknesses are internal powers. The inn will make use of its strengths to become as attractive, well-serving and well-functioning as possible. Recognizing and writing down weaknesses at this stage will help the inn to focus on them and seek for ways to overcome them. For example, finances are an unknown area at this stage since they depend on the circumstances of the time when the establishing of the inn becomes possible. Only then can the costs be estimated and required capital calculated.

The opportunities and threats listed in the table are external forces uncontrollable by the inn. As market research has shown, Tōhoku as a region is attracting more and more tourists but is still also away from the beaten path. Hirosaki is a small town but has lots of accommodations to choose from. The inn will have to differentiate itself clearly to catch and keep a share of the market required for it to survive the competition.

4.5.2 Differentiation strategy

The inn plans to be something different and new in Hirosaki's accommodation market. Instead of being just a place for staying the night or having a cup of coffee, it will be an experience that its customers will remember and recommend to others. In order to succeed in this, the inn is planned by the five principles of designing memorable experiences explained in chapter 3.4.

The theme for the experience is Japan's Shōwa era and its nostalgic aesthetics. The Shōwa era is remembered with warmth and nostalgia, and often associated with rapid economic growth and Japan's rise from the ashes of WW2 to being the second biggest economy in the world after the United States. Japan is dotted with Shōwa museums of different sizes and emphases. Some of them are run by the government like the National Shōwa Memorial Museum in Tokyo, and some are owned by individual collectors and enthusiasts. The city of Bungo-Takada in Ōita prefecture has a whole area called Shōwa no machi (Town of Shōwa) where there is a big museum for Shōwa items and many storefronts are decorated with objects and gadgets from the Shōwa era. On weekends, visitors can even take a

tour in a 1950s Bonnet bus around the area. See Appendix 1 for field research photographs of some of the Shōwa era-themed attractions in Japan.

The question of positive and negative cues is a very important one. In the planning stage the important thing is to plan everything so that not a single little detail is in contradiction with the theme. That means that even if not all objects in the interior design are authentic Shōwa items, at least they are close enough to support the overall atmosphere without distracting the customers' experience. Potential positive cues are objects that many people know and/or remember from the era. These evoke warm feelings and stimulate conversation. Examples of this kind of objects are famous toys, film posters and vinyl record covers. The array of the inn's Shōwa memorabilia will grow little by little

As mentioned in the chapter about services and products, the inn will have original memorabilia for sale. A logo will be designed for the inn either by the author or a hired professional graphic designer, and it will be used in several kinds of goods such as t-shirts, coffee mugs and beer glasses, so that the guests and customers can have a physical reminder of the visit. One thing still very common in old Japanese coffee shops is to have matchbooks with the cafe's logo on them on the tables. If the inn's café has enough space for a smoker's area, this little nostalgic detail will be added to the experience as well.

To make the experience more powerful and memorable, it is important to engage all five senses. For the eyes there are of course all the vintage objects to admire, and for the ears different kinds of authentic Japanese Shōwa era music from the author's vinyl record collection. Coffee, melon soda, dagashi (small cheap candy and snacks famous from the Shōwa era) and apple pie will be the time machine for the taste buds. The smell from all the items, foods and the house itself, and the feel of leather or corduroy seats and wooden tables will provide the subtler sensations to complete the perfect Shōwa era experience.

4.5.3 Marketing strategy

Instead of aggressive advertising campaigns, the inn will emphasize lasting long-term customer connections built on trust and kept up by communication. Good platforms for this are Instagram and Facebook. Especially Instagram is very popular in Japan and a perfect tool for staying in touch with both old and potential customers and other partners and associates. It provides an effective way of staying on stakeholders' minds, letting them in on the daily life at the inn and also informing them of special events and new products.

Two types of printed promotional material will be made: a pamphlet and a business card. These will feature the inn's logo with a design that used warm colours associated with the Shōwa era, such as red, green and cream. The pamphlet will contain all the needed information about the inn in both Japanese and English: the inn's story, what makes it special and what are our services and their prices. Copies of the pamphlet will be brought to local tourist information spots and other places that want to co-operate. It is very common in Japan to exchange pamphlets with inns and guesthouses in other places around the country, and that way join networks of accommodations.

To maximize its chances of being booked by potential guests in the internet, the inn will be registered on several booking sites such as Booking.com, Rakuten Travel, Jaran and Agoda. Some of them are used mainly by Japanese and people who can read Japanese, and are quite popular among those groups. At least some of the private rooms will also be registered on Airbnb. The inn will also register on a Japanese "site controller" site called Neppan, which helps to keep track of reservations from several booking sites.

The business card plays a very important role in Japan's business world, and is the number one must-have thing in any business meeting. Exchanging business cards is almost a ritualistic situation and has a set of rules to remember, such as handing the card by holding it with both hands and keeping the received cards on display until the end of the meeting (Gakuran 2014).

As mentioned, the inn will host photography exhibitions. The possibility for these will be advertised on Instagram and Facebook and at the inn, and whenever an exhibition is up it will be advertised as well. Since this is only a side income for the inn, exhibiting photos there will be cheaper for the photographer than in a gallery. For example, a six days' rent of a photo gallery in Tokyo can cost about ¥100,000 (~820€), but renting the walls of the inn's café will cost around the equivalent of 200€. The exhibitions are hoped to bring in more customers who are interested in photography and help the inn become a meeting place for photography and art enthusiasts of Hirosaki and nearby area. The market for anything related to photography is big in Japan. Many of the biggest camera manufacturers are Japanese and Japan has produced many famous photographers. Exhibitions and photobooks are an essential part of the Japanese photography culture.

Other events the inn plans to hold, if the amount of space permits it, are small-scale live music concerts. Artists who play jazz or folk would also go well with the Shōwa era theme and bring the right kind of energy to the inn. And of course lure in more people.

5 CONCLUSION

When asked in my entrance exam interview where I see myself in five years, I answered, off the top of my head, that I will be working in Japan and saving money in order to establish my own guesthouse there. At that time, I didn't know that I would write a business plan as my Bachelor's Thesis. The idea developed slowly as I worked in two Japanese guesthouses as a trainee and studied as an exchange student in a Japanese university. I decided to apply my interest and knowledge of Shōwa era popular culture to the idea of an inn, and now I have an initial business plan that will help me get started in the process of becoming an entrepreneur in Japan.

The objective of this Thesis was to create a business plan as comprehensive as possible at this stage of the business development. The process proved to be a valuable learning experience about business planning and the environment in which the inn will operate. Research was conducted on the field by working in Japanese guesthouses and visiting ryokans and Shōwa museums, and by using sources such as books and the internet. This led to useful findings both theoretical and practical.

The tradition of inn-keeping in Japan has a long and unique history, which I saw as an essential thing to research before starting to plan my own inn. During the research process I learned lots of new things about Japan's history, and that a ryokan is not just a countryside inn, but a very unique type of inn and very different from hotels. Even though this inn is not a 100% traditional ryokan, it is heavily influenced by them and has many features that can be found in them. These features, such as tatami mats and futon mattresses, will also go hand in hand with the general Shōwa era theme.

It was surprising to find that the 2011 Great East Japan Earthquake and the disasters that followed it affected the whole Tōhoku region's tourism, even though most of the region was not damaged. As research results show, Aomori prefecture has experienced the fastest recovery in number of tourists and the whole Tōhoku is also doing better now than before the earthquake. This gives hope for an inn which is planned to be established in Hirosaki city in Aomori prefecture.

The inn might have more customers if it was established in one of Japan's more popular destinations, but it would also have more competition and would only contribute to the "tourist pollution" that the local residents of some of those areas are already suffering from.

Developing my original idea further with the research and finally creating this business plan gave me lots of confidence and strength to pursue my dream. It goes without saying that this plan will evolve later with updated information and calculations when a financial plan can be created. But for now this is a perfect start and a solid foundation to start building on.

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APPENDICES

Appendix 1. Photographs of Shōwa museums in Japan



1. Shōwa museum in Bungo-Takada, Ōita prefecture



2. Shōwa museum in Ōzu, Ehime prefecture



3. Shōwa museum in Bungo-Ōno,
Ōita prefecture



4. Shōwa museum in Yufuin, Ōita
prefecture