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Assessment of Wellness Tourism Development in Hokkaido: A Multicriteria and Strategic Choice Analysis

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Abstract

New lifestyles in contemporary mobile and leisure societies are changing the way people deal with their health, inter alia by attaching an increasing importance to wellbeing and preventive behavior, along with growing concerns on environmental sustainability and with an interest in unique and authentic place-based experiences. This dynamics has far reaching implications for tourism, with wellness products and services showing a significant growth over the past decades, on top of the general growth in tourism services. With a long historical tradition and abundant natural resources potentially related to health and wellness services, the region of Hokkaido (Japan) offers a variety of relevant services in this field. Nevertheless, perhaps new complementary products and services related to health and wellness may be added to the current supply, enlarging the value chain of this sector, with potentially high positive economic and social impacts on the region. Based on interviews and surveys among experts and relevant stakeholders in this field, this paper analyses the potential development and foreseeable impact of wellness services in Hokkaido, by combining different decision-making techniques (Multicriteria and Strategic Choice Analysis), with a view to policy recommendations for an integrative diversification of products and services, assuming the *onsen* (traditional Japanese bath) experience as the core element of tourism supply. In this context, a strategic orientation to external markets seems to be more effective.

Keywords:

Sustainable tourism; Regional development; Integrative diversification; Wellness; Multicriteria Analysis; Strategic Choice Analysis

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Assessment of Wellness Tourism Development in Hokkaido: A Multi Criteria and Strategic Choice Analysis

1. Introduction

As a result of new tendencies in health care, more focused on holistic practices oriented to prevention and wellbeing, rather than specific medical interventions to cure diseases, wellness tourism has shown a rapid development over the past years, above the average growth of the overall tourism sector. Differently from medical tourism – which corresponds to the travels of ill persons in need of medical treatments – wellness travellers are healthy persons in search of personal satisfaction in relation to mental and physical wellbeing (an overview of these concepts can be found in Cohen 2008). This type of travel motivation can also be framed in the top of the pyramid of hierarchy of needs early proposed by Maslow (1940) – the self-actualization level, related to the accomplishment of the highest standards (in this case related to physical and spiritual health) a human being can achieve.

Wellness tourists tend to combine different activities, including a variety of *spa* services based on water properties or therapies, along with physical exercise, hiking or cultural and educational activities. Although some of these services can be offered independently of their location, other types of service require particular characteristics related to landscape, geography or ecological features (Johnston et al. 2011). Specific properties of water, natural parks or healthy food can be important elements for the practice of wellness activities, in a context of uniqueness and differentiation, which enhance the attractiveness of the tourism experience. In the second Section of this paper, a brief historical overview will be presented, stressing the importance of the geographical and cultural contexts of each place, as a starting point for our analysis.

The available information regarding the global wellness tourism business (see Yeung and Johnston 2015) suggests that, inspite the potential for offering a differentiated and unique place-based service, the diversification of *spa* services seems to exert higher impacts in terms of the revenues generated by this sector. In that sense, the traditional Japanese *onsen* experience (described in the next section), despite its close connection to the geothermal characteristics of the locations, its cultural roots and authenticity and even the potential for development of nature based complementary services, does not seem to offer as many positive economic benefits as it might be expected, considering the current abundance of resources and the possibility to offer a differentiated experience in different parts of the country, with different characteristics and potential benefits for the development of this type of services.

In particular for the region of Hokkaido, an island in the North of Japan, with a very low population density and an abundance of geothermal and natural resources, the development of a diversified set of wellness tourism services, combining the *onsen* experience with other *spa*-related services and nature-based activities framed by a particular and rich landscape, may have a great potential for contributing to local and regional development, by integrating wellness tourism activities with other territorial resources. In fact, according to the information offered by the Nippon Onsen Research Institute (2016) – and based on official data from the Ministry of the Environment of Japan - in 2014 Hokkaido was the Japanese prefecture with higher number of onsen areas with accommodation establishments and also the Prefecture with higher number of guests.

Geographically distant from the most developed prefectures of Japan, Hokkaido reveals a relatively low economic performance and a much lower level of industrialization than the average of the country. Against this background – although we can find *onsen* resources and potential complementary services in other Japanese regions as well – this study is focused on the specific case of Hokkaido Prefecture, because natural resources and tourism related activities can play in this territory a more prominent socio-economic role than in other areas of Japan, as a result of the relatively low level of industrialization observed in the region. In that sense, new and more qualified tourism services, with higher value added, could possibly contribute to reduce the development gap still observed between Hokkaido and the rest of Japan. A description of the global trends in wellness services, with a focus on the relevant resources and the contemporary tourism activity in Hokkaido, will be offered in the third Section of this article.

The objective of this work is to identify the conditions for an integrative diversification (see Benur and Bramwell 2015 for a detailed overview of this concept) of wellness tourism services in Hokkaido, assuming

the *onsen* experience as the core element. For this purpose, a foresight analysis is undertaken, defining four possible future scenarios (see von Wirth et al. 2014 or Ratcliffe and Krawczyk 2011, who propose a systematic utilization of scenarios for policy and planning) and identifying the crucial factors conditioning this process. The selection of scenarios and the ranking of importance of assessment factors have been based on a set of interviews and a survey among a panel of experts and stakeholders with different and relevant experiences in wellness tourism (an example of the role of experts in prospective studies is given by Yoda, 2011). These methodologies are particularly relevant for planning processes under uncertainty, allowing for the formulation of flexible and viable strategies, combining different objectives and performance elements.

The impact of each group of assessment factors on each future scenario has been ranked by the expert panel, contributing to the identification of the most preferable scenarios, through a multicriteria analysis - a representation of the multi-faceted aspects of choice alternatives (an early systematization of these techniques is offered by Nijkamp et al. 1990, while the integration of different actors and perspectives is explored by Stirling 2006 or Akgün et al. 2012). In this case, a set of distinct alternatives and evaluation criteria are assumed a priori. These results will be complemented by a strategic choice analysis, by reorganizing the assessment factors into a SWOT matrix, in order to identify which factors play a more determinant role in a process of integrative diversification of wellness tourism services in Hokkaido (similar techniques based on an expert panel evaluation for tourism development were applied by Carrà et al. 2016). These methodologies are presented in the fourth Section of this paper, while the results are presented in the fifth Section.

The final Section includes a discussion of the main results of the multicriteria and strategic choice analyses performed, with a view to the political and managerial implications for the region of Hokkaido. General strategic guidelines will be proposed regarding the integrative diversification of *onsen* and potentially related services, while keeping in mind other types of research which may be necessary in order to implement effective action plans and coordinated measures for wellness tourism development in the region. In particular for this kind of service, requiring the utilization of different type of territorial resources (geothermal elements, natural parks or cultural assets, along with accommodation or transport services), the coordination between local private and public stakeholders appears to be crucial, as recently pointed out by Page et al. (2017), when analyzing the potential for business development in the wellness tourism area in coastal areas of the United Kingdom. Considering the abundance of *onsen* resources and other territorial assets that are potentially useful for the diversification of wellness tourism services in other parts of Japan, the methodology developed in this study can be useful in order to evaluate and to define strategic options for the development of this type of tourism services in other Japanese prefectures, taking into consideration their specific resource endowment, socio-economic characteristics and tourism dynamics.

2. Wellness Tourism: A brief historical overview and global contemporary tendencies

Wellness practices related to the utilization and benefits of water properties have a long history in different parts of the world. The Japanese *onsen* (hot springs) is one of the most ancient recognized examples: there are records of the existence of public baths in the last 3000 years (as it appears to be the case of *Dogo Onsen*, in Matsuyama). This tradition is still important in the current Japanese culture, while the country, due to its geological characteristics with many volcanic areas, offers a large number of opportunities for the *onsen* experience. In fact, public baths are still important elements of daily social life in Japan, mostly in rural areas. Most of these baths are integrated into accommodation establishments, often (but not necessarily) following the traditional *ryokan* Japanese style. In much smaller numbers, some baths can be found and used in public open air spaces.

Although the utilizations have varied along the history, according to different religious, cultural or social values and norms, the essential aspects of the bath did not change: the main purpose is the search for a physical and spiritual feeling of relaxation, although, in some cases, the baths can also be used for medical purposes. Often located in rural areas and surrounded by natural landscapes, the location itself contributes to this purpose and it is very frequent to make short trips to *onsen* areas in contemporary Japan. Normally there are separated tubs for men and women, and the bath is taken totally naked. In some (exceptional) cases, mostly in large accommodation facilities, some additional services are offered (different types of bath, massage or beauty treatments).

The public bath has also an ancient tradition in Europe, at least since the Roman Empire (Second century BC). Taking advantage of the abundant thermal resources existing in the territory generally corresponding to contemporary Italy, the Romans developed a particular system of baths based on the circulation between tubs with different temperatures (cold, tepid and hot), complemented by physical activities, relaxation areas and even libraries. Public bathes were central points for social life. With the expansion of the Roman Empire, these facilities also spread to the West (until the Iberian Peninsula), the East (Constantinople, the contemporary Istanbul), the North (including territories today included in Germany or the United Kingdom) and also Southern Mediterranean areas (like Carthage, in contemporary Tunisia).

With architectural adaptations, these bathes were also adopted by the Arabic civilization during their expansion from the Middle East to Europe, after the Seventh century. The public bath continued to be a place for daily social life in most of the cities. This kind of facility can still be found in some places of Southern Spain (like Cordoba or Seville), where the Islamic heritage is more visible, helping to create a unique historical atmosphere and contributing to the uniqueness and attractiveness of those cities. Although the denomination is the same as for the Turkish baths (*Hammam*), the bath in Turkey follows a different process, mostly centered in a moment of relaxation in a warm room with water steam, followed by a vigorous massage and washing. Other ancient types of bath were observed in different parts of the world (like the Maori tradition in contemporary New Zealand or the indigenous tradition in the American continent) adapted to the natural characteristics of the territories and the social and cultural characteristics of the population. Detailed historical and geographical overviews of the utilization of water for the promotion of health, often connected with social activities, can be found in Smith and Puczkó (2013), Steward (2012) or Walton (2013).

In the modern age, mostly in Europe, a more specific orientation of the utilization of water for medical purposes may be observed in different countries (like Germany, the United Kingdom, France or Portugal), mostly after the 16th century, with the creation of hospitals focused on water-based therapies. Due to the characteristics of many of these places, normally located in quiet areas framed by beautiful natural sceneries, they would later become travel destinations for the holidays of the wealthiest social classes. During the 18th century, places like Spa (Belgium), Vichy (France), Bath (United Kingdom) or Baden Baden (Germany) would complement the utilization of water with the development of recreational facilities (mostly casinos), becoming central elements for leisure and social life. Nevertheless, the development of transportation systems and accessibility during the 19th century contributed to the development of tourism in coastal areas (mostly in the South of Europe) and the thermal establishments would lose importance as leisure destinations.

Nevertheless, during the 20th century, with the development of the Welfare State in many European countries and the subsidies for public health, a new development could be observed in thermal facilities. Oriented to a larger social spectrum, involving the majority of the population and with a clear medical orientation, the utilization of thermal resources was focused on the treatment of diseases. However, this process would be gradually interrupted, due to scientific evolution in medicine leading to the development of antibiotics and implying a decrease in the utilization of thermal establishments for medical purposes (Tabbachi 2008 offers an overview of these historical developments). Since the end of the 20th century, a new dynamics may be observed in many thermal centers (including some of those with long historical roots), related to new holistic lifestyles, integrated approaches to healthcare, increasing importance of the concepts of wellbeing and preventive behaviors, environmental sustainability and the search for unique and authentic experiences. Elis (2008), Cohen (2008) or Johnston et al. (2011) have analyzed the implications of these new trends in healthcare on tourism activities.

Often located in areas with rich environmental characteristics and pleasant natural scenarios, traditional thermal facilities in different countries promoted innovative transformations, by integrating their historical heritage into a broad concept of wellness, which includes different types of water-based treatments, physical activities and fitness exercises, cultural and educational services or meditation and relaxation activities (Erfurt-Cooper and Cooper, 2009). In fact, an empirical analysis conducted by Chen et al. (2008) for Taiwanese wellness destinations, concluded that relaxation, recreation, enjoying nature and pursuing multiple activities are the main factors motivating wellness travellers. These motivational factors are clearly interesting for the region of Hokkaido, where they can be satisfied through a combination of nature-based territorial resources with a unique wellness experience rooted in the Japanese *onsen* tradition.

When offering a systematic description of these new trends, Johnston et al. (2011: p. 20) propose definitions of wellness tourism and tourists, which are crucial to distinguish these activities from other health-related forms of travel, like medical tourism (oriented to obtain medical assistance – like surgeries or dental treatments - in order to cure an illness). For these authors, “wellness tourism involves people who travel to a different place to proactively pursue activities that maintain or enhance their personal health and wellbeing, and who are seeking unique, authentic or location-based experiences and therapies not available at home”, while wellness tourists are “seeking integrated wellness and prevention approaches to improve their health and quality of life”. This definition is in accordance with Corbin and Pangrazi (2001), when defining wellness as “a multi dimensional state of being describing the existence of positive health in an individual as exemplified by quality of life and a sense of well-being”.

Stressing that the search for authentic and location-based experiences are key motivations of wellness travellers, these authors also mention in their international analysis of wellness tourism destinations that very few places are in fact developing a differentiated type of service based on the uniqueness of their traditions. In fact, they argue, even the major emerging destinations in this segment (like Thailand or Indonesia) are mostly positioning their services on the luxury side of the experience, rather than on their local identity and tradition. A similar approach to authenticity has been found by Huijbens (2011) for wellness destinations in Iceland. In fact, it is also possible to observe that a large number of wellness tourism facilities (mostly in urban areas) are based on *spa* related services not necessarily linked to specific local characteristics of the water or to historical cultural traditions. In this sense, the authentic experiences offered at the Japanese *onsen* can clearly be positioned as a distinctive and differentiated service in international markets.

An interesting analysis and discussion of the concept of authenticity in the context of wellness tourism is offered by Laing et al. (2013), by distinguishing three different and relevant forms: intrinsic authenticity (assuming that there is one objective determination of genuineness or truth, rather than multiple realities); existential authenticity (determined by the visitor, who perceives an opportunity to be their true or authentic selves); and corporeal authenticity (related to the senses). In this case, intrinsic authenticity, deeply rooted in the cultural context and rituals linked to the *onsen* practices, can be extremely relevant for Japanese visitors. On the other hand, existential and corporeal authenticity can be more important for foreign visitors, which are not embedded in the same cultural rules, and generally aim at achieving a high level of personal satisfaction with their travels, according to their own perceptions of history, culture or even fantasy. In this sense, this difference can lead to a potential conflict between the expectations of different users, as will be discussed later on.

The different levels of authenticity at which wellness services can operate in a context of a globalized and multicultural tourism market have implications for the segmentation of demand. In fact, the concepts of wellbeing can also be different according to each individual, as there are specific motivations, needs and requirements for different types of tourists: older persons tend to prefer different activities than the youngsters, families with children tend to be more oriented to educational activities than adults, women and men can have different preferences for body care or beauty treatments, etc. Thus, the segmentation of demand and the creation of different packages of services according to individual preferences are also crucial for wellness tourism development, as pointed out by Mueller and Kaufmann (2001) or Medina-Muñoz and Medina-Muñoz (2013).

Independently of these processes of segmentation of tourism demand, the personal relations between customers and therapists appear to be crucial for the satisfaction with wellness services, as Nilsen (2011) observed in detail. In fact, as these services are mostly related to health – even if they are provided in accommodation establishments rather than hospitals, as Mueller and Kaufmann (2001) point out – the trust and personal confidence between users and providers is a fundamental issue. Thus, as this is a new but quickly growing activity, it is not easy to find personnel with adequate qualifications (at both technical and managerial levels), as has been observed in an international study conducted by Cohen and Russell (2008) or in a particular analysis of the Chinese market by Kucukusta and Heung (2012). As will be seen, this question is also of special importance for the context of Hokkaido.

These geographical and historical examples clearly show how wellness services can be deeply rooted in local natural resources and cultural values, while a differentiated wellness experience can benefit from the

uniqueness and authenticity of the practices traditionally developed in each place. On the other hand, tourists – and mostly international tourists, who are not embedded on these local cultural frameworks – can have different perceptions on the uniqueness and authenticity of a wellness facility, apart from their own preferences and motivations for different services. In that sense, the architectural design and the integration of wellness facilities into a particular territorial landscape can offer the sense of uniqueness and differentiation of a destination, even if the services provided are not exclusively based on the local tradition. Thus, it seems to be possible to offer a varied set of services for the satisfaction of different users, while keeping the authenticity and uniqueness of the place. Nevertheless, adequate and qualified human resources are crucial elements for a satisfactory wellness tourism experience.

3. Global trends in Wellness Tourism and tourism dynamics in Hokkaido

According to the estimations developed by the Stanford Research Institute for the Global Spa and Wellness Summit (Yeung and Johnston 2015), wellness tourism (494 billion dollars worldwide in 2013) is a much larger segment within contemporary tourism than medical tourism (50 to 60 billion dollars). Representing around 17% of this amount (and 19% of the 586 million trips estimated for the same year), the Asia-Pacific region reveals high growth levels in comparison with the other main global destinations: 26% growth between 2012 and 2013 for the number of trips (5% in North America and 7% in Europe), with 22% growth in revenues during the same period (8% in North America and 13% in Europe).

The same report estimates, for the global level, that a thermal establishment with diverse *spa* services (including different treatments, massage or physical activities) has an average annual revenue of 4,9 million dollars, while an establishment exclusively focused on the thermal resources generates a much lower revenue (0,9 million dollars per year). Consequently, although Japan (with more than 17.600 facilities) has around two thirds of thermal establishments in the world, the revenue per establishment (0,66 million dollars) is below most of the countries ranked within the list of the 25 largest world thermal destinations (including neighbor countries like South Korea). On the other hand, when observing the data exclusively focused on establishments offering diversified *spa* services, Japan ranks as one of the first countries in the world.

Despite their limitations, these data suggest that the abundance of thermal resources in Japan – and in particular in Hokkaido – could be used to generate higher revenues, to create more employment and to exert an higher impact on local and regional development, through an integrative diversification of thermal-related services, assuming the *onsen* experience as the core element of tourism supply, but complementing it with a diversified set of activities, which can include different *spa* oriented services (massage, different water treatments, beauty care, etc.) and other leisure activities linked to the specific preferences of wellness travellers (sports, ecotourism, hiking or educational programs).

In fact, the rich biodiversity, landscape characteristics and natural assets of Hokkaido (a region with a very low population density, low industrial development and vast and unpolluted green areas) can clearly reinforce the attractiveness of the thermal resources, contributing to the supply of a unique, differentiated and satisfactory experience for wellness tourists. In this sense, the priority given by the Japanese government (Government of Japan, 2016) to some national natural parks (including the Akan Lake, in Hokkaido) as core resources for local revitalization through tourism development can be an important tool for the development of wellness tourism in the region. It is also noticeable that several large accommodation facilities in the region already include a diversified set of *spa* services, while other large investments are under development.

According to the data from Hokkaido Prefectural Government (2014), in 2014 the region had 2.222 *onsen* resources, 689 hotels with *onsen* facilities and 118.127 beds available in these accommodation establishments. Figure 1 shows the regional distribution of the *onsen* resources, on left hand side, and the number of beds in accommodation establishments, on the right hand side. The classes were created based on quartiles, so that all the classes include a similar number of observations (normally two). We can observe that the peripheral regions of Kushiro-Nemuro, Okhotsk and South have a larger proportion of *onsen* resources (darker colors) than related accommodation facilities, while the contrary is observed in the North region and Sapporo (the Prefectural capital, concentrating almost 40% of the resident population in Hokkaido). These differences are reflected the number of beds available per *onsen* resource, ranging from 102 in Sapporo (with a very large supply of tourism services, as the main urban center) to 31 in the South. A

relatively low number of beds per onsen resource can be also found in Kushiro Nemuro (41), Tokachi (45) and Central Hokkaido (54), while higher numbers of beds are achieved in Okhotsk (76) and the North (77).

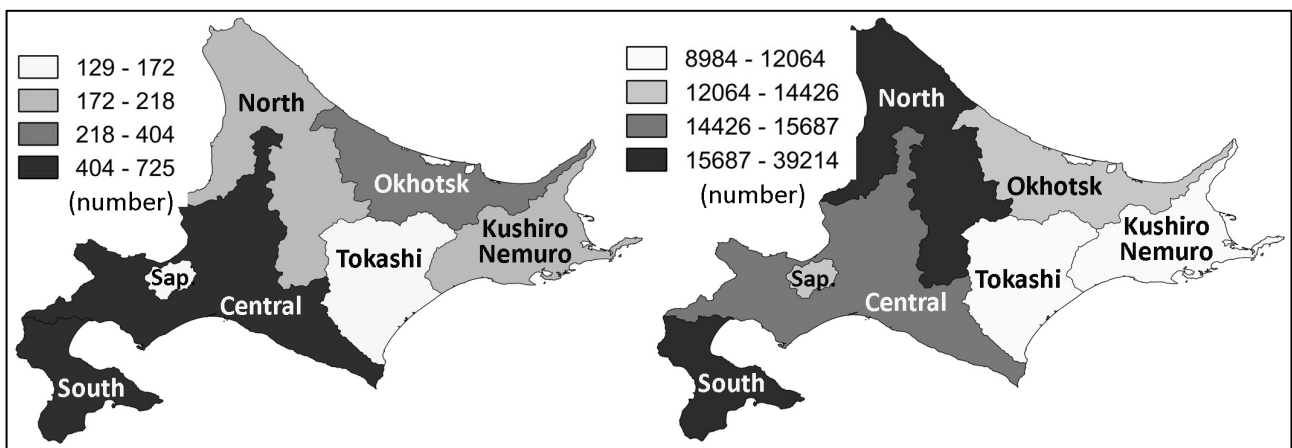


Figure 1: *Onsen* resources and beds in accommodation establishments in *onsen* services

On the other hand, the regional distribution of the overall tourism demand is depicted in Figure 2: the map on the left hand side shows the number of overnight stays in regional accommodation establishments (thousands), while the right hand side represents the share of foreigners (percentage). In both cases, we observe the importance of the central areas of the Prefecture, suggesting that there is a great potential to reinforce the attractiveness of the peripheral areas of the island through the development of wellness services, taking advantage of the existing (or new) accommodation facilities and the thermal resources available (specially in the Northern area). In particular, these peripheral areas have much less foreign visitors, which seems to enhance the opportunities for the internationalization of the wellness tourism services in Hokkaido.

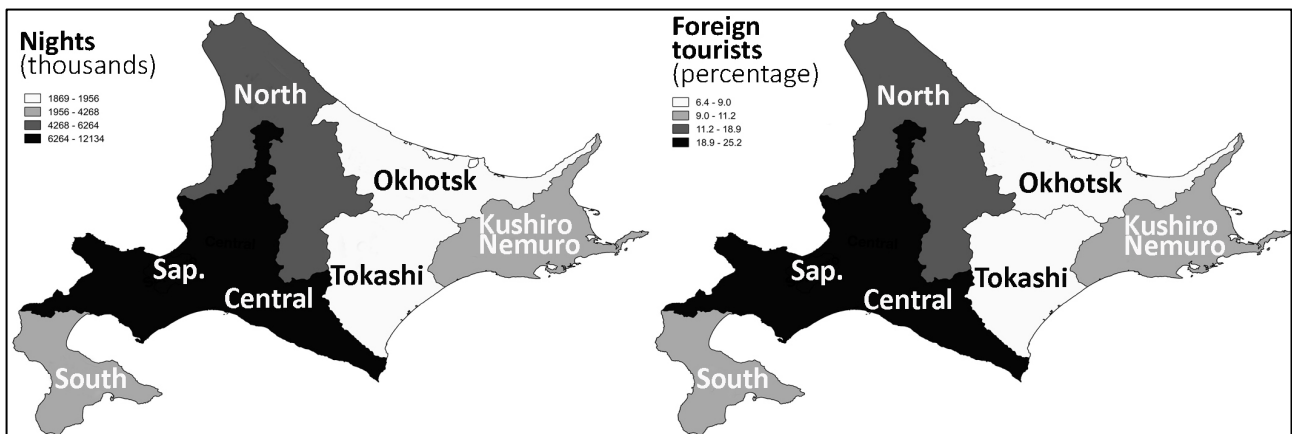


Figure 2: Overnight stays (volume and share of foreigners)

According to the Japan Tourism Agency (2014), leisure is the main motivation for travelling to Hokkaido (83%) and the length of the travel is relatively long, with a majority of visitors (56%) staying 4 to 6 days in the region (in fact, only 4% stay 3 days or less). These conditions offer a good opportunity for the supply of a diversified set of tourism products and services, which are essential for the satisfaction of tourists, suggesting a high potential for the development of wellness services.

In the same survey, differences between motivations of tourists in their first visit to Japan and a possible next visit are also analysed, along with the identification of the activities performed during the trip (line 1 in Figure 3). The results related to the aspects of the traditional Japanese culture more directly related to Health and Wellness Tourism reveal the high potential for development of these services and a very high satisfaction (line 2) is achieved with the experience of *ryokan* (traditional Japanese accommodation establishments), *onsen*, nature, culture and local food. On the other hand, the motivation for experiencing

onsen, ryokan and traditional culture during the next visit (line 4) is clearly higher than the previous motivation for the first visit (line 3).

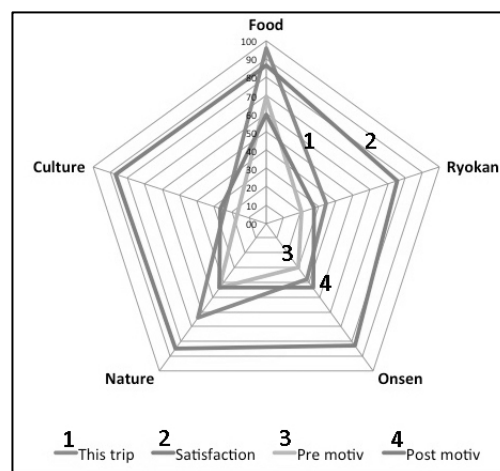


Figure 3: Activities, satisfaction and motivations of foreign tourists in Hokkaido

The combination of these results show that foreign tourists achieved a high satisfaction with *ryokan*, *onsen* and traditional Japanese culture, even if these were not the core elements influencing their decision to travel to Japan. After the visit – and after experiencing or getting more precise information about these elements – their motivation for this kind of aspects clearly increases. These tendencies can be observed for the overall tourist market (represented in the diagram) and for each particular national market segment, without any exception. In this sense, the authenticity and uniqueness of the traditional *onsen* experience seems to be attractive for the external markets, while the diversification of services based on endogenous territorial resources (landscape and nature) are in accordance with the main motivations identified for the international wellness travellers.

Although wellness tourism is not clearly framed in the regional strategies for tourism development, the “Action Plan for Regional Development with Tourism Industry as its Core (2013-2017)” (Hokkaido Prefectural Government, 2012) defines as objectives: “Creating more long-stay destinations by utilizing local resources (such as nature, food and hot springs)”, while “Vitalizing the regional economy by strengthening tourism industry”. These general purposes seem to be consistent with the development of wellness services. As several important private stakeholders are undertaking relevant initiatives and investments in this field, it seems possible to anticipate that this type of tourism will achieve higher importance in the near future.

On the other hand, according to the data obtained from the Japan Tourism Agency, international tourism in Japan is experiencing a rapid development in the last years (5 million international arrivals in 2003 and more than 20 million in 2015) and Hokkaido is even experiencing a higher growth (5,4% of the total international tourists in 2003 ad 9,7% in 2015). This dynamics can have the negative effect of reducing the incentives to innovation and diversification of services, as demand is continuously growing, even without these efforts. Nevertheless, as seen before, this demand is highly concentrated in the central areas of the Prefecture and also in the winter season (50% of the visitors were between October and January). Thus, wellness tourism can contribute to increase Hokkaido international attractiveness along all the year and to diversify the regional destinations inside the Prefecture, with a potential high contribution to the revitalization of less developed and less urbanized areas.

4. Methodology: Multicriteria and Strategic Choice Analysis

The foresight analysis performed in this work is based on a synthesis of a relevant literature review and on observations on recent wellness tourism trends, complemented by a set of individual interviews to a panel of 6 experts and stakeholders in this field operating in the region of Hokkaido, including high level decision makers in tourism-related companies (a major hotel group and a travel agency), a policy institution (the Prefectural Government of Hokkaido), a private consultancy company for regional development, and a research institution in tourism. The inputs from the interviews were summarized in 4 groups of evaluation

criteria, representing the major drivers (or constraints) to the development of wellness services in Hokkaido and 4 scenarios have been defined, considering a time horizon of 20 years.

The alternative scenarios were created taking into consideration the dichotomies of “traditional vs diversified services” and “national vs international markets”. A pairwise combination of these angles leads to the creation of four distinct future images for the region (scenarios): traditional services for the internal (Japanese) market; traditional services for external (foreign) markets; diversified services for the internal market; and diversified services for the external markets. This structure has also been discussed in the interviews with the experts and it was generally considered as useful for the purposes of our analysis.

The criteria used to assess the future development of wellness tourism services in Hokkaido are systematically organized in four distinct and relevant groups (see Table 1): *territorial resources*, defining the characteristics of the territory perceived as relevant for the present project; *wellness tourism dynamics*, identifying the major global and local tendencies in tourism-related activities, with a focus on the wellness segment; *innovation potential*, including the characteristics of the territorial capital perceived as necessary for the diversification of this type of activities; and the *competitive context*, including aspects related to costs, prices and accessibility, in comparison with other destinations offering similar services. After a first definition of possible factors, based on literature, the final list was defined after the systematization of the perceptions of the stakeholders and experts collected during the interviews.

The territorial resources include both material and immaterial assets available in the region, which have been identified as important elements for the development of wellness services. Natural factors, like the abundance of thermal resources (an essential element of the *onsen* experience), the natural resources, including important protected natural areas and very particular ecosystems, due to their geological or biological characteristics (which can constitute important elements for the diversification of services related to ecotourism), the particular natural landscape of Hokkaido, benefiting from these natural characteristics in a quiet environment (which can contribute for the creation of a relaxed atmosphere or open air activities related to hiking or other physical exercises), healthy food based on local ingredients (which is seen as a major element of contemporary wellness tourism), cultural heritage, in this case related to the Ainu traditions, the indigenous populations living in Hokkaido (which can offer a set of complementary activities related to culture and education) and, finally, the local knowledge on traditional *onsen* services, arising from the existing capacity in the region and the related human resources for their provision.

A second group of factors aims at defining and evaluating the potential (and constraints) existing in Hokkaido in order to develop a diversified set of wellness services, assuming the *onsen* experience as the core element. These kinds of services require specific human resources and knowledge, not necessarily existing in this peripheral region of Japan. From an entrepreneurial point of view, it also requires a high degree of openness to innovation and diversification of services, since most of the establishments focus their supply in the traditional *onsen* experience and accommodation services. Thus, the links to other services within the wellness context (other water based experiences, massages, aromatherapy, etc.) or to other sectors (ecotourism, cultural tourism, transportation or digital technologies and media production) seem to be crucial for the creation and dissemination of new marketable products and services. Finally, a potential conflict arising between the expectations of Japanese tourists (generally oriented to the traditional *onsen* services) and foreign wellness tourists (generally expecting a broader set of services for a satisfactory experience) was commonly mentioned in the interviews. This conflict could be especially important in small accommodation facilities, since the additional wellness services could easily interfere with the adequate atmosphere for the traditional *onsen* services.

A third group of factors relates to the current wellness tourism dynamics observed at the international level and its possible implications for the region of Hokkaido. In this context, the global expansion in wellness tourism, the new trends in health care (related to preventive and proactive behaviors) and the environmental and sustainability concerns revealed by a growing number of contemporary tourists were perceived in the interviews as crucial elements to generate new business opportunities following the wellness concept, which seems to be confirmed by some initiatives already undertaken by key private stakeholders (in particular, large hotel groups, diversifying their supply of wellness services). The high growth of tourism demand in the region over the last few years can contribute for the international recognition of Hokkaido as a tourism destination, while the support from public institutions can also play a relevant role in order to stimulate,

coordinate and plan the utilization of different territorial resources (natural, cultural or transports) for the integration of different services in a coherent supply.

The final group of factors considered relates to the competitive position of Hokkaido regarding the potential markets and rivals. In terms of the overall tourism industry, it is perceived that the operational costs (including labor costs) are clearly higher in Japan than in the neighbor countries (in broad sense, China, Korea, Thailand, Malaysia, Indonesia, Vietnam or the Philippines). On the other hand, it is apparent that the devaluation of the yen registered in the last few years contributed for the high growth of tourism demand observed in Japan, suggesting that Japanese tourism is relatively sensitive to fluctuations in the exchange rate. In terms of the development of wellness services in other destinations, several Japanese regions also have abundant thermal resources, along with a longer tradition in the supply of *onsen* services. Finally, the connectivity and accessibility are very crucial aspects, considering the distance of Japan to the most developed regions of the world (Europe and North America) and also the peripheral situation of Hokkaido within the Japanese context.

In a second step – after the definition of the final list of assessment criteria –, the same respondents who had been interviewed were asked to answer (by email) a survey, quantifying (through scores from 1 to 6, 1 being the least important and 6 the most important) the importance of each of the factors considered in the evaluation criteria (see Table 1) and also ranking (through scores from 1 to 4, 1 being the smallest impact and 4 the highest) the impact of each group of evaluation criteria on the different alternative scenarios (see Table 2). This information allowed us to complement the foresight experiment with an estimation of the most preferable scenario.

The ranks obtained from the individual answers to the survey were systematized in new ranks (Tables 1 and 2), based on the average answers collected (since the number of respondents was relatively limited, deviations from the average answer were small and “minority opinions” were not possible to identify). These new ranks were next used to assess the most preferable scenario(s) for the future of wellness tourism services in Hokkaido (Table 3), by using a Multicriteria Analysis based on the “Potentially All Pairwise Rankings of all possible Alternatives” (PAPRIKA) method (Hansen and Ombler 2009).

This method of estimation consists of a systematic comparison of the scenario impact of all possible pairs of criteria, computed in the online platform 1000minds. The result of each comparison can be equal (indifference) or unequal (strict preference). Through successive comparative choices (and by using linear programming methods based on the transitivity property of additive value models), the number of answers required to identify the rank of possible alternatives is minimized, by eliminating the redundant pairs, which are implicitly ranked, as corollaries of the explicitly ranked pairs. The scores obtained for the criteria represent both the relative importance and the degree of achievement of a particular alternative. By summing these scores, it is possible to rank the different alternative scenarios. It is important to notice that, following this methodology, the overall impact of each criteria is not necessarily equal to 100% (the results are not normalized). A detailed description of the PAPRIKA method can be found in (Hansen and Ombler 2009).

By reorganizing the list of assessment factors into a SWOT matrix, systematizing the potential positive or negative impacts of those factors on the future development of wellness services in Hokkaido, a strategic choice analysis was performed (see Kourtit and Nijkamp, 2011). It is crucial that the same assessment factors considered in the multi-criteria are also used (reorganized) in the SWOT analysis, so as to ensure the coordination and complementarity with the strategic choice analysis. Keeping the rank order of importance for each of them allows us to perform a hierarchical analysis of the main resources and opportunities that can be used considering the most important perceived problems and obstacles in the region. This combination of a strategic choice analysis with a multi-criteria analysis is inspired by a similar application by Kourtit and Nijkamp (2011) in a different context (assessing migration patterns based on a survey of a panel of experts).

Following the conventional approaches in this field, the factors were organized according to Strengths (internal positive aspects, controllable by the local stakeholders), Weaknesses (internal negative aspects, controllable by the local stakeholders), Opportunities (external positive aspects, not controllable by the local stakeholders but potentially constituting positive factors for further development) and Threats (external negative aspects, not controllable by the local stakeholders and potentially constituting relevant obstacles for further development). Keeping the scores obtained through the evaluation performed by the members of the

previously mentioned panel, it is also possible to infer which of these factors can exert higher contribution to the achievement of the desirable scenario (see Table 4). At the same time, we can ensure that all the factors assumed as relevant by the expert panel are integrated into the SWOT analysis, ensuring the coherence and complementarity between the multi-criteria and the strategic choice analysis.

5. Results

5.1. Multicriteria Analysis

As mentioned, for each group of criteria, the participants in the survey experiment were asked to rank (1 to 6) each sub-criterion, according to the importance attached to each of them. A rank order for the criteria in the four assessment categories can now also be created, based on the average answers. This rank is presented in Table 1.

Table 1: Importance of each sub-criterion

Territorial resources		Wellness tourism dynamics	
Thermal resources	6	Initiatives by key private stakeholders	6
Natural resources	5	Global expansion in Wellness Tourism	5
Landscape	4	New trends in health care	4
Healthy food	3	Tourism growth in the region	3
Cultural heritage	2	Environmental and sustainability concerns	2
Knowledge on traditional onsen services	1	Support from public institutions	1
Innovation potential		Competitive context	
Human resources for new wellness services	6	Cost-efficiency of tourism services	6
Knowledge for new wellness services	5	Competition from other Japanese regions	5
Openness to innovation and diversification	4	Competition from other countries	4
Links to other services	3	Connectivity to external markets	3
Links to other sectors	2	Connectivity to internal markets	2
Conflict between expectations (Japanese vs foreign)	1	Exchange rate	1

It is possible to distil from Table 1 that the perceived importance of criteria based on the natural conditions of Hokkaido (e.g., thermal resources, natural areas and landscape) was valued higher than the cultural heritage. Similarly, the relevance of human resources and knowledge (which are scarce in the region) for a diversification of wellness-related services, are clearly valued higher than the potential conflict of expectations between Japanese and foreign visitors when visiting a wellness tourism destination. Initiatives from private stakeholders are also perceived as much more important than the support from public institutions, while questions related to the cost-efficiency of tourism services, in relation to competing destinations, were assumed to be more decisive than questions related to connectivity of the region.

Next, the participants were asked to rank the importance of the impact of each group of criteria on the 4 scenarios defined. Table 2 shows the final rank order, based on the average answers obtained (the total scores obtained in the survey are presented in Annex 3). From this information, it is possible to infer that the competitive context is seen as an obstacle, while the innovation potential and wellness tourism dynamics seem to be crucial for the diversification and internationalization of wellness tourism services in Hokkaido.

Table 2: Importance of the relation between criteria and scenarios

	Traditional services for the domestic market	Traditional services for international markets	Diversification of services for the domestic market	Diversification of services for international markets
Territorial resources	4	3	1	2
Wellness tourism dynamics	1	2	3	4
Innovation potential	2	1	3	4
Competitive context	4	3	2	1

Next, the information from table 2 was integrated in an analysis performed in the online platform for decision models 1000Minds, complemented by a systematic comparison of pairs of assessment factors. The choice between these pairs of factors has been made taking into consideration the average scores assigned to each of them in the survey to the experts (according to the scores presented in Table 1). The results are presented in Table 3, representing the preference for each scenario (measured according to the total scores represented in the last row) and the major impacts of each criterion on the different scenarios.

Table 3: Main impact of the criteria on the scenarios

	Traditional services for the domestic market	Traditional services for international markets	Diversification of services for the domestic market	Diversification of services for international markets
Territorial resources	29,2%	16,7%	0,0%	6,9%
Wellness tourism dynamics	9,7%	0,0%	22,2%	26,4%
Innovation potential	0,0%	4,2%	19,4%	29,2%
Competitive context	26,4%	19,4%	12,5%	0,0%
Total score	66,3%	40,3%	54,1%	62,5%

The results shows that “Traditional services for the Japanese market” (the continuation of the existing situation) and “Diversification of services for external markets” (internationalization and diversification of wellness tourism services) are the most preferable scenarios. This confirms the perception that the Japanese visitors are mostly motivated by the traditional *onsen* experience (implying a low preference for scenario 2 – diversification of services for the Japanese market), while foreign tourists would expect a wider range of wellness services (implying a low preference for scenario 3 – internationalization based on traditional services).

Table 3 also reveals which group of criteria exerts a higher influence on the achievement of each scenario. It is easily seen that scenario 1 (traditional services without internationalization) is mostly pushed by the territorial resources and the limits imposed by the competitive environment, taking limited advantage of the contemporary dynamics in wellness tourism and not engaging in relevant innovative processes. Innovation appears to be moderately relevant for scenario 2 (internationalization based on traditional services), implicitly assuming less restrictions arising from the competitive context, which has less importance in this case. On the contrary, for the scenarios related to the diversification of services, innovation dynamics (mostly for scenario 4, oriented to external markets) and wellness tourism dynamics (mostly for scenario 3, oriented to the Japanese market) appear to act as the main drivers.

5.2. Strategic Choice Analysis

Since the most preferable scenarios identified in this analysis are related to the continuation of the existing situation (scenario 1, based on traditional *onsen* services for the Japanese market) and the diversification of services for external markets (scenario 4), a final logical step of our analysis is now to explore the potential contribution of each particular criterion used in our analysis for the achievement of the scenario concerned, once it implies an active involvement of the relevant stakeholders in order to overcome the current situation. In this case, our attention is mostly focused on scenario 4, since it appears as the most interesting for the future of Hokkaido from the point of view of tourism and regional development, as it can reinforce the attractiveness of the destination and exert higher positive socio-economic impacts. In fact, according to a study performed by Hokkaido Prefectural Government (2011), the daily consumption in the region by a foreign tourist (122.128 yen) is almost double than the daily consumption of a tourist from other regions of Japan (69.670 yen). Thus, a strategy oriented to external markets seems to offer a much higher potential socio-economic impact.

For our purposes, a strategic choice analysis is a useful tool to identify the main factors (and obstacles) that can contribute for the achievement of the desirable scenario. By reorganizing the assessment factors previously defined as the most relevant drivers of wellness tourism development in Hokkaido (listed in Table 1) accordingly to a SWOT matrix (presented in Table 4), we can ensure that all the strategic factors

perceived as important by the expert panel are considered, while keeping the coherence with the multi-criteria analysis previously conducted.

Table 4: SWOT analysis of wellness tourism in Hokkaido

Strengths		Weaknesses	
Initiative by key stakeholders	6	Cost-efficiency of tourism services	6
Thermal resources	6	Human resources for new wellness services	6
Natural resources	5	Knowledge for new wellness services	5
Landscape	4	Conflict between expectations (Japanese vs foreign)	1
Healthy food	3		
Cultural heritage	2		
Knowledge on traditional onsen services	1		
Opportunities		Threats	
Global expansion in Wellness Tourism	5	Competition from other Japanese regions	5
New trends in health care	4	Competition from other countries	4
Tourism growth in the region	3	Openness to innovation and diversification	4
Links to other services	3	Connectivity to external markets	3
Environmental and sustainability concerns	2	Connectivity to internal markets	2
Links to other sectors	2	Exchange rate	1
Support from public institutions	1		

It is clear from Table 4 that the main problems for the diversification and internationalization of wellness tourism services in Hokkaido (scenario 4) relate to the cost-efficiency relation within the tourism services, which are perceived as very high, mostly in relation to external potential competing destinations in Asia. In this context, enlarging the value chain of tourism activities may increase the efficiency of these services, while the diversification related to wellness activities can offer a positive contribution. For these purposes, the strongest assets of the region seem to be those related to its peculiar landscape and rich natural resources, which offer excellent conditions for the development of different types of nature-based services (ecotourism, active tourism, bird watching, educational programs, hiking, etc.). The inclusion of the natural area of Akan Lake (one of the most important *onsen* areas in Hokkaido) within the group of parks defined at a national level for ecotourism development can also offer a positive contribution.

Nevertheless, it also clear that the qualifications of the human resources and the limited knowledge available in the region and required for the creation of new wellness-related services constitute a major obstacle for this diversification. In that sense, the initiatives already undertaken by some major private stakeholders (related to the hospitality sector) can exert a positive impact on other companies, through the dissemination of good practices. Anyway, education and training for human resources in the overall tourism sector (and mostly when aiming at international markets, requiring knowledge of different languages) is a general challenge for the development of this sector in Japan.

Next, the competition with other Japanese regions is also perceived as an important problem, which is related to the recent (starting in the 20th century, after the arrival of the Japanese population to the island, in the end of the 19th century) development of *onsen* services in Hokkaido, generally perceived (mostly within the domestic market) as less authentic than in other regions of Japan. Anyway, the fact that this tradition has been relatively recently adopted also creates the conditions for a more flexible integration with new services, as it is not so much rooted in the local history and culture. Thus, the diversification of services can reinforce the international attractiveness, without the negative perception of an inauthentic experience. Nevertheless, this can also prompt a conflict of expectations between Japanese tourists (expecting traditional services) and foreign tourists (expecting diversified services). As a result, the external markets seem to be the most adequate for the diversification of these services, but special care should be taken when designing these kinds of facilities, so as to ensure that the traditional characteristics of the Japanese *onsen* experience are still preserved when adding other services.

Finally, we also observe that the current global dynamics in wellness tourism and the new trends in health care are seen as core drivers for the development of wellness tourism in the region, implying that there is a

clear perception of the transformation in regional services required for the adjustment to the variations in consumer demand. Although the positive dynamics that can be observed in the last years in tourism activities in Hokkaido mitigates the urgent need for innovation and diversification of services, the leading role of some large private companies in the hospitality sector can be decisive for the learning processes necessary for the related processes of innovation in services and management required for the diversification and internationalization of wellness tourism in the region.

Although this dynamics within the wellness tourism segment is also seen (to a lesser extent) as a driver for the development of traditional services, the competitive context seems to be perceived as a major obstacle for internationalization. Thus, scenario 1 (traditional services for the domestic market) is also seen as a highly desirable situation, in accordance with the existing situation in the region, scoring clearly higher than scenario 2 (traditional services for international markets). In fact, the achievement of scenario 2 seems to be mostly dependent on overcoming the difficulties of the competitive context, which, in many cases, are not exclusively dependent on the regional territorial resources (internal and external competition, internal and external accessibility or labor costs). In both situations, this kind of development would not need to introduce innovative services oriented to the new trends in health care, which does not seem in accordance with the contemporary tendencies of international wellness tourism. Although this lack of diversification is perceived as an obstacle to internationalization (scenario 2), it is still possible to create a desirable situation by keeping the current type of supply (scenario 1), which is currently offering interesting results in terms of regional tourism demand, although it seems not be the most interesting in terms of the potential economic impacts on the regional economy (which should be scenario 4)..

6. Discussion

Based on an exhaustive literature review complemented by interviews to a group of experts and stakeholders, this article offers a systematic foresight analysis of the potential integrative diversification of wellness tourism services in Hokkaido, assuming the uniqueness and authenticity of the traditional Japanese *onsen* experience as the core element. As a first result of this analysis, it was commonly perceived in the interviews that this process can have important socio-economic benefits for local communities, mostly in rural areas, by combining tourism services with other territorial resources, in particular those related to the particular landscape and natural assets available in the region.

The analysis was based on four possible scenarios for the future, exploring the dichotomies “traditional vs diversified services” and “national vs international markets”. By using four groups of assessment factors, which determine the evolution of wellness tourism services in Hokkaido, a multicriteria analysis revealed that the most preferable scenarios are the continuation of the existing trend (traditional services for the Japanese market) or the diversification of services for external markets (corresponding to the idea of integrative diversification). In that sense, the strategic choice analysis undertaken in this work was mainly focused on this second option and corresponds to the purpose of our analysis, since it implies higher socio-economic impacts for the region and benefits for the local population, as identified in previous studies about the impacts of national and foreign tourists on the regional economy.

The less preferable scenarios of service diversification for the internal market and the continuation of traditional services for the external markets clearly express the potential conflict of motivations and expectations between Japanese clients (more oriented to the traditional *onsen* experiences) and foreign users (more oriented to a diversified set of services). In that sense, it seems more preferable that large accommodation facilities can pursue a process of service diversification than small facilities, since it is easier to integrate new *spa*-related activities, while keeping the characteristics and atmosphere of the traditional *onsen* services. On the other hand, the fact that *onsen* services in Hokkaido have been developed mostly during the 20th century mitigates the importance of traditional values, while enhancing the possibilities for a more flexible approach to new wellness services.

One of the most preferable scenarios relates to the continuation of the existing situation, in which traditional *onsen* services are mostly oriented for the Japanese market. Territorial resources are the main drivers of this process, with nature and landscape assuming more relevance than cultural assets, while the lack of innovation and the competition from other destinations seem to be the main obstacles to diversification and internationalization. Although this scenario does not promote a relevant increase in the value added

generated by these services or a closer interaction with other sectors, it still guarantees an interesting dynamics, expressed in the current level of tourism demand in the region, while being adapted to the entrepreneurial structure and the human resources actually available in Hokkaido.

The other preferable scenario aims at the internationalization and diversification of services, representing a major challenge for the region, as it is mostly driven by innovation capabilities oriented to catch up with the contemporary global wellness trends. An important element potentially contributing to a process of this type is the initiative already undertaken by several key stakeholders (normally large hotel groups), along with a rising awareness by public institutions regarding wellness tourism. In this sense, the importance given to the integration of local resources in the differentiation of tourism supply (expressed by the Prefectural Government) or the importance given to the natural area of Akan Lake as a tourism resource (by the national government) also seem to contribute to a closer and sustainable connection between wellness tourism, natural resources and the particular regional landscape.

The integrative diversification of services (Benur and Bramwell 2015) and the resulting enlargement of the value chain of tourism activities would also contribute to a more favorable relation between the cost and the efficiency of tourism services, improving the position of Hokkaido in the competitive context of Japan and also other Asian countries offering wellness services. Nevertheless, apart from the lack of innovation dynamics, the qualification of human resources seems to be a major challenge for the region, requiring specific processes of education and training, both at managerial and operational levels.

In this context, a strategy based on the concept of differentiation, as defined by Porter (1985) for the achievement of a position of competitive advantage, seems to be clearly preferable to a strategy focused on cost leadership. In fact, the costs for the provision of tourism services in Japan seem to be clearly higher than in other Asian countries. On the other hand, the particular aspects of the *onsen* tradition and the peculiar natural, geological and landscape characteristics of Hokkaido appear to offer the necessary ingredients for the creation of a unique and differentiated product within the wellness tourism international context. The region can also benefit from the experience arising from a consolidated position within the internal market, expressed in the high growth rates of tourism activities over the last years. This development can contribute to increase the entrepreneurial abilities to develop innovative services oriented to a process of increased internationalization.

For these purposes, an adequate articulation between public and private stakeholders seems to be required, since the creation of a diversified package of complementary wellness services implies the utilization of different types of territorial resources, under different kinds of property regimes (public, private or common). This includes, primarily, the onsen resources, but also the natural areas or cultural heritage. On the other hand, the development and coordination of different transportation services can contribute for the exploration of synergies and complementarities between different resources, in different locations of Hokkaido (for example, through the creation of touristic routes between different places and the design of adequate complementary services). Finally, promotional efforts are also required in order to position the new wellness tourism services into international markets. In fact, a very recent study focused on a region in the South of England (Page et al., 2017) also stresses the importance of coordination between a network of stakeholders for the development of wellness tourism services.

It is also important to notice that further research is required in order to analyze the different regional situations and problems faced within Hokkaido Prefecture. Surely, the urban area of Sapporo will offer a different combination of services than the rural and peripheral areas of the region. Also, the specificities of each place regarding mobility and accessibility impose different restrictions and opportunities: Sapporo and Central Hokkaido have good international connections through New Chitose airport, while South Hokkaido has a good connection by high speed train to the main island of Japan. The Northern and Eastern regions are less accessible, although there are several domestic airports available.

Thus, organizing different packages of services and different routes according to the accessibility of each area appears to be another challenge for the region. In the same sense, detailed market research is required in order to identify the different motivations and preferences of potential visitors, not only according to their nationality, but also taking into consideration different segments of tourists: travelling alone or in groups,

with families and children or not, or age and gender categories, normally influence the preferences of the visitors, requiring an adaptation of services and a creation of adequate packages for different types of clients.

In this sense, the present study can also benefit from the enlargement of the group of stakeholders involved in this type of strategic forecast exercise. Although our work integrated very relevant inputs from high-level decision makers, a larger number of stakeholders can contribute to increase the validity of the results, potentially leading to the identification of a higher diversity of perspectives and alternative strategic solutions. On the other hand, it is also crucial to understand the perceptions of different types of (potential) users of these new services, taking into consideration their possible segmentation (age, gender, nationality, cultural background, income, purpose, motivations, preferences, type of visit, etc.). These aspects will be addressed in future research.

Taking these aspects into consideration, the present work sheds new light on important options to be undertaken in order to define a strategic operational and evidence-based plan for the diversification and internationalization of wellness tourism services in Hokkaido. This can be taken as a starting point for a more detailed analysis, leading to concrete action plans related to product development, marketing strategies, human resource policies, resource management or transportation and mobility planning, taking into consideration the specificity of each location, but generally aiming at increasing the value added of the tourism sector and the intensification of its relations with the territorial resources and other inputs and technological sectors, in order to generate higher socio-economic impacts and a positive contribution to the local communities. Also, the positive insights offered by the application of this methodology for the region of Hokkaido suggest that similar studies can be conducted in other parts of Japan (or other countries), in order to propose strategic guidelines for wellness tourism development according to the specific territorial characteristics of each region.

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