

Senses Are the Key for Success

– What Today's Hit Products Reveal about Everyday Consciousness and the Social Structure –

By Nagaya Kazutaka

WHEN we look at the hit products and popular commercial facilities of the past five years to uncover new trends in Japan, we discover that sensory values such as the visual and auditory senses, taste and design are becoming the keys. Digital audiovisual equipment with high quality images and sound is popular, as are tasty or appealingly packaged soft drinks and alcoholic beverages. Sporty cars are also liked. On the other hand, there are signs of popularization in the tastes for cars and commercial facilities with some of us inclined towards the luxury end and others preferring low-cost options. Against a background of increasing leisure time, how products appeal to the consumers' senses determine their sales performances. At the same time, changes in social structures – such as the falling birthrate, the aging of society and the growing income gap – are also beginning to affect consumer behavior and lifestyles.

■ Slim TVs Match Home Interiors

Having reviewed all the hit products and the popular commercial complexes in Japan over the five years, I selected and compiled 20 items, focusing primarily on those with new and distinctive features. (Table 1) The interesting point is the increasing number of hit products in the audiovisual field, which has benefited greatly from the digital revolution.

Shipments of liquid crystal display (LCD) TVs, which lead the slim TV market, reached 4,217,000 units in 2005, increasing 58.3% from the previous year.¹ The popular 37-inch-diagonal display TV is only 11 cm deep (15cm deep for the 65 inch type), despite its large dis-

Table 1 Hit Products and Popular Shopping Facilities of 2001-2005 in Japan

AV • Information Equipment	<ul style="list-style-type: none"> • Slim TV (LCD, Plasma TV) • DVD Player • Cellular Phone with Camera Function • Portable Music Player "iPod"
Network Information Services	<ul style="list-style-type: none"> • Blog • Social Networking Services
Beverages • Alcohol	<ul style="list-style-type: none"> • Bottled Green Tea "lemon" • Beer-type Beverage "Third Beer"
Household Equipment	<ul style="list-style-type: none"> • Steam Oven "HEALSIO" • Tilted-drum Washer-Dryer
Motor Vehicles	<ul style="list-style-type: none"> • Luxury Sedans • Compact Cars
Shopping Facilities	<ul style="list-style-type: none"> • Roppongi Hills (Roppongi, Tokyo) • Marunouchi Building (Marunouchi, Tokyo) • Hilton Plaza West (Umeda, Osaka) • Herbis ENT (Umeda, Osaka) • Namba Parks (Namba, Osaka) • Shinsaibashi, Sogo (Shinsaibashi, Osaka) • Outlet shopping center for designer brands (suburbs of large cities) • Supercenter (suburbs)

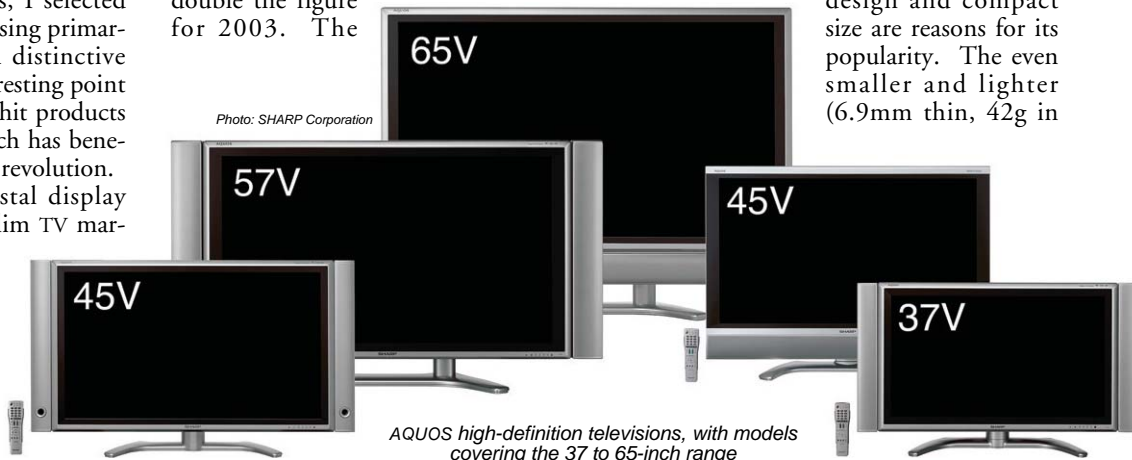
Source : Adjusted by the author

play. Apparently, many consumers feel these TVs give a refreshing, cozy feeling to a room in comparison with the traditional boxy picture tube TVs. The AQUOS brand was put on the market by Sharp Corp. in 2001 and now has the largest share of the slim TV market. Its refined, elegant design that appeals as an interior furnishing is one reason that AQUOS has gained such popularity.

Around 4.38 million DVD recorders were shipped in Japan in 2004, almost double the figure for 2003. The

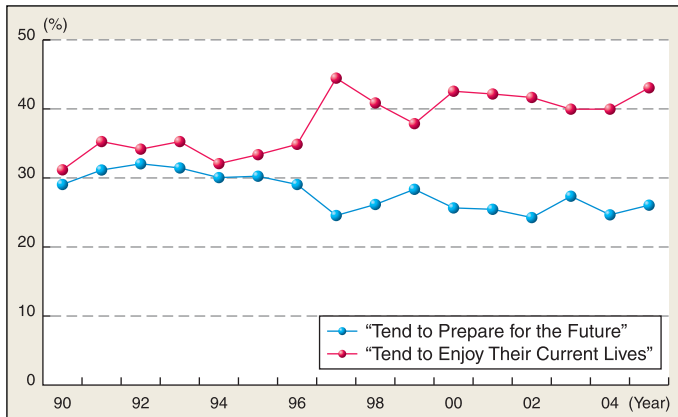
ability to immediately call up a scene that one wants to view; the resistance of sound and image quality to deterioration; the fact that the disks do not use up much storage space – have been received well.

There has been a boom in sales of Apple's iPod portable music player, which was launched in Japan in October 2001, along in the United States and Europe. The iPod can store an enormous number of tunes and its design and compact size are reasons for its popularity. The even smaller and lighter (6.9mm thin, 42g in



Notes : 1) From a survey by the Japan Electronics and Information Technology Industries Association (JEITA)

Figure 1 Changes in the Ratio of People Who “Tend to Prepare for the Future” and “Tend to Enjoy Their Current Lives”



Source : Nikkei Research Institute of Industry and Markets

weight) iPod nano, released in September 2005, is also extremely popular. Another appealing feature of the iPod series is the iTunes Music Store, the online paid music distribution service that was launched in Japan in August 2005.

Annual Total Working Hours Decline

One reason behind the popularity of new products in the audiovisual market was the increase in available leisure time. Overtime hours fell during the economic stagnation of the 1990s, and the two-day-weekend became increasingly widespread with more statutory holidays. The average total working hours for an individual in a year stood at 2,080 in 1991, when Japan's bubble economy burst, while in 2001 it had fallen 132 hours to 1,948 hours, on par with the United States. According to the *NHK Data Book 2000 National Time Use Survey*, the average time spent on hobbies, recreation and cultural activities increased by six minutes per weekday to 36 minutes, by four minutes to 55 minutes on Saturdays, and by 10 minutes to 66 minutes on Sundays from 1995 to 2000.

A survey undertaken by the Nikkei Research Institute of Industry and Markets targeting adult men and women living within 30km of the Capital region shows that the number of people who “tend to prepare for the future” fell from 31.2% (1991) to 26.1% (2005). On the

other hand, those who “tend to enjoy their current lives” increased from 35.3% to 43.1%. (Fig.1) These changes were due to a shift in direction towards living a more enjoyable life through the pursuit of hobbies, recreation and cultural activities.

The Increasing Use of ICT

The use of information and communications technology (ICT) in Japanese society has progressed dramatically since 2001. The number of Internet users increased from 37.1% in 2000 to 62.3% at the end of 2004.² The Internet is becoming more and more actively used for banking and securities transactions, and online shopping and auctions are also getting extremely popular. The number of people using it to enjoy music and visual content has also increased.

A new Internet service, “blogs,” which allows individuals to easily create an online diary became popular in 2004. By the end of September 2005, the number of people who had established their own blogs stood at 4.73 million, increasing 40% from the March figure. Not a few retired seniors use blogs to write about their experiences.

Social networking services, which allow the exchange of information among registered members, have become a huge hit among people in their 20s. It is a service that one can only join upon introduction by an existing member.

Photos: SUNTORY Ltd.



Iemon product and a scene from a TV commercial

“Iemon” Bottled Green Tea Surges in Popularity

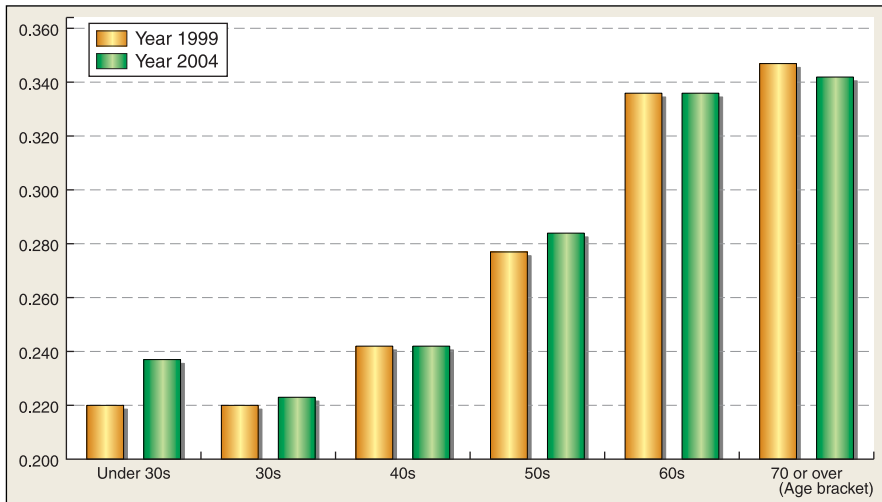
Among everyday products, in the beverage category, the sales of a particular bottled traditional Japanese green tea grew at an extraordinary rate. The Iemon green tea, launched in March 2004 by Suntory, sold 34 million cases (a case holds 24 500-ml PET bottles) in its first year, more than double the original sales target. The product was developed in collaboration with Fukujuen, a long-established tea maker in Kyoto. Using a time-consuming production technique, a “straight from the teapot” flavor was achieved. The design of the bottle was fashioned after a hollow bamboo, which was used as a canteen in the old days, and the product was named after the founder of Fukujuen. These devices strengthened the image of Iemon as a traditional and genuine tea. Its TV commercial was also quite effective, with popular actors Motoki Masahiro and Miyazawa Rie playing the roles of a samurai and his wife. The diverse appeals to the senses seem to have gained public support.

Among alcoholic beverages, the so-called “third beers,” beer-like beverages produced without malt, were a hit in 2004. “Draft One,” marketed by Sapporo Breweries in 2003, was sold at ¥125, ¥20 cheaper than the low-malt



2) From the 2005 White Paper Information and Communications in Japan published by the Ministry of Internal Affairs and Communications

Figure 2 Gini Coefficient for the HOH's* Annual Income by Age and Class



Source : Ministry of Internal Affairs and Communications
 Note : *HOH = Head of household

beers. Without using malt or barley, Sapporo developed it from a pea protein base to give the product an appealing “clear” taste. During 2005 other companies launched similar beer-like beverages and Kirin Brewery’s “Nodogoshi” succeeded in outselling Draft One. It used soybean protein, and achieved an excellent taste using original production methods. To further encourage consumer demand for Nodogoshi, Kirin adopted packaging that would emphasize the golden color of the beer and TV ads that stressed the fun of drinking.

A Washer-Dryer and a Steam Oven Appeal to New Consumer Needs

In December 2003, Matsushita Electric Industrial Co., Ltd., known as the Panasonic brand, introduced a washer-dryer with a tilted drum angled at around 30 degrees – a “universal design” that would make it easier for even older people and children to add and remove clothes. This product was welcomed by consumers. In a related area, Sharp launched a new superheated steam oven, the Healsio, in September 2004, which appealed to health-conscious buyers. The Healsio employs water vapor that is heated to 300°C to roast foods. This has the effect of melting the food’s fat and dissolving salt while cooking.

Increasing Health Consciousness in an Aging Society

Universal designs and health-oriented products are the key to responding to the needs of consumers in Japan, where the ratio of the elderly is rising. For example, the recognition that green tea beverages are healthy has been a positive factor in their success.

The total fertility rate is continuing to fall in Japan, and the country is facing population decline. When we look at the breakdown of the Japanese population, the number of children aged 14 and younger continues to fall, while the population of those over 65 is rising, expecting to exceed 20% of the total population in 2006.

A noticeable fact is the baby boomers. Roughly 7 million people born between 1947 and 1949 will reach retirement age from 2007 onwards. The majority of Japanese companies set 60 as their fixed retirement age, and while there have been moves to extend the age or to rehire retired staff, there is no doubt that we will see a sudden increase in the number of retirees. These baby boomers are a group with access to savings and income from retirement pensions, so if one could meet their needs, there is a strong chance to create hit products.

Growing Income Gap – Luxury Cars Marketed to the Affluent

There is an indication of a growing income gap, centered on the generation aged 30 or younger. According to the National Survey of Family Income and Expenditure conducted by the Ministry of Internal Affairs and Communications every five years, the Gini coefficient, which measures inequalities in household income, is growing larger – from 0.301 (1999) to 0.308 (2004). The coefficient is especially rising among those aged under 30 from 0.220 (1999) to 0.237 (2004), at 0.017 points. The next largest rise was among people in their 50s, but it is a small increase at 0.007 points. (Fig.2)

For a long time the majority of Japanese have believed to belong to the middle class, but in recent years some specialists have pointed out that class consciousness is beginning to move towards the two opposite directions of upper and lower classes. As if to anticipate this trend, some companies are starting to put more energy into marketing for the wealthy class. On the other hand, under the deflation that started in the 1990s, there are many consumers who have continued to prefer lower prices. Thus, the bestselling price brackets are showing a tendency for polarization.

The auto market is a typical example of this trend, with the market split between luxury sedans and small cars in the 1,000 to 1,300cc range. Toyota Motor Corp. commenced sales of its luxury Lexus brand in 2005, which is well accepted in Europe and the United States. Three models were launched, with recommended prices from ¥3.9 to ¥6.8 million, and a new sales network has been established to give prominence to the service for its wealthy customers.

New Shopping Complexes in Tokyo and Osaka

Looking now at popular shopping and entertainment spots, more new complexes have been constructed as part of the redevelopment in central Tokyo and

Osaka. Symbolic of these is Roppongi Hills, which opened in April 2003 in Tokyo. It has adopted the slogan of the “Artelligent city.” Around 50 million people visited the complex in the first year, exceeding its original targets, and there was a strong outcome at 45 million in the second year too.

Roppongi Hills is centered on a huge skyscraper including offices, a specialist shopping arcade with 235 boutiques and other outlets, a hotel, a cinema complex, an art museum, a TV station and residences. The shopping arcade has adopted diversified corridors and visitors can enjoy walking around a creative and attractive district. The design and its environment are emphasized with outdoor public art installations and a Japanese garden. Other complexes were built on redeveloped land as well including the Marunouchi Building, which reopened in September 2002 in front of JR Tokyo Station, and at the Shiodome and Nihombashi areas.

In Japan’s second largest city, Osaka, there has been a lot of redevelopment in the two most popular shopping districts, Umeda and Shinsaibashi/Namba. In Umeda, two large shopping complexes, Hilton Plaza West and Herbis ENT, were completed in 2004. Both complexes have many worldwide luxury designer shops including Louis Vuitton and Gucci, the restaurant areas have a highly sophisticated atmosphere, and attract brand-conscious customers from the wider Kansai area. In the Shinsaibashi/Namba area, Namba Parks was opened in October 2003. This shopping complex has a rooftop garden. The old established department store, Shinsaibashi Sogo, was reopened in September 2005 and has become a trendy center.

On the other hand, on the outskirts of big cities and in regional areas, the number of supercenters has begun to increase. These centers reflect the successful Wal-Mart combination of supermarket and discount store where you can buy all the necessities at a low price. Seiyu, the Japanese supermarket chain under the Wal-Mart group, was the first



A panorama of Roppongi Hills and its shopping complex that has many luxury brand name stores

to develop this type of store, and more supercenters are being opened by the major Japanese supermarket chains such as AEON.

Outlet malls, where one can buy European and US luxury brand name clothes and goods directly from manufacturers in saving prices, are built in increasing numbers in the suburbs of big cities and are becoming increasingly popular. Luxury brand products are becoming must-have items for Japanese consumers, and there are a number of people who want to purchase such things at cheap prices even though they are rather outdated inventory goods. Factory outlets meet such consumer needs. Gotemba Premium Outlets, one of the largest outlet malls in Japan, was created by Chelsea Japan Co., Ltd., a joint venture between Japan’s leading developer and trading firm – Mitsubishi Estate Co., Ltd. and Sojitz Corp., – and the Chelsea Property Group, a US-based major outlet mall operator. Chelsea Japan operates five outlet malls (as of



2005). Since its opening in July 2000, the Gotemba Premium Outlets, which now consists of 165 shops, has gathered customers within a 60 miles radius, an area that includes Tokyo.

The polarization seen in automobiles and shopping facilities may advance into a wider variety of fields. Over the next five years, the makeup of Japan’s economic social structure will show further concrete changes with the aging society, and I believe that such changes will surely affect people’s appetites, the type of hit products and the popular locations. **JS**

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