

Attractions of the Japanese Market

By Sadahiko Nakamura

While there are many reasons why the Japanese market is so enticing to foreign companies, the fundamental points of attraction can be summed up as (1) a wealth of business chances engendered by the dynamism of Japanese society, and (2) strengthened price competitiveness for imported goods.

A dynamic society

Among the advanced industrial democracies, it is in Japan that society is transforming with the most vim and vigor. While most apparent in the culture and economy, the changes also extend to lifestyles, consumption patterns, and how people spend their leisure time.

Societal changes produce new business chances. Whether foreign or Japanese, a company that acts quickly to exploit these chances will succeed. What changes are occurring in Japanese society, and how is it that these changes are making Japan into such an alluring place to do business? Below we examine eight of the most significant developments.

1. Advancement of women into the work-place

With the enactment of measures to make it easier for women to work (laws prohibiting sexual discrimination in hiring, enhanced child-care facilities, etc.), the advancement of women into the workplace has been progressing rapidly in recent years. Approximately 40% of the work force is currently made up of women. This development has brought with it some promising business chances:

- Reducing the burden of housework—frozen and precooked foods, labor-saving appliances (dishwashers, microwave ovens, fully automatic washing machines, clothes driers, etc.), household services (baby sitters, child-care facilities, cleaning services, general helpers, etc.), home delivery services for food and beverages, lunch and dinner take-out services, mail-order shopping, etc.



A woman employed by a company called Sugar Lady delivers food to a customer. The company delivers prepared items or ingredients on request.

- Making it easier to buy in bulk—freezer chests, collapsible shopping carts, small cars for shopping, etc.

- Honing the skills of career women—classes, schools, seminars, etc.

- Enjoying leisure time—foreign travel, various kinds of events, eating and drinking establishments, etc.

- Sprucing up the office—office furniture, equipment for office automation.

2. Reduction in working time

Japanese are working less. In 1950, mean annual working time for all industries was 2,426 hours; by 1990, this figure had dropped to 2,044 hours. (In daily terms, Japanese men worked an average of 9.5 hours a day in 1990. The average for women was 7.4 hours, which, incidentally, is less than that for working women in the United States and Britain.) Less working time—that is, more free time—presents a host of new business opportunities:

- Providing ways to spend free time—facilities, products and events related to leisure, travel, sports, the outdoors and hobbies; classes, schools, seminars and other forms of nonwork education; various kinds of events; volunteer activities.

- Spending time with family and

friends—jewelry, personal gifts, flowers and other expressions of affection; stationery; party accessories; low-alcohol beverages (beer and wine); party and mini-event planning (wedding anniversaries, engagement announcements, birthdays, small concerts, recitals).

3. The “graying” of society

In 1950, 4.9% of the population was 65 or older. In 1991, that figure reached 12.5%; by 2010, it is expected to exceed 20%.

This “graying” of the population has already occurred to a considerable extent in Europe and North America; already an industry is developing there to provide products and services for the elderly. Now is the perfect time for companies active in this field to expand into the Japanese market. The increasing proportion of elderly people in Japan will create many business chances:

- Providing devices to help the elderly—dentures, bifocal contact lenses, hearing aids, safety products, leasing and rental of helping equipment (motorized wheelchairs, hospital beds, bathing devices, home elevators, etc.).

- Helping retirees enjoy life—schools, classes and seminars for the elderly;

events; sports, hobby and travel clubs.

- Preparing the younger generation for retirement—annuity life insurance against specific diseases (cancer, diabetes, heart disease, etc.), two-generation housing, retirement cottages.

4. Late marriages

Women are choosing to put off marriage. In 1975, the mean age of first marriage for women was 24.7; in 1990, 25.9.

Even after entering the labor force, most young women in Japan continue living with their parents until marriage. Since most living expenses are covered by mom and dad, a young working woman has a large disposable income. Also, because she lives at home, she is free of most of the household and societal chores that burden the rest of us. The result is that a young, unmarried, and employed Japanese woman generally has a lot of money and a lot of free time in which to spend it. Not only that, such women tend to be actively interested in foreign products and services. With their numbers, affluence and partiality for things foreign, these women present an ideal target for foreign companies:

- Aiming at young adults (especially women)—any and every kind of product and service, such as clothes, gifts, daily necessities, interior furnishings, food, drink, movies, plays, events, travel, restaurants and bars.

5. An increased concern for health

Japanese—both men and women—still have the longest life expectancy in the world. Even so, as Western-style eating habits (heavy meat consumption, high calory intake) and other manifestations of societal affluence (lack of exercise, high stress) become more common, Japanese are becoming increasingly concerned with maintaining their health. This presents a variety of business chances:

- Maintaining a healthy body—fitness clubs, sports clubs, periodic physical exams, sporting goods, preventive medicine (vitamins, Chinese herbal medicine, etc.), low-calory food and drink, books about health.

- Keeping clean and fresh—toiletries, natural cosmetics, etc.

6. Enjoying life—a new lifestyle

In 1991, average savings per household exceeded a record ¥10 million (approximately \$80,000). Over the years, Japanese consumers have built up plenty of purchasing power.

The Japanese “economic bubble” (asset inflation in stocks and property) burst in 1990. Many of the “new rich,” mostly stock market and real estate speculators, suddenly found themselves not so rich anymore, and sales of big-ticket luxury items plummeted. Even so, products that genuinely make life a little more pleasant continue to do well:

- Adding a little spice to life—interior decorations, curtains, aquariums, small pets, various conveniences, household versions of office equipment, etc.

7. Internationalization

In 1987, Japan ranked eighth in GNP per capita. In 1989, Japan jumped to the top of the G-7 industrialized nations in this category. This has brought with it quite a few changes in how business is conducted in Japan—and a raft of new business opportunities:

- Taking advantage of the strong yen—imports of products and services, overseas travel.

- Supporting foreign workers in Japan—conversational Japanese guidebooks, ethnic foods, etc.

- Providing internationalization-related services—overseas accident insurance, AIDS insurance, risk management consulting, international financial consulting, overseas restaurant and fine food consulting, Japanese importation/marketing consulting, debating (advanced English) schools, international seminar planning, convention services, specialized trade fairs, etc.

8. An expanding trade surplus

The Japanese trade surplus is expected to exceed \$100 billion in fiscal 1992; and, while the surplus may decrease somewhat in the coming years, no one expects it to go away. The Japanese government is under tremendous political pressure to promote imports, and policies will continue to reflect this. The trade surplus can also be a source of business chances:

- Taking advantage of the Japanese government's import promotion policies—preferential tax treatment for importers of foreign manufactured goods and for foreign companies advancing into Japan, preferential treatment for foreign companies at trade shows.

- Selling to the Japanese government—Japanese government procurement of foreign products, materials and equipment.

- Getting poised for markets scheduled for liberalization—life insurance, indemnity insurance, etc.

Price competitiveness for imported goods

While Japanese products may reign supreme in the high-tech industries where robots, computers and that sort of thing are used throughout, the industries highly dependent on manual labor are rapidly losing their cost competitiveness. As the yen gets stronger, foreign producers are steadily gaining the upper hand.

Then why, you may ask, have foreign producers been unable to penetrate the Japanese market?

The answer is simple—in comparison with their Japanese rivals, foreign companies are lousy at matching products to a market. By and large, foreign companies do not bother to closely examine Japanese consumption patterns, user characteristics or distribution mechanisms. Instead, the companies will usually jump right in, fail magnificently, and produce a sigh of relief among their Japanese competitors.

Don't waste your time trying to prove that the problem is with the market and not yourself. Remember this basic rule of business—consumers will buy what they want or need if it is reasonably priced and of acceptable quality. This works in Japan too. Know what the market wants and what you should offer.

It's true—many first-rate markets are out there just waiting to be discovered. ■

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