

Japan's "Silver Market" and Aging Society

By Fumie Kumagai

The term "aging society" is valuable to the degree that it draws attention to the likely features of Japanese society in the 21st century. Yet at the same time, it gives a distorted picture of Japan's overall population structure as it is today. An increase in the population of middle-aged people, naturally, precedes any sharp increase in the population of the elderly. Accordingly, when both the absolute number of middle-aged persons and their ratio to the total population rises, it presages the coming of an aging society.

With the number of middle-aged people expected to continue to rise for the next 20 to 30 years, present Japanese society might better be called a "middle-old aged society," or perhaps a "maturing society."

The same can be said of America. The magazine *U.S. News & World Report* published a special article in its March 19, 1984 issue entitled: "10 Forces Reshaping America," the first being "a maturing society." The article not only explained the growth in the population of

the elderly in America, but also reported that businesses have found many opportunities to market new products for the so-called mature consumers of over 50 years of age. The products most popular among the class of elderly citizens called "active affluents" are travel services and luxury items, categories which cover a wide range of goods from magazines to shampoo.

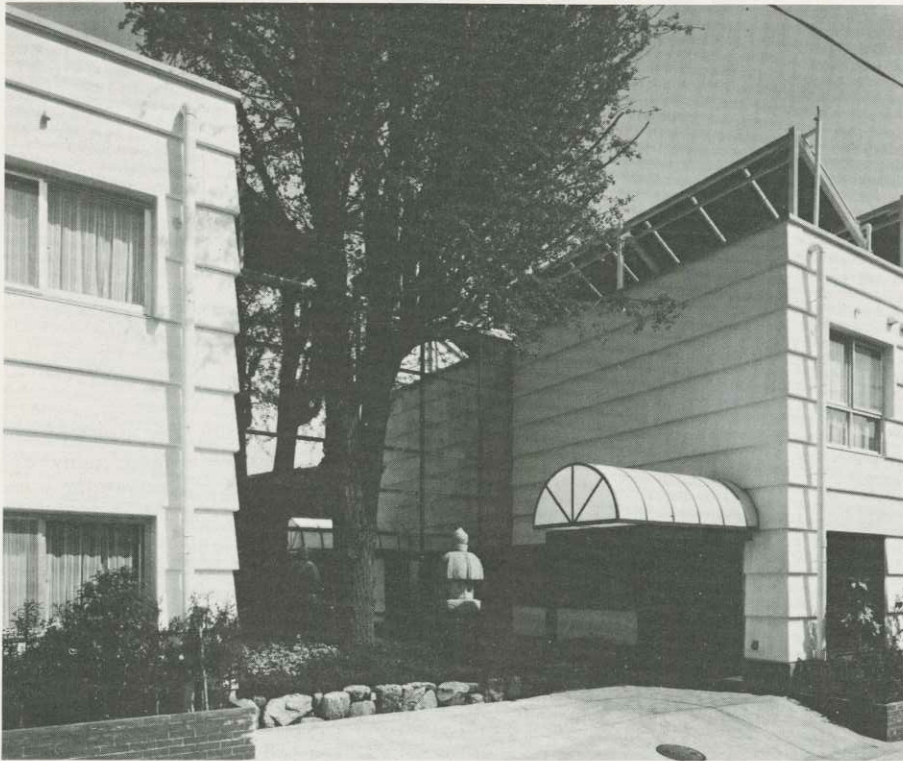
Beyond going further, it is necessary to define what is meant by "middle-old aged." Generally, the term "the elderly"

Table 1 Changes in Population and Markets by Age

		Child market		Youth market				Bridal market		Mature market					
		Education market				Middle market				Silver market					
		0-9 years		10-19 years		20-29 years		30-39 years		40-49 years		50-59 years		60 years and older	
		Population (in thousands)	Component ratio (%)	Population (in thousands)	Component ratio (%)	Population (in thousands)	Component ratio (%)	Population (in thousands)	Component ratio (%)	Population (in thousands)	Component ratio (%)	Population (in thousands)	Component ratio (%)	Population (in thousands)	Component ratio (%)
Japan	1975	18,939	17.0	16,231	14.5	19,866	17.7	17,668	15.8	15,585	13.9	10,456	9.3	13,150	11.7
	1980	18,600	15.9	17,178	14.7	16,884	14.4	20,001	17.1	16,415	14.0	12,791	10.9	15,048	12.9
	1985	15,712	13.1	18,959	15.8	15,994	13.3	19,773	16.4	17,363	14.4	14,901	12.4	17,600	14.6
	1990	13,978	11.4	18,545	15.1	17,092	13.9	16,755	13.6	19,693	16.0	15,802	12.9	20,970	17.1
	1995	14,258	11.4	15,669	12.5	18,867	15.0	15,877	12.7	19,468	15.5	16,738	13.4	24,506	19.6
	2000	15,758	12.3	13,940	10.0	18,454	14.4	16,970	13.3	16,498	12.9	19,002	14.8	27,497	21.5
U.S.A.	1975	32,689	15.2	40,983	19.1	37,149	17.3	26,052	12.1	22,796	10.6	22,734	10.6	32,246	15.0
	1980	33,041	14.6	39,461	17.4	41,149	18.1	31,634	13.9	22,781	10.0	23,324	10.3	35,631	15.7
	1985	35,057	14.7	35,190	14.7	43,112	18.1	37,842	15.9	25,749	10.8	22,080	9.3	39,618	16.6
	1990	37,799	15.1	33,733	13.5	40,070	16.0	42,007	16.8	31,814	12.7	21,869	8.8	42,438	17.0
	1995	37,954	14.6	35,731	13.8	35,936	13.8	43,732	16.8	37,610	14.5	24,762	9.5	43,907	16.9
	2000	36,382	13.6	38,469	14.4	34,506	12.9	40,743	15.2	41,735	15.6	30,626	11.4	45,530	17.0
Population trends (1975-2000)	Japan														
	U.S.A.														
Goods and services	Baby goods, pianos, baby clothes, infant clothes, confectionary, toys, kindergarten		Stationary, study furniture, student uniforms, tutoring, preparatory schools		Sports equipment, cosmetics, youth fashions, audio equipment, bikes, travel, wedding halls		Sports equipment, furniture, housing, fashions, family restaurants, cultural centers, travel		Men's suits, sports equipment, housing, adult fashions, health foods, gifts, cultural centers		Accessories, gifts, health foods, health aid equipment, medical care, cultural centers		Kimono, hobbies, gardening, health foods, medical supplies, old people's homes		

Source: "Trends in Noteworthy Markets", *NRI Search*, July 1983

Fumie Kumagai is an associate professor of sociology at the Graduate School of International Relations of the International University of Japan. She is an expert on problems of the family and the elderly, and has authored various books on family and school violence.



A private old people's home in Tokyo. Such establishments range from cheap rental apartments to luxurious condominiums.

is used to describe people over 65. However, the term "middle-old age" is interpreted differently by different people. Some scholars categorize the middle-aged as people between 40 and 55 years and the old aged as over 55. Others consider mature citizens to be those between 45, the prime of life, and 65. In Japanese marketing, people over 55 are generally considered to constitute the so-called "silver market," a term unique to Japan, where old people are called "silver citizens."

In forecasting which age group will constitute a noteworthy market in the future, it is essential to note demographic shifts. A study of Japan's future population structure reveals that patterns differ greatly for the various age brackets (Table 1). The "child market," "bridal market" and "middle market," for instance, will contract throughout the 1980s. But both the "mature market" and "silver market" are growing. The silver market, in particular, is on a one-way street toward expansion.

What changes will occur in the consumer goods market as a result of the increase in the middle-old age population? The principal target of marketing activities so far has been the young. It is no exaggeration to say that the middle-old age market has been ignored. But in fact, it is middle-old aged people, with their large real and disposable incomes, substantial financial means, and high consumption levels, who constitute the most promising future market. In other

words, life-related items in which this population bracket shows a strong interest will be the market to pay closest attention to in the future.

For our purposes, we will regard people above the age of 55 as falling into the silver bracket.

In the past, silver citizens were regarded as nuisances, people at a loose end with too much time on their hands. Marketing specialists paid them little attention. Today, however, as they grow in number, silver citizens are coming into the limelight as an attractive market possessing highly stable purchasing power. The

ratio of people 55 and over to Japan's total population is expected to rise from 18% in 1980 to 23% in 1990 and 28% in the year 2000.

Silver citizens have stable purchasing power for a number of reasons. First, they have high income (their real income, pensions and disposable income are all high). Second, they own considerable property and assets (the ratio of house ownership is 85%, and since most have already repaid their housing loans, their mortgage burden is relatively light. Their savings average more than ¥8 million each). Third, they no longer have to pay education expenses for their children. Fourth, their optional expenditures, such as for cultural, entertainment, and socializing activities, are diversified.

Next, let us look at the principal life-related needs of silver citizen consumers. They have passed the big milestones in their life, such as their children becoming independent and compulsory retirement, and have started post-retirement life. Their principal life-related needs may be summarized under the following six categories:

1. Health needs (health foods and sports to keep physically fit);

Table 2 Estimated Scale of Silver Market

	1980	1985	1990	1995	2000
Diet, health	10.3 (31.5)	12.0 (29.6)	18.8 (28.0)	26.5 (26.9)	37.2 (26.1)
Housing	4.5 (13.8)	5.5 (13.6)	8.7 (12.9)	12.0 (12.2)	17.1 (12.0)
Clothing, fashion	4.4 (13.5)	4.5 (11.1)	7.3 (10.9)	9.8 (9.9)	14.2 (10.0)
Education, information	1.7 (5.2)	2.1 (5.2)	3.8 (5.7)	5.9 (6.0)	11.4 (8.0)
Leisure	11.7 (36.0)	16.4 (40.5)	28.6 (42.5)	44.1 (45.0)	62.6 (43.9)
Total	32.6 (100.0)	40.5 (100.0)	67.2 (100.0)	98.3 (100.0)	142.5 (100.0)

Notes: Unit in ¥ trillion; figures in brackets represent component ratio in %.
Source: "Marketing Strategy in a Maturing Society in 1982," Fuji Economic Research Institute, 1982.

2. Grooming needs (fashion suitable for their age and social standing);
3. Housing needs (old people's homes and housing exclusively designed for the elderly in keeping with the rising number of elderly singles and couples);
4. Cultural needs (extension of life activities in the realm of culture and re-appreciation of Japan's traditional culture);
5. Leisure needs (socializing and travel);
6. Pension and financial security needs (diversification of investment products designed to ensure a stable income).

Vigorous marketing strategies targeted on silver consumers are now under way to satisfy these life-related needs.

The silver market is projected to more than quadruple in size from 1980 to the year 2000 (Table 2). However, growth expectations differ by field, with some likely to expand dramatically and others to contract. In three fields related to basic necessities, such as "diet and health," "housing" and "clothing and fashion," the growth rate is expected to slow in 2000 compared with 1980. Higher growth rates are projected in two other fields, namely, "education and information" and "leisure."

The above projections are based on economic factors alone. But it must also be borne in mind that the first postwar "baby boom" generation, some 7,100,000 born between 1947 and 1949, will enter the silver market around the year 2000. At that time, silver consumers will be people with a new life-style unique to the postwar generation, vastly different in character from the life-style of today's silver citizens. Needless to say, a new marketing strategy will be needed that takes this into consideration.

Industry responses

Let us take a brief look at the kind of marketing now being undertaken by industries engaged in business related to middle-old aged consumers. Six industrial sectors are concerned: (1) food, (2) health

equipment, (3) housing and real estate, (4) travel and leisure, (5) life insurance, securities and finance, and (6) publishing.

Food—the food industry is not now specifically targeting middle-old aged consumers. It is selling products as health, natural, and medical foods, but the consumers of these products include younger age brackets, even though the overwhelming majority are middle-old age. Nonetheless, the current health and natural food boom is actually sustained by middle-old-aged consumers whose health needs are more acute. Accordingly, it can be said that health, natural, and medical foods indirectly constitute a silver market.

With regards to food, through the 1950s and 1960s, consumers placed primary emphasis on volume. Since the early 1970s, however, the focus has shifted to quality. This coincided with the point when the number of the elderly exceeded 7% of the total population and Japan became a maturing society. The primary concern of middle-old aged people is how to preserve their health. Because health at an old age is determined by how much care was given in middle age, people in middle age brackets began to seek a higher quality dietary life to prevent age-related diseases. Health foods now on the market include *shoyu* (soy sauce), *miso* (soy bean paste) and seasonings with reduced salt content, unsalted tomato juice, energy foods, honey, noodles, soy milk and vitamin-added foods.

Health equipment—other products which help meet older people's health needs include health equipment, training machines, and home medical apparatus. Of the many kinds of health aids on the market, the following have proven especially popular with silver citizens: infrared and ultraviolet treatment apparatus, home electric treatment devices using low-frequency and supersonic waves, magnetic treatment devices, inhalers, and electric massagers, as well as down bedding, health and medical bedding, power-operated adjustable beds, and home saunas.

Many older people also take up sports

to keep physically fit. Gymnastics, hiking, swimming, yoga, and tennis are all popular. But the most overwhelmingly popular sport among the elderly is gateball, a game similar to croquet. It is easy to imagine that when the baby boom generation matures, the range of silver citizen sports will widen tremendously. Sports and training equipment are certain to occupy an important position in the silver market as part of the health and culture industry.

Housing and real estate—the nuclearization of the Japanese family is proceeding at a rapid rate. However, seen from the standpoint of an individual's full life cycle, it might be more appropriate to term the Japanese family format a "modified extended family" rather than a nuclear family. One of the characteristics of the modified extended family is that an elderly person or couple live in the same home as one of their child's family. Some 70% of elderly Japanese now live with their children, compared with 90% in 1960. The drop has resulted in an increase in households consisting of a single elderly person or couple (who also, technically speaking, constitute nuclear families). The number of old people living apart from their children is expected to increase further, although dual household and three-generation households will continue to be the norm.

This situation creates an acute social need for new types of housing. The housing and real estate industries are aggressively trying to meet this need, developing new dual household houses, commercial old people's homes, and condominiums designed exclusively for elderly occupants. Of these the dual household house was developed to accommodate two households under one roof and was designed primarily to provide amenities which will enable the elderly to live in greater comfort. Commercial old people's homes vary greatly in format, ranging from cheap rental apartments to luxurious condominiums. The condominiums designed exclusively for old people are mostly high-priced, however, as the target market of the housing and real



The once-ignored "silver market" is a target socioeconomic group today.

estate industries remains the "affluents elderly."

Travel and leisure—travel and leisure have the highest growth rate among the silver market industries, and are expected to enjoy continuous expansion. Products include travel, cultural centers, and goods linked to such hobbies as gardening and handicrafts. Silver citizens are not only increasing in number, but are also becoming more sophisticated because of the growing numbers of Japanese receiving a higher education and of women with occupational experience. The travel and leisure industries will unquestionably make big strides in the future.

There is strong demand among Japanese of all ages for travel. Silver citizens tend to prefer expensive travel products, both domestic and overseas. Sightseeing travel has become one of the foremost leisure pursuits among older Japanese who especially like to travel with friends or spouses.

Cultural centers and community colleges are also playing an increasingly important role in satisfying the needs of silver citizens. More than 40% of "students" enrolled at cultural centers are 50 or older. Women, the overwhelming majority, account for 80% of total enrollments. Courses popular with older students include Japanese painting, tea ceremony, calligraphy, woodblock printing, doll making, literature (studies of the *Manyoshu*, Japan's oldest collection of poems, or "*haiku*" 17-syllable poems), "*go*" game and "*bonsai*" dwarf tree culture. Cultural centers offer elderly students opportunities to expand their social contact, and communication with fellow silver citizens. This is one reason why such centers constitute an important silver citizen market.

Life insurance, securities and finance—these industries, too, have their eye on the silver market. The life insurance industry promises senior citizens security for surviving family members upon their death, as well as an economic foundation for an affluent and comfortable old age. Silver citizens, moreover,

are very eager to invest. At present, they constitute 10–20% of the investment market, a share which is expected to rise in the future. Silver citizens have large savings and high-value properties. They are in a position to choose what they like from among the great variety of investment products available, and life insurance, securities and financial institutions are aggressively courting this promising market. They are calling on consumers to look after their own interests in old age, all the more so because current social developments suggest that national pension benefits will no longer provide sufficient financial security after retirement.

Among major products offered by these industries are personal pension insurance, corporate pension insurance, cancer insurance, senile dementia insurance, property accumulation pensions and savings, and medium-term government bond funds.

Publishing—reading ranks first among the activities which senior citizens, both male and female, say they wish to do more of in the future. The publishing industry thinks that magazines targeted on people in middle and advanced as well as mature age brackets will become the main publications for the silver market. In the past few years, about ten magazines targeted on senior readers have been launched, and their circulations are growing steadily. Since conventional bookshop sales are not suited to the behavior patterns of the elderly, new direct sales methods will have to be devised. More thinking on marketing strategy is also necessary, such as initiating letter-to-the-editor columns that reflect readers' opinions. If the industry makes such efforts, magazines for senior citizens could become one of the principal silver market products in 10 to 15 years hence when Japan has become an aging society.

Future problems

An analysis of the silver market shows that the products with the greatest potential are those related to basic life needs such as health and medical care, those affecting economic security, and those tied to spiritual fulfillment and enjoyment of life. Failure to satisfy any one of these needs will leave an older person's life out of balance. The first problem in the future silver market strategy, then, is to ensure that the elderly can enjoy balanced lives incorporating all three types of products in the context of their total life planning.

Life planning is a concept that is currently attracting great attention in the United States. It involves planning one's entire life, taking into account all life cycles when developing one's career skills. This is different from the past practice of planning one's post-retirement life shortly before retirement age. Under the life planning concept, all the cycles of an individual's life are divided into stages, starting shortly after taking up an occupation and continuing through to retirement. Specialists who provide counseling in life planning are called "industrial gerontologists."

The principal silver market strategy of the future will aim at arousing awareness of the need for total life planning by this stage-by-stage method. In light of the dynamic changes sweeping both American and Japanese society, it is essential that Japan draw up a long-range strategy not only in the administrative and industrial sectors but also in the private life sector to develop the silver market in this transitional period. In order to prevent a maturing Japanese society from straying in possibly catastrophic directions, all individuals will have to do their best to conduct effective and suitable planning of their total life needs. ●