

Consumer-friendly Future Predicted

Clothing sales in department stores fell for the second year by 2.3% year-on-year in 1994. Monthly sales did pick up during the year, helped by extraordinary factors such as an unusually hot summer, but fell again, suggesting a full recovery has yet to come.

Reflecting these weaknesses, earnings by major apparel makers have also deteriorated. For the first-half through September 1994, six out of 13 listed apparel makers reported operating losses. In such an environment, major apparel makers have been seeking new directions in the fields of production, brand strategies and sales. Following is a summary of moves taken by major apparel makers in 1994.

In production, makers showed more enthusiasm for establishing the production-during-the-season method. Currently, apparel makers generally produce almost 100% of their products before a season starts on an assumed base, a system which results in lost

sales opportunities and risk burdens for unsold goods. If production is done during the season, supplying products according to actual trends in floor-sales they monitor, sales efficiency is bound to improve. At the same time, shifting to during-the-term production should benefit consumers also, as it means they will be offered goods always in line with the latest trend.

As for brand strategies, apparel makers have endeavored on developing new brands in the field of women's clothing, especially for those aimed at second generation baby-boomers and young career women. After the bubble burst, apparel makers have tried to streamline and revitalize existing brands, with little tangible success so far. All the more, then, expectation for new brands are high. Emphasis on second generation baby-boomers is due to high volume as well as a strong sense of fashion of the targeted age group; as for young career women, the market has become large

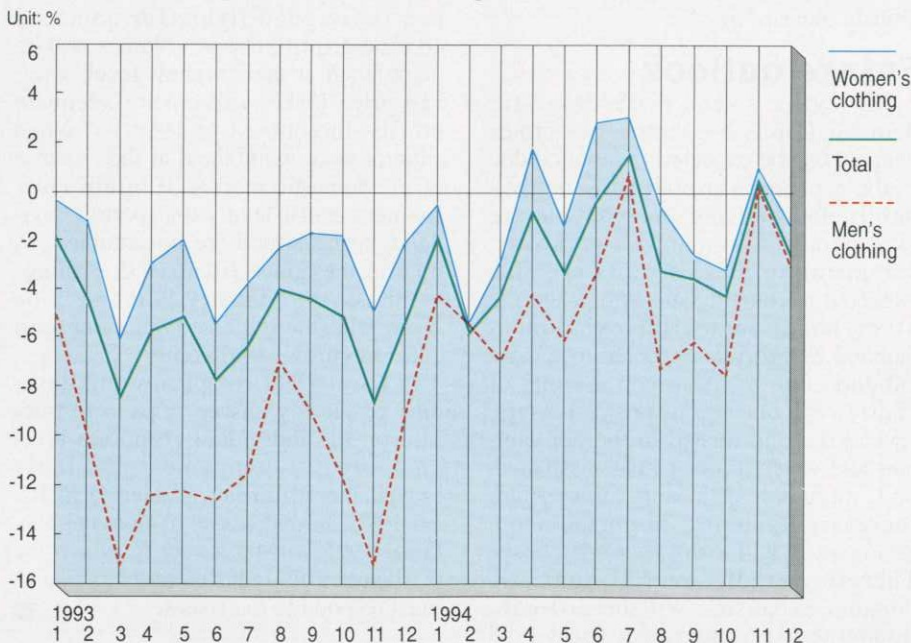
and is over ripe and makers are urgently seeking alternative brands which would carry a new phase of differentiation. Given the current strong popularity enjoyed by New-York based brands for career women in the Japanese market, and the general trend of greater numbers of working women, it seems necessary for Japanese makers to strengthen this segment. Thus, how to successfully develop new brands for both the above categories is key for major apparel makers' brand strategy.

Regarding marketing, new developments have been witnessed both in Japan and overseas. More and more makers have started to strengthen their operations targeting China, which they now perceive as a consumer market. Local store networks centered on shops within department stores and directly-run stores in China have been expanding. These moves represent a strategic shift by Japanese apparel makers, viewing China as a market. In the domestic market, on the other hand, some major apparel makers have started to supply private brand clothing to general merchandise stores. Considering that major apparel makers are closely tied and share the fate of department stores, these business tie-ups are drawing attention.

These were the major developments among major apparel makers during 1994. Looking toward 1995, we expect a further globalization, involving the fields of planning and production, given scheduled full-force operations for Tokyo-based international brands, developing last year's trends. Also, in the domestic market, foreign major apparel makers have been accelerating their store expansion in Japan, which should certainly lead to more severe competition. Thus, major Japanese apparel makers are likely to find increasing importance in establishing production during the season to respond to consumer needs quicker and more precisely.

(Ueda Kyoko, economist)

Value Growth of Department Store Clothing Sales



Source: Japan Department Store Association