Keeping Up with the Changing Market

Japanese dietary habits have greatly changed in the last 20 years. Caloric consumption roughly reached present levels in the 1970s, and thereafter, the main concern shifted toward quality. The main characteristics of recent dietary habits can be described as an increasing tendency toward simpler cooking, a growing health consciousness, and a seeking of balance between value and price. The Japanese diet is now reaching a state of maturity. The main factors appear to be the increase in the number of women working, more single households, the graying of society and more price-conscious consumers, the latter reflecting the persistent recession. It is the compound effects of these elements that has created our new dietary style.

The food industry has always supported rapidly changing dietary habits. To put the industry in perspective, according to statistics provided by the Ministry of International Trade and Industry, domestic food shipments in 1991 reached ¥32 trillion, accounting for about 11% of overall shipments. Although the food industry has grown steadily as it is less vulnerable to economic cycles, potential areas for future growth are now largely limited in line with the maturation of demand.

The areas which still have growth potential are those related to the aforementioned three points in dietary changes, such as frozen foods, vacuum-packed foods and take-out foods. Each satisfies not only consumer needs, such as simple preparation, eating at home and reasonable pricing, but also the needs of restaurants and boxed lunch makers. Taking frozen foods as an example, total domestic consumption grew annually 6% to 7% since the 1980s. This seems to reflect not just consumer preference for simple cooking, but also improved quality in frozen foods. Variation has also expanded recently for precooked frozen foods, especially rice recipes, and continued strong growth is expected.

"Food Collection for a Rich Future" one of the themes at Foodex Japan '94, held at Makuhari Messe in March. Low salt and cholesterol products, reflecting an interest in good health, as well as the advent of a broad range of Japanese, Western, and Chinese side dishes and mouthwatering frozen salads and tofu products attracted attention.

Despite strong demands in these areas, due to the limited nature of the market, competition has intensified as more companies enter. The deciding factors for survival in these new growth areas, as well as in traditional areas, will be product development, cost competitiveness and effective marketing—added to this, how to respond to the changing industrial environment will also be important.

A major change is expected due to the GATT Agricultural Agreement decision to move toward tariffication of agricultural products, including wheat and dairy products, after 1995. With this development in the background, processed-food makers will need to strengthen their sourcing power, including overseas purchases, and domestic milling companies and dairy makers will be forced to find a way to co-exist with imported products.

Another change is the introduction of private-brand foods, such as orange juice, by major chain stores and the move toward a more efficient, large-scaled, internationalized system of food production and marketing, as is typically done by trading companies and major food makers. Thus, all manufacturers of food will need to achieve more aggressive globalization, with shifting production bases and a possible entry into the retail market, as well as strengthen tie-ups with domestic retailers in order to build up an efficient production and distribution system.

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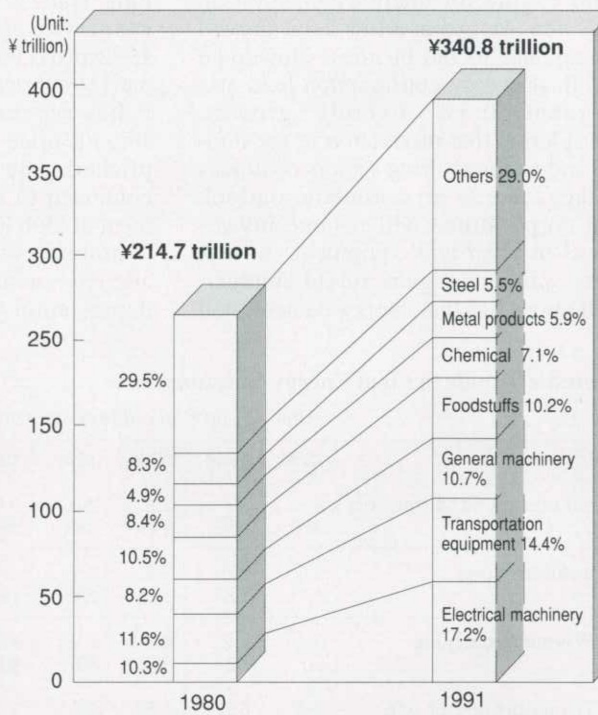

Source: Industrial Statistics
Note: Foodstuffs include cigarettes