

Serving the Senior Citizen's Market

Because quantitative expansion and qualitative changes are anticipated in the senior citizens' market as society continues to age, many companies are looking forward to new business opportunities in the "silver" industry. The population of elderly people over age 65 has continued to grow as average life expectancy has increased, and with a declining birth rate the percentage of aged (the percentage of the total population consisting of people aged 65 and over) has simultaneously grown. In 1990 the aged population of 14.9 million was 12.1% of the total population; it is expected to double to 25.2%, 31.97 million, by the year 2020.

It is generally believed that the huge "silver" market will give rise to new consumer styles as the number of wealthy elderly with full pensions and increased savings grows while at the same time the number of elderly whose lifestyles and values are more active and rigorously selective compared to senior citizens in the past increases.

However, while the absolute number of elderly will grow, it is expected that there will be specific increases in the percentage who will require nursing care. Societal requirements centering on the nursing care sector are, in fact, increasing. The growth of the nuclear family unit and the increasing social participation of women has produced a decline in the ability to provide care in the home. Also, in contrast to future increases in the population of elderly people there is concern that the supply

of public services, which is currently already lagging due to strictures from the standpoint of public finances, will lag even further.

The silver market is expected to be a growth area, but the range of goods and services is broad and the industry is ordinarily defined as "goods and services supplied to people who are generally 60 years of age or older (the "silver" sector) by private companies, based upon the principles of corporate competition." In other words, this is a general term for businesses that primarily target elderly customers, without making any mention of content.

Specific businesses can be grouped as follows: 1) senior citizens' homes, nursing homes and other care facilities; 2) home nursing care including bathing and food services, and other home care services; 3) sales and rentals of nursing care equipment for care support, body-function supporters, and rehabilitation; 4) pensions and nursing care insurance; and 5) travel, hobby, study, sports, and other health or lifestyle support services, among others.

As care both inside and outside the home will be key sectors for the aged, issues that currently face these businesses and their future prospects will be on the agenda.

Contrary to expectations for growth in these businesses and services, the market is not currently fulfilling its potential due to problems with actuation of demand and difficult issues with the establishment of appropriate pricing.

Recognition of social welfare services is generally low in Japan and they are not being supplied in forms that meet user needs thoroughly. At the same time, there is the difficult aspect of actuation of demand.

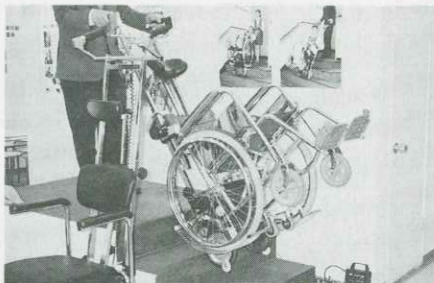
It is also difficult to set prices and users currently have the impression that costs are too high. Most users view the government as the provider of free welfare services, and because there is no clear division of responsibility between the public and private sector services it

could be said that private costs end up appearing more expensive. As far as the division of responsibilities is concerned, basic services are said to be provided by local governments while private companies meet more specialized and diversified requirements. But the boundaries are currently vague and there is competition between the two sectors. Appropriate pricing levels must be set and prices established that are acceptable to users while creating systems that will permit users to make choices based upon rational economics.

Under these circumstances, the fiscal 1995 budget includes funds for the "New Golden Plan" program and with The Study Committee on a System of Caring for and Supporting the Independence of the Elderly's proposal for the introduction of "public nursing care insurance," there are now moves to create a mechanism to cope with a very aged society. This mechanism seeks to provide requisite care correlated to increases in the elderly population, developing organizations to provide welfare services through a 10-year plan, and alleviating users' cost burdens with a social insurance formula. To effect this mechanism it is thought that huge increases in the number of welfare service provider organizations will be required and it is anticipated that as the framework takes concrete form the markets that private companies can enter will become more distinct than in the past.

To create and expand silver industry demand in the future it is thought that a delineation of the division of responsibilities between the public and private sectors as well as government efforts directed toward the necessary deregulation or establishment of guidelines will be indispensable. What is also important is the extent to which companies can provide products and services that fit the actual needs of the elderly and set prices at levels that are approximately acceptable to users.

(Kawaguchi Hiroyuki, economist)



Nursing care needs have grown significantly as the number of elderly people has increased.