

Wide Opportunities

As the Japanese economy continues to reorient itself from exports to domestic demand, new business opportunities are opening up in the service sector. The growing weight of services in the economy is clear evidence of this change in the business environment. Between 1970 and 1988, the service industry went from 10% of Japan's nominal gross domestic product to more than 15%. Over the same period, the number of workers engaged in services rose from 14% to 22%.

The service industry can be broadly classified into two categories—individual services like hotels and movie houses, and corporate services like providing temporary staff and information services. Recently, the second category has been growing much faster than the first. The 1989 business activity index for corporate services stood at 161 against a 1985 base figure of 100, compared with only 121 for individual services.

Behind the rapid expansion of corporate services lies the fact that major cor-



Soaring labor costs are pressuring such labor-intensive services as pizza deliveries.



Rental of children's clothing is one of the growth areas for new businesses.

porations are increasingly contracting out work to other companies to better meet customer needs as well as to cope with a deteriorating labor situation. With labor shortages resulting from structural problems expected to continue for the near future and customers seeking increasingly specialized services, the service industry catering to corporations remains a prom-

ising growth area. Areas expected to show especially rapid growth include the making and retrieval of databases via information and communications networks and market research.

Even the individual service sector, despite its slower growth, still provides wide opportunities for new businesses. Japan's changing social environment, from the spread of five-day workweeks to a growing emphasis on individuality and the flow of women into the work force, creates business chances. Mail-order sales and household services such as house cleaning and food catering are promising areas, reflecting the increased number of working women. Rentals of art works and children's clothing are also considered a growth area for new businesses in light of changing perceptions of ownership and a decline in the infant population.

Riding the crest of socioeconomic structural change and buoyed by robust domestic demand, new businesses are expected to flourish in the 1990s. But the future isn't all rosy. Some sectors will be left in a quandary by worsening labor shortages, soaring land prices, higher rentals and other new problems. Soaring labor costs are already pressuring such labor-intensive services as door-to-door parcel services, express delivery using motorcycles and pizza deliveries. In other sectors like dining services, a lack of suitable locations and skyrocketing rents are hampering business expansion.

Many new businesses, reliant on expanding business volume to support further growth, will be hard-pressed to surmount these difficulties. In time, new businesses will likely polarize into those which can expect further expansion driven by socioeconomic change and those which face an uphill battle due to changes in the business environment.

New Businesses Spurred by Changes in the Social Environment

Representative services	Changes in the social environment								
	Changes in population structure	Changes in family composition	Increase in working women	Changes in local communities	Increase in people with higher education	Longer lifespans	Technological innovation	Deregulation	Progress in globalization
Home delivery of healthy food		B	B			A			
Rentals	A								
Record rentals	A						B	B	
Dress rentals	A		B						B
Children's formal wear rentals	A								
Art rentals	A								B
Cram schools					A		B		
Home care for the aged	B	A	B			A			
Leisure information	B			B	B		A		
Marriage information	B			A			A		
Home cleaning	B	B	A			B	A		
Ticket reservations	B						A		

Note: "A" represents a greater potential for growth and "B" a moderate one.
Source: Service Industry Promotion Office, Small and Medium Enterprise Agency

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