

Consumer Purchasing Trends

By Otomo Satoshi

The collapse of the bubble economy and the subsequent lengthy recession have greatly influenced the values, lifestyles, and consumption trends of the Japanese consumer, resulting in restrained buying which in turn has contributed to the economic downturn.

According to the Management and Coordination Agency's Family Income and Expenditure Survey, monthly consumption expenditures for all households in 1992 averaged ¥333,661 per household, a nominal increase of 2% compared to the previous year. However, this was a mere 0.4% increase in real terms. Seen by type of household, there was an increase of 0.5% over the previous year in real terms for company employee households, but for general households (i.e. individual business owners and others), real term consumption expenditures remained the same as the previous year.

Hesitancy regarding purchases of durable goods and clothing has played a major role in lagging consumption expenditures. There were substantial real declines in outlays for cars, air conditioners, personal computers, word processors, and other durables, as well as for Western-style clothes, shirts, sweaters, and other types of clothing and footwear.

On the other hand, there were real increases in consumption expenditures for private property rentals, facility repairs and maintenance, and other housing-related expenses, as well as for electric and gas bills, health and medical care, transport and telecommunications, and cultural and recreational services.

Factors that can be cited for this sluggish consumption expenditure growth include decreases in growth of consumers' disposable income and a growing desire to safeguard their way of living. Monthly real earnings for company employee households averaged ¥563,855 in 1992, a nominal increase of 2.7% compared to the previous year, but in real terms this was a slight 1.1% increase. If only because a nominal 5.2%

growth rate was maintained in both 1990 and 1991, the decline in 1992 appeared even more severe. The reduced earnings rate was primarily due to declining growth in overtime hours and bonus income paid to the head of household and cuts in income received by wives and other family members.

Confronted with these conditions, consumers have been forced to become more price-sensitive. They get by in their daily lives by holding off on as many purchases as possible. The portion saved is then used for leisure time enjoyment and to pursue happy and worthwhile lives. In other words, lifestyle downsizing is a growing trend.

Many people indicated that products and services they were abstaining from included clothing and accessories, dining out, food and drink, household electrical appliances, home electronics equipment, cars, furniture, hobby and sporting goods, and leisure and entertainment.

On the other hand, although it depended upon the person, some replied that they would put off purchases of other items or services, but wanted a car, overseas or domestic travel, home remodeling, suits or coats, sports and leisure products, a personal computer or word processor, and audio-visual products.

Regarding high-priced products, more and more clever, penny-pinching consumers are using discount stores or are waiting for a sale in order to buy equivalent items from the same manufacturer. Reflecting these purchasing trends, cate-

(Right and below): "Cool" takkyubin delivers fresh products to customers anywhere in Japan in record time. (Lower right): Mail order shopping lets you make buying decisions in your home.

Photos (Right and below): Yamato Transport Co., Ltd.



gory killers, factory outlets, off-price stores, and other new varieties of discount operations have flourished while department stores, supermarkets, specialty outlets, and other traditional local retailers have been losing customers.

Return of the family unit

With the decline in overtime hours and subsequent decrease in income, husbands/fathers have begun returning home from work early and are looking for new ways to spend leisure time with their families. This trend is referred to as the return of the family unit.

This tendency has energized the home market in Japan. One TV commercial after another now shows the smiling faces of fathers returning home. Rather than dining out, it is safer and healthier to select a meal's ingredients, prepare and eat it at home. It also saves money. Cooking one's own food has become popular and an increasing number of men can now be found in the kitchen. Induction heating rice cookers, dishwashers, microwave ovens, and other

electronic kitchen appliances are selling well thanks to the return of the family unit, and sales of rice, miso, soy sauce, frozen food products, and prepared foods are also improving.

It is expected that demand for personal computers, game software, audio-visual hardware and software, high-tech lifestyle accessories, and outdoor leisure goods for the household market will expand in the future.

Women have become more judicious about the fashions they wear, staying within their budget, as they carefully select products they like or produce their own, individual styles. In a survey by Yano Research Institute Ltd., almost 88% of the respondents answered that they would not be particularly concerned about the brand if the design and price were acceptable, while 75% replied that a famous brand would be better if the price and quality were equal. It is apparent that consumers have become less obsessed with brand names and now show more discernment when choosing products, focusing on design, quality and price.

Since the yen's rapid rise in April, major large-scale retailers nationwide have been reducing their yen profit margins. According to a survey by the Economic Planning Agency conducted in the same month, 75% of all corporations have cut their margins due to the stronger yen. The total comes to 90% if companies who are now planning such measures are included. By product category, the figures were highest for food products, at 71%, and brand name clothing, at 69%. Other categories included shoes, handbags, and Western-style eating utensils. Price cuts of 10% to 20% were common.

For foreign brands, import agents have begun moving away from yen profit margin reductions and have started slashing sales prices. If only because consumers have become more demanding about prices, strategies that are more attuned to the market are beginning to appear, with price cuts making purchasing easier.

Outlets that sell luxury brands for half price or less are also booming. Manufacturers, boutiques, department stores,

supermarkets, and other large corporations have entered this market in quick succession. Industry sources indicate that these types of outlets will undoubtedly act as a trigger for major changes in the overall distribution system.

Mail order sales takeoff

Starting with large retailers such as department stores and supermarkets, the profits of many retail organizations have sagged amid conditions in which one company after another faces negative growth compared to the previous year, or losses, but mail order sales have exhibited healthy growth. That is to say, in 1992 mail order sales profits (according to a study by a private polling firm) came to a little more than ¥2 trillion, a mere 1.5% share of gross retail sales profits. Compared to the United States, growth has just begun. Mail order sales profits showed a two-figure growth compared to every year until 1991, but remained at a single digit rate in 1992. Even so, the 9.1% growth rate compared to the previous year was still healthy. Expectations are that growth compared to the previous year will exceed 6% in 1993.

This favorable growth in mail order sales is not unrelated to increases in dual income households and the number of working women. Catalog shopping eliminates the time and effort necessary for shopping and the time saved can be allocated to leisure. Catalogs concentrate on carrying products that are actually in demand and, moreover, with the emphasis on reasonable prices, skillful use of catalog shopping can offer reductions in living expenses.

With this in mind, consumers can divide their shopping, handling some purchases by using catalogs and making others after carefully inspecting the product in the store.

Until 10 years ago most mail order sales were targeted at housewives from the baby boom generation. However, Sensukai, Cécile, Mutow, Seemly, Felissimo, and other catalogs aimed primarily at unmarried female office workers grew in popularity and mail order

sales gained a following among the younger generation. Young women who had familiarized themselves with the use of catalogs would then marry and have a family, with the result that mail order sales took root as an indispensable part of everyday life. With an increasing number of nuclear families in particular, pregnant young women who have not yet experienced childbirth or rearing children look to maternity and baby goods specialty catalogs as information sources, and because these catalogs nurture women's dreams and offer a sense of security they are increasing their customer bases.

STEP, Sofmap, and other personal computer, word processor, and audio-visual equipment mail order operations are very popular among young men. Of these, STEP has evolved thorough discount business methods based upon the company's own stated credo of five "nos"—explanation, display, exchange, return, and cancellation—and is growing rapidly.

From ancient times *goyo-kiki* (making the rounds of the neighborhood to obtain customers' orders) and *demae* (food deliveries) have been business practices with a uniquely Japanese flavor. Shop employees visit customers in the neighborhood to pick up orders and deliver products afterward. Even now rice and liquor shops maintain this traditional business practice. With this type of business method a shop's base of operation ends up limited to an area with a radius of more or less five kilometers. With mail order sales, business can be developed nationwide. Currently, parcel post is employed to deliver tea, seaweed, *umeboshi*, rice crackers, liquor, Japanese confectioneries, seafood and processed seafood products, agricultural produce and processed agricultural products, and other very fresh goods directly from producing regions and business is growing briskly.

As consumer values, lifestyles, and trends undergo great upheavals, distribution mechanisms will also be forced to reform.

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