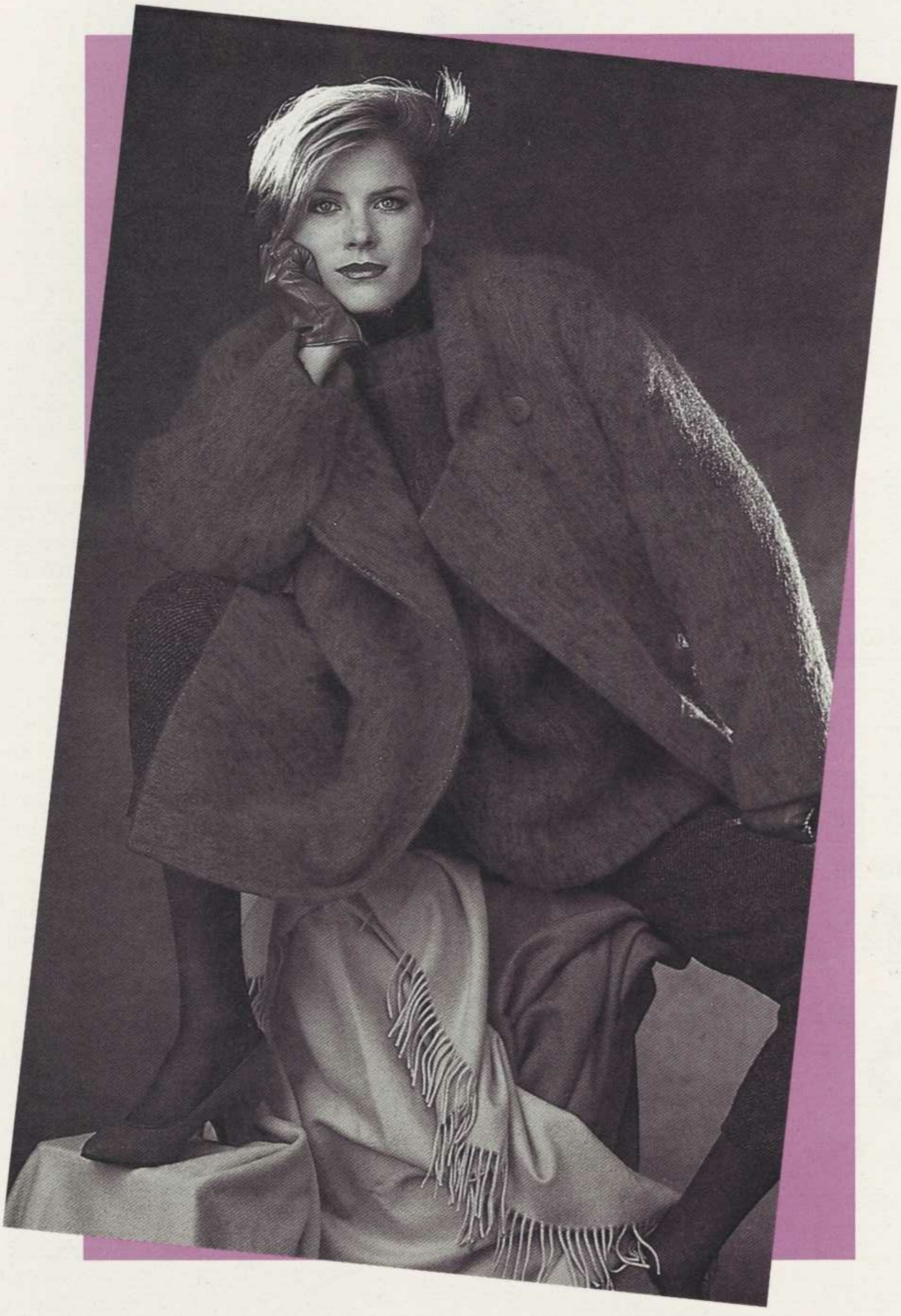
# Japan's Apparel Industry

By Hiroshi Ejiri



## History

The apparel industry in Japan today supplies an ¥11.8 trillion ($49.17 billion) market. The products of 45,490 manufacturing plants are distributed through 11,758 wholesale and 153,745 retail outlets. By any standard, this is a big industry, but it is only in recent years that it has suddenly bloomed.

The history of Japan's apparel industry can be divided into three stages.

Stage 1. All clothing was made at home and ready-made garments were not yet on the market.

Stage 2. Ready-made garments began to appear on the market but their share was small. Made-to-order garments and home-sewn garments were still the rule.

Stage 3. Ready-made garments expanded to take the lion's share of the market. Manufacturers, wholesalers and retailers became the nucleus of the apparel industry.

Stage 1 covered the period from the beginning of Japan's history up to 1867, the end of the Tokugawa Era, which signaled the start of Japan's modernization. During this stage, virtually all clothing was the traditional Japanese *kimono*, which housewives made with scissors and needles. Fabrics were sold as merchandise in the market, but the finished *kimono* was not.

Stage 2 began with the Meiji Restoration and continued for a century up to about 1970.

With the abolition of the *samurai* class, the Meiji government established a modern army. Ready-made garments made their first appearance in the form of soldiers' uniforms. However, the westernization of clothing was a slow process. The first item of ready-made clothing to appear on the market was *tabi* (short, bifurcated socks), a purely Japanese garment. Next came

Each seemingly minor process of dress making adds up to a ¥11.8 trillion-a-year market in Japan.

ready-made Western-style shirts, socks and children's school uniforms.

After World War II, the westernization of clothing advanced rapidly and the range of ready-to-wear garments widened. The first new item of clothing to be marketed ready-made after the war was underwear. Next, ready-to-wear products took over the bulk of the sweater and pants market. And finally, ready-made fashions spread to suits and dresses.

Stage 3 began around 1970, when ready-to-wear garments accounted for more than 50% of all clothing made in Japan. The years when ready-made clothes passed the 50% mark in respective items were:

1967—women's coats
1970—women's dresses
1972—women's suits
1972—men's suits

Thus, 1970 can be regarded as the dividing line marking the start of Stage 3 for the Japanese apparel industry. Stage 3 is a period with a high ratio of ready-made garments, which means it has seen great advances for ready-made clothing manufacturers.

**Table 1 Scale of Apparel Market (1980)**

| | Value (¥100 million) | Component ratio (%) |
|---|---|---|
| *Kimono* | 10,287 | 8.7 |
| Western clothing | 44,977 | 38.2 |
| Men's wear | (11,475) | |
| Women's wear | (21,103) | |
| Children's/infants' wear | ( 5,540) | |
| Student uniforms, etc. | ( 6,859) | |
| Sweaters | 6,594 | 5.6 |
| Shirts, underwear | 16,752 | 14.2 |
| Stockings, gloves | 4,353 | 3.7 |
| **Total apparel** | **82,963** | |
| Accessories | 34,821 | 29.6 |
| **Grand total** | **117,784** | **100.0** |

**Table 2 International Comparison of Personal Consumption**

| | | Japan | U.S. | South Korea |
|---|---|---|---|---|
| Per-capita personal consumption | (1975) | $2,554 | $4,521 | $407 |
| | (1980) | 5,165 | 7,318 | 993 |
| Component ratio of personal consumption (1978) | | | | |
| Food | | 25.7 % | 16.3 % | 53.8 % |
| Clothing | | 7.1 | 6.9 | 9.2 |
| Rent, lighting, heating | | 17.7 | 20.1 | 8.0 |
| House upkeep | | 6.3 | 7.2 | 4.0 |
| Medical | | 10.5 | 11.7 | 4.8 |
| Transportation/communication | | 8.5 | 16.4 | 7.1 |
| Culture/entertainment | | 8.1 | 8.6 | 5.7 |
| Other | | 15.1 | 12.8 | 7.4 |

## Scale of the apparel market

The scale of the Japanese market for apparel, including accessories, was ¥11.8 trillion as of 1980. This is bigger than the automobile (¥5.3 trillion) and household electric appliance (¥3.3 trillion) markets combined. A breakdown of the apparel market, as indicated in Table 1, shows that the share of outerwear is 38.2%, that of *kimono* 8.7%, sweaters 5.6%, and shirts and underwear 14.2%.

The amount of money spent on clothing by the Japanese consumer has gradually declined. In 1978 it came to 7.1% of total personal consumption expenditure, as shown in Table 2. Clothing expenditure is less than one-third that of food expenditure. It is even smaller than outlays for transportation/communication and culture/entertainment.

An international comparison of consumer spending for clothing as a percentage of total personal consumption shows that the Japanese figure is almost identical to that for Americans and considerably lower than the figure for South Koreans. This can be taken to mean that Japan's economy has matured and that the people's needs for the three basics of clothing, food and housing have been largely met, reflecting the rise in their standard of living.

## Manufacturing

Any industry is composed of manufacturing, wholesaling and retailing sectors. The following review looks at these three sectors of the apparel industry, starting with manufacturing.

The apparel manufacturing industry in Japan can be broadly divided into
(1) Knitting mills and
(2) Sewing mills.

A more detailed breakdown is given in Table 3.

The scale of the apparel manufacturing industry is as follows:

Number of plants .............. 45,490
Number of workers.............. 575,000
Value of shipments ...... ¥3.457 trillion

The average number of workers per plant is 12.6, with average shipments per plant valued at ¥76 million.

One of the most conspicuous features of the apparel manufacturing industry in Japan is the large number of small plants. Compared with its American counterpart, the Japanese apparel manufacturing industry has 2.5 times as many plants, while the average number of workers in a Japanese factory is only one-fifth that in America. The average value of shipments per plant in Japan is one-sixth the U.S. figure.

Another characteristic of Japanese apparel manufacturing is that many apparel makers are contractors for apparel wholesalers. These contractors cut fabric according to the pattern supplied them by the wholesaler, sew it into the finished product and supply it to the wholesaler.

**Table 3**
**Apparel Manufacturing Industry (1980)**

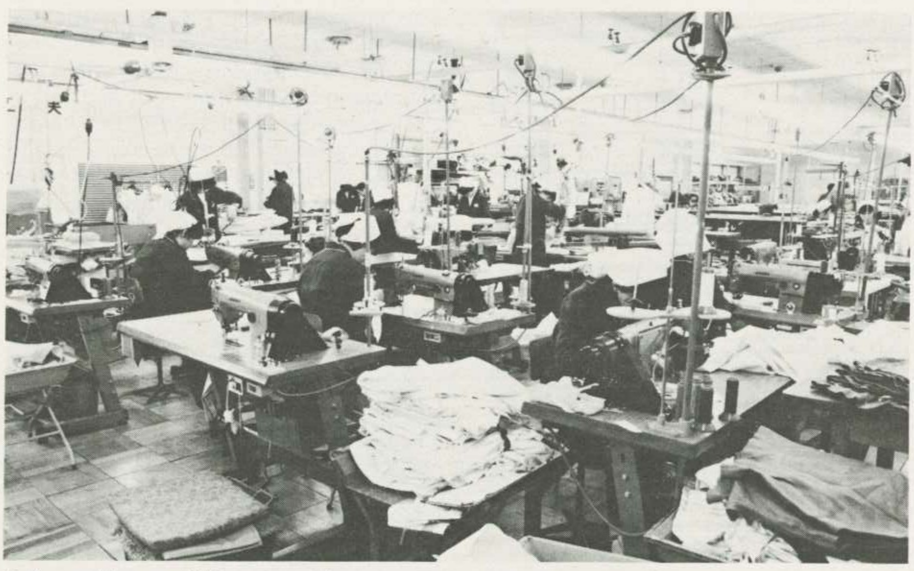
| | No. of plants | No. of workers (1,000 persons) | Value of shipments (¥100 million) | Per plant | |
|---|---|---|---|---|---|
| | | | | No. of workers | Value of shipments (¥ million) |
| **Knitting mills** | **13,368** | **150** | **13,514** | **11.2** | **101** |
| Circular knit mills | 4,554 | 79 | 8,251 | 17.3 | 181 |
| Warp-knitting mills (hosiery) | 1,521 | 19 | 1,556 | 12.5 | 102 |
| Weft-knitting mills | 7,293 | 52 | 3,707 | 7.1 | 51 |
| **Sewing mills** | **31,556** | **422** | **20,739** | **13.4** | **66** |
| Outerwear | 27,434 | 356 | 17,634 | 13.0 | 64 |
| Men's wear | 5,826 | 91 | 4,261 | 15.6 | 73 |
| Women's and children's wear | 16,306 | 189 | 8,255 | 11.6 | 51 |
| Working wear | 4,539 | 63 | 4,057 | 13.9 | 89 |
| School uniforms | 763 | 11 | 1,029 | 14.4 | 135 |
| Sweaters and underwear | 4,122 | 66 | 3,155 | 16.0 | 77 |
| Sweaters | 1,885 | 30 | 1,264 | 15.9 | 67 |
| Underwear | 1,871 | 26 | 1,260 | 13.9 | 67 |
| Brassieres and allied garments | 366 | 10 | 610 | 27.3 | 167 |
| **Other apparel manufacturing industry** | **566** | **3** | **319** | **5.3** | **56** |
| **Total apparel manufacturing industry** | **45,490** | **575** | **34,572** | **12.6** | **76** |

**Table 4**
**Comparison of Japan and U.S. Apparel Manufacturing Industries**



| | No. of plants (thousand) | | No. of workers (thousand) | | Value of shipments ($ billion) | |
|---|---|---|---|---|---|---|
| | Japan | U.S. | Japan | U.S. | Japan | U.S. |
| **Knitting mills** | 13.4 | 1.0 | 150 | 95.1 | 5.6 | 2.8 |
| **Sewing mills** | 31.6 | 17.6 | 422 | 1,088.3 | 8.6 | 30.0 |
| **Total apparel manufacturing industry** | **45.5** | **18.6** | **575** | **1,183.4** | **14.4** | **32.8** |

Notes: U.S. figures are for 1977.
Japanese figures are for 1980; value converted at ¥240 to the dollar.



Sewing machines are still the major tool for the apparel industry today.

## Wholesalers

The Japanese apparel wholesale industry is about on the same scale as its American counterpart. There are 11,758 stores employing 164,400 workers, and generating ¥6.329 trillion in sales annually.

The apparel wholesale industry in Japan has three distinctive features. Firstly, most of the wholesalers take the initiative in apparel production. Their own designers plan products, make patterns, draw up specifications and commission apparel manufacturers to make them. In America, wholesalers with a merchandising function are known as apparel jobbers and are lumped together with apparel manufacturers in industry statistics. In

Japan's case, the wholesalers do not undertake manufacturing activities themselves and are thus listed under wholesalers.

Secondly, the apparel wholesalers also take the initiative in retailing. The wholesalers not only supply apparel to retailers but also dispatch their own staff to retail shops to assist in sales. They also take back unsold goods from the retailers, thus assuming the marketing risk.

Thirdly, as a corollary of the second point, the wholesalers in most cases set the retail price. In the United States, it is the retailers who fix the retail price of apparel. In Japan, the wholesalers retain the initiative in the distribution of apparel, and supply goods to retail shops on a basis close to the consignment formula. It is quite natural that they also usually fix the retail price.

## Retailers

Japan's apparel retail industry consists of 191,647 shops employing 617,500 workers (excluding those at general merchandise stores). Its sales total ¥7.145 trillion (again excluding general merchandise stores).

As Table 6 shows, there are more apparel retail shops in Japan than in the U.S. However, they are smaller than their U.S. counterparts. Moreover, the market share of general merchandise and department stores is smaller in Japan than in the U.S.

The most distinctive feature of Japan's apparel retail industry is that it does not assume merchandise risk and relinquishes business initiative to wholesalers. In recent years retailers have increasingly avoided merchandise risk by returning unsold goods to wholesalers. The retail shops themselves tend to ask wholesalers to dispatch staff to help in retail activities.

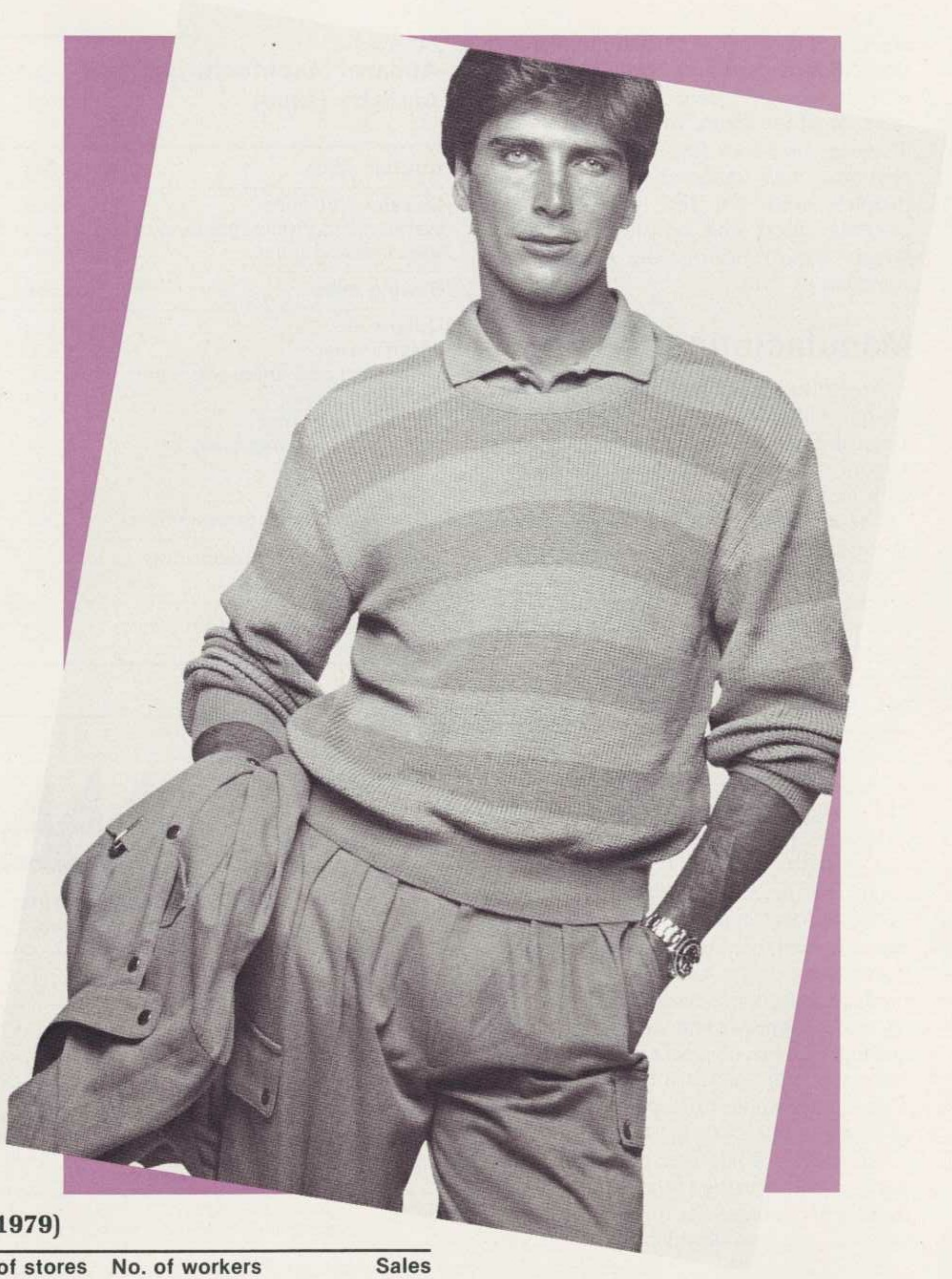


**Table 5 Apparel Wholesale Industry (1979)**

| | No. of stores | No. of workers (thousand) | Sales (¥100 million) |
|---|---|---|---|
| Men's wear wholesalers | 3,270 | 39.9 | 12,466 |
| Women's and children's ware wholesalers | 6,044 | 81.1 | 35,601 |
| Underwear wholesalers | 2,444 | 40.4 | 15,219 |
| **Total apparel wholesale industry** | **11,758** | **164.4** | **63,286** |

**Table 6 Comparison of Japan and U.S. Apparel Retail Industries**

| | No. of shops (thousand) | | No. of workers (thousand) | | Sales (¥ billion) | |
|---|---|---|---|---|---|---|
| | Japan | U.S. | Japan | U.S. | Japan | U.S. |
| General merchandise stores | 3.6 | 48.9 | (37.3) | (2,016.9) | (44.5) | (76.9) |
| *Kimono* retailers | 37.9 | — | 153.6 | — | 7.8 | — |
| Men's wear retailers | 42.8 | 22.7 | 128.9 | 145.3 | 4.9 | 6.9 |
| Women's and children's wear retailers | 57.8 | 44.9 | 225.6 | 326.0 | 12.7 | 12.4 |
| Accessories retailers | 49.5 | 44.7 | 109.4 | 247.2 | 4.4 | 10.5 |
| **Total apparel retail industry** | **191.6** | **161.2** | ***617.5** | ***718.5** | ***29.8** | ***29.8** |

*General merchandise stores not included.
Notes: Japanese figures are for 1979; value converted at ¥240 to the dollar.
U.S. figures are for 1977.

This means that the wholesaler assumes what normally is the retailer's cost and risk and, as a consequence, has seized the initiative in the distribution of apparel.

The apparel distribution channel runs from manufacturer to wholesaler to retailer to consumer, and the wholesaler is the channel leader. The fact that the wholesaler holds this leadership position is an outstanding feature of the Japanese apparel business not seen in any other industry. ●

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