


Ring in the Age of Reiwa

A presentation to Global Chamber, Palo
Alto

Prepared by Dominic Carter

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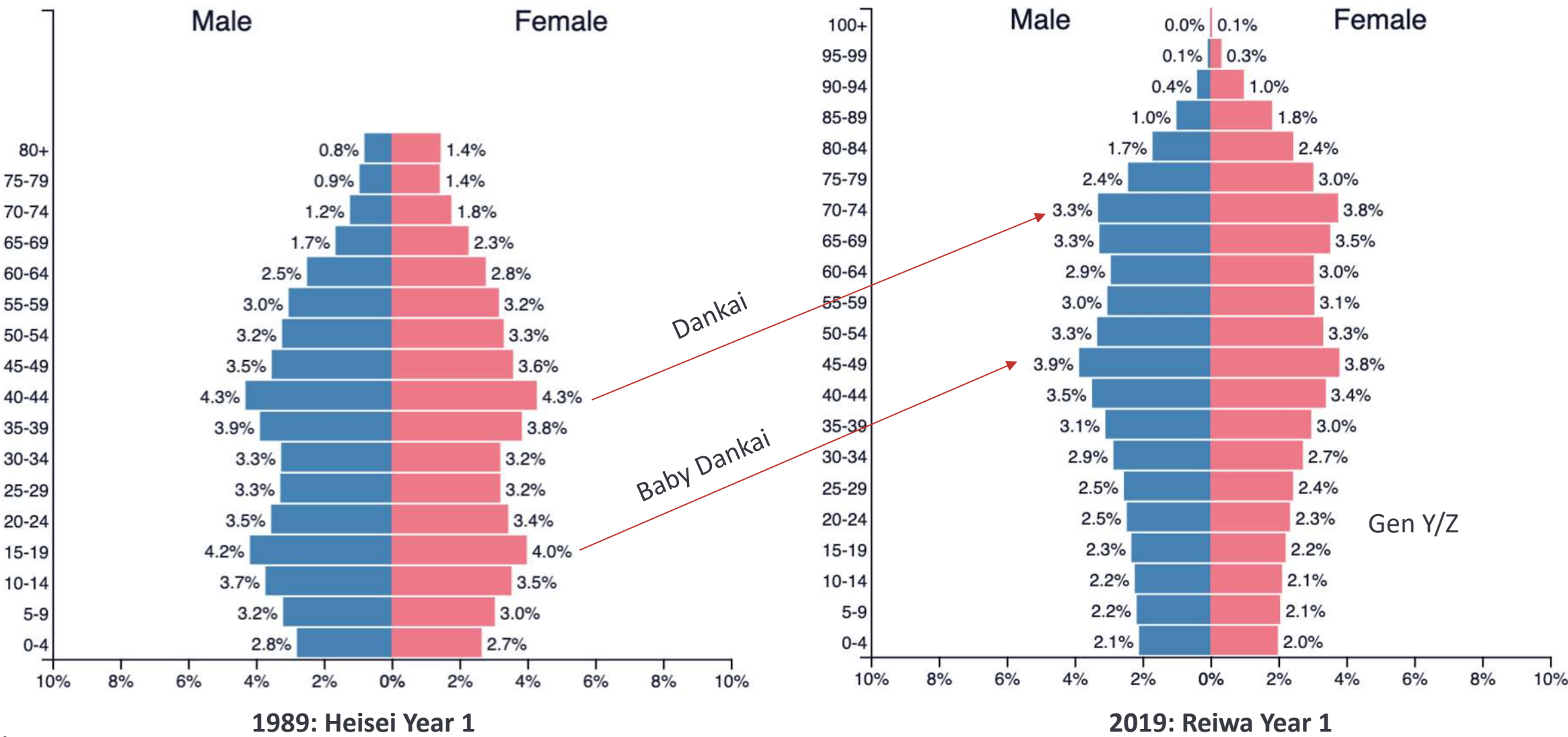
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1. Reiwa: demography and destiny
 2. Four key 'megatrends' in Japan
 3. Where does the US fit into this?

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The age of Reiwa will see a traditional society becoming 'modern', driven by demographic pressures that have not been seen in any society before

Japan is meeting the era of Reiwa with unprecedented growth at the elder age brackets and atrophy in numbers among the young

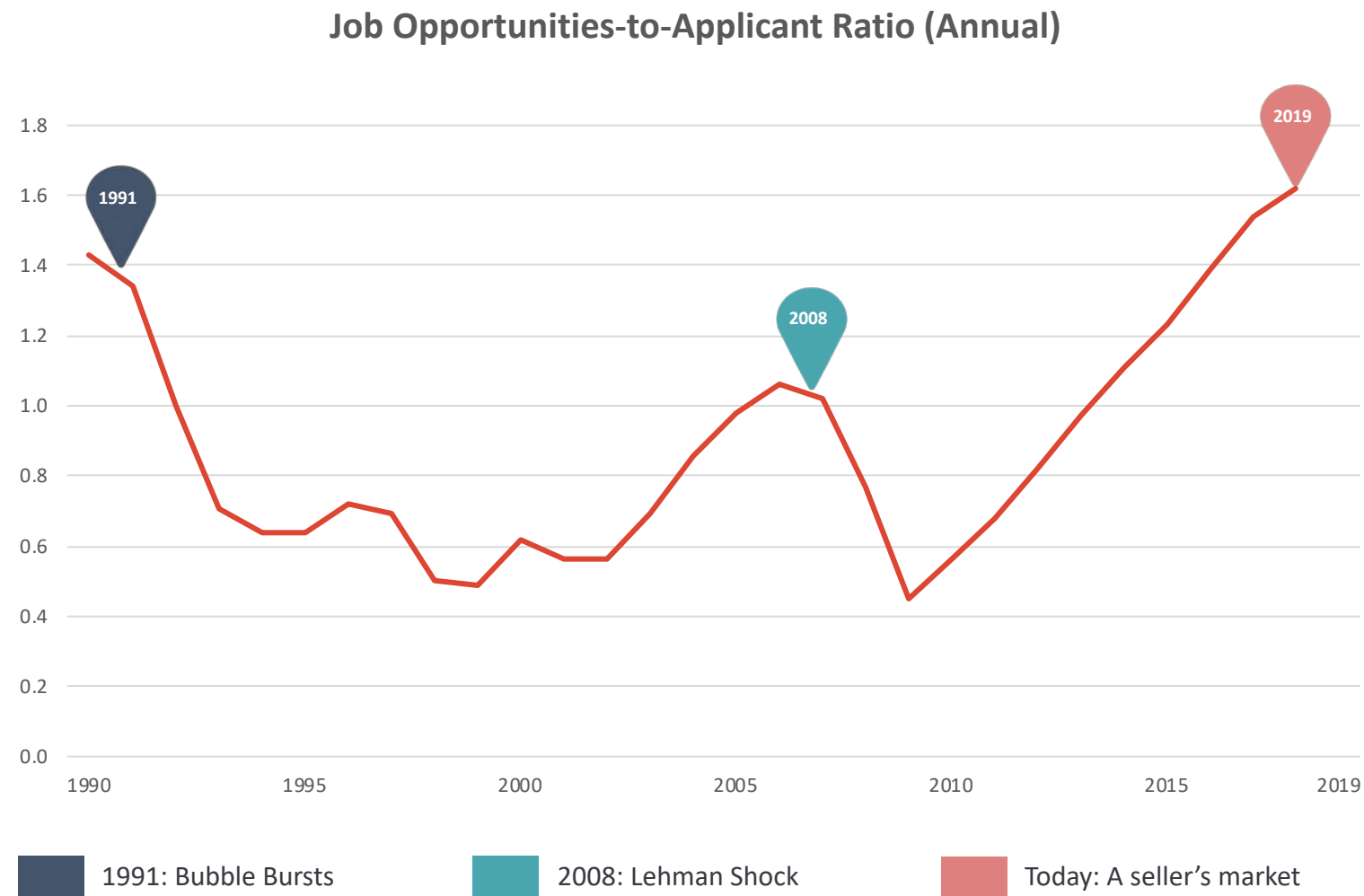


*Source: www.populationpyramid.net

Scarcity of younger people
is changing everything (and
creating huge opportunities)



The worker in Japan is in an unprecedentedly strong bargaining position



Source: Cabinet Office – Portal Site of Official Statistics of Japan: [e-stat.go.jp](https://www.e-stat.go.jp/statsearch/files?page=1&layout=datalist&toukei=00450222&tstat=000001020327&cycle=1&tclass1=000001032430)
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Dealing with a society with dramatically less people of working age



1 The Changing World of Work

Japan is facing a major labor shortage, with no clear solution – women, robots and “imported” labor are all being engaged.

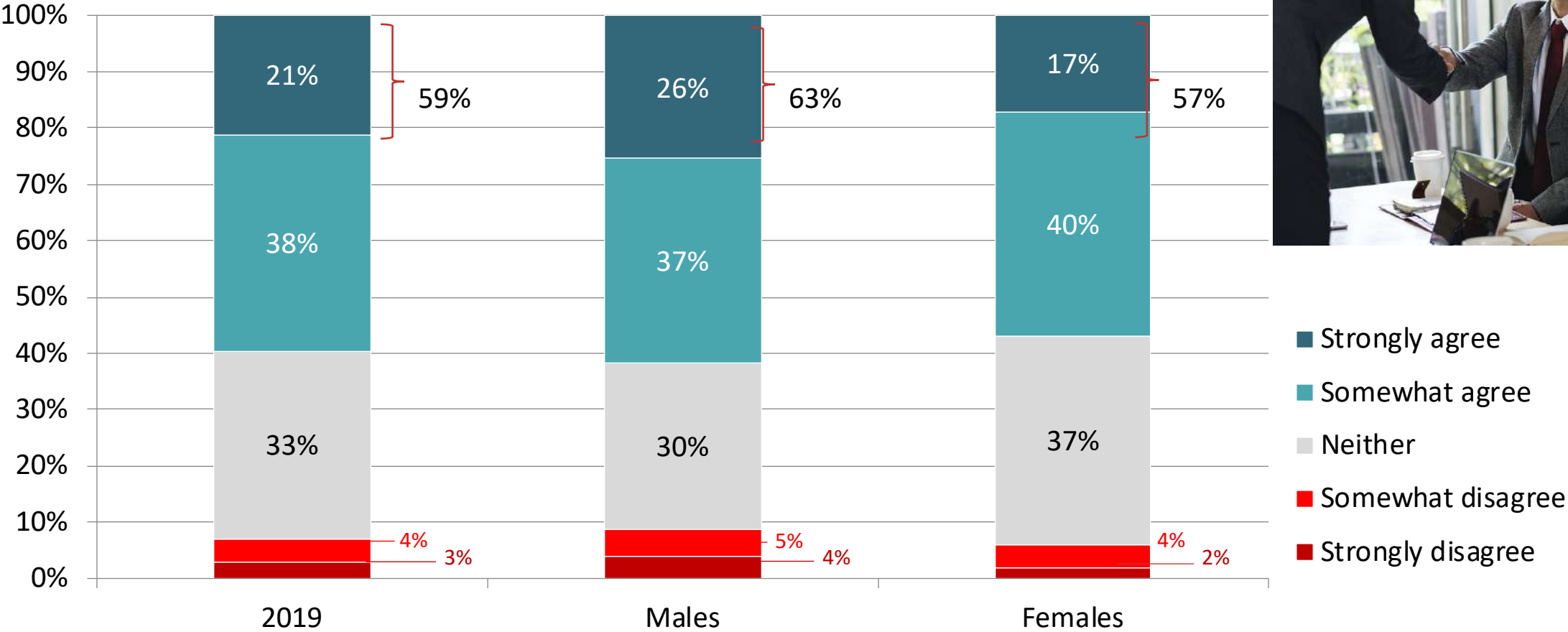
Attitudes to the traditional workaholic ideal, and being tied to an office are also changing.



**The four macro trends
shaping modern Japan**

Japan's working habits

Japan knows that change around work must take place



Carter Japanese sentiment survey –
“Q2.7 In order for Japan to remain healthy, its working habits and structure need to change”

Pressure on companies to provide more flexibility on working hours

Japanese Government Premium Friday Initiative:

“A leisurely and luxurious weekday of afternoon ‘bla’ shopping”

例えば

平日昼間に
ゆったり贅沢
「午後ブラショッピング」。

 詳しく見る



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2 Women Power

A record number of working age women now hold jobs in Japan, yet traditional work structures – such as the two-track work system – and attitudes are creating resistance.

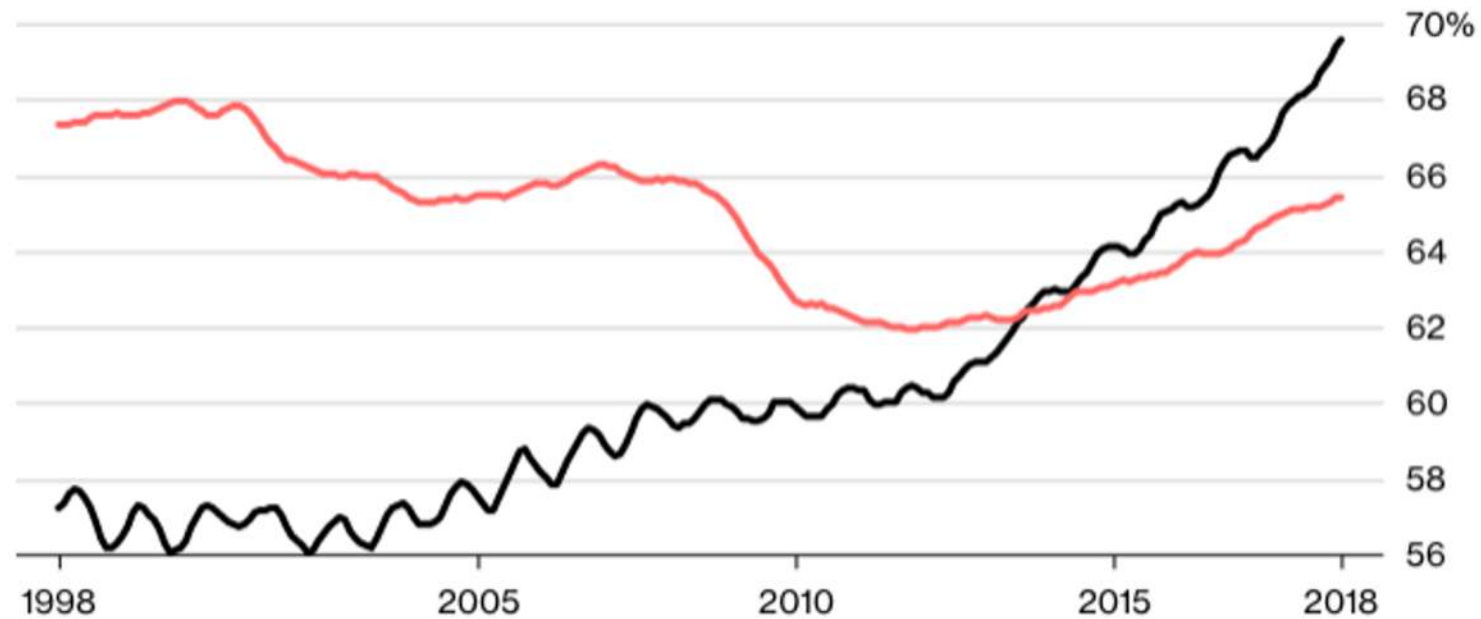


The four macro trends shaping modern Japan

The pressure on population sees business turning to women to fill the gaps

The female labor participation rate in Japan is now higher than in the U.S.

Japan U.S.

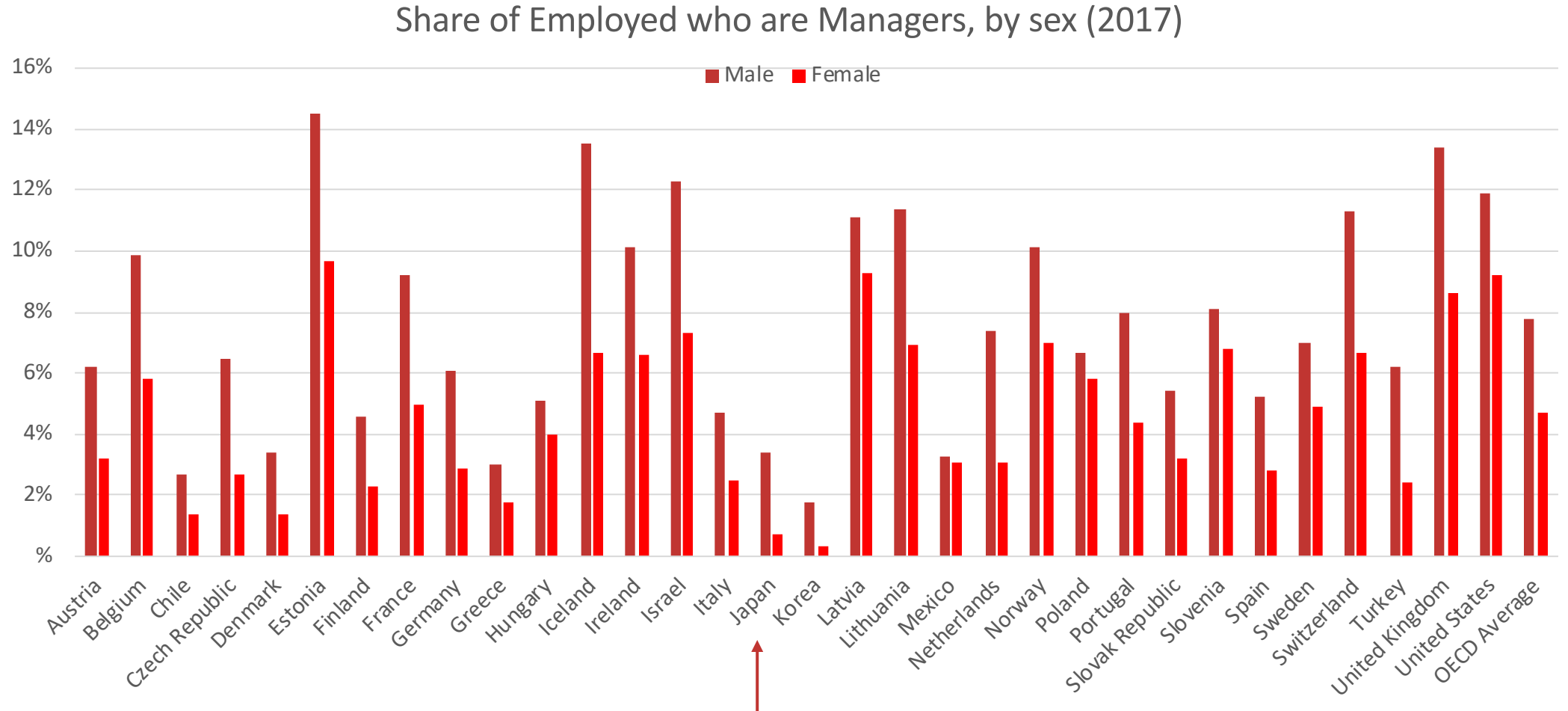


Shows 6-month moving averages for labor participation rates among 15-64 year olds. Sources: Japan's internal affairs ministry, OECD.

**Source: Bloomberg*

Managers in OECD countries

Japan's share of female managers is second lowest among OECD countries



Source: 2017 - Organisation for Economic Co-operation and Development (OECD)

<https://stats.oecd.org/index.aspx?queryid=54752>



The Reiwa era is likely to see an upturning in the balance of power, especially economic power, between men and women.

Women will have their own money and will have more freedom in how to spend it.

The long term implications are yet to be seen, but the social, consumer and retail trends are already apparent.

The Death of Kawaii?

It used to be assumed that Japanese women coveted 'kawaii' (infantilized cuteness).
This may be changing...

Women in Daihatsu drove the change in design from what men thought women wanted to what they really want and reestablished Mira in the top 10 best selling cars in Japan.

FROM THIS

Mira Cocoa



TO THIS

Mira Tocot



Premiumisation: a response to women having more to spend on their own terms?



Premiumisation of mundane or everyday products has been a response to tough economic times – a way to enjoy an elevated experience at an affordable price-point.

However, as women earn more and gain more control of their money – premiumisation – the sensible splashing out on oneself will continue.

Tokyo's range of high-end chocolatiers that have grown up in recent years are a testament to this trend.

Even Kit Kat has been elevated to the high-end department store channel.

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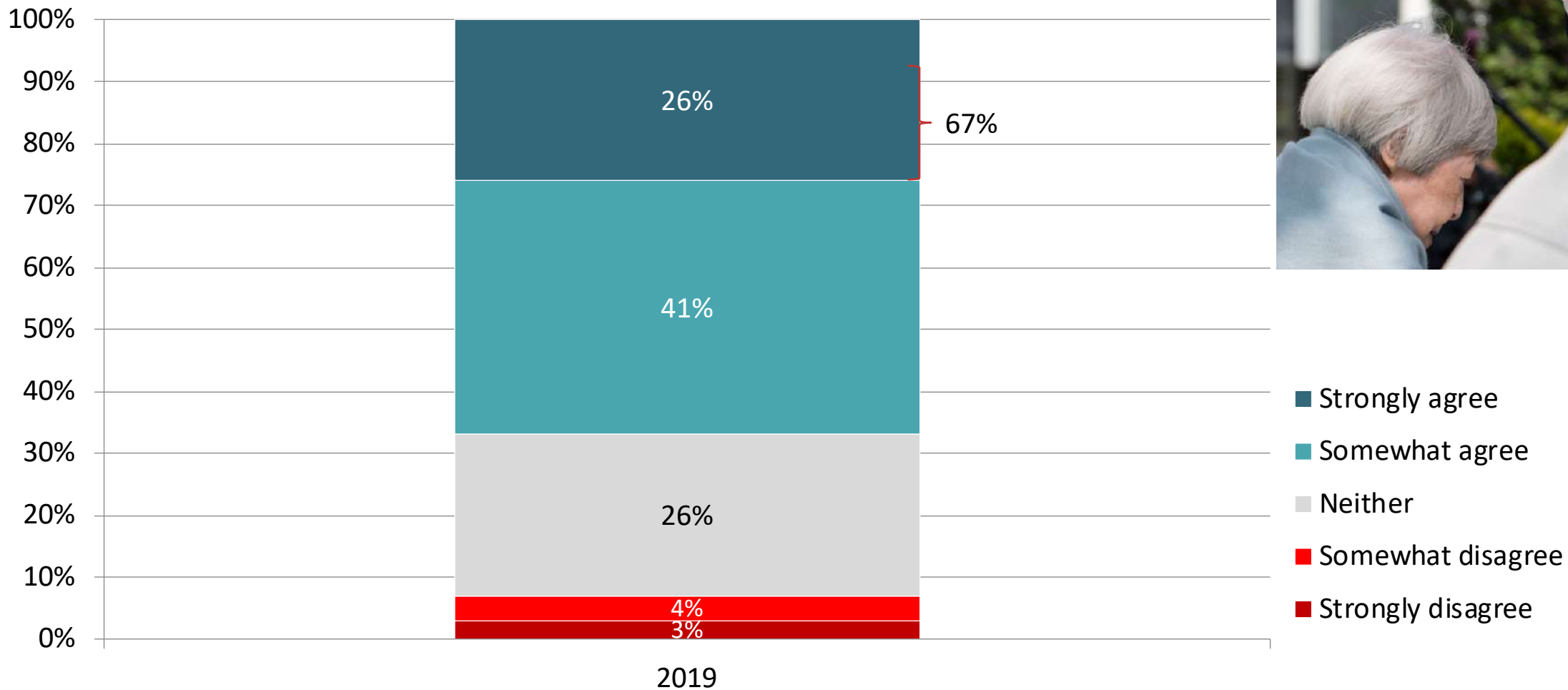
3 Generational Dynamics

Japan is the most aged country in the world. An unprecedented problem, with no firm roadmap.

Generations may or may not have common interests.

Concern about Japan's ageing society

Japan's looming issues are already causing concern



Carter Japanese sentiment survey –
“Q2.8 I worry about the care demands of our aging society, and how Japan will deal with it”

Retailers facilitate lifestyle for seniors



Source: Japan Times

Aeon is renovating its shopping centres to better cater for seniors:

- Opening earlier
- Health check-ups
- Exercise space and sessions
- Social hub
- Curated products targeted for seniors

Tech-savvy seniors support e-commerce



Internet and smartphone penetration continues to increase among seniors.

They are becoming more active in online shopping.

Clear opportunities exist to alleviate the physical strain of shopping as well as providing services those that need to care for seniors.

Opportunities for generational exchange?



Clear opportunities exist in some retail sectors such as toys, to facilitate cross-generational experience.

Retailers such as Toys R Us are looking at formats for more hands-on play that will attract kids and their grandparents.

Unlocking Japan's seniors' wallets in the service of the young generation is a worthy challenge!

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4 Internationalization

Immigration is at record high, while the country is already experiencing a record tourism boom.

Rugby World Cup 2019 and the 2020 Olympic Games are key turning points.

Foreigners working in convenience stores in Japan



An NLI Research Institute report has found that about 7% of the 35,000 people working at 7-11 convenience stores throughout Japan are of foreign origin (about 2,450 people).

This reflects the changing face of Japan's labour force as it responds to demographic pressures.

Integrated Resorts



At least three huge 'integrated resort' projects are on the drawing board for Japan

These multi-billion dollar developments will integrate gaming, retail, leisure, meetings and conferences

Japanese retail concepts engage with the world



Nintendo New York

Nintendo Tokyo, which will open in Tokyo's Shibuya district in later this year, follows in the footsteps of Nintendo's popular specialty store in New York.

It is unique for a Japanese brand to open first overseas and then open in Tokyo.

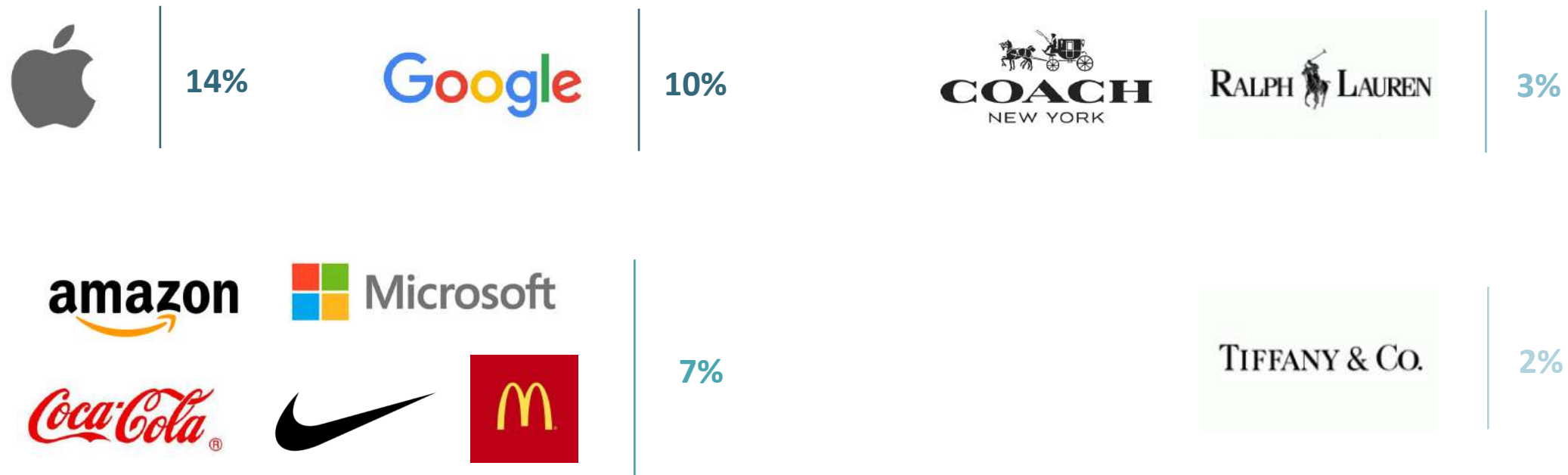
Nintendo hopes to benefit from the influx of international visitors around Rugby World Cup and the 2020 Olympics.



| In the context of Japan's internationalization,
how well placed are US businesses?

Digital companies dominate among Japan's favorite US brands

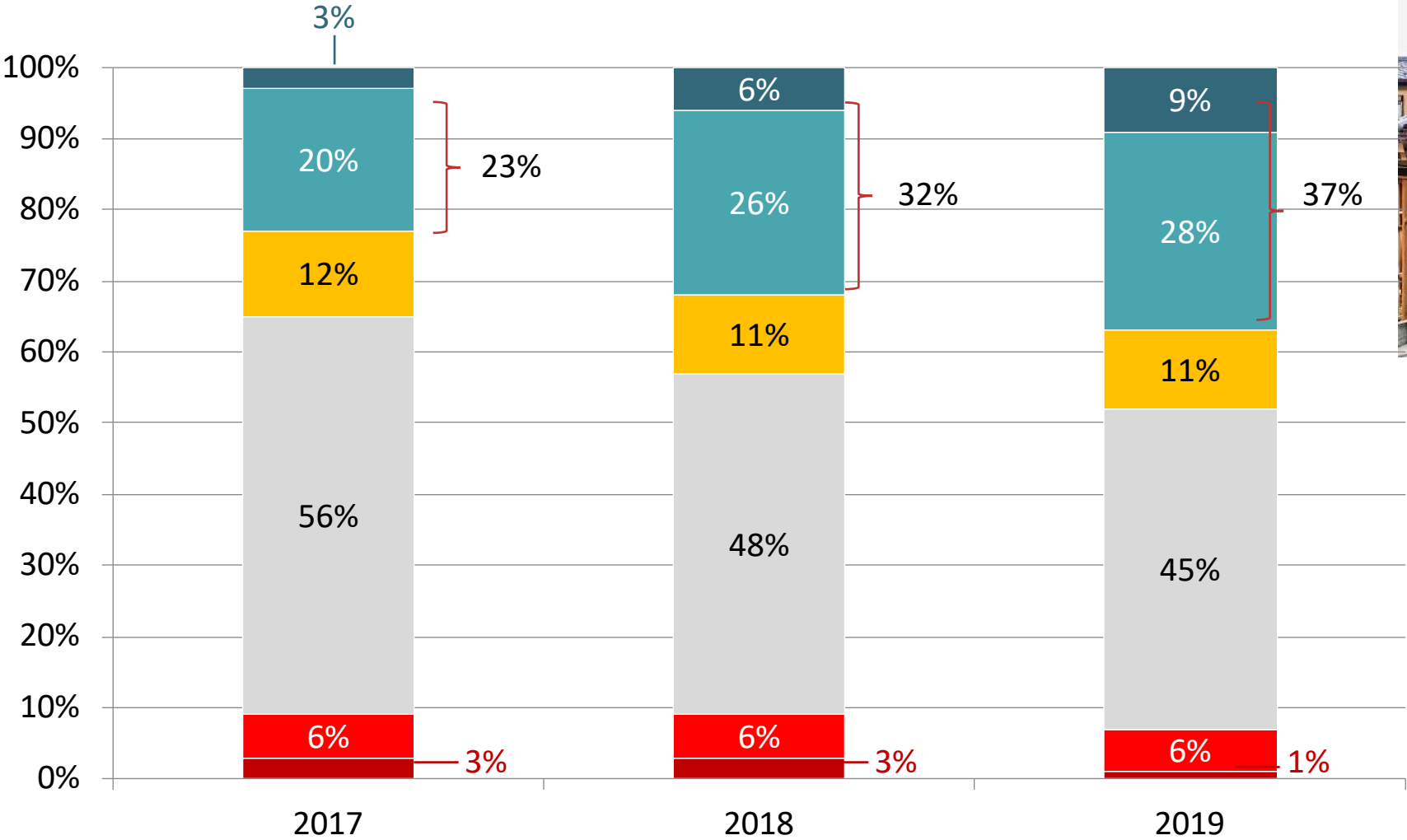
'Favorite' American brands in Japan – Top 10 (Carter Survey, April 2018)



% respondents who mentioned the brand | Base: Japan | April 2018

Consumer perceptions of US brands

Opinions towards US brands have seen firm improvement in recent years

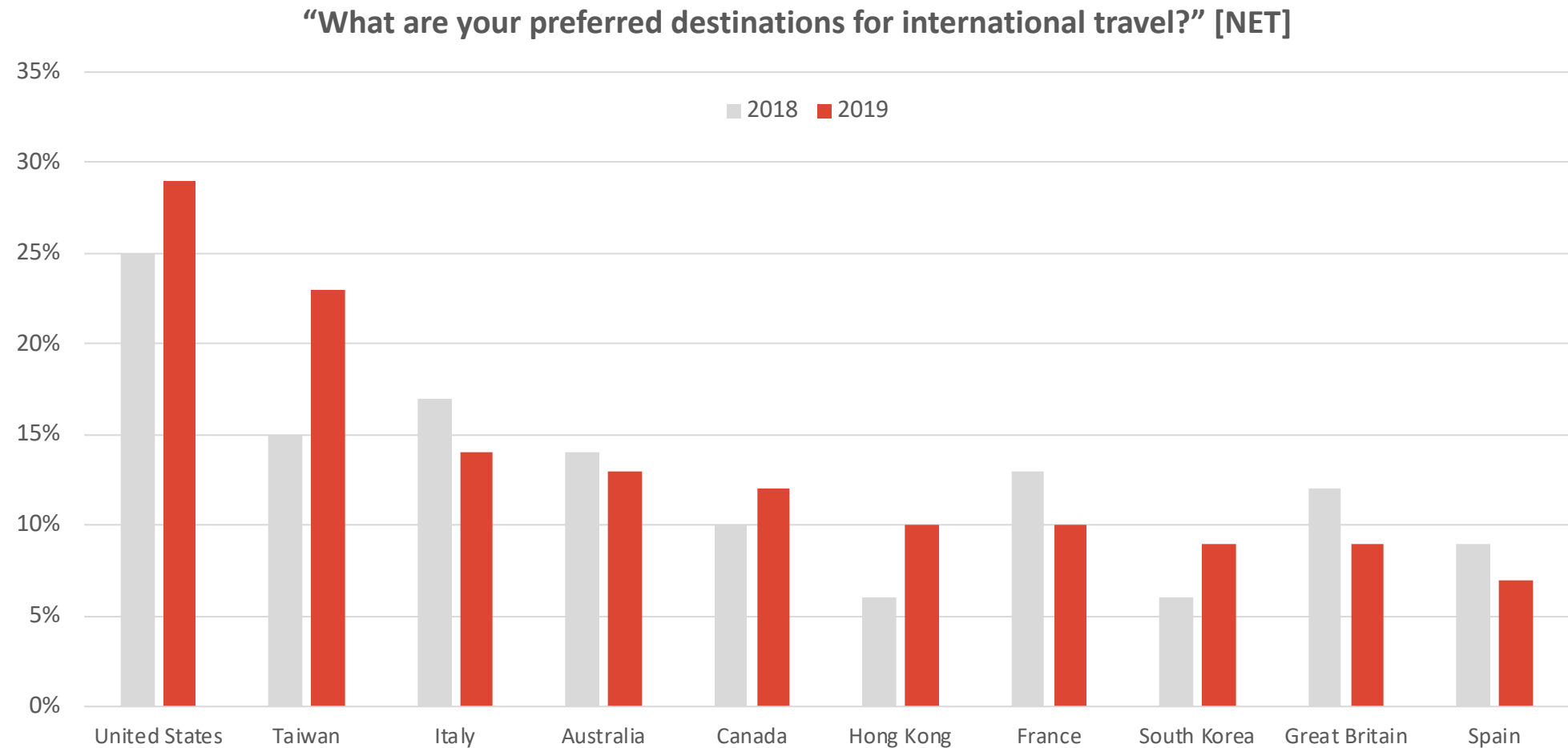


- Strongly favorable
- Somewhat favorable
- Depends on the brand
- Neither/Don't know
- Somewhat unfavorable
- Strongly unfavorable

Carter Japanese sentiment survey – “Q7. Please indicate how favorable your opinion is of US brands and their associated goods, products and services. You may also indicate that you don't know or don't have an opinion”

The most popular destinations of 2019

The US is one of few Western countries **gaining** popularity as a destination



Fast food and restaurants are area with relatively strong latent demand for US brands

“How open-minded would you be to buying more of the following US products?” – Top-2 box

Product Category	Total 16-69 n=1,000	16-19 n=69	20s n=146	30s n=179	40s n=215	50+ n=391
Processed food	11	20	15	15	11	7
Fresh food	10	16	8	12	9	8
Beverages (non-alcohol)	8	13	14	11	9	3
Beverages (alcohol)	10	20	12	10	9	7
Fast food	16	29	24	20	14	10
Restaurants	17	30	23	22	13	12
Home delivery food	10	19	14	16	12	4
Average Top-2 “Buying More” (25 products)	10	18	13	13	9	6

Base: Japanese aged 16-69 | n=1000 | March 2017



**A recipe for success
for US business in the Age of Reiwa**

Four Key Areas Where Japan's Megatrends Synergistically Manifest



CONVENIENCE



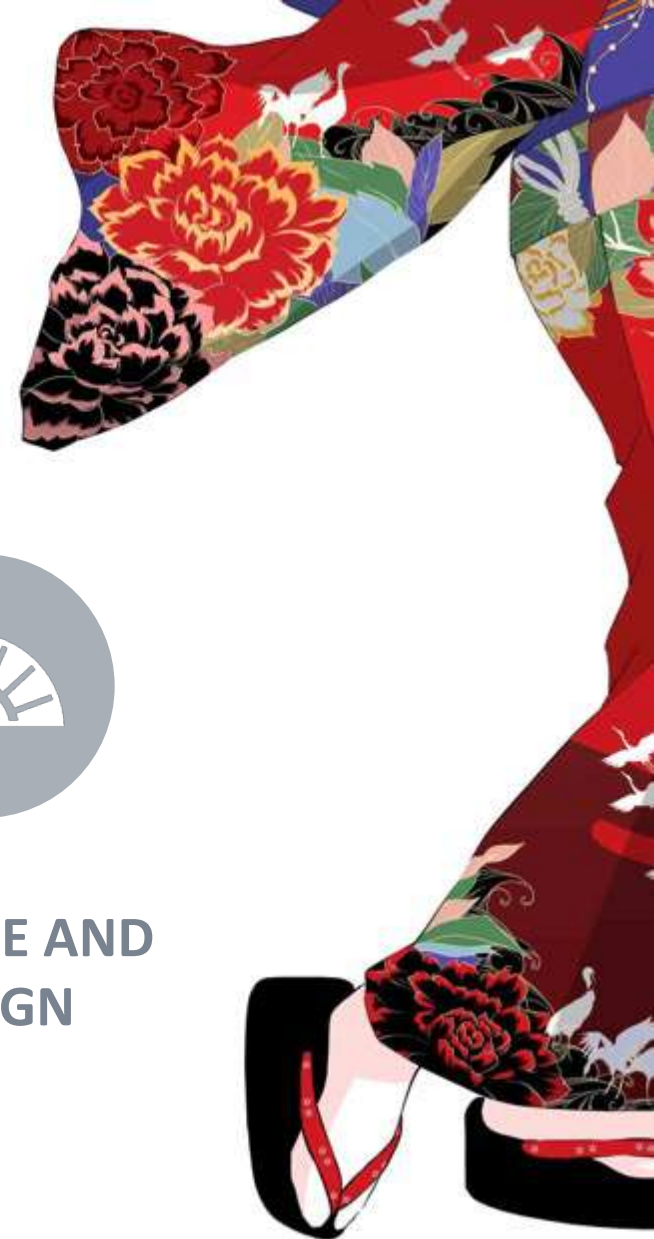
EXPERIENCE



WELLNESS



**CULTURE AND
DESIGN**



CONVENIENCE IS KING



Convenience is something that has often been designed around the needs of the salaryman.

Now it is growing in its scope to facilitate enhanced roles for women in their work and career.

Seniors want bothersome chores taken away from them as they pursue a more meaningful life.

EXPERIENCE



Shopping is so much more than buying goods. This can be all done online nowadays.

What to do with all the extra time that saves?

Retail concepts that incorporate the opportunity to spend time in an enjoyable way are growing – increasing engagement with brands as well the value of goods sold.

And the needs for experience go well beyond retail into leisure and entertainment

WELLNESS



Wellness is a nascent trend in Japan prompted by concerns that arise from a faster paced and sometimes more disconnected life.

Japan's health-obsessed seniors also provide a long term boost.

CULTURE AND DESIGN

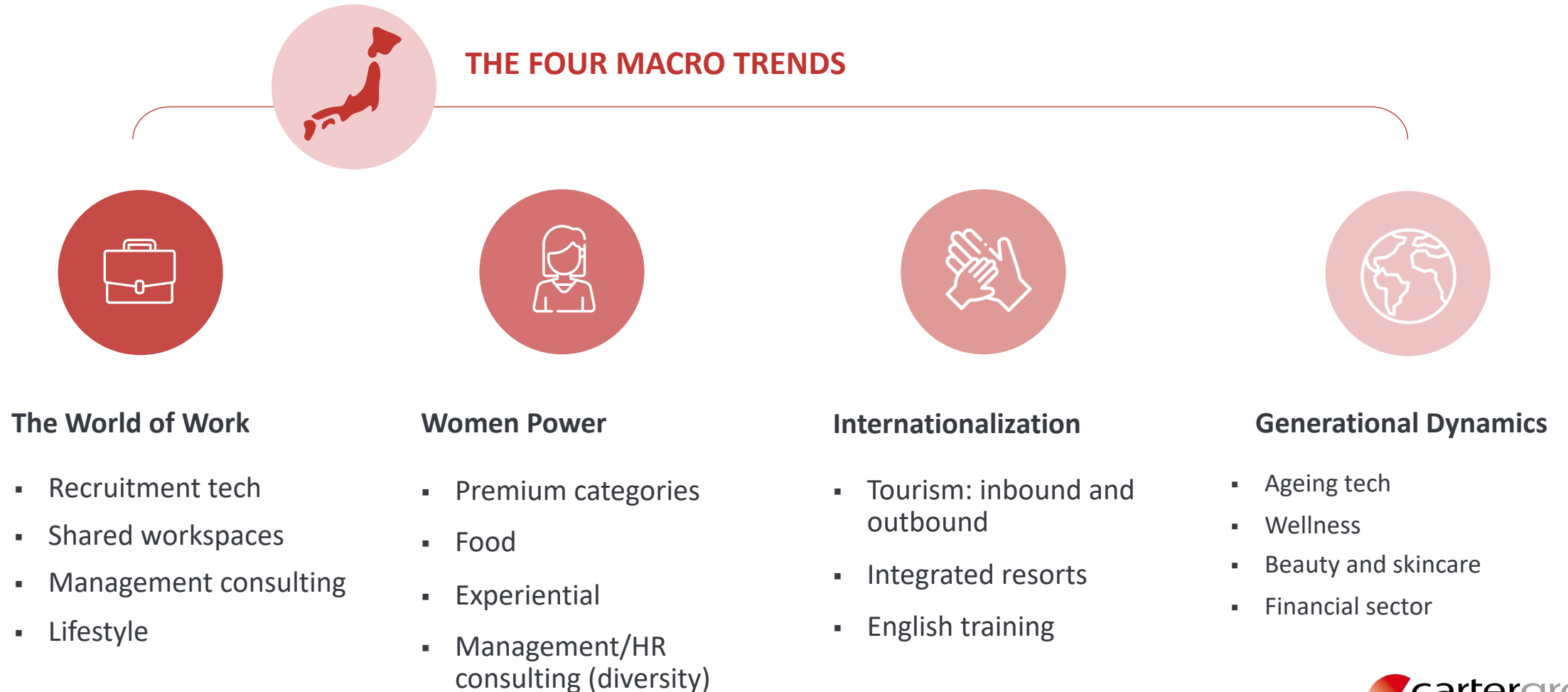


In today's jaded world, Culture and Design intersect to establish interest and status and create content for brands that will truly connect.

Outdated assumptions about what is going to connect to 'typical' Japanese are being thrown out the window.

Socio-demographic change means opportunities for US business

Especially where US businesses represent best practice...



On behalf of the Reiwa generation
Thank you

