



Japan's Changing Consumer in 2017

Cautious optimism in an increasingly uncertain environment

5th April, 2017



TODAY'S AGENDA

Review the Japan opportunity
Current economic sentiment
Demographic opportunities
US-Japan political sentiment

Pleased to meet you!



Debbie Howard
Chairman

Debbie has lived and worked in Japan for almost 32 years, and founded JMRN in 1989.

Debbie is a specialist in translating qualitative research into clear strategic direction for international clients, and over her career has worked with most major brands that have entered Japan.

She served as President of the American Chamber of Commerce in Japan (ACCJ) in 2004 and 2005, Chairman in 2006 and 2007, and continues to serve as ACCJ President Emeritus.



Dominic Carter
CEO

Dominic's education and early career were spent in Australia but has lived and worked in Japan since late nineties.

Dominic is a marketing insights practitioner and entrepreneur who has devoted his career to assisting international clients succeed in Japan.

With a focus on strategic output, Dominic is a specialist in market entry, cultural adaptation, communications, brand development, brand tracking, segmentation and bespoke consumer research, both qualitative and quantitative.

About CarterJMRN

Japan expertise, creative thinking, safe hands

Full-service
consumer
insights-driven
marketing
consultancy


Long established
independent
agency in Japan
(since 1989)

Experience
covers
Japan & APAC
markets

Multicultural
team of **analysts**
and **marketing**
consultants

Offices in **Tokyo,**
Osaka &
Singapore with a
core team of **40**
& field force of **50**
staff

Offering a unique
balance of
thinking &
creativity



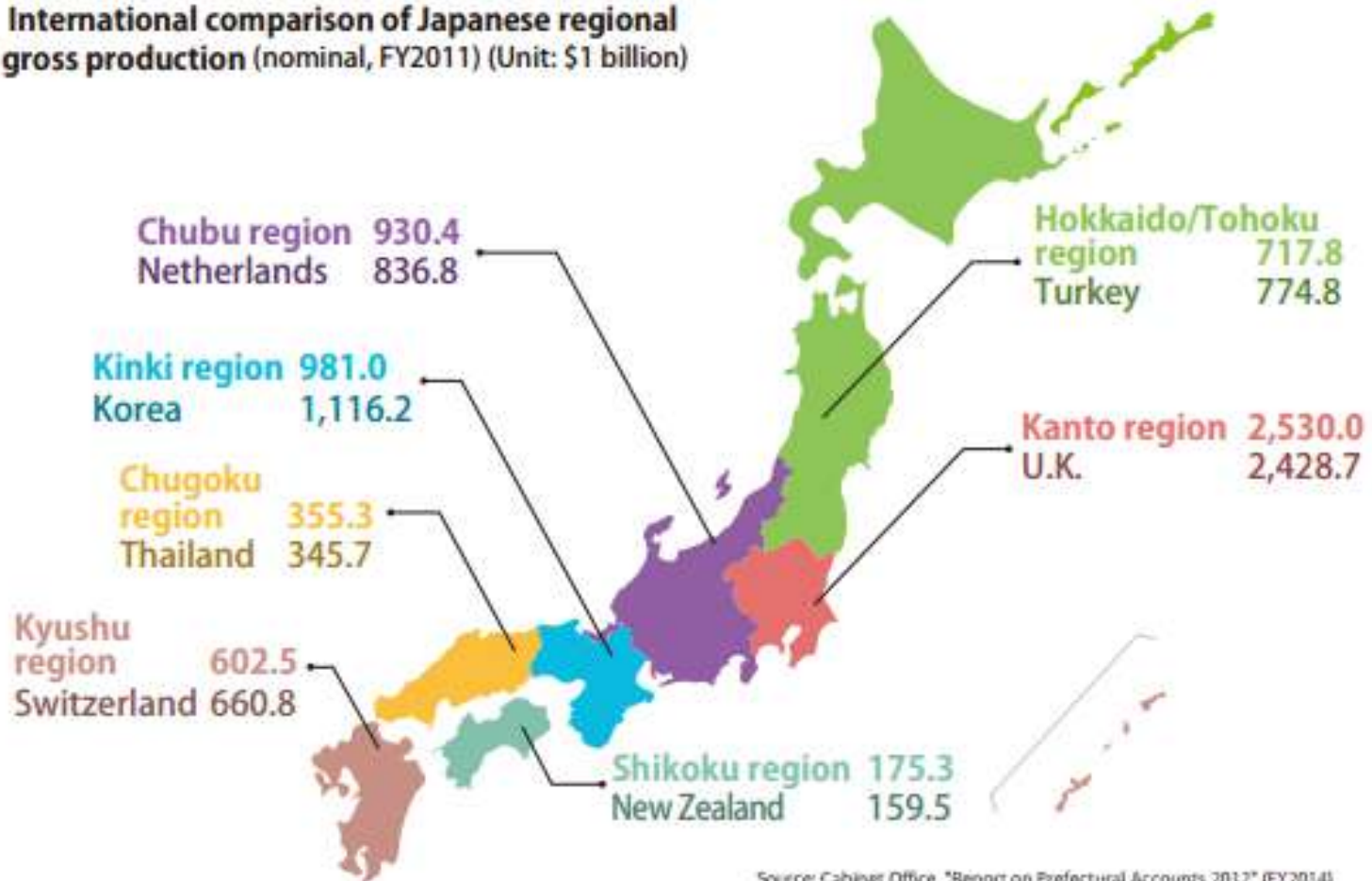
Everything you've read and heard about Japan's low-growth economy is true, but there are huge opportunities for growth oriented US businesses

Japan is still HUGE



Japan's regional economies: GDPs the size of other countries

International comparison of Japanese regional gross production (nominal, FY2011) (Unit: \$1 billion)



Source: Cabinet Office, "Report on Prefectural Accounts 2012" (FY2014)

Japan is big, and it may be old, but it is RICH



Japan's high net worth individuals

A force in Asia

**Number of Japan's *Fuyu-so* = 2.7 million
(those with financial assets of above US\$1 million)**

**Japan's *Fuyu-so* represents 52% of those with assets above
US\$1 million in the Asia region (China: 18.9%).**

**Japan's *Fuyu-so* owns combined financial assets of US\$5.9
trillion (37% of total assets owned by Asia's *Fuyu-so*).**

Source: Asia-Pacific Wealth Report 2015


American brands are often well thought of

Popular American brands in Japan – Top 10 (Carter Survey March 2017)



Base: Japanese aged 15-69, n=1000

CarterJMRN: Japan Consumer Economic Sentiment Survey March 2017

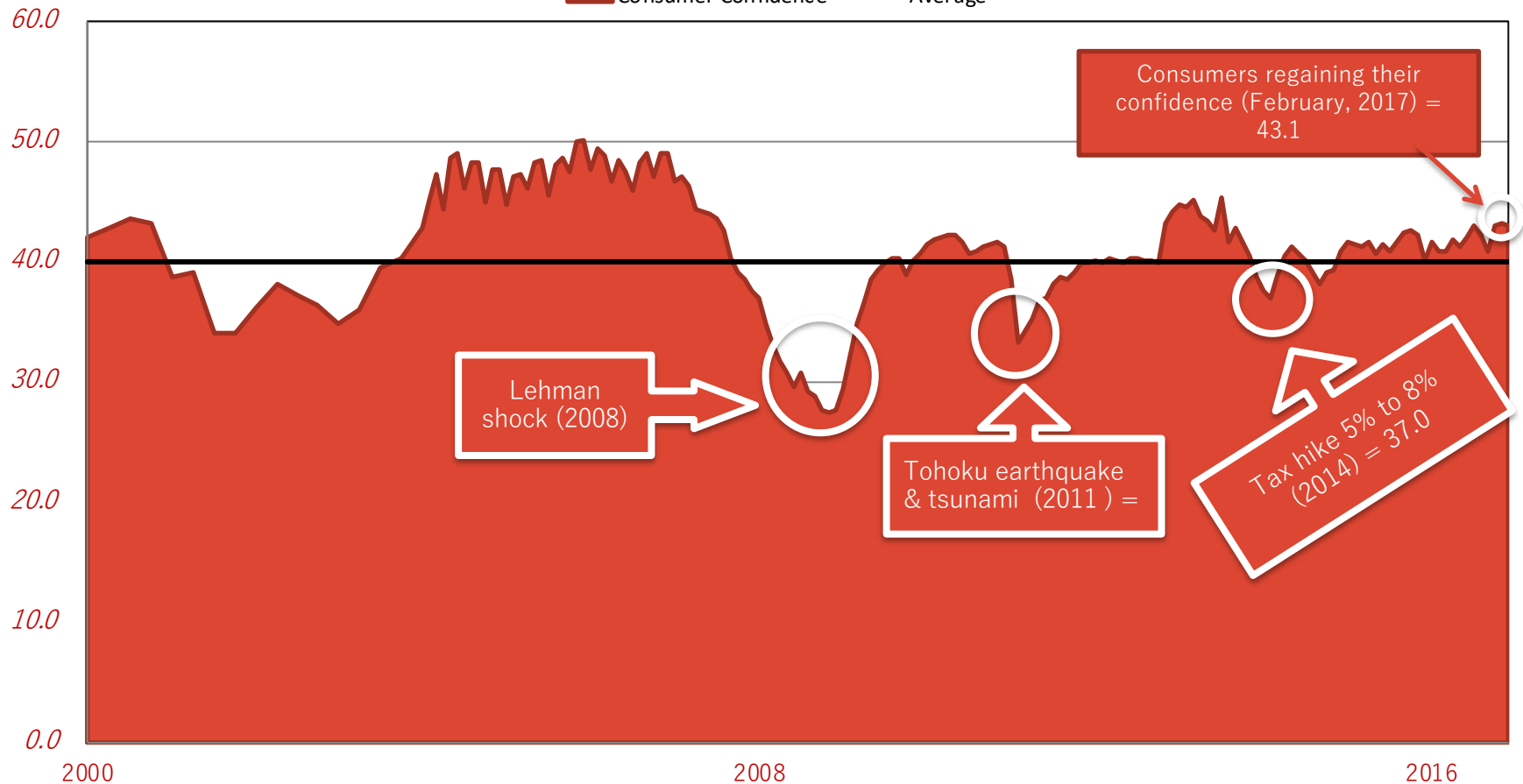


Economic sentiment in Japan can be described as
cautiously optimistic

Consumer confidence slowly recovering

Consumer Confidence Index (Two households or more person - Seasonally adjusted)

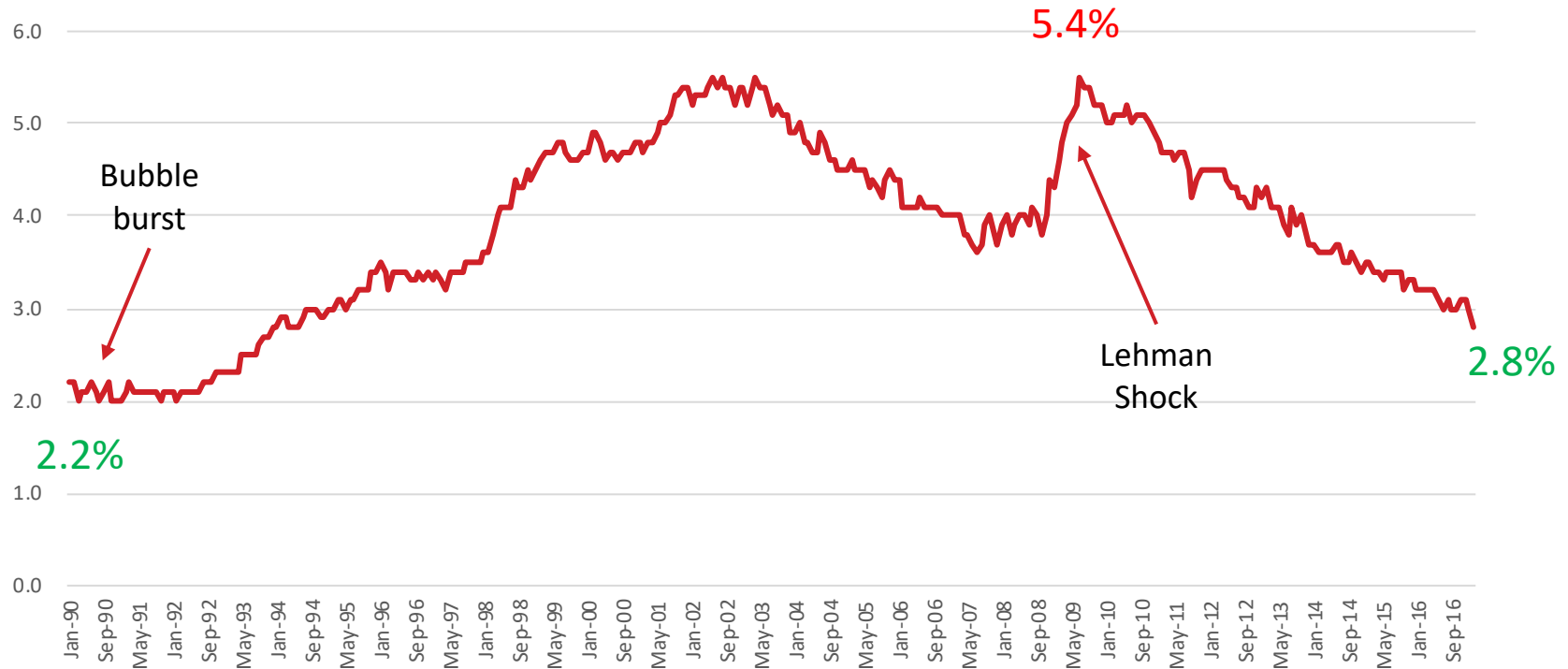
Consumer Confidence — Average



Source: Cabinet Office – Government of Japan
<http://www.esri.cao.go.jp/jp/stat/shouhi/timeseries/shouhi2.xls>

Unemployment rate decreasing; heading towards historical lows

Monthly Unemployment rate in Japan (Jan. 1990 – Feb. 2017)

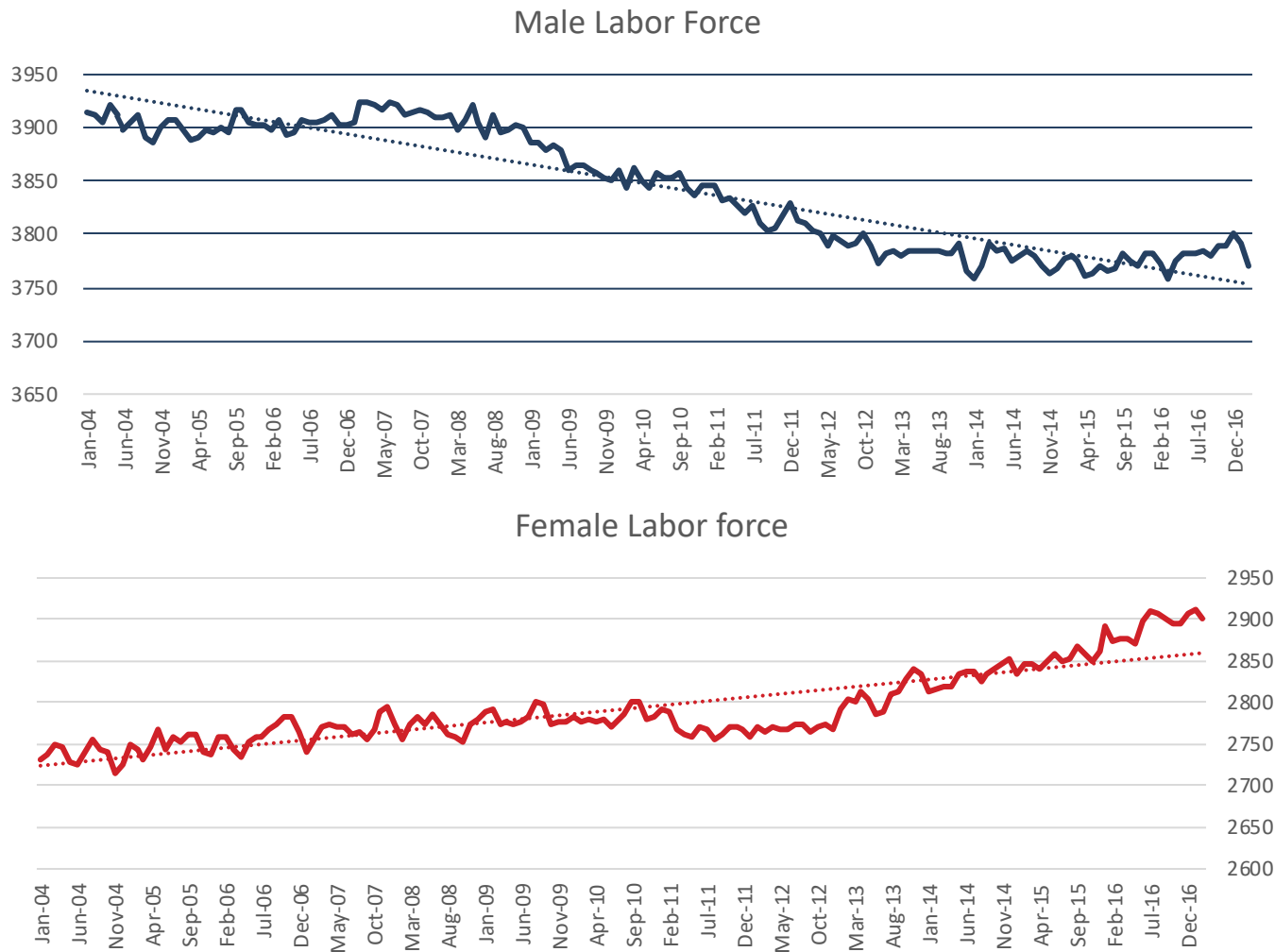


Source: Statistics Bureau – Ministry of Internal Affairs and Communications of Japan



Low unemployment is greatly assisted by a drop in the population of working age men

Since the mid-2000s the number of male in the labor force has been decreasing, whereas the number of women has been growing



Unit = 10,000 people

Source: Statistics Bureau – Ministry of Internal Affairs and Communications of Japan



**Economic Sentiment –
Looking forward to smaller, not necessarily lesser Japan**

CarterJMRN Japan-US sentiment survey

Timing

mid-March 2017

Method

Web, self-completion

Area

Japan nationwide
Population representative
by region

Age

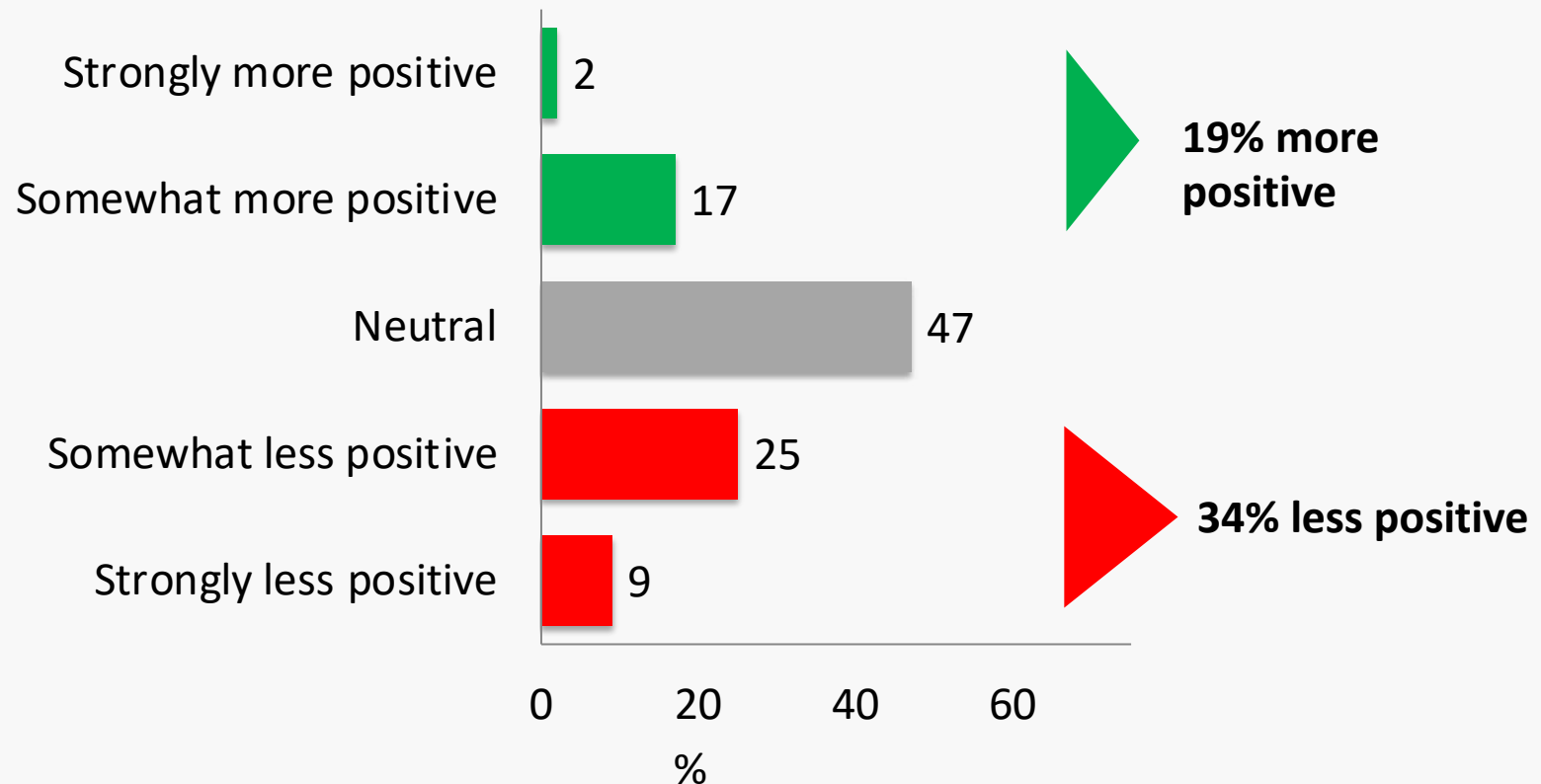
15-69
Population representative

Gender

Males and females
Population representative

Negative sentiment outweighs positive on the state of the Japanese economy

*“How do you currently feel about the state of the Japanese economy?
Are you becoming...”*

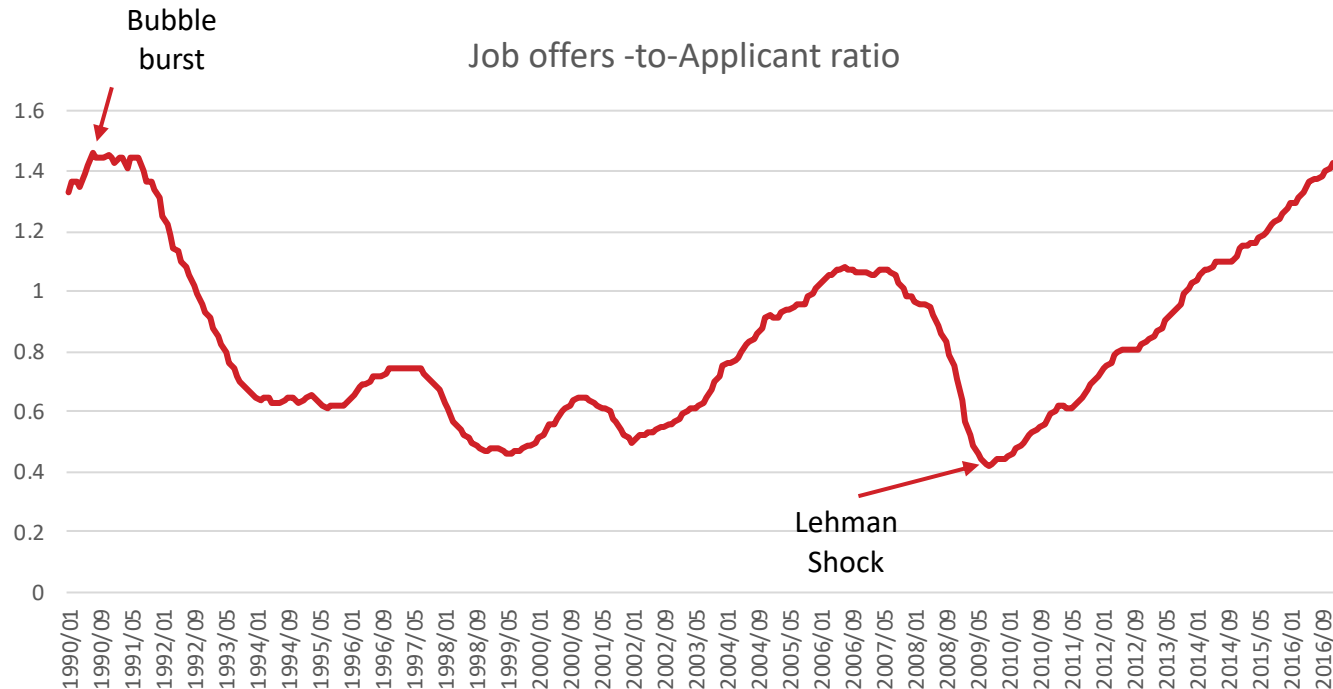


Base: Japanese aged 15-69, n=1000

CarterJMRN: Japan Consumer Economic Sentiment Survey March 2017

The demand for labor is increasing and reaching historical records – so negative sentiment is probably *overdone*

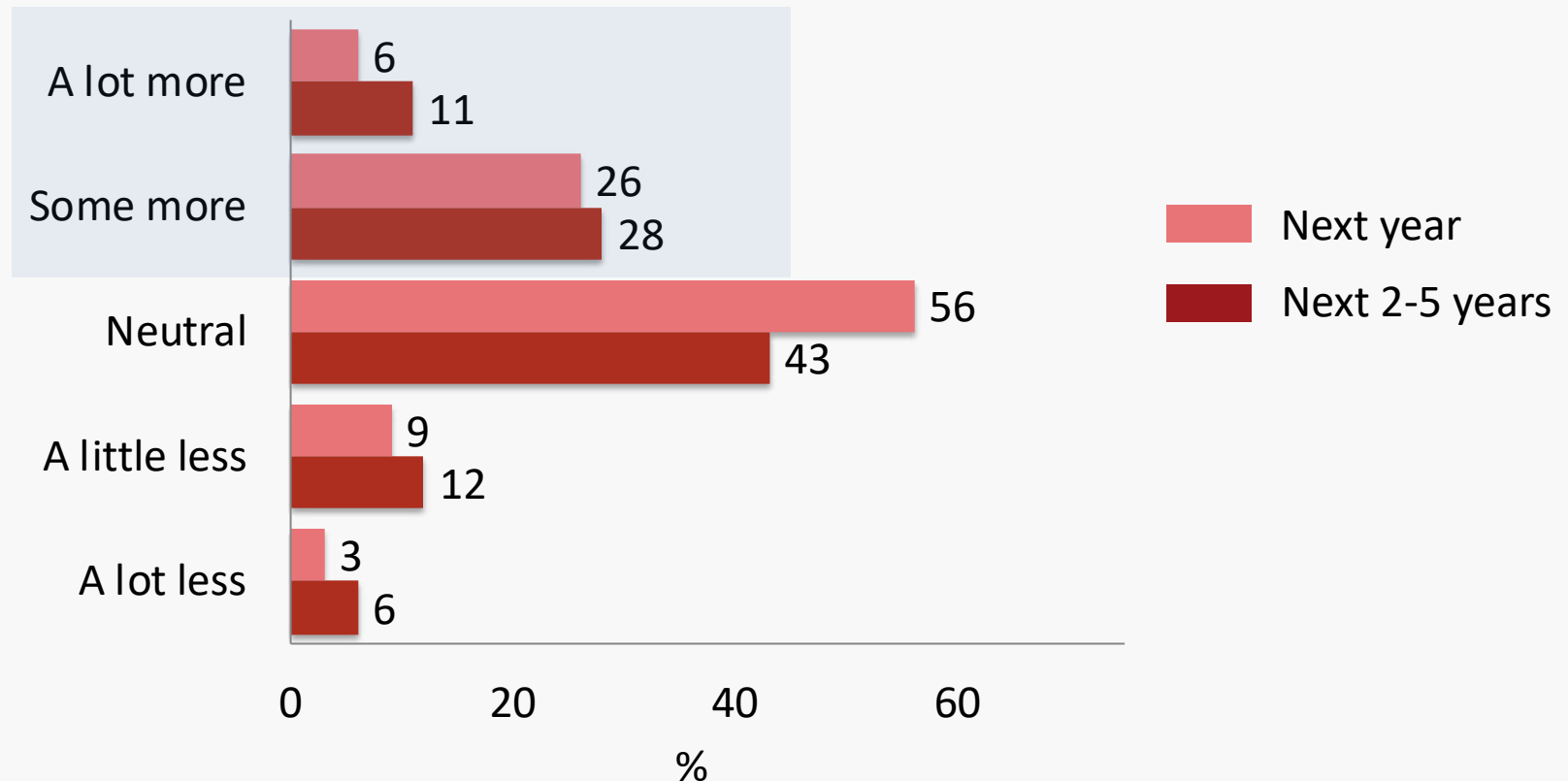
The job offers-to-applicant ratio has been steadily increasing after the Lehman shock. The current level is similar to the pre-1990s bubble



Source: Japan Macro Advisors - JMA

Despite weak sentiment towards the economy overall, 4 in 10 Japanese see themselves spending more in the next 5 years

“Do you see yourself and your household spending more or less...?”



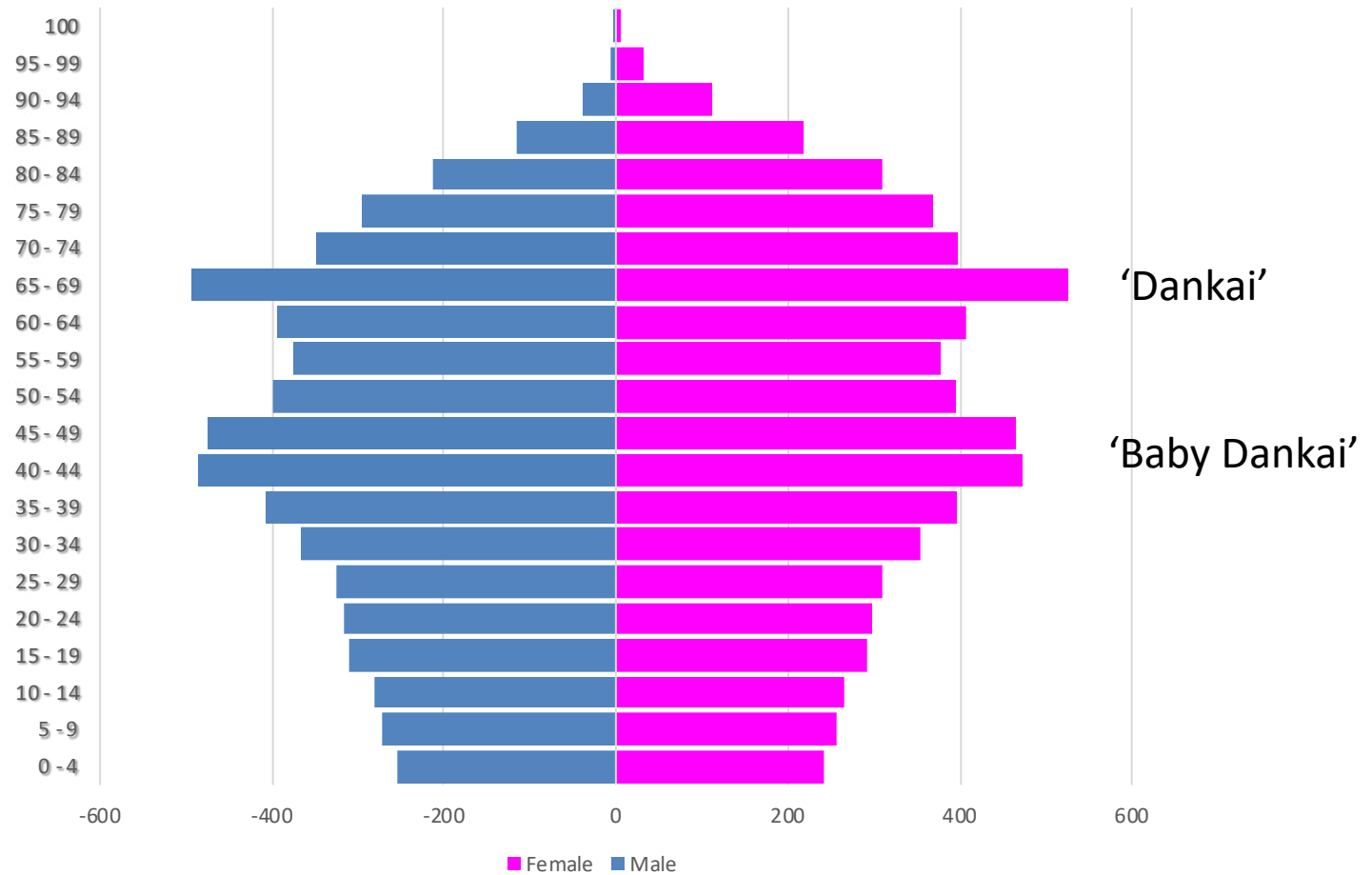
Base: Japanese aged 15-69, n=1000

CarterJMRN: Japan Consumer Economic Sentiment Survey March 2017

Demographics: a tale of generations



Demographic distribution of Japan (March 2017, estimated)



Source: Statistics Bureau of Japan
March 2017



The “Dankai Generation”

They are living longer, are healthier and have a revived image of themselves

What are these consumers like today?



*Eikichi Yazawa – The New “face” of “Old” in Japan
[Influential Japanese singer-songwriter, and important figure in Japanese popular music]*

... exemplifies the current breed of seniors, who are passionate about being young! They are interested in “being healthy,” “enjoying sport and fashion” and NOT being seen as “senior”



The so-called “Dankai Generation” of baby boomers, born from 1947-1949, is now getting past their mid 60s



Those people who were working hard having no time to consider purchasing what they liked, traveling where they wanted, enjoying their hobbies or educating themselves will be able to take time seriously for the benefit of themselves, with their housing-loan completed and their children having become independent

They can finally decide to how to spend their own money . . . They are a huge consumer group that do not want to just give up on life because they are getting older or retired . . . They want to be active and live life

And they have significant spending power

- Not all seniors are retired: 76.5% of people continue working under some form after reaching retirement age
- In the **60-65 year old age bracket, 47% of males are still working**, even in the **70-74 year** old age bracket, some **30% of Japanese males are still working** to some extent
- As an example of the affluence in the dankai generation, their **average annual household income is 7.35 million** yen, compared with the average annual household income of 5.6 million yen
- Looking at the natural human life cycle, **from their mid-fifties consumers raise their consumption levels considerably** compared to their earlier years, and continue to spend at a much higher level throughout retirement
- “Senior households” possess **greater financial assets** than other generations since they tend to have higher savings on-hand. Households headed by those aged 65 and older spent an average 1.3 million yen annually compared with 1.2 million for all households
- Spending by households headed by those **above 60 years of age hit 101 trillion yen** between July and September 2013, or 44% of overall personal consumption

They are a different and demanding target group

Dankai and those that follow them are distinct from older generations in that they are ***more active, spend more on personal interests, and more liberal and open to foreign brands***

These seniors can be a challenging group to sell to because they have time on their hands to be ***picky and thoroughly deliberate before making decisions***

However, ***products that complement healthy living*** (e.g. functional foods), provide ***added convenience*** (e.g. online grocery shopping and home delivery) and allow them to ***live life to the fullest*** (i.e., travel) are doing well

Especially people from age 65 onward ***spend significantly on medical care, home remodeling and travel***, spurring innovation and consumption in those



They are creating market demand for new products and services at an unprecedented pace – examples

These companies already focus on the senior's “youthful mind”



Daihatsu Motor, one of the major car manufacturers

Re-launched “COPEN,” currently very popular among people who retired and have some money and time. Moreover, HONDA will release “S660,” targeting seniors familiar with “S600” and “S800”, which were famous in 1960s

Aeon, one of the major retail companies

Introduced the label “G.G (Grand Generation)” instead of “senior”



Mizuno

Released “water walking wear,” targeted at people in their 60s. The company employed a 30's lady in order to make sure the model does not feel “senior” and fits current 60s

Kao, one of the major Japanese cosmetic manufacturers

Does not use the wording “koureisha” and “senior” for their products





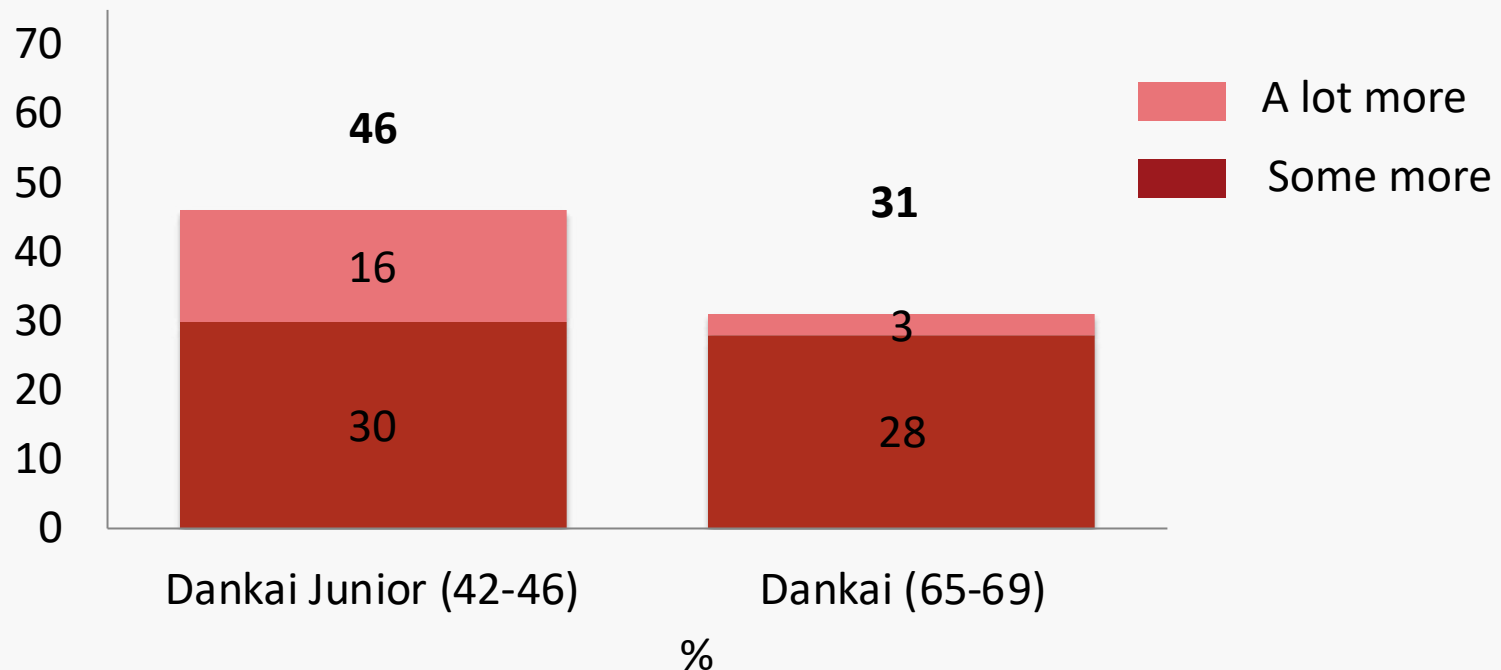
The “Baby Dankai Generation”

The children of the Dankai: A consumer force to be reckoned with?

Prospective spending (within 2-5 years) by Dankai and Dankai Junior

“Do you see yourself and your household spending more or less within the next 2 to 5 years”

% of respondents who expect to spend more within the 2-5 years



Base: Japanese aged 15-69, n=1000

CarterJMRN: Japan Consumer Economic Sentiment Survey March 2017

The Dankai Junior are at the more ambitious stage in life than their parents

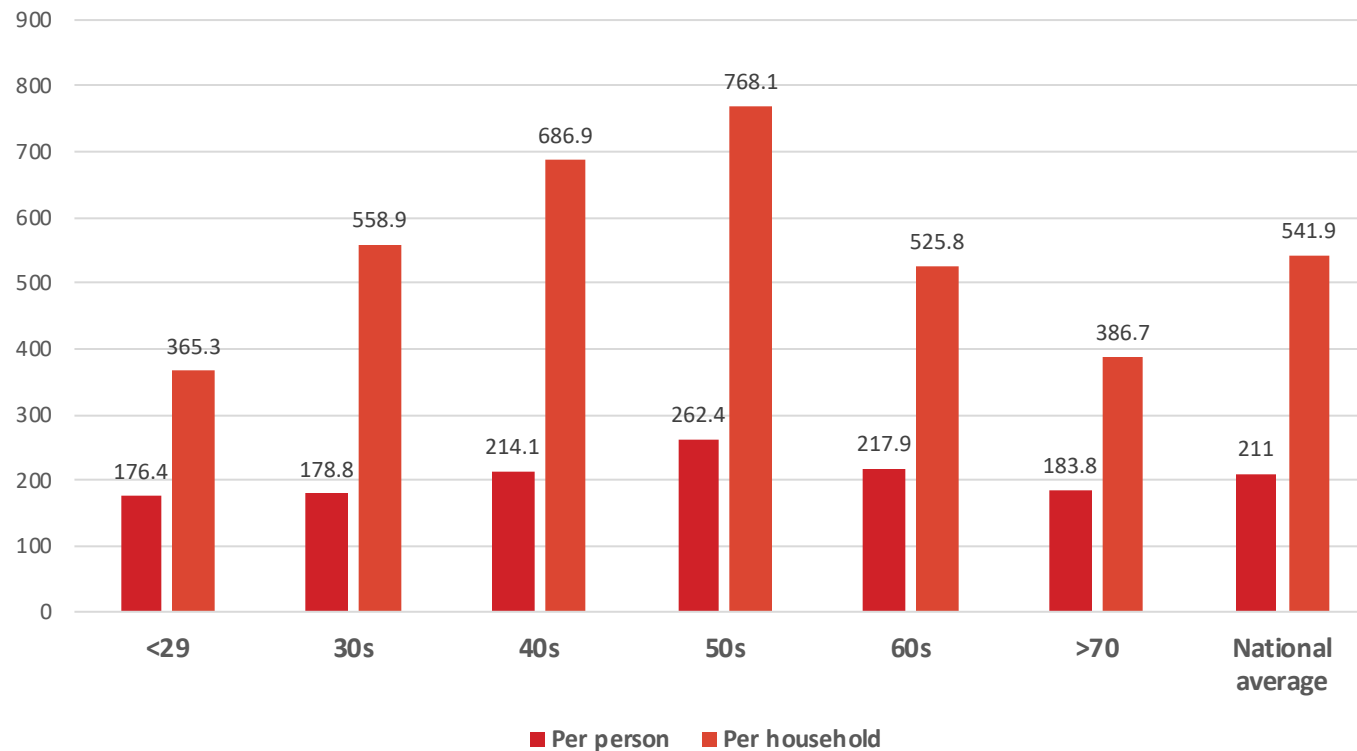
Competitive Drive by Demographic Group

Demographic Group	Want to be rich (Live in luxury) % people who agree	Want to be “winners of life” % people who agree
Dankai 1947-1949	21%	33%
Dankai Junior 1970-1979	37%	47%

Source: データでわかる団塊の財布・ジュニアの財布 (2014), page 72.

Average income per person and per household is high and still growing for the age group comprising the “Dankai Junior”

Average annual income per person and household by age - 2015



Unit = 10,000

Source: Ministry of Health, Labor and Welfare of Japan

The “*Dankai Junior*” is the last generation to pass on traditions



**Dankai
(Traditional)**

**Dankai
Junior**



**Millennials
(Innovative)**

- Seniority
- Patriarchic society
- Non-IT
- Face-to-face communication

- Meritocratic
- Gender equality
- IT
- Email, social media, web conferences

Overview of potential markets for the *Dankai Junior* generation

 Markets with potential demand for people born between 1970 and 1979

2016 (Age 37-46)	2021 (Age 42-51)	2026 (Age 47-56)
Education <ul style="list-style-type: none">• For themselves• For their children (both formal and informal education)	Real Estate <ul style="list-style-type: none">• House purchasing in the mid-40s	Food <ul style="list-style-type: none">• Healthy and organic trend
Apparel	Education <ul style="list-style-type: none">• Children enter college/university	Insurance
Beauty/cosmetics	Insurance	Traveling

Based on own study (2016)

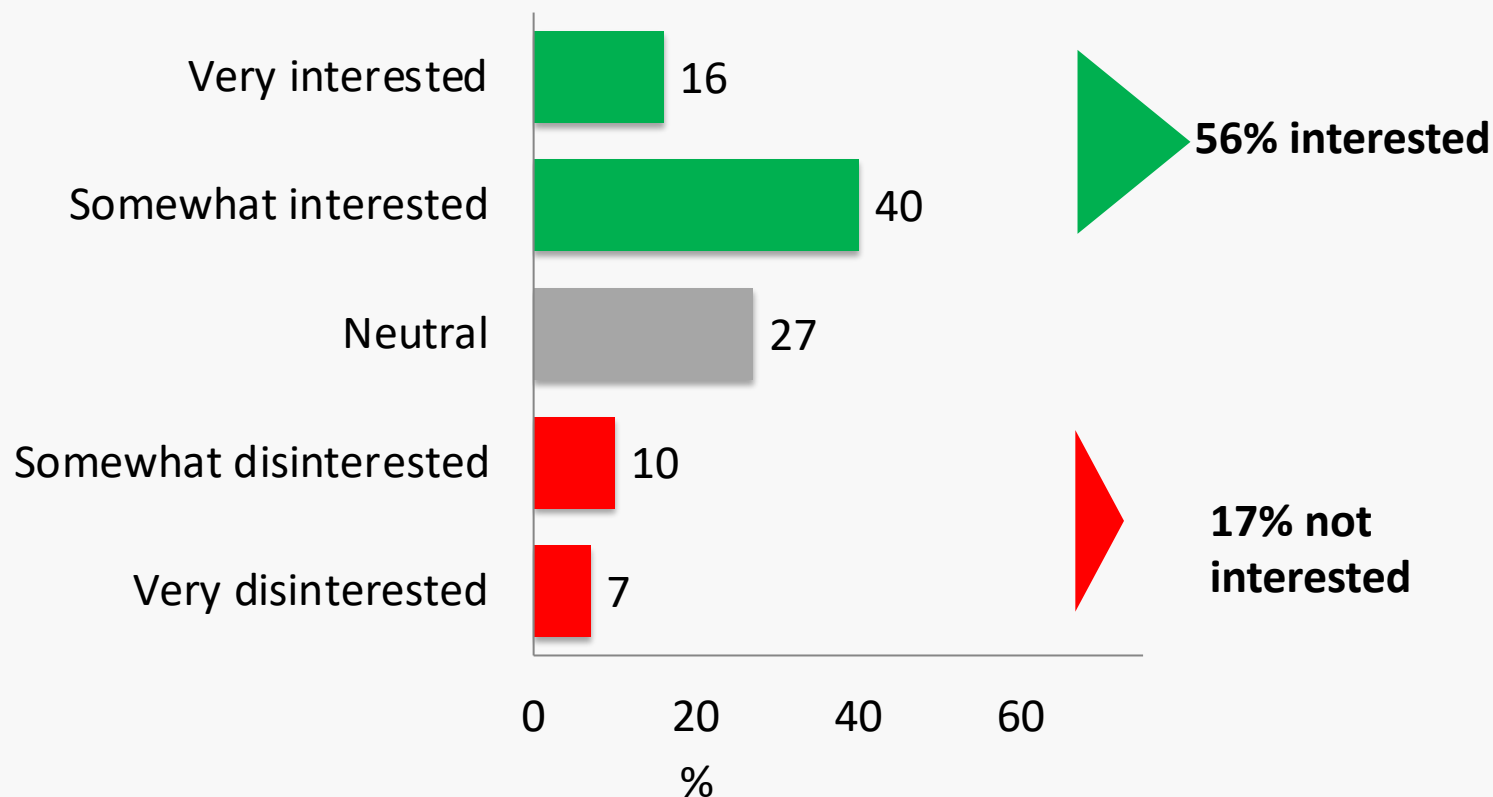


SENTIMENT TOWARDS THE US IN JAPAN

March 2017

A majority of Japanese show interest in US current affairs and its effect on Japan

“How interested are you in US news, current affairs and politics and its effect on Japan?”



Base: Japanese aged 15-69, n=1000

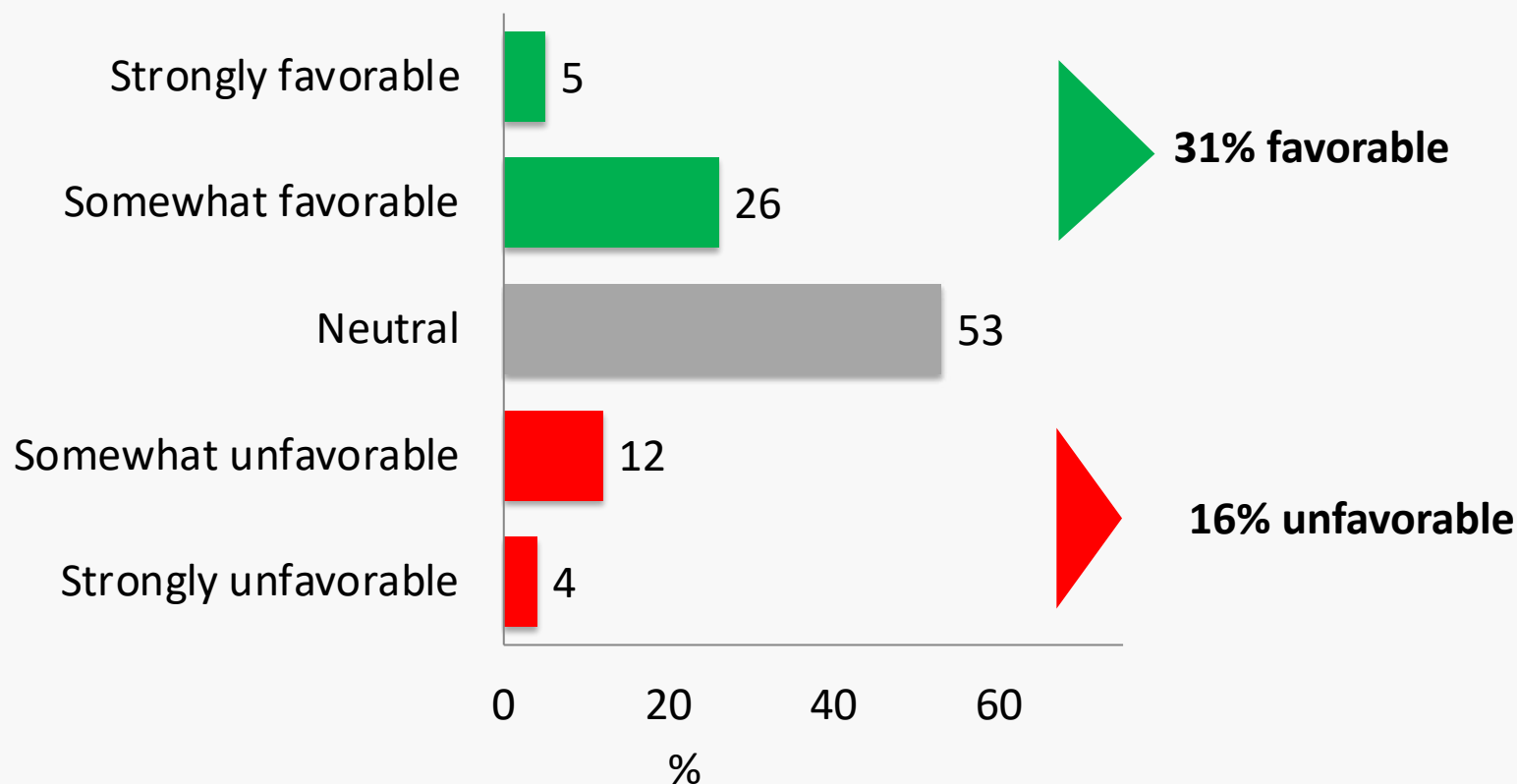
CarterJMRN: Japan Consumer Economic Sentiment Survey March 2017

Japan is a tough audience



Opinion of the US among Japanese is moderate, but favorable in net terms

“How favorable is your opinion of the United States as a country?”

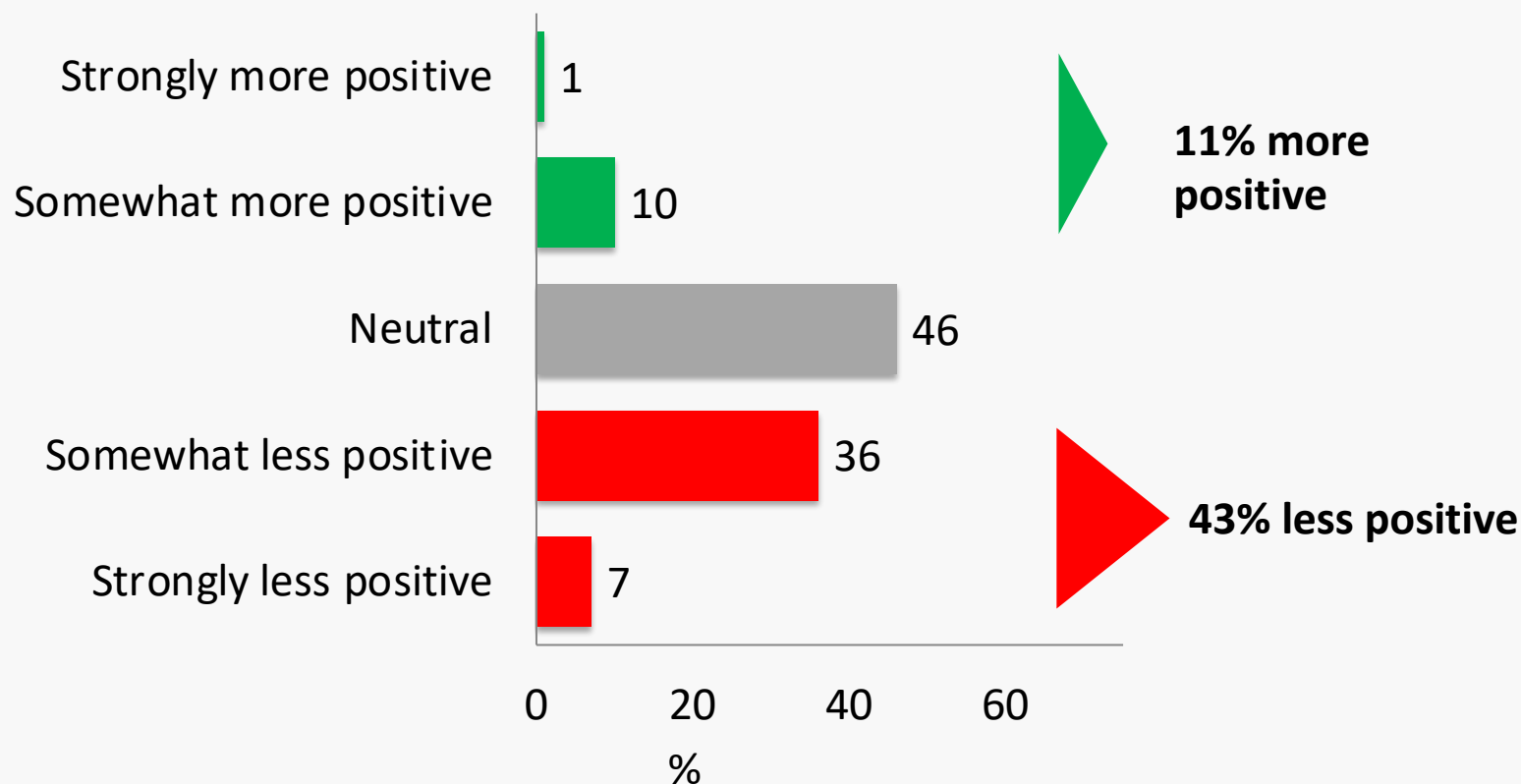


Base: Japanese aged 15-69, n=1000

CarterJMRN: Japan Consumer Economic Sentiment Survey March 2017

Sentiment towards the United States among Japanese is moving in a clear negative direction

“How is your opinion of the United States currently changing?”



Base: Japanese aged 15-69, n=1000

CarterJMRN: Japan Consumer Economic Sentiment Survey March 2017

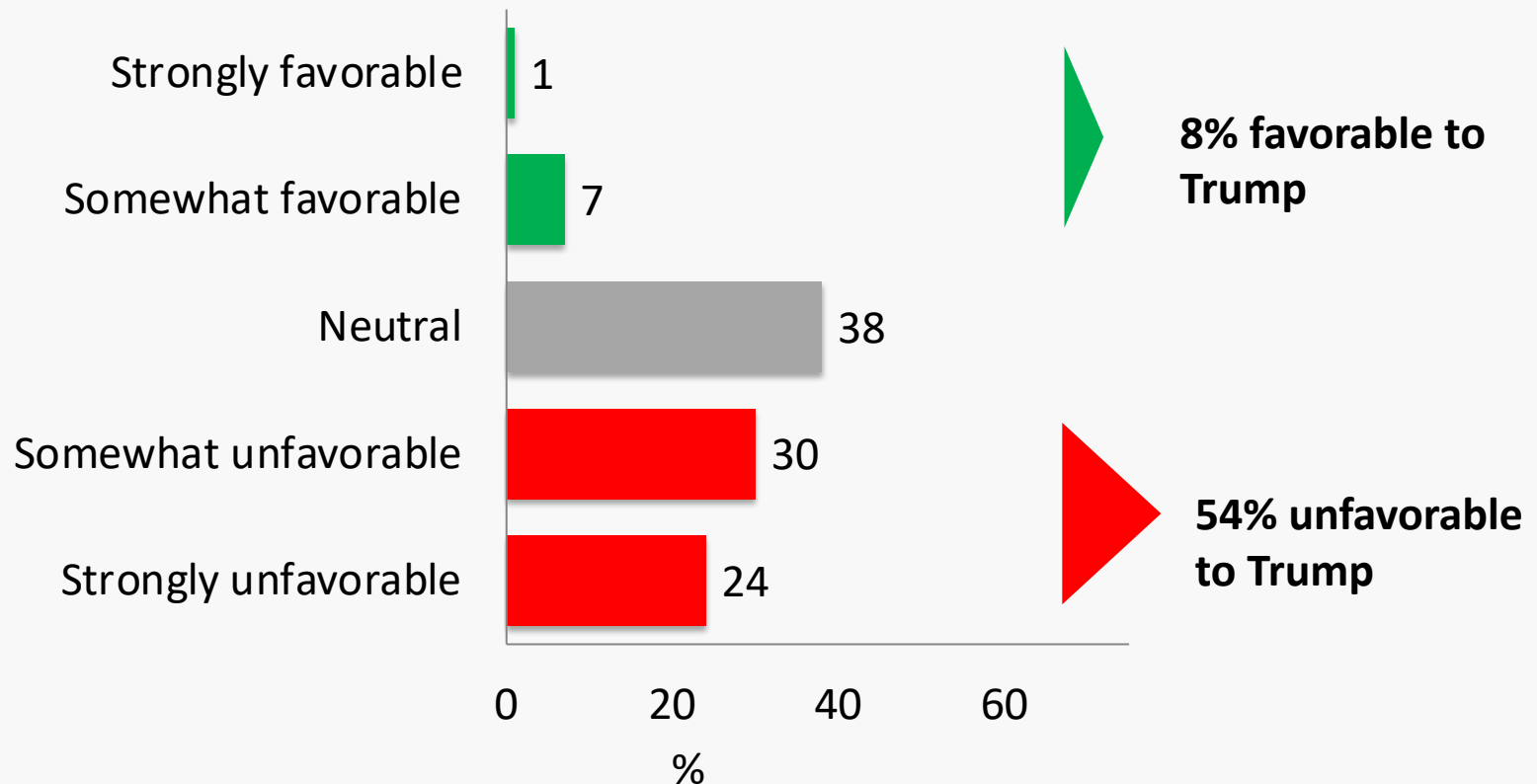


SENTIMENT TOWARDS POTUS

March 2017

Sentiment towards Trump is clearly negative among Japanese

“How favorable is your opinion of the US President Donald Trump and his administration?”

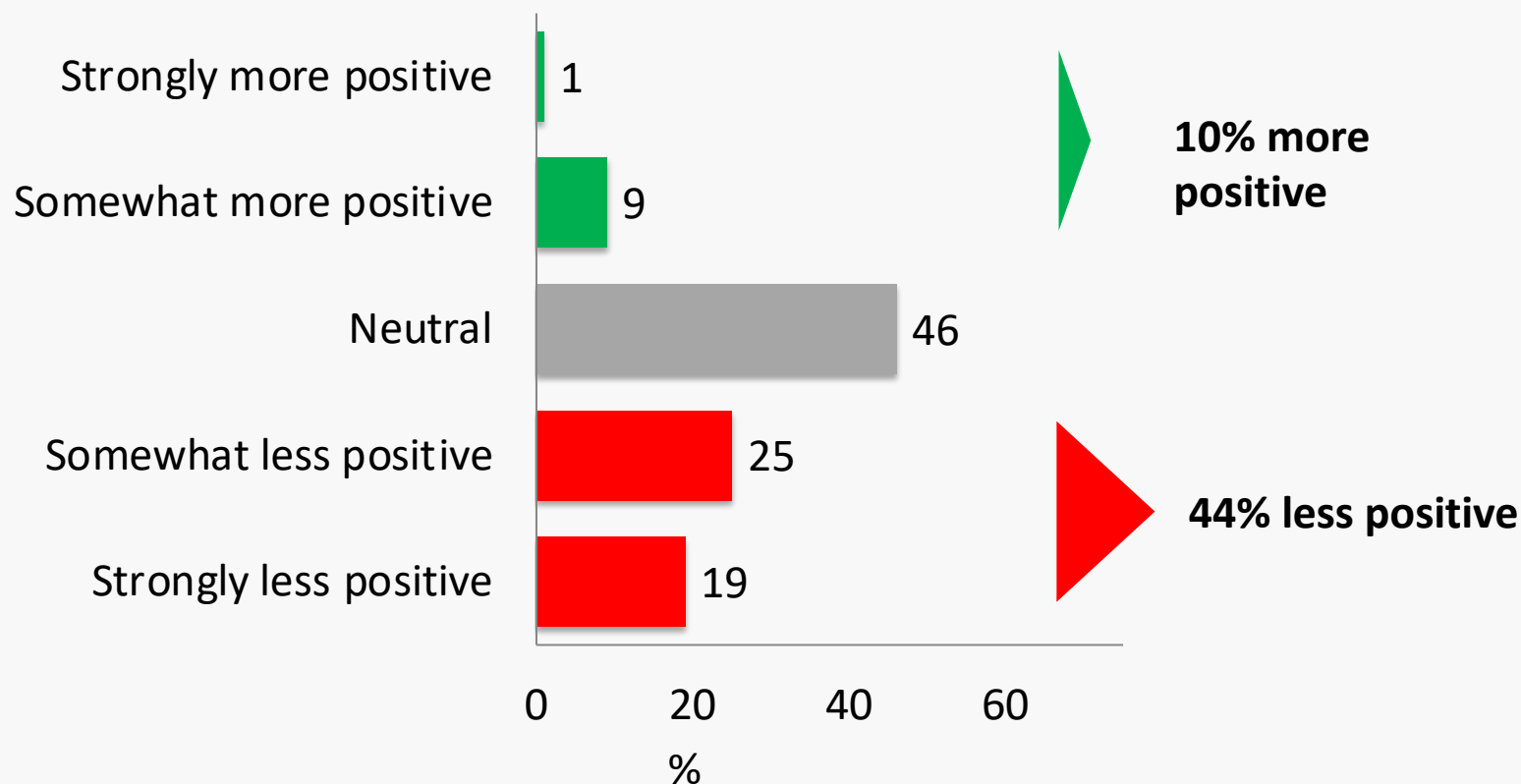


Base: Japanese aged 15-69, n=1000

CarterJMRN: Japan Consumer Economic Sentiment Survey March 2017

Sentiment towards Trump among Japanese is trending more negative

“How is your opinion of the US President Donald Trump and his administration currently moving?”

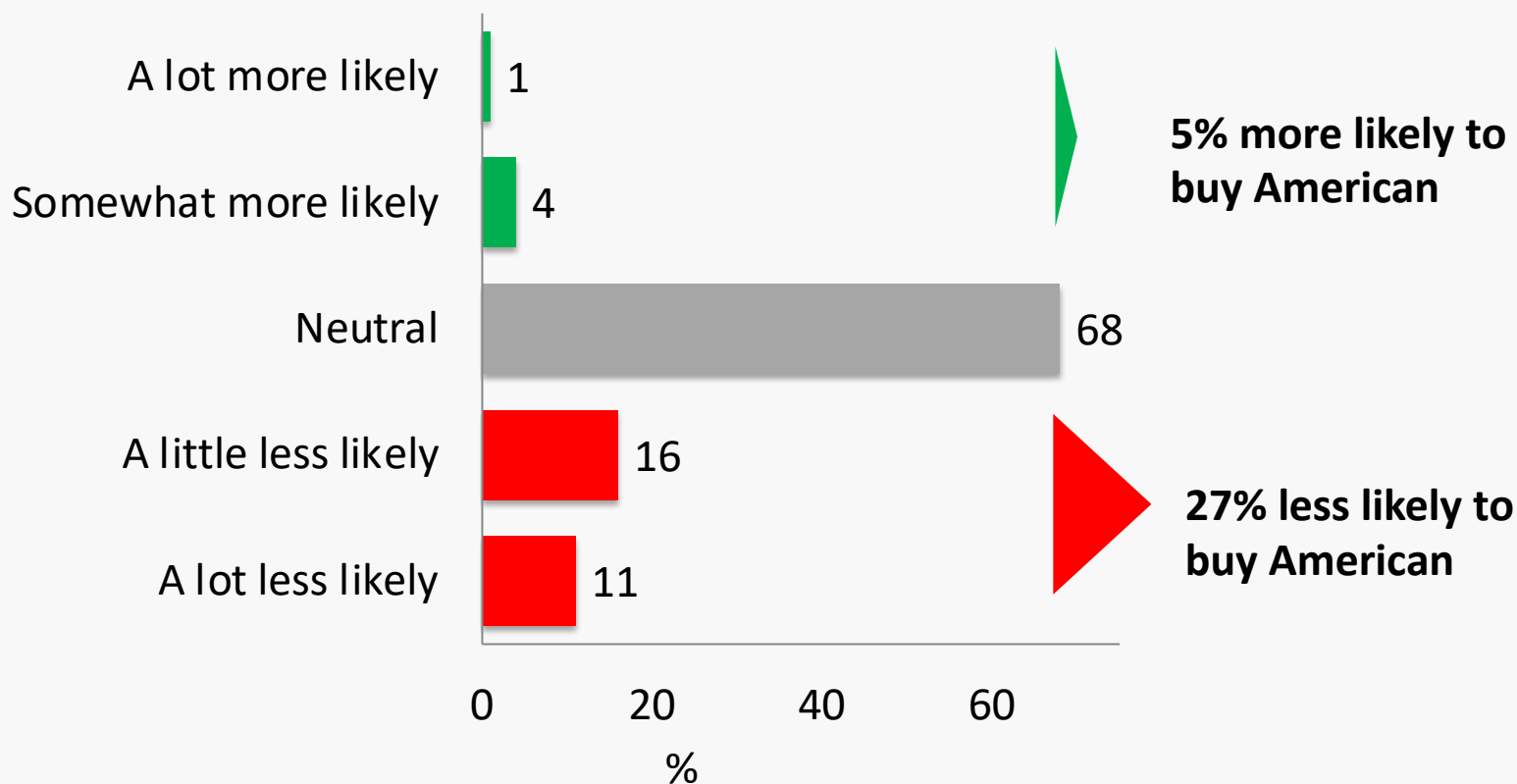


Base: Japanese aged 15-69, n=1000

CarterJMRN: Japan Consumer Economic Sentiment Survey March 2017

Around 1 in 4 Japanese are less likely to buy American because of the current administration

“To what extent does your level of trust and confidence in the US president and his administration have on your trust and likelihood to consider to buy and do business with US brands and their associated goods, products and services?”

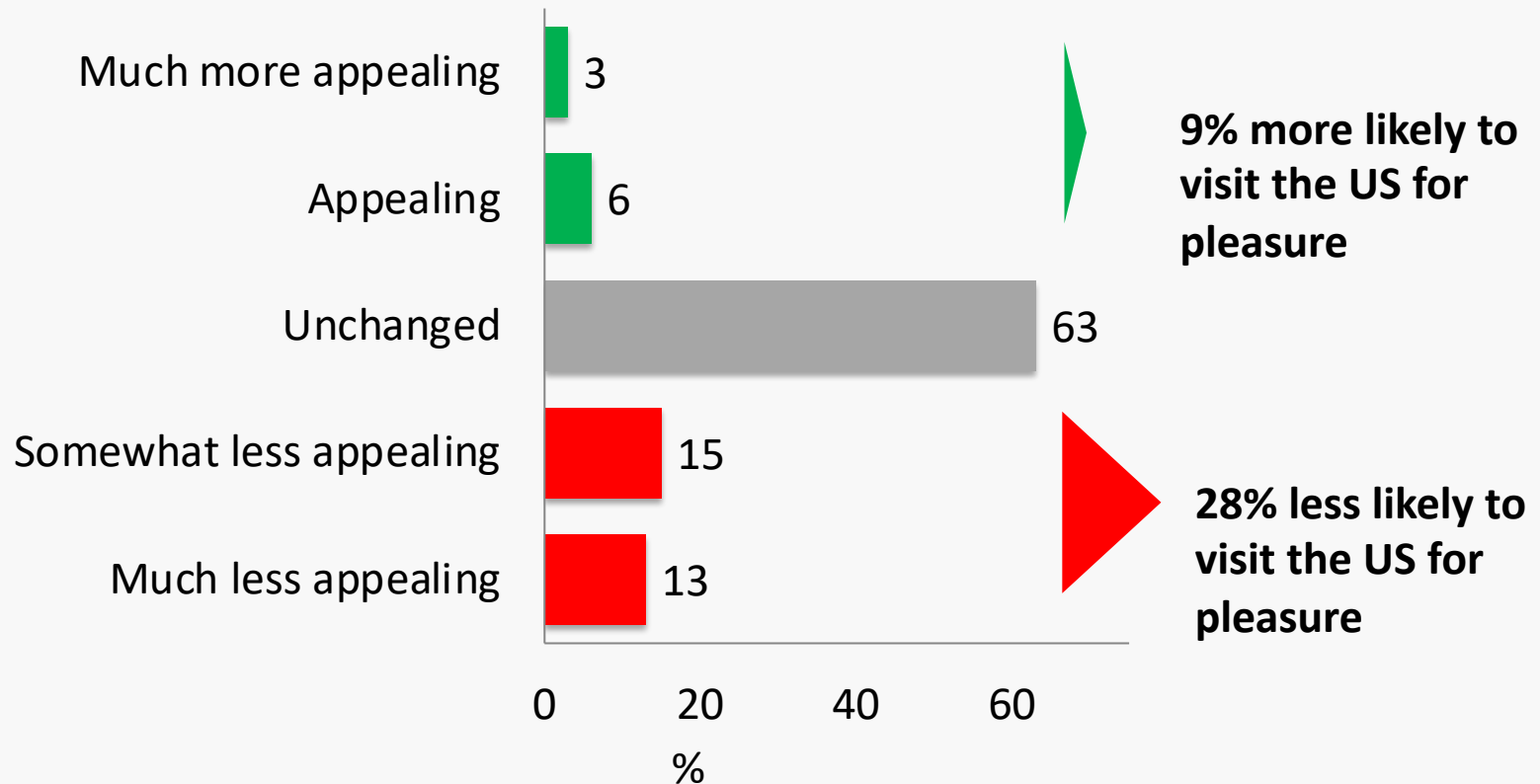


Base: Japanese aged 15-69, n=1000

CarterJMRN: Japan Consumer Economic Sentiment Survey March 2017

Around 1 in 4 Japanese consider the US less attractive for pleasure travel because of the current administration

“Since the change in US Government, how appealing is the US as a travel destination (for pleasure) for you in the near future?”



Base: Japanese aged 15-69, n=1000

CarterJMRN: Japan Consumer Economic Sentiment Survey March 2017

In summary

- Japan's economy is not likely to grow much further in nominal terms, but it remains enormous *and enormously wealthy*
- Within a shrinking total population, key demographic cohorts show increasing ability to spend *en masse*
 - *Wealthy, self-actualising baby boomers (dankai)*
 - *Baby dankai entering peak spending years*
 - *Younger people who, though much smaller in number, should be optimistic and will have the pick of work and at very high salaries*
- Immigration will come, only as much as needed
- US brands and their associated goods and services have room to build a more attractive and aspirational image
- Politics is a new risk factor that cannot be ignored

Contact us

We are always happy to chat further

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