



# An Introduction to the 2015 Japanese Consumer

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The Japanese consumer is a demanding one. Un-paralleled attention is given to quality, packaging, customer service, and design. The Japanese are also sensitive to seasonal changes, and American fast food chains such as McDonalds and Dominos adapt their menus several times a year to incorporate new ingredients. One should not be surprised to see corn and mochi on a Domino's pizza or a cherry blossomed flavored milk shake at McDonalds. One should also expect to see individually wrapped cookies, ornate gift boxes, and products unknown to the rest of the world.

Japan was the country that changed the bathroom experience through singing washlet toilets, and continues to make quality consumer goods. When having a hot dog, one can use one packet that squirts both ketchup and mustard in a perfect line through a specially designed package, and one can steam vegetables, pasta, and rice in minutes with specially made Tupperware while also carrying a water bottle in a small bag that prevents condensation from ruining surrounding items.

The Japanese expect consumer products to be tailored to Japanese needs, and what has been popular overseas will not automatically be accepted as is in Japan. In such a heavily saturated and competitive market, only truly unique products have a chance.

That being said, the Japanese love American products. The Japanese credit the United States for introducing the three sacred treasures: the television, washing machine, and refrigerator. These items, introduced after the war, helped Japan modernize, and have left the older generation with fond feelings towards the United States. The Baby Boomer generation associates the United States with different lifestyles they dreamed of or aspired to have. They love Elvis, Levis Jeans, Converse sneakers, and American cars. They see freedom and creativity in American products.

Current Japanese youth flock to Kitson and Forever 21, and mimic LA celebrity fashions. Apparel and cosmetic products that are "American" have an edge in the market.

Consumer products do have a chance in Japan but one must be willing to understand market demand and be willing to commit to satisfying the Japanese consumer.

## Changing Consumer Preferences

Many still remember the Japan of the Bubble Era, and are quick to assume that Japan is a wealthy nation with a high cost of living. While this is not untrue, Japan has certainly changed since the 80's, and one would be shocked to learn what numbers currently define Japan.

As referenced in a McKinsey Report in 2010, Japanese consumers are slowly becoming like their counterparts in the United States and Europe. While they used to pay for convenience and quality and favor luxury goods, the stagnant economy and the increase in consumption tax (from 5-8%) has changed Japanese consumer attitudes.

High end department stores have relented and made space available for discount retailers such as Uniqlo and Forever 21. Private label or value label products are on the rise, and a decrease in freeway tolls has encouraged consumers to travel to large scale discount shops in the suburbs. Dollar stores, known as 100 yen stores, sell quality household goods ranging from blankets to pots and pans.

The Japanese consumer was always known for being quality oriented and rather picky, but now is also frugal. Items found in Japanese 100 yen stores are of very decent quality and design. This is not to say that the Japanese are no longer flocking to Tiffany, Coach, or Brooks Brothers. They still are, but more are also flocking to cheaper options to satisfy daily needs. Reevaluating the Japanese market and knowing current realities is key in strategizing one's approach into the market.

### **The Average Income in Japan**

Note: \$1.00=120JPY

The average salary in Japan, according to the 2013 Tax survey is 4,140,000 JPY (\$34,000). However, this is the result of a combining a 3,530,000 JPY (\$29,420) base salary with an annual bonus of 610,000 JPY (\$5,083). While this may sound shocking, this is quite normal in Japan.

In Japan, companies/employers are mandated by law to cover health insurance, and social security. Most companies also pay for commuting expenses, and subsidize housing costs through company affiliated housing or dorms for unmarried employees. A 2014 survey conducted by Japan's biggest business organization noted that on average companies subsidized about 25,007 JPY(\$208) worth in housing expenses, and about 10,000 JPY (\$83) in commuting expenses.

Furthermore, the current tax system allows for deductions of 380,000 JPY (\$3,166) by the main income earner if the dependent spouse earns less than 1.03 million Japanese yen (\$8,583) a year. One can combine this with another deduction to get a total 650,000JPY (\$5,416) deduction. This deters a second earner in many households as one would need to make a significant amount to bring in enough money beyond the tax deductions. Furthermore, arrangements would be necessary for childcare. For many, the math is simple, and staying at home is the most economical choice.

Recent graduates in Tokyo make an average of 2,120,000JPY (\$17,666) annually according to a 2014 survey done by Japan's Ministry of Health, Labour and Welfare. Osaka graduates make 2,040,000JPY (\$17,000) and Aichi graduates make around 2,010,000JPY (\$16,750). The rest of the country averages at 1,800,000 – 1,900,000JPY (\$15,000-15,833).

## Housing in Japan

Housing in Japan does not come cheap but it is comparable to places such as Washington D.C., Boston, and New York. In fact, while one would have to get used to a smaller apartment, prices are not that different, and are in fact cheaper in many cases.

According to a 2015 survey by Recruit, buying an order made house in the Tokyo area would be about 41,390,000JPY (\$344,916), purchasing a used home would be 35,760,000JPY (\$298,000), and buying a condo would be 42,400,000JPY (\$353,333). Renting an apartment in the Tokyo area would be about 164,700 ~ 116,888 JPY (\$1,373~974). Outside of Tokyo, prices are a bit better. Renting an apartment would be around 93,100 JPY (\$776) in the Kansai area, and 98,900 JPY (\$824) in the Chubu area. Purchasing a home in the Osaka area would be around 38,060,000JPY (\$317,167) for an order made house, 32,580,000JPY (\$271,500) for a used house, and 35,320,000JPY (\$294,333) for a condo.

According to a survey conducted using Commerce, UN, and U.S. Census data in 2013, the average Japanese residential space was 379 square feet in comparison to 832 square feet being the U.S. average. Canada was at 779 square feet. China was at 215 square feet, with Hong Kong at 161 square feet. Seeing such figures, it is evident that Japanese live in much smaller spaces than the average American. This explains their preference for compact multiuse furniture and storage facilities. Large furniture will not sell well in Japan as most do not have space for it.

### How much space is enough?

Average residential floor space per capita in ft<sup>2</sup>



Note: data for 2009 builds, \* China figures urban only, assumes average national household size  
Sources: CommSec, RBA, UN, US Census  
[shrinkthatfootprint.com](http://shrinkthatfootprint.com)

## The Japanese Wife in Japan

In Japan, the housewife/the dependent spouse usually is in charge of the finances. The main earner is expected to turn over his/her salary every month, and is allocated a sum to spend based on the family's finances. The main earner, usually the husband, must buy lunch and handle all shopping and leisure activities within this monthly budget. A 2015 survey by Shinsei Bank indicated that the average monthly budget for a salaryman was about 37,642 JPY (\$314).

While the husband is on a monthly budget, wives allocate income to handle expenses while storing some money away for a rainy day. Some wives used save money for themselves by pinching pennies and managing costs in order to purchase the occasional nice lunch, or save up for a nice bag.

It is important to note that on one income, the Japanese wife is usually the one who stays at home and makes most of the household purchases. She can shop for deals, and will look for high quality yet affordable items as her budget allows.

## **Eating in Japan**

Japanese do enjoy eating out, especially during lunch. Many offices do not have places to eat lunch, and many will opt to head out during “lunch rush hour” to grab something to eat or take one’s lunch to a park. Since everyone essentially takes lunch during the so-called designated lunch hour of 12PM-1PM, stragglers may be unable to find seats in restaurants and become “lunch refugees.” The average price for lunch was 552 JPY (\$4.60) according to a survey by Dai-ichi Life in 2014.

Japanese also do lots of company oriented after hour drinking activities to celebrate promotions, transfers, the seasons, and major deals. Many Japanese restaurants offer course menus paired with “All You Can Drink” packages that can range from 2,000 JPY-15,000 JPY (\$16-\$125).

Eating out can be expensive and many are now staying in more, especially after the increase in consumption tax. Cooking at home has become more popular and many are taking pre-made lunches, known as bentos, to work. A Japanese Government survey recently indicated that the average cost of feeding a family of 3 would be around 71,051 JPY (\$592) per month. This can be attributed to carefully planned meals controlled by the Japanese wife. Many supermarkets have time sales, and stay at home wives can purchase necessities at a discount during such times. Using discount stores has become popular as well for families who buy in bulk.

## **Japanese Consumer Profiles**

One can better understand the Japanese market by focusing on a few consumer profiles.

### The Japanese High School Student

The Japanese High School student is an important consumer as she generates trends throughout Japan. High school students will purchase cosmetics, stationary products, clothing, and character goods featuring their favorite celebrities or cartoon/movie characters. Their average monthly income is usually around 4,585 JPY (\$38.20), but they can always request more from their parents based on what they would like to purchase. When they are not participating in after school activities or attending cram school, they flock to shopping districts such as Harajuku or Shibuya, watch movies with friends, and eat different desserts around town. They dream of receiving Tiffany jewelry from their parents or significant other, shop at H&M and Forever 21, and occasionally dye their hair during school holidays. They use smart phones and mostly use free texting applications such as LINE to communicate with friends. Due to LINE’s popularity, many brands release LINE stickers that can be downloaded and link them to discounts and marketing promotions.

### The Japanese University Student

The Japanese University student’s consumption habits differ based on whether he/she lives at home or in an apartment by his/herself. A study by Benesse indicates that living expenses for

university students can range from 36,000 JPY (\$300) for students living at home to 91,000 JPY (\$758.33) for students living in their own apartments. Considering rent in Tokyo, unless one can get into a university subsidized dorm, living expenses are significant.

However, college tuition is affordable. The University of Tokyo, Japan's best public university is around \$9,000 a year. Private school university tuition is still under \$20,000 a year. Generally, parents are expected to pay for college tuition and subsidize living expenses.

For those who have the luxury of spending, they enjoy drinking with friends, watching movies, traveling internationally and domestically by taking advantage of long vacations, and attending concerts and music festivals. The university male may want Ray Ban sunglasses and shop at select shops such as Beams and United Arrows. Brands such as Diesel and H&M are also popular.

Female students will spend money on beauty products including eyelash extensions, facials, hair perming and coloring, and clothing. They will enjoy nice lunches with friends and visit cafes. Girl trips are also popular for light hiking and hot spring attractions. Popular apparel brands include H&M, Uniqlo, and Forever 21, but also feminine and affordable domestic brands such as Liz Lisa and Jill Stuart. Since most Japanese students wear uniforms until college, new university students tend to get very excited about making their college fashion debut, and purchase lots of clothing. They tend to be more well-dressed than American counterparts and would never imagine heading to class in sweats and a t-shirt.

Long vacations make this consumer group attractive for travel. Spring break is the longest in Japan and can go from late January to April. Many students travel overseas during this time. Many students also do graduation trips after receiving job offers and international destinations such as New York, California, and Hawaii are on their radar.

### The Japanese Housewife

The Japanese housewife was discussed before, and is an extremely strong consumer in Japan. She often is responsible for all major household purchases including food, consumer electronics, and general consumer goods. She is the one who decides what television to buy, what detergent to use, and what supermarket to shop at. She is used to quality, but is willing to do research and go out of her way for bargains. She is in charge of whatever disposable income there is after paying for rent, utilities, and education.

Most of her time and money is spent on family, and she does not have the chance to make purchases for herself. She may have a few nice items of clothing and one luxury bag, but she generally shops at casual brand stores such as Uniqlo or Shimamura (a cheap domestic brand) and rarely opts for beauty expenses such as eyelash extensions, nails, or haircuts. That being said, the standards for looking decent in Japan are quite high, and housewives cannot get away with wearing sweats in public or going around town without makeup. Looking proper without spending too much is possible and expected.

To satisfy this demanding consumer group, subpar quality and a lack of customer service will not suffice. In Japan, consumers expect the government to protect them from dangerous products

and blame the government for product recalls. Unlike in the States, where the company is liable, Japanese tend to find both the company and the government responsible, demanding apologies from both. A typical scenario involves the top executives bowing at a press conference and taking responsibility and resigning.

Products must meet Japan specific requirements, and proper customer service is key. Many companies will do tastings and samplings to selected groups of housewives to get their input before creating products in order to test the market. With so many options in market, housewives will offer strong criticism, but products that passed such tests are expected to have success. Famous housewives will even introduce products through their blogs or other social media, resulting in a large following.

### The Senior Market

The Baby Boomer Generation has retired and many have the luxury of significant savings, and a lot of time in which to explore hobbies. This includes outdoor activities such as hiking and traveling. Health related products are also popular as seniors retire healthier and live longer.

For travel, seniors have the time to be able to do long haul travel to the United States. They enjoy watching musicals and plays, visiting historic sights, doing light physical activity, and enjoying festivals and seasons. Many Japanese love seeing New England fall foliage, and others want to visit National Parks, or drive down Route 1 in California.

Outdoor goods such as sneakers, jackets, and pedometers are in demand as seniors explore options to stay healthy. The average Japanese senior tends to be fashionable, so uniquely designed products are key. Montbell, a popular Japanese brand, also has a presence in Colorado and Portland, and gives an idea of what Japanese preferences are.

Health and beauty related items that are natural are welcomed in order to look and feel younger. Many seniors will buy vitamins and supplements in bulk on trips to the United States due to huge price differences and regulatory differences for allowing certain things into the Japanese market.

### **In Conclusion**

Japan is a developed and saturated market that demands a high degree of quality, exceptional customer service, and unique products. It is important to realize that Japanese consumers are now more frugal than they were before, but that they still have the same preferences towards quality and design. They will shop around for options but would be willing to pay for the right product.

Targeting the right consumer, understanding Japan's market and living realities are important in strategizing how to best enter the market.

Please refer to the link below for additional information on how CS Japan can help.

<http://www.export.gov/japan/doingbusinessinjapan/index.asp>