

(Country Report)

Changing Japanese Consumer Behavior

Japan's population is aging, and there are growing opportunities in the 'silver services' sector, services for the increasingly healthy, affluent seniors.

Japanese agriculture continues to decline, leading to increased dependence on imports for stable food supplies including high quality and safety.

1 Consumer Behavior:

After decades of behaving differently, Japanese consumers have become very similar to their counterparts in Europe and the United States. Brand name, quality and product features have traditionally been the most important aspects considered when making a purchasing decision. As economic conditions have become more difficult, price has become an increasingly important consideration for Japanese consumers. Customer service aspects, such as technical explanations and adherence to delivery dates, are important elements in sales.

Japanese consumers are spending more time at home, are changing not only what they buy but also how they buy it. Long accustomed to shopping near their homes, they are now more willing to travel. They are also deserting department stores, preferring to spend their time in malls and stand-alone specialty shops.

Consumers favors venues that satisfy their needs beyond shopping, such as eating and entertainment. Young consumers tend to be more willing to spend money on services rather than products and on high-tech products rather than other goods. Online shopping is becoming increasingly popular in spite of traditional reluctance and mobile technologies are empowering consumers to make better informed purchase decisions.

Japanese consumers are increasingly conscious of their health and as a result pharmacies have become one of the fastest-growing retail channels. Ecological consciousness is also growing and many consumers prefer to buy environmentally friendly products. Despite these changes, Japanese consumers have intransigent attitudes towards paying for green goods and services.

2 Consumer Profile and Purchasing Power: Japan is facing a rapidly aging population (its median age is 47.3), the number of people living on their own is rising, women are becoming

more empowered and lifestyle diseases are increasing. While Japanese consumers have been rather reluctant to buy foreign and cheaper products in the past, they have become progressively more open to them over time and they are flocking to discount and online retailers. Japanese consumers are highly diverse in their interests and tastes, which range from traditional needs to more westernized desires. The physical packaging of products should be of high quality, with the product meticulously presented. A product's instructions for use should be included and highly detailed. Japanese consumer's value brand information, service, delivery, packaging and advertising. Shopping in Japan is considered as a leisure activity. Imported brands from the West, sold at high prices, contrast with the expansion of low-price retailers. For luxury purchases, Japanese are willing to pay a premium price for all the extra costs related to the high quality and service expectations. Japanese consumer purchases are either for their own practical use, either for showing their social status, especially in the case of imported goods. At the same time, they tend to be modest and prefer humble design. Japanese have never been comfortable with conspicuous consumption.

3 Consumer Recourse to Credit:

The use of consumer credit is high. After a slight decline in 2015, the number of credit cards issued is growing again (27,201 in 2017) and card transactions have more than doubled in the past 10 years.

Population in Figures

Total Population: 126,994,511

Urban Population: 93.9%

Rural Population: 6.1%

Density of Population: 348 Inhab./km²

Men (in %)48.9% ,Women (in %)51.2%

Natural increase: -0.12%

Medium Age: 43.0

Ethnic Origins: Japan is one of the most ethnically homogeneous countries in the world, with ethnic Japanese making up 98.5% of its population. Other ethnic groups present in Japan include Koreans (0.5%) and Chinese (0.4%).

Population of main metropolitan areas

Name	Population
------	------------

Name	Population
Tokyo	35,441,287
Osaka	17,294,189
Nagoya	6,452,190
Fukuoka	2,561,337
Sapporo	2,204,146
Sendai	1,587,913
Hiroshima	1,410,984
Kitakyushu	1,163,071
Naha	1,160,506
Niigata	1,037,940
Hamamatsu	989,776
Maebashi	985,814
Kumamoto	980,524

Source: *OECD, 2012 - Latest available data.*

Age of the Population

Life Expectancy in Years	
Men:	81.0
Women:	87.1

Source: *World Bank, last available data., 2009 - Latest available data.*

Distribution of the Population By Age Bracket in %	
Under 5:	4.1%
6 to 14:	9.1%
16 to 24:	9.9%
25 to 69:	60.6%
Over 70:	16.2%
Over 80:	6.3%

Source: *United Nations Department of Economic and Social Affairs: 2010 Population Division Prospects* - Latest available data.

Household Composition

Average Age of the Head of the Household	53.8 Years
Total Number of Households (in million)	51.8
Average Size of the Households	2.8 Persons
Percent of Households of 1 Person	32.4%
Percent of Households of 2 Persons	27.2%
Percent of Households of 3 or 4 Persons	32.6%
Percent of Households of 5 Persons and More	7.8%

Source: *UN Data, 2012* - Latest available data.

Consumption Expenditure

Purchasing Power Parity	2012	2013	2014	2015	2016
Purchasing Power Parity (<i>Local Currency Unit per USD</i>)	104.53	102.27	102.28	103.22	102.08

Source: IMF – World Economic Outlook Database, 2015

Definition: Purchasing Power Parity is the Number of Units of a Country's Currency Required to Buy the Same Amounts of Goods and Services in the Domestic Market as USD Would Buy in the United States.

Note: (e) Estimated Data

Household Final Consumption Expenditure	2014	2015	2016
Household Final Consumption Expenditure (<i>Million USD, Constant Price 2000</i>)	3,395,530	3,394,432	3,396,482
Household Final Consumption Expenditure (<i>Annual Growth, %</i>)	-0.9	-0.0	0.1
Household Final Consumption Expenditure per Capita (<i>USD, Constant Price 2000</i>)	26,678	26,698	26,745
Household Final Consumption Expenditure (<i>% of GDP</i>)	58.4	56.4	55.7

Source: World Bank, 2015

Consumption Expenditure By Product Category as % of Total Expenditure	2011
Housing, water, electricity, gas and other fuels	25.2%
Food and non-alcoholic beverages	13.9%
Transport	11.0%

Consumption Expenditure By Product Category as % of Total Expenditure		2011
Recreation and culture		9.8%
Restaurants and hotels		6.4%
Health		4.4%
Furnishings, household equipment and routine maintenance of the house		4.0%
Clothing and footwear		3.4%
Communication		3.0%
Alcoholic beverages, tobacco and narcotics		2.7%
Education		2.1%

Source: *UN Data*, Latest available data

Information Technology and Communication Equipment, per 100 Inhabitants		2012
Telephone Subscribers		102.7
Main Telephone Lines		50.8
Cellular mobile subscribers		102.7
Internet Users		79.1
PCs		54.2

Source: *International Telecommunication Union*, Latest available data



Marketing opportunities

Media in Which to Advertise

Television

Expensive but reaches mass consumers effectively. TV is expected to continue to lead Japan's advertising market (more than 40%) over the next years. Many millions of viewers subscribe to satellite and cable pay TV. TV advertising expenditure represented 31.3% of the total ad market in 2016.

Main Televisions

[Fuji TV Network](#)

[NHK - Japan Broad. Corp.](#)

[NTV - Nippon TV Network - Channel 4](#)

Press

Advertising in newspapers is expensive but reaches mass consumers effectively. In regional and local newspapers, it is suited only for a product with strong potential in a specific region. The increasing use of Internet and the downward trend of the population have contributed to a decline in newspaper sales. There has also been a decrease in the number of newspaper advertisements, which has forced the newspaper industry to transform its style of business (some newspapers charge for online access). Nevertheless, the print sector is still influential and highly trusted. National dailies sell in millions, boosted by afternoon and evening editions. 68.7% of the population read morning newspapers in 2017, whereas the ratio of those who go online for their news grew to 71.4%.

Advertising in magazines is a more affordable option for small- to medium-size enterprises. It is the best advertising option to reach a focused target audience, consumer group or to sell industrial and commercial products. A tremendous variety of magazines is published in Japan on a weekly, biweekly, monthly, and quarterly basis. Newspaper advertising expenditure represented 12.1% of the total advertising market in 2016.

Main Newspapers

[Asahi Shimbun](#)

[Yomiuri Shimbun](#)

[Nihon Keizai Shimbun](#)

[The Japan Times](#)

Mainichi Shimbun

Nikkan Sports

Mail

Makes it possible to reach people all over the country, but not really useful. Mail advertising spending was 6% of the total ad market in 2016.

In Transportation Venues

Transit advertising is especially effective in major cities for branding products and services aimed at women and businessmen, since the majority of Japanese use public transportation for commuting and other business. Ads are placed on buses, rail cars and stations (hanging flyers, framed posters, stickers and flat-panel video). Outdoor advertising expenditure was 20.5% of the total ad market in 2016.

Market Leaders:

Japan Intelligence and Communications

Japan Advertisement

Radio

Few radio stations and a relatively small number of radio listeners (less than 7% of the population), but radio advertising expenditure is growing slightly. Radio in Japan operates at rather regional scale and its ownership remains strongly localised. Radio ad spending represented only 2.1% of the total advertising market in 2016.

Main Radios

NHK

Tokyo FM

TBS Radio

J-Wave

Inter FM

Web

Japan is the second biggest market of the world concerning online advertising. Advertisements directed at smartphones, as well as video adverts and advertisements using new advertising technologies and data application continue to expand. 94% of the population used Internet in 2017. Japan's Law on Regulation of Transmission of Specified Electronic Mail requires use of an "opt in"

system in which email can only be sent to people who have previously agreed to receive it. Online advertising spending represented 20.8% of the total ad market in 2016. Increases in digital ad spend are expected to slow in the next few years (spending will rise just 6% to USD 12.63 billion in 2020). By then, more than 30% of all paid media spending in Japan will go toward digital formats, including all advertising served to internet-connected devices.

Market Leaders:

[Advertising.com](#)

[D.A Consortium](#)

[Japan Intelligence and Communications](#)

Main Advertising Agencies

[Dentsu](#)

[Hakuhodo](#)

[ADK](#)

[Tokyu Agency](#)

[NTT Advertising](#)

Main Principles of Advertising Regulations

Beverages/Alcohol

There is no specific legislation on alcohol advertising, which is regulated only via voluntary rules adopted by the Commission on Alcohol Beverages, for example: the prohibition of alcohol-related TV advertisements from 5am to 6pm; alcohol adverts must follow only after TV or radio programmes with an audience of drinking age (20 years); a warning to minors, pregnant women and nursing mothers must be included; pregnant celebrities may not appear in alcohol adverts.

Cigarettes

The Tobacco Institute of Japan has issued voluntary rules on advertising: targeting of minors is not allowed; adverts must include health warnings and may not be shown in public places, with exceptions around tobacco stores; the use of celebrities appealing to the younger generation is not allowed.

Pharmaceuticals/Drugs

Must be approved by the Ministry of Health & Welfare.

Other Rules

Comparative advertising must be substantiated.

For further details, read [the Code of Ethics of the Japan Advertising Agencies Association](#).

Use of Foreign Languages in Advertisement

Bilingual marketing is an excellent way to stand out and English is much used as promotional tool, but foreign commercials must always include some Japanese language.

Organizations Regulating Advertising

[Japan Advertising Council](#)

[Japan Advertising Agencies Association \(JAAA\)](#)