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## Consumer Lifestyles in Japan

## TOP FIVE CONSUMER TRENDS

## Consumers Curb Spending, Increase Savings

**M**odest wage growth, the changing job market and the general sluggishness in the economy in recent years have resulted in stagnant consumer spending. In 2017, consumer spending per household reached JPY5,501,617, reflecting growth of less than one percent since prior year. Large bonuses given to workers boosted 2018 consumer spending, but sustained growth is uncertain going forward, particularly in light of the scheduled 2019 hike in the consumption tax which many observers believe will dampen household spending growth.

Having become accustomed to the country's sluggish economic performance and relatively low-paying jobs, many young Japanese have become much more frugal than many of their older counterparts. A recent article on [website reuters.com](http://www.reuters.com) noted "For many young Japanese, thrift has become a virtue... Japanese millennials throw around words like 'cospa'—short for 'cost performance,' or value for money—to rate anything from cosmetics to hotels". The article added, "The millennials will form a large part of Japan's consumer society for decades to come, and their first instinct is to save, not spend. And if they spend, they hunt for bargains".

At the same time, many households are increasing their savings. The results of a 2018 survey by Nippon Life Insurance Company revealed that 50% of workers saved their 2018 bonuses, with 79% of them saying they put their money in bank saving accounts, followed by investments in stocks/shares (5%), life insurance (4.5%) and trust funds (4.3%). In addition, a significant number of households are putting their cash savings in 'wardrobe deposits' (tansu yokin) at home rather than in low-interest bank savings accounts, driving increased consumer demand for home safes.

## Rapidly Increasing Number of Later-lifers and Seniors Changing Consumer Profile

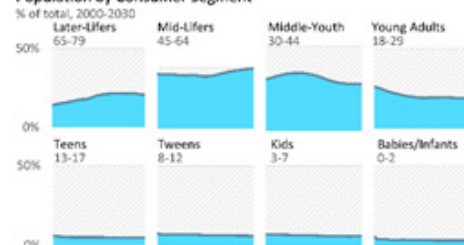
The population is ageing rapidly, and it is projected that by 2030 those aged 65 years-old and older will account for 31% of the total population, with the old-age dependency (the percentage of persons older than 65 years-old per persons aged 15 to 64 years-old) reaching a very high rate of 53.6%. A significant number of older consumers continue to work while others have considerable savings and, as a result, many remain active consumers, driving demand for a wide range of essential products and services.

At the same time, as the consumer profile tilts towards older consumers, demand for age-specific products and services is expected to continue

DATAGRAPHIC CONSUMER LIFESTYLES  
Japan: Lifestyles in 2018

Population  
Total, millions  
**126.7**

## Population by Consumer Segment



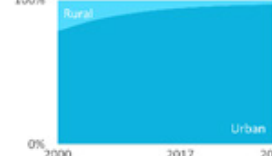
Median Age  
years  
**47.5**

Fertility Rate  
children/female  
**1.4**

Life Expectancy at Birth  
years  
**M81.1 F87.3**

## Urbanisation

Urban vs Rural Population  
2000-2030



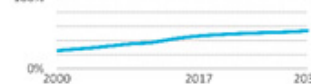
## Largest Cities

% of total pop, No. of people

1	TOKYO	7.4%	9,332,300
2	YOKOHAMA	2.9%	3,715,800
3	OSAKA	2.1%	2,685,300
4	NAGOYA	1.8%	2,293,700
5	SAPPORO	1.5%	1,956,600

## Old-Age Dependency Ratio

percentage of people older than 65 compared to those aged 15-64



## Disposable Income

per capita, US\$ 2017

**22,596**

## Savings

as % of disposable income

**8.1%**

## Households

No of Households, millions

**54.0**

## Home Ownership

Owned

Rented

100%

0%

2000

2017

2030

Home Comforts

% of Household Possession of...

100%

50%

0%

2000

2017

2030

Refrigerator

Colour TV

Washing Machine

Microwave

Dishwasher

## Household Spending

FOOD

HOUSING

NON-ESSENTIALS

USD 0

USD 40,000

100%

0%

2000

2017

2030

Mobile and Online

% of Households that Own a Smart Phone

100%

50%

0%

2000

2017

2030

% of the Population Using the Internet

100%

50%

0%

2000

2017

2030

to grow, reflecting that change. For example, shopping malls are offering new products and services to attract older consumers, travel services are offering a growing number of age-friendly holidays and manufacturers of products such as smartphones are adding features that make them easier to use by older consumers.

The ageing of the population has also driven the popularity of such services as solo dining. A 2017 article from Kyodo News noted “Some ramen noodle shops and yakiniku grilled meat restaurants, which customarily serve families or groups, are switching gears to focus on the individual customer who enjoys dining alone without distractions from staff or other patrons,” adding that service industry insiders believe the trend reflects an effort to address diversifying consumer tastes amid the country’s greying society, among other factors.

### Consumers Continue To Turn To Online Shopping

Tech-savvy consumers are avid online shoppers, and internet retail sales have increased significantly in recent years. In particular, there has been robust growth of mobile internet retailing sales, reflected by current sales increasing by nearly 300% between 2012 and 2017. Indeed, in 2017 mobile internet retailing accounted for 45% of internet retailing overall, up from 20% in 2012, with the increase driven by the growing number of younger consumers who have turned to their smartphones and tablets to satisfy their shopping needs.

Growth in online shopping is projected to continue, driven by such factors as the high number of internet users (of all ages), the continuing increase in smartphone penetration and high urbanisation. Japan also boasts an effective logistics network and delivery landscape which are expected to improve even more as internet retailers aggressively expand into online grocery delivery in coming years.

### Consumers Encouraged To Spend To Soften the Impact of Rise in Consumption Tax

In 2014 the government raised the consumption tax from 5% to 8%, creating a scenario that saw booming consumer demand for a wide range of products, particularly big-ticket items, just prior to the implementation of the tax rise and a sharp drop in demand once the tax was in place. In October 2019 the consumption tax is to be raised to 10% and the government, in an attempt to soften the impact and to avoid a debilitating drop in consumer spending post-implementation,

is now offering consumers a number of incentives meant to shore up spending, particularly spending on big-ticket items such as homes and automobiles.

Under the government’s new tax reform plan, according to a 2018 report from The Japan Times, home owners with mortgages will see tax deductions extended from the current 10 years to 13 years, and consumers buying a new car after 1 October will pay between JPY1,000 to JPY4,500 less in annual car ownership tax. Low-income single parents who have never been married will also receive tax cuts and JPY17,500 a year in other benefits. In addition, according to a 2018 report on website bloomberg.com, “The government intends to exclude most food from the hike to reduce the impact on lower-income households. The tax on all food sold at supermarkets will stay at 8%, and the same will apply to food bought from convenience stores to take home, and food served at schools and old-age care homes. Food eaten at restaurants and alcohol will be taxed at 10%”.

### Older Consumers Embracing Healthy Foods and Fitness Regimens

In recent years the growing number of older consumers has helped drive continued interest in healthy food choices, and health and wellness food and beverages, particularly those categorised as naturally healthy, have seen increased demand, reflected by current value sales growing by 10% between 2013 and 2018. There has also been strong demand for vitamins and dietary supplements in recent years, with growth in consumption driven in large part by the growing number of older consumers and their concerns about maintaining general health, particularly maintaining mobility, as they age.

Indeed, concerns about mobility and health have convinced older Japanese consumers to work to remain fit. According to recent data published by the Japan Sports Agency, men aged 70 years-old and older and women aged 65 years-old and older achieved record-high fitness scores in 2018, with more than 60% of men and women aged 60 years-old and older saying they exercised at least weekly. And new services are being developed to take advantage of this trend, including new insurance policies that offer reduced premiums to fit seniors. “Walking 8,000 steps a day or eating healthy food may now save you money as some Japanese insurers move to sell policies that offer premium discounts or refunds to those living healthily,” according to an article in The Japan Times.