

Japan is one of the largest and most developed markets globally. Post-Covid this important market is expected to rebound significantly. Isn't it time you looked more closely at Japan?

The Japanese Consumer Market

Opportunities for ASEAN and Insights for growing your business



ASEAN-JAPAN CENTRE

ASEAN Promotion Centre on Trade, Investment and Tourism

prepared by Weben Partners



Table of Contents

Executive Summary	3
The Opportunity for ASEAN in Japan	3
Key Success Factors to Succeed in Japan	4
Be an expert; target a niche	4
Focus on the consumer	4
Explain Features & Advantages; Sell Benefits	4
Select Sales Channels & Regions	4
Test then Expand	5
Quality of Product, Quality of Service	5
Follow the Export Roadmap	5
Japan Overview	7
The Japanese Consumer	9
Population by Prefecture	9
Foreign Population in Japan	11
Japanese Homes & Households	11
Household Saving & Expenditure	12
Inflation	14
Segmenting Japanese consumers	14
General Characteristics of Japanese consumers	16
Shopping Habits	17
Penetration of Major Consumer Products	17
Japanese Communications and Media	17
Major Industries	19
Industrial Manufacturing	19
Agricultural Industries	21
Japan Trade Landscape	24
Retail Channels	24
Drug Store sales mix	26
Foodservice Channels	27
Typical Japan Route-to-Market structure (physical retail)	27
Popular EC portals in Japan	28
Popular Consumer Products	30
Opportunities for ASEAN	33
Common Features of Japanese Consumer Products	36
Credits	38

Executive Summary

The Opportunity for ASEAN in Japan

Trade between Japan and ASEAN members is worth over \$168b¹ with imports slightly exceeding exports. Japan's largest trading partners in ASEAN are Thailand, Vietnam and Indonesia. Japan is increasingly reliant upon ASEAN for manufacturing, the supply of raw materials and for consumer goods.

Japanese corporates are more and more sourcing internationally, for example famous brands like Uniqlo. There is also growing realisation that Japan has been too reliant upon China as a source of supply, looking forward there will be greater supply diversification benefiting ASEAN.

As Japan emerges from the Covid-19 pandemic, tourism from ASEAN members is expected to rebound rapidly. Tourism is a very important source of foreign currency for Japan. There is a desire amongst many Japanese companies, especially those facing labour shortages, to recruit staff and train managers from ASEAN states. Unemployment in Japan is less than 3%. These developments have many implications, one is the dramatic increase in ethnic food restaurants to cater for foreign workers. There are now hundreds of Vietnamese restaurants in Japan.

The Japanese consumer is changing and becoming more interested to explore ASEAN products whether they be health, cosmetics or furniture for example.

Historically selling consumer products in Japan meant a reliance upon physical retail channels but E-commerce has broken this barrier to entry. E-commerce usage grew significantly during the pandemic. It is now possible to market and distribute products on portals like Rakuten and AMAZON Japan without having a physical presence in the country.

The Japanese consumer has also become addicted to smartphones. Consequently Apps, software and games that are popular internationally have become much more prevalent. This presents an opportunity for ASEAN members. It is significant that Japan Incorporated lacks many of the IT skills commonplace overseas, Japan is more open to importing and using foreign digital skills, know-how and software.

¹ Source Weben research, 2021 date

Key Success Factors to Succeed in Japan

Building and growing a business in Japan requires focus and dedication. Consumers are fussy and demanding, it is not a market for quick-wins. These tips will improve your chances of winning in Japan.

Be an expert; target a niche

Japanese society values dedication and expertise, it is willing to pay for this, whether it is the expert chef who has trained for years or the specialist skin doctor. Brands who focus on a specific target segment or narrowly defined product portfolio usually experience the greatest success in the long run. Foreign brands who have succeeded in Japan typically target a specific consumer segment or product category.

Focus on the consumer

In this report we show it's possible to segment the Japanese consumer not only by demographics but also by lifestyle and attitudes. Understanding your consumer deeply, using segmentation techniques, is an important success factor for marketing. Only when you understand well the needs and barriers of your target audience can you select the most relevant parts of your offer to drive trial. Understanding the consumer has become more important in the E-commerce era when manufacturers have direct control over the marketing mix and messaging.

Explain Features & Advantages; Sell Benefits

Many manufacturers fail to distinguish adequately between the features, advantages and benefits of their offer. Features are the physical characteristics of a product, for example the raw material it's made from. Advantages are how that raw material is different from competition; however consumers do not ultimately buy a feature or advantage, instead they buy its benefit. If the product is lighter than competition or it can be stored more easily, these benefits are the drivers of consumer sales. Understanding and focusing on the right product benefits in Japan is critical. Benefits can be functional or they can be emotional.

Select Sales Channels & Regions

Japan is a large country geographically with several major urban centres. Foreign companies tend to focus on Tokyo as it is the default first-point-of-call. It is not wrong to target Tokyo however it is such a large city and complex, it is also more competitive; and costlier. Likewise many new brands immediately aim to sell in the largest CVS² chains.

² Convenience Stores

Whilst these aims are laudable, they may not be realistic and may not be sustainable. Selecting which regions and sales channels is a key strategic decision.

Test then Expand

Whilst developing Japan specific products is not necessarily required, it is true that most successful foreign products sold in Japan have been adjusted, either in formulation, packaging or claims. Getting the right product mix takes time and development. Whilst test marketing, meaning selling in a defined retailer, region or portal, is not widely acknowledged, many brands follow this approach. Test marketing also allows the brand to manage its budgets and supply chain.

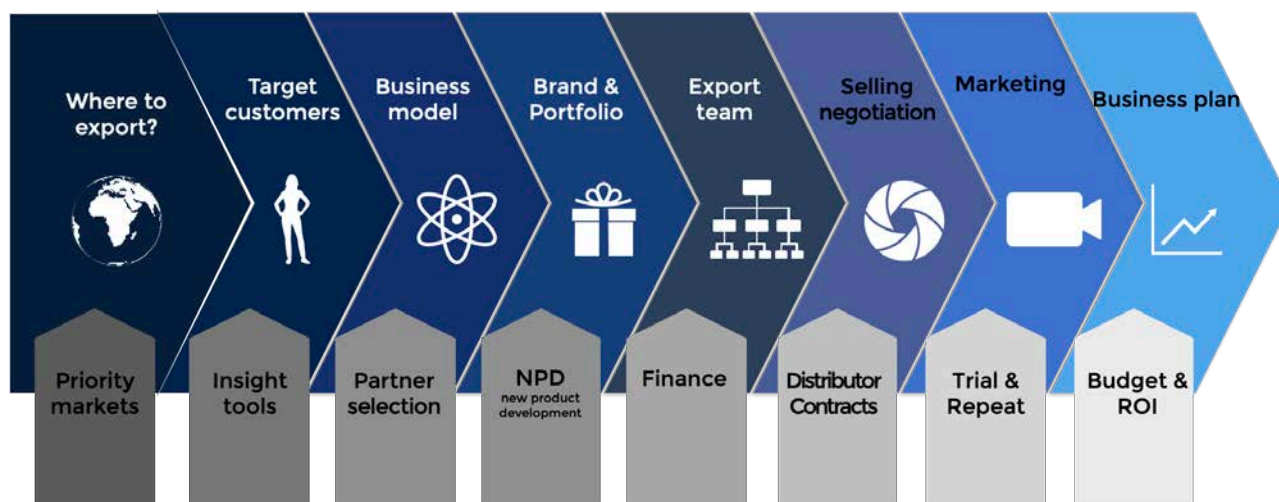
Quality of Product, Quality of Service

Consumer complaints are a serious matter in Japan and since the market is highly competitive, viewed negatively by trade customers. This requires manufacturers to be absolutely sure of their offer before launching. It is not uncommon for foreign brands to repack products in Japan, on one hand it allows the adoption of local packaging; and it allows a quality audit. Likewise Japan is famous for its consumer service standards and cleanliness. Foreign brands wishing to succeed in Japan need to build a team on the ground that understands and delivers exemplary customer service.

Follow the Export Roadmap

Japan is a sophisticated and complex market that requires investment in time as much as resources to conquer it successfully.

We recommend following an export roadmap, like the one below to guide your thinking and drive your plans.

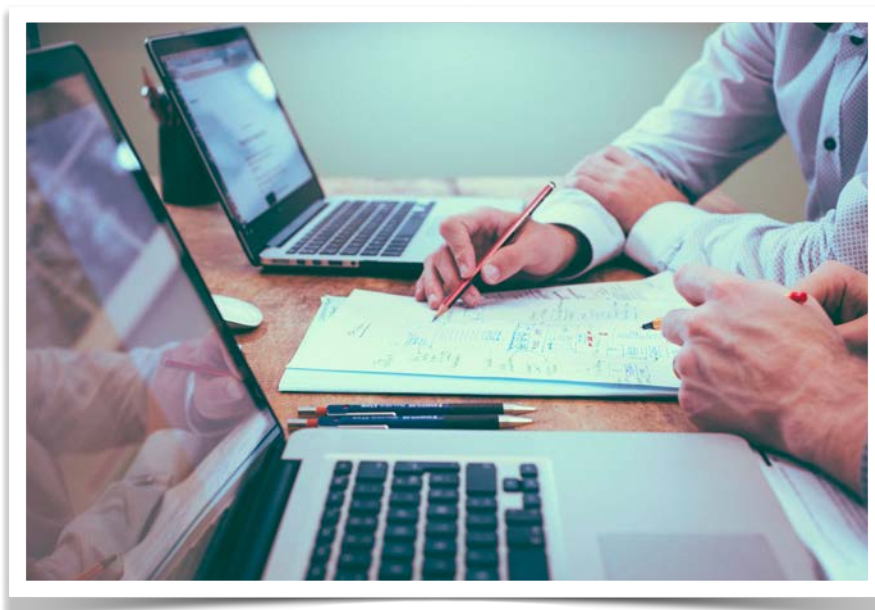


Start by assessing the opportunity for your business/category in Japan, using research, to identify what is the likely size of prize versus your ability to execute.

If you are confident that the market opportunity is attractive, you should define who will be your target customers, whether they be consumers, shoppers or trade buyers.

The business model you choose, for example establishing your own brand or supplying private label and how to sell is important. You will also need to think how best to execute your plans whether that means appointing a distributor or setting up your own operation in Japan.

It's important to have a team with experience of international markets, certainly with supply chain expertise if you are shipping from overseas.



The Japanese trade is fragmented and there are many channels and intermediaries. In this report we outline the trade landscape and the major sales channels.

Many exporters assume their distributor or sales partner will manage 'sell out' activities. This can be the case, however we strongly encourage ASEAN companies to engage deeply in what marketing activities will be most successful in driving trial (penetration) and how to build frequency (loyalty).

Finally, you should develop a business plan for Japan. The plan serves a number of purposes: it forces you to think through carefully where you will focus and why; it acts as a check list; and it ensures buy-in from key internal stakeholders.

Japan Overview

Japan has a population of 125.1 million and GDP per capita of US\$39,340. It is one of the largest consumer markets in Asia-Pacific. For ASEAN businesses looking for new markets it represents a significant opportunity.

To succeed in Japan there are some key facts reading its size and demographics which have important implications for starting a business and then expanding it.

Key Fact	Implication for ASEAN Companies
Japan has the 11th largest population globally however it is declining slowly driven by a low birth rate, limited immigration and ageing. Almost 30% of the population are aged 65 and over. Life expectancy for men is 81 years and 87 for women.	Deciding which groups of consumers to target is critical. For example the market in Japan for aged/senior products is now bigger than the market for baby goods. Given the absolute size and complexity of Japan it is a mistake to target a wide range of consumers, instead those businesses which succeed usually have a narrow, tight target market.
Japan's GDP/capita is 3x larger than China; in APAC ³ only 3 countries have greater GDP/Capita (Singapore, Australia and Brunei).	Whilst it is true that Japan is a wealthy country, it is also true that not all Japanese are wealthy; 16% of the population live below the poverty line ⁴ . This means 'value for money' is critical. This has become especially important in 2022 as the Yen has depreciated rapidly against the US\$ and other currencies resulting in price increases for many imports.
Japan is located in Northeast Asia and consists of 6,852 islands, including four major islands. Most people live in coastal areas. The climate is temperate with four distinctive seasons.	Products which are designed for tropical climates may not always be appropriate, or may need to be adjusted, for example wooden furniture which may crack in Japan's cold winters.

³ Asia Pacific

⁴ Source: Weben partners research

Key Fact	Implication for ASEAN Companies
<p>There are seven major cities in the country, and the Tokyo trade area, located almost in the centre of Japan, is the largest trade area in the world with a population of 38 million, while the Osaka trade area has a population of 19 million.</p>	<p>For most consumer products the greater Tokyo area accounts for around 40-50% of sales. However there are significant business opportunities in other regions and often these are overlooked by foreign brands. Like most capitals, Tokyo is typically more competitive than other regions.</p>
<p>The Japanese Government took very strict measures against coronavirus, especially border controls, which have only recently been eased. Although the vaccination rate is over 80% the virus remains prevalent.</p>	<p>The COVID-19 epidemic significantly changed consumer purchasing behaviour and accelerated online shopping. In 2021 almost 53 percent of households with two or more people in Japan purchased goods or services online, a record high⁵.</p>
<p>Japan's literacy rate is 99% and there is an abundance of broadcast, print and digital media. Japanese consumers are information hungry.</p>	<p>Most Japanese consumers do not make 'snap' buying decisions. They rely heavily on word-of-mouth recommendations and often research carefully, including reading reviews. For businesses to succeed it's important to provide detailed product information and company history in Japanese to build credibility plus Japanese web and social media presence.</p>

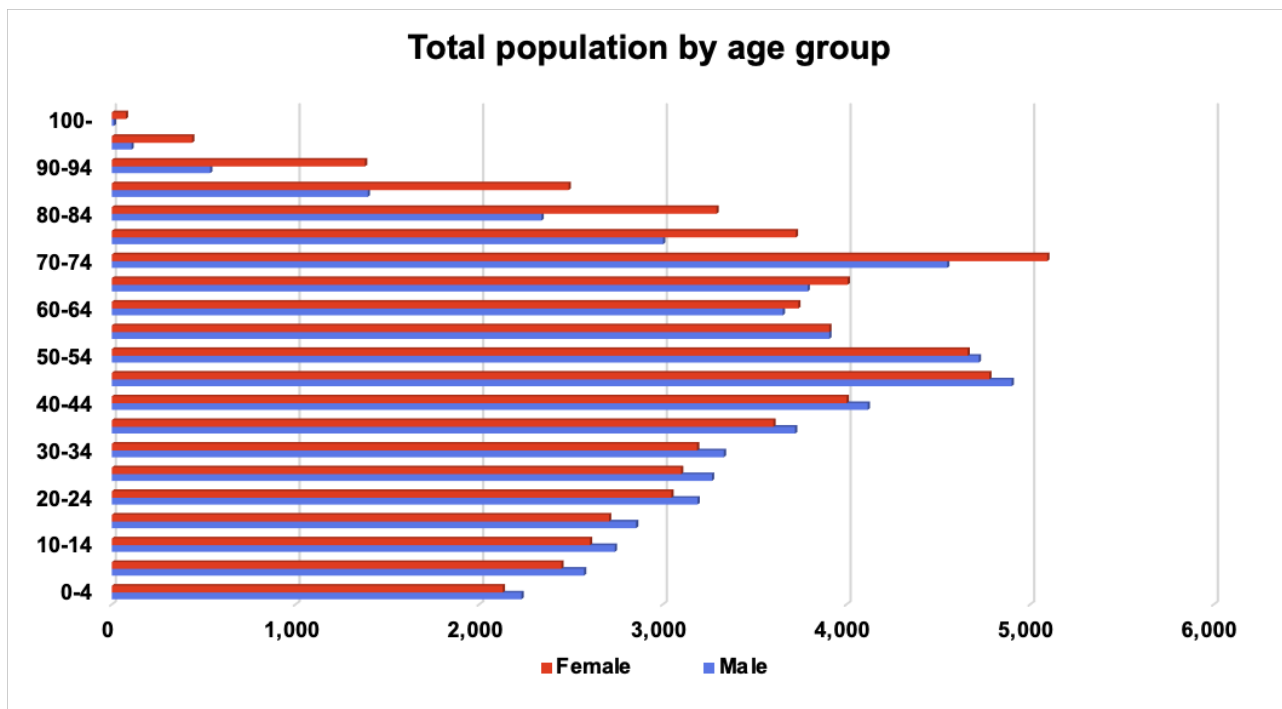


⁵ Source: Statista

The Japanese Consumer

Japan is experiencing significant demographic changes. Currently the population is 125 million but is forecast to drop to 119 million by 2030⁶.

Another key point is that the 15-64 age group, the so-called working population, is less than half of the total. This has caused a labour shortage. Japan's unemployment rate is currently 2.6%⁷ one of the lowest in developed economies.



Another significant fact is that there are slightly more men in the lower age range group, whereas in the elderly, women far exceed men.

Population by Prefecture

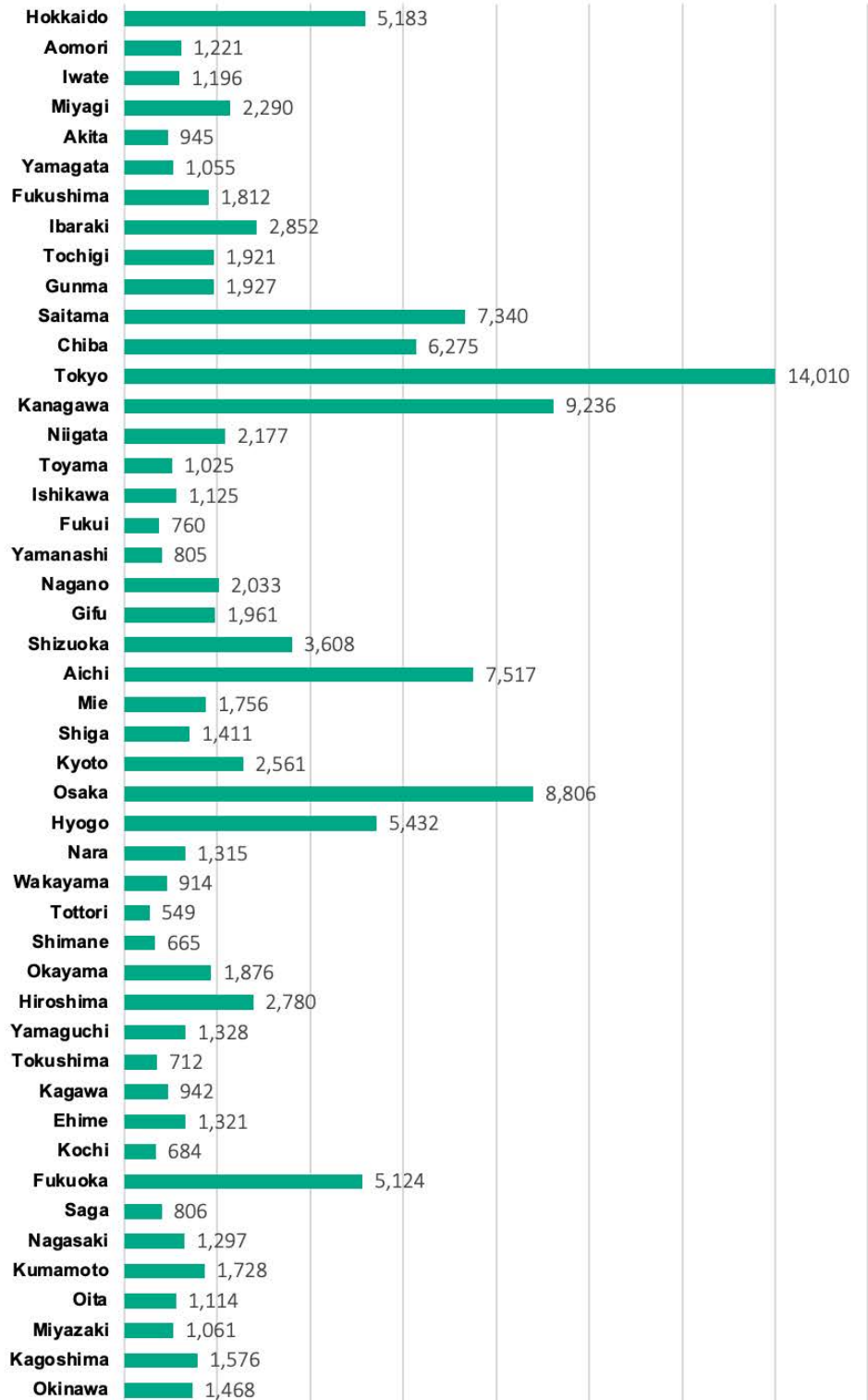
The greater Tokyo area, often called Kanto, which includes Tokyo, Saitama, Chiba and Kanagawa is the largest conurbation. It is followed by the Kansai region which includes Osaka, Hyogo, Kyoto and Nara. Aichi, which is where Nagoya is situated, is the third. Most major Japanese companies have a head office plus several branch offices in other cities like Fukuoka or Sapporo. Fukuoka in particular has grown fast in recent years driven its close location to Korea, China and Taiwan, the city's numerous Universities and its reasonable cost of living.

⁶ Source: OECD

⁷ Source: CEIC data

Japan's Population by Prefecture

(000s, 2022 Government Statistics)



Foreign Population in Japan

Japan's foreign population has steadily increased and currently exceeds 2.8 million. Three countries account for the majority of Japan's foreign population: China (0.78 million), Vietnam (0.45 million) and Korea (0.43 million). The Vietnamese population in particular has grown rapidly as many Japanese companies are keen to hire trainees for jobs in Japan and also internationally.

Recently Japan has recognised it lacks the IT skills required to drive its economy.⁸ Japanese businesses are lobbying the Government to give more visas to IT workers. IT, software and related services represent a significant business opportunity for ASEAN firms.

Another consequence of Japan's foreign population has been the rise of ethnic food restaurants. For example there are over 2000 restaurants⁹ serving Indian food in Japan and over 550 Thai restaurants. These can be found in most regional cities as well as the major metropolises.

The market for ethnic food¹⁰ in Japan was \$765 million in 2020 and is growing around 10% per annum, faster than the overall Japanese food market.

Japanese Homes & Households

The number of Japanese households is 57.8 million, which is increasing, contrary to the population's decline. There is a growth in single person households plus there are also more couples who do not have children.

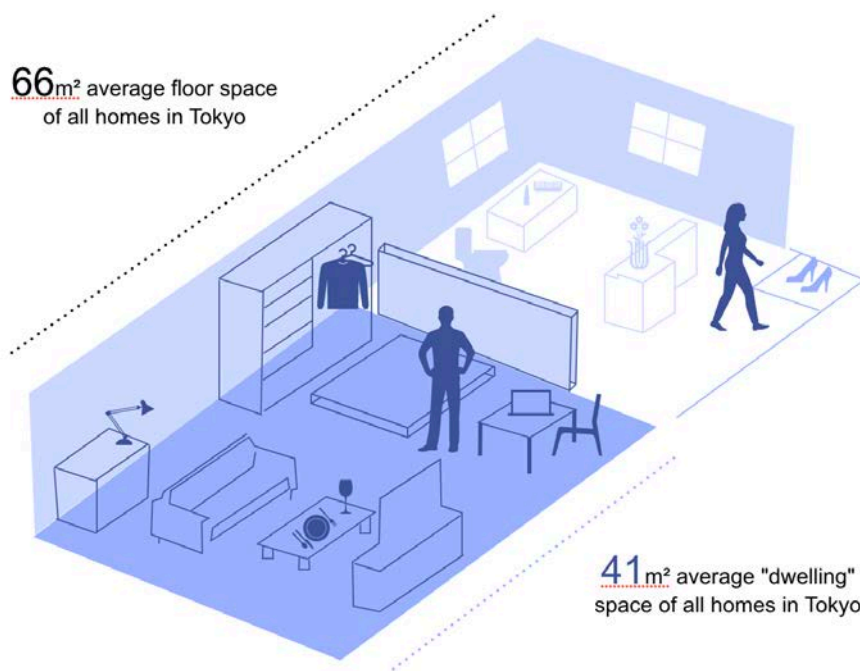
Japanese homes are small by western standards. In Tokyo the average home is 66m², however this number obscures a wide range, 1.4 million households live in less than 20m².¹¹ In other cities the living space is slightly larger. On average, however across the country, space is at a premium, explaining why small, foldable, easy to store items are highly valued.

⁸ Source: JALT call journal 2022 survey: Only 50% of Japanese University students could explain what is a 'search engine' with one third responding 'I don't know'

⁹ Source: Times of India, 2018

¹⁰ Indian, Mexican, SE Asian foods, source Fuji Keizai

¹¹ Reuters Japan



The urban population exceeds 93% and the home ownership ratio averages 61%.¹²

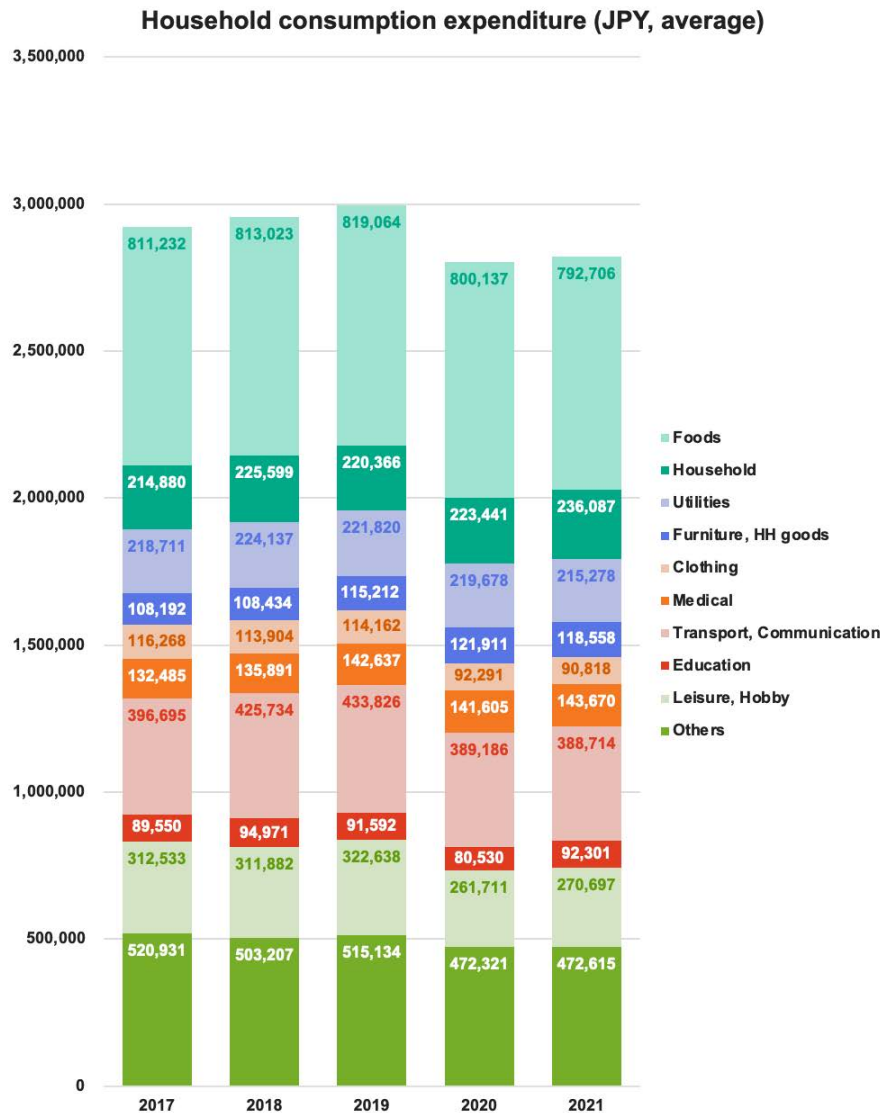
Currently 22% of Japanese households have children and the average number of children per household is 1.68. There has been a continuous rise in the number of working women, around 70% of mothers with children are employed.

Household Saving & Expenditure

In the mid-1970s Japanese household savings exceeded 20% per annum, however since then it steadily declined. Just prior to the Covid-19 pandemic it was 2.8%. During the pandemic savings increased dramatically to 12% driven by Government handouts and reduced expenditure.¹³

¹² Sources: Macrotrends, Statista

¹³ Source: Japan Centre for Economic Growth



In the last few years, Japanese household expenditure has eased slightly due to concerns about future security, and as discussed above the decision to save more during the Covid-19 pandemic. Food is the biggest component of household expenditure followed by transport and communication. Household expenditure which includes mortgage or rental payments has remained largely constant.

Household expenditure varies by age group. Seniors have the highest savings but also spend more on medical care and recreational activities like gardening. They also spend more on hobbies or self-development and learning. By contrast for young adults housing is one of the highest components of their expenditure followed by transportation and communication expenses. For those in the 30-50s they spend slightly more on eating out.

Inflation

For the last decade or more, prices have remained very stable in Japan with very few, if any, major increases. At the time of writing, there are clear signs this is changing. Japan is a net importer of many raw materials like agricultural commodities and oil. The Ukraine crisis, the weak Yen and also the rise in international freight costs, have resulted in price increases. In 2022 for example the leading beer companies all increased prices as has McDonalds, twice.

Segmenting Japanese consumers

A deep understanding of the consumer is essential for success in the Japanese market. Whilst the Japanese are one heterogeneous group, ethnically, this should not be confused with believing that all Japanese are the same. In fact the opposite is true.

Cultural differences do exist due to regional, historical, and other influences. For example, one of the most prominent differences in Japan is between the Kanto region (around Tokyo) and the Kansai region (Osaka, Kyoto, and Nara), where culture, dialects, food flavours, and consumer behaviour differ greatly. One example, Natto fermented beans which are very popular in Tokyo are consumed much less frequently in Kansai.

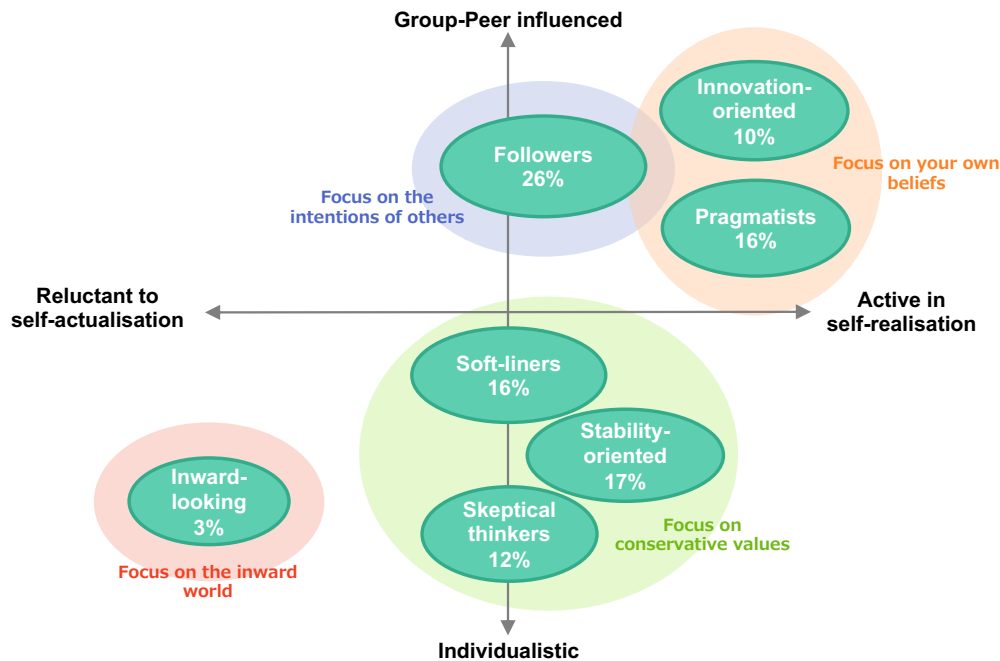
Besides these differences, there are significant attitudinal and behavioural differences. A good example is the Japanese attitude to politics and elections. The average turn-out for a general election is around 50%, far lower than most other democracies. Amongst those who vote many do not change their voting habits, ever. This leaves a small minority who change their voting choices very frequently. In the author's experience this behaviour is mirrored in many consumer products categories.

Segmentation, the process of grouping and describing consumers, based upon similar beliefs, attitudes or behavioural characteristics therefore becomes paramount.

The example below is a psychographic segmentation of the Japanese market.¹⁴ This segmentation helps ASEAN companies who to target and how to communicate with the target market through on pack messaging and other forms of communication.

¹⁴ Source: Abeam consulting

Psychographic grouping in general



Innovation-oriented (10%): These skew to males 34 years old and above, curious about many things, uses various media to collect information, often shop at specialty stores

Pragmatists (16%): Many are above 60 years old, have high curiosity, collect information, proud to be Japanese, quality conscious, enjoy their own time since children became independent

Followers (26%): More men young to middle ages, the largest group, conscious of both quality and price, not satisfied with their current life

Stability-oriented (17%): More female and elderly, proud to be Japanese, conservative to maintain the status quo, quality conscious especially on foods, uses various channels for shopping, find happiness through relaxation

Soft-liners (16%): Most are above 60 years old, have no particular characteristics, are price-oriented, use various channels for shopping

Sceptical thinkers (12%): Skew to young and middle-aged females, no specific standard for value, not much contact with TV and newspapers, low desire for self-improvement and to be valued by others, price-conscious, low level of life satisfaction

Inward-looking (3%): More prevalent in the younger generation, lack desire to be recognised by those around them, and resigned to life, low media engagement, buy things online.

General Characteristics of Japanese consumers

The following are some broad observations of consumer habits in Japan.

- Act in groups
- Prefer unity (being the same as everyone else) and do not want to stand out
- Often use vague phraseology out of consideration for others (to avoid conflict of opinion)
- Don't easily show emotions
- They respect manners and rules, and consider punctuality to be a matter of courtesy
- Generally have stereotyped images of foreign countries (all Thai food is spicy, all Germans drink beer etc). Note English is not widely spoken and even before the pandemic Japanese had reduced overseas travel
- Have a strong preference for well-known brands and manufacturers (security, trust, brand loyalty)
- Tend to be disciplined, not willing to get emotional, and value "sameness". These characteristics frequently lead to "fads and booms" in consumption



Shopping Habits

The majority of Japanese consumers shop for groceries several times a week. There are several reasons; homes are small and so storage space is limited. The consumer values 'freshness' and pays close attention to 'sell by dates'. As a consequence there is a very wide range of retail outlets. Most Japanese visit several different retailers for shopping unlike in the West where shopper loyalty is higher.

Recent surveys have shown the Japanese shopper spends less time in store, and this was particularly notable during the pandemic, meaning brands have to fight harder to get good shelf locations and stand-out.

Penetration of Major Consumer Products

Similar to ASEAN countries, ownership of mobile phones is very high at 96% of the population.¹⁵ Colour TVs are similarly popular. Car ownership is 80% but varies considerably by prefecture. It is lower in cities like Tokyo due to the extensive public transport network plus the availability and cost of parking.

Although many Japanese hang washing outside to dry, there has recently been a growth in clothes and bathroom dryers. As mobile phones have become pervasive, the ownership and popularity of digital cameras has declined. Now less than 60% of households own one.

Linked to the comment above regarding digital skills, the household penetration of either tablets or PC is 45% and there are a significant number of households who still have a facsimile machine (42%).

Japanese Communications and Media

Japan's literacy rate is 99% and there is an abundance of broadcast, print and digital media. Japanese consumers are information hungry. Japan has 5 major national newspapers, Yomiuri (6.86 million copies a day), Asahi (4.3m), Mainichi (1.93m), Sankei (1.03m) and business newspaper Nihon Keizai (1.75m). Other than national papers, almost 50 general regional papers.

¹⁵ Source: Japan Cabinet office survey, 2022

It is fair to say that most newspapers have a particular focus or political leaning. The Yomiuri has a conservative bent whilst, Seikyo which is a Buddhist religious publication linked to Soka Gakkai, has a strong following. There are also several sports focused publications, Nikkan sports is one of the most popular, as well as many weekly and regional publications.

Tying up with a newspaper to promote brands is one route to market option for ASEAN companies. The Asahi Shinbun for example, which is one of Japan's most popular dailies, also with a strong online presence, has its own E-commerce channel. Other opportunities are 'free-papers' like the home-delivered "Living Newspaper" with 6 over million copies distributed nationwide, or "Town News" with 2 million copies in Tokyo and Kanagawa area. Many brands targeting housewives link up with these publications.

Given the wide prevalence of smartphones, there is very wide usage of social media in Japan (SNS). LINE is the most popular SNS with 88million MAUs.¹⁶ There is a slight female bias to LINE users and over 50% are office workers. 90% of LINE users are in the 10-50 year age bracket. Besides LINE, Twitter is extremely popular in Japan and is the platform's second biggest market globally. Instagram is the third most popular SNS, followed by Facebook. Facebook has an older audience demographic in Japan.¹⁷

¹⁶ Source: Softbank. MAU=Monthly average users

¹⁷ Source: BigBeatInc

Major Industries

Japan has long enjoyed the reputation for its exports, in 2020 its trading surplus exceeded US\$5.86b. Recently due to the weak Yen Japan has recorded a trade deficit, driven by the oil price.

There are over 186,000 manufacturing establishments in Japan and manufacturing accounts for 20% of Japanese GDP.¹⁸ For ASEAN businesses understanding what are Japan's major industries by prefecture is important to identify business and supply opportunities.

Industrial Manufacturing

The table below summarises the major manufacturing industries by prefecture including the names of relevant corporations.

Prefecture	Major Industries
Hokkaido	Foods, Oil products, Iron and Metal products, Newsprint (25% domestic share ¹⁹ , the largest single plant in the world)
Aomori	Foods, Nonferrous metal, Electronics device, Stocking (Atsugi factory)
Iwate	Foods, Transportation vehicle, Electronics device, Lacquerware (70% share), Charcoal
Miyagi	Foods, Electronics device, Ink-stone (90% share), Frozen seafoods
Akita	Prism, Camera (Nikon factory), Lacquerware
Yamagata	Electronics device, Foods, Slippers (25% share)
Fukushima	Medical products, Electronics device, Automobile parts, Kitchen table (23% share, Clean-up factory), Machine-made yarn
Ibaraki	Metal products, Foods, Plastic products, Crude medicine (40% share, Tsumura factory)
Tochigi	Automobile parts, Electronics device, Camera lens, Medical products,
Gunma	Automobile, Electric products, Foods, Ballpoint pen, Amusement (recreational) equipment
Saitama	Automobile, Chemical products, Medical products, Lens
Chiba	Oil products, Chemical products, Iron & Metal, Soy sauce, Snap button, Electric bed
Tokyo	Publication, Airplane engine, Electronics device, Leather goods, Fishing equipment
Kanagawa	Automobile & parts, Electrical machinery, Oil products, Chemical products
Niigata	Foods, Chemical products, Electronics device, Western-style dining utensils, Rice cracker
Toyama	Medicine, Fastener (YKK), Aluminium sash, Copper products

¹⁸ Source: World Bank

¹⁹ The share numbers indicate % share of Japanese domestic production, unless stated otherwise

Ishikawa	Construction machinery, Foods, Gold leaf (99% share), Metal foil, Lacquerware
Fukui	Textile, Production machinery, Eyewear, Japanese paper
Yamanashi	Production machinery, Electronics device, Gemstones and precious metals, Wine, Necktie
Nagano	Electronics products, Production machinery, Sawing machine, Car audio, Guitar, Ski and skate goods
Gifu	Automobile parts, Production machinery, Cutlery & knife, Tile, Ceramic food and drink ware, Apparel, Furniture
Shizuoka	Electrical products, Music instruments (YAMAHA), Paper & pulp products
Aichi	Automobile & parts (TOYOTA), Iron and steel, Production machinery, Wool, Fabric
Mie	Automobile, LCD panel, Candles, Locks and keys, Vending machines, Cultured pearls (Mikimoto)
Shiga	Automobile, LCD panel, Candles, Locks and keys, Vending machines, Cultured pearls (Mikimoto)
Kyoto	Automobile parts, Foods, Gold and silver thread, Crape, Fan, Neckties, Ready-made kimonos
Osaka	Chemical products, Iron & Metal, Electrical products, Medical products, Carpet, Thermos, Towel, Whisky and brandy (Suntory), Toothpick
Hyogo	Iron & Metal, Chemical products, Electrical products, Hand-pulled saws, Rubber footwear and goods, Sake, Abacus, Confectionery
Nara	Electronics device, Machinery, Textile manufacturing, Forestry, Copy machine, Socks, Tights.
Wakayama	Iron & Metal, Oil products, Chemical products, Knitting machine, Photographic equipment, Alcohol
Tottori	Electronics device, Foods, Electric machine, Calligraphy paper, Leather sports shoe, Electric iron
Shimane	Telecommunication machines, Iron & Metal, Electronics device, Laptop computer (Fujitsu), All-cotton yarn
Okayama	Transportation machinery ²⁰ , Iron & Metal, Chemical products, School uniforms, Denim jeans, Floral mat, Work clothes
Hiroshima	Transportation machinery, Iron & Metal, Production machinery, Brushes (80% share), File, Safe, Chest of drawers
Yamaguchi	Chemical products, Transportation machinery, Oil products, Synthetic rubber, White marble (80% share)
Tokushima	Chemical products, Electronic machinery, Electronics device, Religious furniture, LED (60% global share)
Kagawa	Oil & Charcoal products, Foods, Chemical products, Leather glove (90% share), Frozen cooked food, Fans
Ehime	Nonferrous metals, Pulp & Paper products, Towels
Kochi	Foods, Production machinery, Pulp & Paper, Ceramics, soil and stone, Wooden steering wheel for cars
Fukuoka	Transportation machinery, Foods, Iron & Metal, Chest of drawers, Lantern, Ready-made kimono and sashes
Saga	Foods, Electronics device, Ceramic food and drink vessels and ornaments (Arita, Imari, Karatsu ware)
Nagasaki	Foods, Ceramic, Iron & Metal, Cultured pearl, Shipbuilding
Kumamoto	Production & Transportation machinery, Foods, Rice grass, Tatami mats
Oita	Transportation machinery, Iron & Metal, Digital camera (Canon factory)
Miyazaki	Foods, Electronics device, Vascular catheter, Medical products, Broiler
Kagoshima	Foods, Electronics device, Ceramic, Formula feed
Okinawa	Foods, Oil products, Raw and brown sugar

In terms of industrial production, the Chubu (around Nagoya) and Kanto (around Tokyo) regions have the highest output, followed by the Kansai (around Osaka) region.

The automobile, electrical equipment and machine tooling industries are the main sectors in these regions. Aichi Prefecture is the biggest. This is due to the headquarter location and plants of Toyota Motor Corporation, and there are many supplying auto parts factories in the surrounding area. Second is Kanagawa Prefecture, the home of Nissan Motor Company, and third is Shizuoka Prefecture, where Yamaha, a manufacturer of musical instruments, motorcycles and motorboats, is a major producer.

Agricultural Industries

It is important to note that Japan has a substantial agriculture, fishing and aquaculture industrial base too. These are summarised below.

This list also reveals the types of fruits and produce popular in Japan.

Prefecture	Agricultural Industries
Hokkaido	Dairy products, Potato, Onion, Wheat, Red bean
Aomori	Apple, Burdock, Garlic, Squid
Iwate	Seaweed, Abalone, Soybean, Lacquer
Miyagi	Paprika, Shark fin, Beef tongue, Oyster
Akita	Rice, Japanese sake
Yamagata	Cherry, Pear, Bracken, Peach
Fukushima	Natto soybeans, Peach, French bean
Ibaraki	Melon, Chinese cabbage, Chestnut, Mackerel
Tochigi	Strawberry, Gourd, Barley
Gunma	Cabbage, Konnyaku, Cucumber
Saitama	Japanese mustard spinach, Spinach
Chiba	Radish, Spinach, Peanut
Tokyo	Radish, Japanese mustard spinach
Kanagawa	Cabbage, Radish, White gourd, Beef, Tuna
Niigata	Rice, Fish cake, Mushroom, Tulip
Toyama	Rice, Leek, Radish, Tulip, Yellowtail amberjack, Firefly squid

²⁰ Railway, trucks and other work vehicles

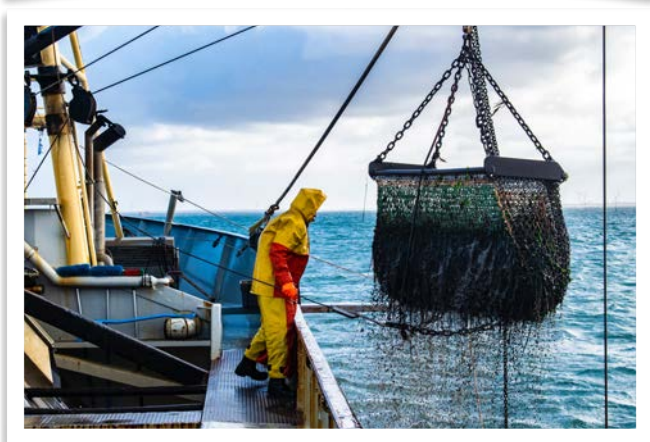
Ishikawa	Rice, Watermelon, Radish, Puffer fish
Fukui	Plum, Melon, Japanese Spanish mackerel
Yamanashi	Grapes, Peach, Watercress, Mineral water
Nagano	Lettuce, Apple, Bean paste
Gifu	Beef, Rice, Wood ear mushroom, Persimmon
Shizuoka	Tuna, Bonito, Eel, Japanese tea, Melon
Aichi	Shiso, Quail egg, White gourd, Clam,
Mie	Decorative plant, Japanese tea, Lobster, Sardines
Shiga	Turnip, Cabbage, Chinese cabbage, Ayu fish
Kyoto	Kyoto vegetables, Shimeji mushroom, Japanese tea,
Osaka	Cabbage, Garland chrysanthemum, Aubergine, Shirasu fish
Hyogo	Rice, Black soybean, Shirasu fish, Firefly squid
Nara	Persimmon, Strawberry, Flowers, Cedar
Wakayama	Persimmon, Plum, Hassaku orange, Navel orange, Mandarin, Fig, Japanese pepper
Tottori	20th century pears, Watermelon, Sardines, Crabs,
Shimane	Grape, Melon, Yellowtail, Clams, Crabs, Horse mackerels, Sardines
Okayama	Grapes, Peach, Garlic chive, Mushroom, Sand lance
Hiroshima	Arrowhead, Mushroom, Lemon, Farmed oyster
Yamaguchi	Rice, Live blowfish shipments, Prawns, Sea bream, Monkfish
Tokushima	Shiitake mushrooms, Sudachi, Cauliflower, Lotus root, Cultured ayu fish
Kagawa	Olives, Garlic, Shimeji mushroom, Udon noodles
Ehime	Iyokan orange, Mandarin oranges, Kiwifruit, Cultured sea bream and pearl
Kochi	Aubergine, Chives, Root ginger, Bonito
Fukuoka	Bamboo shoot, Walleye pollack roe
Saga	Farmed soft-shell turtle, Farmed seaweed
Nagasaki	Loquat, Horse mackerel, Mackerel, Sea bream
Kumamoto	Watermelon, Tomato, Summer oranges, Melons
Oita	Dried shiitake mushrooms, Kabosu, Ginkgo, Shochu
Miyazaki	Cucumber, Kumquat, Broiler, Bell pepper
Kagoshima	Sweet potato, Peas, Pork, Broiler, Lily (bulb), Shochu
Okinawa	Pineapple, Sugarcane, Bitter gourd

Japan has limited land for farming and its agricultural industry has been protected by Government policies. That said, there are certain agricultural and aquaculture commodities which are imported in large volumes, presenting opportunities for ASEAN firms. Whilst rice

is grown widely across Japan, it imports over \$500 million²¹ mainly from the USA, followed by Thailand and then China. Pineapples are very popular in Japan and besides Okinawa cannot be grown in Japan; the Philippines exports over \$125 million annually to Japan. Japan imports over 1.9 million tons of fresh and dry fruits annually.

Fish is a very substantial part of the Japanese diet and per capita consumption of seafood is high, domestic supply only accounts for around 60% of volume. Salmon from Norway and Chile is common as are prawns and shrimp from ASEAN. Indonesian exports of prawn to Japan exceed \$250 million whilst Vietnamese exports are over \$300 million. There is also a substantial market in Japan for added value prawn derivatives like chitosan, especially in health foods and supplements.

Besides these products, other significant agricultural import opportunities for ASEAN include fresh and processed chicken and frozen vegetables (Thailand has a significant share currently) and natural rubber (Indonesia and Thailand are No 1 and No 2 respectively). In addition there are substantial imports of coffee beans, cashew nuts dried beans and cacao.



²¹ Source: Comtrade, 2021 statistics

Japan Trade Landscape

Japan's trade landscape is fragmented as there are a wider range of channels and more customers than in most other developed markets. As a general rule most retail customers are chain groups requiring negotiations at a head office level. It is important to note that most chains have regional strengths; not all chains are national. This has important implications for finding and working with a sales partner, agent or distributor who has wide enough coverage capabilities. Online sales are growing steadily however online's share varies dramatically by product category.

The table below summarises the key sales channels and the implications for ASEAN companies.

Retail Channels

Shopping Channel	Key Fact	Implication for ASEAN
Supermarkets (SM) and General Merchandise stores (GMS)	There are over 19,500 GMS & SM	In urban areas the average shopper lives within walking distance of 5-7 supermarkets. Brands need to expand distribution to win visibility/awareness. There are over 70 chains, Aeon is the largest
Convenience stores (CVS)	There are over 56,000 CVS and typically used for top-up purchase	Urban & office staff may visit a CVS several times a day. CVS are critical for creating awareness of new brands. Gaining listings in CVS is challenging, co-developing products for a specific chain may be an easier option
Drug stores	There are over 17,500 stores. Increasingly they are promoting food and health supplements	Brands have more latitude for in store marketing in this channel than CVS or SM. Note Drug stores have a relatively low priced image amongst shoppers

Costco	Although Costco has less than 30 stores in Japan its sales volumes are huge. It is a top 10 retailer in Japan	Most Costco shoppers are house owners (i.e. have more space). Average basket spend >JPY30k (\$200). Some foreign brands in cheese, wine and chocolate have done enormously well in Costco
Import specialists	These include Seijou Ishii, Ikari, Kaldi and several others	This channel is an obvious start point for ASEAN brands. Import specialists sell a wide range of ASEAN food products. Note most shoppers visit this channel 1-2x a month only
Department stores	A key channel for imported brands including fashion. There are over 190 stores in Japan	Department stores are physically larger than import specialists and some chains allow brands to build shop-in-shop which is a form of experiential marketing
Electrical	A key channel for home appliances with over 2,600 stores	The physical space in these stores is quite large and it's possible to build strong in store displays. UK company Dyson has been very active in this channel.
Home Centre	A key channel for garden and home accessories as well as pet products. There are over 4,200 home centres.	Many overseas brands overlook this channel as these outlets tend to be in the suburbs. They have high traffic flow and parking which is important if your products are bulky. Large home centre chain Cainz has recently acquired Tokyu Hands which merchandises a wide range of International household, fashion and style items.
Car Accessory	This channel has grown as Japanese are keeping cars for longer (8 years on average) than before. There are over 1300 stores	Foreign cars and accessories enjoy a strong and premium image and besides regular car dealers it is an important channel for tyres, cleaning equipment and other goods. Autobacs is the largest car accessory retailer and is also present in several ASEAN markets

100 Yen shops	There are over 8,500 outlets in Japan	This channel sells a wide variety from clothing, stationery, housewares to food. One of the largest chains is Daiso. Much of the merchandise is imported and leading chains work directly with suppliers to reduce costs, it is a large business opportunity for ASEAN firms
Furniture	There are over 6,000 furniture & household goods stores. This channel was declining but in the last few years it's recovered by Nitori (Sales JPY 811 billion) and Muji.	Japan is a significant importer of furniture for homes and offices. Wooden furniture occupies the largest share. Besides China, Thailand, Vietnam, Malaysia, the Philippines and Indonesia export substantial quantities of furniture to Japan.
E-commerce	This channel now accounts for around 12% of sales in Japan ²² , though in some categories (e.g. electrical) it is much higher	E-commerce can broadly be segmented into marketplaces (e.g. AMAZON, Rakuten), Bricks n clicks E-commerce (e.g. Aeon, Yodobashi) and personal shopping (e.g. Uber Eats)

Drug Store sales mix

Japanese drug stores sell a very diverse range of products presenting a significant opportunity for ASEAN. These include prescription drugs, OTC medicines, beauty products, healthcare and baby foods, toiletry and pet products. Recently many drug store changes have broadened their human food offering to include rice, processed and frozen food, dairy products as well as confectionery.

²² Source: Government Commercial Vital Statistics 2021

Foodservice Channels

Japan's foodservice industry is substantial and it is estimated there are over 1.4million outlets.²³ The industry suffered significantly in the pandemic as tourism came to a standstill and many employees worked from home. As Covid restrictions are eased the foodservice industry is expected to rebound strongly.

Foodservice is an opportunity for ASEAN brands, especially those selling cooking ingredients, seasonings as well as cookery utensils. Japanese pubs (Izakaya) many of which are chains, feature a wide menu which changes regularly. These chains are always looking for new menu items and dishes to entice and attract patrons. Likewise there are extensive numbers of hotels including all the major international brands. These hotels often employ foreign staff and serve a wide range of international cuisines.

The other substantial foodservice channel are Quick Service Restaurants (QSRs). MacDonalds is one of the largest. There are many bakery and donut chains. For example Mister Donuts is popular and the franchise is owned by a Japanese company. For ASEAN firms with a strong foodservice reputation, QSRs offer a significant business opportunity and have a very high profile with the consumer.

Typical Japan Route-to-Market structure (physical retail)

Historically speaking working with a retailer in Japan has required the involvement of a wholesaler partner and often a trading house too.

Japan's retail landscape is complicated by two key factors, the first is that retail space is limited with little storage space at the store level; and second there are cross shareholding links between many retailers, wholesalers and trading houses (Shosha).

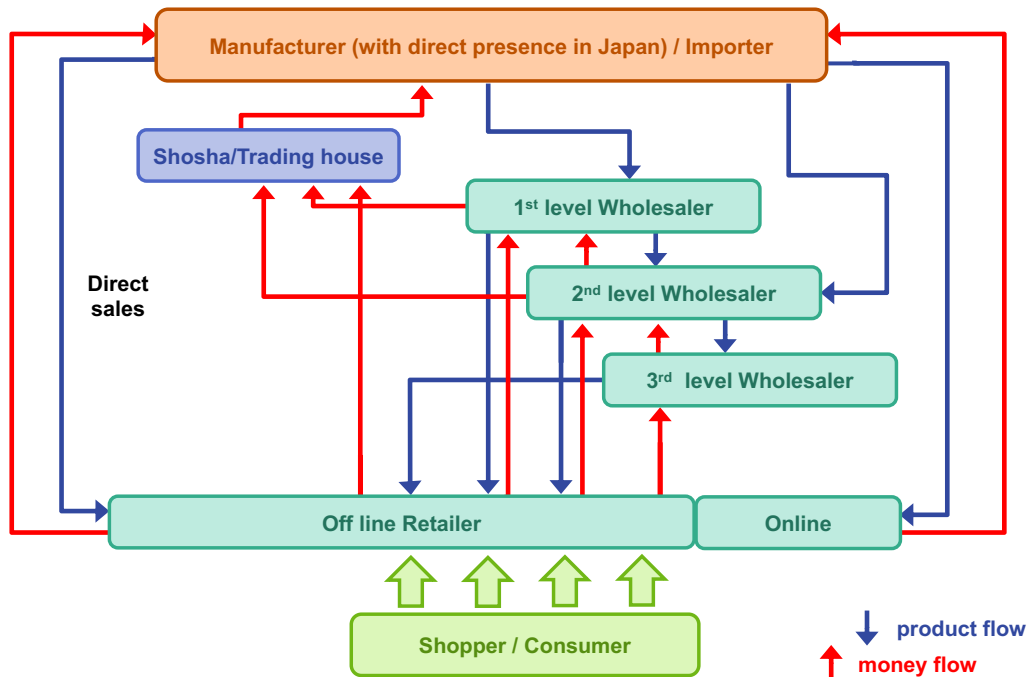
This arrangement has meant that manufacturers require multiple contact points to get products listed, namely a wholesaler and sometimes a Shosha. It also means the flow of money involves several parties, each taking margin. Managing these trade spends is complicated and often hard to track.

Shosha are typically involved in the bulk purchasing of goods, management of trade receivables and financing. They can also take equity stakes in businesses, especially brands wishing to enter the Japanese market.

The diagram below illustrates this flow of goods and of money. In some cases, especially outside of the major cities there may be several layers of wholesaler.

²³ Source: Japan Food Service Association

Trade system / structure for Consumer Goods



Source: Weben Partners Research

On top of this, many international brands without their own physical presence in Japan have appointed a specialist importer who then sells to the above wholesalers and retailers. These layers have made the cost of some imported products very high.

Direct trading, meaning selling directly to a retailer without any middle man, which is typical internationally has been slowly adopted in Japan. Some retailers have challenged this concept recently, namely 100 yen shops, Costco and to some extent Aeon. Direct trading is likely to grow driven by cost pressure, especially as the Yen remains weak.

Popular EC portals in Japan

E-commerce has increased the opportunity for foreign brands in Japan as it usually avoids using selling through trading houses and wholesalers. As described above the retail landscape is complex and requires significant investment in sales resources to enter. E-commerce avoids many of these challenges.

It is possible to sell on a Japanese EC site without having a physical presence in Japan. AMAZON for example allows vendors to list their products provided they have an importer

of record²⁴ and the vendor pays listing fees. That said it requires the vendor to manage the marketing, advertising and promotion themselves, in Japanese, which may not always be practical.



EC Site	Implication for ASEAN firms
Rakuten	<p>Rakuten is a marketplace and has varied business divisions including Books, Golf, Fashion, Dream, Beauty, Delivery, Rakuten 24 (Direct), Auto, Rakuma, Rebates and Seiyu Netsuper. It has over 54,000 shops on its portal.</p> <p>Costs to open a store at Rakuten Ichiba: Initial fee of 60,000 yen, a monthly fee of 50,000 yen (20,000-100,000 yen on average, depending on the usage fee), a sales commission of 2-4.5% of monthly sales, and other fees.</p>
AMAZON Japan	<p>AMAZON entered the Japanese market by selling books online but has since become the go-to-destination for basic necessities and consumer electronics.</p> <p>Selling costs on AMAZON Japan vary according to whether you have a professional versus individual plan. AMAZON also charges for holding stock and referral fees.</p>
Yahoo Shopping	<p>Yahoo is the 3rd most popular EC site in Japan and hosts 872,000 stores. Yahoo charges affiliate partner commissions, campaign and store point funding.</p>
Other popular EC sites in Japan	<p>Besides the above there are many others. For electronic products Yodobashi, Bic Camera, Joshin and Yamada Denki's online sites are popular. For fashion products Zozo is the largest online platform with over 1500 stores selling 8,500 brands.</p>





²⁴ A company which ensures all the product's legal declarations are compliant, also handles import paperwork but does not necessarily take physical title to the stock



Popular Consumer Products

There are literally thousands of new products launched every year in Japan. New products tend to be launched in either the spring or autumn, although in CVS and Drug Stores product rotation is more frequent. Retailers like new products as they are a driver of store traffic, as does the media. Japan has a wide variety of chat shows featuring groups of celebrities and new products and fads are commonly featured.

The success rate of most new products is ironically limited, many leave the market within weeks of launch. However, every year there are new products which create a major impact. The examples listed below were all featured in the Nikkei Marketing Journal in 2022 and cover a cross-section to illustrate different consumer needs and desires.

Product	Summary	Consumer Target
<p>Yakult Y1000</p> 	<p>Y1000 is a probiotic drink marketed by Yakult. The product is said to relieve stress and improve sleep. Japanese consumers are extremely health conscious and take a proactive approach to health management.</p>	<p>Office workers, especially middle aged females</p>
<p>Non-alcohol or low alcohol beverages</p> 	<p>There are an increasing number of Japanese who are concerned about alcohol and its health impact. The market for non-alcoholic beverages in the country is estimated to have expanded more than four times compared with that of ten years ago.²⁵ Non alcoholic beers are marketed by all of Japan's major brewers.</p>	<p>Young adults, both male and female</p>

<p>Electric kick-boards (bikes)</p> 	<p>Kick-boards' popularity has surged as the Japanese government ruled no driving licence is required and they can also be ridden on pavements.</p>	<p>Young males</p>
<p>P&G Joy upside down bottle</p> 	<p>This bottle features a patented no-flip cap technology which allows it to stand on its cap and dispense from the bottom with a self-sealing valve that protects against leaks.</p>	<p>Japanese housewives. Generally speaking household cleanliness is high and since space is limited, items which drip can be messy</p>
<p>Retort Pavilion</p> 	<p>Ready to cook foods like pastas and sauces are ubiquitous in Japanese supermarkets. Preparing them requires either boiling or a microwave. The Retort Pavilion is like a toaster, when the food is ready it can be removed by hand.</p>	<p>Busy people who want a quick meal at home</p>
<p>Maru-chan ZUBAAN!</p> 	<p>Although these are instant noodles they have the firm texture of matured noodles despite being dry. They are made by Toyo Suisan.</p>	<p>Families with primary school children</p>

<p>Shiseido's Ihada Medicated Face Protect Powder</p> 	<p>This product protects the skin from UV rays, pollen and other facial blemishes. Sales were three times higher than planned, and the product experienced several stock-outs.</p>	<p>Females as well as acne sufferers</p>
<p>Laboratory grown diamonds</p> 	<p>These are artificially created diamonds which mimic mined, natural diamonds. Lab diamonds have become popular due to their low cost and sustainability appeal. Matsuya department store and well-known jewellery shop 4°C are selling under these their own brand.</p>	<p>Women who like jewellery but do not have the budget for natural diamonds</p>
<p>Men's lace boxers</p> 	<p>This are marketed by Wacoal which is well known for making bras. These lace boxer shorts combine breathability, fit and beauty.</p>	<p>Men in their 30s-40s wanting close fitting underwear</p>
<p>Fruit vinegar drinks</p> 	<p>This brand is from CJ Foods in Korea and in the space of just 2 years has gained listing in almost every major supermarket. The brand name translates as 'beauty vinegar'. Korean dramas, food and cosmetics enjoy a strong, although niche, following in Japan.</p>	<p>Health conscious women and men</p>

²⁵ Source: Vino-Joy

Opportunities for ASEAN

What are the most promising business opportunities in Japan? In the list below, we've outlined 10 areas for ASEAN SMEs that wish to enter the consumer market.

	Opportunity	Rationale	Key Requirements
1	Health foods for example herbal teas from Laos and Myanmar	The health food market in Japan is worth over \$6b. The Japanese government is encouraging 'self prevention.'	Health foods that target a specific health condition or ailment. There is a market in Japan for traditional Chinese medicine and there is consumer interest in natural health remedies from overseas for example Indian Ayurveda. Luxury Singapore tea brand TVG has recently become popular in Tokyo.
2	Cosmetics	This category is worth over \$40b and whilst is predominantly female focused there are more men buying personal beauty products	Proven success in the home market in terms of efficacy and popularity. Natural and preservative free concepts tend to be more popular.
3	Ethnic Foods for example Lao sticky rice or Cambodia's Choy sum soup	Ethnic foods from Chicken Rice to Mexican are widely available in Japan. Brands like Lee Kum Kee have a strong following. The ethnic food opportunity also includes accessories like cookware.	A hero product or format; products which can be cooked easily and simply; ideally endorsed by chefs or other opinion leaders

4	Halal	Although Japan is not a Muslim country, there is growing recognition of the need for Halal foods as tourism is expected to rebound strongly post-pandemic	Most Japanese consumer goods companies do not really understand Halal, much less the production requirements or certification processes. Endorsement of a recognised Halal body like Malaysia's Jakim.
5	Private Brands	Although private label is not as big in Japan compared to the West, most supermarkets have a private label offering. Many private label products are sourced from overseas. Aeon, 7&I Holdings and Daiso are potential customers.	Experience in developing and supplying private brands to major retailers.
6	Household and Office goods	China sells large quantities of office and household goods to Japan. Recently many Japanese companies are looking for supplementary supply sources for example from Vietnam or Thailand.	Space efficient products which can be used in multiple ways. Easily foldable, items that don't break or crack for example during Japan's earthquakes or typhoons.

7	Software and Apps	Since smartphone usage is very high, most consumers know the App store (Apple/Google) or use LINE linked E-commerce sites.	The most popular Apps in Japan are Messaging, Social networking, Video and Games
8	Animé	Anime is worth around US\$24b ²⁶ annually to the Japanese economy	Recently non-Japanese characters have become more popular including <i>Sonny Boy</i> and <i>Akira Agarkar Yamada</i>
9	Old age products	As Japan's population ages and lives longer there is a requirement for foods and devices to improve the lives and care of the elderly.	Products which are designed for elderly use, for example packaging which be read by the colour blind. Endorsement of a well-known hospital or medical body is advantageous.
10	Pet products	Around 20% of Japanese households have a pet. Cats have recently become more popular than dogs	The majority of pet food and pet products sold in Japan are imported. SE Asia supplies a lot of fish based products; most Japanese believe that fish should be the main part of a cat's diet.

²⁶ Source: JagranTV

Common Features of Japanese Consumer Products

Consumer Feature	Implication for ASEAN Companies
Corporate vs product brand	<p>Clarify the roles of your corporate (company) versus product brand, and decide which brand to promote, taking into account the future expansion of the product range. At first it's advisable to choose only one brand, as establishing a brand requires a large investment of resources. Promoting several brands could cause confusion. For small and medium-sized companies entering the Japanese market for the first time, it may be better to focus on the product brand, unless the company name is well known. Unifying the product brand name with the company brand can also be effective, especially if you are concentrating on a particular product brand. Obviously you should check and register your trademarks in advance.</p>
Japanese language packaging	<p>Legally it is a requirement to have key information like declarations, legal descriptions, ingredients and company address in Japanese. Note most Japanese cannot read English well either, nor pronounce foreign names easily</p>
Usage occasion and how/when to use instructions on pack	<p>It is very important to educate the consumer on when & how to use your product or their usage of it may be very limited (e.g. coffee can only be drunk in the morning, cereals are only for breakfast etc)</p>
Product visuals or see-through packaging	<p>For new brands, consumers want to see what is inside. This is why designing a pack that either shows the inside or has clear visuals of the contents is very important</p>
Free phone number/call centre	<p>Most brands in Japan have a free dial (0120-) number where a trained operator will answer questions</p>

<p>Easy open & recyclable</p>	<p>Japanese packaging is designed to be easy to open, most packs have 'open here' notifications. Also recycling rules in Japan are stricter than many countries so products like glass are less popular.</p>
<p>Display outers to fit Japanese shelves</p>	<p>Some retail channels allow very little in store shopper marketing activity. It may be possible to circumvent these restrictions using display outers</p>



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