

## **Chapter 2 Japan growing with Asia's development - Asia -Pacific framework toward sustainable growth**

### **Section 3 : Expansion of Asian consumer market. Targeting to be a quality market**

#### **2. Current status and trend of consumption in Asia**

##### **(1) Asia's consumption trend**

To support Japanese companies to win at so called “volume zone” that targets a large sales volume with medium price products in Asia, Ministry of Economy, Trade and Industry produced “Asia consumption trend map<sup>2</sup>” in March 2009 and conducted a survey for current consumption status of expanding middle-income segment in Asia. This survey designated four cities in Asia (Hong Kong, Singapore, Bangkok and Mumbai) as trend originating stations and researched on the consumption status of the middle-income segment targeting the age group of the 20s and the 30s in the area of fashion, food, life style, travel and leisure<sup>3</sup>.

##### **(a) Current status of Asia consumption trend**

Along with economic growth, the middle-income segments in the cities are overall becoming modernized and are seemingly hoping for further maturity. For example, over 60% of respondents in all cities answered as they spend substantial money on fashion and beauty products. In the food section, more than 70% of consumers said they will use good ingredients to cook even if they are expensive (see Figure 2-3-2-1). The popularization of home electronic appliances including mobile phone, personal computer, digital camera and white goods progressed and the ownership rate was over 80% among the respondents who are in middle-income segment or higher. It was found that Low-priced digital equipments with limited function are widely accepted.

##### **(b) Necessity for further marketing and promotion**

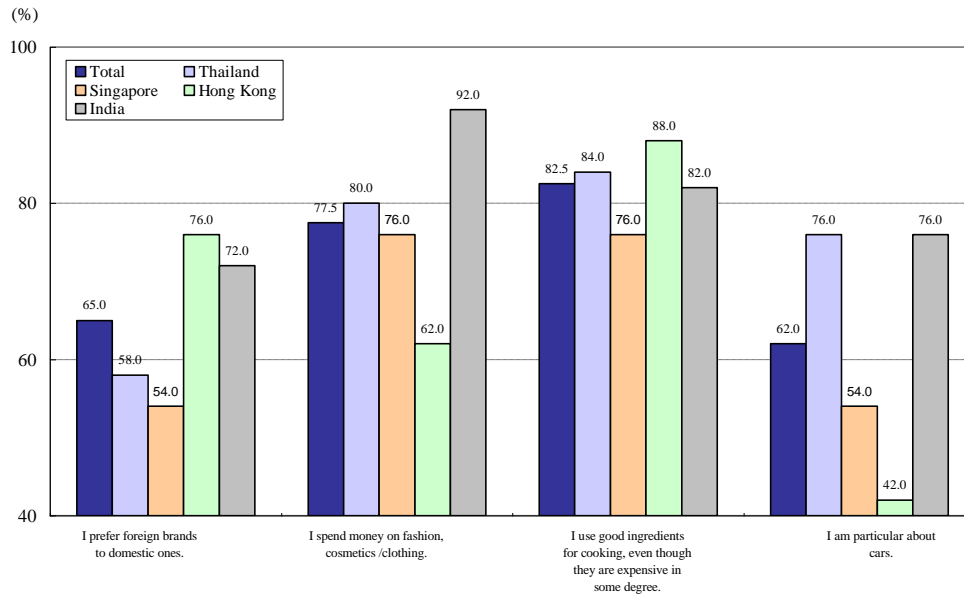
All surveyed cities currently have positive images such as “high-quality”, “reliable” and “high-technology” towards Japanese products (see Table 2-3-2-2). A noteworthy point is that the image that appeals to aesthetic such as “modern” and “nice design” is highly valued after quality and technology. Therefore, it is important to apply this point as added-value at the time of product development. Moreover, many answered that Japanese products offer a variety of choices and evoke the joy of consumption. It is the strength of Japanese products that a consumer can pick his/her choice from full lineup.

#### **Figure 2-3-2-1: Trend in consumption in Asia**

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<sup>2</sup> For detail, refer to Ministry of Economy, Trade and Industry website (<http://www.meti.go.jp/report/data/g100329aj.html>)

<sup>3</sup> The research was implemented in two phases; first is the photo diary survey that takes photo of products that represent life environment and value to study current status and conscious criteria and analyze total life environment and consumption trend; second is Focus Group Interview (FGI) survey that focuses on consumers that would be considered as typical consumers to further study their consuming behaviour, preference and value based on the consumer preference and value that was delivered as the result of photo diary survey. In addition, the consuming trend for clothing, food, housing, transportation and leisure was plotted for each country to produce a map to show the correlation between the consumption and the preference of consumers for each city.



Source: Ministry of Economy, Trade and Industry "Report of the 2009 Asian Consumption Trend Map Study Group"

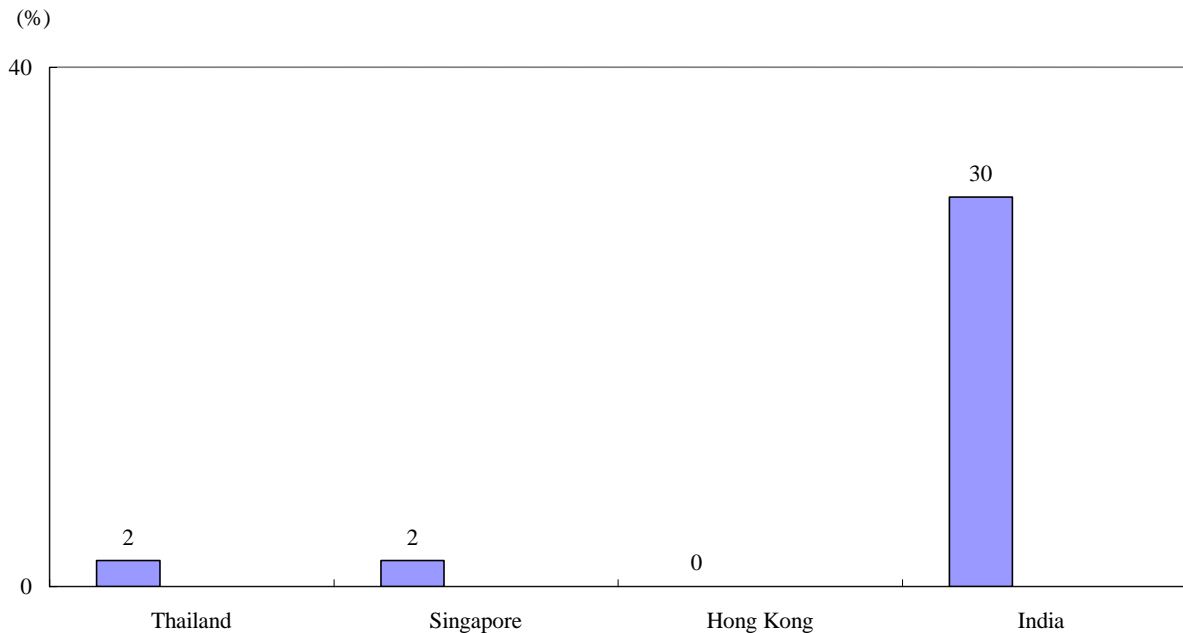
**Table 2-3-2-2: Images towards Japanese products**

n=Total		1	2	3	4	5	6
Total	200	High-quality 78.5	Reliable 65.5	Technically competent 56.5	Well-designed 54.5	Modern 50.5	Expensive 42
Thailand	50	High-quality 74.0	Technically competent 56.0	Modern 52.0	Reliable 46.0	Expensive 36.0	Well-designed 32
Singapore	50	High-quality 82.0	Reliable 80.0	Technically competent 74.0	Expensive 66.0	Well-designed 62.0	Irrefragible 54
Hong Kong	50	High-quality 88.0	Reliable 80.0	Well-designed 78.0	Multifunction 74.0	Technically competent 68.0	Most-advanced 66
India	50	High-quality 70.0	Reliable 56.0	Considering Users 48.0	Luxurious 48.0	Well-designed 46.0	Modern 42

Source: Ministry of Economy, Trade and Industry "Report of the 2009 Asian Consumption Trend Map Study Group"

On the other hand, there is a persistent image that Japanese products are highly priced. It is pointed out that a Japanese product is not sufficiently appealing its value that suits to the price. For example, a gap may exist between the functions that consumers want and what Japanese products actually offer. Furthermore, there are cases that Asian consumers have no enough information on Japanese products so cannot form any image on Japanese products. One of such incidents is that 30% of respondents in India replied as “There is nothing that I know about Japan”. There are fewer chances to contact with Japanese fashion and food. There is a possibility that no effective promotion has been conducted (see Figure 2-32-3).

**Figure 2-3-2-3: Portion of reply “There is nothing that I know about Japan”.**



Source: Ministry of Economy, Trend and Industry, "Report of the 2009 Asian Consumption Trend Map Study "

### (c) Chances and Challenges for Japanese products

As mentioned earlier, Japanese products earned high evaluation in the items such as “quality” “reliability” and “technology” and then appealed with images such as “nice design”, “fashionable”, “cool” and “cute”. In Asia that unstable quality of products and services still proliferate, reliability and security are more valuable images than they are in Japan.

Moreover, compact and innovative products nicely correlate with the image of Japan. The consumers in Asia of which urbanization progresses granted high evaluation. Meanwhile, rather than highly priced products with multifunction, consumers seem to want “the adequate functions and the price that is appropriate to the value”. For example, Korean products narrow down functions and offer low prices. With active promotion, they are rapidly increasing market share (see Figure 2-3-2-4).

Particularly in Hong Kong, Bangkok and Singapore, the penetration of Korean culture and products is under way at a fast pace. In contents area such as music, idols and dramas, Korea’s penetration largely exceeds that of Japan. This situation is assumedly promoting not only contents area but also the consumption of Korean fashion and mobile phone that are seen on TV dramas. There is a high possibility that the nice combination of contents, Japanese lifestyle and brand image with promotion would generate consumption in other areas (see Table 2-3-2-5).

### (2) Consumption trend of durable consumer goods

The consumption by product by country and region shows high consumption demand for products including LCD TV and notebook personal computer in the U.S. and Europe in 2008 (see Figure 2-3-2-6).

However, the consumption demand forecast for 2014 (automobile: 2015) indicates that the consumption demand of China and Asia would be as high as that of the U.S. and Europe. The further

expansion of the presence of the Asian market is expected.

Furthermore, as for home electronic appliances including air conditioner and washing machine, the consumption demand of China and other Asian countries in 2008 was already strong demonstrating strong presence of Asian consumer market.

As for LCD TV and personal computer, the production base has been already shifted to Asian emerging countries including China. Automobile is produced in the country the vehicle is sold. Production and sales base is shifted to Asian emerging region along with market expansion. Moreover, recently, there is a move to establish R&D centers in Asia such as to conduct the product designing of home electronic appliances for local market.

**Figure 2-3-2-4: One respond from “Report of the 2009 Asian Consumption Trend Map”**

**Statements in Group**

" I am using a product by Samsung. The product has better promotion. If Korean products have better promotion than Japanese ones, I will buy Korean ones." ( A Singaporean woman)

"I like Samsung's cell phones, because they are inexpensive. The product by Samson I want to buy is a cell phone with a camera offering eight million pixels." (A man in Bangkok)

" Japanese home electrical appliances seem to have less promotion. (A Singaporean woman)

Source: Ministry of Economy, Trade and Industry "Report of the 2009 Asian Consumption Trend Map Study Group

**Table 2-3-2-5: Penetration of Japanese culture in many fields such as clothing, food, housing, automobiles, motorbikes and amusement (contents) in major cities**

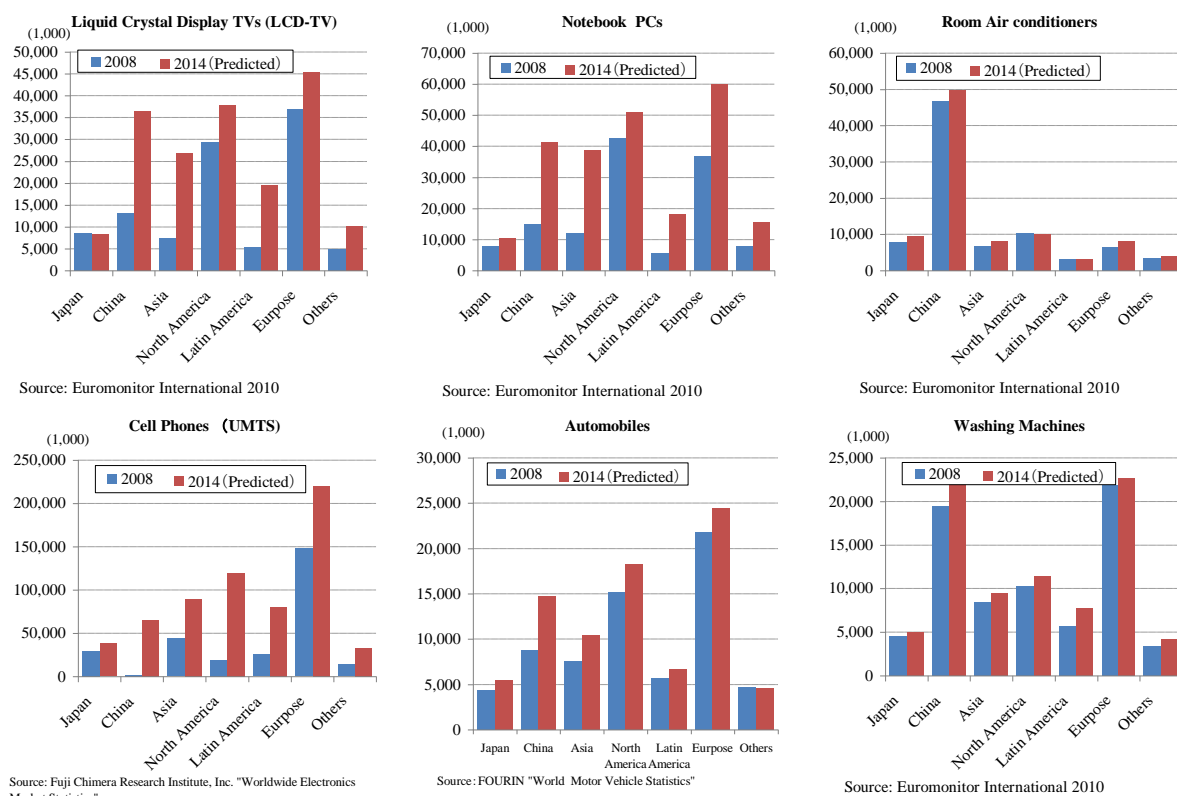
<p><b>Clothing</b></p> <p>Japanese fashion has become wide spread in an order of in Hong Kong, Singapore and Bangkok, and Mumbai. Japanese fashion magazines are read in Hong Kong and actually Japanese clothes are sold there. People do not have enough information except in Hong Kong. People get images from fragmented information got from a few Japanese TV programs. Korean fashion is more spread than Japanese one. For some people get information only on edgy and radical Japanese fashion and they have an image that Japanese fashion is extreme. The information on the fashions for the public is necessary to be transmitted.</p>
<p><b>Food</b></p> <p>People in 4 cities seems to make and serve foreign dishes even at home, because those ones are new and good-looking. Important factors about food are safety in Hong Kong, good taste and the ease of cooking in Singapore, good taste in Mumbai, and health and beauty in Bangkok. In 3 cities except Mumbai, Japanese food is widespread and has good images of high quality, confidence in safety, and good taste. In Mumbai, Japanese food is not known well.</p>
<p><b>Housing</b></p> <p>In all 4 cities, Japanese home electric appliances are widespread and people have good images of them. The most estimated factor is the reliance on quality, because Japanese products are quality-controlled well in production. Their images of being well-designed, smart, cool, cute, etc. are also highly estimated. On the other hand, Japanese home appliances are not known well yet. People are not so conscious of brands in this field. 3 cities except Mumbai have similar living environments, so if we can advertise the compactness and reliability of Japanese products, they can be accepted widely.</p>
<p><b>Moving(1) (Cell phones)</b></p> <p>Products with high specifications are desired in an order of in Hong Kong, Singapore, Bangkok and Mumbai. Novelty and cool design are valued in common. People have an image of Japanese products as advanced in Singapore. But in Hong Kong, Japanese products are regarded as rather behind Taiwanese and Korean ones. In Bangkok and Mumbai, information itself is not enough.</p>
<p><b>Moving(2) (Automobiles and motorbikes)</b></p> <p>High status is regarded rather important in Mumbai, while practicality is emphasized in other cities. People have a favorable image about Japanese automobiles and motorbikes in all 4 cities. High technical capabilities, good gas mileage and high durability are highly evaluated. People are interested in useful functions such as driving support and high amenities as added value. Though they have much interest in eco-cars and driving support functions, they consider prices to be important when they actually buy or use the products.</p>
<p><b>Amusement (Contents)</b></p> <p>Japanese contents are widespread in an order of in Hong Kong, Singapore and Bangkok, and Mumbai. The most widespread Japanese contents are games and animations. Both of them are highly regarded as having good quality and depth. Korean TV programs, music and TV personalities are more popular than Japanese.</p>

Source: Ministry of Economy, Trade and Industry "Report of the 2009 Asian Consumption Trend Map Study Group"

Expanding consumption demand in Asian emerging countries is foreseen with the ownership rate of durable consumer products such as mobile phone and personal computer (see Table 2-3-2-7). Especially in population giants including China, India and Indonesia, the ownership rates of mobile phone, personal computer and automobile are lower than that of developed countries including Japan. Considering the increase of the ownership rates in the future, the expansion of Asian consumption

market is expected.

**Figure 2-3-2-6: Consumption demand in major countries and regions by sectors**



**Table 2-3-2-7: Ownership rate of durable consumer products in Asian countries and regions**

	Population (1 million)	Cell phone		PC		Automobile		TV	
		Year	Year	Year	Year	Year	Year		
Japan	127.7	86.4	(2008)	40.7	(2003)	44.1	(2004)	99.0	(2004)
Korea	48.6	93.8	(2008)	57.6	(2007)	24.0	(2006)	—	
China	1,327.7	47.8	(2008)	5.7	(2006)	1.8	(2006)	—	
Hong Kong	7.0	163.0	(2008)	68.6	(2007)	5.2	(2006)	99.0	(2007)
Singapore	4.7	131.7	(2008)	74.3	(2007)	10.5	(2006)	98.6	(2002)
Malaysia	27.3	100.5	(2008)	23.1	(2006)	22.5	(2003)	—	
Thailand	66.4	118.0	(2007)	6.7	(2005)	5.4	(2003)	—	
Indonesia	228.6	61.6	(2008)	2.0	(2006)	1.2	(1996)	65.4	(2004)
Philippines	90.5	75.4	(2008)	7.2	(2006)	0.9	(2005)	63.1	(2003)
Vietnam	86.2	81.2	(2008)	9.6	(2006)	—		70.0	(2002)
Cambodia	13.7	28.8	(2008)	0.4	(2007)	2.5	(2001)	55.2	(2005)
India	1,186.3	30.4	(2008)	3.3	(2007)	0.8	(2003)	45.9	(2006)
Australia	21.6	103.5	(2008)	60.3	(2003)	54.2	(2005)	—	
New Zealand	4.3	108.2	(2008)	52.6	(2006)	60.9	(2006)	98.5	(2007)

Note: Population is that of 2008. Figures under Cell phone, PC and Automobile are numbers owned by 100 people.

Figures under TV are numbers owned by 100 households.

Source: IMF "World Economic Outlook, April 2010", World Bank, "WDI 2009"

### (3) Trend of service expenditure in each Asian country

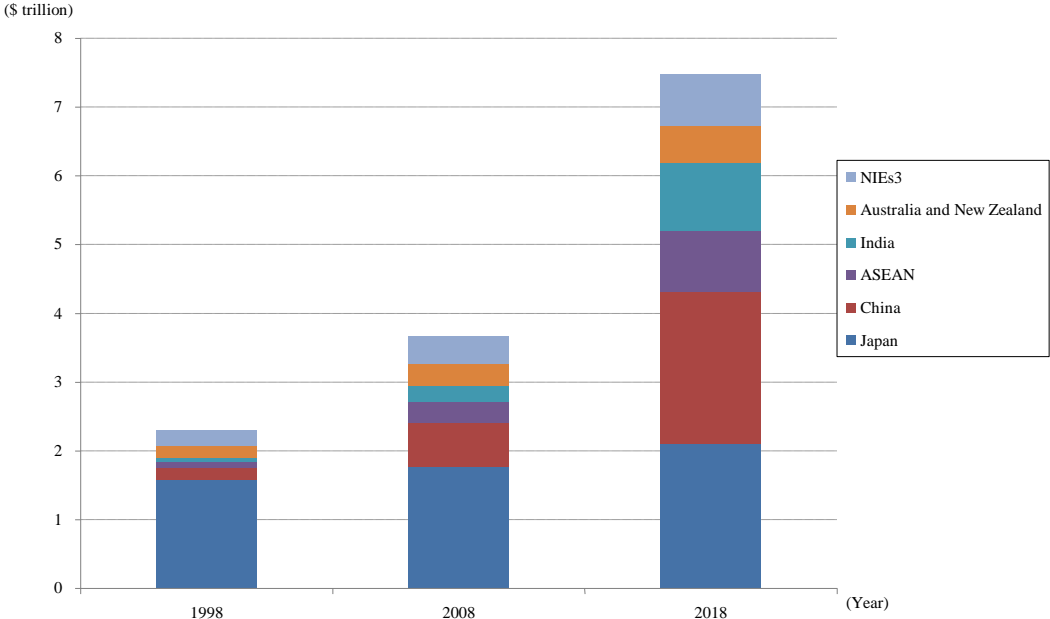
As the ownership rates of durable consumer goods increase in each Asian country, service expenditure is also rising. Within 10 years from 1998 to 2008, service expenditure of Asia total increased 1.6-fold. In another 10 years, it is expected to double and is forecasted to approach 7.5 trillion in 2018 (see Figure 2-3-2-8). The ratio of service expenditure to household consumption is also increasing. In China and India, service expenditure accounts for about 40% of household

consumption (see Figure 2-3-2-9).

Details of service expenditure in Asian emerging countries show different characteristics for each country. The largest segment of service expenditure is telecommunication in China, travel in Thailand and India and education in Indonesia (see Figure 2-3-2-10).

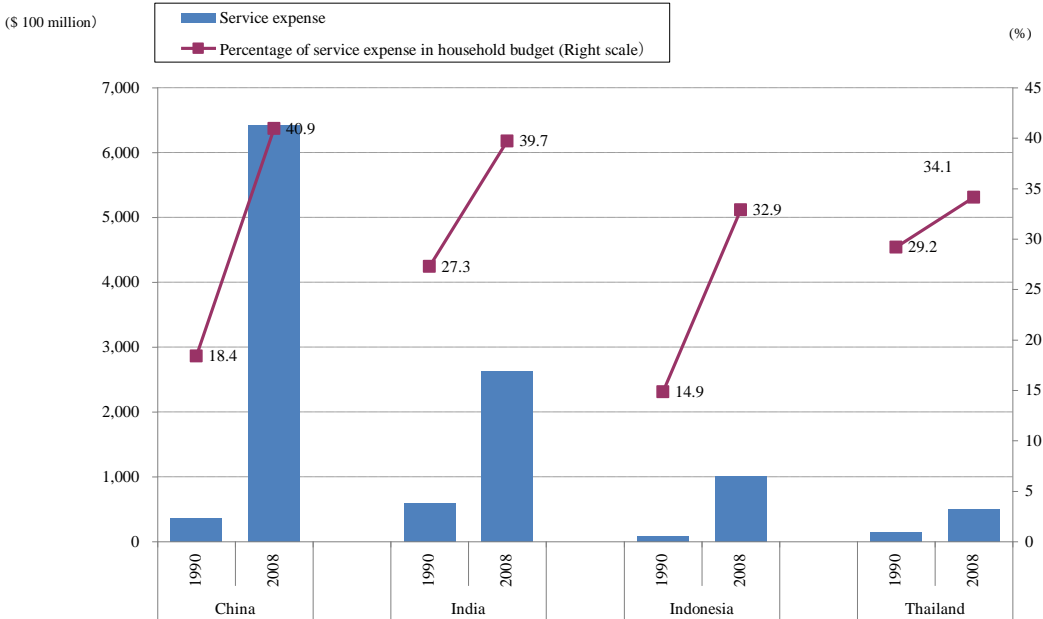
All sectors increased from 200 to 2008. In Asian emerging countries, the expansion of service demand and the improvement of service quality are considered to occur at the same time.

**Figure 2-3-2-8: Service Expenditure in Asian Countries and regions in 1998, 2008 and 2018**



Source: Euromonitor International 2010

**Figure 2-3-2-9: Ratio of service expenditure to household consumption in China, India, Indonesia and Thailand**



Source: EUROMONITOR "World Consumer Spending 2009/2010"

**Figure 2-3-2-10: Service expenditure per capita in Asian countries**

