

# INSIGHTS

## THE SHIFTING JAPANESE APPAREL CONSUMER



The Japanese consumer market has remarkably high purchasing power for a country of its size. With a population of 127.5 million, Japan is the world's 10th largest country. The Japanese economy, however, ranks as the world's 3rd largest (behind the U.S. and China). The corresponding high level of per capita income gives consumers in Japan considerable purchasing power and offers an attractive market for retail investment.

From the 1980s through the early 2000s, the retail apparel industry recognized Japanese consumers as fashion forward and one of the world's strongest luxury markets. The economic enthusiasm that started in the 80s, however, has since faded, and the uncertainty that has taken its place is reflected in Japanese apparel purchasing patterns. In the past, Japanese consumers paid higher prices (on average) than consumers from other countries for luxury goods, often considering high prices to be indicative of high quality. Today, data suggest that price sensitivity has been increasing among Japanese consumers. Cotton Council International and Cotton Incorporated's biennial Global Lifestyle Monitor Survey has documented the shift in the Japanese consumer mindset that has grown consistently over the last decade, and more markedly in the past few years.

### PURCHASING PATTERNS

Overall, Japanese consumer apparel spending has declined steadily for many years. According to Euromonitor International, apparel spending fell 19% from 2000 to 2009 and is projected to fall 9% from 2009 to 2010. Spending on clothing in Japan accounted for 3% of total consumer expenditures, down from 4% in 2000 (Euromonitor International). This decrease is consistent for both men and women, although on average, Japanese women continue to spend significantly more on clothing than men. Some of the decline in spending figures may be due to the downward trend

### ABOUT THE SURVEY

The Global Lifestyle Monitor is a biennial consumer research study conducted by Cotton Council International, Cotton Incorporated, and Synovate. In the 2010 survey, 5,000 consumers (approximately 500 in each of 10 countries) were surveyed via telephone and face-to-face interviews. Consumers were male and female, aged 15 to 54.

### KEY INSIGHTS

- Although the Japanese consumer has a history of high purchasing power and discriminating tastes, currently consumers report having less to spend on clothing. Price sensitivity is increasing, changing the way consumers in Japan shop for apparel.
- Off-price stores and the Internet have both increased dramatically in popularity for apparel shopping.
- Consumers in Japan are purchasing more clothing on sale and comparison shopping before they buy.
- Consumers still find quality important but high quality is no longer tied only to high price. Fewer consumers say they would be willing to pay more for better quality.
- Japanese consumers relate quality to fiber - 58% say they would buy more clothes if made with fiber they like and 80% prefer that the clothing they wear the most be made of cotton and cotton blends.

in apparel prices in recent years. Based on the Consumer Price Index (CPI), average apparel prices have declined each month for the past 19 months. A factor contributing to the decline in prices may be the strengthening yen, which has made imported apparel items less expensive. The decline in prices does not necessarily mean that Japanese wardrobes are going without. With lower prices, Japanese consumers are likely spending less on apparel overall but may still be going home with the same amount (or units) of clothing.

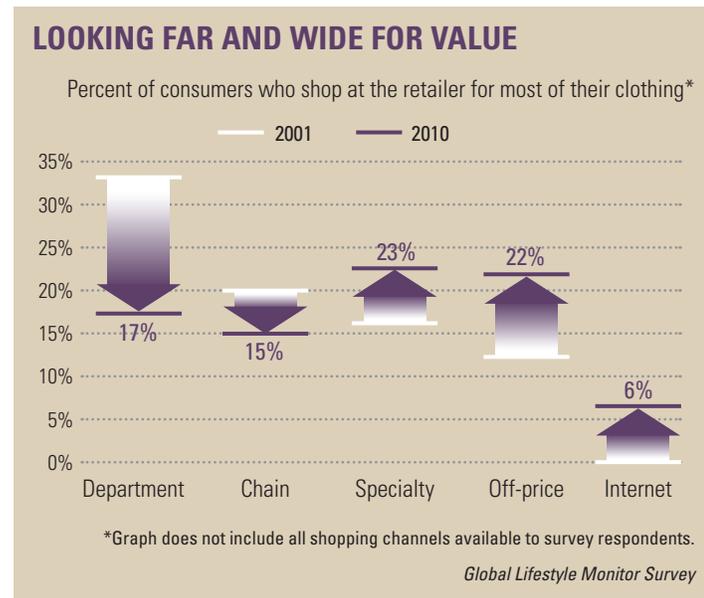
According to the Global Lifestyle Monitor Survey, a third of Japanese consumers report they have less money to spend on clothing than last year. To work within tighter apparel budgets, shoppers in Japan report they are "only purchasing necessities" (87%) and are "doing more comparison shopping" (83%). When asked what they like about the stores they shop at most often, the percent of consumers citing good/low prices jumped from 38% in 1999 to 51% in 2010; consumers indicated this was also the main reason they preferred the store they shopped most for clothing. The percent of consumers who purchase apparel on sale has also increased over time. In 2010, 86% of Japanese consumers said they purchased apparel on sale, compared to just 77% in 2001. These numbers reflect both changing consumer sentiment and how retailers are responding to consumer pressure by offering more apparel on sale.

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## SHIFTING CHANNELS

As Japanese consumers have adjusted their purchasing strategies, value-oriented retailers have gained significant market share. Twenty-three percent of consumers in Japan shop for most of their clothing at specialty stores, followed by off-price stores (22%), department stores (17%), and chain stores (15%). Between 1999 and 2010, the data clearly show more consumers moving their apparel dollars to other channels. During that time, the percentage reporting that they shop for most of their clothing at chain, department, and independent stores has decreased, while the percentage reporting they shop for most of their clothing at specialty stores, off-price stores, and on the internet has increased significantly.

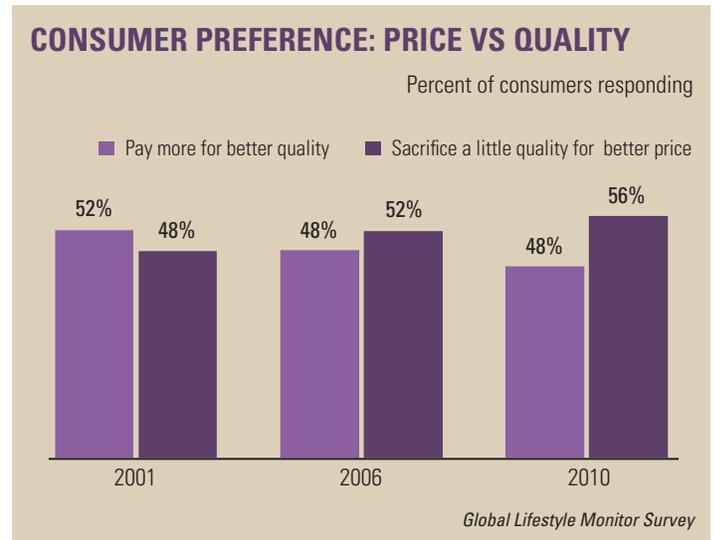
The increasing popularity of off-price stores demonstrates the growing prevalence of Japanese consumers who are open to the idea of paying lower prices, and actively seeking them out. This is an important departure from the focus on and loyalty to luxury brands (and luxury prices) seen in the past. The growth of internet shopping is another reflection of the new value consciousness. Internet shopping not only provides access to products in and out of Japan, it also facilitates comparison shopping and enables consumers to take charge of their shopping experience based on criteria important to them.



## QUALITY REMAINS IMPORTANT

Price has increased in significance for the Japanese consumer over the past few years, but quality is still important. The Global Lifestyle Monitor Survey asked consumers what is important for them to know about clothing before purchasing. Among the top responses were color, price, overall quality,

finish, style, and performance. This indicates that consumers may make a trade-off with quality in favor of price. From 2001 to 2010, the percentage of consumers who said they would pay more for better quality clothing declined significantly, from 54% to 44%. This finding is reflective of consumers in a struggling economy and of a market in which quality apparel can be found at varying price levels.



One aspect of quality that cannot be traded off and has increased in importance is fiber. Fifty-eight percent of Japanese consumers say they would buy more clothes if made with fiber they like, up significantly from 40% in 1999. Seventy-six percent of consumers consider cotton a quality fiber and 80% of consumers prefer that the clothing they wear the most be made of cotton and cotton blends. Japanese consumers are very informed shoppers – more than 60% say they identify fiber content in apparel by looking at the label (as opposed to judging based on sight or touch). That is dramatically higher than consumers in either of the world's top economies, the U.S. and China, but characteristic of a consumer base with discriminating tastes.

Consumers in Japan still find quality important but are putting a new emphasis on maximizing purchase value. They no longer equate quality solely to price, and they are seeking out and better able to obtain quality at multiple retail channels. Their migration to value-oriented retailers and declining average apparel prices are bringing change to the Japanese apparel shopping culture. Offering consumers quality clothing at value prices continues to be a growing opportunity within this country and is attracting new players to the apparel industry. Key to the success of capturing the Japanese consumer is to continue to meet the demands for quality regardless of price and ensure that natural fibers like cotton are prevalent in the market.

