

A GROWING MARKET FOR JAPAN'S SENIORS

Trend. Baby boomers are reaching retirement age. This well-to-do generation is becoming more important as a consumer group. Text: Dr. Detlef Rehn, Germany Trade & Invest, Tokyo

Japan, which has the highest median age in the world, is becoming an old society more quickly than other nations: in 2010, 23 percent of all Japanese were older than 65. By 2055 this proportion will increase to 40 percent. Moreover, the population is expected to shrink from 128 million today to about 90 million by mid-century.

These developments will bring many opportunities. For example, the island nation is becoming a test market for senior products and services that can be sold successfully in other countries. It is not only local businesses that are reaping the benefits. Foreign companies can use Japan to evaluate the customer acceptance of their innovations in real-world conditions and then export them to other markets, says economist Florian Kohlbacher, who is studying the economic implications of demographic change at the German Institute for Japanese Studies in Tokyo.

General conditions in Japan are good. Baby boomers—the cohort born between 1947 and 1949—hold more than 10 percent of private wealth, or roughly US\$ 1.6 trillion. In addition, most own a house or an apartment. A large

amount of money is available for consumption.

Nevertheless, Japanese and foreign companies often have reservations about actively taking advantage of these conditions, reports Kohlbacher. One reason is that a “senior” label on a product often stirs negative associations. People still equate “old” with “sick” or “weak,” even if only on an unconscious level. At the very least, they equate it with “unattractive.”

Moreover, it is often difficult to identify the precise target group and to develop the right products or services, explains Kohlbacher. For example, there is often a gap between a person's actual age and “felt” age, which affects ideas about consumption. Today's elderly people are much more technologically savvy than their parents and grandparents were, and attitudes about fashion are changing rapidly, too. There are also big differences in terms of health and social behavior. Evaluating these factors requires making a considerable effort, and many companies that plan only for the short term are not willing to do so.

There are three main product groups in the Japanese market for seniors. First,

there is a demand for technologies, products, and services that make the lives of elderly and disabled persons easier. Second, there is substantial demand for products and services for wealthier people. When asked about their favorite activities, for example, baby boomers mention traveling, eating out, marathon running, and hiking in the mountains.

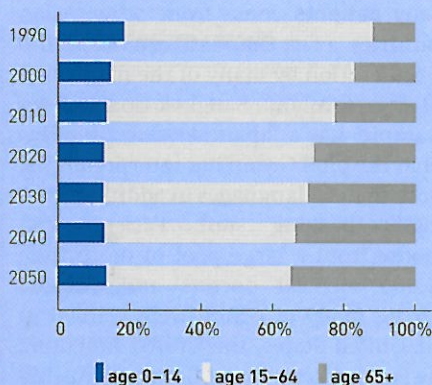
Finally, there are the innovations that are attractive to many generations and thus not limited to specific age groups. “But these types of products are not yet widespread in the Japanese market, and a lot has to happen here,” says Kohlbacher. Instead of launching the usual new products with too many features, companies should concentrate on easy-to-use versions, he explains. Experts view Nintendo's Wii console as a highly successful example. Its intuitive operation made it popular among both young and old.

This approach can lead to attractive results for all consumers, but it is important to consider the experiences of elderly people in the development process, says Kohlbacher. In this area, Japan is ahead of other countries and can become the worldwide leader in an important future field. —



Japan's population is shrinking and rapidly growing older.

Facts: Japan's Population



Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2010 Revision