

## Gift Market Update

### **In brief**

Key word: Creation of new demands from new and exciting industries  
Shifting on demand pattern due to shifting to aging society

World economic crisis has affected gift market both in general gift giving and promotional gifts. In Japan, gifts are normally being given in such occasions as wedding, personal appreciation, celebration of birth and illness recovery. Traditionally, gifts are also being given during Mid-Year and Year-End occasion.

There has been a drastic drop in sales in the gift market especially in conventional retail store such as department store, supermarket or convenient store. More consumers are now turning to discount stores for their needs.

New trend includes online shopping and low price specialty store shopping. There is the growing number of private brand consumption compare to national brand, recently.

These are all resulted from budget-conscious and the improved-quality of private brand. Gift giving has also evolved to experience giving such as the offer of catalog book to choose a gift in traveling, dining or learning new things.

### **The objective of the year 2010, “Creation of New Clients”**

For the last ten years since 2000 to 2009, the Japanese economy was often known as the “Lost Ten Years”. It is because the Japanese economy has been shrinking throughout the decade. Thus, in 2010, Hatoyama’s regime proposed several economic development tactics to tackle the shrinking Japanese economy; driving up demand by investing 100 trillion in the environment, health, and tourism sectors, and creating more than 4 million new employment opportunities.

Creation of new demands will lead to adding new clients to the exciting and new industries, as it is important to step into the age of reclamation as the shift on demand pattern is shifting towards the aging society.



## Recent Gift Market and Economic Environment

Since the sudden meltdown of the financial situation beginning with the collapse of Lehman Brothers, in the U.S in 2008, it has affected the fragile Japanese economy more than it has expected. Gift market, such as return gift, present, and sales promotion gift are severely affected by the recent crisis and eventual drastic drop in sales in the market. As department store is one of major sales spot of the gifts, the sales in these stores have fallen dramatically that led to closure or downsize.

According to the report from Japan Chain Stores Association in 2009, the sales of supermarket have been continuously falling for 12 months. Nonetheless, the Fast Retailing, Shimamura, Nitori, ABC Mart, and other low priced specialty stores are making profits from the tight budget conscious consumers.



## Gift giving Business

Gift giving business is a good indicator to reflect the demographic trends and this is especially apparent in the wedding gift market that faces the poor economic situation. The diversified wedding places disperse the gifts and ramify the market. There are many gifts-giving occasions that are practiced in Japan, such as a gift for appreciation, celebration of births, recovery from the illness, and so on.

### Midyear / Year-end Gift

Midyear and year-end gift market has been experiencing poor sale because of diversification of sales spots such as department stores, supermarket, or convenience stores. Also, the polarization of midyear and year-end gifts (there are more low price gifts than high price one) has led to poorer sale in conventional retail store. Thus, it leads to more consumers turning to discount stores for their needs.

A choice gift, a catalog gift, or a “koto-gift” are gifts chosen from the catalog book, such as traveling, high-class restaurant, or it could be a course like flower arrangement class. Sender of the gift pays the cost when they purchase the catalog, so the receiver will be able to pick any item(s) from the catalog.

#### Sales Promotion Gift

The budget on advertisement and sales promotion is decreasing in the market. Clients look for low cost items such as those could be purchased at 100 yen shop.

#### **Learning from the Achievements in Specialty Stores**

The companies that import good quality and low price products from overseas or have a high proportion of sales derived from overseas manage to restore the sales. Recently, many products are OEM-produced in Asian countries. These low price products made in China, Thailand, Indonesia, Vietnam, Malaysia, India, Bangladesh, and other countries have supplied large quantity to meet the market demand. These developing countries are also making good quality products through the standard and guidance from Japan. According to the final results of listed company this year, companies that derived their sales from overseas made 5 times more profits.

There are more national brand manufacturers than private brand or new products because it is believed that national branding reinforces the minimum standard of the goods. However, new products could gradually replace this belief in the market and consumers tend to buy quality low-priced items from these private brand. In the past 1 year, more than 60% of consumers have bought a private brand products and one in every three people surveyed feel that the quality of private brand products have been improved.



## **Increase in Online Shopping**

The trend in online purchases has been on the rise. Female in the age of 20's usually use online shopping more than 3 times a week according to the research by the Japan Direct Marketing Association. It is popular among young ladies to use online shopping because of the discount value and the availability of sold out items in the store. Another reason is because as more retail shops begin to sell their popular items in their online website, it further lures more shoppers to purchase their items online. With the ease of open pricing among online retailers, online shoppers are also benefited by comparing the best deal that suit their standard and budget. Although the ratio on sale per person is relatively low, online shopping would prosper and bring in more revenue for retailers in the future. As online shopping is becoming more common, mail order system is getting less popular because of the lower cost in online sales.

## **Prosperity of Outlet Stores**

Outlet stores have been growing because it allows clearing the stocks and favors consumers in the deflationary economy.

## **The Age of Business Merging**

Development of Sales Spots and Products beyond the Type of Business

In retail sales, there are numerous channel of retailing gift products as there is no one unique type of business platform; such as department store, mass sales store, specialty store, TV/Online store. The department store used to be the largest gift shop with their differentiated gift-wrapping among competitors. GMS (General Merchandized Store) prospered because of its low price products as a mass sales store in the age of mass consumption. However, recently, specialty stores that produce fashionable low-priced items are making reasonable profits, such as Forever XXI, H&M, and Fast Retailing.

It is important to create new category by widen the variety of sales spot and develop a suitable products. Bedding products are one product that could "join" with other variety of sales spots beyond the conventional business model, such as joint with furniture and interior, sleeping wear and apparel industry, and so on.

*Summarized from "Personal Gift" May 2010*