

Japan remains attractive sales market for apparel**For 2008 slight slump in the economy expected / Foreign presence increases**

Tokyo (bfai) – Due to problems in the economy as a whole the sales of clothing in Japan will hardly grow in 2008. But this will not change anything in the basically buying behaviour: Japan's buying public stays fashion-conscious and free-spending. Those suppliers might benefit from that, who are offering reasonably priced fashion and workaday clothes of good quality. Anyway some textile retailers see the chance, to establish themselves in the profitable Japanese market.

In Japan the sales prospects for apparel were decreasing a bit in 2008. Currently the consumers apply the shopping brakes, because the prices for energy and convenience goods are increasing, while the spending power and the economic safety are shrinking. The corresponding sales strategies of fashion retailers look different.

Some of the big Japanese companies in the industrial business reduce their plans to expand. In the business year 2007, that ended end of February, the market leader, Onward Kashiya, ceased 6 of his approx. 70 brands, one more will follow in 2008. The enterprise Renown, that holds the third largest market share in men's wear, will reduce its range of 62 brands by 16 names. Other suppliers reduce the number of openings and increasingly close existent shops respectively.

However retailers realizes chances in the current situation. For example the Japanese gentlemen's outfitters Aoki will open approx. 80 new shops till March 2009, 30% more than originally planned. So the second largest player in the market targets to expand its market share opposite to the more selling company Aoyama.

As well foreign clothing suppliers go on the offensive. In September 2008 the Swedish fashion empire H & M opened its first store in Japan. And this happened at the worldwide famous shopping mall for luxury clothing – the Ginza in Tokyo. There you will find a mixture of international known high price brands and textile retailers, offering popular-priced clothing. The Spanish multiple fashion shop Zara and the Japanese "heavy weight" Uniqlo are already represented.

In Japan the fashion group Zara is represented with 30 shops, the US company Gap with more than 130 shops. H & M will open the second shop in Tokyo's flashy fashion district Harajuku till the end of 2008 followed by the establishment of a countrywide network. The clothing supplier Abercrombie & Fitch from the US planning to enter the Japanese market in the end of 2008 will tighten the competition.

All of them want to satisfy the soft spot of Japanese consumers for new styles and for following new trends. Therewith "Fast Retailing", the name is the concept, as holding company of Uniqlo is successful. Uniqlo succeeds in convincing people to buy its bulk commodity despite a difficult economic situation. Therefore the company focuses on manufacturing of clothing with improved materials and improved processing in frequently changing assortments.

For these textile retailers low priced clothing for daily routine, short-lived fashion and high handling of goods are ranked first. To offer low priced clothing most of them are sourcing their goods in countries of low production costs, especially PR China and increasingly Vietnam. Clothing at higher quality is purchased in Italy, that after all is in the second place in the import statistics of supplier countries.

Of 2.7 bill. Yen (16,7 bill. Euro; 1 Euro = 161,3 Yen, annual average 2007) of imported clothing in 2007 approx. 83.7 % of the imported account fell upon PR China. Far beyond Italy is in the second

place with its supply share of 4.2%. In the third place is Vietnam with a share of 3.1%. But with an increase of sales of 12.9 % the Southeast Asian country achieved the highest rise in comparison to last year, according to the figures of the Japan Apparel Technology and Research Association.

The total sales of clothing and accessories in Japan reached 8.54 bill. Yen in the financial year 2007 (2007-04-01 till 2008-03-31); therefore according to the cabinet office there was an increase of 1.4% in comparison to the last year. But six of seven leading Japanese retailers announced for the first six months in 2008, that the rate of turnover of their stock was shrinking; pointing to a lower demand.

Clothing sales according to segments (in bill. Yen; annual percentage change)

Segment	2006	2007	annual percentage change 06/07
Outerwear	4,083	4,146	1.5
Ladies	2,237	2,258	0.9
Men	1,280	1,342	4.8
Children	566	547	-3.3
Shirts and Sweaters	2,178	2,208	1.4
Ladies	1,304	1,350	3.5
Men	672	675	0.5
Children	202	184	-8.8
Underwear	953	941	-1.3
Ladies	542	535	-1.2
Men	305	304	-0.2
Children	106	102	-4.5
Socks, Stockings	340	345	1.4
other clothing	869	899	3.5

Source: Ministry of Internal Affairs and Communications, Cabinet Office

In the higher and premium clothing segment foreign brands are significantly represented and will try to enlarge this. Cause Japan is a quite saturated but profitable market, where consumers are always searching for exceptional brands and textile products.

To satisfy this demand for example the trading house Itochu and other smaller retailers are interested in innovative and different clothing, that could be imported to Japan. Itochu has approx. fashion suppliers in his assortment. The biggest textile retailer Onward has 15 fashion labels for licenses at his disposal – amongst others the currently acquired German Label Jil Sander and Strenesse.

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