"What is the potential of the Japanese market, for Swedish fashion brands operating in the affordable luxury segment for women?"
DISCLAIMER

1. This report, as part of the graduation project aimed at attaining the BA title from the Amsterdam University of Applied Sciences, has been written and/or compiled solely by me.

2. This project report (or any amended form of it) has never before been submitted by me or anyone else in the framework of a learning assignment aimed at the attainment of a certificate or degree, within the AMFI program or elsewhere.

3. The work that was necessary for the realization of this project was performed entirely by me. All the data that have been collected are original.

4. All quotes from other sources are recognizable in the report by quotation marks and the sources of all my information have specifically been indicated.

JITZE VERLOOP ● AMSTERDAM ● 14 06 2018
EXECUTIVE SUMMARY

With the attention on China as number one luxury market in 2025, the potential of Japan, which comes in a second place, is overlooked. Moreover, research-companies often do not distinguish the affordable luxury segment as separate market. With the goal of informing Swedish affordable luxury brands about Japan’s market-potential, this report will answer the following research-question: “What is the potential of the Japanese market, for Swedish fashion brands operating in the affordable luxury segment for women?”. To be able to answer the research question, the report is divided in 3 sub-questions.

The first sub-question focuses on finding out which macro-economical developments are influencing the Japanese market. The second question provides the total offer and competitiveness of the Japanese affordable luxury segment and distinguishes Swedish brands’ direct competition. The third sub-question will create a picture of the Japanese affordable luxury consumer and its demand. Although this report is mainly based secondary data, primary data is collected through three interviews with Japanese, fashion minded professionals.

The main conclusion illustrates the market potential of Japanese affordable luxury segment for women, which has an annual revenue-potential of €3.3 billion or 7.8 million pieces, resulting from 8.4 million female consumers. With 150 brands competing within this segment, Calvin Klein, Acne Studios and Marimekko form direct competition for Swedish brands. Overall, the market’s opportunities overpower its threats, which facilitates a possible expansion for Swedish brands. However, waiting for the trade-liberalization in 2019, the adjustment of their marketing mix, and a clear diversification strategy are recommended. In short, for anyone interested in the Japanese affordable luxury market and its expansion potential, this report is a must-read.
INTRODUCTION

1.1 BACKGROUND

Four years ago, my presentation about Scandinavian fashion gave me admission to start as a first-years International Fashion & Management student at the Amsterdam Fashion Institute. Three years later, my growing passion for Scandinavia made me move to Stockholm, to do a buying and production internship at Swedish affordable luxury brand HOPE. These events made me realize that my passion for Scandinavian fashion needed to become the starting point of my graduation. During my visit to Stockholm early 2018, I talked with HOPE’s CEO Åsa Sånemyr about the brands’ future expansion strategy. With Asia as their focus-point, the Japanese market had not been entered yet. This triggered me, to research the market potential of this wealthy and culturally rich country, for Swedish fashion brands operating in the affordable luxury segment for women.

1.2 SITUATION ANALYSIS

As tenth biggest country worldwide, Japan has 126 million inhabitants. The economically stable country ranks third highest on gross domestic product worldwide and its net-adjusted disposable income per capita is predicted to remain stable in 2022. Although women generally earn less than men, in average Japanese households, women manage the money, which secures their freedom of spending (chapter 2.1 t/m 2.5 on page 3). Japan’s passion for European luxury goods started in the 1970s, with the belief that European luxury brands offered more qualitative and durable products than national brands. Soon, these brands became an identification of economic success and social acceptance (Salsber, 2009). According to Fiona Matsumoto, for Japanese consumers, Western fashion brands equal stylishness. In 2025, Japan will continue to be the second largest luxury market worldwide. However, Japanese consumers increasingly look for high quality products at more affordable price levels, due to them valuing individual expression (BOF team, 2018). This resulted in affordable luxury becoming the fastest growing fashion segment (Ariel, 2016). According to Altagamma, the world’s luxury market is divided in three layers; absolute luxury, aspirational luxury and affordable luxury. Where this report only focuses on the affordable luxury segment for women, a accurate definition is created by combining McKinsey’s market segmentation based on Sales Price Index and Galit Ariel’s market segmentation based on business-models. In this definition, the affordable luxury segment is looked at from a brand-perspective.

Affordable luxury brands offer women’s jeans in their home market between €132 and €267. Their strategies are mainly based on outsourcing, wholesale, offering a value for money product, focussing on the ‘right’ consumer experience and maintaining a balance between their luxury promise and accessibility. Their product-range includes women’s apparel, footwear and leather-goods. (Ariel, 2018), (BOF team, 2017)

1.3 OPPORTUNITY STATEMENT

Japan’s passion for European luxury goods described in the situation analysis, already resulted in the expansion of Swedish affordable luxury brands such as Acne Studios (Hawkins, 2010). Its combination of 126 million inhabitants, economic stability, its second largest luxury market ranking and its consumers trading down to affordable luxury, shows that its market potential is worth researching.

1.4 GOAL OF THE RESEARCH

The aim of the research-report is to inform Swedish fashion brands operating in the affordable luxury segment for women, about the market potential of the Japanese market. The information gathered in the research-report will form a base for a strategic expansion plan, with the goal of giving Swedish affordable luxury brand HOPE an advice on whether or not, and how to expand in the Japanese market.

1.5 RELEVANCE OF THE RESEARCH

In recent years, studies mainly focused on the Chinese luxury market, such as AMFI graduate Martijn van der Bas’ study on understanding the Chinese Luxury Market. With the attention on China as number one luxury market in 2025, the potential of Japan, which comes in a second place, is overlooked. Adding to this, research companies like Euromonitor International often do not distinguish the affordable luxury segment as a separate market. The results of the research can be used for Swedish fashion brands operating in the affordable luxury segment for women, interested in entering the Japanese market. These companies will be provided with a compact market description, including its most important opportunities and threats.
1.6 RESEARCH- AND SUBQUESTIONS

This report aims to answer the following research-question:

“What is the potential of the Japanese market, for Swedish fashion brands operating in the affordable luxury segment for women?”

To be able to answer the research question, the following sub-questions need to be answered:

1. What are macro economical developments influencing the Japanese market?
2. How does the offer and competitiveness of the affordable luxury segment for women in Japan look like?
3. How does the demand of the female, Japanese affordable luxury consumer look like?

1.7 METHODOLOGY

1. What are macro economical developments influencing the Japanese market?

The DESTEP model is used to determine the uncontrollable forces that will affect how businesses operate in the Japanese market, and consists out of demographic, economic, socio-cultural, technological, ecological and political factors. Desk-research will form the base, with data provided by Statista, Euromonitor International and The Japan Times. Field-research will add specific data derived from semi-structured interviews with Hisami, a teacher Japanese at the UvA language institute and Fiona Matsumoto, a half-Japanese International Management student at the Amsterdam Fashion Institute.

2. How does the offer and competitiveness of the affordable luxury segment for women in Japan look like?

A competitor analysis and entry-barrier analysis are used to understand the forces that may affect profitability within the segment. In the advice report, these forces will be used to identify or adjust a potential profitable expansion strategy (Mindtools, 2018). To research these aspects, desk-research will form a base with data provided by Business Sweden's Japan market outlook, Business of Fashion and Euromonitor International. Field-research will add specific data derived from the interviews described above.

3. How does the demand of the female, Japanese affordable luxury consumer look like?

A customer-analysis is used to determine who this female affordable luxury consumer is, how her demand looks like and why she would buy from Swedish affordable luxury brands. Desk-research will form a base with data provided by Mckinsey and the behavioral book ‘Japan - Culture Smart’ by Paul Norburny. Field-research will add specific data derived from a short interview with Jyubei Takahashi and Ken Kramer, Japanese and half-Japanese fashion students at the Bunka Fashion College in Tokyo.

1.8 ORGANIZATION OF THE REPORT

Chapter 1 forms the basement of the report, explaining the proposal, research question, goal, relevance and preliminary research. In chapter 2, 3 and 4, the macro-, meso- and micro-environment of the Japanese market will be researched, after which chapter 5 will function as a concluding chapter. Chapter 6 will feature all references and chapter 7 will function as appendix. Within this report, all currencies are translated into Euros to maintain coherency. Whenever in the research-report calculations are made, the full calculation can be found in the process-book. This process-book is divided according to the same structure as the research-report.

1.9 LIMITATIONS OF THE RESEARCH

The research report is constrained by unintentional and self-imposed limitations. Firstly, I coped with a lack of available data. Where detailed reports on databases such as Euromonitor International feature a high price-tag, necessary assumptions needed to be made about the total value of the affordable luxury segment for women and the spending-patterns of Japanese consumers. Secondly, where I only conducted three interviews, the empirical part of the research is narrow, which results in a less valuable and accurate consumer analysis. These interviews also forced me to work with self-reported data, in which the answers of the interviewees needed to be seen as right, without having a valid proof. Lastly, my lack of knowledge of the Japanese language limited me in being able to read and interpret sources written in Japanese.
2. What are macro-economical developments influencing the Japanese market?

To describe the market potential of Japan for Swedish fashion brands operating in the affordable luxury segment for women, a division is made between a macro-, meso-, and micro-environment. This chapter will look at the macro-environment and give an answer to the question: "What are macro-economical developments influencing the Japanese market?" The macro-analysis will result in an understanding of the uncontrollable forces of change that business are exposed to, which are divided into demographic, economic, socio-cultural, economic and political forces. This objective view on the macro-environment will finally result in opportunities and threats (Mindtools, 2018).

2.1 DEMOGRAPHICAL

With 126 million inhabitants, Japan is the tenth biggest country worldwide. A fertility rate of only 1,4 child per couple will cause the population to drop to 120 million people in 2030 and to 100 million in 2050 (Statista, 2017), (Euromonitor International, 2018). Next to this decline, Japan's aging population will result a drop of women of working age (15-65) from 38,5 million in 2016 to 35 million in 2030 (Statista, 2017), (Indexmundi, 2018). With only 2,5 million foreign inhabitants, Japan is the most ethnically homogenous country in the world (Jacobs, 2017). With an urbanization-rate of 94 percent, inhabitants mostly live in large metropolitan areas, with Tokyo as largest metropolitan area (Statista, 2017), (Euromonitor International, 2018). With an average weight of 52 kilograms, an average height of 1,58 meters and a BMI of 22, Japanese women are generally short and thin (Nbakki, 2018).

2.2 ECONOMICAL

Japan ranks third on gross domestic product worldwide, with a GDP of €4,2 trillion in 2016 predicted to grow to €4,5 trillion in 2022, partly due to its stable inflation rate (UK government, 2015), (Statista, 2017). Its gross domestic product per capita of €32,700 and net-adjusted disposable income per capita of €24,100 in 2016, will remain stable in 2020. However, an income-gap results in the top 20 percent of the population earning six times as much as the bottom 20 percent (Euromonitor International, 2017). In 2014, Japanese women earned approximately 28 percent less than men (Hongo, 2015). Japan's GDP per capita being 25 percent lower than its net-adjusted disposable income per capita, is due to a high tax burden for individuals. Although this does result in low consumer confidence, consumer spending remains stable (Statista, 2018). Within Japan, the metropolitan area of Tokyo was the biggest and fastest growing consumer market in 2016 (Euromonitor International, 2017).

2.4 TECHNOLOGICAL

With a highly developed information and communication technology landscape, Japan is the third largest e-commerce market worldwide, counting for almost €76 billion revenue in 2016. This is mainly due to its developed economy, urban population, single language and efficient distribution, caused by its infrastructure and small country size (International Trade Administration, 2017). Surprisingly, older Japanese consumers are the biggest online spenders, which will be elaborated on in chapter 4.1 on page 13. In Japan, the top three social media platforms are LINE, Youtube and Facebook. Currently reaching 34 percent of women, Instagram is the fastest-growing platform, due to visual expression often being favored above verbal expression (Cheung, 2017).

2.5 SOCIO-CULTURAL

For decades, traditions such as ritual, etiquette and selfless devotion have been highly valued by the Japanese. In recent years however, the value system of society undergoes an intentional ideology shift. The younger generation getting a Western outlook on life, are start to value individual identity over family or corporate identity (Steele, Maers, 2010), (Unknown, 2018). Despite this ideology shift, hard work and dedication continue to be fundamental beliefs of this generation, which can be seen in Japan being the worldwide top-performing country on education level. However, most Japanese still struggle to achieve a daily conversation in English (Tsuboya-Newell, 2017). While being performance-oriented, Japanese women highly value their spare-time, with full-time working-women spending around 15 hours a day on personal care and leisure, including shopping. Despite the income gap described in chapter 2.2, which is mainly caused by the difficulty of re-entering the work field after having children, women's freedom of spending is everything but restricted. In average Japanese households, women manage the money by monitoring their monthly expenditures. Their conscious spending patterns make them intentional spenders, who spend money on products or services they perceive as valuable (Kennedy, 2014).
Figure 1: Old lady in Tokyo illustrating Japan’s aging society (Chapman, 2017).

Figure 2: A classic Japanese family (Noguchi, 2017).
Figure 3: Tokyo inhabitants entering the metro (Chapman, 2017).

Figure 4: Japan's national colors: red and white (Vossen, 2014).
2.5 ECOLOGICAL

As third largest emitter of greenhouse gases globally, Japan’s air pollution impacts the health-conditions of its inhabitants, which starts to cause a slow emergence of environmental consumer consciousness (Euromonitor International, 2018). However, a 2010 survey proves this process being slow, as only 16 percent of survey respondents expressed a willingness to pay more for green products (Salsberg, 2010). Japan’s geographical location makes typhoons annually hit the country between May and October, with rainfall often causing flooding and landslides that interrupt economic activity (Euromonitor International, 2017). Japan’s climate consisting out of four distinct seasons, results in consumer-sensitivity to the seasonality of garment- and fabric types, which will be elaborated on in chapter 4.1.4 on page 15 (Unknown, 2016).

2.6 POLITICAL

Although Prime Minister Shinzo Abe’s ‘Abenomics’ reversed two decades of economic stagnation, a long-going scandal caused his cabinet’s support rate to fall to 39 percent in 2018, which might affect future consumer confidence (Sharp, 2018), (BBC, 2018). The low female political empowerment concluded from Japan’s 144th place on the global equality ranking in 2017, shows women’s traditional role in society (World Economic Forum, 2017). According to Hisami, the majority of Japanese women are not familiar with the term ‘feminism’. Currently, exporting to Japan is costly, due to apparel and accessories’ duty rates lying between 7.4% and 12.7%. Recently however, the EU and Japan have made the agreement to liberalize imported apparel, footwear and leather goods. (Donaldson, 2017). The agreement coming into force early 2019, will gradually reduce or eliminate tariffs and long-standing regulatory barriers over the coming decade (Ercoli, 2017). The impacts of current trade-barriers will be elaborated on in chapter 3.3.1 on page 11.

2.7 CONCLUSION

The DESTEP model provided an understanding of the macro-economical developments that influence the Japanese market. However, the question remains which of these developments are of greatest important for Swedish businesses that want to expand. To answer this question, this conclusion will feature the most important macro-environmental opportunities and threats, starting with the opportunities. Where affordable luxury brands’ profitability can be sharply affected by economic changes, Japan’s stable economic situation forms the first opportunity. Predicted GDP growth in combination with a stable inflation rate will secure a stable disposable income per capita of €24,000 in 2022. Secondly, despite an existing income-gap, women are intentional spenders with a rather unrestricted freedom of spending due to them monitoring their family’s monthly expenditures. Lastly, from 2019 onwards, a trade-agreement between the EU and Japan will gradually reduce tariffs and barriers over the coming decade, which will decrease import-costs for Swedish brands. Continuing with the threats, the most significant threat is Japan’s rapidly declining and aging population, which will result in a drop in women of working age from 38.5 million in 2016 to 35 million in 2030. For Swedish brands, this could mean a potential target-group decline of 3.5 million women in less than 15 years. Secondly, the small body-measurements of Japanese women might result in sizing-issues for Swedish brands, as Japanese women simply will not fit into European sizing standards. Thirdly, despite Japan’s well-performing educational system, the country’s low level English will result in a language barrier between Swedish brands and their Japanese customers. Lastly, despite Japan’s economic situation securing consumer spending, Japan’s shaky political situation due to a low cabinet support-rate might affect future consumer confidence and spending.
3

How does the offer and competitiveness of the affordable luxury segment for women in Japan look like?

This chapter will look at the meso-environment, and will give an answer to the question: “How does the offer and competitiveness of the affordable luxury segment for women in Japan look like?”. The meso-analysis will result in an understanding of the segment’s offer, competitiveness and profitability. Firstly, the total segment offer is determined. Secondly, a competition analysis will focus on Swedish fashion brands’ direct competitors within this market. Thirdly, the entry barriers of the Japanese affordable luxury market will be defined. Lastly, Swedish brands’ advantages will be described. A combination of these four factors will result in in opportunities and threats (Mindtools, 2018).

3.1 THE AFFORDABLE LUXURY OFFER

According to Altagamma, the affordable luxury segment accounts for 40 percent of the worlds’ total luxury segment. Based on this, the assumption is made that the Japanese luxury market is divided equally. Taking 40 percent of the total turnover of the female luxury segment in 2016, results in a total turnover of women’s affordable luxury apparel, footwear and leather-goods of €3,3 billion or 7.8 million pieces in 2016, which was a result of 8.4 million female affordable luxury consumers (Euromonitor International, 2016), (Roll, 2017). For 2020, this revenue is expected to grow to €3.5 billion. Despite this predicted growth, the number of consumers is predicted to decline, meaning a growth in average affordable luxury expenditure per woman. This will mainly be due to the upcoming millennial generation, the large boom of Chinese tourists visiting Japan and the upcoming 2020 Tokyo Olympics. Within the Japanese affordable luxury segment, a minimum of 150 brands are operating, which results in high competitive rivalry. In 2016, the six leading affordable luxury brands were Coach, Micheal Kors, Kenzo, Calvin Klein, Paul Smith, and Ralph Lauren (Euromonitor International, 2016). Although the Japanese affordable luxury market in total is growing, local affordable luxury fashion brands grew three times as fast as imported affordable fashion brands in the period 2012-2016, as they only recently started to establish theirselves (Coumau, Durand-Servoingt, Kim, Yamakawa, 2017).

3.2 DIRECT COMPETITION

To detect possible competitive advantages for Swedish brands entering the Japanese market, it is key to research their direct competitors. From the six leading affordable luxury brands described above, only one will form direct competition for Swedish brands. To exemplify this with the brands Coach and Micheal Kors, more then 90 percent of their market-share is derived from luxury leather goods, while the majority of Swedish affordable luxury brands’ revenue-models are based on apparel (Business Sweden, 2018), (Euromonitor International, 2018). Based on their marketing-mix, aesthetic and target-group, the three most important direct competitors are picked, which are Calvin Klein, Acne Studios and Marimekko.
3.2.1 CALVIN KLEIN

Established in New York, Calvin Klein is a lifestyle brand owned by global apparel company PVH and is divided in nine sub-brands (PVH, 2018). Focussing on sub-brand CK Calvin Klein, it offers high-quality, modern, sophisticated items and is built on being bold and seductive while maintaining a minimal aesthetic (BOF, 2018). Its products-range includes women’s apparel, footwear and accessories, with the emphasis on tailoring. The brand offers women’s jeans in a price range between €99 and €189, which illustrates their position on the lower side of the affordable luxury segment (Calvin Klein, 2018). Calvin Klein targets young women up to their 30s due to its provocative, seductive promotion and heavy social media influence (PVH, 2018). Entering the Japanese market in 1994, Calvin Klein operates through Japanese licensing partners. Its future plan however, is to evolve from licensor to owner (Marsch, L, 2004). Calvin Kleins Japanese strategy focuses on gaining a designer status and driving growth by attracting young customers through marketing campaigns. Its satellite office in Tokyo houses a commercial team aimed at this consumer. Future growth channels include e-commerce, specialty stores and independent brand-stores (PVH, 2018). In 2016, Calvin Klein had 0,5 percent share of the Japanese luxury apparel & footwear market; a revenue of €42 million (Euronomitor International, 2016). This revenue is mainly derived from 10 brand-stores and a significant department store presence (PVH, 2018). The brands’ online shop is fully translated and accessible for the Japanese market (Calvin Klein, 2018).
3.2.2 ACNE STUDIOS

Founded in Stockholm as a denim-brand, privately owned company Acne Studio works with two separate collections; Acne Studios ready-to-wear and denim-line Acne Studios Blå Konst (Dike, 2017). The brand is defined by high quality, attention to detail and a fashionable aesthetic. Its product-range includes a full-range of women's apparel, footwear and accessories, with the emphasis on tailoring and denim. Basic items are combined with distinct high-fashion pieces in extreme colors and shapes (Acne Studios, 2018). The brand offers women's trousers in a price range between €150 and €190 (Acne Studios, 2018). Acne Studios targets young women in the age range 20 to 45 and recognizes a generation that dresses without seeking an approval from society, which is why it avoids celebrity appearances and opts for a honest way of marketing (Azar, 2018). (Judd, 2017). Entering the Japanese market in 2012 by means of a joint venture with fashion company Tomorrowland, Acne Studios strategy focuses on growing organically by opening independent brand-stores and shop-in-shops in Japanese department stores, in which wholesale, e-commerce and PR are operated from Sweden (Fashion United, 2012). Although its current market-share can not be retrieved, the brand operates through 3 brand-stores and 1 shop-in-shop in department store Isetan. The brands’ Japanese online shop is fully translated and accessible for the Japanese market (Acne Studios, 2018).
3.2.3 MARIMEKKO

Marimekko is a Finnish design company with its share quoted on Nasdaq Helsinki Ltd. Renowned for its original prints, colors and high quality, a simple silhouette is mixed with either a classic stripe, a vibrant print or a bright color. In the past, over 400 of these prints have been created by Japanese designer Fujiwo Ishimoto. Its product-range includes women's apparel, footwear, accessories and home-wear, with a focus on shirts and dresses (Marimekko, 2018). Where the brand does not offers women's jeans, trousers are sold in a price-range between €165 and €250 (Marimekko, 2018). Looking at customers wearing the brand on #Marimekko on Instagram, the assumption is made that Marimekko targets women in the age range 30 to 55. Entering Japan in the early 2000’s together with a Japanese distributor, its first brand-store opened in 2006 (Inside Retail Asia, 2012). Marimekko's Japanese strategy focuses on growing revenue through e-commerce and independent brand-stores by building awareness through social media, PR and brand collaborations. To exemplify this, in spring 2018 Marimekko collaborated with Japanese retail giant UNIQLO by means of a special-edition collection, temporarily sold in UNIQLO stores (Marimekko, 2018). Although Marimekko’s market-share can not be retrieved, the brand operates through more then 14 brand-stores and 20 shop-in-shops located in department stores like Isetan and Seibu. The brands’ Japanese online shop is fully translated and accessible (Marimekko, 2018).
3.2.4 COMPARABILITY

Comparing the direct competitors will result in an understanding of their common strategical decisions and strengths which Swedish brands will need to respond to when entering the Japanese market. Firstly, all three direct-competitors offer high-quality products, with the emphasis on tailoring, denim or dresses. Their aesthetic is built on a combination between minimalism and fashionability. Secondly, all of them entered the Japanese market with an external partner, ranging from licensing and joint venture to working with a distributor. Thirdly, their revenue is mainly derived from either brand-stores or department store presence. Lastly, with e-commerce being a common focus-point for growth, their online shops are accessible for the Japanese market and fully translated in Japanese. Despite these similarities, significant differences exist. Where Calvin Klein and Acne Studios target a rather young consumer, Marimekko targets a slightly older one. Next to that, while Calvin Klein’s works with an aggressive marketing strategy, Acne Studios and Marimekko opt for more honest marketing or collaborations.

3.3 ENTRY BARRIERS

This chapter will provide a description of the two most significant entry-barriers which Swedish brands needs to face when wanting to expand into the Japanese affordable luxury market; import barriers and body-measurements.

3.3.1 IMPORT BARRIERS

Until the trade-agreement between Japan and the EU discussed in chapter 2.6 on pages 6 comes into force, Japan works according to its established International Trademark Registration system. Firstly, foreign brands need to register a €90 trade-mark per product category they want to import. Secondly, a JIS-trademark is mandatory for apparel, in which the brand goes through an application process including factory audits, product sampling tests and certification fees which costs approximately €7500. (JIS, 018), (Sohlberg, 2013). Once the brand is ready to import its products, Japan’s customs determine the duty-rates applied to CIF costs, which can be seen in figure 17 (Japan Customs, 2017). After this, a 5 percent consumption tax will be added to the value after duties. In figure 18, Japan’s specific information requirements can be seen, which vary per product (Japan Customs, 2017). To exemplify the impact of duty-rates and consumption tax, they can raise the selling prices of a €150 trouser with 13 to 19 percent.

3.3.2 BODY MEASUREMENTS

One of the threats concluded from the macro-analysis included the small body-measurements of Japanese women. Where Swedish women on average are 9 cm taller and weigh 13 kilograms more, this might result in sizing-issues. As seen in figure 19, a mix of international and national brands competing has resulted in the co-existence of three different sizing-systems. National brands generally reduce European sizing by one size, with an S in the EU being an M in Japan. Adding to this, garments generally feature a shorter and slimmer cut (Tenso, 2017). However, none of the analyzed direct competitors has adapted their sizing to the traditional Japanese sizing system (5, 7, 9). To exemplify, Acne Studios only offers European sizes ranging from 32 to 40 or XXS to XL.

3.4 ADVANTAGES

Despite the fact that Swedish businesses will need to with entry-barriers, certain advantages exist which will weigh positively on their expansion into the Japanese affordable luxury market. Firstly, Swedish affordable luxury brands, such as direct competitors Acne Studios, work with European manufacturers with whom they have long-term, trustworthy business relationships (Acne Studios, 2018). Approximately 180,000 manufactures competing within Europe, facilitates an easy switch between suppliers, which gives them little power to increase their prices (Statista, 2016). Secondly, according to research institute GS1 Japan, in 2014 Japan had 195 department stores and approximately 95,000 specialty apparel stores selling apparel. This result in a great amount of buyers looking for novelty that might recognize the potential of expanding Swedish affordable luxury brands. Lastly, where the substitution of products by mid-market fashion brands is a worldwide phenomenon, this will not form an extra threat in the Japanese market. (Hanbury, 2018). Moreover, the Japanese consumer highly valuing product quality, might even limit them trading down from affordable luxury brands to mid-market brands offering a substitute product.
<table>
<thead>
<tr>
<th>CATEGORY</th>
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<tr>
<td>Coats, jackets, trousers, skirts</td>
<td>8.4% - 12.8%</td>
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<tr>
<td>Shirts, vests</td>
<td>7.4% - 10.9%</td>
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<tr>
<td>Scarves</td>
<td>4.4% - 9.1%</td>
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<tr>
<td>Leather handbags</td>
<td>8% - 16%</td>
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<tr>
<td>Leather footwear</td>
<td>30%</td>
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<td>Fur coats</td>
<td>20%</td>
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Figure 17: Duty rates (Japan Customs, 2017).

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<th>PRODUCT</th>
<th>INFORMATION REQUIREMENTS</th>
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<tbody>
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<tr>
<td>Leather goods</td>
<td>Material, dimensions, precautions on handing, name of the labeler, information contact.</td>
</tr>
<tr>
<td>Footwear</td>
<td>Material of uppers, material of sole, precautions on handing, name of the labeler, information contact.</td>
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</tbody>
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Figure 18: Information requirements (Japan customs, 2017).

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Figure 19: Japanese versus Swedish apparel sizing (Tenso, 2017).

3.5 CONCLUSION

The meso-analysis resulted in an understanding of the segment’s offer, competitiveness and entry-barriers. This conclusion will point out the most significant meso-environmental opportunities and threats to keep in mind for Swedish businesses, starting with the opportunities. For Swedish brands, stability or growth of the affordable luxury segment is required to raise the chances of a profitable expansion. Therefore, Japan’s growing affordable luxury spending forms the most significant opportunity. Although the number of consumers is predicted to decline, revenue is expected to grow with €2 billion to €3.5 billion in 2020, meaning a growth in average expenditure. Secondly, a great amount of European manufactures facilitates an easy switch between suppliers and secures stability of cost-prices. Next to that, higher production quantities due to the expansion may even result in lowers cost-prices, resulting in a better profitability. Thirdly, with 195 department-stores and 95,000 specialty stores selling apparel, Japan houses a great amount of buyers. Not only does this raise the chance of them recognizing the potential of Swedish brands, it also provides a stage to diversify theirselves by means of sales-channels.

Continuing with the threats, the most significant threat is the markets’ high competitive rivalry caused by a minimum of 150 brands competing and established direct competitors such as Calvin Klein, Acne Studios and Marimekko. Therefore, to gain market-share, Swedish brands must be able to meet the standards of their direct competitors while diversifying theirselves. Advisable requirements include working with a Japanese business-partner, a high-quality, minimal yet fashionable product offer, a diverse distribution channel and an accessible, translated web-shop. Secondly, Japan’s current entry-barriers are high, which may raise the selling prices of Swedish affordable luxury brands up to 20 percent. Where for them, offering value for money and balancing a luxury promise with accessibility is key, significant price-raises will unbalance their existing pricing-strategy.
4

How does the demand of the female, Japanese affordable luxury consumer look like?

This chapter will look at the micro-environment and will give an answer to the question: “What does the demand of the female, Japanese affordable luxury consumer look like?”. The micro-analysis will result in an understanding of the consumer and its demand; the most controllable forces by the business itself. Firstly, the total consumer potential of the segment is determined. Secondly, the two most important female affordable luxury target-groups are explained, including their demand and most significant preferences. Thirdly, it is determined where to find this consumer, after which they way of attracting this consumer is researched. Finally, a combination of these steps will result in opportunities and threats (Mindtools, 2018).

4.1 THE AFFORDABLE LUXURY CONSUMER

Due to a difference in consumer behavior, the Japanese female affordable luxury-consumer can be divided in a demographic split. Therefore, a division is made between an older segment, women aged 45 to 65, and a younger segment, women aged 25 to 44 (Salsberg, 2009). To estimate their expenditure on affordable luxury goods, a 2016 survey by McKinsey is used about female online spending behavior per age category, from which the outcomes can be seen in figure 20. This survey is useful, as unlike in most countries, Japan’s online- and offline spending demographics behave similarly (Ecommerce Worldwide, 2016).

4.1.1 THE OLDER SEGMENT

The older segment represents 4.3 million women aged 45-65, who grew up in times of the economic boom (Unknown, 2016). This upbringing in combination with their established job positions results in them being the prime-purchasing group for affordable luxury brands (Euromonitor International, 2017). In 2016, 76 percent of this generation had an average annual online spending above €385. Moreover, 60 percent of women in their 50s spend more than €750 annually. Due to their traditional beliefs described in chapter 2.5 on page 3, this generation is seen as the traditional affordable luxury consumer. With European products functioning as a badge of economic success and social acceptance, they barely trade down to premium or mid-market brands (Chitrakorn, 2015). According to Benjamin Durand-Servoingt from Mckinsey, the older generation tends to make statutory purchases from reliable brands with a strong heritage (Chitrakorn, 2017). Their general clothing preferences tend towards simple and modest outfits featuring minimal embellishments, a relaxed fit and balanced colors and shapes (Business Sweden, 2018), (Musank, 2018).

4.1.2 THE YOUNGER SEGMENT

The younger segment represents 4.1 million women aged 25-44, who grew up in times of economic recession (Unknown, 2016). This upbringing resulted in a mature and conservative buying behavior, in which they are reluctant to excessively spend (Wong, 2016), (Funakoshi, 2016). In Japan, women born between 1980 and 1995 are seen as the millennial generation (Sivan, 2017). Where a big part of them are millennial women aged 20 to 35, in 2016, 54.4 percent of this generation had an average annual online spending above €385. Due to their mature spending behavior and the importance of individual style expression, this generation is generally fashion-conscious and looks for novelty. This results in them often trading down from absolute luxury brands, to mix these with cheaper brands or more considerate, lesser-known labels (Chitrakorn, 2015). Instead of wearing expensive brands like Prada head-to-toe, mixing affordable items with slightly pricier ones requires more fashion skills and is perceived as cool (Funakoshi, 2016). According to menswear designer Neil Barret in the book ‘Japan Fashion Now’, especially Japanese millennials are the craziest, most critical fashion eaters in the world. Their clothing preferences are generally more bold. Popular items include work-wear, utility and classic items, or items with a pop-element such as jeans, platform sneakers and leather jackets (Steele, Mears, 2010). In contrast to the west, in both the younger and older generation, skirts are worn on a daily basis (Edwards, 2012).
4.1.3 CONSUMER PROFILES

YOSHIMA (26) - YOUNGER GENERATION

Yoshima has a full-time marketing job and lives alone in a studio in Tokyo sub-urb Hatagaya, close to Shibuya. Her hobbies include shopping with friends, going to the park and visiting museums. For Yoshima, affordable luxury brands function as vectors of individual style expression. On Saturday, she often visits Shibuya to browse through select shops looking for exciting, lesser-known labels. Yoshima likes to mix items from different segments, with her favourite brands being Acne Studios, Sacai and Uniqlo, on which she spends approximately €600 annually.

SATCHIKO (58) - OLDER GENERATION

Satchiko is a housewife and mom of two sons, living with her working husband in a flat in Nagoya. Her hobbies include yoga, cooking and reading. For Satchiko, affordable luxury brands function as a badge of economic success and social acceptance. At home, she often browses through the online assortment of her favourite department-stores in Shinjuku. Satchiko solely buys from traditional affordable luxury brands, such as Coach and Ralph Lauren, on which she spends approximately €1000 annually.
4.1.4 COMMON PREFERENCES

Despite the differences between the two generations of affordable luxury consumers, they have 5 distinct product-related preferences (Coumau, J., Durand-Servoingt, B., Kim, A., Yamakawa, N., 2017). Firstly, consumers value unique items with a strong brand or design story, as these form an expression of belonging to a certain community or social class. Secondly, functionality is important, where in contrast to the west, Japanese tend to wear the same outfit all day (Steele, Maers, 2010). Thirdly, four distinct seasons and inter-seasons lasting for a few weeks result in consumers carefully adapting their wardrobes to natural conditions. To illustrate this, Fiona Matsumoto told that spring-season is divided in sub-season such as the cherry-blossom season and picnic season. National brands introducing around six to eight collections annually raises their exceptions of a highly dynamic store appearance. Fourthly, with extreme attention to detail, fabric, fit, fiber and finishings, the consumer is able to distinguish the quality of products. With durability being the number one purchase driver, more than 60 percent of Japanese consumers identify the fiber content by looking at the label. According to Hisami, cotton is preferred for summer and wool for winter (Cotton Incorporated, 2010). (McCann Truth Central, 2013).

4.2 WHERE TO MEET THE CONSUMER

According to Cityscope Database, in 2025, Tokyo will rank second in the top 20 female luxury apparel markets worldwide. Due to it being the largest and richest metropolitan area, it outperforms Japan’s average expenditure with 13 percent. Chapter 4.2 will focus on Tokyo, as its enthusiastic, sophisticated consumer mind-set makes it a key trendsetter and excellent test-market for further expansion in Japan (Business Sweden, 2018). According to Mckinsey, each fashion-neighborhood in Tokyo has an established identity. Next to that, for affordable luxury consumers, the place of purchase is a vector of style identity, which often comes before the product or brand itself. Therefore, this chapter features neighborhoods and sales-channels which are key to be present in for Swedish affordable luxury brands.

4.2.1 LOCATION

Firstly, Ginza and Shinjuku are seen as Tokyo’s shopping centre and feature malls, renowned department stores and hundreds of flagship-stores catering to affordable luxury consumers of all ages (Medium, 2017). Secondly, Aoyama and Omotesando are upper-class areas and feature a combination of small boutiques and flagship-stores catering to the older generation of consumers (GoTokyo, 2018). Lastly, Shibuya is seen as young and trend-setting and features distinctive select shops aimed at the younger generation, in particular consumers in their 20s and 30s. (Haberberger, 2016).

4.2.2 SALES CHANNELS

With 70 percent consumer-reach in 2016, department stores are Japan’s largest affordable luxury channel catering to affordable luxury consumers of all ages. However, the last four years show a 4 percent sales decline due to an aging consumer base, old-fashioned shopping environments and slow digital development. With 34 percent consumer-reach, brand-stores come in a second place. With 22 percent consumer-reach, select shops come in a third place. These Japanese equivalents of concept-stores are very open to new brands and often embrace experimental shopping. As fastest-growing offline channel, they cater to consumers in their 20s and 30s. According to Hisami, select’s shops staff are fashion leaders who wear the newest brands from head to toe. Lastly, with 27 percent reach, the e-commerce channel outperformed all offline channels on growth. However, a significant difference exists between shopping and purchasing. Due to the consumer’s lack of trust in digital payment methods, they often only investigate without making a purchase (McCann Truth Central, 2013), (Salsberg, B., Yamakawa, N., Remy N., 2013).
Figure 23: The streets of Shibuya, Tokyo (Jnto, 2016).

Figure 24: Shopping centre GINZA SIX (Ginza Six, 2016).
4.2 HOW TO ATTRACT THE CONSUMER

The Japanese affordable luxury consumers responds rather traditionally to marketing. Concluded from a survey by McKinsey about communication tools, they are mainly attracted by offline tools such as store-windows, magazine articles and word of mouth from acquaintances (Salsberg, B., Yamakawa, N., Remy N., 2013). Adding to this, celebrities exert a strong influence on buying-decisions. Today, Japanese consumers still link the West to success. Therefore, they prefer western brand-names and white models. According to Hisami, Japanese consumers are looking for a total image of a brand’s style including accessories, shoes and hairstyle. Although this traditional response to marketing may be due the consumer being fatigued by an excessive amount of online marketing, social media marketing is growing. As seen in chapter 2.4 on page 3, Instagram is the fastest growing network, especially among female affordable luxury consumers (Cheung, 2017). Where Japanese influencers are mainly bespoke artists and shy content curators and brand-promoters, the challenge is to find the right ‘micro-influencers’ (Tsaj, 2017). In store, affordable luxury consumers are keen on receiving a personal treatment. They expect a sufficient amount of kind and knowledgeable staff. Adding to this, stores need to be well arranged to easily find goods. Over 75 percent of Japanese consumers are dissatisfied with their local affordable luxury stores’ assortment and the price-difference of these products versus overseas, which results in a high brand-rotation across stores. Lastly, correctness of operations such as timely communication, proper labelling and correct delivery can make or break a brands’ reputation (Coumau, Durand-Servoingt, Kim, Yamakawa, 2017). According to Hisami, producing consistent quality is crucial for brands to be trusted by the consumer.

4.3 CONCLUSION

The consumer-analysis provided an understanding of the demand of female affordable luxury consumers. This conclusion will point out the most significant micro-environmental opportunities and threats to keep in mind for Swedish brands, starting with the opportunities. Revenue-wise, targeting the older segment of affordable luxury consumers aged 45-65, forms the first opportunity. Next to them having the highest purchasing power, in the coming years they are expected to grow in numbers due to an aging society. Although this segment forms the biggest opportunity for more established affordable luxury brands, targeting the younger segment aged 25-44 specifically forms an opportunity for more considerate, lesser-known affordable luxury brands that focus on individual style expression and want to be perceived as fashionable. Location-wise, Tokyo forms an opportunity due to its highest average expenditure within Japan and its reputation as key-trendsetter and excellent test-market for Swedish brands that want to expand. Looking at sales-channels, select shops can be recognized as opportunity, due to them having the biggest growth in reach caused by their popularity among the younger generation of consumers. Adding to this, starting to sell in select shops, will avoid high investment-costs of a brand-store for Swedish brands. Continuing with the threats, the most significant threat is the consumers’ level of criticality and attention to detail. In their search for products, uniqueness, novelty, functionality, quality and correctness of operations are deciding factors. Therefore, Swedish brands must ensure that their marketing-mix will meet the consumers’ expectations before entering the market. Secondly, due to four distinct seasons and inter-seasons lasting for weeks, national Japanese brands introduce up to eight collection annually, which raises consumers’ exceptions of a highly dynamic store appearance. Where Swedish brands mostly produce only four collections a year, the Japanese consumer might quickly get bored with their offering. Lastly, Japanese affordable luxury consumers respond rather traditionally to marketing, as they are fatigued by mobile advertising. Where Swedish brands often work with social-media marketing, the Japanese being shy content creators might limit them in doing this.
Figure 25: Staff of a Japanese department store taking a bow for their customers (Unknown, 2017).

Figure 26: Dutch model Doutzen Kroes on the cover of VOGUE Japan (VOGUE, 2013).
CONCLUSION

For 2025, McKinsey predicted Japan to remain the second largest luxury market worldwide, which raised the assumption that the potential of Japan’s affordable luxury market was worth investigating. This lead to the following research-question and sub-questions, which cover the macro-, meso- and micro-environment of the Japanese market.

“What is the potential of the Japanese market, for Swedish fashion brands operating in the affordable luxury segment for women?”

1. What are macro economical developments influencing the Japanese market?
2. How does the offer and competitiveness of the affordable luxury segment for women in Japan look like?
3. How does the demand of the female, Japanese affordable luxury consumer look like?

This conclusion will give an answer to the research question in three steps. Firstly, the market potential of the Japanese affordable luxury market will concisely be expressed in numbers. Secondly, the opportunities and threats derived from the macro-, meso- and micro-analysis will be shortly summarized, to show the factors that might influence this potential. Thirdly, derived from these opportunities and threats, Swedish brands will be given an advice on how to utilize the potential of the Japanese affordable luxury segment for women.

Starting off with the market-potential in numbers, the total Japanese affordable luxury segment for women has an annual revenue-potential of €3,3 billion or 7.8 million pieces. Within this segment, a minimum of 150 brands are competing, from which Calvin Klein, Acne Studios and Marimekko form direct competition. The total consumer-potential of 8.4 million can be divided in an older segment (45-65) of 4.3 million women and a younger segment (25-44) of 4.1 million women. Figure 27 shortly summarizes the most significant opportunities and threats derived from the macro-, meso- and micro-environment of the Japanese market.

When only looking at the number of opportunities and threats, they would weigh against each other in influencing the Japanese market potential. However, some significant opportunities and threats influence market-potential more heavily than others, starting with the opportunities. Where Japan’s stable disposable income, high female purchasing power and affordable luxury segment growth are key for a profitable expansion for Swedish brands, as these opportunities strengthen market-potential significantly. Adding to this, the existence of test-market Tokyo and both target-segments providing an opportunity, eases Swedish brands’ choice for expansion location and target-customer. Although Japan’s high entry-barriers form a current threat, the opportunity of the trade-liberalization starting in 2019 will gradually reduce its influence. Continuing with the threats, the combination of Japan’s potential customer decline and a highly competitive market can result in the offer overpowering the demand, which would decrease market-potential significantly. However, most threats such as sizing-issues, a language-barrier and threats concerning consumer behavior can be responded to by Swedish brands to reduce their impact.

By evaluating the significance of the derived opportunities and threats, the conclusion can be drawn that the opportunities of the Japanese market overpower its threats. This means that by solely looking at the external environment, a possible expansion is recommended for Swedish brands operating in the affordable luxury segment. However, before expanding, they are recommended to wait for the trade-liberalization in 2019 and adjust their marketing mix according to the critical Japanese consumer’s wishes. Moreover, these brands should have a clear diversification plan to survive in this highly-competitive market.
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Figure 27: Opportunities and threats external analysis.
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6.2 BOOKS


6.3 CONDUCTED INTERVIEWS


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The problem actually is, as they don’t tell you. They want us to apologize and do something about it. If you say ‘I’m very sorry, but we can not do anything for you’, they don’t get it. Most of the time they would say ‘I would like to talk to your supervisor’. They did not get that I was the only Japanese speaking employee, and that my supervisor was only speaking English. They believed we had a whole Japanese team in the company. It is impossible to convince them not.

So, they think that we are way more focused on Japanese customers then we actually are?

Yes. They don’t understand that things are different on the other side of the world. They still want things in a Japanese way. We had to keep listening to them complaining and apologizing. Although they don’t want the money back, they want to get the hotel to show sincerity.

Is that a big thing in Japanese culture, making up for something?

Yes. It is not the about materialistic things, but showing sympathy and feeling sorry.

When talking about these norms and values, how is that with Japanese children, do they get taught different norms and values then Western cultures do?

Here, adults listen to children. Even-though they can not do anything for them, the children have a right to tell something. In Japan, children have no votes.

At what age does that change? When do they become more free?

I think probably a few years into university. After they start working, they again have no right to say anything in the company. They would like to say something, but the first thing they think about is if other people would agree with them or not. When people would disagree, there is no point of saying it. They look at you differently the next time. They don’t like confrontation. Here in Amsterdam, we don’t mind when people disagree with your opinion, it’s nothing personal. In Japan, people take everything personally.

Does this have to do something with he personal aspect of doing business in Japan?

Yes. Over here, once the meeting is finished, everyone separates. In Japan, they often have diner. They easily make a group of people, a clique. It even translated into fashion cultures, the formation of cliques; small subcultures having their own aesthetic.

APPENDIX

INTERVIEWS

The first two interviews were semi-structures, as I wanted to gather in-depth, detailed information, adding up to the qualitative research done. The goal of the interviews was to look at the Japanese market through the eyes of a native Japanese, getting an insight into Japanese culture, norms and values, consumer behavior and so on. The last interview was a very short, structured interview.

INTERVIEW 1

Hisami (55), Japanese culture and language teacher at the UvA Language Institute, born in Kyoto, moved to The Netherlands in 2008.

Time: 60 minutes
Date: 06 / 04 /18

In Amsterdam, 3 years ago, I started my one-man language-company. As a Japanese teacher I have 25 years experience. I was teaching English to small children in Japanese. I have always been interested in Western culture. In the beginning I worked at a Japanese company, but is was nothing for me. I wanted to find something I really like, which brought me to teaching abroad. I went back to university, got my papers and together with my husband, who is a teacher as well, we moved.

In the beginning I worked at the customer-service of booking.com, dealing with the Japanese people. I kept apologizing, as the interesting part is that the Japanese customer is highly demanding, which is incredible. Once we received a phone call from a Japanese customer, it took double the time to handle the problem.

Where do you think this high-deming characteristic comes from?
It is really hard to say. It is very difficult to find out what the problem actually is, as they don’t tell you. They want us to apologize and do something about it. If you say ‘I'm very sorry, but we can not do anything for you’, they don’t get it. Most of the time they would say ‘I would like to talk to your supervisor’. They did not get that I was the only Japanese speaking employee, and that my supervisor was only speaking English. They believed we had a whole Japanese team in the company. It is impossible to convince them not.

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Do you think those strict norms and values also translate to their buying behavior? Do they have certain requirements that are important when buying?
I think so. Fashion is representing your identity. Usually, kawaii people wear clothes to show their identity. They don’t mix it with other styles. Uniqlo, coming to Amsterdam, is a really popular brand in Japan because you don’t feel a specific identity when you buy something from there. It is safe and for people in different cliques. Uniqlo is a neutral brand. If someone is wearing something from Comme de Garcon, this gives a really strong message. People would think ‘Aha, this is a men who wears Comme de Garcon, then I know what kind of men it is’.

So, they have a lot of stereotypes in their head when seeing a certain kinds of fashion?
Yes. It started in the 80s, when the Japanese brand aesthetic really emerged. The people working in those shops, they are the fashion leaders. They are wearing the newest stuff from the brand top until bottom. Even their hairstyle and make-up is significant for that brand, it is kind of a manual.

For a brand from Sweden, would you think it is more useful to offer neutral clothing or specific items?
It depends on how you sell. Japanese people are looking for a whole image. Not just a down-jacket or boots. For example online, instead of offering a flat shot of a garment, you need to give a full picture of the brand-style including accessories, shoes and hairstyle. Also a background if possible, sitting in a nice café, home, outside, to create an atmosphere.

So, you are from Kyoto, do you think there are differences in buying behavior in the different parts of Japan?
I would say no, but what I read some years ago is that certain places in Tokyo, they just what they want, by themselves or with their friends. In more local areas, especially the ladies, they go to shop with their mothers. They appreciate the opinions of their mothers. The taste-levels between my mothers generation and mine are very different, but nowadays the taste-levels between mothers and daughters comes closer together, because of the influence they still have. Mothers and daughters might even swap their clothes, which is interesting.

Is the high-demanding consumer consumer materialistic? Do they rather buy something they can wear instead of dining out or going on vacation?
I think nowadays, they have everything. At the same time, I heard that the difference between poor en rich is becoming bigger and bigger. In my youth, in the 60s and 70s, Japan became a very big economy. Behind that, was a whole middle-class population. But now, this disappeared. Younger people can not always get a job. The older people still hold a position. There are more young poor people then before.

Does this result in more part-time jobs and less security?
Yes. Social security is less good then here. It is somewhere in between the US and The Netherlands.

Is the mind-set of the younger generation very different than that from the older generation?
The older generation is very enduring and sacrificing, they value the group over the individual. The younger generation is much more about their individual, and how to express this. As an example, when wanting to become a hairdresser in the past, you really needed to look at what the older hairdressers are doing. Then after something like 3 years, the older hairdressers gave permission to do something new. The younger generation does not want to endure this anymore. They have more of a voice. ‘If you don’t teach me, goodbye’.

Again about the product-requirements, do you think that sustainability plays an important role in Japan?
Probably not much. Look at the example of Uniqlo being the biggest fashion company in Japan, it really is fast-fashion. I think that in many ways, Japan is behind on European countries. As well with female status and with law.

Is there a difference between gender big?
Yes. It is deeply hidden in the whole system. Many people do not even think something is wrong. The women are used to being less valued.

Are women coming up for their own rights? Do women protest?
No, women don’t. Most of the time it gets shut down. Once, during the 70s it happened, but is was too radical and people could not handle it. I would say I am a feminist, but most Japanese people probably do not even know that word.

How does that translate in gender-labels? Do you think HOPE’s double sizing system will work?
For younger people it can be a unique thing, which is what they like, but not for the elderly. It is possible for the younger generation. After you graduate from university, most people start working, which means that the different roles of men and women become bigger. It is tried to close this gap, but not much is happening yet. A sales job for example, is only for the men. The women are only assisting the men. Nowadays,
it looks like the company expects women to work as hard as men, staying longer and going out for a drink after. If you can’t do that, don’t expect to get an extra or a promotion. They still need to flatter men in a way. In a company, you need to wear something men like, not what you like.

So, there is a big difference in what they wear at work or in their spare time?
Yes. I think at work, uniforms are still used as well.

Does the weather play a big role in how people dress?
Definitely. There are four seasons with a clear division. In the summer you can not buy long sleeves. It is almost hard to find them. In the winter you can not buy short sleeves. If you are wearing a short sleeve shirt in winter, people think ‘What are you wearing?’. Material is also very important. Cotton and linen for summer and wool for winter. They are very specific in material and garment choice varying per season.

Moving on to the language barrier, is that often a big problem for companies to do business?
Yes, and also business customs. Most of the time it takes really long. I was working for an American company in Japan. They had confidence in their product, so we never had to say that we reduce the price or anything. However, it did not work for Japan. In the beginning, Japanese people do not tell you what they really think. A business starts outside of the meetings, talking about things next the product, different cultures, etcetera. While going out for dinner or karaoke, doing things together, that is the moment when they give you their real opinion. ‘At the meeting we said this, but what I really think is…’.

Would you think the Japanese working environment is more difficult?
The foreigners living in Japan are treated as outsiders. If you are Japanese and you don’t follow the rules, you are a terrible guy. But foreigners can break the rules, then it’s okay. They do appreciate when you try to understand the Japanese culture. When you act who you really are, instead of doing like you are Japanese, then you will open their heart. A foreigner can kind of act as an innocent child.

Did we miss any important things you should consider when wanting to do business in Japan?
The quality is really important, just as reliability is. For example: quality control. You need to keep producing the same quality, you need to be consistent to be trusted as a brand. When I go to the shop here, something basic is always missing, while it is easy to restock. This makes me frustrated. The product needs to be there at the time it is promised it will be there. When a product is not available in your size in a certain department store, they call another department store and let is come to them to sell it.

Department stores are quite big in Japan, right?
Yes. I used to work in of them. The scale here in The Netherlands is really different.

What do you think about the Scandinavian style suiting Japan?
The whole nordic lifestyle is quite fashionable in Japan right now. Recently, I read an article about ‘Hygge’, which means ‘gezellig’ in Dutch. People in Japan are becoming familiar with this term as well.

Last topic to talk about, Scandinavian style has a connection with Japanese minimalism as well, don’t you think?
I think so. Scandinavian style is really popular. People are very interested in everything Scandinavian. They want to see a whole lifestyle with interior goods as well. In the department store I was working, on the top floor, events were held every week. Every event had its own theme, such as ‘suits for interviews’ or ‘arts and crafts’. I would see it happening as well that they could have a Scandinavian themed event or something like that. If there is another Swedish brand in the department store, this is a plus. From here you can build your connection. Connections are very important in Japan.
The millennial generation, do you think their norms and value are different then from the older generation?
Yes, for sure. Right now, this is the same for every country. In Japan in general, they love foreign things, they always want to have stuff from the West, which did not change. They do have a lot of problems in the working environment because the young generation are different. Everything is so fixed, and the older generation does not go against this. Due to globalization, the younger generation value their own life. Before, the employees would do anything their bosses want, but young people put themselves as priority rather then their bosses. This is really clashing. The education system the younger generation is getting, is different. They try to be more relaxed and free-style in school and that's the reason why they are more individual. Everything is in the Japanese perspective though, so compared to here it’s not free yet. But they do value their private life over their work life.

brands. Do you think the younger generation still values products over experiences?
In Japan, this is not much different then it is here. Social media is insane, it is more crazy then here. They do everything for social media. Japanese women are really competitive, there is a lot of drama at work-places because they always want to be better then another person. There is this tension to have or do something better, which can be shown on Instagram or Facebook. There are people who have to be artwork at eight, but wake up at five to have a nice breakfast, take a picture at seven, and go to work after. They even have a word for going somewhere in the morning to have a nice lifestyle for social media. I guess the materialistic thing goes hand-in-hand with it, but they do want to share experiences as well.

If we talk about those lifestyles, is it true that they really like to having a foreign lifestyle, such as Swedish? I read about department stores having certain events around the Italian or French lifestyle.

Is it strict? Do you get a lot of rules?
It depends. In kinder-garden it is quite free. When you go to primary school, yes. Everything is so detailed and fixed that you can not really do anything else. There is not a lot of room for children expressing theirselves in a different way. It is really about doing the same thing as everyone else. They get taught to be some kind of specific way.

Does that change when they get older? Do they get the chance to develop?
I think it depends on the person. A lot of people just go with the norm. In Japan, the rule is stricter then in Holland. You have a fixed path. Taking a gap year for example, is not acceptable. You graduate and after that you think about your career. On the other hand, there are of course people going to a more creative side. I have the feeling that often these people express themselves more extreme, as it contradicts the rules. I think Japan has so many creative people because it is somehow oppressed by society, which they have to fight against. In Japan, parallel to the standard world, you have this huge creative industry.

Do you remember the differences in culture within Tokyo itself? Area's that are different than the standard?
Yes of course. Tokyo is super big and everyone knows Harajuku or Shibuya. Harajuku is about youth and creativity. Shibuya had everything, it is always good to have a shop over there, as all the big brands are there as well. You can get everything you want, it attracts a lot of people. It is not one specific target group, so less for niche marketing. Ginza is rich and way more about luxury. Harajuku is about second-hand, hip stuff.

Department stores are a big thing I read. What would you call a 'hip' department store?
I went there last year, but I only know really famous ones. I don’t know if it is something for HOPE. Really expressive, minimalistic brands are there, such as Laforet. It is very crazy though. It is really hard for me to know where they sell these kind of minimalistic brands. It sounds more like classy chic. Maybe Isetan? Chalayan, the company I am interning at right know, is also selling there.
Yes. For marketing it is quite important that you are aware of it, just because it is so normal Japan. Not only clothing, but everywhere it is. Even sweets vary over the season. In the cherry-blossom season you have Kitkat with cherry blossom packaging, not only halloween or Christmas. It is very detailed and it changes very quickly. The food, places you go, clothing, it all depends on the season.

What kind of clothes do you think is more of an addition to the Japanese market, basic or fashionable styles? It depends on the target-group, of course there are people who love good quality basics. A part of Japanese fashion is also minimalistic. When you want to target more people, then I guess you need a bit more expressive styles. Otherwise it is quite limited maybe.

I read about the younger generation looking for a certain kind of newness, what is your opinion on that? If you put in a nice, new way, they are very easily fascinated with it. If you brand it right, they are easy to get excited for something new, as they just love it. If you can make the Scandinavian concept new, and communicate it in the right way, it would be great. They do love Acne Studios, I don’t know why. I suddenly saw Netflix or Tv series from Japan in which people talked about the brand. How it started I don’t know, but they are doing really well.

Acne is a big competitor of HOPE, which would be a good thing, as they do well in Japan.

For me is it out of nowhere, it surprised me that it is so known that even on television they talk about it. I would like to know where it came from.

Does anything specific pop up for you when thinking about things to keep in mind when expanding to Japan? Sizing needs to be adapted to the Japanese market. I think that in general, you don’t need big sizes. Also, you need to be careful with the length. It is not only about grading up and down but things need to be more fitted and shortened. You can not just take the smallest sizes and put them there, I think.

As HOPE is already selling in Korea, do these people have the same body-types? Yes they are. I think the company then knows what to do. At my internship company Chalayan, they are trying to expand to Japan. My sales manager always says that everything is too long and that the Asian customers like short stuff, like skirts. You can research into the preferences of the Japanese customer I think.
INTERVIEW 3

Jyubei Takahashi (22) and Ken Kramer (24), Japanese and half-Japanese fashion students at the Bunka Fashion College in Tokyo, Japan.

Time: 15 minutes
Date: 20 / 05 /18

Which sales-channels do you think are essential in today’s fashion market in Japan? Is it either absolute luxury or affordable luxury via select shops that sells right now. Select shops are basically concept stores, very popular and influential. They are the ones still growing in market-share and sales. Their customer-base is open for new brands. Examples could be: Beauty & youth, United Arrows, Estnation, Fred Segal and Ships. To become a part of the select-shops however, brands should know how to diversify theirselves from other brands.

Which national Japanese brands are big in the affordable luxury segment in Japan? The affordable luxury segment in Japan almost solely exists out of International brands. Most Japanese brands operate with lower prices and are are part of the mid-segment.