



ASIA: *Japan*

ECONOMIC CLIMATE

The most serious economic trend in Japan is deflation. Tokyo has been ranked as one of “The most expensive cities in living cost” by Economist magazine. This is in part due to the costs associated with poor infrastructure (i.e. transportation, housing, telecommunication, etc) and the Japanese Yen currency exchange position. The prices of various goods and services we purchase daily have been declining deeply. As an example, Japanese consumers are now able to purchase very fashionable high quality jeans for only \$9 and can also enjoy a tasty lunch box for under \$3.

Such an overwhelming deflation move is having a broad effect on the wellness service sector. The waiver of initiation fees is common now at most fitness clubs and competition between facilities in discounting various fees is getting keener and keener. To respond to such downward income trends, fitness clubs are shifting their core facility from being large and fully equipped to smaller studios with selected machines and exercise programs only. Conveniently located and budget minded Relaxation Massage services (10 USD per 10 minutes) are gaining steady demand from consumers while many luxury day spas have withdrawn from metropolitan areas. In an attempt to stimulate domestic expenditure, the Japanese government has introduced a drastic discount on interstate highway toll fees (ex. Tokyo to Osaka / \$140 → \$10). With the increase in highway usage, resort area businesses and related travel industries will hopefully experience an increase in revenues. With the highway toll price reduction there surely will be an increase in incredible traffic congestion.

Declining prices are favorable for consumers but cause difficulty in maintaining PL balance for businesses. Most owners with-in the wellness industry have heavily invested in their facilities and equipment resulting in a basic higher fixed cost ratio. Meanwhile, many business sectors have greatly reduced and or suspended the hiring of new graduates in order to reduce overall salary expenditures. The wellness business industry is currently benefitted by employing young staff easily and reasonably but it would seem that over time the business environment would lose energy as a whole.

STATISTICS

A birth rate of 1.37 and an expected life span of 86 years for females. By the year 2040 roughly 40% of the Japanese society will be over the age of 65. “Wellness” will become an even more essential word in such a mature society. In order to sustain social and individual wellness, which is a goal and result of “overall fulfillment”, national production should be more steady and vigorous. Historically Japan’s economic strength was developed through specific value added productions and services. This should continue to be our focus so that we can further develop the value and quality of our products and services. At such a time in the future our seniors, with their various knowledge and experience base, could very possibly become the “revival employees” for an organization. This could be especially true for the wellness business industry. Servicing the elderly

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customer's needs with like minded elderly staff is expected to be an in-trickle part of a company's employee structure. In the future this will help to ensure customer satisfaction and retention.

Ideas of utilizing seniors as wellness staff include:

- Lifestyle advisor: offers advice pertaining to good quality of life issues
- Exercise instructor: advises on effective exercise for sedentary lifestyle
- Therapist: social interaction through human communication

Simultaneously we need to increase the productivity of each employee. Efficient and sufficient job training will be necessary to ensure that employees develop the multiple skills necessary to perform effectively and responsibly.

INNOVATION

A broad consumer enclosure program has been ongoing and has shown significant expansion recently. The program is the combination of credit card, general purpose point program, electric cash and airline mileage programs. By purchasing goods or services with credit card or electric cash, consumers earn points which are credited to their account. Consumers can either redeem these points when purchasing goods or services at affiliated locations or have the points credited to their airline mileage program. As affiliated locations increase so too does consumer enrollment. Currently the largest enrollment program consists of:

- 34.4 million point cards (# of consumers enrolled)
- 50, 000 affiliate locations
- 55.8 million electric cash cards

At present only one major fitness organization has affiliated themselves with the program. The overall wellness service industry here in Japan has yet to fully commit to the consumer enclosure program. Our organization is preparing to join the program in order to access the younger generation whom are always in search for extra credit points related to their consumer activities and purchases. In preparation to joining the program we have introduced an in house stored value card system for the payment of various fees such as entrance, retail, program, beverages etc. By connecting the system with general purpose electric cash and credit card processing we obtain access to 34.4 million point card account holders.

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