

The positive impact of foreign visitors upon Japan's export of consumer goods

Are confectioneries the next boom?

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Increase in foreign visitors to Japan driving the export of consumer goods

Who remembers the 2015 Buzzword of the Year? The winner was *bakugai*, or “explosive buying,” which described how groups of Chinese tourists bought everything from luxury items to everyday goods in large amounts. At that time, many readers may recall the videos and photos of Chinese tourists walking in department stores and major electronics retailers with their arms overflowing with purchases. However, the buzz over being selected the buzzword of the year soon faded in 2016 due to the appreciation of the yen and a crackdown on customs procedures by the Chinese government. While “explosive buying” by foreign visitors has subsided, the increase in foreign tourists to Japan has led to steady growth in the export of consumer goods such as cosmetics. One factor influencing such a positive situation with respect to consumer goods is thought to be the heightened awareness of Japanese products due to the increase in foreigners visiting Japan. It is expected that exports of consumer goods will continue to rise as the number of tourists to Japan grows. Some Japanese companies (manufacturers) have also started to link their response toward inbound demand with their outbound strategy.

A boom in cosmetics but also uncertainty about the future

Meanwhile, the dramatic increase in cosmetics exports is attracting attention as a success story. The secret of success appears to be popularity among the Chinese, with exports to Hong Kong and China up significantly. Indeed, nearly 70% of the cosmetics purchased by foreign tourists in Japan in 2016 were purchased by the Chinese, which indicates their high popularity. Moreover, even with the current lull in “explosive buying,” the trend of Chinese tourists purchasing cosmetics in Japan maintains its momentum, with much room for growth in the export of cosmetics in the future.

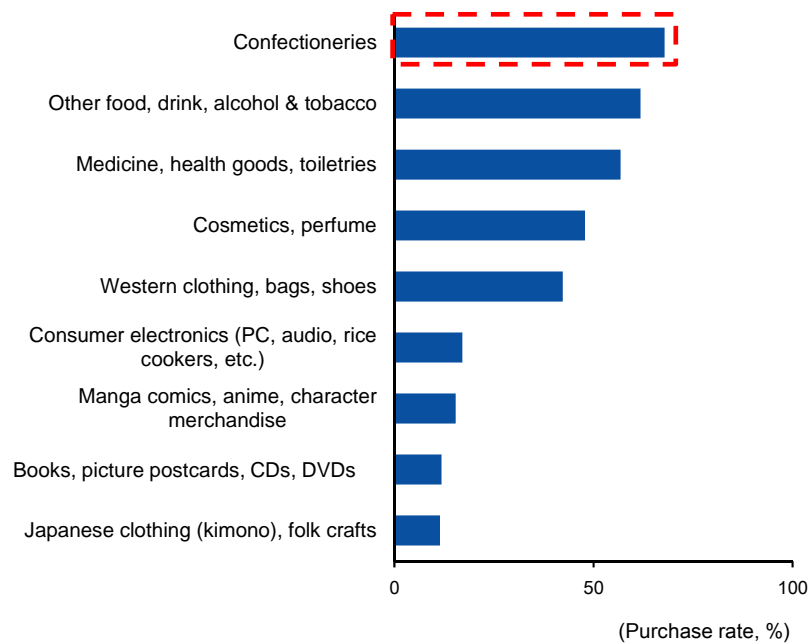
However, Korean cosmetics have emerged in the Chinese market in recent years, making that market more competitive for Japanese products. Also, with the Chinese government wanting to avoid domestic demand outflows to foreign products, it abruptly made the preferential tax system on cross-border e-commerce stricter. As these changes suggest, the environment surrounding Japanese cosmetic exports is more uncertain than ever.

Confectioneries: the next expected star

In this respect, it is important to create new drivers comparable to cosmetics. While there is a boom in Japanese cuisine and sake is also attracting attention, confectioneries are also promising sectors. As shown in the **chart**, among the items purchased by foreigners visiting Japan, confectioneries have the highest purchase rate, with approximately 70% of foreign tourists purchasing them. The repurchase rate of confectioneries by foreign tourists who return home is second only to that of cosmetics, and their affordable price and taste makes them popular souvenirs too.

Confectioneries that are uniquely Japanese or based on regional themes, such as green tea flavored *Pocky* and *Jaga Pokkuru* potato snacks, are very popular. In South Korea, green tea Kit Kat is popular, and the company has started exporting to South Korea after receiving requests to purchase more of them by the Korean. It may arrive sooner than we think that the next confectioneries, which capture the hearts of foreign visitors to Japan, will become the new driver of consumer goods exports

[Chart : Purchase rate of products while in Japan]



Note: Data is for 2016.

Source: Made by Mizuho Research Institute Ltd based upon the Japan Tourism Agency, *Consumption Trend Survey for Foreigners Visiting Japan*

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