

Hakuhodo Consumer Trend Report 2006

**The trend in this year's hit products is:  
Self-Enhancement Consumption**

- Products that fulfilled consumers' desire to go slightly beyond their usual comfort zones to reach for the self they hope to be were big hits
- The *sei-katsu-sha* shopping mindset has continued to evolve since 2001's Principle Guaranteed Consumption

Tokyo—December 15, 2006—Each year, Hakuhodo's R&D Division examines the ever shifting and changing flow of consumer phenomena in search of hidden clues to underlying trends. This year, our *Consumer Trend Report 2006* uncovered a Self-Enhancement Consumption trend. Here we present the key findings of the report, as well as our hit product ranking based on consumer research conducted at the same time.

2006: It was the year in which Japan clocked up its longest period of economic growth in post-war history. While it has been noted that many *sei-katsu-sha*\* are yet to feel the effects of the economic rebound, there were, in fact, many hit products in the consumer market this year.

Concurrent with a growing trend in Japanese society toward independence and individualism, advances in information technology—symbolized by the advent of Web 2.0—have expanded exponentially the possibilities for each individual. Against this backdrop, *sei-katsu-sha* are now focusing on working on creating with their own hands the new self promised by these new possibilities.

Many of this year's hits include products and services that realize the "ideal me" that *sei-katsu-sha* envisage for themselves; a smarter self, a self that lives a quality life and perhaps a self that makes them proud of who they are.

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\* *Sei-katsu-sha* are more than simply consumers, just as people's lives and lifestyles include more than just shopping. Hakuhodo introduced this term in the 1980s to emphasize our commitment to a comprehensive, 360-degree perspective on consumer's lives.

The strong trends of the year were a positive attitude toward being oneself, and enjoying improving oneself while working toward one's ideal self. HakuHodo has named the consumer trend triggered by these perception changes Self-Enhancement Consumption.

Self-Enhancement Consumption is a phenomenon that has arisen as Japanese people start to focus more on themselves in line with the economic upturn. Looking back over the trends of the last 5 years, it is clear that the shopping mindset of Japanese consumers has been changing with the times. With uncertainty all around, consumers chose Principle Guaranteed Consumption in 2001. In 2002, the siege mentality let up just a little to allow for Little Indulgences, leading in turn to Un-Miserly Spending in 2003, when consumers chose to ignore generally accepted price bands. 2004 saw Confidence-Driven Consumption, while 2005 brought Mind Restructuring Consumption. Thus, *sei-katsu-sha* consumption values have been changing year by year. This year's Self-Enhancement Consumption sees *sei-katsu-sha*, who have now finished with "mind restructuring," turn inward once again to reinvent themselves ahead of the coming new age, and attempt to fulfill their desire to be the people they want to be. (See Figure 1)

Details appear in the Data section below.

### **Content of data section**

1. The year's top hit products as voted by *sei-katsu-sha*
2. Six trends in Self-Enhancement Consumption
  - (a) *A Slightly Smarter Me: Products and services that give a real sensation of improvement over the current self*

Includes game software measuring brain age, sudoku puzzles, and coloring in and handwriting practice books for grown ups
  - (b) *A Higher Quality Me: Products and services that create the quality life the buyer seeks*

Includes premium beer, quality light autos and high-end induction heating (IH) rice cookers
  - (c) *A "Healthy" Me: Products and services that deliver health and beauty without any muss or fuss*

Includes FOSHU (food for specified health uses) drinks for body fat, oxygenated water/canned oxygen and high-cacao-content chocolate
  - (d) *A Connected Me: Products & services that confirm the user as a highly connected being*

Includes Japan's top social network service (SNS), blogging, US video sharing website and 1-SEG compatible mobile gear

(e) *A "Character-ized" Me: Products and services that give create a character/role for users, helping them stand out from others*

Includes *megane danshi/megane joshi* (glasses-wearing guys and girls), *kekkon dekinai otoko* (guys that can't get married), air guitar, net-launched stars

(f) *A Me to be Proud Of: Products and services that make the user feel just a little well-pleased with themselves*

Includes hair-care products that bring out the best in Japanese women's hair, the buzz around "national dignity", sports events (World Baseball Classic, etc.)

### 3. Japanese consumer trends of the past 5 years

#### Data section

#### 1. The year's top hit products as voted by *sei-katsu-sha*

Hakuhodo 2006 Hit Product Survey, a poll of 639 ordinary *sei-katsu-sha* conducted in November this year revealed the top 10 hit products and top 10 products of interest as follows.

#### Top 10 products *sei-katsu-sha* believe were all the rage this year

Rank		%
1	Blue hankies (as used by ace high school baseball player Yuki Saito)	87.5
2	Game software that measures brain age	87.0
3	Large flat-screen TVs	86.4
4	Turino 2006 Winter Olympic Games	82.3
5	<i>The Da Vinci Code</i>	81.4
6	World Baseball Classic (WBC)	77.3
7	Metabolic syndrome	74.3
8	2006 FIFA World Cup Germany™	74.0
9	Mobile phone number portability	72.8
10	TV quiz programs to train the brain	72.1
10	Smaller, lighter handheld game consoles	72.1

**Top 10 products *sei-katsu-sha* were interested in this year**

Rank		%
1	Large flat-screen TVs	83.6
2	Game software that measures brain age	75.3
3	TV quiz programs to train the brain	66.0
4	Compact digital cameras	65.6
5	Turino 2006 Winter Olympic Games	63.4
6	FOSHU (food for specified health uses) drinks for body fat	62.3
7	Strong green tea beverages	61.2
8	Metabolic syndrome	60.7
9	World Baseball Classic (WBC)	58.1
10	<i>The Da Vinci Code</i>	57.6

**Hakuhodo 2006 Hit Product Survey**

Territory: Greater Tokyo Metropolitan Area, Kansai area

Respondents: Males & females aged 15–69 n = 639 (316 males, 323 females)

Period: November 2–8, 2006

Method: Internet survey of Hakuhodo Hi-panel

\* Candidate hit products were selected on the basis of information in newspapers, magazines and other open sources. Respondents were given a written explanation of the content and asked to select one each from the choices (1) Was all the rage this year, (2) Was not all the rage this year and (3) Have not heard of it, and (1) Was/Am interested in it and (2) Was/Am not interested in it for each of the candidate hit products.

**2. Six trends in Self-Enhancement Consumption**

**(a) A Slightly Smarter Me: Products and services that give a real sensation of improvement over the current self**

In 2006, products and services that showed users' ability numerically in some other tangible form, or made it easy for them to train themselves were popular because they allowed people to feel themselves becoming a little smarter.

Specific products include game software to measure users' "brain age" in numeric terms, setting them the challenge of improving their scores; sudoku puzzles, coloring in and handwriting practice books for adults, which were all said to

revitalize the brain; KidZania Tokyo, a facility that allows children to take a step closer to adulthood by trialing different occupations; and childrearing magazines for both fathers and mothers as they strive to be slightly smarter families than now.

**(b) A Higher Quality Me: Products and services that create the quality life the buyer seeks**

2006 also saw hits among products and services that offer the kinds of “extravagance” that individuals are seeking, not that which is embodied in the size of price tag or other externally defined standards, as well as products and services that allow users to create a bit of quality in their lives.

Specific examples include premium beer perfect for time spend relaxing at home on the weekend; quality light vehicles offering both design and economy; eccentrically named tofu and high-end induction heating (IH) rice cookers that pursue the true taste of the finished product; and domestic resorts and spas that give a taste of the high life in the everyday.

**(c) A “Healthy” Me: Products and services that deliver health and beauty without any muss or fuss**

This year products and services offering no muss, no fuss ways to become a little healthier and more beautiful on the inside and outside were all the rage.

Examples include FOSHU drinks for people worried about body fat, allowing them to treat one of the risk factors for metabolic syndrome easily in their day-to-day lives; oxygenated water and canned oxygen to quickly help replenish oxygen and promote recovery from physical exhaustion; high-cacao-content chocolate that promises good health while indulging; horse riding fitness equipment that lets the rider get fit just by riding it; and stone and volcanic rock spas that promise to make you beautiful just by working up a sweat rolling around on the heated rocks.

**(d) A Connected Me: Products & services that confirm the user as a highly connected being**

Perhaps under the influence of Web 2.0, 2006 also saw a flurry of products and services that use IT to attest to individuals’ relationships with others and the

information environment around them, and further strengthen those connections.

Such products and services included Japan's largest social network service (SNS), which allows users to enjoy their ties with friends and special interest communities; blogs and a US-based video sharing web site that permit anywhere, anytime dissemination and retrieval of information from a totally subjective point of view; child-friendly mobile phones designed foster ties between parents and children; and 1-SEG compatible mobile phones allow people to enjoy TV on the move on their mobile handset.

**(e) A “Character-ized” Me: Products and services that create a character/role for users, helping them stand out from others**

In 2006, there was a noticeable trend toward individuals playing with their image in new ways in an effort to find a fresh positioning for themselves. Related products and services were also big.

Examples include *megane danshi* and *megane joshi* (glasses wearing guys and girls), trends that threw the spotlight on men and women who wear glasses; *kekkon dekinai otoko* (guys that can't get married), which developed a whole character around men who can't find partners, even going as far as to call single guys “guys that can't get married;” air guitar and combat sports for women, in which participants get to be different from the crowd; and the “Net-launched stars” phenomenon where bloggers and other Net-based experts on anything from English for kids to buying an apartment outgrew cyberspace to take their place among celebrities in the mainstream.

**(f) A Me to be Proud Of: Products and services that make the user feel just a little well-pleased with themselves**

2006 saw many products and services that took a fresh look at Japan, Japanese people and the Japan of the past, allowing people to feel a little pride in being Japanese.

Some examples are hair care products specially formulated for Japanese women's hair that became a hit by extolling the beauty of Japanese women; the buzz around “national dignity,” which called for seizing back the dignity of Japan and the Japanese; sports events, including World Baseball Classic, which made

Japan hot again for Japanese cheering their team on; a craze for all things from the Meiji 30s (1955-1964) and a 2006 reprise of the legendary 1975 Takuro Yoshida & Kaguyahime in Tsumagoi concert, which fed into nostalgia for the sights and sounds of Japan's good old days and the way we were then.

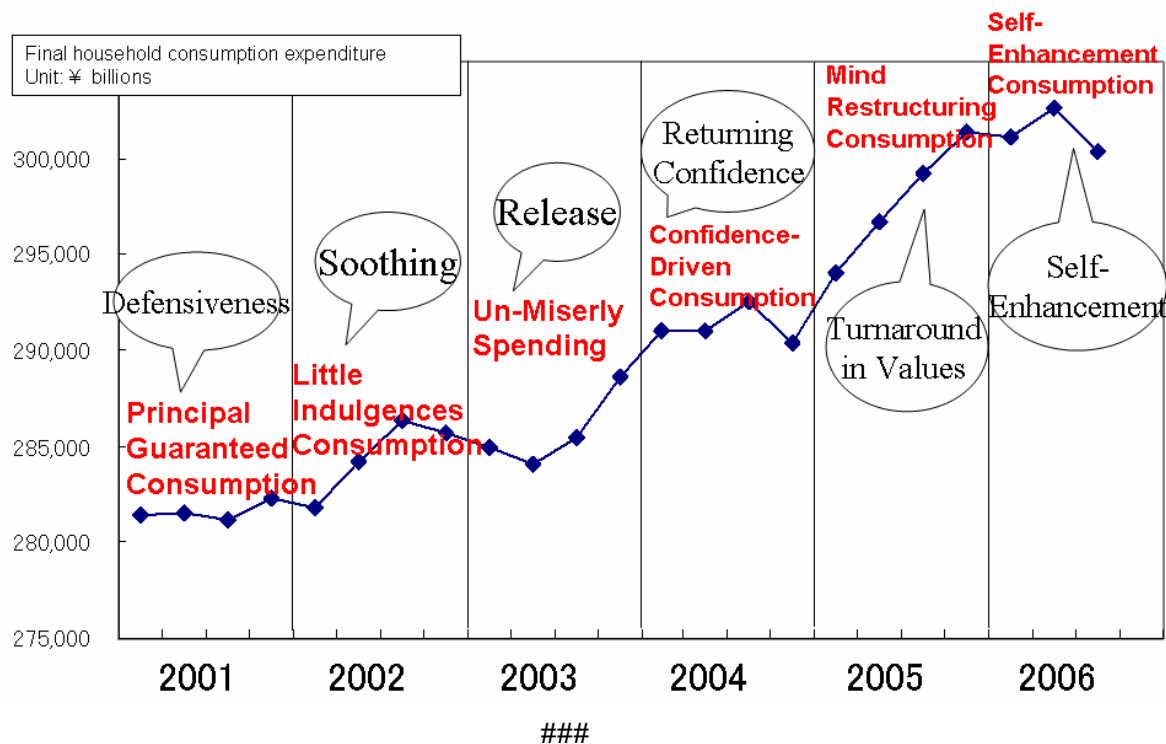
### 3. Japanese consumer trends of the past 5 years

The consumer trends HakuHodo identified in the previous 5 years are as follows:

- **2001: Principle Guaranteed Consumption**  
Extremely hard-nosed consumption that saw *sei-katsu-sha* reach out for both brand goods and low-priced products: articles that would either retain their value or not hurt the bank balance at a time when worries about the future had choked *sei-katsu-sha* emotions.
- **2002: Little Indulgences Consumption**  
Coming out of the siege mentality that had them scrambling to defend their standard of living, Japanese started to show signs of wanting to find comfort in small fun things and other little indulgences. This search for soothing of the soul was most noticeable in a return to Japanese things and the Japan of the Showa years (early 40s to late 80s).
- **2003: Un-Miserly Spending**  
After ten years of constrictions on prices from the bubble period to the years of deflation, consumers were ready to break free from price values. Freewheeling products that allowed users some peace of mind or broke with convention were big hits.
- **2004: Confidence-Driven Consumption**  
This year saw companies move from the brace position to self-confidence and *sei-katsu-sha* shift from worry to self-confidence.  
Buoyed by this new-found self-confidence, products embodying Japan's vitality came out one after another to a very warm reception from *sei-katsu-sha*, helping reinvigorate the market place.
- **2005: Mind Restructuring Consumption**  
While politics and business pushed ahead with structural reform, *sei-katsu-sha* were restructuring their thinking, too. As they cast off traditional norms for new values, *sei-katsu-sha* constitutions grew stronger.

(Figure 1)

2006: The Year for Self-Enhancement



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■ About Hakuhodo Inc.

Founded in 1895, Hakuhodo Inc. ([www.hakuhodo.jp](http://www.hakuhodo.jp)) is the second largest advertising company in Japan, and the tenth largest core agency in the world according to *Advertising Age's* agency report 2006. Today, innovation and creativity are still at the heart of its operations. Hakuhodo shares with its clients an unmatched depth of knowledge about the relationship between people and brands – knowledge that has grown from the concept of *sei-katsu-sha* (“consumers with a heartbeat”) which Hakuhodo pioneered in advertising. Through its global network, Hakuhodo provides comprehensive marketing and communications services and solutions for some of the best-known brands in the world. Hakuhodo has 64 offices in 16 countries/regions, and approximately 5,000 employees.

*Sei-katsu-sha* insight is the foundation for Hakuhodo’s thinking, planning, and brand building. It reminds us that consumers are more than shoppers performing an economic function. They have heartbeats. They are individuals with distinct lifestyles. Hakuhodo introduced this term in the 1980s to emphasize our commitment to a comprehensive, 360-degree perspective on consumers’ lives.

Hakuhodo is one of three advertising agencies under the umbrella of Hakuhodo DY Holdings Inc. (TSE: 2433) (<http://www.hakuhodody-holdings.co.jp/english/index.html>) a holding company which was established in 2003 through the management integration of Hakuhodo Inc., Daiko Advertising Inc. and Yomiko Advertising Inc. Hakuhodo DY Holdings Inc. was listed on the first section of Tokyo Stock Exchange in 2005.