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Children's Wear

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Summary

The overall market for children's wear in Japan has continued to shrink owing to the fact that fewer children are being born. But observers predict that the future will bring an age in which the children of postwar baby boomers will bear more offspring. Thus the market is expected to gradually expand until peaking out in 2004, and this should create a greater demand in the baby and children's wear market for products centered on gifts celebrating births and other types of gifts.

While domestic baby and children's wear market has been inclined to decline since 1994, overseas production of baby and children's wear has consistently increased as more and more manufacturers shift their production bases abroad to cut especially labor and raw material costs. It can be confirmed that imports of baby and children's wear have mounted year by year in terms of volume and value. Major countries from which Japan imports baby and children's wear are those in Asia such as China, Republic of Korea and Vietnam. On the other hand, imports from Western countries, like the United States and France, are doing well in terms of import value, owing to their specialty of bright colors and superior design.

Basically, baby and children's wear as well as other types of clothing can be imported to Japan freely. In sales, however, it is necessary to observe laws and regulations concerning harmful substances and labeling. Particularly, because the Law for Control of Household Products Containing Harmful Substances places strict restrictions on the use of formaldehyde in clothing for babies 24 months old or less, foreign firms must pay special heed to these regulations.

Simplification of domestic distribution channels is progressing. Retailers tend to omit intermediaries with the aim of not only reducing costs but also responding swiftly to market changes. In addition, specialty shop retailers of private-label apparel (SPA), which perform everything from planning to sales by themselves, have recently become powerful regardless of their being Japanese or foreign-affiliated firms.

In recent years, in the baby and children's wear market, children preferring clothes designed for older kids are increasing in number, and the trend is toward adult taste. In addition, parents like to buy their children clothes similar to their own in terms of taste. These facts are causing a growing number of companies make adults' and children's wear or sell both on the same floor or in the same store to appeal to families.

In entering the Japanese market, it is desirable to take into account the market trends described above and have a better understanding of Japanese culture and traits. There are various ways to enter the Japanese market, such as tying up with manufactures or trading firms in the

capacity of a foreign maker or entering the market as an SPA. A recommended means of access to the Japanese market is participation in trade fairs sponsored by embassies or foreign chambers of commerce and industries in Japan and in trade exhibitions held on a regular basis, though there are not many kinds.

Introduction

In recent years, the overall market for children's wear and goods in Japan has continued to shrink. However, the children of postwar baby boomers have reached child-bearing age, which will boost the demand for merchandise of this type and goods centered on gifts celebrating births and other types of gifts.

While domestic production of baby and children's wear is on the wane, overseas production is increasing owing to a mounting number of Japanese firms that shift their manufacturing abroad to cut costs. Imports of baby wear tend to grow and a look at the shares of imports by country of origin shows that those in Asian countries, like China, Republic of Korea and Vietnam rank high with respect to both volume and value.

Baby and children's wear is classified into the following major categories according to age and size.

Categories	Age range
Babies	Newborn to around two
Toddlers	Around three to five (kindergarten pupils)
Schoolchildren	Around six to 12 (elementary school pupils)
Low teens	Around ten to 15 (elementary, junior high school pupils)

Among the above classifications, this market research addresses babies, toddlers to schoolchildren, covering wear for newborn infants to elementary school students.

HS codes for product items covered in this research are as follows.

HS code	Item
61.01-61.17	Clothing and its accessories (limited to stockinet and crochet work)
62.01-62.17	Clothing and its accessories (excluding stockinet and crochet work)

In the HS codes there is no distinction between children's and adults' wear. Among the above codes, 61.11 and 62.09 are specified as "Clothing and its accessories for babies."

Based on the foregoing, this research aims to present an overview of Japan's baby and children's wear market, import systems and related laws and regulations, distribution and trade practices and market trends and needs to help foreign firms access the market, thereby providing advice on how to enter it.

I. Market Overview

In recent years a growing number of Japanese have tended to give birth to children later in life following late marriage, not to marry, or pursue a life called “double income, no kids (DINKS).” Consequently, the number of children that a woman bears during her lifetime (fertility rate) fell to an all-time average low of 1.38 in 1998 (according to demographic estimation statistics published by the Ministry of Health and Welfare). This makes it evident that people sire fewer children, but the future will bring an age in which the children of postwar baby boomers will bear more offspring. Accordingly, the overall market for children’s wear is expected to grow until reaching its peak in 2004, in line with which the baby and children’s wear market, in particular the demand for gifts, foreseeably will expand.

A. Market Scale

The entire market for baby and children’s wear in Japan was worth 1,134.5 billion yen in 1998. The market continued to shrink since 1994, and in 1996 it fell by 32 billion yen compared with the previous year (2.7% below the previous year). Although the market grew by 10.2 billion yen in 1997 (0.9% above the previous year), it declined by 6.7 billion in 1998 (0.5% below the previous year) (see Fig. 1). The scale of the baby and children’s wear market is shown in Fig. 2.

B. Trends in Domestic Production

The domestic production of baby and children’s wear has declined ever since 1994. But in 1998, it registered an upswing by approximately 3.4 billion yen (0.9% above the previous year) to 378.7 billion yen (see Fig. 1 and Chart 1).

C. Trends in Overseas Production and Imports

1. Overseas Production by Japanese Manufacturers

Overseas production of baby and children’s wear has continued to increase since 1995. It grew by 3,635 million yen (14.2% above the previous year) in 1996 and by 3,884 million (13.3% above the previous year) in 1997. While the increase in overseas production fell off in 1998, it mounted by 1,616 million yen (4.8% above the previous year) to 34,614 million (see Fig. 1). A breakdown of overseas production is as shown in Fig. 3.

2. Imports

As mentioned above, there is no distinction between adults’ wear and children’s wear in the statistics of imported clothing. For this reason, the volume and value of imported clothing for children (toddlers and older) are not known. On the other hand, the volume and value of imported

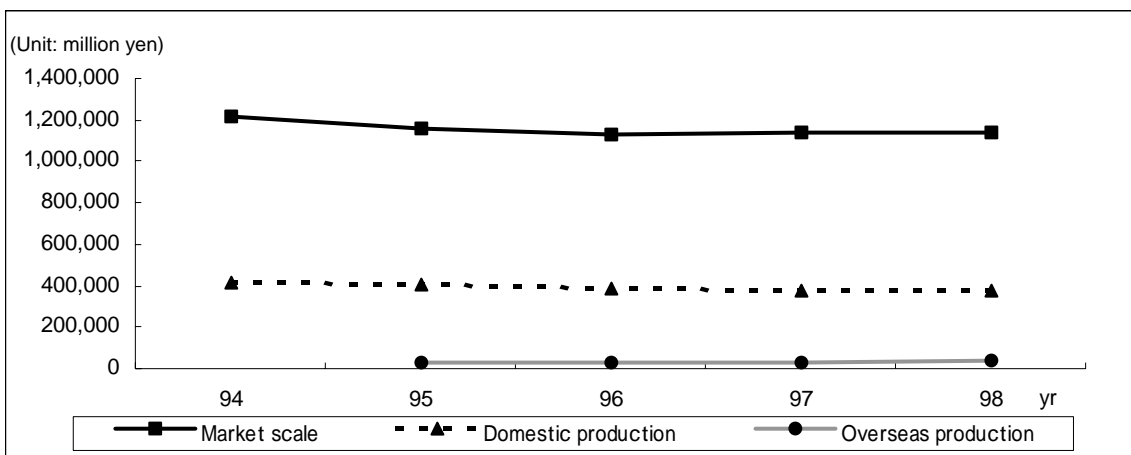
baby wear are classified as “Clothing and its accessories for babies.”

Trends in imported clothing and its accessories (including overseas production) for babies are indicated in Fig. 4. Imported clothing and its accessories to clothing for babies have continued to increase since 1994 in terms of both volume and value and in 1998 reached 28.6 million in volume and 9,567 million yen in value.

Shares by country of origin of imported clothing and its accessories for babies in 1998 are shown by volume and by value in Fig. 5. China had the largest volume, 74% of total, followed by R Korea (14%), Vietnam (5%), Thailand (1%) and the United States (1%). The distinctive feature is that Asian countries rank high, accounting for 94% of the total. In terms of value, China stands first (72%), followed by R Korea (9%) and Vietnam (4%), the same countries as found in the case of volume. Then come the US (3%) and France (2%).

In recent years a growing number of Japanese firms have switched from domestic production to foreign production. Many now operate in China, R Korea, Vietnam and other countries where the cost of raw materials and labor is low. However, statistics show that European and American products characterized by bright colors and good design also sell well in Japan.

Fig. 1 Scale of and production in the baby and children’s wear market



[Note] Market scale includes baby and children’s wear and goods.

Surveys on overseas production have been made since 1995.

[Source] Dai-Ichi Kangyo Research Institute using the “White Paper on Textiles,” Yano Research Institute and data prepared by the Textile Fashion Information Center

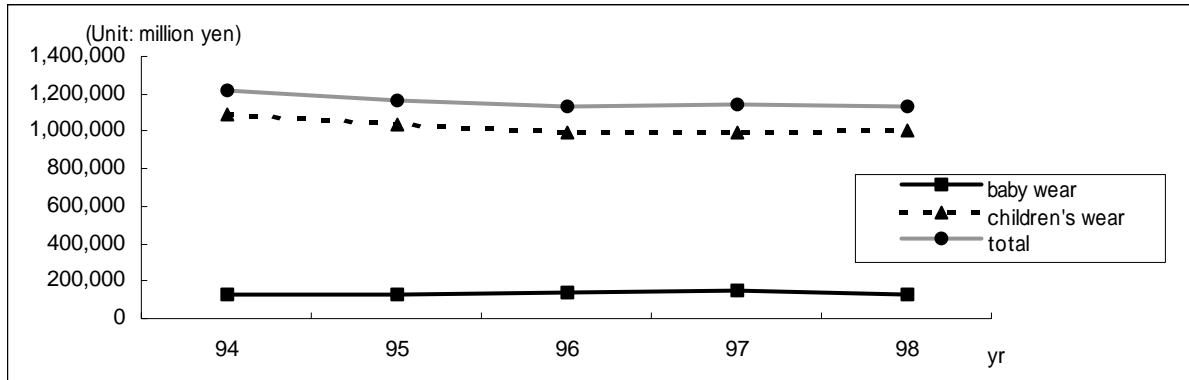
Table 1 Scale of and production in the baby and children’s wear market

(Unit: million yen)

	1994	1995	1996	1997	1998
Market scale	1,220,000	1,163,000	1,131,000	1,141,200	1,134,500
Domestic production	412,458	403,734	390,970	375,342	378,748
Overseas production	-	25,479	29,114	32,998	34,614

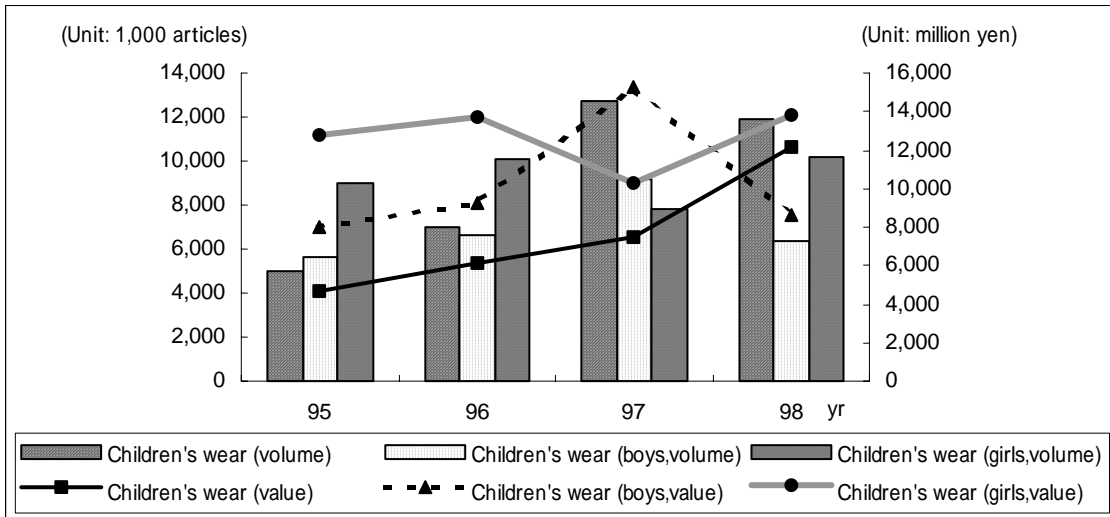
[Note] [Source] Same as Fig. 1

Fig. 2 Scale of the baby and children's wear markets



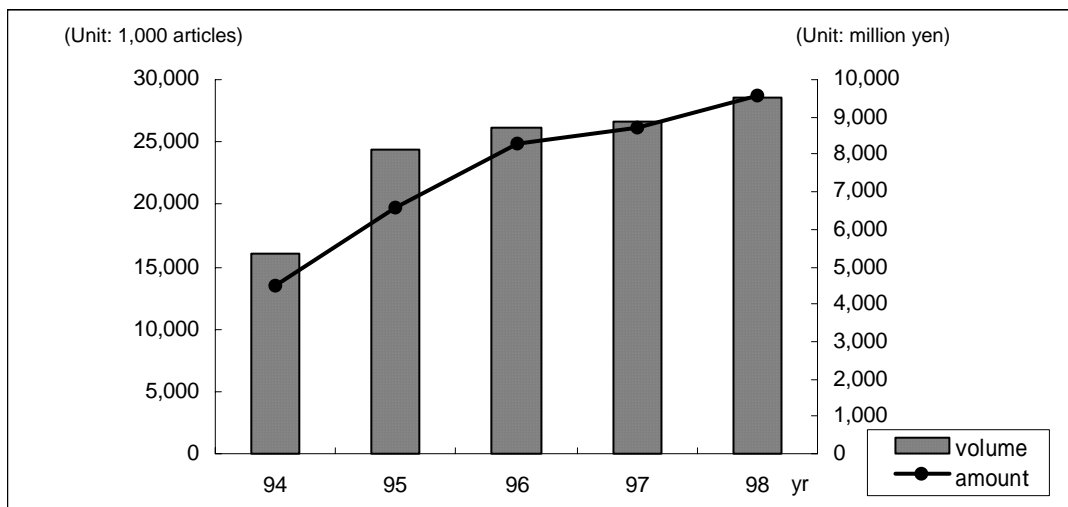
[Source] Dai-Ichi Kangyo Research Institute using the "White Paper on Textiles," Yano Research Institute

Fig. 3 Trends in baby and children's wear made overseas



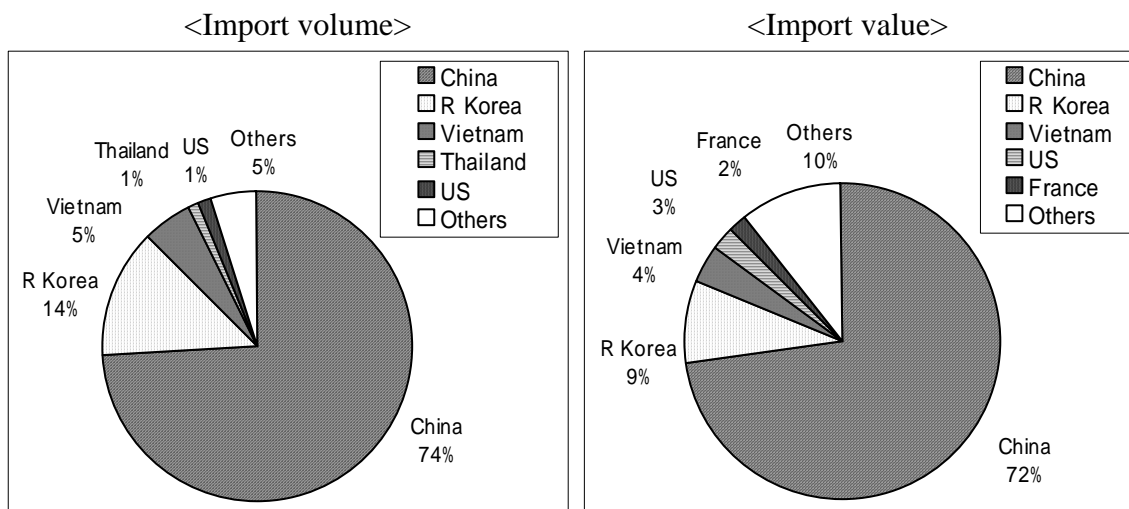
[Source] Dai-Ichi Kangyo Research Institute using data prepared by the Textile Fashion Information Center

Fig. 4 Transition in imports of clothing and its accessories for babies



[Source] Dai-Ichi Kangyo Research Institute using data from the Textile Fashion Information Center and the "Japan Exports & Imports," (Dec. 1998) Japan Tariff Association

Fig. 5 Shares of imported clothing and its accessories for babies by country of origin in 1998



[Source] Dai-Ichi Kangyo Research Institute using data for 61.11 and 62.09 in the "Japan Exports & Imports," (Dec. 1998)
Japan Tariff Association

II. Import Systems and Related Laws and Regulations

To import baby and children's wear for marketing in Japan, it is essential to first know the regulations, standards, labeling and other requirements set forth by the country.

A. Import Regulations

In principle, clothes, including baby and children's wear, can be imported to Japan freely and there are no particular restrictions on this. But there are cases in which restrictions may be imposed on the import of products that use special leather on which trading is restricted by the Washington Convention (Convention on International Trade in Endangered Species of Wild Fauna and Flora). Thus such products merit special attention.

B. Tariffs

Tariff rates for baby and children's wear are as shown in the following tables.

Table 2 Tariff rates for clothing and its accessories

HS No.	Description	Rate of Duty			
		General	WTO	Preferential	Temporary
61	Articles of apparel and clothing accessories, knitted or crocheted				
6101~6114	1.Containing embroidery or lace, or figured	16.8%	13.3%	6.65% × Free	
	(1)Of wool or fine animal hair (2)Of cotton (3)Of man-made fibres, of synthetic fibres (4)Of other textile materials	16.8%	11.8%	5.9% × Free	
	2.Other	14%	12.1% (11.1%)*	6.05% (5.55%)* × Free	
	(1)Of wool or fine animal hair (2)Of cotton (3)Of man-made fibres, of synthetic fibres (4)Of other textile materials	14%	10.6%	5.3% × Free	
6113	3.Some of shirts, T-shirts	11.2%	8.9%	4.45% × Free	
	(1)Of cotton (2)Of man-made fibres (3)Of other textile materials				
6113	1.Of fabrics of heading No.59.06	6.7%	(6.7%)	Free	
	2.Other	16%	12.6%	6.3% × Free	

6114	1.Containing embroidery or lace, or figured (1)Of wool or fine animal hair	16.5%	11.5%	5.75% × Free	
	(2)Of cotton	16.3%	11.4%	5.7% × Free	
	(3)Of man-made fibres	16.2%	11.3%	5.65% × Free	
	(4)Of other textile materials	14%	10.5%	5.25% × Free	
	2.Other (1)Of wool or fine animal hair	13.5%	10.3%	5.15% × Free	
	(2)Of cotton	12%	9.7%	4.85% × Free	
	(3)Of man-made fibres	13.1%	10.1%	5.05% × Free	
	(4)Of other textile materials	12.6%	9.9%	4.95% × Free	
62	Articles of apparel and clothing accessories, not knitted or crocheted				
6201~6211	1.Containing furskin (1)Of wool or fine animal hair (2)Of cotton (3)Of man-made fibres, of synthetic fibres (4)Of other textile materials (5)Of silk	16%	14 ~ 15.7%	7 ~ 7.85% × Free	
	2.Other (1)Of wool or fine animal hair (2)Of cotton (3)Of man-made fibres, of synthetic fibres (4)Of other textile materials (5)Of silk	9 ~ 11.2%	8.9 ~ 11.6%	4.45 ~ 5.6% × Free	

[Note] Excluding 6107-6108, 6111 and 6207-6209

* 6110.20.029 and 6110.30.022 only

See below for the tariff rates.

General...general rates based on the provisions of Article 3 of the Customs Tariff Law and the Tariff Schedule annexed

WTO...concession rates based on WTO Agreement, the provisions of Article 3 of the Customs Law and Article 5 of the Customs Tariff Law

Preferential..."Preferential" rates based on the provisions of Article 8-2 of the Temporary Tariff Measures Law and Annexes II, III and IV

...denotes Prior Allotment Items, items that are allotted priorly in terms of quantity, etc., based on the provisions of paragraph 5 of Article 8-4 of the Temporary Tariff Measures Law.

× ...denotes that these rates are applicable only to the goods concerned originated in the Least Less Developed Countries, based on the provision of paragraph 3 of Article 8-2 of the Temporary Tariff Measures Law.

[Source] "Customs Tariff Schedules of Japan 1999," Japan Tariff Association

Table 3 Tariff rates for clothing and its accessories for babies

HS No.	Description	Rate of Duty			
		General	WTO	Preferential	Temporary
6111	Babies' garments and clothing accessories, knitted or crocheted				
	1.Gloves,mittens and mitts	6.4~9%	6.4~8.9%	3.2~4.45% ×Free	
	2.Panty hose, tights, stockings, socks and other hosiery	8~11.2%	6.4~8.9%	3.2~4.45% ×Free	
	3.Other				
	(1)Containing embroidery or lace, or figured				
	(a)Of wool or fine animal hair	16.8%	13.3%	6.65% × Free	
	(b)Of cotton	16.7%	13.2%	6.6% × Free	
	(c)Of man-made fibres, of synthetic fibres	16.5%	13%	6.5% × Free	
	(d)Of other textile materials	16.8%	11.8%	5.9% × Free	
	(2)Other				
(a)Of wool or fine animal hair	13%	11.7%	5.85% × Free		
(b)Of cotton	14%	12.1%	6.05% × Free		
(c)Of man-madefibres, of synthetic fibres	13.6%	11.9%	5.95% × Free		
(d)Of other textile materials	14%	10.6%	5.3% × Free		
6209	Babies' garments and clothing accessories				
	1.Gloves,mittens and mitts; panty hose, tights, stockings, socks and other hosiery	7.8%	7.8%	Free	
	2.Other				
	(1)Containing furskin	16%	14%	7% × Free	
	(a)Of wool or fine animal hair				
	(b)Of cotton				
	(c)Of man-made fibres, of synthetic fibres				
	(d)Of other textile materials				
(2)Other					
(a)Of wool or fine animal hair	9%	8.9%	Free		
(b)~(d)					
A Accessories	9%	8.9%	Free		
B Other	11.2%	11.1%	5.55% × Free		

[Note] See below for the tariff rates.

General...general rates based on the provisions of Article 3 of the Customs Tariff Law and the Tariff Schedule annexed

WTO...concession rates based on WTO Agreement, the provisions of Article 3 of the Customs Law and Article 5 of the Customs Tariff Law

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[Source] "Customs Tariff Schedules of Japan 1999," Japan Tariff Association

C. Related Laws and Regulations, Standards and Restrictions

As mentioned before, baby and children's wear in principle can freely be imported to Japan. But to market such attire in Japan, attention should be paid to restrictions on harmful substances, as well as regulations for labeling and standards.

1. Restrictions on Harmful Substances

Handling baby and children's wear demands observing the Law for the Control of Household Products Containing Harmful Substances. These restrictions are under the jurisdiction of the Office of Environmental Chemicals Safety, Environmental Health Bureau, Ministry of Health and Welfare, and the restrictions also apply to goods other than clothing. Details of the restrictions on baby and children's wear grouped according to type of harmful substances are shown in the following table.

Table 4 Restrictions on clothes containing harmful substances

Harmful substance	Use	Products covered	Standard	Toxicity
DTTB	Insect control processing agent	Underwear, nightclothes, gloves, socks, intermediate clothes, outerwear	30 ppm or less	Percutaneous and peroral acute toxicity, hepatic disorder, and genital disorder
Dieldrin	Insect control processing agent	Diaper covers, underwear, nightclothes, gloves, socks, intermediate clothes, outerwear, caps	30 ppm or less	Hepatic disorder and central nerve disorder
Formaldehyde	Resin processing agent (often used to prevent loss of color)	(a)Diapers, diaper covers, bibs, underwear, nightclothes, gloves, socks, intermediate clothes, outerwear and caps for babies 24 months old or less (b)Underwear, nightclothes, gloves, socks	(a) Not detected* (b) 75 ppm or less	Mucosa stimulative and skin allergies

[Note] Listed products include only those related to baby and children's wear among textiles.

* Actually, it is hard to detect formaldehyde in 0.03 ppm or less concentrations. When inspections are made using different methods in foreign countries, there are cases in which dissimilar lower limits are applied. Thus if detected values are 0.03 ppm or less, they are considered acceptable. However, certain department stores and large volume outlets want products that have 0.02 ppm of formaldehyde or less.

Of the above harmful substances, formaldehyde, often used to prevent discoloring, requires the greatest attention. In Japan formaldehyde has caused skin disorders, therefore its use has been strictly restricted. Being volatile, formaldehyde can be transferred to baby wear from other clothes, including those for adults which are not restricted, and from paint used for shop interior decorations. Accordingly, there are many babies' clothes sold in sealed in plastic bags or packages. If these garments are imported from countries where such restrictions are not in effect, attention must be paid, starting from the manufacturing process.

Besides the above harmful substances, controls are placed on organic mercury compounds

(antibacterial agents and fungicides), triphenyl tin compounds, and tributyl tin compounds (antibacterial agents and fungicides).

2. Regulations Concerning Labeling

Provisions of the Household Goods Quality Labeling Law and the Law Against Unjustifiable Premiums and Misleading Representation apply to the labeling of baby and children's wear

a. Household Goods Quality Labeling Law

The Household Goods Quality Labeling Law is under the jurisdiction of the Consumer Affairs Division of the Industrial Policy Bureau of the Ministry of International Trade and Industry. This law was partially revised in 1997 and based on the main revisions affecting the regulations for the labeling of textile product quality, points to be noted are:

1) Name of Labeler, etc.

In the past, makers were required to show the serial number of quality labelers approved by the Minister of International Trade and Industry. But after the law was revised it became necessary to add the name or designation of the person responsible for labeling, as well as an address or telephone number. This amendment enables consumers to inquire directly to the manufacturer, contributing to a greater awareness of self-responsibility among not only business operators but consumers as well.

The grace period for manufacturers to adopt the new labeling requirements ended September 30, 1998, but the grace period for sellers is not slated to end until September 30, 2000.

2) Labeling in Katakana or English Allowed (regulations for showing the quality of textile products)

In addition to Chinese ideograms, like "men (cotton)," it is now allowed to label in katakana or English, such as "kotton (cotton)" or "cotton."

3) Labeling of the Composition of Fibers

Makers are required to display the percentages of each type of fiber used in a product in terms of weight. There are exceptions in which special labeling is allowed depending on the composition.

4) Other Labeling Requirements

Manufacturers are required to label water-repellency for coats in accordance with the standards based on the provision of Japanese Industrial Standards (JIS) L1092. If the water-repellent property is removed in the process of washing, a statement must be made to that effect. For products other than those required to be water-repellent, like raincoats, such labeling can be omitted.

In addition, for ways to handle textile products such as how to wash at home, labeling must use symbols stipulated in JIS L0217 (symbols and methods for showing how to treat textile products).

b. Law Against Unjustifiable Premiums and Misleading Representation

The Law Against Unjustifiable Premiums and Misleading Representation is under the jurisdiction of the Fair Trade Commission. The law calls for displaying the country of origin. The provision is meant to preclude displays that make it difficult for consumers to identify the country from which products originate or that may mislead them on the countries where goods are manufactured.

c. Voluntary Labeling

One example of voluntary labeling in the industry is how to handle products. This is called a “care label” and matters to be noted when handling products are displayed on attached tags or slips. If any trouble actually occurs and the product concerned has no label stating how to handle it, the manufacturer may be required to assume full responsibilities in accordance with the Product Liability Law. Thus, although this labeling is voluntary, practically all products bear a label stating how to handle them.

For imports, such labels are usually produced in Japan and sent to overseas factories.

3. Standards

In Japan, JIS Law specifies standards for showing garment size and these standards basically conform with those established by the International Organization for Standardization (ISO). Consequently, clothes manufactured abroad can bear labels based on ISO standards.

a. Baby Wear

Japanese babies average 50 cm tall and weigh around three kilograms when born. Most baby wear is targeted at kiddies aged 24 months, or two years. Children older than that wear clothes for toddlers.

In general, baby wear refers to next-to-skin wear, underwear, diapers and outerwear, but basically it consists mainly of clothes that infants put on or are wrapped in.

JIS standards provide that the L4001 size for baby wear applies to clothes manufactured for kiddies up to 36 months of age. This size ranges from 50 to 100 cm and 75 to 95 cm in height at 10 cm intervals.

Size	50	60	70	80	90	100
Height(cm)	50	60	70	80	90	100
Weight(kg)	3	6	9	11	13	16

75	85	95
75	85	95
10	12	14

According to JIS standards, major baby wear items and basic body dimensions are as follows.

Item	Basic body dimensions
Diaper covers of textiles, next-to-skin wear, nightclothes, blouses and shirts, sweaters and cardigans, coats and other types of outerwear, swimsuits	Height/weight

b. Children's Wear

Children aged three years or more and no longer use baby wear are called "toddlers" and refers to nursery school or kindergarten pupils, aged three to five years old.

Toddlers gradually learn to use zippers, buttons and other fasteners and their bodies become slimmer and approach adult proportions.

Next, clothes shift to sizes appropriate for elementary school students, and many feature the same materials and designs as used for adult attire.

Children's (boys' and girls') wear sizes (L4002 or L4003) are set according to whether or not the garment requires a close fit. Basic body dimensions classified by items are as follows.

1) Clothing that Requires Fitness

Item	Basic body dimensions
Coats, dresses, home dresses	Height/chest
Skirts, trousers	Height/waist
Blouses, shirts	Chest

2) Clothing Not Requiring Special Fitness

Item	Basic body dimensions
Coats, dresses, home dresses, overalls and rompers, nightclothes, underwear (covering the whole body), swimsuits (for girls, one-piece type)	Height
Outerwear, sweaters, cardigans, jackets	Chest
Skirts, trousers	Height/waist

Boys' clothes sizes are separated into four physiques, A, B, Y and E.

classification of physique	physique A		physique B	physique Y	physique E
Size	90A~180A	95A~185A	120B~180B	120Y~180Y	130E~170E
Height	90~180cm	95~185cm	120~180cm	120~180cm	130~170cm
Chest	48~92cm	50~95cm	60~98cm	54~86cm	76~98cm
Waist	48~74cm	49~76cm	60~80cm	48~68cm	68~82cm

[Note] In addition there is an physique EA size which has a large waist compared with the height.

Similarly, girls' clothes come in four physiques.

classification of physique	physique A		physique B	physique Y	physique E
Size	90A~170A	95A~175A	120B~170B	120Y~170Y	130E~160E
Height	90~170cm	95~175cm	120~170cm	120~170cm	130~160cm
Chest	48~86cm	50~89cm	60~92cm	54~80cm	76~92cm
Waist	46~65cm	47~67cm	58~71cm	46~59cm	66~74cm

[Note] In addition there is an physique EA size which has a large waist compared with the height.

III. Distribution and Trade Practices

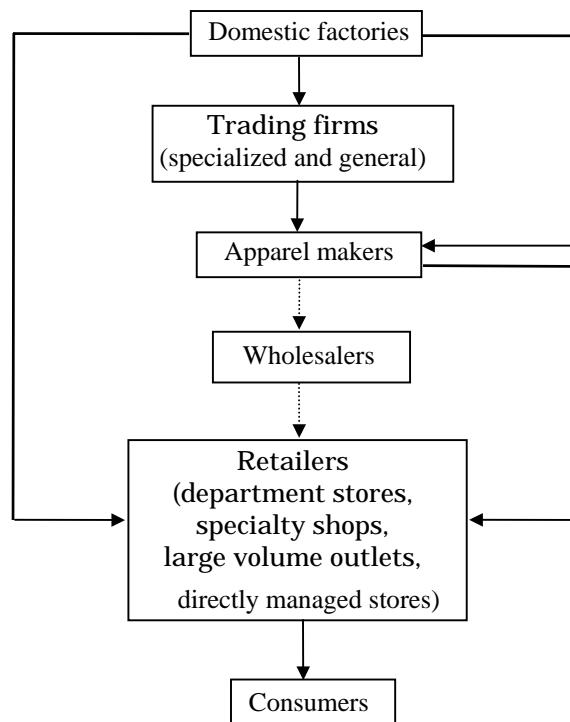
A. Distribution Channels

Distribution channels for clothes which end up with general consumers are shown below. The same channels are used for baby and children's wear.

1. Domestic Products

In some cases, products made in Japan pass through trading firms while in others, they do not. In recent years, apparel makers tend to avoid risks even by paying margins to trading firms. On the contrary, in many instances wholesalers are omitted to cut distribution costs.

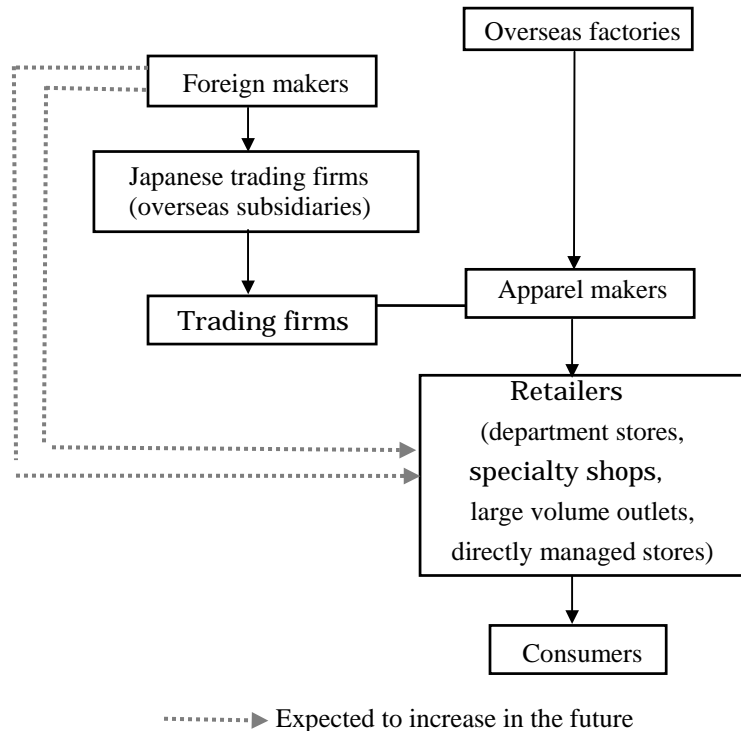
Fig. 6 Distribution channels for baby and children's wear (domestic products)



2. Imported Products

Distribution channels for imported products, including products made overseas under contract, are shown below.

Fig. 7 Distribution channels for baby and children's wear (imported products)



3. Trends of Retailers

Among retailers, large volume outlets are good at selling children's wear while department stores are good at selling baby wear. But the demand for baby wear consists mainly of gifts, hence department stores' sales have continued to decrease slightly in recent years. Although specialty shops have declined in number, some have boosted their sales. Overall, SPAs have become more powerful than stores that have a full array of merchandise, regardless of whether they are Japanese or foreign-affiliated.

At present, emphasis in the baby and children's wear industry is on how to reduce the time needed from product order to sales. The situation that surrounds the industry is expected to become increasingly severe owing to a dwindling number of children and other factors. It is felt that SPAs, which manage all processes from order and manufacturing to sales, preclude product losses and save costs and time that arise when outsourcing production and other operations, will survive in the competition.

4. Leading Companies in Japan

Major apparel makers in Japan, their sales, and percentages of sales by distribution channel are given below.

Table 5 Sales of major apparel makers and breakdown of sales by distribution channel

(Unit: 1 million yen, %)

Company	Sales	Percentages of sales by distribution channel					
		Department stores	Specialty shops	Directly managed stores	Large volume outlets	Mail-order sales	Other
Miki Shoko	37,127	-	37.0	43.0	-	-	20.0
Bebe	29,690	46.2	30.4	23.4	-	-	-
Fusen-Usagi	27,892	65.0	32.0	-	-	-	3.0
Five Foxes	26,607	90.0	-	-	-	-	-
Rio Yokoyama	18,600	20.0	50.0	30.0	-	-	-
Familia	18,160	33.7	-	45.3	-	3.5	17.5
Narumiya International	14,696	20.0	30.0	50.0	-	-	-
Marutaka Iryo	13,870	15.0	17.0	24.0	39.0	-	5.0

[Note] Sales figures are those reported at the end of each company's fiscal term between June 1998 and March 1999.

[Source] "White Paper on Children's Wear 2000," Nihon Sen-i Shimbun

B. Trade Practices

Not only in the children's wear industry but in all other forms of Japanese industry there is a custom whereby business is done through oral promises, rather than with written contracts. Although most Japanese companies enter into contracts when transacting with foreign firms. Therefore, this trade practice should not be a problem, but foreign firms should be aware of it as a business practice in Japan.

Recent changes in Japanese trade practices include the sales patterns of retailers. Formerly, retailers purchased all products and sold them. But recent years have witnessed a growing number of consignment sales wherein retailers can return unsold goods to wholesalers and manufacturers.

C. Retail Prices

The retail price range for baby and children's wear by major item and distribution channel is shown in Table 6 and 7. Retail prices vary from firm to firm, but in the instance of Foreign Affiliate A, its selling prices in Japan are set at about 1.7 times what they maintain at home.

1. Baby Wear

Table 6 Retail prices for baby wear (as of Nov. 1999)

(Unit: yen)

Item	Apparel makers	Department stores and specialty shops	Large volume outlets
T shirts	2,800 ~ 5,900	3,900 ~ 5,900	890 ~ 1,900
Coveralls	3,900 ~ 11,000	5,900 ~ 11,000	490 ~ 2,900
Combination dresses	4,500 ~ 6,500	5,900 ~ 6,900	690 ~ 1,900
Jumpers	Around 9,800	8,900 ~ 16,000	490 ~ 2,900
Trainer suits	3,600 ~ 6,900	Around 5,000	1,000 ~ 2,900
Pants	3,900 ~ 8,900	3,900 ~ 6,900	1,000 ~ 1,500
Blouses	2,900 ~ 6,800	-	890 ~ 1,500
Rompers	5,000 ~ 9,800	3,900 ~ 7,600	490 ~ 1,400
One-piece dresses	2,900 ~ 7,900 10,000 ~ 15,000	Around 10,000	1,500 ~ 3,900
Next-to-skin wear	1,000 ~ 1,600	1,000 ~ 2,300	500 ~ 700

[Source] Dai-Ichi Kangyo Research Institute using data from interviews with some companies and other data

2. Children's Wear (toddlers and schoolchildren)

Table 7 Retail prices for children's wear (as of Nov. 1999)

(Unit: yen)

Item	Apparel makers	Department stores and specialty shops	Large volume outlets
T shirts	2,900 ~ 3,900	2,900 ~	490 ~ 1,900
Wool coats	20,000 ~ 30,000	20,000 ~ 30,000	-
Non-wool coats	7,800 ~ 19,000	Around 12,000	1,900 ~ 3,900
Jackets	6,500 ~ 12,000	9,500 ~ 20,000	890 ~ 2,900
Shirts, blouses	4,500 ~ 5,000	3,000 ~ 7,000	Around 890
Jumper skirts	7,900 ~ 8,900	3,900 ~ 7,800	890 ~ 1,900
Sweaters	4,500 ~ 8,500	Around 10,000	1,500 ~ 1,900
Trainer suits	3,900 ~ 7,900	3,900 ~ 6,600	890 ~ 2,900
Bottoms (pants, skirts)	4,500 ~ 7,900	4,000 ~ 8,300	890 ~ 1,900
One-piece dresses	4,900 ~ 7,800 9,900 ~ 20,000	Around 8,000	890 ~ 2,900

[Source] Same as Table 6.

D. Margins

Retail margins vary according to distribution channel. In the case of Firm B, for example, a 35-40% margin is paid to retailers for products that go through intermediaries and can be returned if unsold. Around a 50% margin goes to retailers if products do not go through intermediaries and are bought by the retailer. About a 60% margin is paid to retailers if products do not go through intermediaries and advertising costs are borne by the retailers.

IV. Advice on Access to the Japanese Market

A. Market Trends and Needs

1. Baby Wear

Much of the demand for baby wear consists of gifts, and Japanese consumers tend to like clothes in pastel and bright colors. As mentioned before, restrictions are imposed on the use of formaldehyde in Japan and products found to contain more formaldehyde than the set reference value can not be sold in the country. Companies inspect their products for formaldehyde and some take thoroughgoing measures such as laundering their imported products before putting them on sale. Some companies use no formaldehyde for baby wear earmarked for marketing in Japan. Moreover, since baby wear is often sold in the same section or on the same floor as children's and adults' wear on which the use of formaldehyde is not restricted, department stores and other outlets often sell them in sealed plastic bags.

2. Toddlers' Wear

Toddlers' wear is for nursery school or kindergarten pupils, three to five years old. Families that have children in this age bracket can afford to spend more on clothes for their offspring as educational expenses have yet to mount. Thus, toddlers' wear represents a relatively stable market segment for baby and children's wear.

Because parents choose clothes for children in this age bracket, it is important to offer garments that appeal to the taste of young mothers.

3. Schoolchildren's Wear

As grammar school students proceed to higher grades, they tend to like clothes intended for older children, closer to what adults wear. Moreover, children of this age grow fast, soon outgrowing their clothes, and many families that have kids of this age are in a period when they must repay housing loans and foot the bill for educational and other expenses. Accordingly, most of them do not spend much on clothes for their children.

Schoolchildren's wear has a very large number of sizes compared with other categories of clothes, including those for adults. This makes it necessary to produce garments of the same design in many sizes, boosting manufacturing costs.

Consequently, many outlets, particularly department stores, tend to reduce floor space for schoolchildren's wear, a relatively unstable market segment. Too, apparel makers are inclined to cut back on sales of schoolchildren's wear and shift to the more stable toddler market.

4. Distinctive Features of the Market

Japan's overall baby and children's wear market has following two salient features.

a. Shift to Adult Fashions

Japan's children's wear market in recent years has tended to shift to adult fashions, a tendency particularly remarkable in schoolchildren's wear, where the change is from clothes for children to smart clothes or cool, casual fashions for adults. Instead of frilly stuff for kids that their grandparents liked, clothes downsized from what adults wear are on the increase.

Because the children of postwar baby boomers, who have matured to become parents, reportedly are the most fashion conscious among all generations today and choose for their offspring clothes that suit their own taste, adult-type fashions for youngsters have become something of a rage. Also, if children's clothing is available at the shops or those retailing brand-name products familiar to them when still single, they are highly inclined to buy. These facts have prompted the trend of children's clothes shifting to adult fashions.

b. Proposals for Families

Recently, many young fathers have played an active role in rearing their children and they are often seen to wheel their baby in a cart while shopping and elsewhere. When playing with their children, fathers want to wear clothes that are similar to their kids', and a growing number of "papas" join their wives in choosing clothes for their offspring.

Influenced by this, an increasing number of outlets now tend to make proposals for merchandise with families in mind. Large shopping centers in the suburbs and foreign-affiliated SPAs as well as Japanese apparel makers have started to handle both adult and children's wear and develop an environment in which parents and their offspring can purchase clothes of similar taste in one outlet.

5. Other Advice

a. Size

Children in Japan often differ from those in other countries in body size and lengths of arms and legs. In particular, Western clothes for babies and toddlers that are slipped over the head are sometimes hard to put on or cannot be put on at all owing to the dissimilarity of head size. This point merits attention.

b. Materials

A distinctive feature of clothes for babies and children with especially sensitive skin is that many are made of cotton. Children's wear is frequently washed and therefore must be made of durable material. Furthermore, products that can be washed at home are preferred even if hand-washing is the only way.

c. Seasons

There are four seasons in Japan, and stores offer garments made of materials suitable for each corresponding to changes in temperature and weather conditions. Clothes imported from

countries that have no distinctive seasons are sometimes not suitable for Japan's seasonal change. While foreign firms will have to take various measures depending on their method of joining the Japanese market, they should bear in mind that the Japanese are quite sensitive with respect to the turn of seasons.

d. Ambience

In addition to conducting prior market research on the color and design tastes of the Japanese, it is necessary to know the environment in which Western attire is worn. Clothes give diverse impressions according to their ambience as determined by the sun and sky, trees and the color of buildings. It is important to identify the colors and designs of clothes that suit the Japanese when they wear them.

e. Other

With products exported to Japan, particularly printed shirts sent by ship in summer, patterns may fade or come off owing to heat, sticking to other shirts, etc. Or insects may invade clothing during shipment. Although the clothes are inspected in Japan, full attention should be paid to this point.

B. Patterns of Market Entry

There are various ways to enter the Japanese market, such as first establishing foothold by participating in trade fairs and exhibitions, tying up with a Japanese firm in the capacity of an overseas manufacturer, selling directly to wholesalers and/or retailers, and dealing with trading firms or retailers (department stores, large volume outlets, specialty shops, etc.). Foreign firms can also enter the market as a retailer or an SPA and sell directly to consumers via mail-order. Important points for each pattern of market entry are as follows.

1. Manufacturing Abroad

Recently, as Japanese production abroad has continued to increase, it has great possibilities to join the Japanese market in the capacity of an overseas manufacturer by, for example, tying up with local Japanese trading firms or forming a direct alliance with a Japanese maker.

2. Selling to Trading Firms

When selling to trading firms, products may be handled as one of many brand products the firm deals in. Therefore, if the products do not sell well, there is a risk that the trading firms easily switch over to other brand products that may sell well. This pattern of market entry, however, enables foreign companies to leave sales and other operations to the trading firm, which is less risky.

3. Joining as an SPA

SPAs have been remarkably active lately in the Japanese market, regardless of Japanese or

foreign-affiliated firm. They take great risks because they manage all processes from order acceptance and manufacturing to sales, but this pattern of market entry enables foreign firms to produce and sell in a timely manner goods that meet the needs of the Japanese market, as well as manufacture at low cost.

V. Reference Materials

A. Related Trade Fairs and Exhibitions

Among the exhibitions related to baby and children's wear held on a regular basis is the International Fashion Fair organized by Senken Shimbun (details given below). There are few foreign firms specializing in baby and children's wear operating in Japan and representatives from many specialty shops seeking imported goods are expected to gather at the fair.

Name:	International Fashion Fair (IFF)
Organizer:	Senken Shimbun (Inquiries should be addressed to the IFF secretariat located in the newspaper publisher)
Period:	The Autumn/Winter Fair to be held in the middle of January and the Spring/Summer Fair in late July. The Autumn/Winter held in January 2000 will mark the first of the series.
Venue:	Tokyo International Exhibition Hall
Description:	A trade fair for fashion-related consumer goods from all over the world, including baby and children's wear, gentlemen's and ladies' wear, inner wear, lingerie, and accessories. Many buyers mainly from specialty shops will gather. Applications for participation in the next fair will be accepted at the site. Reviews may be conducted.

Japanese manufacturers usually hold their own fairs and exhibitions, hence few general exhibitions are held on a regular basis. Foreign firms can gain inroads to the Japanese market by exhibiting at fairs sponsored by embassies and foreign chambers of commerce and industry in Japan.

B. Related Organization

The following are organizations related to baby and children's wear in Japan.

1. Governmental Agencies

a. Ministry of Health and Welfare

Office of Environmental Chemicals Safety, Environmental Health Bureau
1-2-2 Kasumigaseki, Chiyoda-ku, Tokyo 100-8045
Phone: 03-3503-1711

b. Ministry of International Trade and Industry

Consumer Affairs Section, Industrial Policy Bureau and
Import Division, Wild Fauna and Flora Control Unit, International Trade
Administration Bureau,
1-3-1, Kasumigaseki, Chiyoda-ku, Tokyo 100-8901
Phone: 03-3501-1511

c. Fair Trade Commission

1-1-1, Kasumigaseki, Chiyoda-ku, Tokyo 100-8987

Phone: 03-3581-5471

2. Trade Organizations

a. Tokyo Women's and Children's Wear Manufacturers Association

2-4-9 Iwamoto-cho, Chiyoda-ku, Tokyo 101-0032

URL: <http://www.fcc.co.jp/twca>

Phone: 03-3861-5141

Facsimile: 03-3864-9394

b. Japan Apparel Industry Council

TFT building East Wing 9th Floor, 3-1 Ariake, Koto-ku, Tokyo 135-8071

URL: <http://www.jaic.co.jp>

Phone: 03-5530-5481

Facsimile: 03-5530-5482

3. Other Organizations

a. Manufactured Imports Promotion Organization (MIPRO)

World Import Mart Building 6th Floor, 3-1-3 Higashi-Ikebukuro, Toshima-ku,
Tokyo 170-8630

Phone: 03-3989-5151

b. Japan Synthetic Textile Inspection Institute Foundation

Mitsui Annex No. 2, 4-4-20 Nihonbashi-Hongokucho, Chuo-ku, Tokyo 103-0021

Phone: 03-3241-7309

c. Nihon Sen-i Shimbun

1-13-12 Nihonbashi-Muromachi, Chuo-ku, Tokyo 103-0022

Phone: 03-3270-1661