



A Look at Japan's Pottery Market

Drafted by: Intern Phoebe Wong
Edited by: Specialist Yoshiko Okamoto
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Overview of Japan's Pottery Market

Introduction

With a history of pottery production dating back to 10,500 AD, Japan has a long and rich ceramic culture that has managed to preserve the various ancient firing styles while embracing Asian and European imports in the form of personal use, as well as gifting.

Nonetheless, valued at 165 billion JPY (1.363 billion USD¹) in 2015, the Japanese pottery market has been struggling to make great strides in the past decade largely due to a diminishing demand for ceramic products. While from a numbers point of view the future of the industry looks somewhat bleak, companies can secure a piece of the pie with a clear brand image and effective marketing strategies.

This report will examine the pottery market of Japan through taking a close look at the major brands in Japan, product trends, distribution channels, and provide market recommendations for potential players.

Market Size

The Japanese pottery market, alongside of the entire tableware industry, has overall not seen substantial growth in the past ten years. According to the Ministry of Economy, Trade and Industry (METI), from 2005 to 2009, the market shrunk by 24% from 187 billion JPY (1.548 billion USD) to 142 billion JPY (1.173 billion USD)². While it has managed to regain a portion of its loss since the 2008 financial crisis, as seen in Figure 1, the market is still struggling to reach the height it saw in 2005 and establish a steady rate of growth with a projected 165 billion JPY (1.363 billion USD).

¹ This report uses a 1 USD = 121.05 JPY currency exchange rate unless stated otherwise.

² Yano Research Institute, "Home Fashion Brand 2015".

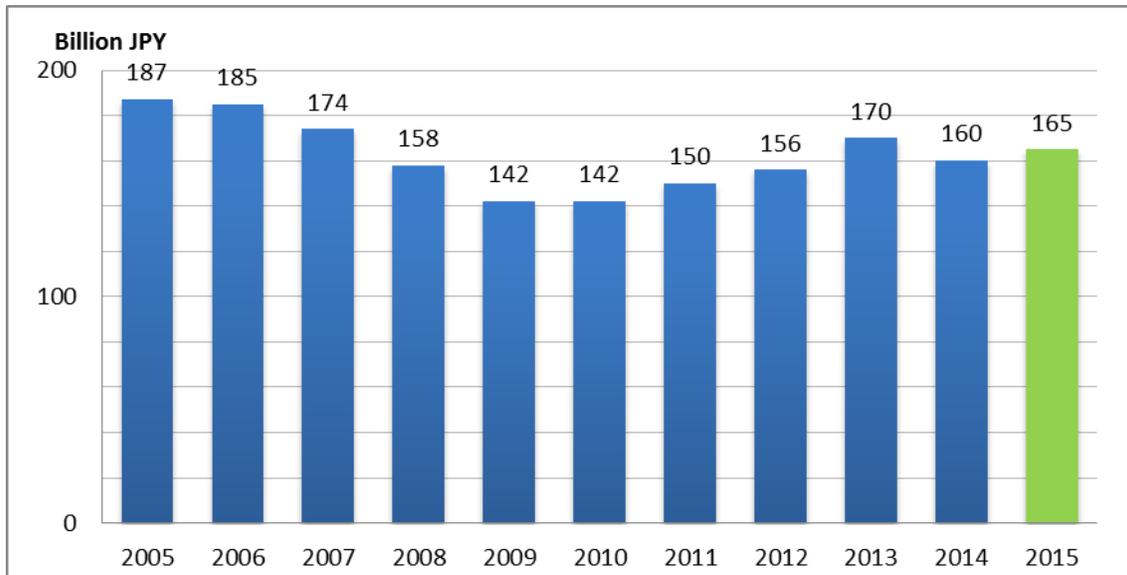


Figure 1. Japanese Pottery Market Size 2005-2015.

While European brands have in recent years attempted to strengthen their daily-use product line by lowering its price point, their effort has delivered little result in face of more affordable options from large-scale retailers and home improvement stores. Beginning from 2013, what became prominent was not only the return led by companies like Richard Ginori to target affluent consumers but also the expansion of their retail presence in outlet malls, which have in recent years become many young people’s preferred shopping destination. With an array of products that ranges from economic options to luxury items, these companies intend to rejuvenate the pottery market.

Nonetheless, in 2014, the increase in sales tax and the resulting price surge weakened consumer demand. As the 8% sales tax began to sink in, sales figures are expected to warm up once again, as projection for 2015 indicates a 3% growth of the pottery market.

In terms of production, as show in in Figure 2, Japanese pottery production has been on a downward trend since 2006 and decreased by 15.1% in value and 14.3% in tonnage in 2014³.

³ Yano Research Institute, “Home Fashion Brand 2015”.

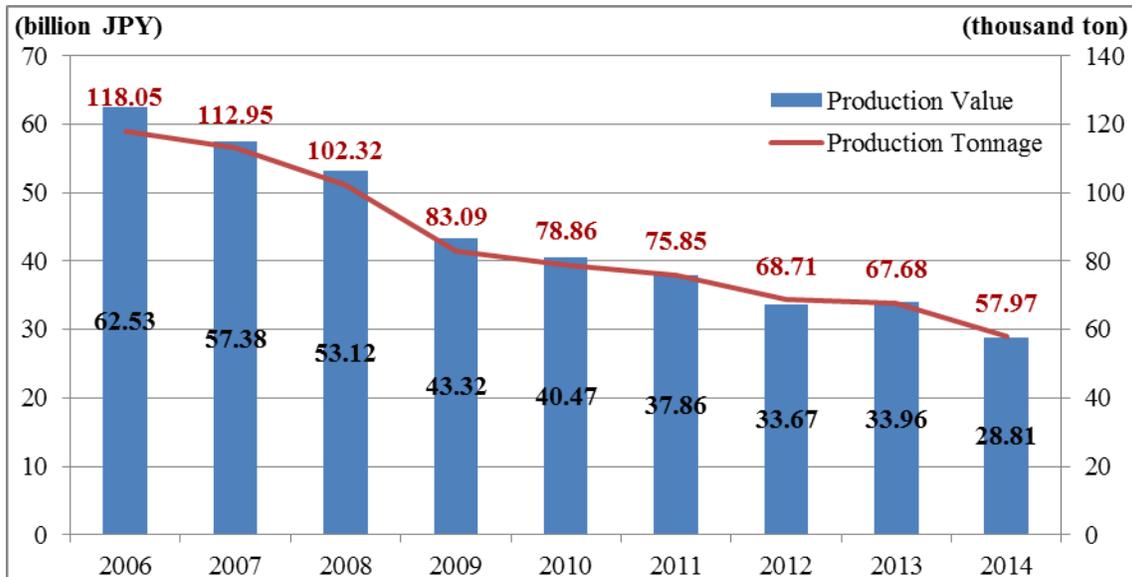


Figure 2. Japanese Pottery Production in Value and Tonnage

Import Trends

Following the 2008 Financial Crisis, the import market of pottery goods hit bottom in 2009 with a 20% reduction in value and 2% drop in import amount. As illustrated in Figure 3, the import side of the market has seen some progress in recovery. However, in 2014, the import pottery market in Japan shrank 17.2% in tonnage and 0.3% in value, which can be explained by a cheap yen that has driven up the price⁴.

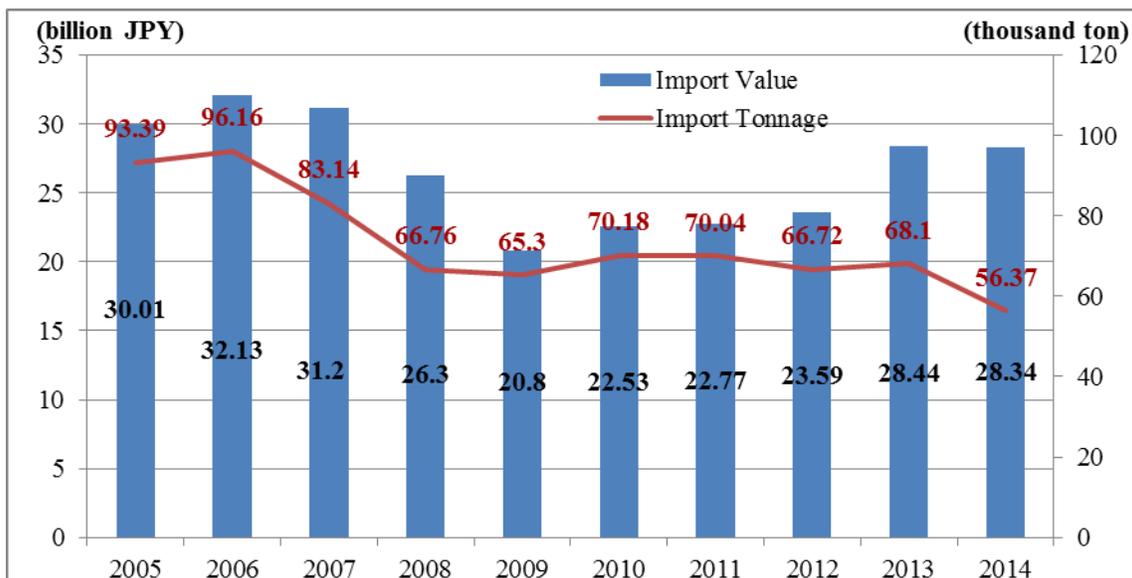


Figure 3. Imported Pottery Value and Tonnage 2005-2014.

⁴ Yano Research Institute, "Home Fashion Brand 2015".

Figure 4 is a demonstration of the major pottery exporters to Japan in 2014. As usual, Japan imports more than half of its pottery from China. Finland and Indonesia's share of the market have also been on the rise in recent years, leaving the U.K. and Germany out of the top four position⁵.

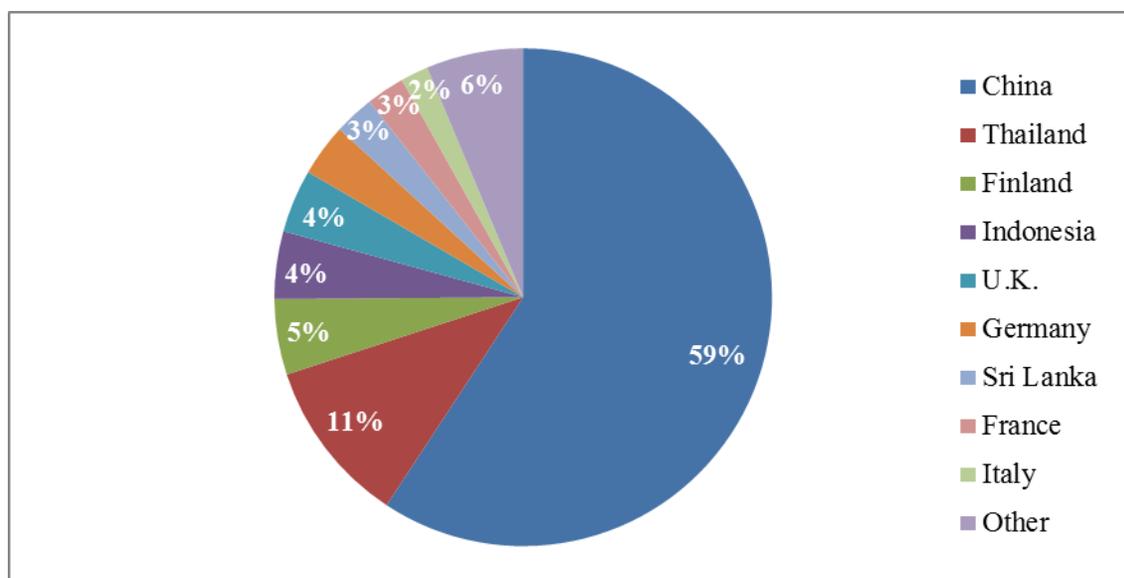


Figure 4. Major Pottery Export to Japan in 2014 by Total Value.

Product Trends

A recent influx of cheap products into dollar stores and large-scale retailers has driven the price down and diluted the pottery tableware market as a whole. Consumers appear to be satisfied with products found at IKEA and Nitori that are affordable without compromising on quality and design, which has in turn established a new set of expectations among customers, where the affordability of an item has become the most determining factor when making a purchase.

In face of this reality with a weaker yen, in 2013 European brands decided to increase its price point across the board to appear more high-end and avoid competition with the likes of IKEA and Nitori, targeting consumers that are willing to pay more for a luxury lifestyle. At the same time, many of these companies have also developed entry-level products that are more affordable in order to lure new customers and limited edition/collectible items to retain their existing client base.

In terms of trending styles, white and minimalistic designs have become popular in recent years; the fact that they tend to be cheaper than items with complex patterns also propelled their success.

In recent years, many companies that have previously focused on ceramic tableware have rapidly branched out to developing décor, cutlery, and glassware items – making them full-fledged

⁵ Yano Research Institute, "Home Fashion Brand 2015".

lifestyle brands that can offer a one-stop shopping experience for all the necessary kitchen needs and beyond. To increase consumer demand, it is important for businesses to refresh its lineup often with seasonal products through strong merchandising strategies.

Notable Imported Brands

Wedgewood

Utilizing its brand reputation as the official pottery maker for the British Royal Family, Wedgewood is able to reach a wide range of customers with a variety of products. In addition to tableware, Wedgewood in recent years have also included interior décor items, picture frames, and clocks to its lineup, furthering the depth of the brand. Its pre-selected table settings provide customers with inspirations for personal decorations, wedding arrangement, and gifting needs. Wedgewood products can also be found in catalogues aiming at affluent members from credit card companies, which have played a significant role in boosting its sales figures. In addition, to strengthen its online sales, the company's official online shop launched the "Wedgewood E-Marriage" campaign in 2015 that offered gift wrapping and free shipping on certain wedding gift purchases.

Royal Copenhagen

From dinnerware to collectibles, from home décor to tea and gourmet, from textile to gifts, Royal Copenhagen's variety of merchandise has helped the company develop into a well-rounded houseware brand. In 2010, Royal Copenhagen launched its own online store, making it one of the first pottery makers to develop e-commerce in Japan. Its brand mook (a hybrid of book and magazine) online campaign and collaboration with female designers attracted many young people's attention, heightened their awareness of Royal Copenhagen's online presence, and successfully secured e-commerce as a steady revenue stream. In terms of retail, in addition to its 40 locations in department stores across the country and two flagship stores in Tokyo and Osaka, the pottery brand has also begun entering into outlet space. Its physical stores incorporate Scandinavian elements and color schemes, promoting a casual and modern lifestyle as its design concept. Its collaboration with *ekinaka* (shopping complexes inside of train stations) restaurants also intends to create an accessible image and expands its customer base.

Richard Ginori

When its Italian parent company regained 100% control of the brand, Richard Ginori shifted from Itochu's (its former distributor in Japan) expansionist strategy to a more profit-oriented model. Focusing on a face-to-face retail experience, Richard Ginori has been aiming to build strong relations with its customers and actively engaging in collaborations and campaigns with specific department stores. In 2014, its "Make Your Own Time" event at Isetan Shinjuku featured original font designs exclusive for this promotion, where customers were able to freely arrange letters and numbers with the assistance of designers on the spot to custom order a

Richard Ginori plate or mug that is one and only in the world (The items were delivered 3 months later). This campaign was a huge success, as customers appreciated Richard Ginori's effort to promote individuality with fashionable designs. The Italian pottery maker also periodically launches exhibits of limited edition products along with live demonstration of ceramic painting to boost sales in department stores. At the *Irodori Festival* at Mitsukoshi Ginza, Richard Ginori released its new Catene collection with the help of famous interior designer Sakuhara Fumiko. Additionally, the brand collaborated with CAFETTERIA Al Porto in Matsuzakaya Nagoya, where customers were able to get their hands on Richard Ginori tableware when they ordered off the special menu and receive 5% off on its Vecchio White series tableware at the department store.

In 2013, the company was declared bankrupt but later acquired by Gucci. In 2014, Richard Ginori revamped its lineup through new designs and color palettes to create a new image for the brand. As it welcomed its 280th anniversary in 2015, the company released a special product line along with successful media campaigns and promotions to commemorate this special occasion.

Villeroy & Boch

Originally a pottery manufacturer that started in France but now headquarters in Germany, Villeroy and Boch now produces not only tableware but also cutlery, glassware, and interior accessories; design service is also available upon request. Its most popular product line consists of "Switch Concept", where the same pattern is utilized in different colors and designs. Centered around key words such as design, quality, and cuteness, Villeroy & Boch releases new items every season.

As one of the later companies to enter the Japanese market, Villeroy & Boch had been gradually increasing its market share since 1997. However, the 2008 Financial Crisis has caused its growth to stagnate. While the company has been struggling in Japan compared to its performance elsewhere in the world, it plans to expand into more department stores as well as outlet spaces to increase growth. As of August 2016, Villeroy & Boch has one store in Roppongi and three outlet stores in Kanto Region that are directly managed by the company, as well as sixty department store locations throughout the country. The German pottery maker aims to expand its client base through increasing number of its physical locations and launching more promotions.

iittala, ARABIA

While iittala started out with and continues to specialize in glassware, its ceramic lineup has grown to make up nearly half of its overall sales. The brand's main design characteristic is its minimalistic yet bold use of color that is unique and representative of the four seasons.

ARABIA is most well-known for its Moomin series, loved by customers from all age groups. One can say that this series is what helped solidify ARABIA's position in the Japanese pottery market.

Both brands, of Scandinavian emphasis, entered the playing field relatively late in 1998. However, they have had success, and now distinguish themselves as a one-stop shopping destinations for all kitchen needs regardless of the Scandinavian trend. Offering glassware, pottery, cutlery, and cooking utensils, both iitala and ARABIA maintain a solid presence in the market.

Distribution Channels

As seen in figure 5, while the overall trend of the tableware industry is leaning toward low-price retailers such as home improvement stores and wholesalers, the consumer psyche has changed post 3/11, where people’s desire to purchase high-end brand items from department stores and specialized retailers has been on the rise.

New ways of product distribution have also emerged in recent years. Many companies have expanded into online channels, mail-in catalogue and outlet malls to scale up their business.

E-commerce and infomercials have been rapidly increasing in recent years, where online sales in particular becoming an indispensable channel that is able to fit the needs of modern shoppers with speedy turnaround time and an inventory larger than regular storefronts. Through online, print, and television advertisement, companies are effectively engaging customers across platforms and sales through these channels are expected to continuously grow. In terms of catalog orders, Ringbell, Japan’s largest gift catalog business, has dedicated substantial effort to promote pottery products. Gathering a number of both domestic and European makers, some companies have even developed Ringbell exclusive items.

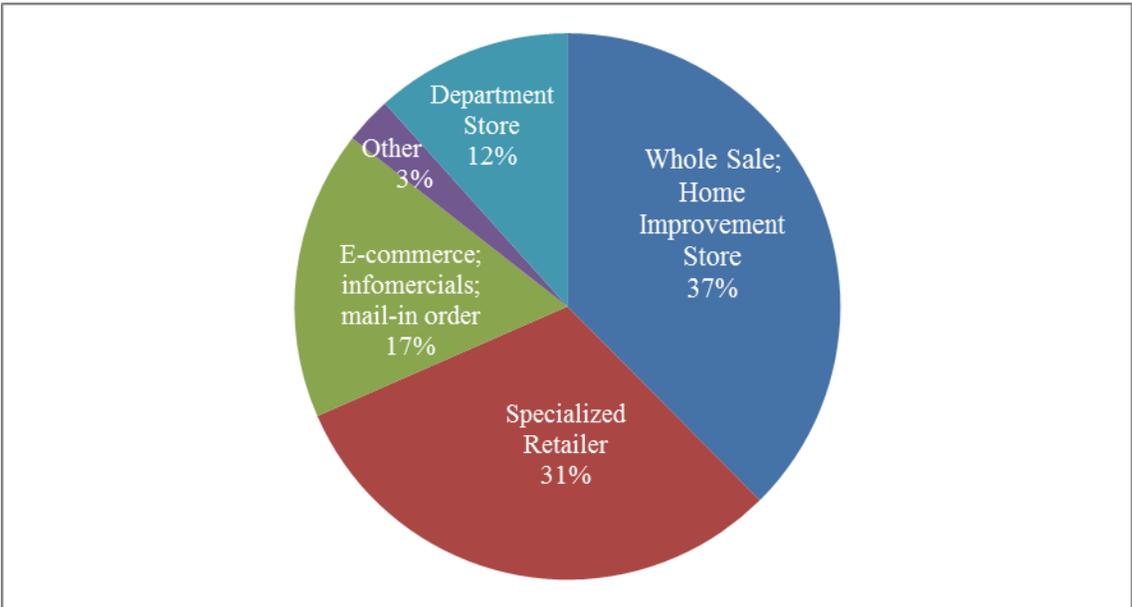


Figure 5. Distribution Channels of Kitchen Tableware in Japan 2014.

Outlet malls fall under the Specialized Retailer and Other categories, which have in recent years established themselves as a trusted marketplace that offers good quality brand name products without breaking the bank. Not only has having outlet locations increased regular stores inventory turnover ratio, it has also acted as an easily accessible entry point for new customers. As pottery brands continue to expand and transform themselves into full-fledged housewares shops, the spacious storefronts outlet malls are capable of offering are far more effective in demonstrating a brand’s design values than department store pricey yet limited retail space.

Trends of licensing

As shown in Figure 6, the retail market for licensed pottery, glassware, and cutlery products has been on a steady decline since 2003 from 17.3 billion JPY (142 million USD) to a projected 5.2 billion JPY (42 million USD) in 2014⁶. With the industry roughly divided into high-end and economic options, the underwhelming performance of imported luxury products is believed to be a product of the overall downturn of the pottery market. Also seen among domestic brands, the decline in gifting needs and individual collectors has substantially hurt the pottery business.

Licensed pottery brands tend to fall under the categorization of high-end products that are predominantly purchased for gifting needs; yet, such demands have significantly weakened in recent years. Given the performance of licensee companies, not only is there a lack of noticeable growth among their brands, they are in fact downsizing and this trend is expected to persist in the future if their strategies do not shift from a gifting-focused plan to one that is lifestyle-oriented.

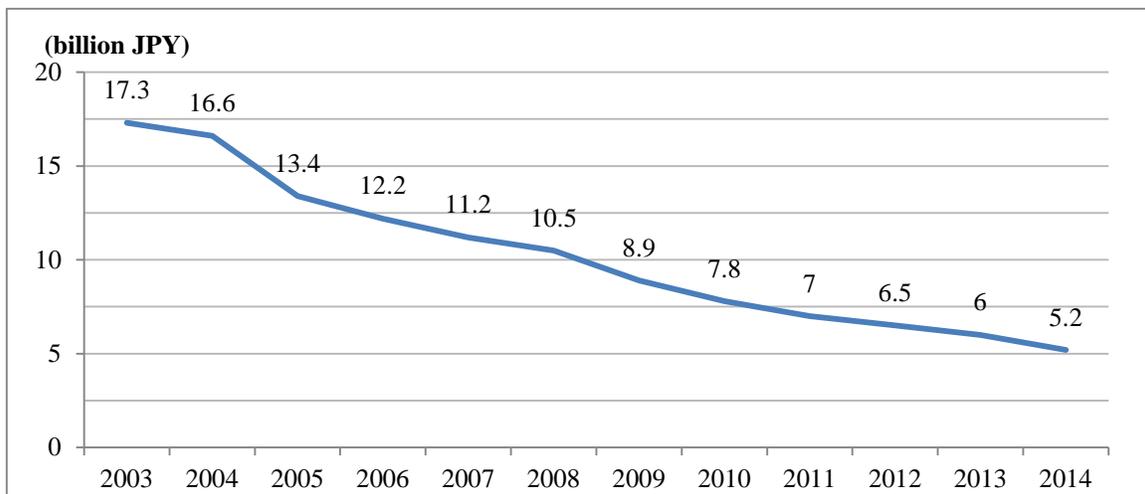


Figure 6. Retail Sales of Licensed Pottery, Glassware, and Cutlery Products 2003-2014.

Market Recommendations

As demonstrated above, from a production and import standpoint, Japan’s pottery market is overall in decline with no clear winner among the imported brands.

⁶ Yano Research Institute, “Home Fashion Brand 2015”.

While many companies are trying to maximize market share by covering all grounds – having both luxury and low-priced items, the subsequent dilemma these businesses face is their struggle to establish a clear brand image. The diminishing demand for expensive tableware as personal and corporate gift makes it challenging for companies to stay exclusively high-end. Meanwhile, having an affordable line of merchandise could potentially jeopardize the regal image these brands have fought hard to establish and still fail to come out ahead competing against big box stores like IKEA and Nitori.

This report suggests that having a clear market positioning and interactive promotions (such as the Make Your Own Time campaign by Richard Ginori) can leave a lasting impression among shoppers and convert them into sustainable clientele.

Furthermore, for brands looking for Japanese partners, one should be expected to invest significant time and resources to woo potential partners. No matter how famous the brand may be outside of Japan, given the market trends highlighted in this report, the desire to take on new products and brands is weak. Brands must have Japanese marketing materials and effective proposals to convince companies to begin internal deliberations to even agree to initial meetings. It is very important to note that Japanese companies do not have introductory meetings if the prospect of business is minimal, as they want to preserve face among both parties. For brands that have little recognition in Japan, the burden of convincing Japanese to come to the table falls on the brand, and statistics, catch phrases, and market potential must be demonstrated.

Japanese buyers also target certain tradeshows and companies interested in the Japanese market are expected to pay the costs of exhibiting to demonstrate market commitment through a pre-existing platform for business.

For more information and initial counseling, please contact Consumer Goods Specialist Yoshiko Okamoto at (Yoshiko.Okamoto@trade.gov).

Trade events are also recommended below.

Trade Events

Interior Lifestyle Tokyo

<http://interiorlifestyle-tokyo.jp.messefrankfurt.com/tokyo/ja/visitors/welcome.html>

Tokyo International Gift Show

<http://www.giftshow.co.jp/>

Gourmet and Dining Style Show

<http://www.gourmetdiningstyleshow.com/20gds/pdf/gds21overview.pdf>