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**A retail financial services growth market
for the 2010s**

Japan's population of singles aged 40 or older is projected to continue growing for a while. In Japan's highly mature retail financial services market, financial institutions would be well-advised to develop financial products and services targeted at this market segment ahead of the competition.

Singles over 40 continue to grow in number

With Japan in the midst of a long-term decline in population and households, its retail financial services market is highly mature. Additionally, personal incomes and household financial assets, both of which were hard-hit by the post-Lehman financial crisis and recent catastrophic earthquake, have stagnated to a greater extent than previously anticipated.

Major Japanese financial institutions are pursuing growth through overseas expansion while domestically focusing on cutting costs and improving operating efficiency.

However, even with the overall pie shrinking, growth markets still exist in Japan. One such market is single (i.e., never married, divorced, or widowed) men and women aged 40 and older.

While Japan's total population is projected to decline 0.5% over the five years through 2015, its populations of single men and women aged 40 and older are projected

to increase 19.4% and 12.3%, respectively, over the same timeframe (Exhibit 1).

This projected growth in singles over 40 amid a decline in the overall population reflects several trends, including growth in the number of working women, a trend toward marrying later, a rising divorce rate, and increased longevity.

Single women's inheritances and worries about their financial future present business opportunities

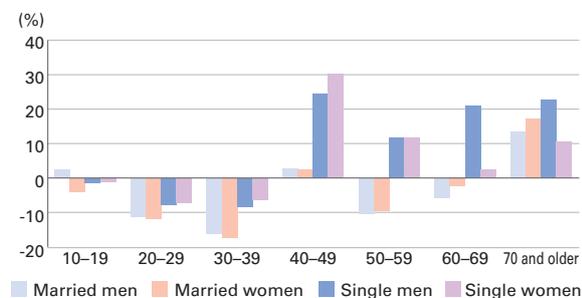
Among singles aged 40 and older, which is a more lucrative market for financial institutions: men or women?

The answer is women. In comparison to single men, single women are more likely to be employed as full-time, permanent employees and tend to have higher annual incomes and more financial assets that they personally manage, according to an NRI survey of 10,000 consumers conducted in November–December 2010. Single men, by contrast, are more likely to be employed in part-time or contract positions or unemployed. Overall, they tend to consequently have lower annual incomes and less personally managed financial assets than single women.

The survey data suggest that many single women over 40 have chosen to continue working at fulfilling jobs in lieu of marrying or are living comfortably off of assets inherited from their late husbands.

Moreover, an earlier NRI survey of 10,000 consumers (conducted in August 2009) found that among single women, those in their forties that live with their parents tend to be avid consumers that spend lavishly on overseas travel, sports club memberships, aesthetic spa treatments, concerts, online auctions, and so on. Single women

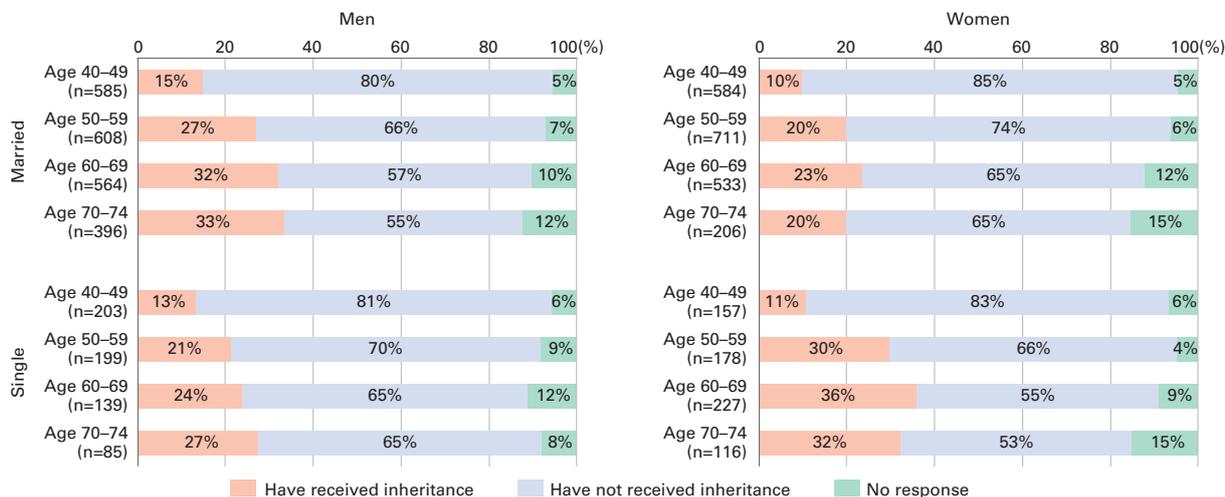
Exhibit 1. Projected population growth/decline by age bracket between 2010 and 2015



Source: National Institute of Population and Social Security Research, "Male and Female Populations by 5-year Age Bracket and Marital Status" in "Household Projections for Japan (Nationwide Estimates)" (March 2008)



Exhibit 2. Percentage of survey respondents who have received inheritances



Source: NRI's Questionnaire Survey of 10,000 Consumers (Financial Edition) (conducted November–December 2010)

therefore constitute a more lucrative market for consumer goods and services than single men.

Promising opportunities to provide financial services to single women over 40 include helping them with inheritances and alleviating their anxieties about their future standard of living. Women that live alone are the sole breadwinner in their households. They consequently cannot easily stop working, making them susceptible to stress. If they have children or parents to take care of, they need to accumulate assets to fund living expenses and pay for their children's education and/or nursing care for their parents. As free-spending single women in their forties approach 50, they tend to grow steadily more anxious about their future financial security.

In contrast, many single women in their 60s and 70s are financially well off by virtue of having inherited assets from their parents and/or husbands. From around the time they receive their inheritances, such women have a need for asset management services and assistance with various inheritance-related matters.

In sum, single women over 40 need financial services tailored to their respective life stages as a single woman.

Financial institutions should develop new products and services for non-traditional life stages

Do Japanese financial institutions offer financial products and services that meet the needs of single women over 40?

One that does is Suruga Bank, which launched a home loan program especially for women in August 2000. As of March 31, 2006, Suruga Bank had a total of ¥79.2 billion of such loans outstanding. Another is Aflac Japan, which in 2002 introduced EVER, a whole-life medical insurance product for women, to provide supplemental coverage for illnesses specific to females. Some 3.6 million EVER policies were in force as of March 31, 2010.

Although these financial products are not necessarily targeted exclusively at single women over 40, they are examples of companies that have succeeded in establishing women-oriented brands by responding early to women's' strong concerns about their future health and housing.

Financial institutions seeking to develop financial products or services for single women over 40 would be well-advised to consider individual annuities and high-touch



sales channels. Individual annuities' share of total financial assets is larger for single women than for married women in the same age bracket. In marketing individual annuities, financial institutions presumably emphasize that annuities are a means of accumulating savings for the future. Additionally, the aforementioned 2010 NRI survey found that single women in their forties and fifties are more inclined to seek a specialist's opinions or advice about financial matters than married women in the same age bracket. The survey also revealed that they prefer high-touch channels that afford access to advisors about financial planning and asset management. These findings imply big opportunities for financial institutions that are deeply rooted in their local communities and whose staff cultivate long-term personal relationships with customers –such as credit associations, credit unions, Japan Post Bank (post offices), and JA Bank—depending on how effectively they meet the needs of single women over 40.

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