

2006 Hit Products in Japan

- Hit Products for 2006 and Consumer Trends in 2007 -

The Key Phrase for 2006 Was

“Consumption 2.0 ~ Everyone Gets into the Act; Everyone Plays a Leading Role.”

During 2006, Japan’s economic recovery surpassed the Izanagi Boom, which lasted from November 1965 to July 1970, making it the first year of a new economic paradigm following the extended post-bubble structural reforms. Rather than a simple polarization of winners and losers reflected by social disparities, the new paradigm gives consumers the opportunity to “edit” their own lives and make improvements to suit themselves.

Consumption 2.0 ~ Everyone Gets into the Act; Everyone Plays a Leading Role and the Five Dynamics of Consumption

The keyword representing this year is “Web 2.0.” While the primary strengths of “Web 1.0” were reception and searching, Web 2.0 has taken us into the dimension of sharing and transmission. In the Web 2.0 world, a networking paradigm based on free participation, a concept diverging from conventional rules and mindsets has emerged.

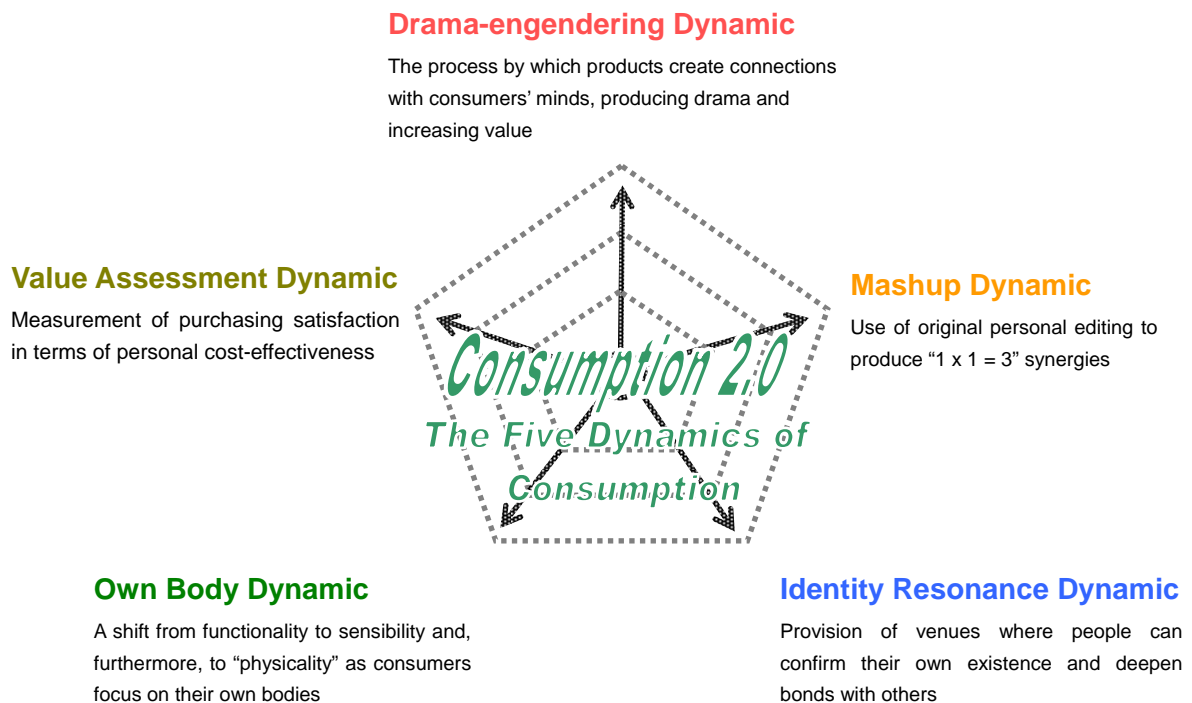
Just as C2C (consumer-to-consumer) communication is attracting serious attention in the consumption and marketing spheres, transmission by consumers has enhanced its influence. This is evidenced by the way in which blogs have acquired an identity as CGM (consumer-generated media) by forming SNS (social network service) communities and enhancing the degree of sharing as well as by successively producing charismatic bloggers and gathering the wisdom of crowds. It is clear beyond doubt that not only the Internet world but also consumer psychology and behavior have changed dramatically as a result. The report consequently treats this paradigm change in consumption, “Consumption 2.0,” as its major premise.

Consumers in the era of Consumption 2.0 will engage in ongoing personal participation, rather than simply consuming things provided by manufacturers and retailers. Though the degree of participation will vary, from customers who post user reviews actively in the virtual world in search of sharing/transmitting to those who have little desire for real world experiences, these circumstances, which secure the potential for everyone to say,

“I will/can play a leading role,” evoke the advent of an “era in which consumers and corporations resonate in harmony.”

In this participatory consumption, moreover, importance will be attached not only to the actual moment in which a product itself is purchased/consumed, but also to all the emotional transitions from the first encounter with the product to the final conclusion, like scenes unfolding in a story. The true product value will reside in the dynamics that thread through the stories in which bonds are woven between consumers and products.

Following the rankings of *2006 Hit Products in Japan*, the report summarizes the five dynamics of consumption (see the following diagram) that can be expected to power the Consumption 2.0 Era. It also presents predictions by the editors-in-chief of various trend-setting magazines* concerning items and phenomena that are likely to catch on in 2007 under the heading “Magazine Editors’ Predictions of Hit Products and Hot Topics for 2007.” These should prove useful as forecasts for next year’s hits.



*Participating magazines (in alphabetical order)

L25, LEON, Pen, R25, RAKUDA, smart, SOTOKOTO, VERY, and others.

★ 2006 Hit Products Top 10 List ★

1. Brain training products
2. Widescreen flat-panel televisions
3. *The Da Vinci Code*
4. HDD-equipped DVD recorders
5. High-performance portable game machines
6. 2006 FIFA World Cup Germany™
7. TORINO 2006 Olympic Winter Games
8. WBC (World Baseball Classic)
9. Music player-equipped mobile phones
10. 1-SEG compatible mobile phones

Runners-up:

11. Metabolic syndrome
12. Detox (detoxification/internal purification)
13. Optical fiber
14. Lower service fees, such as fixed-rate mobile phone charges
15. Portable digital AV players
16. Digital terrestrial/1-SEG broadcasting
17. SNS (social networking services)
18. Music distribution services
19. Mobile phone payment services
20. Mini-vehicles (engine displacement up to 660cc)

Note: The above products were chosen from approximately 150 popular items included in the Internet survey. The total scores in three categories — “recognition,” “have/had interest” and “is/was popular” — were calculated to determine the top products of 2006.

“Hit Product Recognition Survey” Overview

Survey period:	November 3 to 7, 2006
Respondents:	Men and women nationwide aged over 15
Sample size:	1,000 (responses received)
Survey type:	Closed Internet study
Method of selection:	Randomly selected from a list of registered monitors.

Top 10 Hit Products with Men and Women

Men's ratings

1. HDD-equipped DVD recorders
2. Widescreen flat-panel televisions
3. Brain training products
4. 2006 FIFA World Cup Germany™
5. WBC (World Baseball Classic)
6. 1-SEG compatible mobile phones
7. High-performance portable game machines
7. *The Da Vinci Code*
9. Optical fiber
10. Digital terrestrial/1-SEG broadcasting

Women's ratings

1. Brain training products
2. Detox (detoxification/internal purification)
3. *The Da Vinci Code*
4. Skin whiteners
5. Widescreen flat-panel televisions
6. Shampoos for Japanese women
7. TORINO 2006 Olympic Winter Games
8. Anti-aging
9. High-performance portable game machines
10. High cacao density chocolate products

Note: Results for the above ratings are from a survey of 500 men and 500 women.

Top 3 Hit Products in Each Survey Category

Recognition

1. Widescreen flat-panel televisions
2. Mobile phone payment services
3. Optical fiber

Have/had interest

1. Brain training products
2. Widescreen flat-panel televisions
3. HDD-equipped DVD recorders

Is/was popular

1. Brain training products+
2. *The Da Vinci Code*
3. High-performance portable game machines

Five Dynamics of Consumption

Drama-engendering Dynamic

The process by which products create connections with consumers' minds, producing drama and increasing value

Today, as we have attained the heights of material civilization and experienced such phenomena as the vanity of a bursting economic bubble, it might be said that “the best anniversary present a man can give his wife is to return home early and treat her to a home-cooked meal.”

Just as the center of gravity in values is shifting from “goods to phenomena and feelings,” so will values be enhanced and determined by the positives and negatives of events that occur in the process, or by the ways in which people become involved in these events.

- *The Da Vinci Code*
- Girls' in-store card games
- Patented local products

Magazine Editors' Predictions of Hit Products and Hot Topics for 2007

- Video posting sites
- Second homes
- Weekend farming (rental farmland)
- Anniversary business (as mainly retired baby-boomers give gifts and hold events for themselves and family members)
- The National Art Center, Tokyo
- Limited/made-to-order products

Mashup Dynamic

Use of original personal editing to produce “1 x 1 = 3” synergies

Products and services with a high-level synergy that seemed to attain a “1 x 1 = 3” equation by combining goods and brands in appeared on the scene. Consumers used their

own original “editing” processes to assemble a variety of things into one.

Instances of companies taking advantage of deregulation and other trends to offset market saturation through energetic creative marketing development were also increasingly apparent.

- Music player-equipped mobile phones
- 1-SEG compatible mobile phones
- Portable digital AV players

Magazine Editors’ Predictions of Hit Products and Hot Topics for 2007

- Networked home appliances
- Wireless broadband mobile phones
- Falling birthrate countermeasure services
- Mobile virtual network operator services
- Retrofuturism

Identity Resonance Dynamic

Provision of venues where people can confirm their own existence and deepen bonds with others

A flurry of large-scale international sports events held mainly in the first half of 2006, raised people’s consciousness of the Japanese nation in one way or another. Feelings of national identity were felt at a higher degree than usual by such events as the birth of Prince Hisahito, the nuclear bomb test conducted by North Korea, and the massive bestseller *Dignity of a Nation*.

Closer to home, the number of new SNS communities escalated. A phenomenon that saw people seeking harmony with society and deepening warmly considerate bonds within their groups stood out. This was seen in the mini social contribution movement and launches by rival publishing houses of magazines for fathers in their 30s and 40s aimed at the growing population of men who seek a work-life balance and who enjoy housework and childcare activities.

- 2006 FIFA World Cup Germany™
- TURIN 2006 Winter Olympic Games
- WBC (World Baseball Classic)

Magazine Editors' Predictions of Hit Products and Hot Topics for 2007

- Mobile phone SNS
- Happy retirement SNS
- “Cool Japan” reverse-import brands
- Street fashion children’s clothing
- Home helper robots

Own Body Dynamic

A shift from functionality to sensibility and, furthermore, to “physicality” as consumers focus on their own bodies

People’s interest in their own bodies is growing stronger. The sight of joggers with digital portable music players has become commonplace, and the desire for personal physical experiences is increasing, as seen in the attention paid to international air guitar contests and the popularity of participatory amusement and cultural facilities.

As for the internal body, people are also taking a deeper interest, which is reflected in the growing interest in brain training and detox, Pilates exercise programs and macrobiotics for treating the root causes of disease.

- Brain-training products
- High-performance portable game machines
- Metabolic syndrome

Magazine Editors' Predictions of Hit Products and Hot Topics for 2007

- Next-generation remote-controlled networking TV game machines
- Cell metabolism-enhancing health products
- Small-scale fitness clubs
- Health tourism

Value Assessment Dynamic

Measurement of purchasing satisfaction in terms of personal cost-effectiveness

The trend toward the entry of ultra upmarket products and the further increased appeal of low-priced products continues, accompanied by polarization among consumers in their responses to these phenomena and by modulated consumption.

Consumption patterns show purchasing being conducted with an increasingly discerning eye as consumers “purchase after examining what they are looking for,” not simply for reasons of short-term vanity or low prices.

• Widescreen flat-panel televisions • HDD-equipped DVD recorders • Lower service fees, such as fixed-rate mobile phone charges

Magazine Editors' Predictions of Hit Products and Hot Topics for 2007

- Tokyo Midtown
- Expensive high-function home appliances
- Upmarket food ingredients (name-brand tuna/salad vegetables, etc.)
- Return of the wristwatch
- Luxury cafés

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