1 Introduction

This chapter will investigate developments in the Japanese automobile market with regard to changing social and economic conditions over the last two or three decades. The research question is whether, and if yes, how the traditional national pattern of income distribution has changed, and how these changes influenced the market for automobiles. In particular, this chapter will examine what influence the financial crisis of 2008 had on Japan’s automobile market. However, more than in any other market and industry, developments in the automobile sector are determined by legal regulations in reaction to new social, environmental or safety requirements, by technical innovations, and by changing individual and collective attitudes and value perceptions towards cars, mobility and the modern lifestyle. Often in times of economic changes or crises, these factors coincide and accelerate development trends in the industry and the market. This has happened in the past, and there are signs that the financial crisis of 2008 might have boosted development of ecological cars and sustainable mobility, especially in Japan. ¹

Looking first at the scope and scale of the Japanese automobile industry, we have to state that next to China and the United States, Japan still is the third largest car producing country, as well as the third largest single automobile market in the world. However, due to the shift of markets and production to neighbouring economically evolving countries, the importance of Japan – both as a production location and a market – is shrinking. Already, since 2007, overseas production of Japanese manufacturers exceeds domestic production. In 2012, only 38.6% of all vehicles produced by Japanese manufacturers were still manufactured, and only 20.8% were also sold in Japan. ²
The Japanese car market has some special features. First, it is a mature market, mainly driven by replacement sales with ever-fewer first car buyers. Secondly, domestic brands account for more than 90% of sales. And thirdly, about one-third of all vehicles sold are mini cars with less than 660 cc cylinder capacity. This mini car segment, which is totally in the hands of domestic manufacturers, is also the only segment that is still growing after 1990, while the whole market has been more or less stagnating for more than two decades.

The main driving factors for this development have been, first, that with the beginning of the 1990s Japan’s demographic structure began to change remarkably as the share of elderly people increased. Secondly, with the burst of the economic bubble in the early 1990s, Japan’s economic and company systems underwent radical changes, which had considerable influence on people’s incomes and on consumer behaviour. And finally, attitudes, especially of young people, towards cars have been changing.

In this chapter, I will argue that the abovementioned factors have determined the development of the Japanese car market over more than two decades, and they will continue to do so in the future. I will show that the financial crisis, which heavily affected Japan’s merchandise economy, especially the export-oriented industries, had a strong, but only short-term, impact on the domestic automobile market. The crisis did not alter the long-term development course of the car market as it can be observed since the 1990s. It seems, however, as if the financial crisis has accelerated the shift towards ecologically friendly cars and sustainable mobility.

2 Social changes and macroeconomic developments

The development of consumer markets in Japan is increasingly influenced by the demographic change that set in around the mid-1980s and has been speeding up ever since. The rapid aging of Japan’s population brings about profound changes in households’ sizes, incomes and purchasing power. These changes are, of course, affecting all consumer markets, but the automobile market in particular. Also, in the long run, this demographic change will continue to be the single most important factor for the future development of the car market in Japan.

Projecting the demographic development until 2050, Figure 6.1 illustrates one trend, the quickly aging and declining Japanese population.3

The demographic development is especially affecting the automobile market negatively, since on the one hand, the group of first-time car