

# **An “Ageless” Perspective Can Stimulate the Development of Services Industries**

by Hideki Onodera  
Managing Director  
onod@nli-research.co.jp

## **Mismatch of Supply and Demand**

Even as Japan's economy continues to tread a typical recovery pattern led by external demand and the manufacturing sector, a sustained recovery will remain elusive without invigorating domestic demand. This means tackling the main cause of sluggish consumption—the structurally imbedded mismatch between supply and demand.

Professor John K. Galbraith has commented that while Japanese consumers are satiated with consumer goods, their demand for interesting and stimulating things remains largely unfulfilled. He thus points to the broad gap that exists between supply and demand in the domestic market.

Indeed, a significant unmet demand exists for services that provide enjoyment, knowledge or a sense of security. By adopting a new perspective on the “ageless” market, service industries can harness the opportunity to develop to a new stage.

Normally, the term ageless means to withstand the aging process, or to look younger than one's actual age. For scholar David Wolfe, however it means to mature as a person, with an emphasis on the positive dimensions of growth in later life. In this sense, ageless refers not only to the elderly, but encompasses all healthy, mature persons 50 and older.

The growing population of healthy mature persons is a trend common to all industrialized countries. In the U.S., for example, the proportion of physically impaired persons among persons aged 65 and over fell from 26.2% in 1982 to 19.7% in 1999, while those admitted to long-term care facilities also declined from 6.8% to 4.2%. A survey by Japan's Cabinet Office found that in 2000, 91.2% of persons aged 60 and over (and not residing in a facility) reported being “not ill,” up from 85.3% in 1980.

## **Developing the Service Industries**

Adopting a new perspective of the ageless market can spur the development of service

industries in two ways: (1) serving the ageless market will not only create new businesses, but enhance the quality of services, and (2) integrating the younger segment of the ageless population (50s to 60s) into the job market will not only improve service quality, but ensure that needed services are supplied.

At present, practically all of Japan's service industries are focused on the younger population. Unlike the U.S. and Europe, where aging began earlier and has progressed more slowly, service industries in Japan that target the ageless market are conspicuously under-developed. The ageless population is more keenly aware than anyone of the scarcity of available services. By carefully analyzing their unfulfilled needs, thriving new businesses can be created. The following areas are particularly promising.

- ① healthcare services to maintain youthfulness and health,
- ② specialized professional services of outstanding physicians and lawyers who are also trustworthy at the personal level,
- ③ housework services to fill the void between the nuclear family and community,
- ④ hospitality services such as extended travel tours, and
- ⑤ services to satisfy the thirst for knowledge, such as continuing education.

Pursuing consumer satisfaction in the ageless market will also help boost the overall quality of services. This is attributed to the fact that the needs of the ageless are extremely diverse and varied.

The service sector differs from the manufacturing sector in that consumer satisfaction heavily depends on whether the individual's particular needs are met. Strictly speaking, unlike manufactured products, no two services are identical. The better the services match the unique needs of individuals, the more valuable and expensive they will become.

Moreover, in *The Future of Success*, economist Robert Reich writes that in contemporary society, where people are too busy to support or care for family members, the most luxurious and considerate services may be those that lavish extensive time and attention on people, and behave like a trusted friend.

Such refined services, however, are hard to find in Japan. There are several reasons for this, but it probably has most to do with the homogeneous social structure, where the elderly or high income persons did not exist as distinct groups. Service providers became accustomed to providing average services to a homogeneous market. Thus when service industries address the diversity and uniqueness of the ageless market, they will confront challenges that propel them to the next stage of development.

## **Integrating into the Job Market**

The younger segment of the ageless population (persons in their 50s and 60s), with special sensitivities borne from their life experiences, will not only consume services but increasingly emerge in the role as high-quality service providers. Their presence will be particularly felt in serving the older segment of the ageless population, especially with services not adequately being provided by the nuclear family or community.

As is commonly known, a growing number of people would rather continue working than retiring if opportunities existed. In the Cabinet Office survey, the percentage of men who want the retirement age raised to at least 65 rose from 75.9% in 1985 to 81.3% in 2000. But while the government has presented a bill in the Diet to raise the mandatory retirement age to 65, employers have resisted strongly.

To integrate the ageless population into the job market, the lifetime career model that starts from youth needs to be revised. Considering that many people are transferred to positions outside the company at age 50, we need a multiple career model that allows for job content and salaries to change at around age 50. Needless to say, as forms of work increasingly diversify, people also need access to job training at all times. Developing a successful program for today's young people to mature into the ageless population of the future will also help alleviate anxieties about rising pension burdens, and instill trust in the future.

In addition, integrating the ageless population into the job market will not only improve service quality, but produce a strong psychological impact on society that cannot be measured in monetary terms.

## **Competition Stimulates Outsourcing**

The problem is whether suitable workplaces will actually emerge. While we already pointed out possibilities for new businesses to emerge from the analysis of needs of the ageless, new businesses are also likely to emerge from competition to improve quality.

Essentially, many service industries perform functions that previously belonged to the household or community, but were then outsourced for some reason. Recently, the trend toward outsourcing has been stimulated by competition.

For example, in large hospitals, internal pharmacies have already been replaced by outside pharmacies, while meal preparation and serving functions have also started to be outsourced. Moreover, hospitals are outsourcing medical treatment by renting out hospital rooms to outside physicians, or even outsourcing new services such as dentists by soliciting visits from

the outside. In addition, hospitals seeking to acquire ISO status are outsourcing the training of nurses and staff to specialized institutions.

All these actions are responses intended to enhance service quality amid intensifying competition. As such, they are certain to spread to other occupations as well.

A key concern is that in service industries, intense competition can easily lead to price cutting. Recently, however, some banks have adopted a differentiation strategy by opening new branches aimed specifically at wealthy persons. The important point here is whether high-quality services are being created, and whether customers recognize the value created and willingly accept such services despite the higher cost. Indeed, for the further development of service industries, it is critical that society comes to accept as common sense the mindset that high-quality services are worth the extra cost.