Japan's Retail Revolution

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Priors

- What should Japanese retail look like?
  - 1960: Early postwar
  - 1985: Buildup to bubble
  - 2010: Today
- What would affect structure of retail?
  - Factors
  - How change over time?

- Analytic factors
  - Three laws of retailing
    - Location
    - location and
    - location
  - Mobility
  - Income
  - Legal or other institutional constraints
  - Technology
    - Organizational forms
    - Logistics, IT, other enablers
  - Other?

Analytics

- How would it affect U utility of consumers?
  - Intangible “rhythm of life”?
- How would it affect employment etc?
- Other criteria?
- My claim: A retail revolution
  - that reflects / enables a lifestyle revolution

And why matter?

- A row of old-style stores (selling to tourists outside the Kenroku-en park in Kanazawa) and an open-air farmers market (in Wajima on the Noto penisula).

The early 20th century legacy


織田
城山亭
清水亭

Scenes from a shopping street in Sumida-ku in Tokyo.

商店街
Shotengai “shopping street”

やきとり・からあげ・サラダ
とりふじ
とりふじ
TEL 3612-6553
みよ志寿司
☎613-0596
こだわり
焼き


FURUTA
LIVING SHOP
玉の井いろは通り
たばこ
斎藤一人さんの
まるかん


マクドナルド
ハンバーガー
マクドナルドハンバーガー
駐車禁止
当社の承諾なく
駅構内への駐車
東武鉄道
McDonald's

生活相談
毎週水曜日 午後2時～6時
無料相談
墨田区議会議員
西 恭三郎
事務所
日本共産党生活相談所
墨田区東向島5-10-1
☎3619-2278
自宅☎3619-8111
中華
ちゃいな
トラットリア
パディントン
坂田歯科医院
庶民大増税やめよ
区民負担の軽減を
日本共産党
まもろう憲法9条
赤旗
3611-4077

ミュージックPUB
M J
KOBAN
BRIDGESTONE
P
100円
果物
片野商店
(3612) 2245
はせがわ動物病院

- Small “izakaya” – restaurants for fish and sake, located around train stations (the bottom two) or markets (the top one, serving breakfast at 7 am following the fish auctions in Numazu)

Mom & Pop Establishments

お好み焼
手羽ギョウザ
チャンジャー
シューマイ
イカ塩辛
カツオ塩辛
このわた
イカフライ
タチフライ
ギンダラ 塩焼 照焼
ブリ 塩焼 照焼
タチ塩焼
地アジ塩焼
サバ塩焼
サンマ塩焼
マグロカマ
ブリカマ
金目煮
鯨ベーコン
豚天オロシ
シシャモ
ワカサギ カラ揚げ
アワビ刺身 ステーキ
サザエ刺身 つぼ焼
地ダコ刺身
地アジ刺身 タタキ
おすすめ品
生クラゲ刺身
イワシ刺身
本まぐろ すき身
赤イカ生ゲソ
大トロ 中トロ
まぐろ赤身
ボタンエビ
おすすめ品
自家製 イクラ
北海道産
シラスオロシ
イクラオロシ
ネギトロユッケ
カニミソ
あんきも
メギス天婦羅
PlayStation2
AUTO CLUB SHIZUOKA


クッキング ホイル
PORO
吉水産


石巻
政吉水産
ホイル

- The next two photos are the fish market in Numazu in Shizuoka Pref. In 2005 it was an open-air market from which you could see Mt. Fuji

Small wholesale markets


日本一の


SONY
岡山西眼科
10時より10時

Japan's retail looks familiar

- *Ex ante* structure of:
  - Large center city departments stores
    - And specialized retailers
  - Neighborhood mom & pop shopping areas
- In context of
  - Dense residential areas
  - Small house sizes, initially no refrigerators
  - Housewives do shopping: low female LFLow incomes & mobility
  - "Blue law" regulations and entry barriers to support the *status quo*

- Suburbanization
- Higher incomes
  - Larger houses, refrigerators
  - Higher opportunity cost of shoppers time
    - Especially as more women entered the LF
- Changing mobility
- Higher incomes
  - Changing tastes
    - More variety, different goods
    - More ability to shop for prices

Sources of change: Demand Side

Sources of change: Supply Side

- New formats
  - Discount “supermarkets” (*cf.* K-Mart)
    - Large floorspace
    - At-risk inventory
  - Convenience stores
    - Longer hours
    - Take over liquor licenses
    - Innovations in IT
      - Inventory control
      - Management assistance
      - Supply chain management
  - Franchising
    - McDonald’s, KFC
  - Roadside stores
    - Denny’s

- Department Store Law 1926
  - Large store law, revised multiple times (esp 1973)
  - Prevented entry above a certain floor size
    - Except as approved by local government
- Operating hours
  - *De facto* local cartels
    - Set common day off for shopping streets
    - Informal closing hours for same
    - Formal restrictions on large stores
      - But much milder than in Germany!
- Miscellaneous
  - Liquor sales needed a license
  - Rice had to be through official store
  - Pharmacies restricted in what they could sell
    - Cosmetics initially restricted, too

Limits to change: Regulatory Restrictions

- Real estate prices
  - Hard to afford good sites
  - Tenancy and other laws made combining land hard
- Urban structure
  - Roads not designed for cars as transportation
    - No parking
    - Narrow roads / congestion
  - Limited mobility
    - Local *shotengai* 商店街 or take train to department store

Limits to change: Economic Considerations

Regulatory change

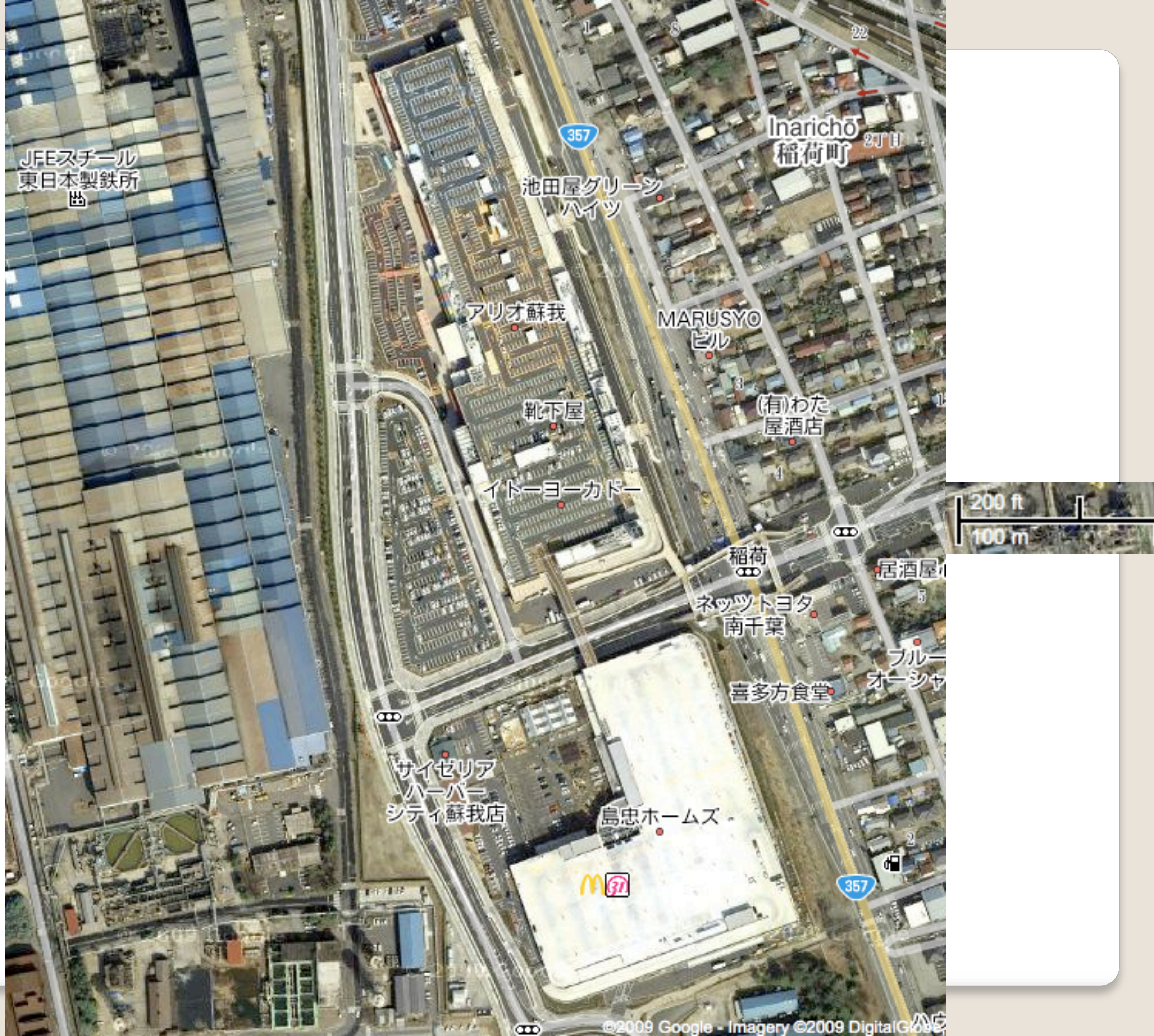
- Despite limitations
  - Gradual new entry
    - Suburbs with no stores and rural areas could approve new entrants
    - But large firms that already had stores loved the restrictions!!
  - Over time large chains gained lobbying clout
    - New parties in urban areas? ➔ less clout for small stores?
    - Also US lobbying for change: trade disputes
- Partial liberalization in 1991
  - Abolished 1998
    - And now strengthened a bit in 2007

- New types of stores
  - most of the photos are self-explanatory

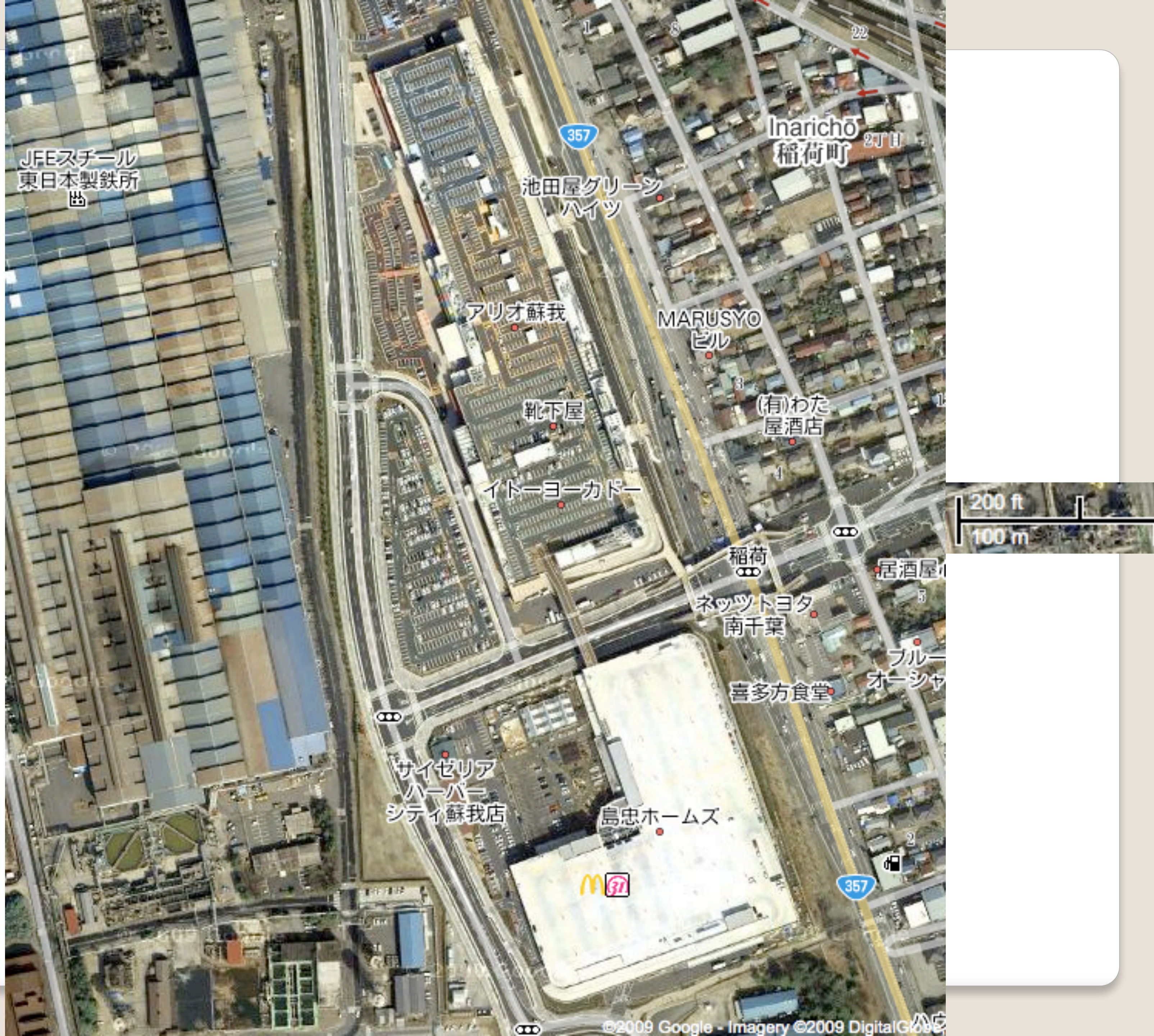
  - the aerial photos are of a portion of a former JFE steel mill being turned into a mall, the first shows the construction phase (ca. 2004), the second the mall itself replete with parking for 5,800 cars


Gibraltar
ジブラル
並河交差点
左折すぐ
3km
家電・家具・おもちゃ
DORI
Century 21
Century 21
山和不動産荒塚店
倶楽部
国道
9
ROUTE
国土交通省


Image © 2007 Digital Earth Technology
© 2007 Europa Technologies
Google
Pointer 35°35'20.73" N 140°07'20.69" E elev 5 m Streaming |||||||||| 100%
Eye alt 1.37 km



JFEスチール
東日本製鉄所
357
Inarichō
稲荷町
2丁目
池田屋グリーン
ハイツ
アリオ蘇我
MARUSYO
ビル
靴下屋
(有)わた
屋酒店
イトーヨーカドー
稲荷
居酒屋
ネッツトヨタ
南千葉
ブルー
オーシャ
喜多方食堂
サイゼリア
ハーバー
シティ蘇我店
島忠ホームズ
357
200 ft
100 m
©2009 Google - Imagery ©2009 DigitalGlobe


JFEスチール
東日本製鉄所
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池田屋グリーン
ハイツ
アリオ蘇我
MARUSYO
ビル
靴下屋
(有)わた
屋酒店
イトーヨーカドー
稲荷
居酒屋
ネッツトヨタ
南千葉
ブルー
オーシャ
喜多方食堂
サイゼリア
ハーバー
シティ蘇我店
島忠ホームズ
357
200 ft
100 m
©2009 Google - Imagery ©2009 DigitalGlo


AEON STYLE STORE
BARGAIN


ELEVEN
コンビニエンス
酒
たばこ
ELEVEN
お中元ギフト!
HIRAKIN


COSTCO
WHOLESALE


CAKES • PIES
KIRKLAND Signature BAKERY
COOKIES • PASTRIES • DONU
Cakes for Special Days!


MERX
PC DEPOT
SPORTS
DEPO
BeLX
MrMax


Super VIVAHOME
ホームセンタースーパービバホーム
Super VIVAHOME
Super VIVAHOME
ホームセンタースーパービバホーム
資材館
2F
入口
P
2階 にあります

- Rises in income, mobility
- Suburbanization
  - Larger houses, refrigeration, etc
- Regulatory change
  - Entry regulation process liberalized
    - Floor space restrictions removed
    - Hours restrictions removed
- And post-bubble real estate cheap

Changes also familiar

- Innovators in “everyday low price” format
  - But first mover (Daiei) bankrupt
    - *cf.* Sears and K-Mart in the US
- Hypermarkets
  - Jusco, Yokado
- Growing number of big-box and deep discounters

Other points

Retail innovation

- Example: Sushi
  - decline of “traditional” sit-at-counter sushi shops,
  - rise of take-out
  - rise of franchised *kaiten-zushi* (conveyor belt)
- Convenience in every variety
  - McDonald’s #1: leader in franchise method
  - Dennys roadside “family restaurant” pioneer and still strong: introduction of new formats
- Clothing, other sectors
  - Fast Retailing (Uniqlo) cf. Zara

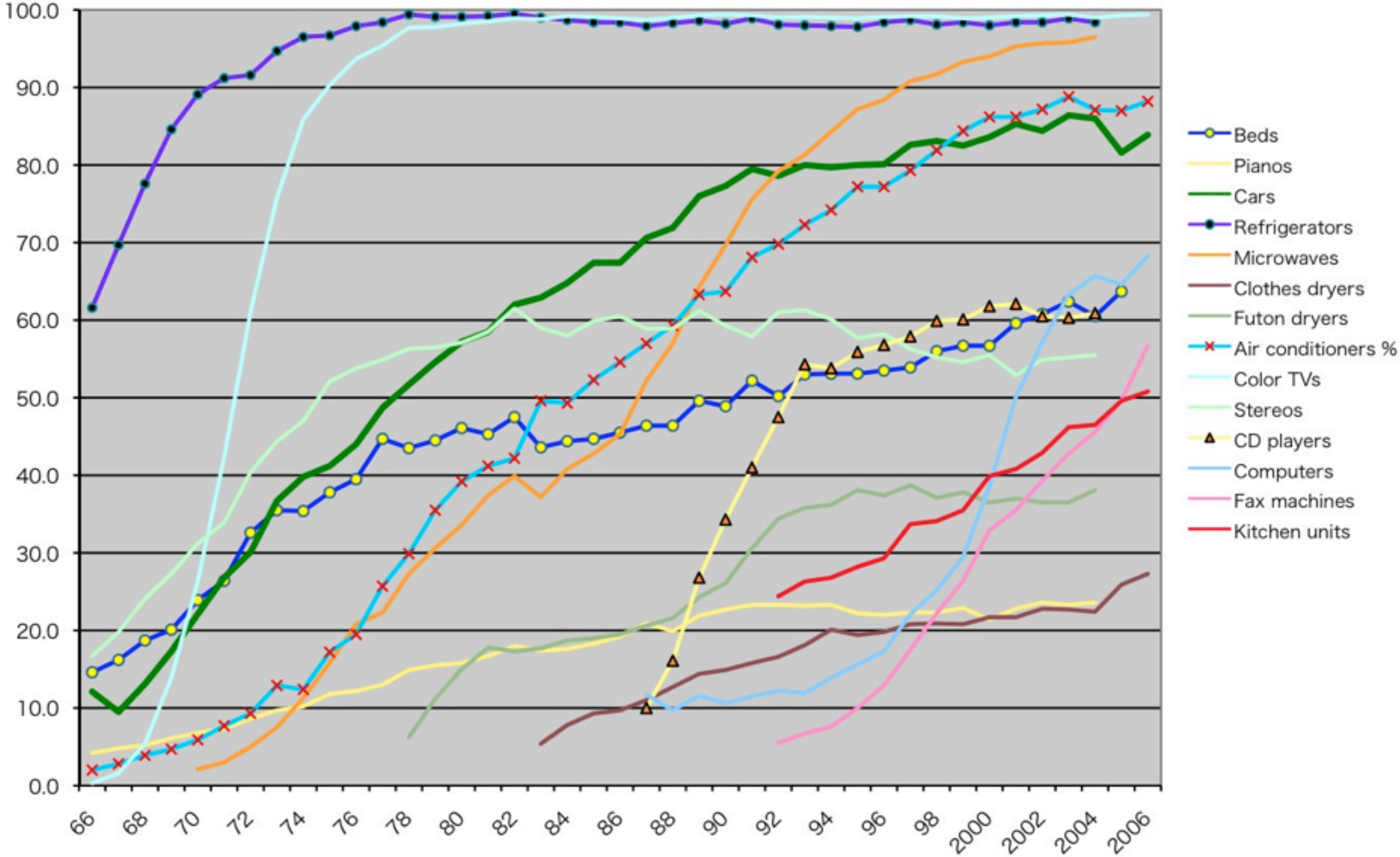
- Convenience stores
  - 7-11 stores are a Japanese company
    - But due to a failed leveraged buyout
- ¥100 stores: Daiso
- ¥99 stores (now Lawson) 24-hour small-portion small-format food stores
- Many others

Additional examples

- Similar macro patterns
- Examples of conscious borrowing
- Examples of *de novo* innovation
- And now internationalization
- And exit by Carrefour, Tesco, Metro
  - And to date $6 bil losses by Walmart's *Seiyu*

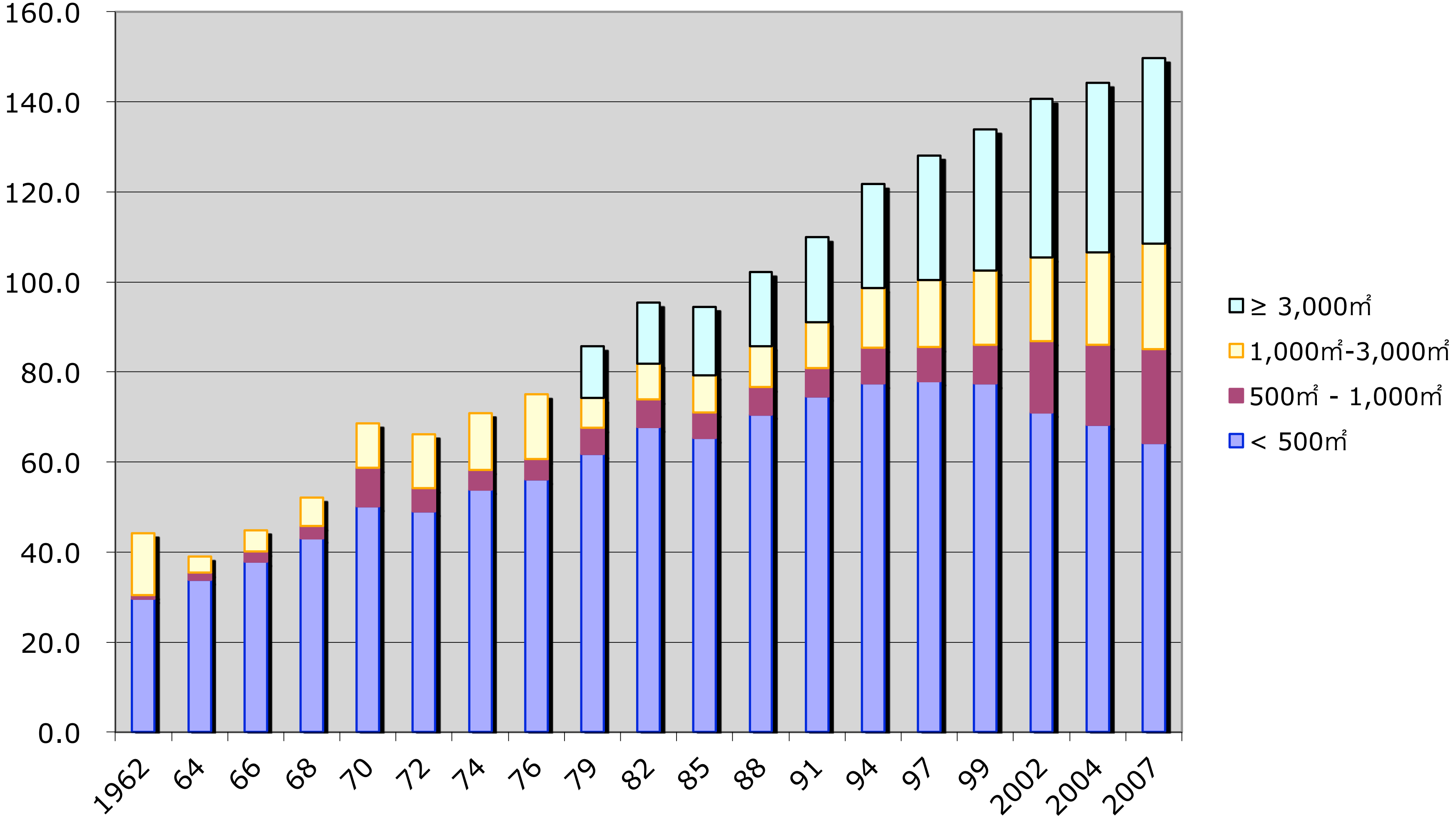
Sum

Consumer Durables

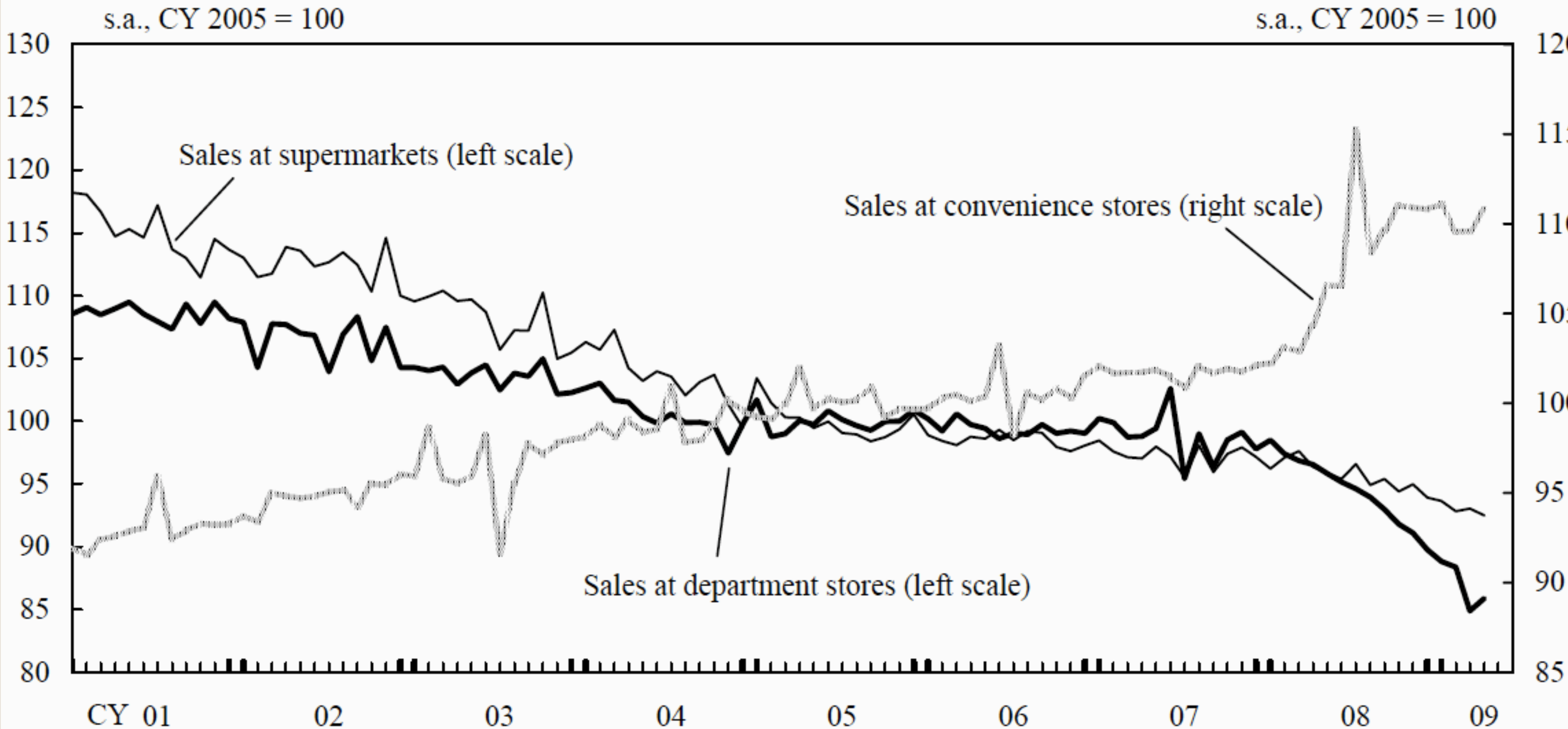


Floor size distribution

≥3,000 part of 1,000-3,000 category before 1979



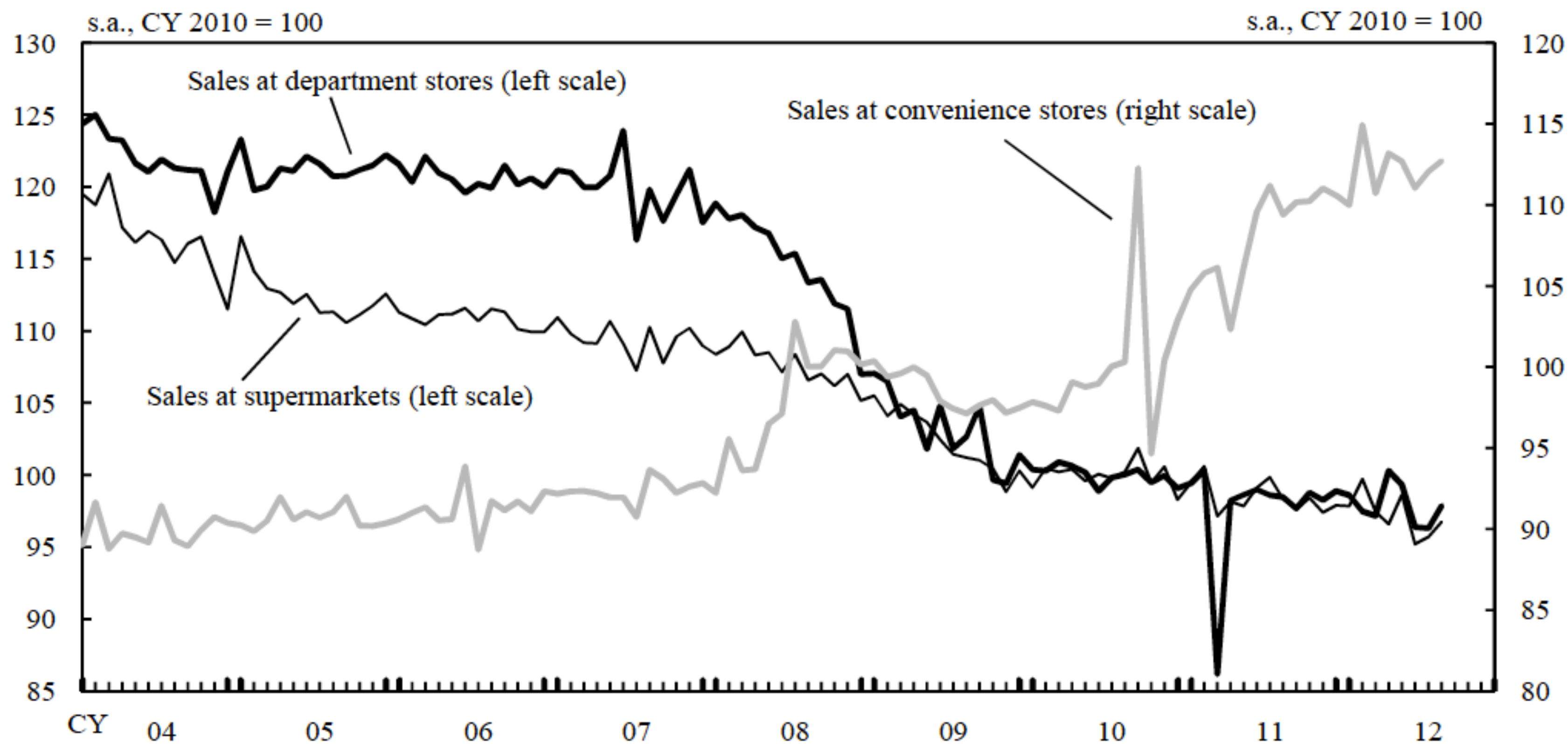
) Sales at Retail Stores (Nominal)[2]

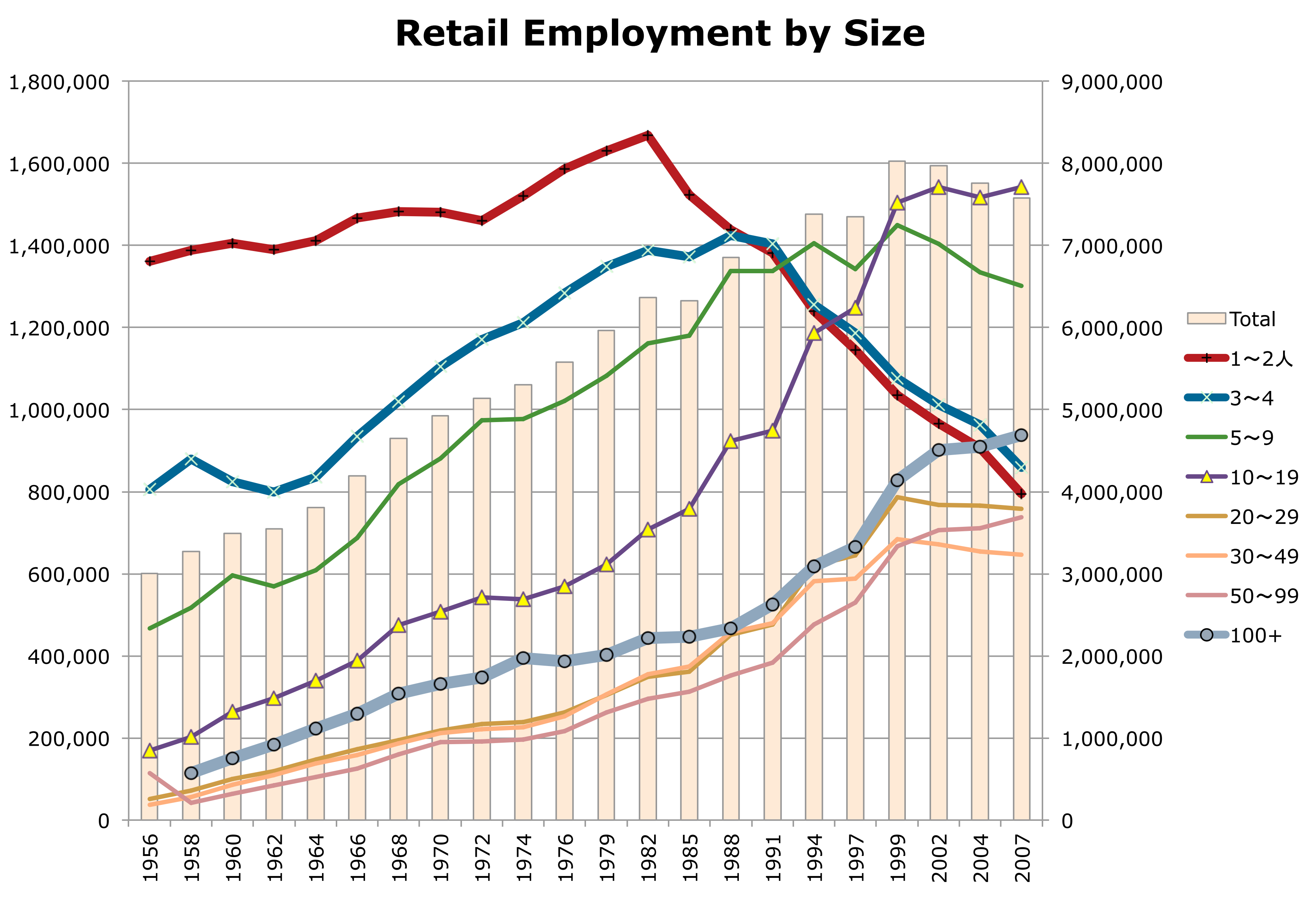


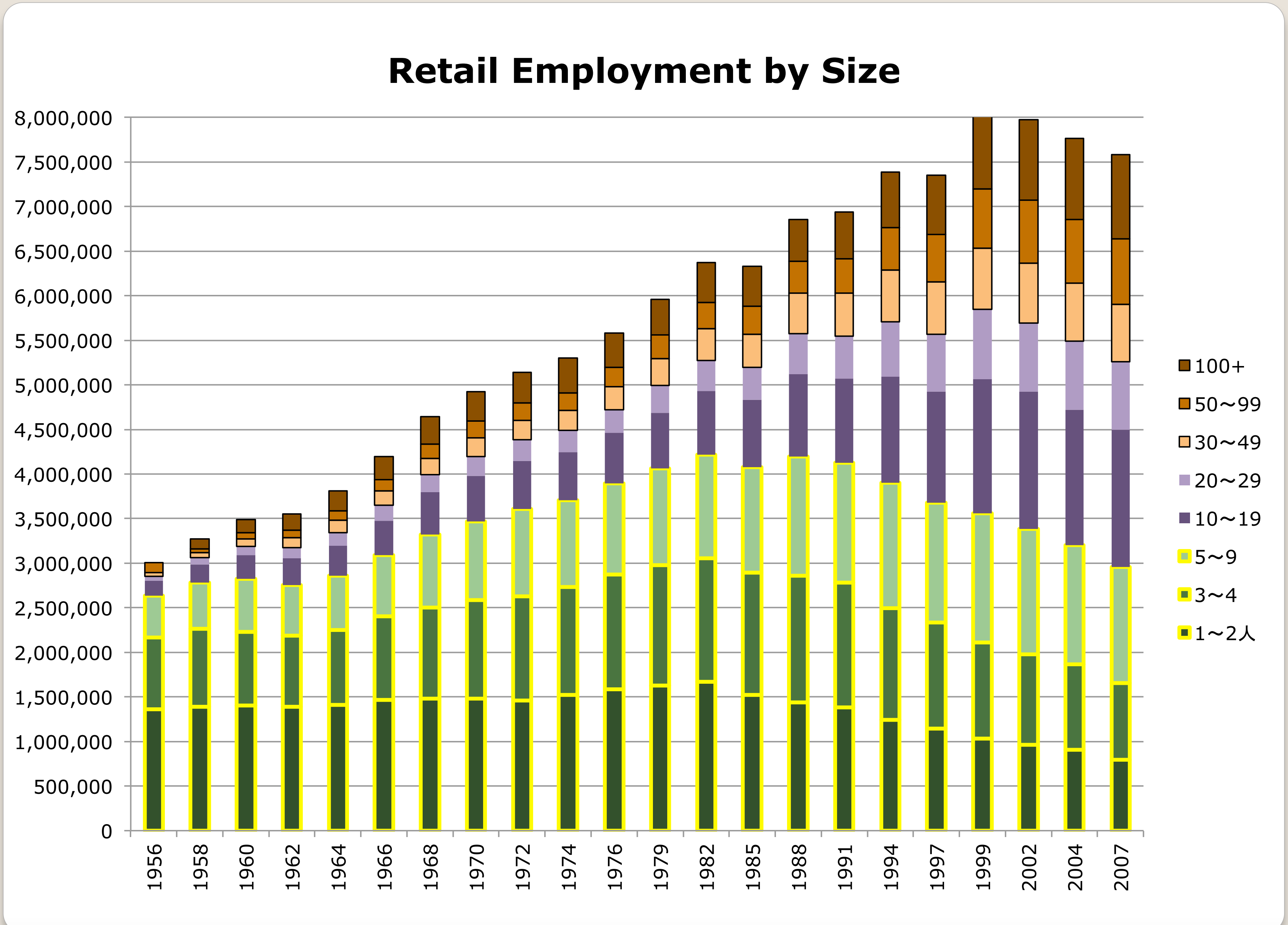
Department Stores and Supermarkets Continue to Lose Share

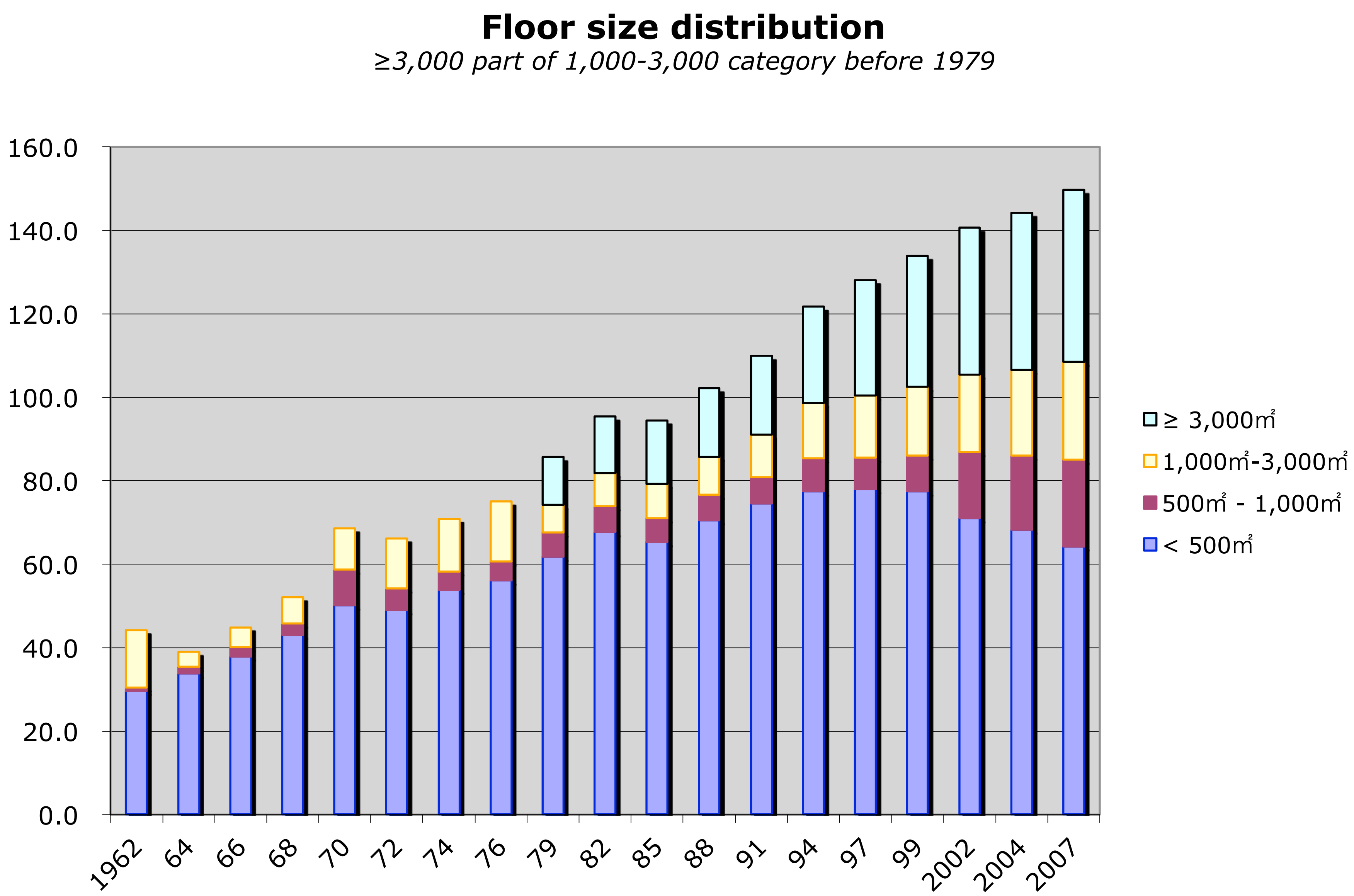
Note a "supermarket" is comparable to a Walmart (US) or Carrefour or Metro (EU). Originally chains such as Daiei, Jusco and Ito Yokado did not carry food items (as was true of Walmart) but now most provide one-stop shopping.

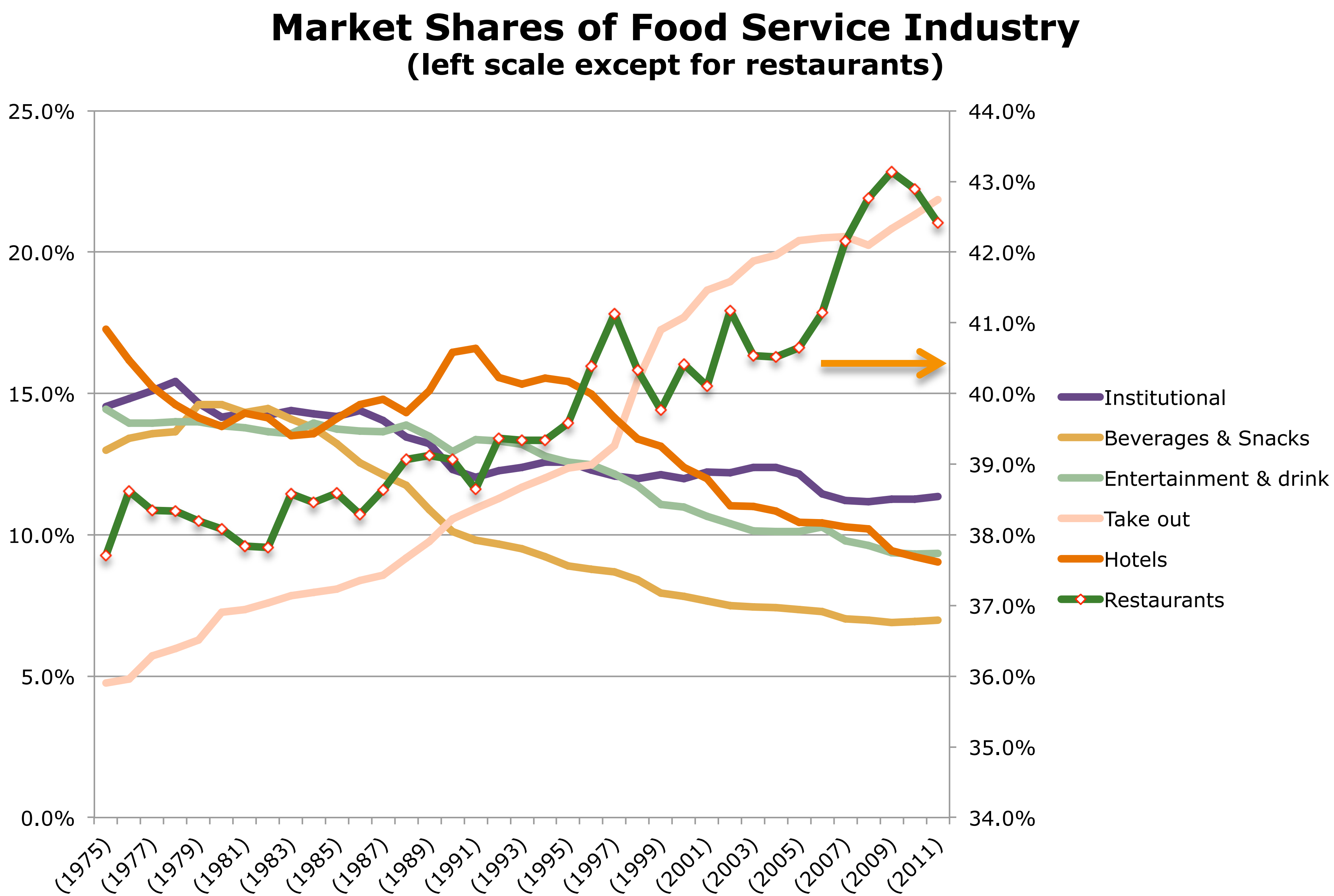
(1) Sales at Retail Stores (Nominal)[2]




Retail Employment by Size
1,800,000
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
0
9,000,000
8,000,000
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
0
1956
1958
1960
1962
1964
1966
1968
1970
1972
1974
1976
1979
1982
1985
1988
1991
1994
1997
1999
2002
2004
2007
Total
1～2人
3～4
5～9
10～19
20～29
30～49
50～99
100+


Retail Employment by Size
8,000,000
7,500,000
7,000,000
6,500,000
6,000,000
5,500,000
5,000,000
4,500,000
4,000,000
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
1956
1958
1960
1962
1964
1966
1968
1970
1972
1974
1976
1979
1982
1985
1988
1991
1994
1997
1999
2002
2004
2007
100+
50～99
30～49
20～29
10～19
5～9
3～4
1～2人


Floor size distribution
≥3,000 part of 1,000-3,000 category before 1979
160.0
140.0
120.0
100.0
80.0
60.0
40.0
20.0
0.0
1962
64
66
68
70
72
74
76
79
82
85
88
91
94
97
99
2002
2004
2007
≥ 3,000㎡
1,000㎡-3,000㎡
500㎡ - 1,000㎡
< 500㎡



Market Shares of Food Service Industry
(left scale except for restaurants)
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
44.0%
43.0%
42.0%
41.0%
40.0%
39.0%
38.0%
37.0%
36.0%
35.0%
34.0%
(1975)
(1977)
(1979)
(1981)
(1983)
(1985)
(1987)
(1989)
(1991)
(1993)
(1995)
(1997)
(1999)
(2001)
(2003)
(2005)
(2007)
(2009)
(2011)
Institutional
Beverages & Snacks
Entertainment & drink
Take out
Hotels
Restaurants


Chiba City Population Growth
Five-Year Moving Average
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
1921
1925
1929
1933
1937
1941
1945
1949
1953
1957
1961
1965
1969
1973
1977
1981
1985
1989
1993
1997
2001
2005

- Rows of shuttered stores
  - Chiba City (top)
  - Narita City, Chiba Pref (bottom two)

“Shata-gai”

Shuttered storefronts


轟金魚センター
51-0915
30

商店街なのに誰もいなくて婆ちゃんに寂しい将来．．．