

# **Retail Japan**

## **2017/18**

### **Diamond Retail Review**

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Please visit [www.diamondretailreview.org](http://www.diamondretailreview.org) for more detail.

December 2017

Diamond Retail Media Co., Ltd.

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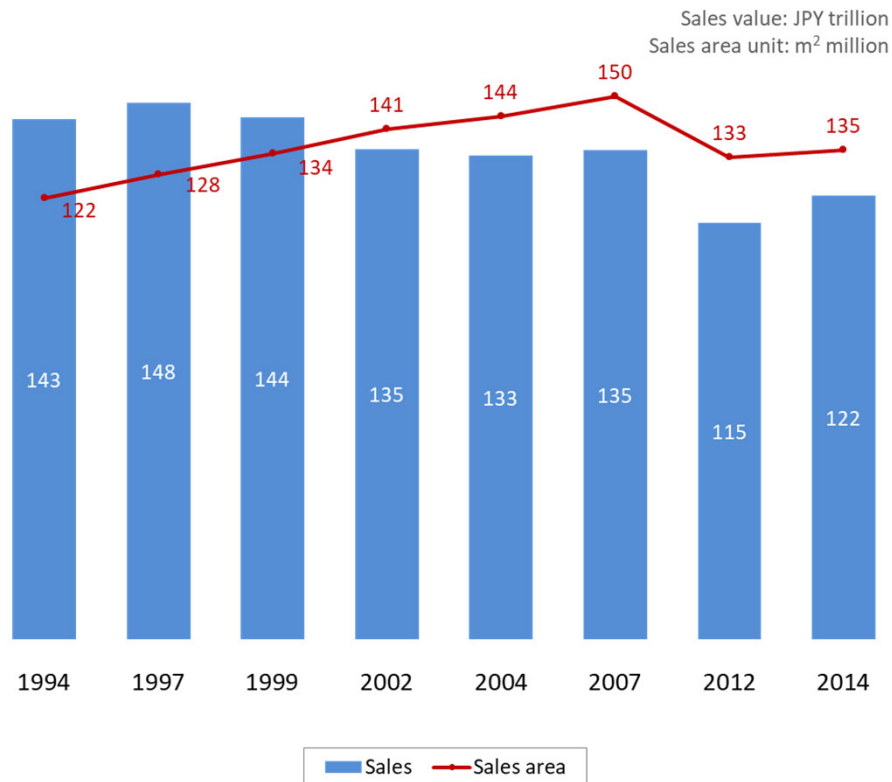
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Total retail market size of Japan in 2014 was JPY122 trillion

Figure 12

Retail market by sales value and sales area, 1994-2014



Source: Census of Commerce, Ministry of Economy, Trade & Industry of Japan

- In the past 23 years the Census of Commerce conducted 8 research initiatives. According to the research, the Japanese retail market peaked in 1997, which is 20 years ago, with JPY148 trillion (see figure 12). Since then, it has been on a declining trend. The last Census in 2014 recorded the Japanese retail market size at JPY122 trillion.
- Even though the market had been declining, total sales area had been increasing from 1994 till 2007. More people are being reached but sales continue to decline.
- There was a significant drop in the period 2007 to 2012, but managed to keep at similar level since 2012. As reflected by the GDP numbers, the economy had bottomed out during that time and today, is slowly making its way upwards.
- Sales per square meter was JPY117,800 in 1994 (see figure 13, page 24). It had been declining since, but the slide was arrested in 2012 and began to rise with a slight increase in 2014.
- When comparing the 1994 and 2014 figures, we see a lowering of JPY27,200 or minus 23 percent. This is a significant drop, but we see an upward trend post 2014. This means that sales productivity, in terms of sales area, has dropped a significant 23 percent in the past 20 years.

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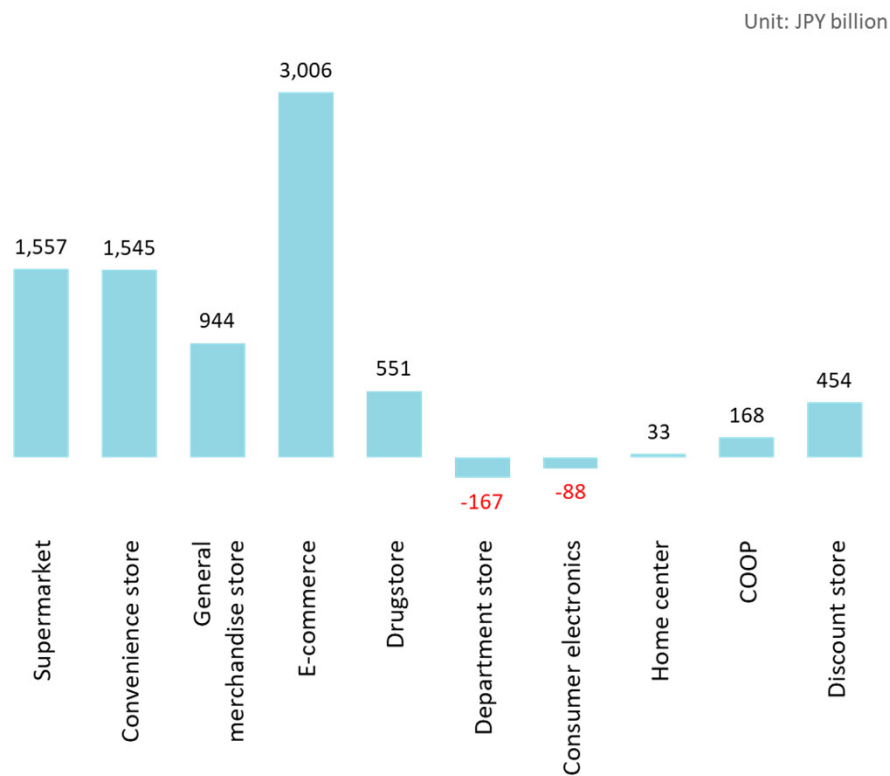
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3 channels (E-commerce, Supermarket and Convenience store) occupied 76% of 10 channels' growth in the last 5 years

Figure 16

Market growth (value) of selected channels, 2012-2016



Source: Various sources

- The 10 major channels in Japan have increased market size by JPY8,003 billion during the 5-year period, 2012-2016 (see figure 16).
- In line with the age of online marketing, 37.5 percent of the growth was delivered by E-commerce which added a revenue of JPY3,006 billion.
- Supermarket and Convenience store follow with additional of JPY1,557 billion and JPY1,545 billion respectively. These 3 channels contributed a significant 76.3 percent of added revenue among the 10 channels.
- GMS contributed JPY944 billion, Drugstore with JPY551 billion, and Discount store (which is a relatively new channel in Japan) with JPY454 billion.
- Department store has underperformed with a loss of JPY167 billion, a trend that is a worldwide phenomenon. Similarly, Consumer electronics is another underperformer with minus JPY88 billion.

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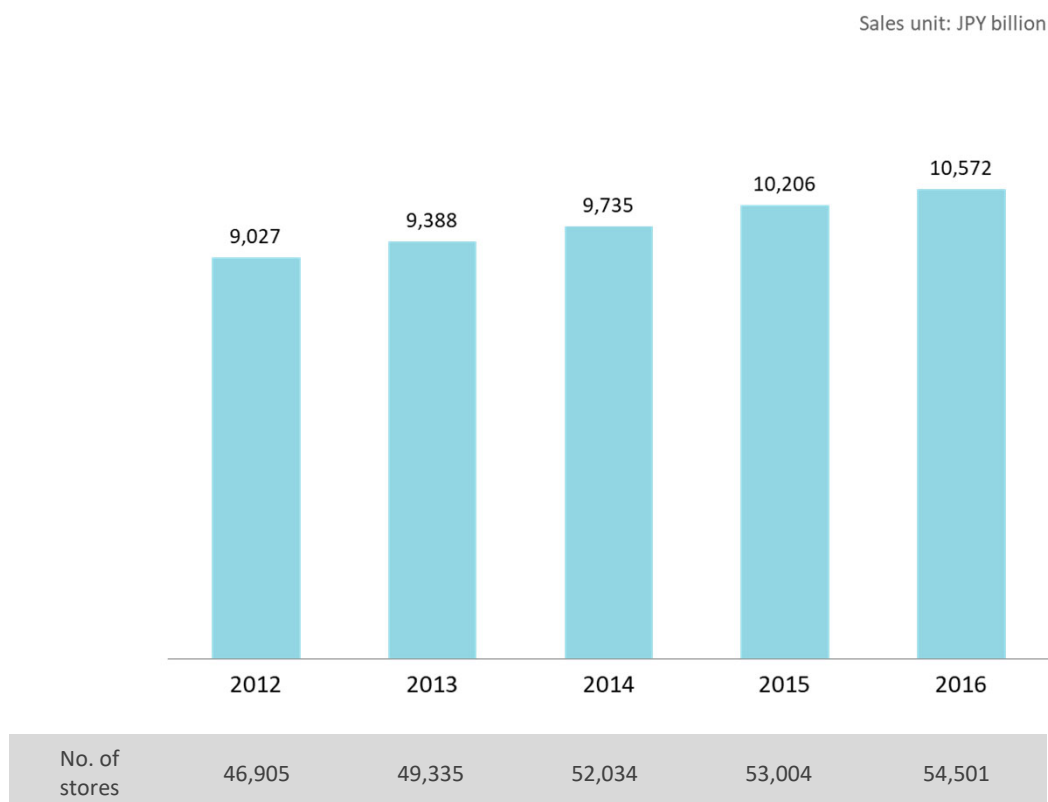
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Convenience store:

2<sup>nd</sup> largest channel in Japan, continues to grow at 4% per annum. 90% market share is dominated by top 3 brands

Figure 21

Channel Overview: Convenience store



Source: Japan Franchise Association

- CVS delivered a total revenue of JPY10,572 billion in 2016 with a 4.0 percent CAGR (see figure 21). Representing the 2<sup>nd</sup> biggest channel in Japan with its own unique identity compared to others in the world.
- It has an exceptionally high concentration of 90% market share dominated by 3 top CVS brands. They are Seven-Eleven (JPY4.51 billion), FamilyMart (JPY3 billion) and Lawson (JPY2 billion), (see figure 22, page 34).
- The total number of convenience stores is now at 54,501 and steadily increasing as they experiment with different types of products and services, including utilities payment services, cash withdrawals, photocopying, picking up of parcels from online shopping and many more.
- Competition among the top 3 retailers is getting more intense, but the top retailers still maintain market leaderships as reflected in their daily sales per store. (Seven-Eleven: JPY657,000, FamilyMart: JPY522,000, Lawson: JPY540,000).

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## Three unique directions of top 3 convenience store CEOs

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Mr. Kazuki Furuya

President, Seven-Eleven Japan Co., Ltd.

(Interviewed December, 2017)



Diamond Retail Media:

Seven-Eleven Japan has been practising adding 1,500-1,600 stores in recent years. What is your store expansion strategy?

Mr. K. Furuya:

We had been practising a 'dominant' policy since the start of business from long time ago. However, I don't want to use the word 'dominant' now. The idea is to develop the fundamental ground to enable each and every shop to grow. It's more than just adding stores, for example, we shall consider refurbishment of neighbouring stores when a plan is in the works to open new store nearby. Or, closing old stores and relocating franchisees to new stores. Our theme is focused on building a neighbourhood which is near and convenient by dealing with activation of existing stores and opening stores. As a result, this has driven the openings of 1,600 new stores in a year.

Diamond Retail Media:

Japanese retail market is getting more competitive, beyond the channels, or aggressive undertakings of e-commerce players like Amazon. What kind of strategy Seven-Eleven is taking in this frenzy landscape?

Mr. K. Furuya:

In short, there is nothing to worry about. Competition is actually getting tough and borderless, we believe in our strength of providing one-stop, "near and convenient" shopping for daily necessities, starting when shoppers wake up till shoppers go to bed.

I think the word convenience is equal to quality. Even though there is an appeal of "near and convenient", however, it is not perceived as convenient if the product is not tasty. It became convenient only when product quality exists.

I would like to emphasise clearly over and over again that it is most important to improve the quality of products and services regardless of who the competitor is. There is no other surprise approach.

---

Mr. Takashi Sawada

President, FamilyMart Co., Ltd.

(Interviewed June 2017)



Diamond Retail Media:

What is your priority issue of this year?

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History/  
Background

- On November 20, 1973, the establishment of a licensing agreement and area service contract were signed with Southland Corporation, USA.
- The first store was opened in May 1974.
- After almost 18 years of business partnership, the Southland Corporation was acquired by its Japanese counterpart in March, 1991, and today the global Seven-Eleven business is fully-owned by Seven & i Holdings Co., Ltd.
- Total number of stores in Japan reached 10,000 in August, 2003.

Channel (store brand) Convenience store (Seven-Eleven)



Store brand Seven-Eleven

Number of stores 19,887 as of 31 October, 2017

Area covered 46 prefectures except Okinawa (It is in the plan to open in Okinawa in 2019)

E-commerce platform <http://www.omni7.jp/top>

E-commerce ratio na



Combined number of stores and revenue of Seven-Eleven Japan Co., Ltd. and its franchisees

JPY mil	2014/15	2015/16	2016/17
Nos of stores	17,491	18,572	19,422
All Seven-Eleven stores revenue	4,008,261	4,291,067	4,515,605

Seven-Eleven Japan Co., Ltd.

JPY mil	2014/15	2015/16	2016/17
Revenue	736,342	793,660	833,743
Gross profit	663,141	716,396	758,400
Gross profit %	90.1%	90.3%	91.0%
Operating profit	223,356	235,023	243,493
Operating profit %	30.3%	29.6%	29.2%
Net profit	136,924	162,910	144,151
Net profit %	18.6%	20.5%	17.3%
Stock turns	42.6	42.3	42.1
ROA	2.1%	2.3%	2.0%

Source: Seven-Eleven Japan Financial reports 2014-2017