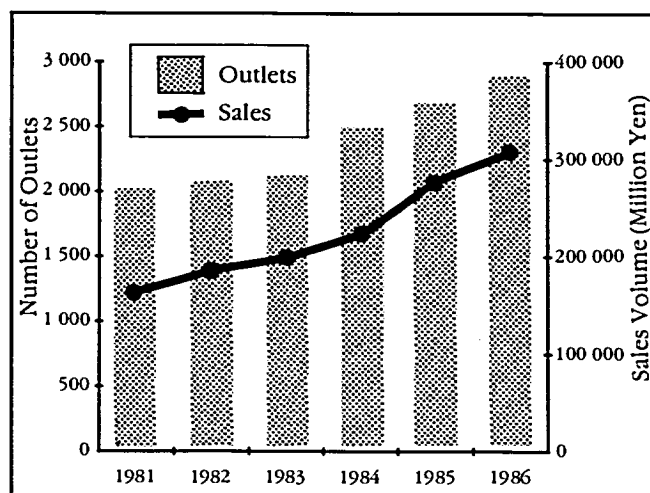


Hamburgers have led the way in the introduction of Western fast food. McDonald's has enjoyed spectacular success and is now the largest single food service company of any type in Japan. Lotteria, the second largest hamburger chain, run by the large Japanese-Korean confectionery company Lotte, is the 14th largest food service company. At present, of the 25 hamburger chains in Japan, no less than 7 have over 100 outlets. In 1986, total fast food hamburger sales alone were estimated at ¥310 billion (\$3.0 billion Cdn) from some 2 900 shops, up from ¥161 billion and 2 000 shops five years earlier. (See Figure 4.)

Figure 4

Hamburger Shop Market Growth



Source: *Gaishoku Marketing Binran '86*, Fuji Keizai.

Western-style fast food has a more formal image in Japan than in North America. In the United States, for example, the early success of McDonald's was credited in part to its inexpensive hamburgers. In Japan, on the other hand, McDonald's was initially associated with Mitsukoshi Department Store, one of the most prestigious department stores in Japan. Mitsukoshi Department Store housed the first McDonald's outlet, an arrangement that proved extremely successful for McDonald's, and, for several years, its shop in the Ginza Mitsukoshi store had the largest sales volume of any McDonald's outlet in the world. Western fast food restaurants all benefited from the higher grade image they enjoyed in Japan. The fact that fast food only 15 years ago was somewhat of a luxury item, shows how much the Japanese economy and society have developed. This luxury image also contributed to eventual mass market success as, over the years, fast food became more and more reasonably priced.

The food products of McDonald's, Kentucky Fried Chicken, Mister Donut and other foreign chains are virtually identical to the products served in their home countries. McDonald's has even recently started the breakfast service that it offers in Canada. The hamburger shops generally make between 30 per cent and 50 per cent of their sales in hamburgers, the other major products being fried potatoes, soft drinks, milk shakes and desserts.

The Japanese-based Western fast food chains have copied the operations of the Western chains and offer almost identical products, with similar stores and similar formats. As a result, competition between the chains has been focused mainly on acquiring the best location.

Perhaps the major differences between Western fast food outlets in Japan and in Canada are shop size and location. Most Japanese outlets tend to be smaller than those normally found in Canada, often with little or no seating. Also, fast food shops in Japan cater mainly to pedestrian traffic and are most often found near train stations. Only very recently have the major chains opened outlets geared to the car-driving public with parking lots and drive-through services. In one survey, about one-third of fast food outlets provided parking.

Japanese-style fast food chains serving Japanese food have also grown very rapidly in the last few years. The typical outlet is little more than a kitchen with a window on the sidewalk where the customers make their take-out order. The food is then prepared in a few minutes while the customer waits. Typical fare consists of breaded, deep fried fish or meat served with pickles and rice. The menu is limited, and many of the foods are supplied to the outlet in a semi-finished state, ready for final cooking before sale to the customer. The Japanese food chains boomed in the late 1970s and early 1980s with some chains achieving growth rates of 70 per cent to 80 per cent per year. This growth has now largely fallen off to 10 per cent. Hoka Hoka Tei, the third largest of these chains, is the 10th largest food service company in Japan with total sales in 1987 of ¥77 billion.