

1 Introduction

This profile describes the Japanese food service industry with the aim of helping Canadian food exporters gain an appreciation of the size and characteristics of this important market segment. Japan's dependence on food imports is growing and the huge size of the food service industry, approximately \$205 billion (Cdn)* in 1987 in annual sales, makes it an important potential market for food suppliers. The Japanese food service sector has undergone some significant changes and developments during the last decade. Most important among these new developments, and of particular interest to Canadian exporters, has been the dramatic growth in recent years of Western fast food (e.g. McDonald's) and Western "Denny's-style" restaurant chains. This profile focuses on Western-style food service chains as this market segment offers considerable potential for Canadian food exporters.

Overview

Over the last four decades the Japanese economy has grown to be the second largest in the free world, exceeded only by the United States. With the recent appreciation of the yen, Japan has attained the highest levels of per capita GNP among industrialized countries. (See Table 1.)

*In this profile the exchange rate used is Cdn \$1 = ¥104.

Table 1

Per Capita GNP (US Dollars)

Country	1984	1985	1986	1987
United States	15 949	15 356	17 529	18 415
Japan	10 474	13 543	16 184	19 530
Canada	13 300	12 946	14 210	15 700
Germany	10 072	11 704	14 700	18 400
France	8 880	9 863	13 034	15 816
U.K.	7 610	8 173	9 879	11 780

Source: Bank of Japan, Comparative International Statistics, 1986, 1987 and 1988. OECF Reference Tables.

The total population of Japan was 122 million in 1987. About 61 per cent of the population is concentrated in the three major metropolitan areas of Tokyo, Osaka and Nagoya.

The Japanese people have been enjoying a rapidly improving standard of living. Average annual household income in 1987 stood at ¥5.5 million or about \$53 000 (Cdn) of which fully 84 per cent was disposable (gross income less taxes and social welfare deductions).

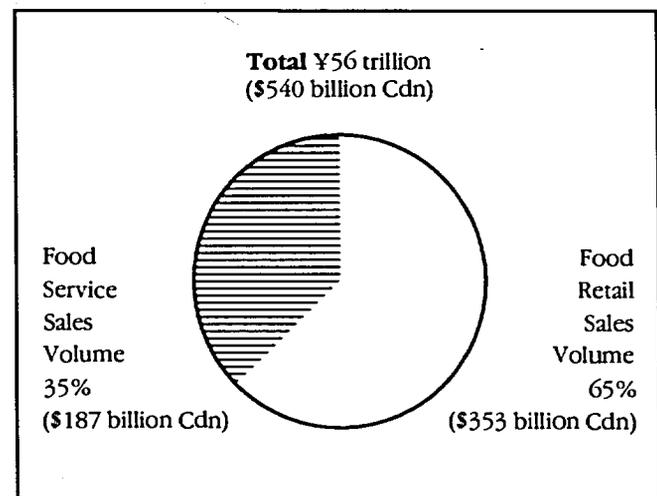
A large portion of consumer expenditure has shifted from basic food and shelter to more non-essentials such as food services and leisure activities, and this trend is expected to continue. Consumer durables such as colour TVs, refrigerators, washing machines, among others, have reached the saturation point; more than two-thirds of Japanese households own a car.

The average Japanese household in 1985 was 3.1 persons, down from 4.1 in 1965. The shrinking size is due to a declining birth rate, smaller nuclear families, as well as more single-person households and fewer couples living with their parents. Japanese women now constitute 40 per cent of the total labour force — and 60 per cent of these women are married, though many work part-time.

The economic and social changes of the last 20 years have spurred the growth of expenditure on food services. With smaller households and more married women working there is a stronger tendency for people to eat out, which is further supported by the growing affluence and therefore the wherewithal to do so. In the 10 years up to 1987, total sales of the Japanese food service industry almost doubled from ¥11.1 trillion to ¥21.3 trillion (\$205 billion Cdn). The food service industry accounts for 35 per cent of all food sales in Japan. (See Figure 1.)

Figure 1

Food Retail vs. Food Service Industry Sales Volume (1985)



Source: Gaishoku Sangyo Soga Chosa Kenkyu Center, MITI, "Census of Commerce."