HOTEL GROUPS

Sales of food and beverages in the hotel industry account for roughly 13% of the total food service market. Sales have been growing at roughly 5% a year. Hotels, or rather lodgings in Japan, can be broken down into two main groups: 1) Japanese inns, and 2) Western-style hotels. Japanese inns, known in Japanese as *ryokan*, number roughly 80,000. However their numbers are declining. These inns normally offer breakfast and dinner with the latter being very elaborate and meals are traditionally Japanese --Western food is not usually available. Western-style hotels are a growing presence. There are roughly 2,600 such establishments in Japan. Meals are normally a combination of Western and Japanese influences.

FAMILY RESTAURANTS

Family restaurants cater to a family dining and business clientele. They are restaurants with limited menus and are generally patterned after North American restaurant chains such as Denny's. They are sit-down with menu's that consist of hamburgers, steaks, deep fried seafood and salads. Although rising land prices could inhibit growth, it is estimated that with rising disposable incomes there is still room for expansion.

Seibu Restaurants is the leading restaurant operator in Japan with over 1,270 outlets. It is the food catering arm of the Seibu Saison Group. It was initially established as a lunch counter in Seiyu stores but has since expanded into Western and Japanese cuisine, food retailing and wedding halls. Royal Host, of the Royal Co., Ltd., is the second largest Western family restaurant chain and the seventh largest food service company in Japan. It operates roughly 390 outlets and has been adding about 50 outlets a year.

FAST FOOD OPERATIONS

Fast food restaurants target younger age groups who often eat alone. Indications are that it is becoming difficult to expand the scale of the fast food operations. and because of this many are now trying to become more Japanese, offering such fare as burgers dipped in teriyaki sauce. McDonald's' Japanese subsidiary has customized its menu to Japanese tastes. It is not only Japan's largest fast food operation with over 600 outlets, it is also the largest food service retail company in Japan of any type. Approximately 50% of Japan's McDonald's are located in the Tokyo area and 25% are located in the Osaka-Kyoto region.

When U.S. chains first entered Japan two decades ago Japanese consumers were looking for a hamburger that was American. As the novelty of these foods wears off they are looking for something else. Morinaga Love, a Western-style Japanese chain with over 200 outlets, offers a new grilled salmon burger with layers of cheese and dried seaweed on grilled rice cakes. Japanese consumers have had different reactions than their American counterparts to the introduction of low-fat fast foods. In the U.S. McDonald's and Kentucky Fried Chicken's' introduction of low-fat menu items was met with great popular success by appealing to the health-conscious American consumer, however their Japanese subsidiaries have to date been unwilling to introduce these foods to their menus.

Kentucky Fried Chicken is the sixth largest restaurant in Japan with over 725 outlets. In has grown rapidly and has added over 80 new outlets a year. In Japan, where being overweight does not hurt one's social status as seriously as it does in North America, restaurants apparently are pursuing good taste at the expense of good health.