

Often, department stores will rent space on their food floors to specialized food wholesalers or retailers, who will manage their own operation inside the department store. Such specialized retail companies can include branches of well-known pastry shops, specialty meat stores, Chinese food, coffee retailers, green tea retailers, etc. Sales and rental arrangements between the store and the specialty retailer vary according to the store, but usually involve the payment of a fixed percentage of the sales to the department store.

Variety: Generally, a full-size Japanese department store has a significantly wider variety of products than its North American counterpart.

Gift Foods and Beverages: While this sector is not limited to department stores it is mentioned here because department stores hold a large portion of the market. Gift foods are specially prepared packages of food or beverage which are sold at the two gift-giving seasons of December and July. For example, salad oil companies will offer attractive gift packages of three, four or five cans of salad oil, or whisky makers will offer two bottles of whisky in a crafted wooden box. Gift food packages are generally made up of only one type of food, but can include several varieties. The gifts may consist of cheese, butter, tea, wine, coffee, ham, sauces, fruit juice, jam or a variety of others. There are also many popular non-food gift packages — towels or soap being among the most common.

The major reason department stores command a significant portion of this market is due to the prestige factor. All gifts are wrapped in attractive paper with the department store's name. Sending a present from a quality department store is clearly favoured over sending the same present from a superstore or other less prestigious establishment. This is particularly important to the Japanese because the recipients of these presents are often business related such as a person's superiors or major customers. Takashimaya department store is the market leader in gift sales.

Restaurant Floors: Most department stores have restaurant floors, usually on the top floor(s). The restaurants are usually independent of the department store. The restaurants are always reasonably priced and there may be six or more to a floor. Types of restaurants include sushi, noodle shops, Chinese food, steak houses, Western food, etc.

The food products found in a department store are usually of a specialty nature or of a higher quality and price than foods in a supermarket. This is typical of department stores in that most products, food and non-food, are intended for a more affluent clientele. One of the great weaknesses of the major Japanese department stores is the failure to adequately penetrate the suburbs. Suburban shopping centres built around major department stores are not common in Japan.

Superstores and Supermarkets

Supermarket chains in Japan follow two basic types. One is the type of supermarket that a North American would easily recognize — a large, one- or two-floor, self-service store that sells mainly food. The other type of supermarket chain in Japan is often called a superstore chain and combines a typical food supermarket with a high-volume, low-priced department store. Superstores are often four to five stories high and about 9 000 square metres or four times the size of a typically large North American supermarket. The food floor in a superstore is usually the first floor, but food generally only accounts for 30 per cent to 35 per cent of total sales.

The superstore chains such as Daiei, Ito-Yokado and Seiyu, among others, enjoyed tremendous growth from the 1960s until the mid-1970s. As a result, the five largest superstore chains are now the five largest retailers in Japan, having surpassed the biggest department store, Mitsukoshi. The superstore chains owe their rapid growth to several factors — aggressive advertising, a mass market strategy, and the onset of an affluent consumer society. Also important was their strong advance into the suburbs — with little suburban competition from the department stores.

In the mid-1970s, a new law was passed limiting the size of any new supermarket to 1 500 square metres unless it has the consent of local small retailers. Since such consent is naturally difficult to attain, this law has severely hampered the further expansion of superstores. As a result, the superstore chains have diversified into a variety of activities, including small supermarket chains, convenience store chains, restaurants and fast food, specialty store chains, consumer finance, mail order shopping, etc.

In the three years up to 1985, the growth rate of the supermarket/superstore chains continued at about 5.4 per cent per year. Moderate growth is expected to continue, but the heady years that brought 89 supermarket and superstore chains into the top 200 of the nation's retailers, accounting for more than half of the top 200's total sales, are likely over.

Over the last 5 to 10 years, medium and large supermarkets have organized mainly for the purposes of joint purchasing, domestically and overseas, but also to ease development of private brands, or to develop merchandising or staff training programs. A description of some of these groups is given in Table 4.