

## JAPAN MARKET INSIGHT

# RETAIL SECTOR AND KEY TRENDS IN KYUSHU AND HOKKAIDO, JAPAN

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Australia has an outstanding reputation among Japanese food importers and consumers as a source of safe, healthy and high-quality food.

While Australian food and beverages are readily available in major cities such as Tokyo, there is a very low presence of foreign retail products in Kyushu and Hokkaido, two of Japan's most populous regions.

With the rapid growth of international visitors and residents and globalisation of food trends, there is a growing opportunity to position products to capture demand in these regional markets, test the local market with different retail choices and connect importers to local supermarket chains.

In mid-2018, Austrade Japan will host a Food and Beverage Retail Showcase in Kyushu and Hokkaido, presenting a range of Australian food and beverage products to key retailers and wholesalers in the two regions. The aim is to increase awareness of and generate interest in procuring Australian products.

This fact sheet provides more information about the retail market in Kyushu and Hokkaido, and the opportunities for Australian food and beverage suppliers.

## THE RETAIL MARKET IN JAPAN

Japan is Australia's third largest food and beverage/agribusiness export market with an overall export value of A\$4.10 billion in 2016, accounting for 10.74 per cent of Australia's total exports.<sup>1</sup>

In 2016, Japan's gross domestic product (GDP) was 539 trillion yen<sup>2</sup> (approximately A\$6.34 trillion). The sales value of retail food and beverage products was 68.5 trillion yen (approximately A\$8.05 billion).<sup>3</sup>

According to private industry research company Gyokai Search, supermarket sales were worth approximately 17 trillion yen (A\$200 billion) in 2015.<sup>4</sup> The two biggest chains—Aeon and Seven & I Holdings—have nearly half the market share. Retailers with smaller market share or a niche presence are competing on their key strengths such as a wide range of competitively priced private-brand products or premium, specialty or high-quality products that are not available at other supermarkets. These smaller retailers are good potential customers for Australian premium products.

<sup>1</sup> Import statistics by International Trade Centre (ITC) Trade Map <http://www.trademap.org/Index.aspx> - Total value of the commodities under HS code chapter 1 to 24

<sup>2</sup> GDP value in 2016 [http://www.esri.cao.go.jp/en/sna/data/kakuhou/files/2016/2016annual\\_report\\_e.html#c1](http://www.esri.cao.go.jp/en/sna/data/kakuhou/files/2016/2016annual_report_e.html#c1)

<sup>3</sup> Ministry of Economy, Trade and Industry, Statistics of retail sales value in Japan (Japanese only), [http://www.meti.go.jp/statistics/tyo/syoudou/result/kakuho\\_2.html](http://www.meti.go.jp/statistics/tyo/syoudou/result/kakuho_2.html)

<sup>4</sup> Gyokai Search, (Japanese only), <https://gyokai-search.com/2nd-genre.htm>



Australian Government

Australian Trade and Investment Commission



## Japan National Supermarket Rankings 2016

Rank	Company	Sales (JPY million)	Location of HQ	Number of outlets
1	Aeon Retail	2,117,231	Chiba	563
2	Seven & I Holdings	1,285,942	Tokyo	181
3	Uny	745,647	Aichi	226
4	Izumi	557,074	Hiroshima	103
5	Life	585,770	Tokyo	245
6	Arcs	470,310	Hokkaido	319
7	York Benimaru	396,930	Fukushima	200
8	Heiwado	347,835	Shiga	142
9	Kasumi	250,098	Tsukuba	159
10	Maruetsu	346,199	Tokyo	276
11	Fuji	305,364	Ehime	98
12	Aqua	269,029	Wakayama	157
13	Max Valu West	259,247	Hiroshima	737
14	Aeon Kyushu	242,164	Fukuoka	128

Source: Teikoku Data Bank<sup>5</sup>

Regional cities in Japan have a range of retail stores similar to that of Tokyo and Osaka, including department stores and premium, specialty retailers.

While major wholesalers and vendors are supplying food and beverage products to supermarkets in Hokkaido and Kyushu, many Australian gourmet retail products are not yet represented by nationwide distribution chains.

There is an opportunity to stimulate incremental demand by targeting regional supermarkets and have Australian products distributed nationally. In regional markets, supermarket chains are unlikely to import products directly themselves so it is important to proactively present Australian products to these buyers and make them aware of what is available in Japan and encourage procurement.

## KYUSHU

Located in southwestern Japan, Kyushu consists of seven prefectures—Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki and Kagoshima. The Kyushu region has a population of 14.67 million, and accounts for 12.3 per cent of Japan's total population. Kyushu's GDP is A\$494 billion or 8.6 per cent of Japan's GDP, almost equivalent to that of Belgium, the 25th largest economy in the world.<sup>6</sup>

According to the Ministry of Land, Infrastructure, Transport and Tourism, Hakata, the largest port in Kyushu, recorded 312 port calls by foreign cruise ships in 2016<sup>7</sup>, the most of any port in Japan. Nagasaki recorded the second highest number of cruise ship visits (190) and Okinawa third (183).

<sup>5</sup> Teikoku Data Bank, <https://www.tdb.co.jp/english/index.html>

<sup>6</sup> Kyushu Economic Federation

<sup>7</sup> Port of Hakata Statistics(Japanese only), <http://port-of-hakata.city.fukuoka.lg.jp/guide/cruise/>

Kyushu is also known as the ‘front door to Asia’. It attracts an increasing number of inbound tourists, particularly from Asia—China, Korea, Taiwan, Hong Kong and Thailand. Around 2.83 million or 13.6 per cent of Japan’s total inbound tourists<sup>8</sup> visited Kyushu in 2015. Retail-sector buyers are making more conscious efforts to attract these tourists than ever before, and are keen to source new products including imported premium food and beverage products.

### Kyushu Supermarket Rankings 2016

Rank	Company	Sales (JPY million)	Location of HQ	Number of outlets
1	Aeon Kyushu	240,314	Fukuoka	114
2	Sunlive Marushoku	205,590	Fukuoka	157
3	Max Valu Kyushu	170,353	Fukuoka	152
4	San-A	169,427	Okinawa	66
5	Taiyo	121,667	Kagoshima	90
6	Marukyo	84,242	Fukuoka	88
7	Aeon Ryukyu	80,754	Okinawa	41
8	Hallo Day	75,146	Kitakyushu	43
9	Kanehide	65,473	Okinawa	60
10	Nishitetsu group	65,143	Fukuoka	59

Source: Teikoku Data Bank

Austrade will target Aeon Kyushu, a subsidiary of the nation’s largest supermarket chain, at the Food and Beverage Retail Showcase.

Aeon Kyushu is the only national supermarket chain with any significant presence in Kyushu, giving Kyushu’s regionally based supermarket chains including Taiyo, Hallo Day and Foodlay a disproportionately large market share. These local chains tend to compete on quality rather than price and have historically been willing to take on new product lines when they believe the products would be attractive to high-end customers. They do not typically import directly, but have supply arrangements with most leading national distributors.

Austrade will also collaborate with Mitsubishi Shokuhin, a distributor who is a main supplier to Aeon Kyushu, Taiyo, Hallo Day and Foodlay. This arrangement makes it easier for the supermarket and Mitsubishi to do business on specific products.

Mitsubishi Shokuhin is the largest wholesaler in Japan, and distributes the majority of Australian confectionery, grocery lines and Australian wine. Its Tokyo head office is also involved in some direct imports. Mitsubishi Shokuhin has 3,900 employees and a turnover of approximately A\$30 billion.

In addition to the supermarkets mentioned above, there are several major department stores in Kyushu<sup>9</sup> concentrated in downtown Fukuoka, such as Iwataya Mitsukoshi, Daimaru, Hankyu and Izutsuya. The retail positioning of these stores is similar to high-end department stores in Tokyo, and are one of the key attractions for visitors from Asia.

<sup>8</sup> Kyushu Tourism Commission (Japanese only), <http://www.welcomekyushu.jp/kaiin/>

<sup>9</sup> Japan Department Stores Association (Japanese only), [http://www.depart.or.jp/common\\_jdsa\\_member/list\\_member?jdsa\\_member\\_area\\_id=40&jdsa\\_member\\_region\\_id=9](http://www.depart.or.jp/common_jdsa_member/list_member?jdsa_member_area_id=40&jdsa_member_region_id=9)

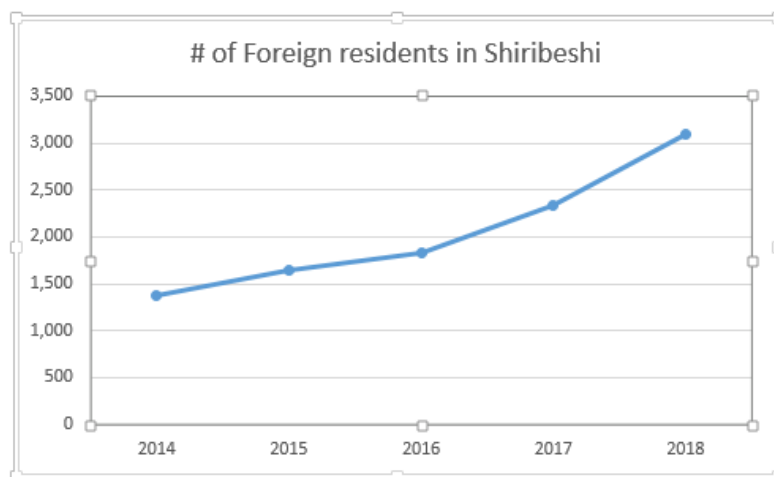
In terms of local consumer trends, the Japan Food Journal's<sup>10</sup> article on the retail industry in Kyushu highlighted the marked increase in sales of premium food and beverage products in department stores in Fukuoka, reflecting the emerging need for 'petit luxury' products among local consumers.

## HOKKAIDO

Hokkaido is the northernmost island of Japan, with a population of approximately 5 million. Hokkaido's GDP is 18.4 trillion yen (approximately A\$217 billion).

Hokkaido has a relatively modern history, with Japanese pioneers opening up the region only 150 years ago. Hokkaido people are known for their frontier spirit and take pride in being less conservative. Sapporo, Hokkaido's largest city, hosted the winter Olympics in 1972 and is home to Hokkaido National University, one of Japan's most prestigious universities. The bullet train is expected to connect through to Sapporo by 2030.

The island is well known for its primary products including fish and dairy. It is an important international tourist destination with direct flights from Korea, China, Singapore and Taiwan. The number of foreign residents is also on the rise.<sup>11</sup>



Source: Hokkaido Government

The Niseko ski resort in particular is a well-known destination for Australian tourists. Over 48,200 Australians visited Niseko in 2016 and the number of Australian residents in the area has risen to over 3,000 according to the local Shiribeshi Council.<sup>12</sup>

In 2016, Lucky, a Hokkaido-based supermarket chain, opened an outlet near Niseko to respond to the growing demand for quality imported retail products. Lucky reports that tourism-related demand is particularly strong in winter and sales of Vegemite and Weetabix are stable throughout the year. Lucky also stocks imported products to differentiate itself, including muesli, honey and boutique Australian cheese.

<sup>10</sup> <https://news.nissyoku.co.jp>, 4 January 2017

<sup>11</sup> Foreign residents in Japan (Japanese only), <http://www.moj.go.jp/content/001233904.pdf>

<sup>12</sup> Foreign residents in Hokkaido (Japanese only), <http://www.pref.hokkaido.lg.jp/ss/tuk/900brr/index2.htm>

## Hokkaido Supermarket Rankings 2016

Rank	Company	Sales (JPY million)	Location of HQ	Number of outlets
1	Coop Sapporo	288,432	Sapporo	108
2	Aeon Hokkaido	203,173	Sapporo	76
3	Ralse	127,025	Sapporo	73
4	Max Valu Hokkaido	123,230	Sapporo	95
5	Hokuren Shoji	66,427	Sapporo	68
6	Toko Store	46,924	Sapporo	29
7	Dohoku Arcs	46,291	Asahikawa	41
8	Hokuyu Lucky	44,252	Sapporo	36
9	Fukuhara	43,353	Obihiro	45
10	Daiichi	36,673	Obihiro	21
(Comparative data)	Seicomart	184,700	Sapporo	1,183

Source: Teikoku Data Bank

(Note: Aeon and Max Value are part of the Aeon group. Ralse, Toko and Dohoku are part of the Arcs group).

According to the Supermarket Association of Japan, there are 1,121 supermarkets in Hokkaido. The market is mature and highly competitive. Convenience stores based in Tokyo such as Seven Eleven (Seven & I Holdings) and Lawson have a large footprint, only surpassed by Hokkaido's Seicomart. Seicomart was ranked first in the June 2017 Japanese customer satisfaction index and its private-brand products are known for their low prices. Seicomart directly imports products such as Australian wine and nuts.

Unlike Seicomart, Hokkaido-based supermarket chains source the majority of their food and beverage products from local wholesalers or their own nationwide network.

Coop Sapporo started as Consumer Cooperatives in 1965 and enjoys a wide footprint across Hokkaido. It also focuses on catalogue and online shopping and delivery, and meal delivery services.

Aeon Hokkaido and its subsidiary Max Valu Hokkaido have large outlets in major cities, while Aeon Hokkaido owns shopping malls. Ralse, Toko Store and Dohoku Arcs are part of the same group and appeal to price-conscious shoppers.

Costco established a large retail store in 2008 in Sapporo and stocks some Australian retail products.

The Japan Food Journal's<sup>13</sup> feature article on the retail industry in Hokkaido highlighted the result of a market outlook survey for FY2017, with 91 per cent of companies expecting the market to improve from 2016. Inbound tourist-driven consumption and increased consumer health awareness are expected to drive incremental demand.

<sup>13</sup> <https://news.nissyoku.co.jp/>

## WHY PARTICIPATE IN THE FOOD AND BEVERAGE RETAIL SHOWCASE?

Austrade Fukuoka and Austrade Sapporo have a close relationship with all major regional supermarkets and major wholesalers in Kyushu and Hokkaido.

Local supermarket chains were positive when Austrade approached them about an Australian food and beverage product showcase. Responders confirmed their strong interest in sourcing premium Australian food and beverage products which are not normally available, and would like to receive product information and samples. Local distributors have also expressed interest in supporting this showcase as an opportunity to introduce unique Australian products to supermarket chains.

The Austrade Food and Beverage Retail Showcase in Kyushu and Hokkaido will proactively target these companies to assist Australian exporters of premium food and beverage products with established distribution chains in Japan to access new retail opportunities in these markets.

## NEXT STEPS

Austrade can assist you to determine the market potential of your products in regional areas in Japan. If you are interested in participating in the Austrade Food and Beverage Retail Showcase in Kyushu and Hokkaido in 2018 or are proactively developing your presence in the Japan food and beverage retail sector, please contact:

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