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Japan

Retail Foods

Japan Retail Food Sector

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Report Highlights:
The Japanese Food and Beverage (F&B) retail industry includes supermarkets, general merchandise stores (GMS), department stores, convenience stores, drugstores, and the internet. In 2017, the total value of all retail food and beverage sales in Japan was 52,453 billion yen or $474.3 billion dollars.

Post:
Tokyo ATO

Executive Summary

Japan is a country which heavily relies on imports -- accounting for 60 percent of its caloric intake. Japan's GDP was $4.88 trillion in 2017. It is the fourth largest economy in the world and second largest in East Asia. Japan was the fourth largest market for U.S. agricultural exports, valued at $11.9 billion in 2017. The United States is the largest foreign supplier of food and agricultural products to Japan with over 25 percent of the total import market share. Japan's agricultural food industries are innovative in all sectors including, retail, food service, food processing and distribution.

Imports of Consumer-Oriented Products 2017

Rank	Partner Country	United States Dollars	% Share	% Change
		2017	2017	2017/2016
	World	51,910,323,623	100.00	6.26
1	United States	12,718,524,130	24.50	8.34
2	China	6,193,904,252	11.93	- 0.49
3	Australia	4,040,751,920	7.78	8.25
4	Thailand	3,922,167,822	7.56	8.22
5	Canada	3,492,102,512	6.73	7.34
6	Brazil	2,470,691,244	4.76	- 8.51
7	France	1,600,324,281	3.08	8.15
8	Indonesia	1,489,594,024	2.87	34.14
9	New Zealand	1,414,889,621	2.73	7.23
10	Philippines	1,005,134,635	1.94	- 3.41

Food Processing Industry

The Japanese food processing industry produces a wide variety of foods, from traditional Japanese foods to western foods to health foods for infants and the elderly. Japanese food producers focus on maintaining market share with traditional product lines while developing creative products to attract new consumers who are always on the lookout for new and innovative foods. The Japanese food processing industry produced $211.4 billion in food and beverage products in 2017.

Food Retail Industry

In 2017, the total value of all retail food and beverage sales in Japan was $474.3 billion dollars. Supermarkets represent the bulk of the retail food market, at 72 percent, but the fast-growing convenience store sector now represents 14 percent of sales. Ready to eat meals (REM) or take home food items represent an area of growth.

List of Top 10 Growth Products in Host Country

1) Beef and Beef Products
2) Corn
3) Fish Products
4) Tree Nuts
5) Prepared Food
6) Processed Vegetables
7) Poultry Meat & Products (ex. Eggs)
8) Oilseeds (ex. Soybean)
9) Planting Seeds
10) Other Consumer Oriented Products

Food Industry by Channels

Food Industry Output	US$ 216.1 billion (2016)
Food Exports	US$ 2.98 billion (2016)
Food Imports	US$ 29.77 billion (2016)
Domestic Market	US$ 770 billion (2016)
Retail	US$ 474.30 billion
Food Service	US$ 295.17 billion
Food Industry Gross Sales	US$ 770 billion

Top 10 Host Country Retailers

AEON Retail	Ito Yokado
Seven Eleven Japan	Lawson Inc.
Familymart UNY Holdings	U.S.M.H
Life Corporation	Izumi
Arcs	York Benimaru

GDP/Population

Population: 126,451,398 (July 2017 EST.)
GDP: $4.9 trillion Ranks 3rd
GDP/Capita: $38,972

Strength/Weakness/Opportunity/Challenge

Strength	Weakness
High demand for consumer-oriented products.	Negotiations and decision-making can be slow.
Opportunity	**Challenge**
U.S. products are in demand and remain trendy.	Management of expectations is key (e.g., the sales process can take time).

Executive Summary:

In 2017, the total value of all retail food and beverage sales in Japan was 52,453 billion yen or $474.3 billion dollars. Supermarkets represent the bulk of the retail food market, at 72 percent, but the fast-growing convenience store sector now represents 14 percent of sales. Ready to eat meals (REM) or take home food items represent a very strong area of growth, and are key to sales throughout the food & beverage retail industry to increase revenue. According to the Japan Ready-made Meal Association, total sales in 2017 were 10,055 billion yen, which was a 2.2% growth rate compared to the previous year.

Section I. Market Summary

A. Overall Value

The Japanese Food and Beverage (F&B) retail industry includes supermarkets, general merchandise stores (GMS), department stores, convenience stores, drugstores, and the internet. See Figure 1.

General merchandise stores (GMS) offer products such as apparel, shoes, sporting goods, bedding, kitchenware, etc..,. in addition to F&B products. The GMS sector's largest retailers are national chains AEON Co., Ltd. and Seven & I, which operates Ito-Yokado. Regional GMS in western Japan include Uny, Izumi, Okuwa, and Izumiya.

Retailer segments that are increasing sales include convenience stores, drugstores and the internet. Convenience stores are now the second leading format for F&B sales, while drugstores are increasing food and beverage offerings. Growth of drugstore F&B sales are often supported by strong sales in areas (e.g. rural locales and small towns) where no supermarkets are located. Meanwhile, internet F&B sales are experiencing double digit annual growth.

Department stores generally carry premium food items and rely on sales of ready to eat meals, but their sales have been decreasing for the past ten years.

Figure 1: Food Retail Sales of Three Categories for 2017

Year	2017 Billion Yen	Billion $	Share
Supermarket	36,944.0	337.0	71.1%
General Merchandise Store (GMS)	2,876.0	25.5	5.4%
Department Store	1,862.0	16.5	3.5%
Convenience Store	7,592.0	67.2	14.2%
Drugstore	1,621.0	14.3	3.0%
Internet	1,558.0	13.8	2.9%
Total	52,453.0	474.3	100.0%

Figure 2: Major Food Exporters to Japan in 2017

Rank	**Partner Country**	**United States Dollars**	**% Share**	**% Change**
		2017	**2017**	**2017/2016**
	World	51,910,323,623	100.00	6.26
1	United States	12,718,524,130	24.50	8.34
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Figure 3: Strength/Weakness/Opportunity/Challenge

Strength	Weakness
High demand for consumer-oriented products.	Discussion and decision-making is slow.
Opportunity	**Challenge**
U.S. products are in demand and remain trendy.	Management of expectations is key.

B. Advantages and Challenges

Figure 4: Summary of U.S. Food Product Advantages in the Japanese Market

Key Words	Advantages	Challenges	Advice
Quality	U.S. specialty food products attract Japanese consumers. U.S. products often have a good story to tell.	Image of the U.S. as a large producer with corporate farms	Have a good story to educate customers about the history and quality of your product. Also, emphasize the quality and source of ingredients
Cultural Influences	Japanese consumers are strongly influenced by U.S. food culture and enjoy trying things seen as cool or trendy	Many products common in the U.S. are uncommon to Japanese consumers	Be able to explain how your product relates to American culture. Also explain how you use or prepare it.
Healthy	The health related food market in the U.S. is very advanced, and there are many new "healthy" products each year.	Some Japanese consumers believe American products (and imported cuisine in general) are unhealthy	Make sure to emphasize health related benefits but be careful not to make claims unless provided approval by the Japanese government.
Food Safety	U.S. agriculture can successfully differentiate itself from Japan and other countries with its food safety assurances such as HACCP, GAP, ISO, etc.	Some Japanese consumers believe U.S. foods contain more pesticide residues, hormones or artificial chemicals than domestic products, and some consumers are averse to food additives.	Educate customers about safety issues in order to help facilitate communication and provide customers with transferable knowledge.
Stable Supply	The U.S. is a major supplier of food products all over the world, providing a very stable supply.		Japan's food self-sufficiency rate is only 39%. It has been declining due to the aging farm population. Therefore, Japan is dependent on foreign food supply.

SECTION II: Road Map for Market Entry

A. Entry Strategy

Generally the key to market entry it to first find an importer; but that may take time. As you search for importers, you will also want to introduce your product to retailer buyers. If they are interested in your product they will request their wholesaler/distributor and/or importer to consider your product. It can often be difficult to identify appropriate retailers and even more difficult to get an appointment with the right buyer. Japanese retailers usually have large purchasing teams with dedicated buyers for different product lines such as meats, seafood, fresh produce, specialty foods, frozen ingredients, and frozen processed foods. In many cases, they will have a person in charge of international trade. Please feel free to contact the Agricultural Trade Office (ATO) or relevant Cooperator or State Regional Trade Group for assistance.

B. Market and Procurement Structure

In general, Japanese retailers will not import directly. In most cases, distribution will include at least one importer and one wholesaler. It is important to determine the structure of your product's distribution in order to set pricing so that each of your partner's margin will be considered.

Developing relationships with importers is important for success in Japan. Also important is to have a long term plan and to manage expectations: Japanese businesses tend to take time for any consideration and decision. Participating in FOODEX Japan, Supermarket Trade Show or other food related trade shows is the best method to meet importers. Sending an email and especially telephoning a Japanese company in English won't get you success.

C. Company Profiles:

The largest retail group in Japan is AEON Co. Ltd. The second largest is Ito-Yokado, part of the Seven and I group that also owns the top convenience store format, Seven-Eleven

Well-known US brand retailers Costco and Walmart are also successful in Japan. Costco opened its first warehouse in Japan in 1999, and is now operating 25 outlets. Walmart purchased Seiyu supermarket chain in 2005, and currently operates 341 retail stores in Japan, using the more familiar name, Seiyu.

Top Supermarkets

AEON Retail	https://www.aeon.info/en/
Ito Yokadao	http://www.itoyokado.co.jp/special/global/en/
Familymart UNY Holdings	http://www.fu-hd.com/english/index.html

Specialty Supermarkets: Carrying premium import products.

Kinokuniya Co, Ltd.	http://www.e-kinokuniya.com/kinokuniya2.pdf
Meidi-ya	http://www.meidi-ya.co.jp/en/
Seijo Ishii	http://www.seijoishii.co.jp/en/
Dean & Deluca	http://deandeluca.co.jp
Queens Isetan	http://www.queens.jp/pc.html
Kaldi Coffee	http://kaldi.co.jp/english
National	http://www.national-azabu.com/e_index2.php
Nissin World Delicatessen	http://www.nissin-world-delicatessen.jp/

Convenience Stores

Seven Eleven Japan	http://www.sej.co.jp/in/en.html
Lawson Inc.	http://lawson.jp/en/
Ministop	https://www.ministop.co.jp/in/en/

SECTION III: Competition

Competitive Situation

Japan import statistics shows that the U.S. is the number one agricultural trading partner with approximately $13 billion value. Although the amount of imports has been declining recently, the United States is still Japan's most reliable supplier of safe and high quality food and ingredients. Overall Japanese F&B imports were up 6.26 percent in 2016.

Figure 5: Major Food Exporters to Japan in 2016

Rank	**Partner Country**	**United States Dollars**	**% Share**	**% Change**
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Source: Global Trade Atlas: USDA BICO Categorization: Consumer-Oriented Products

SECTION IV: Best Product Prospects Categories

A. Retail Trends Overview

Convenience Stores
Convenience stores are constantly inventing ways to appeal to customers of all ages. The working class, most of the time referred to as "salary men/women", are targeted throughout the day from morning breakfast items to ready-to eat dinners. Healthy food items are shelved to entice the Age 60 and above group. Compared to the year 2000, the number of convenience stores increased 20,913 from 35,461 stores to 56,374 in 2017 and food sales grew 62% from 4,689 billion yen ($41 billion) to 7,592 billion yen ($67 billion).

Drugstores
Another retail store category that is spreading-- especially in the countryside-- is the drugstore format. These stores have the wherewithal to provide their services in remote areas and still be profitable. In many small towns where the low population is unable to support either supermarkets or convenience stores, drugstores are expanding food and beverage offerings to bolster sales. In addition, the strong growth in demand for convenience foods lends itself to expanded F&B sales at these outlets.

Internet

The Internet sales of F&B are growing too, closing in on sales volumes of Department Stores and Drugstores. According to one supermarket source, it is increasingly common that customers visit their supermarkets to see, touch and evaluate a product that they may then order on the internet. According to a report published by the Ministry of Economy, Trade and Industry called E-Commerce Market Survey for 2017; F&B sales via internet were 1,191 billion yen ($1.11 billion) in 2014, 1,316 billion yen ($1.08 billion) in 2015 and grew again in 2016 to reach 1,450 billion yen ($1.32 billion). Amazon began its F&B E-commerce, “Amazon Fresh” on April 21, 2017. With this service, customers can have perishable foods delivered within 4 hours.

Ready to Eat Meals

Ready-to-Eat Meal (REM) is defined as food that was prepared by an institution outside the home and sold through a retail outlet (e.g. Convenience Store) to be taken to a different location (such as the home, office, a bench in the park, etc...) and consumed. REM is a key element of the marketing strategy of most retailers to increase customers and revenue.

The Senior Population

The senior population is served more and more by locally adapted supermarkets, convenience stores and drug stores. Locally adapted supermarkets are close to senior residences and provide them shopping options within walking distance.

B. Best Prospects Categories

Product Category	**Major Supply Sources**	**Strengths of Key Supply Countries**	**Advantages and Disadvantages of Local Suppliers**
Snack Foods Net Imports: $638,325,891	1. Singapore: 34 % 2. Korea, South: 18% 3. Malaysia: 13% 7. United States: 4%	Strong competition from South Korea and Malaysia, as they are able to provide at lower prices.	Many brands in Japan, though production costs may be high.
Beverages Net Imports: $3,314,410,084	1. France: 30% 2. United States: 12% 3. Brazil: 10% 4. United Kingdom: 7%	Greater selection of products at a wider price point.	Dominated by large bottlers.

(Source: Global Trade Atlas)

C. Consumer Trends

Japanese consumers look for convenience, quality, and single-serving sizes. An estimated 13.491 million people commute via a combination of train and walking in Tokyo every day. Therefore, convenience and accessibility are highly valued by consumers who drive less than counterparts from many other developed countries.

Recent trends also include growth of Private Brands (PB), healthy and functional foods, time-saving foods (i.e. frozen foods), and new retail ideas to meet new demands. Prepared foods (REM or Home Meal Replacements- HMR) and desserts have exhibited strong growth in the past few years.

1) **Healthy or Functional Foods**
   There has been growing demand for healthy and balanced meals with demand led by women and the senior population. This trend has been growing since the mid-1990's and continues to grow. Healthy foods can be split into two categories: for Specific Health Use (FOSHU) and health-enhanced food. FOSHU products require government approval before entering the market while health enhanced foods do not.

2) **Ready to Eat Meals**
   Ready to Eat Meals (REM) offerings have been increasing in every retail area. Since 2012, there was a 13% increase in the consumption of REM. The expanding retail presence of delicatessens in supermarkets, department stores, and convenience stores attests to the popularity of the HMR market. Typical among these are *obento* boxes which are popular for school and office lunches. Frozen foods have also gained a large presence in this market; for instance, thaw and serve *bento* are lunches that are bought frozen in the morning and by lunchtime are thawed out and ready to eat. Frozen noodle dishes, *okonomiyaki* (a Japanese-style pancake with meat and vegetables), and cooked rice dishes are examples of traditional Japanese meals that can be brought home frozen, reheated, and consumed.

3) **Private Brands (PB)**
   The majority of major food retailers now feature their own private brands (PB). In 2015, AEON added an organic product line called Topvalu Green Eye. According to AEON's financial report for 2015, sales were up 5.2% due to these improvements.

4) **Sweets**
   Convenience stores continuously develop and launch new products throughout the year, and provide a variety of limited edition (e.g. seasonal) sweets and deserts. Lawson has their own Uchi café sweets section, where they present a selection of drinks and desserts; such as mango pudding in the summer.

5) **Consumption**

In Japan approximately 23% of household expenditure goes toward food, according to the Japanese Statistic Bureau. The two main consumer groups in Japan are the Age 60 and above and the Young adults in their 20s and 30s.

Seniors, Age 60 and above

This cohort is rapidly expanding. They tend to have high levels of saving and demand healthy foods, but have limited mobility. The retail response has come in the form of delivery services, mobile operations, expanded internet shopping, smart phone market integration, promotions, and products developed with this cohort in mind.

Youth Consumption

With such a large senior market, young adults in Japan are often overlooked. But recent indicators show consumption spending increasing among 20 and 30 year olds. They have been increasingly delaying marriage and child-bearing in order to focus on their careers. Due to a busy lifestyle, these young people want to avoid the hassle of cooking at home. The rise of working, single-person households directly affects the rise in sales of ready-made, frozen, take-out, delivery, and restaurant prepared meals.

SECTION V: CONTACT AND FURTHER INFORMATION

USDA

Reports on the Japanese markets: http://www.usdajapan.org/reports/

USDA's "Japan Food and Agricultural Import Regulations and Standards (FAIRS) Country Report" http://www.usdajapan.org/reports/

For fresh products, check phytosanitary and sanitary requirements in advance and obtain proper USDA inspections Plant products and pet food: www.aphis.usda.gov   Meat and poultry products: www.fsis.usda.gov

Agricultural Trade Offices

ATO Tokyo U.S. Agricultural Trade Office U.S. Embassy, Tokyo 1-10-5 Akasaka, Minato-ku Tokyo 107-8420 Tel: 81-3-3224-5115 Fax: 81-3-3582-6429 E-mail: atotokyo@fas.usda.gov
ATO Osaka U.S. Agricultural Trade Office U.S. Consulate General, Osaka-Kobe 2-11-5, Nishi-tenma, Kita-ku, Osaka 530-8543 Tel: 81-6-6315-5904 Fax: 81-6-6315-5906 E-mail: atoosaka@fas.usda.gov

Japan External Trade Organization (JETRO):

Japanese market and regulations https://www.jetro.go.jp/en/reports/
Japan Food Sanitation Law http://www.jetro.go.jp/en/reports/regulations/
Specifications and Standards for Foods, Food Additives, etc. under the Food Sanitation Law" http://www.jetro.go.jp/en/reports/regulations/

Ministry of Agriculture, Food and Forestry:

U.S. laboratories approved by the Japanese Government, visit http://www.mhlw.go.jp/topics/yunyu/5/dl/a3.pdf.
Statistics and articles http://www.maff.go.jp/e/index.html

Japan Customs

Tariff rates in Japan are calculated on a CIF basis and Japan adds an 8% consumption tax to all imports.

Japan tariff rates can be found here: http://www.customs.go.jp/english/tariff/

Sources for Retail market figure
Source: METI, Large-scale retail sales trade, Part 3- Table 1, Report on the Current Survey of Commerce.
Source: METI, Convenience store, Part 4- Table 1, Report on the Current Survey of Commerce.
Source: METI, Drug Store, Table Part 4-Table 1