Japan's Retail Revolution

—Chiba City, Japan as a Running Example—

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Abstract

Twenty-five years ago two extremes dominated retailing in Japan: local shopping districts populated by small mom-and-pop stores, and large-format department stores and general merchandise stores adjacent to (and often physically above) major railway and subway stations. Shopping was done on foot or by bicycle; bulky purchases were delivered. Today neighborhood shopping streets are shuttered or in decline, as are department stores. They have been replaced by large-format roadside stores and shopping malls, remote from train stations; by medium-sized supermarkets, replete with parking lots, that operate long hours; and by small-format franchise chains (especially convenience stores). This paper traces that evolution, which reflects the diffusion of automobiles, the growth of suburbs, and the relaxation of legal restrictions on floor-space and operating hours restrictions on retailers, backed by complementary shifts in wholesaling, IT and management methods.

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The Setting: Old and New

Traditional Shopping Districts

Within minutes of arriving in Tokyo in 1982, my wife and I were led around the neighborhood, coddling our 4-month-old. I had a summer internship at MITI, and we were staying in the house of a Japanese professor on leave in the US. The location, I-ro-ha ("ABC") Doori in Sumida-ku, was a "traditional" shopping street (shoten-gai) in one of the new parts of "downtown" Tokyo. Both of our immediate neighbors ran small businesses; indeed, the house we were in was the only one in that part of

1 The basic research was undertaken during a Fulbright Research Fellowship in Japan during academic 2006-7 for a proposed book on change in Japan since 1980. A version of this paper was presented at the Japan Economic Seminar, November 13, 2009 at George Washington University, and benefited in particular from the comments of the discussant, Arthur Alexander. The material that follows is very much an early draft, in argument, content and data, and expositional strategy. The current version makes little reference to eCommerce, ignores numerous retail genre, and above all fails to include such measures of productivity as are available.
the street that was purely a residence, though the front yard was let out to a family friend who ran a
collection company, for him to park two trucks. All the surrounding buildings had a shop on the first
floor, with the family living above it.

To our left was a "snack" restaurant, serving fried noodles and other simple dishes; to our right
was a men's store; and across was a vegetable store. The corner store carried futon and kimono, and
further down was a meat shop that sold yakitori (chicken kebobs), a tea store, a fish store, a toy store and
a flower shop. Many of the owners were relatives; the men's store next door, the futon store and a
cookware store (kanamonoya) down the street were all run by members of the same extended family.
Most of the families had moved there at the same time, during 1915-1925, starting before and accelerating
after the 1923 Tokyo earthquake. That generation's children -- the proprietors of the 1980s -- had grown
up together, as in turn had their children.

All of course wanted to see the baby. By the end of our first day, we had been introduced around
the neighborhood, and thereafter we were greeted – well, my wife and daughter were greeted – wherever
we went. Most of our needs could be met locally. There were disadvantages; most stores on the street
closed on Wednesdays for a common day off, and by 7 pm the sound of aluminum shutters being pulled
down echoed up the street. Except for patrons weaving their way out of local restaurants and the clap of
wooden togs on the feet of those who still patronized the local public bath, all was quiet by 8 pm.
Furthermore, while the stores often carried items of good quality, selections were limited. Stores were
small, sometimes with room only for a counter facing the street; they were old, too. Indeed, the vegetable
store across from us was in an old wooden building that was literally falling down. The old couple who
ran it were the last remaining tenants, and the building owner had stopped making repairs years ago in the
hopes they'd moved out. But they had nowhere else to go. Community obligations meant we had to shop
there at least some of the time, even though it was a haven for rats.

*Traditional Large-scale Shopping*
A few years later in 1991, during another extended residence in Tokyo, I lived within walking distance of the Ikebukuro train station, a major nexus for commuters to catch trains to the suburbs. This exposed me to the other end of the Japanese retail spectrum: above the station was Tobu, the largest department store in Japan, and next to it was the largest Seibu store; a Mitsukoshi department store was just outside. Their layout was similar; all had women's cosmetics and handbags on the ground floor, several additional floors of women's clothes, a floor of men's clothes, a children's floor, a housewares floor, an art and special events floor, and then several floors of restaurants. These were not the place to do a daily shopping; indeed, various high-end "designer" boutiques leased parts of each floor. The "ordinary" men's suits were all over $1,000 -- Armani and the like went for much more.

There was one exception: the basement floor of each department store in Japan is devoted to foods, from a vegetable and dairy section to well-known suppliers of Japanese rice cakes and French pastries. Many gave free samples, and as the number of customers increased during rush hour, the sales staff became positively boisterous – a sharp contrast to the staid sales people trying to deal with well-heeled customers on the floors above. As closing approached, fresh fish, vegetables, and an array of other items would be marked down; vying for bargains with the housewives and professional women would be the occasional businessman on his way home for an early dinner; I would frequently time my return to take advantage of the sale, and learned that along with "o-furai" (fried fish) and tempura I could buy imported ripe cheeses at a vast discount – apparently the average Japanese purchaser assumed that a cheese with uneven color was spoiled, rather than just approaching the point where it should be eaten. There was a certain necessity about this chaos, however. For those who were changing trains on their way back to the suburbs, it was their last chance to shop for dinner: stores would be closed by the time they reached their local station. And on weekends shoppers would flood in from the suburbs, to visit the many boutiques and specialty stores and restaurants around the station, often with friends, and with children in tow. Of course children would have been trampled in the food section as closing approached, but the same logic applied to those heading home for dinner rather than going to the top of the department store, where 3 floors of restaurants stayed open after the store closed offering refuge at the end of a day out.
The New Shopping World

My only extended stay in a rural area in Japan was in "Snow Country" in Niigata in 1997, in Minami Uonuma, famous for its (branded) rice. The other mainstay of the economy was tourism; from my apartment I could see 3 ski areas, and a fourth, larger resort was a few kilometers further away. But times were not prosperous: there were deserted lodges here and there, ferro-concrete structures that will surely blight the landscape for decades. The community had one train station – Urasa – with a local line and a bullet train stop, the latter a comparatively new extension line from Ueno in Tokyo to Niigata City. But trains were infrequent; the new bullet train was seldom heavily used (unlike the Tokyo-Osaka line), and the local train primarily ran in conjunction with the school day, as the closest high school was a competitive one drawing students from throughout the prefecture; few locals could pass the entrance exam. There were buses, too, but again they were tied to the school day. And it snows – the winter before there'd been 13 feet on the ground. If you couldn't drive, you couldn't get anywhere, unless you were prepared to make a long outing of it. Of course, all this meant that, except for the people who lived in town proper, getting to and from the train station itself could be problematic.

There were a few stores near the train station, a vegetable store and a stationary store among others. But more often I went to a larger grocery store, and there was a bakery on a side street, not near anything but with a steady clientele. At all of these cars were left running, windshield wipers going, because it snows a lot. Unlike in urban Japan, curbside parking was permitted, but only the post office had actual parking spaces. So at busy times of the day – moreso as the snow piled higher and higher – shopping locally was not convenient. A few days after arrival, I thus headed along the main road that ran the length of the valley, going about 15 miles to the next town, Muikamachi. There I met my first shopping mall, 900 parking spots around the "anchor" store, large Jusco supermarket (a full grocery store, a large clothing store, and assorted independent tenants such as a florist). Two rows of stores were located adjacent to it, while there were several stand-alone retail outlets (an Aoki men's clothing store) on the

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2 As a visiting professor at the International University of Japan.
road leading up to it. The Jusco was distinctly cheaper, carried a greater variety, and (the longer drive aside) was more convenient than running from store to store. And it was open late.

Why Muikamachi? There was also an expressway interchange, though that seemed to be partly coincidence, as at the time high tolls discouraged both locals and long distance truckers from using it. It was though readily accessible for anyone living between Urasa and Joetsu Yuzawa, the next big ski resort town along the valley, on the far side of Muikamachi. Toka-machi, the center of the next valley over (and due to the "over" quite inconvenient during winter), had its own Jusco mall. It was, in other words, central to a natural catchment area.

In rural Japan, the regulatory barriers designed to impede the expansion of large stores were less effective. Instead, local towns competed to attract large-scale retail developments, because they meant jobs. Kashiwamura in Aomori Prefecture is a good example. Located outside the city of Goshogawara (a former regional subcenter with a population of 58,000 in 1997), it started efforts to recruit new businesses, with the Aeon group, of which Jusco is a subsidiary, announcing it would open a mall in 1990. The town was located at the intersection of two regional roads, and thus not only was convenient to residents of Goshogawara but also to those of surrounding cities. When the mall opened in 1992 it was the largest in Japan, with 2,200 parking spots, two Jusco "anchor" stores (a large grocery store and a clothing store similar to the "department" stores found in a US mall), and a variety of specialty shops. Kashiwamura went overnight from a town with 2,300 sq meters of retail space to 16,000 sq meters, which by 2000 had expanded to a total of 46,500 sq meters; the Aeon mall soon accounted for a quarter of regional shops. In 1991, before the mall opened, an estimated 70% of the population in the 6 towns and cities around Goshokwara went there to shop; by 1997, few did. And Kashiwamura prospered, with Jusco alone employing 212 full-time and another 601 part-time workers.³

Tensions

³ Tsubota 2001 presents a case study of this development.
At the of the 1980s, then, Japan's retail sector was an admixture of old and new forms. The latter, however, was both comparatively small and primarily a rural phenomenon – as was Wal-mart in the US. Shopping involved multiple stops, high prices, but (the flip side) often came with personal service. It was not static. Many factors, from regulation to changing mobility to innovation, came together to shift the structure of retailing. Outside of older urban neighborhoods – which happen to be the areas most visited by international tourists – shopping in Japan now resembles that in the rest of the rural and suburban parts of the developed world. It also gave birth to a number of retail operations – Seven-11, Uniqlo, Daiso – that are now making inroads outside Japan, and which in execution if not in concept have their origins in the 1970s and 1980s.

Background

Economic geography and the "received" distribution system

In 1945 Japan's population had fled urban areas; with peace this exodus reversed, and the following three decades saw heavy migration into urban areas. Meanwhile incomes increased at double-digit rates. The starting point, however, was low, and in 1970 the country was just attaining European levels of prosperity. The newly urban population was both dense in its residence – small apartments with little green space – and constrained in its mobility. For the latter, distance commuting was by train, and local commuting to and from the local station was on foot, bicycle and bus. Parking was a problem – for bicycles. None was available for passenger cars, which were in any case beyond the means of most individuals. Even in the late 1960s, it was not unusual for new developments of single-family residences to be built with very narrow roads and no provision of parking space. Routine shopping was therefore done by foot or bicycle, reflected in a structure of small stores radiating out from train stations,

4 In Japan it is necessary to have proof of a parking spot in order to purchase a car. That led to unhappy compromises. One acquaintance bought a house in the late 1960s in new development in the city of Chiba with narrow streets and no yards; it was also completely built up, so there were no empty lots for rental parking. The family thus had to rebuild the first floor of their house, turning a portion of their living space into a garage in order to buy a car.
complemented by small stores in or adjacent to large housing developments.\(^5\) Inventory was an issue; storage space was scarce, and refrigerators took up room. Furthermore, it was not until 1965 that half of households had one.

Retailing adapted to this structure. As in New York City, density combined with limited transport leads to large numbers of retailers; you don't take a train to do grocery shopping. Furthermore, tight space meant near-daily shopping, reinforcing the propensity to shop locally. Frozen goods were unknown, with meat and fish bought "fresh". Lying behind this structure was a system of wholesale food markets and small wholesalers. The Tsukiji fish market is the most famous of these, but there are similar markets throughout Japan, supported by national and prefectural governments. In Chiba Prefecture, one such market was but a few kilometers away, on land reclaimed in the 1960s from Tokyo Bay. It was patronized by the small food stores and restaurants I frequented. Such small retailers were some of the earlier purchasers of motor vehicles in their neighborhoods, which gave them access to these markets. My favorite vegetable store could buy food too ripe for wholesalers to touch, either because its remaining shelf-life meant high wastage for their larger grocery store customers or because the produce wasn't conducive to being boxed and unboxed in quantity (ripe tomatoes!). Similarly, there were izakaya, a public-like drinking establishment, serving grilled fish and other light dishes to accompany sake and beer. The one I frequented, with all of 10 seats, could get by with the tail of a tuna, or the one or two fish of a particular box, left at a wholesaler after local sushi restaurants had made their purchases. That access allowed such stores to differentiate themselves from larger, more "modern" businesses in the neighborhood – the vegetable store was located directly across the street from a large Maruetsu grocery store, the izakaya was around the corner from two different large (60-80 seat) izakaya, both parts of national chains, that catered to families with children and groups of students.

For other many non-food items markets were recent or far larger in scope as the 1960s and 1970s progressed; examples here include cameras, watches, electrical goods and appliances, kitchen and cleaning goods (with the increasing use of plastics), and ready-made clothing. Financial and geographic

constraints meant that manufacturers, themselves new entrants, sought out wholesalers to purchase their output (allowing them to focus narrowly on production). These wholesalers in turn sought out potential retail outlets and then lent them inventory. This however limited the strategic choices of retailers, who had little control over what they sold, and no bargaining power over the cost of goods. They were in effect commissioned sales agents, and as such often did not hold title to their inventory, and were free within limits to return unsold inventory to their wholesalers. If they sold a lot, they would earn a bonus, through a complicated system of rebates.6

Electronics retailers provide a good example. Beginning in the late 1930s, the entrepreneur Kōnosuke Matsushita gradually established a chain of "National" stores that sold goods under that name, and for radios and later TVs, under the Panasonic name. Of course, such stores were effectively prohibited from carrying the goods of a Sony or a Hitachi. But the regional wholesalers had incentives to push for too many stores, and Japan is varied enough that local sales did not always track national trends through the sharp ups and downs of the business cycles of the 1950s and 1960s. As rural populations fell, retailers found it hard to maintain volume, and were vulnerable to inroads by new chains. In contrast, in Tokyo in particular there were already multiple electrical goods wholesalers before World War II. While there were tied retail networks, firms such as Matsushita were forced to deal with multiple wholesalers who also carried rivals' goods – department stores, for example, had always carried products from an array of manufacturers, and Tokyo had more such retailers than anywhere else in Japan.

This high density of tied retailers was fragile.7 First of all, common to franchising and distribution elsewhere, there was a tension between the interests of the wholesaler/manufacturer, who wanted more outlets, and the interests of retailers, who wanted fewer competitors. Electronics manufacturers

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6 David Flath and Tatsuhiko Nariu have both jointly and individually written extensively on this subject. See for example Flath, David, and Nariu Tatsuhiko. Demand Uncertainty and Price Maintenance. New York: Center on Japanese Economy and Business, Graduate School of Business, Columbia University, October 1998, Working Paper No. 149.

encouraged entry by small stores to saturate the market; the marginal store would provide its owner with at best a competitive return from the retail space-cum-family home, from the sales value of community networks, and from hours of labor. Anything that led to smaller markets across a region – entry by new types of retailers – threatened the network as a whole, because it could render most small stores unprofitable. Second, the system created pressures for firms to supply a full line of products (and also enabled them to diversify mindlessly, because they could "push" additional product on their wholesalers and retailers). Third, it worked best if everyone played the game. No single manufacturer was likely to have a string of homeruns that would do in their competition. One might have the best vacuum sweeper, another better fans, another the better TV or washing machine. A new entrant on the manufacturing end would have to find an alternate distribution channel, hard if you began with a single product; Sony, which began in the 1950s with transistor radios, was more specialized than firms such as Matsushita or Toshiba whose origins went back to the 1930s or earlier. This retail structure was thus vulnerable to any retailer who could pick and choose across various firms' product lines: they would not be obligated to sell slow-selling products in order to receive hot ones (a practice known in new car retailing as "turn to earn"). Such electrical goods shops, however, had to be able to tap a wider geographic market than the local mom-and-pop retailer in order to focus on a narrower range of product lines. Or they had to be a section of a larger, general retailer who could specialize in fast-moving products, and simply not carry a full range. That, too, would spell death for the small retailer who (pardon the economists pun) was marginalized.

To reiterate, tensions are present in all distribution systems. First, Japan's was a "push" system. Wholesalers were expected to take what manufacturers turned out, and to get it onto the shelves of their retail clients. Retailers could not pick and choose, particularly if they were expecting wholesalers to bear risk and provide financing. They were also constrained from using multiple wholesalers. But the more entrepreneurial retailers wanted to control product and influence pricing. When consumers were poor, the

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8 In practice owners of houses with potential street-front retail space were reluctant to rent out their ground floor, due to the strong protection given to tenants, and could leverage their community ties only by running a small retail operation. The bottom line is that, given a dense retail network, total returns need not have been very high, and might effectively have included minimal levels of rent from specific resources.

potential gains were small – but Japanese consumers did not stay poor. Second, the link between sales and production was indirect, particularly when there was a chain of wholesalers, and information had to flow uphill between retail performance and manufacturing output. Problems were endemic with wholesalers not realizing a product had flopped until retailers began to return unsold goods, by which point inventories upstream might be bulging from continued production. The system worked best with relatively standardized goods; fashion items had to carry fat margins to cover the risks inherent in a system with high overall inventories and poor feedback. Failure to grasp such market trends was the source of Toyota's *de facto* bankruptcy in 1950, and to repeated problems at the regional level in electrical goods when national sales plans failed to mesh with local realities. And of course physical delivery imposed costs, as manufacturers had to send goods out to a host of small wholesalers who handled regional and local sales areas; goods changed hands many times, adding to the costs of the system.

Finally, it was very difficult to improve productivity in the system as a whole. Small shops were limited by the extent of their local market, which also made it difficult for them to specialize and shift toward higher-margin goods. Shoes, clothing, stationery and similar stores had already added "outside" sales to local schools, government offices and private businesses, with "pa" handling such sales while "ma" tended the store and children. Such small store owners found it increasingly difficult to keep their incomes growing commensurate with the wider economy. In the early 1980s, none of the children of the local store owners on the *shotengai* where we lived expressed interest in taking over their parents' stores; their parents were even more adamant: we've slaved to send our kids to college so that they have a future, because there's none in our small store.\(^\text{10}\)

The system thus had several points of vulnerability. Store density was quite high, but was dependent on local traffic. Anything that increased the shopping frequency and shopping radius could lead to stores that could increase their sales volume while employing low-cost labor and thereby offer price competition. Similarly, this could also allow stores to offer a wider selection or to specialize in only higher-margin goods, that is, to innovate with new retail concepts. However, in the background such

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10 To my knowledge, none of the youth I met did so. One of them did return home, to live with his wife and two children on the 3rd floor of a renovated building, above his parents on the 2nd floor and the shop on the 1st. He however worked for a software company and not in his parents' mens clothing store.
shifts would also require new modes of sourcing product, because the existing wholesalers oriented to small retailers were not geared to support such operations.

In fact, rising incomes, suburbanization and motorization led to larger housing, the ability to indulge in more varied tastes, and the potential for a single store to increase the area and total population from which it could draw regular shoppers. At the same time, new retail concepts such as convenience stores and discount stores were able to carve out for themselves segments of the market where there had been latent demand or which tapped new wholesale distribution routes. Regulatory change affected the pace of change at the margin, as did the collapse of the real estate bubble after 1991 amidst the ongoing shift away from land-intensive heavy manufacturing and piecemeal but cumulatively significant improvements in suburban roads. Malls and road-side restaurants and specialty stores, once limited to rural areas, are now a fixture of suburbia. Their growth undermined – continues to undermine – both the small-store shotengai and the urban center department stores, whose share of retail sales have been declining for 15 years.

The Magnitude of Change: Data Interlude [my apologies: this section is only loosely integrated with the rest of the paper]

This paper argues that, among other changes, shopping malls are replacing shopping streets; the Establishment Survey provides an insight into the magnitude of changes.\textsuperscript{11} The June 2007 survey (released July 2009) found 1.47m. retail and wholesale establishments employing 11.1m. workers. However, compared with the 2004 survey, the number of wholesale and retail establishments had contracted by 20\% and employment by 3\%. Most of this change occurred among very small (one–four person) establishments, which contracted by 11\% compared to 2004 and 24\% compared to 1999. The only growth in the wholesale and retail sector was of the largest establishments (300-plus employees), where total numbers increased by 4\% (but employment by only 1\%).\textsuperscript{12}

\textsuperscript{11} Retailers can and often do operate multiple establishments. In addition, franchisees are firms separate from the franchiser, and so would show up both as unique establishments and as unique entities in any firm-level data.

\textsuperscript{12} Note that employment data are by head-count and not by hours worked. To my knowledge, none of the standard data sources can be recompiled to provide information on changes in total hours worked, except at the most aggregate level (all retailing but not establishment floor space or sales).
Two retail groups, Aeon (5,230,000m. yen in sales in the year ending February 2009) and Seven & I Holdings (at 5,650,000m. yen in the year ending February 2009), were by far the largest in Japan, followed by Daiei (965,000m. yen in the year ending February 2009). The latter retail group over-expanded during the ‘bubble’ and succumbed to excess debt; it had been taken over temporarily by the Industrial Revitalization Corporation of Japan, a special government entity created to handle large bankruptcies. The initial restructuring was completed in August 2006, with shares transferred to Marubeni Trading and other private investors. In a bidding contest, the Aeon group defeated the USA’s Wal-Mart to take over Daiei; the basic agreement was signed in March 2007, leaving Aeon as the largest shareholder with a 19.85% stake, and the trading company Marubeni with an 18.41% stake. Aeon obtained the Daiei-affiliated Maruetsu food supermarket and will share some of its brands with Maruetsu and provide IT services to it and to Daiei. To the extent that it is able to integrate Daiei into its operations, with the acquiescence of Marubeni, it will outstrip Seven & I Holdings in size.

Aeon began as a food supermarket, and that sector remains the core of its operations, but it expanded with the Jusco hypermarket chain, Ministop convenience stores and speciality retail chains in sporting goods, clothing and other areas. Much of its recent expansion in the 2000s came through mergers and acquisitions; it was relatively successful at integrating regional food supermarkets into its operations, and at reviving bankrupt hypermarkets such as MyCal. It remains to be seen whether it can do the same with the much larger Daiei, as media cover since the privatization of Daiei suggests that its new owners have only been able to shutter a handful of stores.

Seven & I, by contrast, began by developing the Ito Yokado hypermarkets (thus the “I”), but in 1973 launched two new ventures with US partners. One was Dennys Japan, which was the first successful family restaurant chain in Japan, emphasizing locations with parking facilities. The other was the 7-Eleven convenience store chain, borrowing the concept after the president of Yokado visited the US-based 7-Eleven in Texas. By the mid-2000s Dennys had 580 stores, while the 24-hour, 365-day convenience store concept proved immensely successful. Seven & I now operates 14,000 7-Eleven stores, which are the largest source of profits for the parent group. (Seven & I also acquired the original US 7-Eleven chain,
which ran into financial difficulties following a leverage buyout.) Seven & I also developed a variety of speciality retailers and, as with the Aeon group, expanded in part by acquiring a number of troubled retailers. After 2000, for example, the corporation took over the troubled Seibu department stores chain and the bankrupt Sogo department store chain, to become one of the major forces in that segment.

One of the initial strengths of 7-Eleven operations was that 70% of its early franchises entered by taking over local liquor stores; while this constrained them in location, such stores often had a couple parking spots because of the need for access by delivery vehicles. Above all, the liquor license transferred automatically to the new operators, who could therefore sell alcoholic beverages. In an environment in which most existing retailers were closed at least 4 times a month, and were seldom open before 10 am or after 7 pm, their 24/7 operating mode gave them a unique market niche, to which they adapted their product holdings and labor management support systems. Another innovation was the introduction of sophisticated point-of-sales data analysis; these inventory controls helped 7-Eleven to restock stores more than three times per day, including different take-away items for the breakfast, lunch, dinner and late-night time slots. This was backed by careful attention to logistics; despite being the largest convenience store chain in Japan, they have expanded prefecture by prefecture, and are only now entering their 37th one, leaving 10 of Japan's prefectures without a single outlet. Furthermore, much of their new investment is in reconfiguring their existing chains; they are closing down their initial entrants at the rate of 300 a year, in favor of corner stores and locations with better parking. At the same time, they and their competitors continue to add services: 24-hour ATMs – most bank ATMs still keep an approximation of bankers hours, closing in the early evening! – made-to-order box lunches, xerox machines, cell phone chargers, concert tickets, bill payment, package delivery and now e-money so that payments can be made by holding up a cell phone near a sensor. Some of these innovations began with its largest competitor, Lawson's, which is present in all of Japan; it and Ministop (the 3rd largest chain, run by Aeon) quickly mimic each others innovations.

13 The early franchises were often held by the family that had run the liquor store. Later changes, effective by 2007, allowed almost any food retailer to obtain a license to sell alcoholic beverages, removing that advantage.
These two diversified retail groups thus dominated the smallest and largest segments of stores, with a strong presence in suburban and rural shopping malls and hypermarkets at one end and very small convenience stores at the other. Intermediate-sized food supermarkets also consolidated, both through outright mergers and by gradually aligning with one of three large wholesale and joint-purchasing groups, the largest of which, CGC, handled 3,999,000m. yen in food and related goods in FY2008. In contrast, small neighbourhood supermarkets were in steep decline. A similar change occurred among pharmacies (backed by wholesaler consolidation); the foremost of these is Matsumoto Kiyoshi.

In view of these changes, foreign hypermarket chains—Wal-Mart, Carrefour of France and Tesco of the United Kingdom—fared poorly in Japan. Carrefour and Tesco both abandoned the market; Wal-Mart, which took over the struggling Seiyu chain in 2005, has continued to lose money since then, despite an investment (including cumulative losses) that I estimate at over US $6 bil. These huge foreign retailers were slow to enter and, by the time they arrived, the strategies that allowed them to expand elsewhere—inventory control, distribution channel integration and suburban, large-format locations—had long been deployed by Japanese retail groups. Instead, Japanese retailers were now expanding into parts of Asia. The Japanese convenience store chains, for example, were found throughout East and South-East Asia.

Similar changes were taking place in other areas. Appliances and electronic goods were previously sold through small neighbourhood shops, going back to the distribution networks established by Matsushita and other early makers of such items in the 1930s–50s to sell lighting, electric fans and, later, other goods; there were similar networks of camera shops and small stores selling men’s and women’s clothing, often tied with one or another single manufacturer through a layer of wholesalers. During the 1990s, however, large-floor-space discount stores such as Daiei achieved sufficient volume to let them circumvent traditional wholesalers and deal directly with manufacturers; with this, the network of small-scale retailers collapsed. This wholesalers however were willing to support new rural and suburban entrants that were specialized in electronics and appliances. Here Yamada Denki was by far the most successful, relying exclusively on suburban locations alongside major roads. With 1,870,000m. yen
in sales in 2008, it was over double the size of Yodobashi Camera (650,000m. yen in sales), which was far better known among foreign visitors because of its focus on locations next to major train stations.

The shift in markets from control by manufacturers to leadership by retailers is visible in other markets. In clothing, Uniqlo stores and other outlets of the Fast Retailing group had sales of 580,000m. yen annually by the mid-2000s; Shimamura, which specialized in women’s clothing (410,000m. yen in sales), and Aoyama, in men’s clothing (207,000m. yen in sales), were the leaders in their sectors. These stores undertake their own sourcing, and in the case of Uniqlo, their own designing. Other genre where specialized large-volume suburban retailers are proving successful are in home centers, shoes, and hardware stores.

One final sector was that of discount stores. By far the largest chain was Don Quixote, with 356,000m. yen in sales, in some 145 suburban stores, which gained initial fame for staying open until late at night; other businesses in the area of general discounters had stopped expanding. A second variety of discount stores are the innovative ‘100 yen shops’, which, as their name implies, sold goods that with few exceptions cost exactly 100 yen (¥105 with sales tax). Clean and well-lit, with long hours and a remarkable variety of goods, their retail concept was easy to grasp. This concept also had a dominant firm, Daiso, with 2,500 domestic and 500 overseas stores and 341,000m. yen in sales in the 2008 financial year, with a product line of 90,000 items, many made to its own designs, and sourced directly from manufacturers in Japan, China and elsewhere. It stimulated entry by many rivals, including a chain of Yen 99 Stores (since merged into Lawsons), which focused on food items, including vegetables and fruits in small units, ideal portions for young singles and elderly people living alone; in my neighborhood, the local Yen 99 store was far busier than the 7-Eleven across the street. Both Daiso and Don Quixote were expanding outside Japan, as are other innovative retailers, including the convenience stores chains (Lawsons, 7-Eleven, Ministop), visible throughout urban China, Hong Kong and the Philippines, and Uniqlo and Muji in clothes (both now have Shanghai and [?] New York stores).

Overall, therefore, the retail world was evolving rapidly. A tremendous number of small stores remained in existence, at least on paper, but casual observation suggested that many of them were seldom
open, or when open had no customers; such businesses were so numerous as to have earned a nickname, ‘shataa gai’ (shuttered shopping streets). As the entrepreneurs who had started these businesses 30 and 40 years previously began to retire, many such shops appeared certain to close permanently. The cessation of operations among poorly managed large stores was also slow. The Japanese Government helped to arrange a rescue programme for Daiei, one of several retail groups that had many medium-sized stores around smaller train stations, which were neither accessible to cars nor readily expandable. While Daiei’s debt was drastically reduced, years after its demise the bulk of its stores remained open and continued to lose sales; at the time of its sale to the Aeon group one-third were highly unprofitable. Bank forbearance, and the lack of liquid funds in property, meant that there was no apparent advantage in closing such chains.

The improvement in real estate markets in some parts of the country, and innovative retailers who might be able to replace such small-scale general food and clothing retailers with narrowly focused retail operations, should help to ease the withdrawal of such groups. With these departures from the market, and with the retirement of the ‘baby boom’ generation of small store proprietors, the sales of the remaining, better-managed and better-located retail groups should improve, bringing greater profits to their owners and lower prices to consumers. However, such changes will occasion the disappearance of the sense of community that accrued through the many local shopping districts, and the personal relationships and high levels of attention they provided. This shift generated public anxiety among politicians and community groups. Although consumers bemoaned such changes, in practice they wanted the greater variety and convenience offered by the new type of retailers, and they were unwilling to pay the higher prices needed to maintain low-volume, labour-intensive ‘traditional’ (although largely post-1945) neighbourhood retailers.

Similar changes were occurring in the restaurant sector by the early 21st century, with new concepts and shifts in the types of food that were popular. Most eating establishments remained relatively small in scale, offset in part by the growth of franchising. McDonalds was important, both for helping to demonstrate the potential of the franchise restaurant approach and for making hamburgers popular; with
3,800 outlets and 395,000m. yen in sales in 2008, the US company was six times the size of Mosburger, the next largest hamburger chain, and was by far the largest of the wide variety of fast food chains now present in Japan. Other successful ventures were Mr Donuts, with 130,000m. yen in sales and 1,300 outlets, and Kentucky Fried Chicken, with 84,900m. yen in sales and 1,500 outlets. As with McDonalds, both served foods that were, until recently, new to the market. Family restaurants also expanded, although the leader was no longer Dennys, but Skylark, with 3,500 outlets and 402,000m. yen in sales. That may change. In 2006 Skylark became a private company in Japan’s largest ever management buy-out. However, initially profitability decreased rather than rose, with the firm losing more than US $100m. in 2006 and again in 2007. The new shareholders flexed their muscle, forcing out the 70-year-old doyen of the founding family in August 2008 and replacing him with a 56-year-old who had been operating a successful buffet-style subsidiary.

A purely domestic Japanese example of a successful chain concept are gyudon restaurants, which served sukiyaki-style beef over rice. Yoshinoya, the pioneer, had 1,000 outlets and 156,000m. yen in annual sales, while newcomer Sukiya, with 660 outlets, had surpassed it with sales totalling 283,000m. yen. Other domestic concepts included chains of izakaya, conveyor-belt kaiten sushi restaurants, coffee shops (with the once-pervasive independent small corner shop replaced by one or another chain, of which Detours and Starbucks were the largest), and bento shops, which provided ready-made and made-to-order boxed lunches. Finally, two early post-war concepts were ramen (‘Chinese’ noodle) shops and Japanese curry restaurants; these diffused into popular cuisine via independent, family-run operations; those are now also gradually being replaced by outlets of franchise chains, while the old "Chinese"-style restaurants are increasing run by Chinese immigrants.

The restaurant sector thus remains highly fragmented but dynamic. The range of foods available is large, and in urban areas ethnic foods are widely available (Chinese, Italian, Korean, French and Indian food, with a sprinkling of Thai, German, and other minor cuisines), as were tempura, soba, tonkatsu and other more specifically Japanese formats. Supermarkets and malls in train stations continued to offer a wide array of ready-to-cook or ready-to-consume dishes, and bakeries abound. There was a constant
inflow of new concepts, and of course there remained many unique family-run restaurants. The sector was an interesting example of the ability of entrepreneurs to respond to higher incomes, and of the shift to locations away from train stations as Japan moved towards a more car-based culture. With franchising and constant mergers, acquisitions and ‘spin-offs’, an ever-shifting landscape was provided, as new concepts, domestic and international, were able to spread quickly across the country. The Skylark management change noted above reflects that spirit.

The Process of Change: Large Stores

*New Store Chains: the Supply Side*

The first assault came from the direction of general retailers. Department stores had existed in Japan since the 1600s, when Echigo-ya, a direct forerunner of today's Mitsukoshi Department Store, began a cash-and-carry business in the new capital of Edo, today's Tokyo. As rebuilt after WWII, department stores were located in the core of the train-based downtowns of large cities, and offered a wide array of specialized goods, priced to provide margins sufficient to compensate for the inventory, large sales staff and expensive real estate. Discounting was antipathy to this high-fixed-cost model. However, manufacturers outside existing distribution networks, and wholesalers whose associated stores had returned inventory in amounts that begged for liquidation into cash, were interested in finding outlets for their goods. An entrepreneur in Kobe, Nakauchi Isao, began a simple discount clothing store in the late 1950s, and within a couple years was sufficiently successful to begin setting up a chain centered on the Osaka region. He emphasized a self-service format, then relatively unusual, and quickly expanded in geography and in the range of goods he sold. In 1962 he renamed his stores "Daiei, the Store for Housewives" and by the mid-1960s had expanded to the Tokyo area. A friend in Chiba remembers the first store there: a building devoid of decoration, with tables on which were piled heaps of clothing: discounted, sort-through-to-find-your-size clothing. The store was mobbed. In 1964 Daiei opened the first shopping center, which included in one facility a bank and specialized stores; in 1968 it added one of the

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14 The name sounds less strange in Japanese: 主婦の店ダイエー. While written phonetically, "Daiei" is suggestive of characters that together might mean something like "great prosperity."
first small suburban shopping malls, though it was "traditional" in that it was adjacent to a train station rather than presuming customers would come by car. Daiei also was the leading force behind the creation of the Japan Chain Store Association in 1967. By 1972 it was the largest retailer in Japan, surpassing the mainline department stores.

Daiei and similar stores were a threat both to the relatively unspecialized mom-and-pop stores that populated the shopping streets outside most stations, and to the department stores that offered the convenience of a wide array of goods – mens and womens clothing, housewares and furniture, toys and food – but were anything but discounters. Politically small retailers were powerful, as they were organized on a local basis, and their owners were tied into the community through local PTAs, chonai-kai (block associations) and similar organizations. The multi-member electoral districts for the Diet, the national legislature, led politicians to rely upon grass-roots activism and special interest politics. Small retailers were one such source of local support – and department stores were their allies. As incumbents, both large and small retailers saw benefits in impeding new entry. Early on, the Communist Party was tied to grass-roots small business interests, and it turned this into electoral success at the local level, particularly in large cities. In Kyoto Prefecture they turned this into legal protection for small retailers. The Liberal Democratic Party, dominant at the national level, proved successful in co-opting the issue. On the one hand, they beefed up the Small and Medium Enterprise Agency, an extension of what is now METI.15 On the other hand, they were in a position to put in legislation at the national level.16

Thus arose the Large Scale Store Law of 1973, which required new stores with over a specified floor space to obtain prior permission on maximum operating hours, minimum number of days closed and other details from local governments. Small store owners sat on the relevant committees, and the law said nothing about speedy deliberation. In extreme cases an application could be delayed almost indefinitely, but in practice it required 3-5 years. The initial law had loopholes that the more aggressive players

15 METI, the Ministry of Economy, Trade and Industry, is the successor to MITI, the Ministry of International Trade and Industry.
16 This draws from research done as background for Patrick, Hugh T., and Thomas Rohlen. "Japan's Small-Scale Family Enterprises." In Japan's Contemporary Political Economy and Future Prospects, ed. Kozo Yamamura and Yasukichi Yasuba: Stanford University Press, 1985. The notes therefrom are buried in a quarter century of subsequent research material, though I have some hope of relocating them.
utilized, setting up buildings in which their portion was below the maximum floor limit, but where the building was much larger with remaining space leased to other retailers. A revision of the law in 1978 eliminated the possibility of such workarounds, and subsequent regulations tightened the process further. So while Daiei continued its expansion, and other chains set up small department stores adjacent to outlying train stations (such as Seiyu), the share of such discounters remained low.

Large Scale Store Laws

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>Department Store Law (e.g., limiting hours)</td>
</tr>
<tr>
<td>1956</td>
<td>Department Store Law Renacted</td>
</tr>
<tr>
<td>1973.10 effective 1974.3</td>
<td>First Large-Scale Store Law (≤1,500 sq m)</td>
</tr>
<tr>
<td>1978.11 effective 1979.5</td>
<td>Revision of law to make stricter (≤1,000 sq m)</td>
</tr>
<tr>
<td>1981.1 effective 1982.2</td>
<td>New (stricter) administrative guidelines</td>
</tr>
<tr>
<td>1991.5 effective 1992.1</td>
<td>Revision: Larger size, faster approval</td>
</tr>
<tr>
<td>1998.5</td>
<td>New legal framework: Most constraints gone</td>
</tr>
<tr>
<td>effective 2007.11</td>
<td>Revision of Law: Stricter for suburbs</td>
</tr>
</tbody>
</table>

The expansion of specialized food markets faced the same size limitations (set at 1,000 square throughout the 1980s), but also had the challenge of sourcing large, uniform quantities of produce, fish and other goods. Hence stores such as the Summit chain in the Tokyo area were backed by trading companies that imported food directly (such as chicken and beef) or worked with wholesale markets or (in the case of fish) directly with the large fishing companies to buy in bulk and to warehouse and distribute product themselves. While I will not detail it here, during the last decade there have been a

large number of mergers and alliances among regional food wholesalers to form two large national groups, the flip side of the growth of large, national food store chains that will be traced later.18

Rural retailing faced far fewer restrictions. Small retailers in outlying villages could welcome a new, large store because it could increase traffic past their shops. Two chains developed utilizing these strategies, Ito Yokado and Jusco, following a path of mergers and acquisitions. Jusco traces its origins to an 18th century silk trader, but effectively began as a regional supermarket operator in the 1960s, gaining scale in 1970 through the acquisition of three similar regional operations in western Japan; it acquired three additional chains in 1972, consolidating its regional base and allowing the expansion of its integrated purchasing and logistics systems. Ito Yokado, based initially in eastern Japan, grew similarly. Both gradually added rural stores and stores in the outlying areas of major metropolitan areas. Ito Yokado, for example, set up a store in an abandoned factory site in Chiba ca. 1977, a short walk from a newly-renovated express train station on the Sobu Line between Tokyo Station and the central station in Chiba City. As the area built up, however, Yokado opened larger stores in the Chiba area with better access by car. When its 20-year lease expired, it abandoned the site. After several years of lying empty, Maruetsu, a rival chain that focused primarily on food sales, leased the site. That store continues in operation, though the Maruetsu chain itself later went bankrupt, ironically to be bought up and resuscitated by Aeon, the parent company of Ito Yokado. The store, focusing primarily on food, remained in operation in 2008, with remaindered clothing store (under the Maruetsu name) and an unrelated ¥100 store occupying the upper two floors.

Over time, this gradual expansion backed by complementary shifts among wholesalers has dotted the suburban landscape with large stores. Early ones such as Daiei were often opportunistic in their locations, and expanded too quickly. Several, including Daiei and the Sogo department store chain, were rendered insolvent by debt built up during the late 1980s real estate bubble. Others, such as Aeon, the

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18 See 「青果卸「改革」時間と競争：大口顧客用にライン。」 日経MJ, November 1 2006, 1. This article traces the consolidation of produce wholesalers and their vertical integration into physical food handling with their own warehouses and packaging operations, to serve large customers such as Jusco.
parent of Ito Yokado, and Seven and I, the parent of Jusco, were more deliberate. Over the last decade, a vast expansion of shopping malls has added to the scene. However, profitability remains low, in part because with the carrying cost of debt so low, few of the stores of Daiei, Sogo, Nakagasakiya and others that have failed have actually been shuttered. Furthermore, there was a rush to set up new shopping centers, replete with anchor stores such as Jusco or Ito Yokado, before the provisions of the new retail planning law took effect in November 2007. Already one older shopping center near me, located in an area off of the largest thoroughfare, was clearly in decline; much of the space was taken up by lower-rent stores. It is unclear to me whether all of these new malls, which seem to have paid more attention to location but are far larger, will survive.

[See Fig 1 on floor size distribution]

The Demand Side

This slow growth of large-format retailers was impeded by the Large Store Law, but demand factors also played a role. Even in 1980, car ownership in suburban Japan remained low. In 1970, only 22% of households owned a car; that had more than doubled by 1980, to 57%. That number had risen to 84% by 2006. However, this hides the fact that many families now own two cars; the total number of cars more than doubled between 1980 and 2006, rising from 64 per hundred households to 139 per hundred households, representing some 75 million vehicles for a total population of 127 million.

The premier suburban vehicle is the kei or minicar, which is taxed at a lower rate, and faces less restrictive parking regulations. Compared to 1985, ownership of kei jumped 7-fold to over 14 million. In Tokyo itself there are only 54 cars per 100 families, despite its far-flung, relatively light-density western districts. In contrast, in Chiba Prefecture, which is immediately adjacent to Tokyo proper, there are now 106 cars per 100 families; a new apartment building within walking distance of an express train station will have parking spots for only 70% of the families, but that is partly a function of its location, and in

19 And with their rural focus, perhaps luckier, as real estate away from the biggest three urban centers was less affected by the bubble.
21 Chiba seems to be in line with this expansion. However, due to the regulatory differential, different organizations report the sales data for different segments, and the prefectural data I have are not internally consistent.
any case a couple peanut farms a short walk away were paved over in 2007, so private parking is readily
available. Chiba is still comparatively urban; in Ibaraki and Gunma, parts of which are within commuting
distance from Tokyo, there are now 170 cars per 100 families.22

Much of this increase reflects the cumulative impact of rising incomes. Some however was
regulatory. Some of this is also regulatory; alongside the relaxation of the Large Store Law, one of the
measures Japan implemented at the time of the US Structural Impediments Initiative was a revision of the
vehicle inspection system, which used to be frequent and extremely costly.23 Under the new rules,
dealerships have a monopoly on that business. As a result the cost of inspections dropped sharply, so that
after 1995 the effective cost of a car was significantly lower, with the impact greatest for older cars.
Consumers behaved accordingly: they kept their cars longer. In 1980, the average vehicle was scrapped
after 8.3 years; by 2004 this reached 11.0 years. The once-moribund used car market also sprang to life,
newly supported by a national wholesale infrastructure of car auctions (some of which are channeled into
exports to Dubai and elsewhere, rather than resold in the domestic market).24 Now Gulliver and other
national used car chains are prominent along major suburban roads, effectively a totally new class of
retailers; malls contain stores for tires and accessories, again a recent retail niche.

But to return to the link to the overall shift in suburban retailing: while the overall increase in car
ownership is over the last quarter century, that in suburban Japan is more recent. As recently as 1988,
there were only 200,000 cars for Chiba City, with a population of 800,000. That number expanded by
80% over the next 20 years, with the bulk of the expansion between 1996 and 2006. (The population,
meanwhile, rose only 14%.) Retail locations that presumed car-based shopping became increasingly
attractive. Furthermore, by 1971 over 90% of households had a refrigerator, and by the 1990s those

22 Transportation statistics provide a complementary picture. By 2004, despite the huge commuting systems of the
major urban areas, only 27% of passenger travel was by rail and 6% by bus; instead, 61% was by car. Rail and bus
services have been reduced throughout rural Japan; by 2004 bus utilization was only 27% of that in 1980. In
contrast, car traffic rose almost eight-fold

23 The sha-ken mandatory inspection system dated back to the era when “Made in Japan” was synonymous with
poor quality. In the early post-WWII era cars were far less durable everywhere, but especially in Japan.
Inspections were mandated every-other year, and annually after year 10, and included the replacement of many
safety-related parts such as brake hoses, the failure of which is now virtually unheard of. By the end of year 10
virtually all vehicles were scrapped.

24 Thanks to Arthur Alexander for pointing this out; he in turned referenced a WSJ that I have yet to locate.
normally included a separate freezer and not just a small internal unit. In a similar vein, by 1996 over 90% of households also had a microwave range; there was now a potential market for frozen, ready-to-
cook foods. Nor was storage space as much of a constraint; in 1978 the average residence had but 80 square meters, but by 2003 this had risen to 95 square meters (just over 1,000 square feet). But home ownership is widespread, and outside of the Tokyo and Osaka-Kyoto metro areas, those average 130 square meters (1,400 square feet). At the same time, the average household fell in size. As a result, using tatami mats (a 3.3 sq m unit) or dwelling rooms per person as metrics, housing expanded 56% in size over the quarter century 1978-2003.

The structure of suburban development reinforced this preference for car-based shopping. The areas near train stations on commuter routes were developed early, and often consisted of many small plots of land with a jumble of stores, residences and roads. A system of land readjustment was designed to facilitate redevelopment of such areas. Local residents could jointly contribute their land, streets would be widened, utilities put in place and they would get back property with higher market value due to such improvements. However, getting agreement to move ahead was not easy, particularly as owners would be left without anything for an interim. Furthermore, widening roads meant that the amount of land reallocated to the participants would be smaller than what they initially owned, and the financing had to be arranged in advance, which in practice required some of the total land area to be sold. Some such projects from the 1950s have yet to be finalized.

Development therefore leapfrogged the immediate vicinity of stations. Instead, single-family-
housing developments and condominiums would be located some distance from train stations, where land was cheaper; hillsides were ideal, as they held little value to farmers. To reach their new homes, commuters would pile off of trains and onto buses, which would snake their way through narrow, two-
lane roads until they had escaped the older town center. Once on the outside, roads were better, as local governments could afford to purchase land to improve them, and large developments were required to install roads. There might be a large grocery retailer located nearby, but often shopping was an afterthought. However, getting to the established stores near the train station was inconvenient – and they
were often closed by the time the commute home was done. Roadside retailers had a natural market, and once remote from the central shopping areas where incumbent small retailers had set they rules, they were free to build larger stores that kept longer hours and observed few, if any, holidays. As such stores developed, they created a positive externality: shopping by car shifted from being potentially to being actually convenient, as the number and variety of roadside stores expanded.

Chiba City example

You barely notice the shopping street at Inage Station in Chiba. At its peak the local storeowners association had 100 members; by 2007, only 3 of that original group remained. This decline reflects an overall decline amidst generation change, as local store owners leased out their space to franchised operations rather than encouraging their children to become shopkeepers. By-and-large, the proprietors of remaining shops are old, or even elderly, as was one man I interviewed about the history of the area, one of the retail association's founding members, the proprietor of a photography store. In the hour I chatted with him no customer entered his shop. Of course the rise of digital cameras wiped out most of the segment, though he did have the occasional hobbyist, and also had a second location that specialized in printing digital photos. His shop served to get him out of the house, and was a place where friends could drop by to chat.

Yet even in the best of times Inage turned out to be a poor retail location, despite being an express stop on the major JR (former national railway) line connecting Tokyo Station to Chiba Station, just one stop from the main station of a city of 900,000. For there were three Inage stations, two a short walk apart – the JR Sobu Line station, the Keisei Chiba Line station, and a third a mile downhill on the JR Keiyo Line, past the former beachfront and out into landfill, an area of residences, industrial areas and a large park that extended 3 kilometers into what was once Tokyo Bay.

Geography, or at least economic geography, worked against it. The Keisei line was a private development opened in 1921. To finance itself, it located stations about every 4 kilometers, selling land along the way; it was thus an easy bicycle ride from one station to the next, and those living nearby
effectively had the choice of two. This presented a challenge to local retailers from the start, particularly as the area was only lightly settled until after WWII – Inage was well-known as something of a summer retreat, with its beach and shellfish. So the shotengai that developed between the two original Inage stations had never been very prosperous. Population exploded from the mid-1960s, with the city growing by 150,000 people every 5 years: from 332,000 in 1965 to 482,000 in 1970 and 659,000 in 1975. (The population in 2009 was 950,000.)

The main JR Inage station had been renovated in 1970, with a new ferro-concrete structure replacing the old wooden station, and a wider road and parking area for buses and taxis on each side. The regional JR real estate development subsidiary oversaw the project, putting in retail space under the train tracks, which had been elevated. However, few of the local retail association chose to relocate to it: the move required too much capital, and would require them to give up a rent-controlled retail space or to rent part of their own property to outsiders. But with the expansion of developments on the side of the station away from the Keisei station and the old waterfront, foot traffic did not expand despite the vast increase in passengers using the Inage station. Those who disembarked early enough after a day of work tended to shop in one of stores interior to the train station, which included two fish vendors, a small food supermarket, a butcher, a vegetable store and a variety of specialized food stores, fresh-baked bread and Japanese pastries and varieties of ready-to-eat salads, stir-fries, box lunches and deep-fried food, all ready to carry home.

At one time there had been a small Seiyu supermarket, including a floor of groceries, in the building across from the station. By 2006, that had been long gone, to be replaced by a multi-floor game center, a sign of urban decline. Other game parlors were nearby. While I was there, one of the other adjacent buildings was renovated, with the addition of another bakery, along side the one in the station, one on the far side and a Mr. Donut facing it across the parking area for buses. It also included a pharmacy (another was less than 100 feet away) and a 24-hour restaurant. All except a couple of the businesses in immediate sight from the station exit were parts of company-owned chains or franchised operations.
Three blocks away there were shuttered stores, locations that in the old days bicycle riders would have gone past. Now few walked, and such locations had little or no parking. Small restaurants fared little better; there were a couple noodle shops on street level two blocks from the station, but further out only a small number of restaurants survived. Those above street level had few customers, and it was depressing to eat in them. One bright and cheery place, run by a Nepalese man and his Japanese wife, opened up just across from the largest condominium in the area, a high-end 15-story development. But their shop was on the wrong side: while there was constant car traffic from its parking lot and from that of the neighboring Saty department store (the post-bankruptcy by Aeon of the MyCal chain), there was almost no foot traffic other than students cutting through to the back entrance of Chiba University. The food was excellent, the customers few. How customers moved about in the suburbs had shifted, and stores in the wrong locations found it difficult to survive.

One vivid illustration of a successful retail strategy based on this new geography is Yamada Denki ("Yamada Electronics"), which sells cameras, cell phones and appliances. When I arrived for a research stint in 2006, I asked where the nearest big store was where I could pick up a cell phone, a toaster and similar small appliances; I was directed to Yodobashi Camera, a chain familiar to many visitors to Japan, with its locations across from many of the largest train stations in Tokyo and other large cities. (Of course the next day, when I took an alternate route for my 5-minute walk to the train station, I discovered 3 cell phone stores – they're present near any sizable train station.) Only later did I learn about Yamada Denki, a chain whose name I'd never heard before. Yet it is by far the largest electronics retailer in Japan. Why my ignorance? – until 2008, its stores without exception were located alongside major roads, remote from train stations with their more expensive real estate and congested access. There was one a stiff 20 minutes away from the Yodobashi Camera store, across the largest surface street in that part of Chiba Prefecture, four lanes of steady truck traffic. Crossing required finding an overpass. While I visited it a couple times by bicycle, I never observed anyone else arriving other than by car. But there was plenty of room for them, with parking for at least 100 cars and a convenient loading area. In contrast to

25 Yamada Denki subsequently opened a store opposite Osaka Station, going head-to-head with Yodobashi. One reason it gave was saturation in other markets, where in some cases it also faced local rivals whom it could not buy out or who had been bought by Edy or one of several other similar (regional) suburban electronics retailers.
Yodobashi, the aisles were wide, the ceilings high, and the volume of noise tens of decibels less. It was cheaper, too, particularly if you shopped regularly and hence could accumulate points on the store's frequent customer card.

In sum, by 2007 the retail scene in suburban Japan resembled that in other developed countries, replete with big-box and special concept stores. I could ride my bicycle to Costco and Ikea, to the old LalaPort shopping complex with over 500 stores and boutiques (but no "anchor" stores as the two original ones were both part of national chains that had gone bankrupt). Then there was the new Ario mall, occupying a kilometer of land alongside a major road that a developer bought from a steel mill, with both Jusco and Ito Yokado grocery stores. Going inland rather than along Tokyo Bay were two other malls, and it was a quick trip downtown by train or by bicycle to the two large traditional department stores located adjacent to the main train station.26 There was also a selection of small strip malls, with 5 or 10 stores. Alongside the larger streets were an array of restaurants, all with parking lots— one for tonkatsu (pork cutlets), a couple for noodles, an Italian family restaurant, a Dennys, and a sushi shop, built on stilts to provide more room for cars underneath. In contrast, along streets leading away from some of the smaller train stations, shuttered shops.

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Azuchi, Satoshi (安土敏). *The Rival.* Tokyo: Nikkei Bijinesu Bunko, 2004. [*This is the pen name under which Arai Shinya publishes.*]


26 Apropos to the geographic argument, on weekends traffic was such that I could get "downtown" and park faster by bicycle than cars could.


"生活多様化、「限定」でつかむ：朝・夜など時間帯別製品続々." 日本経済新聞, July 2 2007, 15.


**Figure 1**

*Floor size distribution*

≥3,000 part of 1,000-3,000 category before 1979

Source: Retail Census. Updated for the recently released 2007 data. Reported sizes change over time; in the latest survey there were 10 categories, ranging from stores under 30 square meters to stores over 6,000 square meters. Cut-off levels were chosen to maximize continuity.
Figur 2

Shopping Centers by Year of Opening

Source: Japan Shopping Center Association.
### Table 1
New Shopping Center Projects

<table>
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<tr>
<th>Announced 2007 store openings</th>
<th>floor space</th>
<th>large store law registrations</th>
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<td>-</td>
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579 3,303,057 76 22
over 10,000 over 30,000
sq meters sq meters
Figure 3

Traditional Large Store Sales

Department Stores  General Merchandise Stores
### Table 2

Number of retail establishments by size of employment

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### Table 3

Change in total employment by size of retail establishment

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Figure 4

Passenger Car Ownership, Chiba City