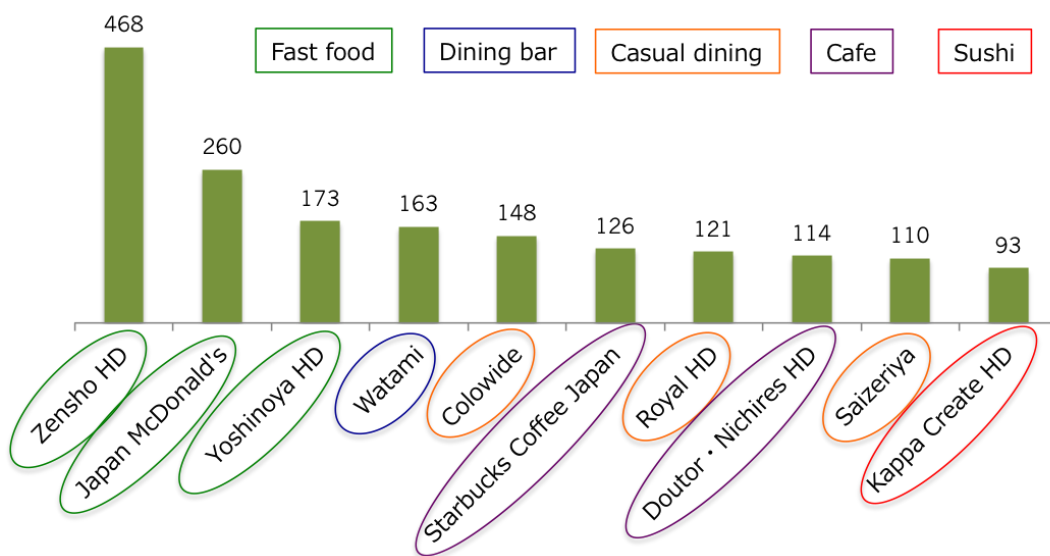


Food and Restaurant Industry Highlights (October-December, 2014)

Dominant restaurant chains

The top three companies of Japan's food and restaurant services industry are focused on fast food. Among them, the number one Zensho HD and the number three Yoshinoya HD have dominant "gyudon (beef bowl) chains." The two groups collectively yielded more than one third of total turnover of the top ten publicly traded food and restaurant companies in 2013. The other categories include "family restaurants (casual dining)" and coffee shop chains. "Izakaya (dining and drinking)" which is represented by Watami and sushi bars by Kappa Create HD are also deeply rooted categories into the daily lives of the Japanese.



**Figure 1: Revenue ranking of publicly traded restaurant chains in 2013
in billion yen (Source: Food Business Research Institute)**

Low price restaurants

One of the important characteristics of large-scale restaurant chains is their low price points with high turnover rates. Here are the popular low price restaurant categories:

Gyudon (beef bowl)

- Companies: Sukiya (Zensho), Yoshinoya, Matsuya...
- Price points: Regular-sized gyudon bowls range between JPY270 to JPY300 (USD2.28 to USD2.53)
- Characteristics: Gyudon restaurants traditionally targeted single male customers who don't want to spend much time and money for meals. According to several sources, the average time spent at Yoshinoya was from 7 to 15 minutes.

Noodles (udon, soba, ramen)

- Companies: Fuji Soba, Hakone Soba (soba), Marugame Seimen, Hanamaru Udon (udon), Korakuen, Hidakaya (ramen)...
- Price points: Basic noodle dishes start from JPY280 (USD2.36).
- Characteristics: The target segments are similar to gyudon. However the noodles usually have lighter tastes and tend to attract female customers as well as male customers.

Izakaya (drinking and dining)

- Companies: Watami, Daisho, Uotami...
- Price points: As an example, average price per customer of Watami was JPY2650 (USD22.33)

- Characteristics: Izakayas have served as a place for after-work/school socialization in the evening. The higher average cost compared to other categories is explained with longer hours spent. Yet the price for single dishes tends to be low. Some Izakaya chains have a single price (e.g. of USD2.2) for all the dishes.

Sushi

- Typical companies: Sushiro, Kura Sushi, Kappa Sushi...
- Price points: Basic nigiri sushi is available for JPY108 (USD0.91) for two pieces
- Characteristics: Sushi is an interesting restaurant category in that it resides both in the very high and low ends. The big ones are on the lower price point-side. Well-funded sushi chains have achieved the decent quality by adopting new technologies (e.g. a dynamically responsive conveyer belt system) and supply chains (e.g. a direct procurement style).

However, the volatility of the restaurant industry is high, depending on the economic condition and currency exchange rates. For example, Yoshinoya HD announced that the company would increase the price of its regular sized beef bowl by 26% (from JPY300 to JPY380) from December 17. A ramen franchise Korakuen also announced it would terminate its flagship ramen which they sold for JPY290 (USD2.45) and would instead push a soy-sauce flavored ramen for more than JPY500 (USD4.23.)

Starbucks Japan as a model high profit restaurant chain

Interestingly, Starbucks, which did not adopt the low the price strategy, yielded the highest profit among the publicly traded restaurant chains in Japan in 2013.

Rather than fighting the price war, Starbucks tried to differentiate itself through providing the relaxing atmosphere, premium food, and original drinks. The company actively expanded its reach by opening 65 new locations in the fiscal year of 2013-2014.

New opening

Fresh salad bars

The culture of custom ordering fresh salads is gradually rising in Japan. Crisp Salad Works, a chopped salad bar opened in Tokyo in December. The appealing point is the idea of freshness without chemical preservatives and food colors. The company defines salad as a complete food rather than a side dish. There are also other salad specialty restaurants in Japan.

- Margo: A pioneer in the industry was established in 2012. The company directly works with the farmers to maintain the quality as well as the cost. Located in Nishishinjuku in Tokyo, 40% of the company's customers are single males contrary to its assumption.
- Saladish: This relatively new entrant opened its first restaurant in Kayabacho, Tokyo in June 2014 as the Japan's first "Wrap & Bowl" salad shop. The restaurant that pushes casualness will open its second restaurant in February 2015.

Frozen Yogurt

"red mango," a US based frozen yogurt cafe opened its first Japan location in November 2014. Located in Shimokitazawa, one of the hip towns in Tokyo, red

mango sells frozen yogurt, parfaits, waffles, smoothies. Below are the other frozen yogurt cafes in Japan.

- [pinkberry](#): A popular frozen yogurt from California landed in Japan in July.
- [Lani Yogurt](#): Lani Yogurt proudly opened in Yokohama in July 2014 emphasizing eight flavors and 24 topping options
- [Partyland](#): is the market pioneer with 8 restaurants since 2012.

Sources/References:

Dominant restaurant chains

- [Food Business Research Institute](#) (Japanese)

Low price restaurants:

- [Toyo Keizai](#) (Japanese)

New trend/opening:

- [Crisp Salad Works](#)
- [Margo](#) (Japanese)
- [Saladish](#) (Japanese)
- [red mango](#)
- [Lani Yogurt](#) (Japanese)
- [Partyland](#) (Japanese)