NEW ZEALAND TRADE & ENTERPRISE
Te Taurapa Tūhono

GROCERY RETAILING IN JAPAN

East Asia Market Research

JULY 2022

About this report

Background

The Grocery Retailing in Japan report was prepared by the East Asia Market Research team at New Zealand Trade and Enterprise (NZTE), with the aid of NZTE's Tokyo office.

This report is designed to present a high level overview of the retailing industry in Japan, how each channel is performing, and introduce major retailers in channels that are most relevant for New Zealand F&B exporters: supermarkets, convenience stores, department stores, mixed retailers, and e-commerce.

Methodology

This report was prepared using data from Euromonitor's Channels system, and supplemented with information from publicly available sources, retailer and company websites, and several other research databases.

Refer to the Appendix for definitions and references.

Audience

Who is this report for?

This report is primarily tailored for New Zealand exporters of grocery and F&B products.

Exporters of health and beauty products may be interested in this article on myNZTE.

Limitations

The retailers profiled in this report are not exhaustive, and should be regarded as a starting point for New Zealand exporters. Retailers have been selected based on relevance to New Zealand grocery and F&B exporters.

Information presented in this report was prepared on a best-effort basis using publicly available information at the time of writing.

Key takeaways

1 E-COMMERCE IS ON THE RISE

- Japan is, by far, the largest retailing market in the East Asia region. The retail industry in Japan is projected to record a healthy CAGR of 1.5% over 2021-2026.
- E-commerce is predicted to cannibalise all other channels in the coming years. The share of e-commerce will rise from the current 13% to an estimated 17% in 2026.

2 PLAN FOR THE ONLINE TRANSITION

- E-commerce grocery sales in Japan is lagging behind other global leaders, such as South Korea and China.
- Estimates in the press place the e-commerce share of food and beverages in Japan at 3.3% in 2020, while an NZTE-commissioned study in 2021 found that 7% of food and beverage purchasing occasions are online.
- Brands must be sure not to neglect brick-and-mortar channels, but plan for the online transition at the same time.

3 IDENTIFY THE RIGHT PARTNER

- A large share of Japan's grocery retailing industry is consolidated in the hands of a few large conglomerates. These retailers have the highest reach, but require large volumes and high investment.
- However, while the five largest supermarkets in Japan are positioned to cater to the mass market, there are smaller, niche supermarkets that focus on premium grocery products.

4 ALIGN POSITIONING WITH RETAILERS

- Premium supermarkets in Japan tend to have a small store network that is focused on metropolitan Tokyo, as well as urban areas in other prefectures in the Kanto region.
- These premium supermarkets each have slightly different value propositions, with some retailers focusing more on sustainability, and others focusing more on a broader range of imported products.

5 UNDERSTAND OTHER CHANNELS

- Supermarkets and e-commerce sites appear to hold the best opportunities for food and beverage brands. The shift to e-commerce has accelerated due to the COVID-19 pandemic, but supermarkets are still the primary channel for grocery shoppers, and will likely remain so for years to come.
- Other channels may hold opportunities as well, depending on category and product positioning.

6 FRESH FOOD WILL SHIFT ONLINE

- Online purchases are higher for certain product categories, notably alcoholic beverages, and health supplements and manuka honey. 46% of health supplements and manuka honey purchasing occasions were online, compared to just 4% for fruit and vegetables.
- Major players Amazon and Rakuten are working to expand online grocery capabilities through partnerships with several brick-and-mortar supermarkets.

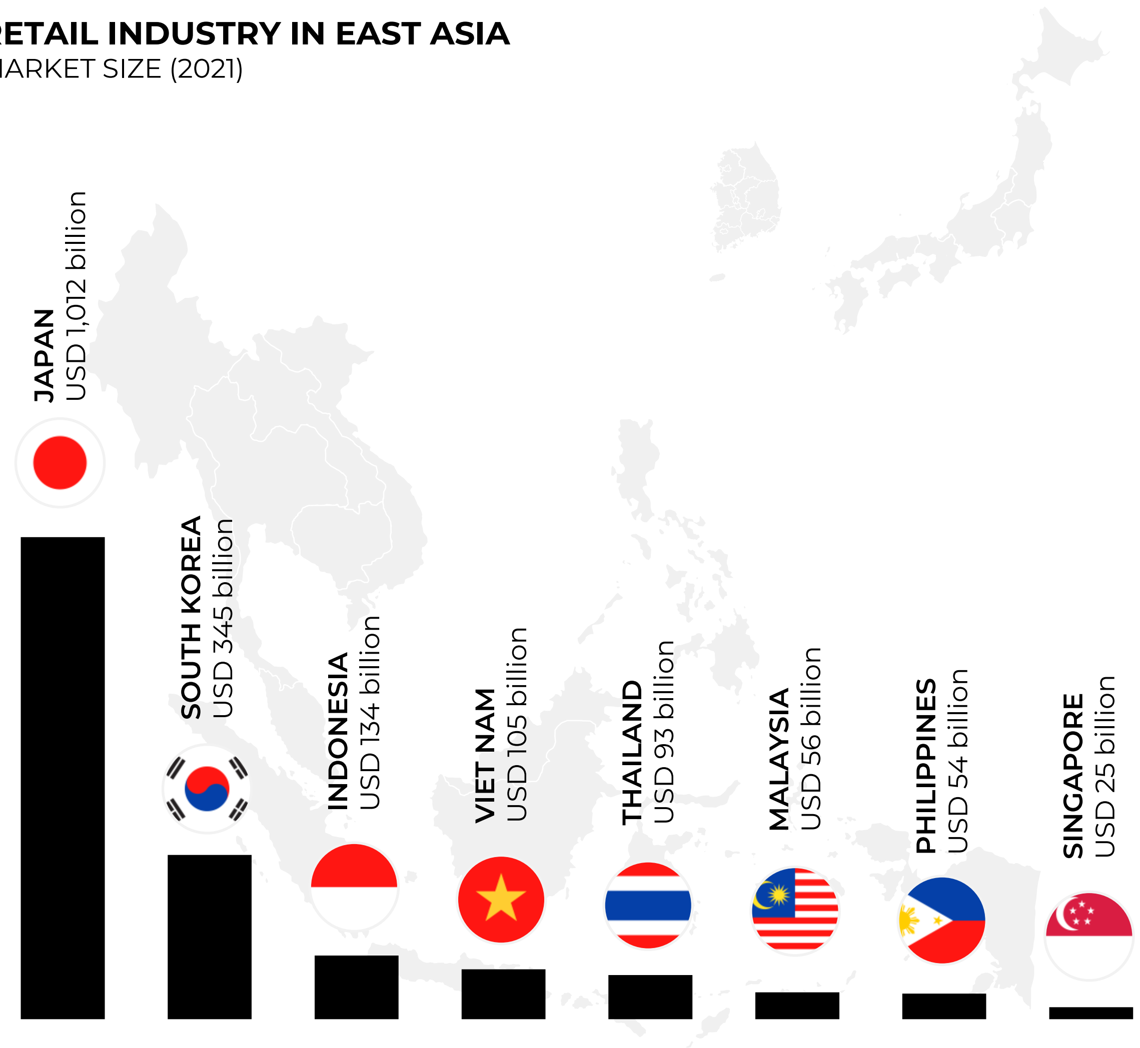
Contents

SECTION 1

OVERVIEW AND KEY TRENDS

Japan is the currently the third largest retail market in the world, after the USA and China, and the largest in the East Asia region

RETAIL INDUSTRY IN EAST ASIA
MARKET SIZE (2021)



JAPAN | RETAIL INDUSTRY

- The retail industry in Japan was valued at **JPY 108.5 trillion** in 2021.
- Moderate growth is expected, at a **2021-2026 CAGR of 1.5%**.

JAPAN | KEY STATISTICS

- **TOTAL POPULATION:** 125 million
- **NUMBER OF HOUSEHOLDS:** 55 million
- **AVERAGE HOUSEHOLD SIZE:** 2.3 persons
- **URBANISATION RATE:** 92%
- **MEDIAN AGE OF POPULATION:** 49.1 years
- **ANNUAL DISPOSABLE INCOME PER CAPITA:** USD 23,777
- **MEDIAN ANNUAL DISPOSABLE INCOME PER HOUSEHOLD:** USD 44,253

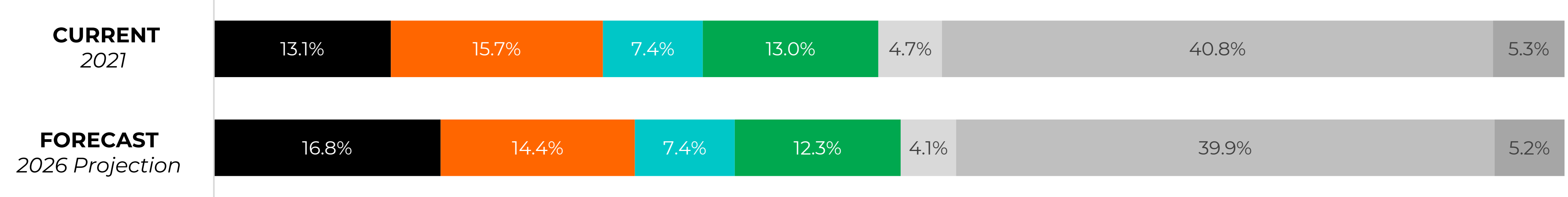
Source: Euromonitor

Data on this page is reported in USD for cross-country comparability.

The share of e-commerce is projected to rise gradually, at the expense of other channels

RETAIL INDUSTRY IN JAPAN

This refers to total retail sales in Japan, which includes both F&B and non-F&B sales.



E-COMMERCE
Online shopping has been on the rise in Japan, but growth has accelerated due to the COVID-19 pandemic.

SUPERMARKETS
Grocery purchases are slowly shifting online as supermarket operators continue to develop online offerings and forge new partnerships with e-commerce and logistics partners.

CONVENIENCE STORES
The proximity and high penetration rate of convenience stores will drive continued growth for this channel.

MIXED RETAILERS
This category includes department stores, mass merchandisers, variety stores, and warehouse clubs.

TRADITIONAL GROCERY RETAILERS
This is a declining channel in Japan due to the high urbanisation rate and prominence of modern trade channels.

NON-GROCERY SPECIALISTS
This channel consists of all other types of non-grocery stores, such as retailers specialising in apparel and footwear, home furnishings, electronics and appliances, and health and beauty.

DIRECT SELLING, HOMESHOPPING, AND VENDING
These channels are rapidly shifting online as well, but are more suited for certain product categories such as health and beauty.

These channels are more relevant for New Zealand food and beverage exporters, and will be explored in the following sections of this report.

Source: Euromonitor

The retail landscape in Japan is fragmented, but many brands are consolidated under major conglomerates like AEON Group

While these retailers offer the best reach for your product, distributing through any of these retailers involves high investment (listing fees, trading fees, advertising and promotion obligations) and higher minimum volumes.

These four companies account for **one-fifth** of Japan's store-based retailing market. The AEON Group alone accounts for **close to half** of that.

AEON Group

AEON, MaxValu, カスミ, maruetsu マルエツ, PEACOCK STORE, Bio c' Bon, まいばすけっと, LINCOS, daiei, SUPER MARKET KOHYO, BLANDE, AEON FOOD STYLE, picard, Big-A Discount Foods, MINI STOP, welcia, ツルハドラッグ Supporting your satisfactory and healthy life

Seven & I Holdings

7 ELEVEn, ヨークベニマル, YORK FOODS, ヨークマート, ItoYokado, THE GARDEN ザ・ガーデン 自由が丘, ah アカチャンホンポ, LoFt, SEIBU 西武, SOGO

Lawson

LAWSON, SEIJO ISHII, LAWSON STORE 100, NATURAL LAWSON

FamilyMart

FamilyMart

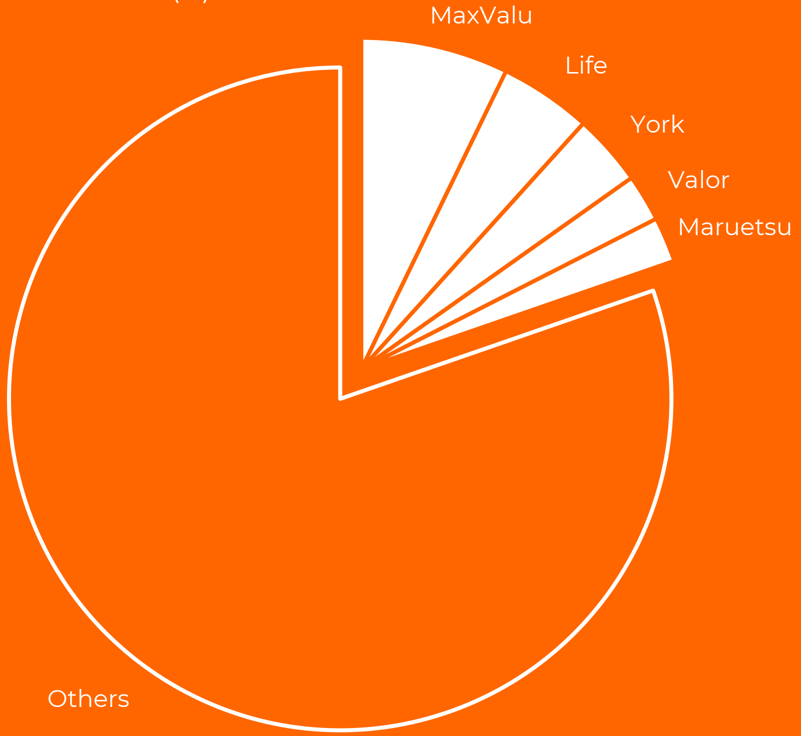
Source: Euromonitor

Retailer logos sourced from respective retailer websites.

SECTION 2

SUPERMARKETS

TOP 5 SUPERMARKETS IN JAPAN
MARKET SHARE (%)



The supermarket channel in Japan is highly fragmented, with no single retailer holding a significant share of the market.

The top five supermarkets in Japan hold approximately 20% of the supermarket channel.

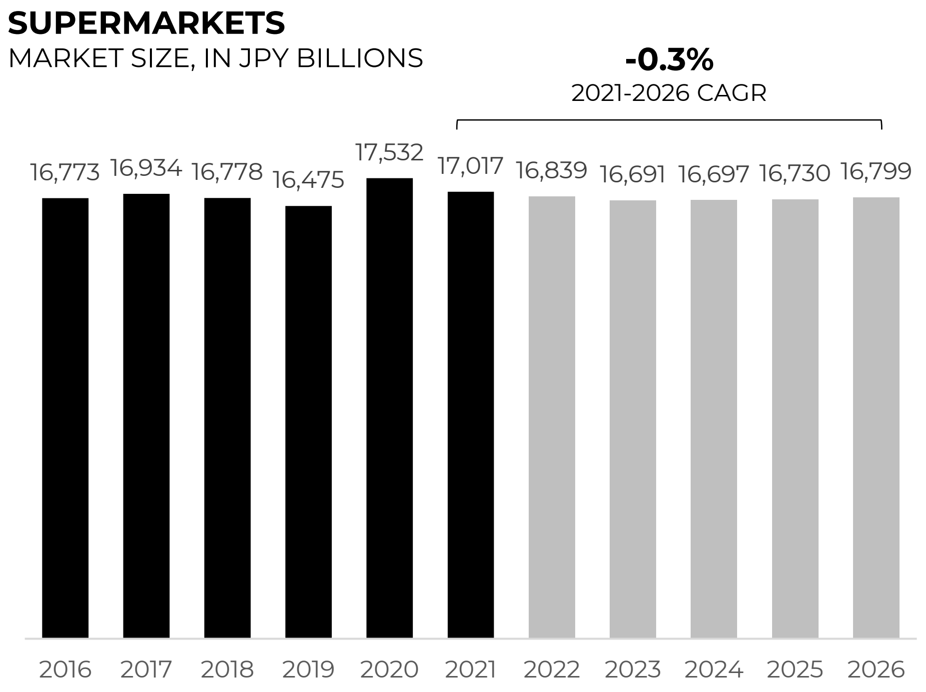
Supermarket operators in Japan often operate regionally, with large companies owning multiple supermarket brands targeting different consumer groups.

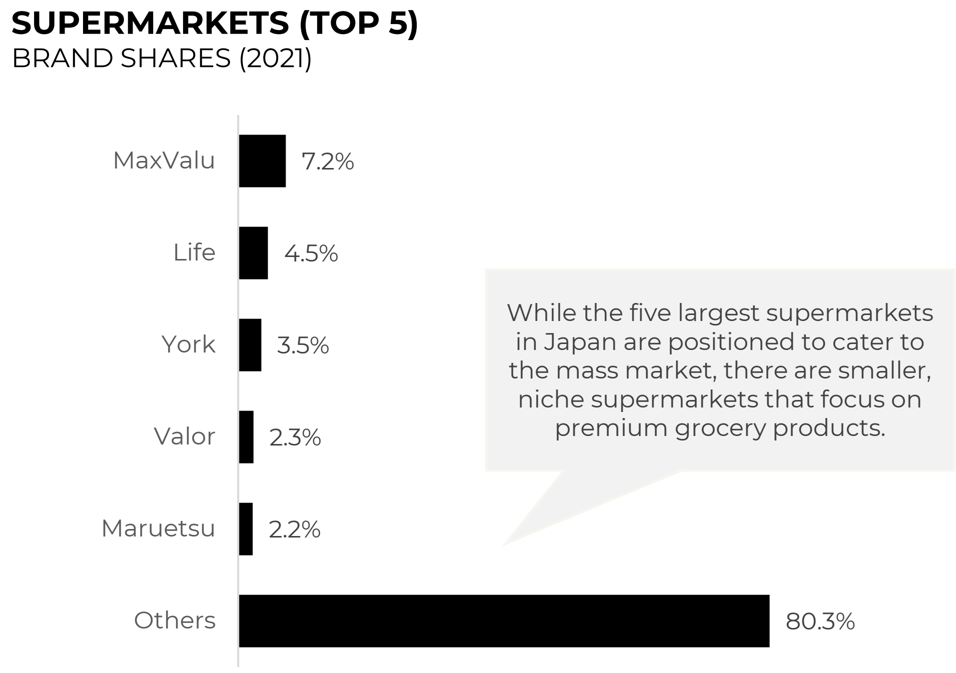
Source: Euromonitor

The supermarket channel is expected to face stagnation over the next five years, as online grocery shopping begins to take off

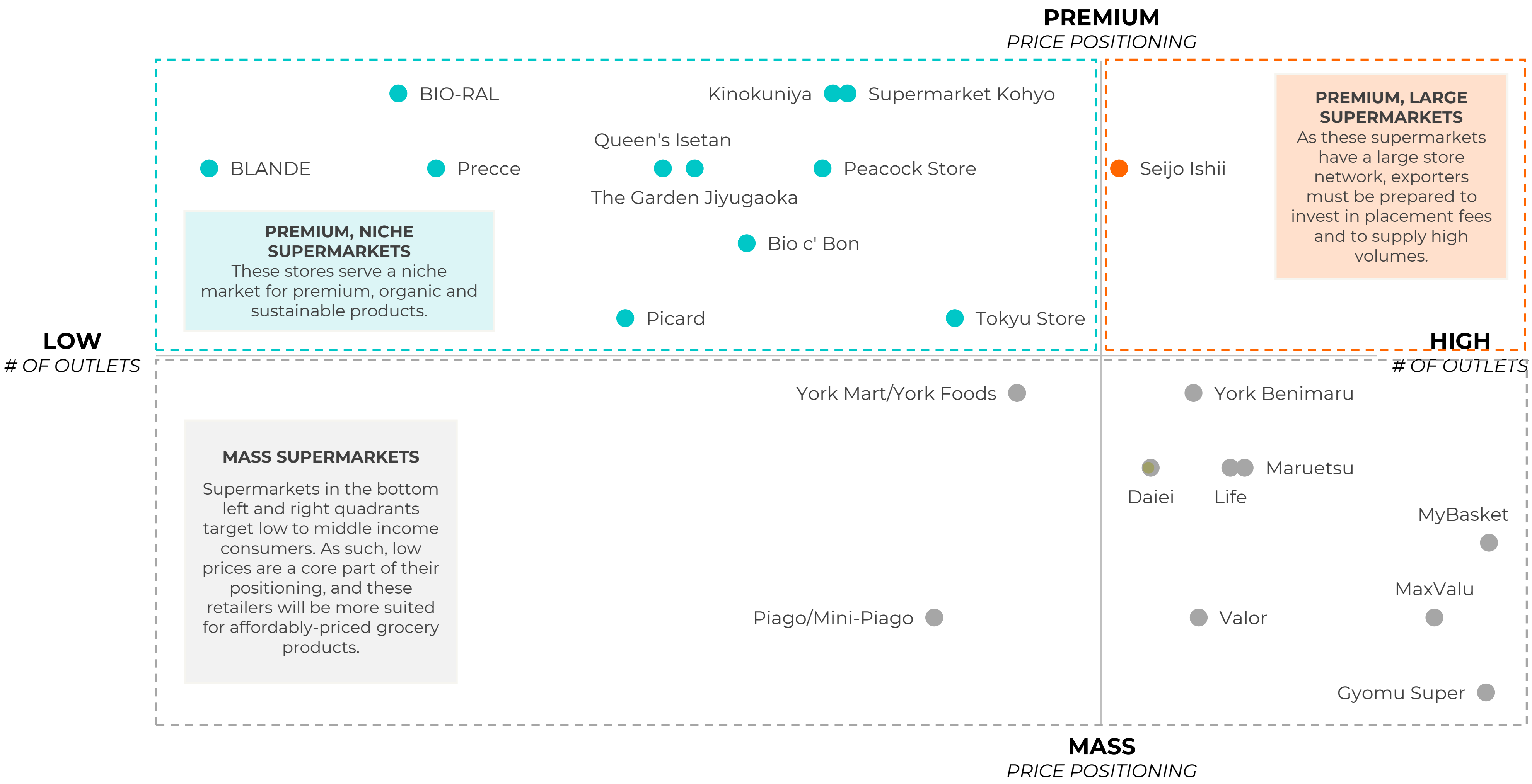
However, supermarkets are still the primary channel for grocery shoppers, and will likely remain so for years to come. While more Japanese consumers are beginning to try out online grocery shopping, the majority of consumers still buy grocery items in-store rather than online.

There are several reasons for this: Japanese consumers want to be able to see and touch products to check the quality and freshness; home and refrigerator storage space is limited; and consumers often make grocery trips by walking / bicycle and are constrained by how much they can carry.





Picking the right retail partner whose positioning aligns with your brand and product is key



Source: NZTE analysis

Summary of major supermarkets in Japan

RETAIL CHAIN	# OF OUTLETS	POSITIONING	BRAND OWNER
MYBASKET	983	**$**	AEON Group
MAXVALU	755	**$**	
MARUETSU	301	**$$**	
DAIEI	191	**$$**	
KASUMI	189	**$$**	
SUPERMARKET KOHYO	44	**$$$**	
PEACOCK STORE	39	**$$$**	
BIO C' BON	27	**$$$**	
PICARD	15	**$$**	
LINCOS	6	**$$$**	
BLANDE	2	**$$$**	
YORK BENIMARU	235	**$$**	Seven & I Holdings
YORK MART/ YORK FOODS	100	**$$**	
THE GARDEN JIYUGAOKA	21	**$$$**	
LIFE	281	**$$**	Life Corp
BIO-RAL	5	**$$$**	
GYOMU SUPER	969	**$**	Kobe Bussan Co Ltd
VALOR	241	**$$**	Valor Holdings
SEIJO ISHII	164	**$$$**	Lawson
PIAGO	67	**$**	UNY Co Ltd
TOKYU STORE	74	**$$**	Tokyu Store Corporation
PRECCE/PRECCE DELI MARKET	6	**$$$**	
KINOKUNIYA	41	**$$$**	Kinokuniya Co Ltd
QUEEN'S ISETAN	18	**$$$**	Marunouchi Capital, Isetan Mitsukoshi

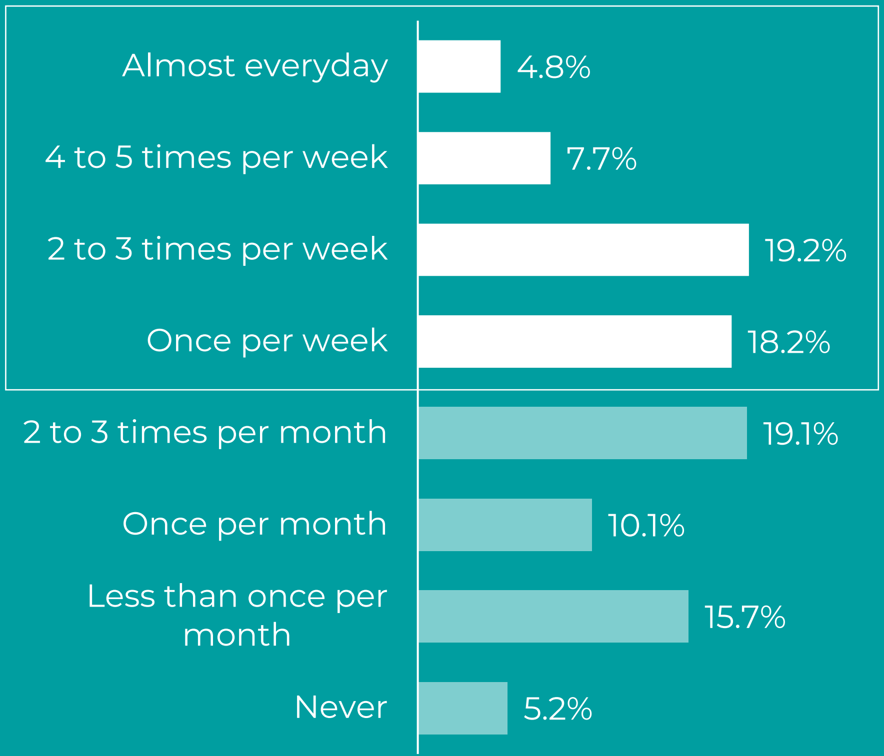
Refer to Section 7 for individual retailer profiles.

Source: Euromonitor, retailer websites, NZTE analysis

SECTION 3

CONVENIENCE STORES

FREQUENCY OF SHOPPING
% of respondents



Convenience stores are a key channel in Japan, with over 56,000 outlets nationwide.

Close to half of Japanese consumers shop at convenience stores at least once a week.

Convenience stores are heavily dependent on ready-to-eat meals and packaged food items for revenue. However, operators are beginning to expand fresh food offerings in line with rising demand.

Source: Statista

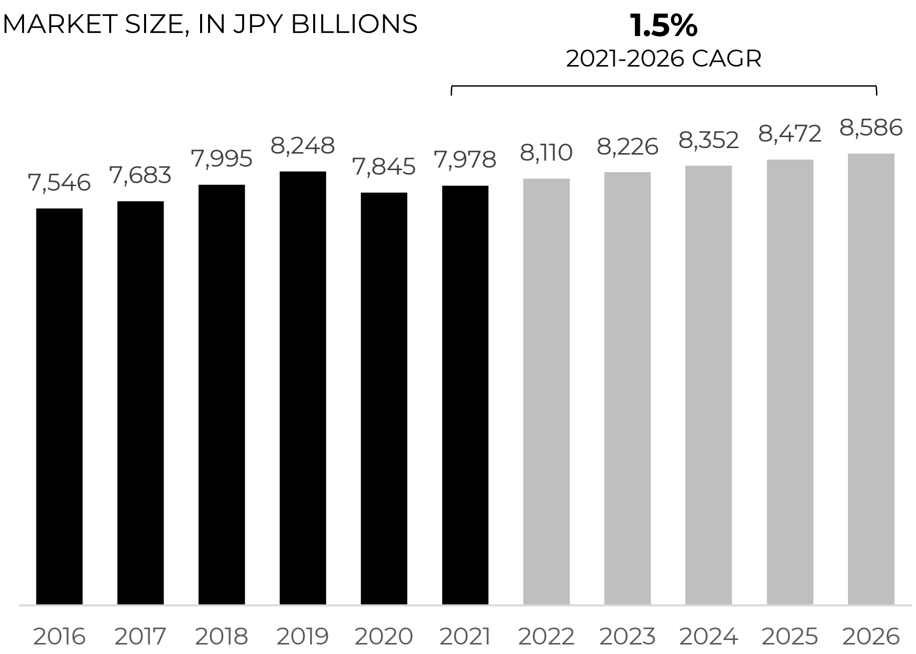
Notes: Based on an online survey of 10,165 respondents aged between 10-79 years, conducted between February 1 to 5, 2021.

While sales through convenience stores dipped due to COVID-19, it is expected to record healthy growth over the next five years

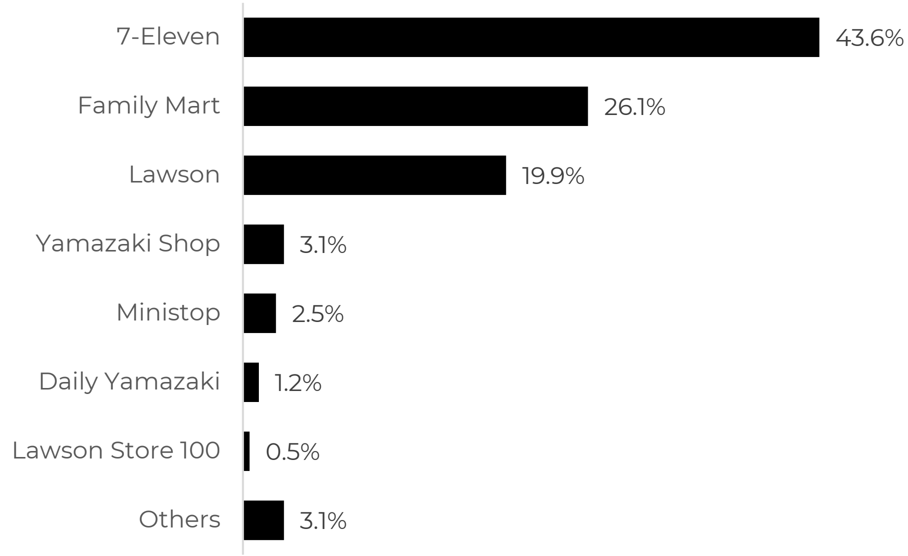
The convenience channel in Japan will continue to expand at a projected 2021-2026 CAGR of 1.5%. The three largest operators – 7-Eleven, Family Mart and Lawson – dominate the channel with a combined market share of 90%.

While convenience stores are a large channel with solid growth prospects and wide reach to customers, it comes with associated risks as operators demand high volumes and margins. Exporters are recommended to begin selling into other retail channels to create a strong base, before venturing into the convenience channel.

CONVENIENCE STORES
MARKET SIZE, IN JPY BILLIONS



CONVENIENCE STORES
BRAND SHARES (2021)

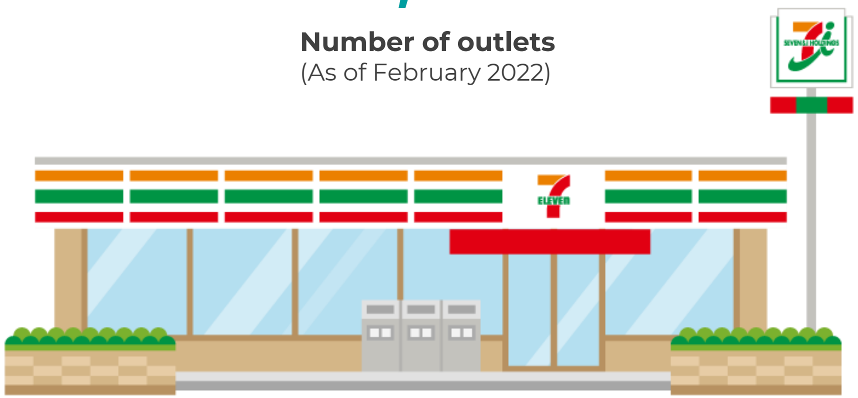


Source: Euromonitor

7-Eleven is the leading player in the convenience channel in Japan

21,167

Number of outlets
(As of February 2022)



1 Private label brand, Seven Premium, is a significant contributor to sales

Ready-to-eat meals and other food items are a core offering at 7-Eleven stores, accounting for 60% of sales. Of that, the Seven Premium private label brand accounts for 25% of food sales. The private label range encompasses approximately 4,000 products and has several sub-ranges, including **Seven Premium Gold** (uses higher quality ingredients; launched in 2010), and **Seven Premium Fresh** (for fresh food products including vegetables, fruits, meats, eggs and fish; launched in 2018).

2 Last-mile delivery to be expanded nationwide by 2026; 7-Eleven tests drone deliveries

7-Eleven is targeting to expand delivery services nationwide by 2026 to keep up with the rapid development of e-commerce in Japan. Currently, delivery services are only offered in Tokyo, Hokkaido and Hiroshima Prefecture. Customers will be able to order online via the website or app, and receive their order within 30 minutes. 7-Eleven also trialled drone deliveries on Nokonoshima in Fukuoka City in January 2022.

3 7-Eleven is investing heavily in developing and testing next-generation stores

7-Eleven launched a pilot program to test self-checkout registers with holographic screens at six selected stores in Tokyo. The register projects a virtual touchscreen, which shoppers can interact with. These holographic self-checkout registers occupy 30% less space in stores (which can then be repurposed for product displays), and addresses the rising demand for a contactless shopping experience.

Source: Seven & I Holdings, Nikkei Asia, Drone Life

Image sourced from Seven-Eleven Japan website

Technological innovation and digitisation of operations is an overarching goal for FamilyMart

16,563

Number of outlets
(As of May 2022)

1 FamilyMart set to pioneer Japan's first large-scale deployment of fully automated stores

FamilyMart is planning to open 1,000 unstaffed stores by the end of its 2024 fiscal year, following a successful trial in July 2021. Utilising ceiling cameras equipped with artificial intelligence, along with weight sensors on shelves, FamilyMart will track which items each customer has picked up. Payment can be made electronically or with cash at a payment terminal, and customers will not need to use a smartphone app or provide any form of authentication.

2 Technology viewed as the solution to labour crunch as FamilyMart deploys robot stocker

In June 2020, FamilyMart trialled the use of a remote-controlled robot stocker in partnership with Tokyo-based robot development company, Telexistence. Over a year later, FamilyMart deployed its first remotely-piloted robot avatar called Model-T at a FamilyMart outlet on the premises of the Ministry of Economy, Trade and Industry in Tokyo on 2 November 2021. FamilyMart is likely to continue testing the use of robots to reduce labour costs.

3 FamilyMart partners with electric scooter sharing service Luup for eco-friendly transport

Japan has recently relaxed laws allowing those aged 16 and above to ride electric scooters without a driver's license and helmet. Beginning with stores in Tokyo and three other major cities, FamilyMart will designate 600 stores to be lending bases for borrowing and returning Luup electric scooters.

Source: Family Mart, Nikkei Asia, Japan Today

Image sourced from FamilyMart website

Sustainability, health and safety are major differentiating points for Lawson Japan

14,476

Number of outlets
(As of February 2021)

1 Lawson expands Machikado Chubu service to offer customers hot meals prepared in-store

The Lawson chain is heavily dependent on food sales, with sales of food accounting for 90.6%* of total sales in its 2020 fiscal year. The Machikado Chubo in-store kitchen concept allows Lawson to sell freshly prepared boxed meals and sandwiches prepared in-store. Lawson is undergoing a renovation program to expand this service to 8,400 stores by 2022, up from 7,000 stores in the year prior. Preparing food in-store also allows Lawson to better manage demand and reduce food waste.

2 Sustainability and health are key selling points at Natural Lawson outlets

Lawson currently operates 143 Natural Lawson stores, which offer a curated selection of environmentally friendly, safe, and healthy products across detergents, cosmetics and food. In 2021, Natural Lawson outlets began to offer sales by weight of personal care products such as hand soap and shampoo, and of dry fruits and nuts, in order to offer plastic-free options to customers. The Natural Lawson chain primarily focuses on women as its target audience.

3 Health is a core focus of product development, centered around low salt, low carb, and protein

Lawson actively develops health-conscious food offerings, which accounted for 30% of food sales in 2019. These health-conscious food items are developed to be lower in salt, lower in carbohydrates, and fortified with protein. Lawson food products also avoid the use of synthetic preservatives and artificial colourings, while emphasing the use of domestically produced ingredients.

Source: Lawson Inc.

*This includes sales of cigarettes as Lawson tracks cigarettes in its processed food category.

SECTION 4

MIXED RETAILERS

Mixed Retailers encompasses four types of retailers

Department Stores

2021-2026 CAGR: -1.2%

Department stores sell mainly non-grocery merchandise, usually with a sales area of over 2,500 square meters over several floors.

PROSPECTS

Department stores have struggled post-COVID due to the loss of tax-free sales from Chinese tourists, and the drop-off in domestic spending on cosmetics and luxury items.

The outlook remains gloomy for department stores as consumers tighten purse strings and worries about inflation rise.

JUMP TO SECTION

Mass Merchandisers

2021-2026 CAGR: 0.4%

Mass merchandisers are high-volume, fast-turnover mixed retail outlets that sell a variety of merchandise. Example brands include Wal-Mart, Target and Kmart. In Japan, Ito-Yokado and AEON are the equivalents.

PROSPECTS

Mass merchandisers will remain a key channel for groceries due to affordability and the wide range of products offered.

JUMP TO SECTION

Variety Stores

2021-2026 CAGR: 2.0%

Variety stores are non-grocery merchandise outlets focused on a wide assortment of extensively discounted fast-moving consumer goods. This category includes dollar stores, and 100 Yen shops (in the case of Japan).

PROSPECTS

The growth outlook is optimistic for variety stores. Channel leader Don Quijote differentiates itself with a wide variety of domestically sourced food products, while Loft is carving a niche for itself in the beauty and cosmetics category.

JUMP TO SECTION

Warehouse Clubs

2021-2026 CAGR: 4.7%

Warehouse clubs are no-frills retailers that drive volume sales through aggressive pricing tactics. Customers have to pay an annual membership fee in order to shop. In Japan, Costco is the sole player in this channel.

PROSPECTS

Warehouse clubs is a small but rapidly growing channel in Japan, as the trend of bulk purchasing catches on in Japan. Costco is pursuing aggressive expansion plans and the channel is expected to continue to grow.

JUMP TO SECTION

Source: Euromonitor

Department stores struggle with the premium proposition and reduced footfall post-COVID.

The loss of tax-free sales from Chinese tourists, and the drop-off in spending on cosmetics and luxury items has hit department store operators hard. The outlook remains gloomy for department stores as consumers tighten purse strings and worries about inflation rise.

Source: Nikkei Asia

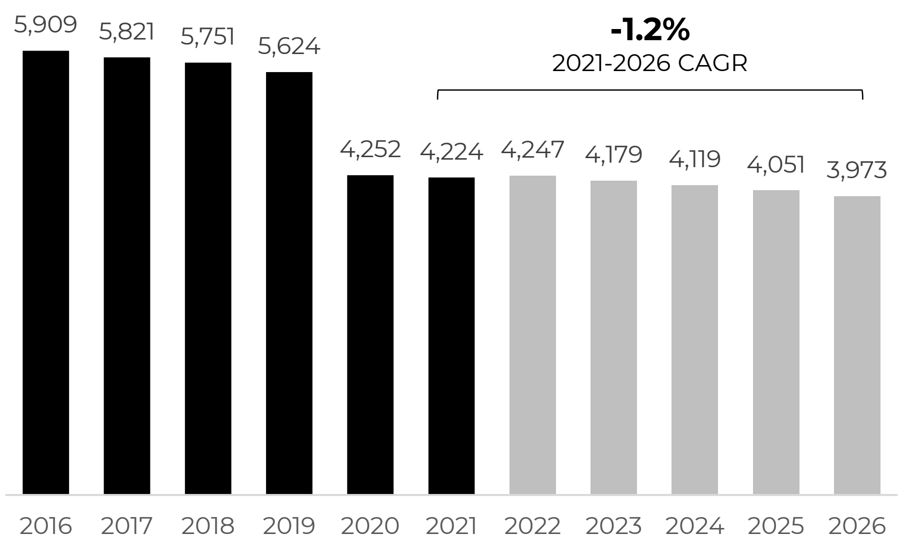
Image sourced from Unsplash.com

The department store channel is predicted to contract over the next five years, but may still be a viable channel for premium offerings

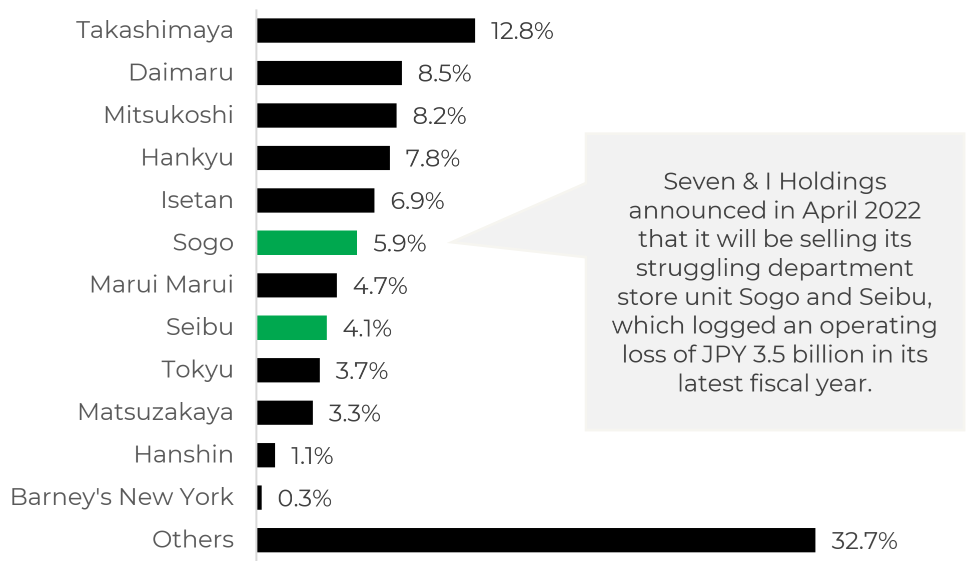
Apart from the loss of revenue from tourists, department stores have also suffered because operators have been slow to modernise, and the online footprint of department stores is generally poor or lacking. As its shopper demographic skews towards older consumers who are less tech-savvy, department stores struggled to make up for reduced foot traffic through online channels.

However, department stores are still a potential platform for showcasing premium offerings, particularly for certain food and beverage products and alcoholic drinks, as well as beauty and skincare products.

DEPARTMENT STORES
MARKET SIZE, IN JPY BILLIONS



DEPARTMENT STORES
BRAND SHARES (2021)



Mass merchandisers are high-volume, fast-turnover mixed retail outlets that sell a wide variety of merchandise, from apparel to groceries and household items.

Examples of mass merchandisers in the United States include Wal-Mart, Target and Kmart. In Japan, Ito-Yokado and AEON are the equivalents.

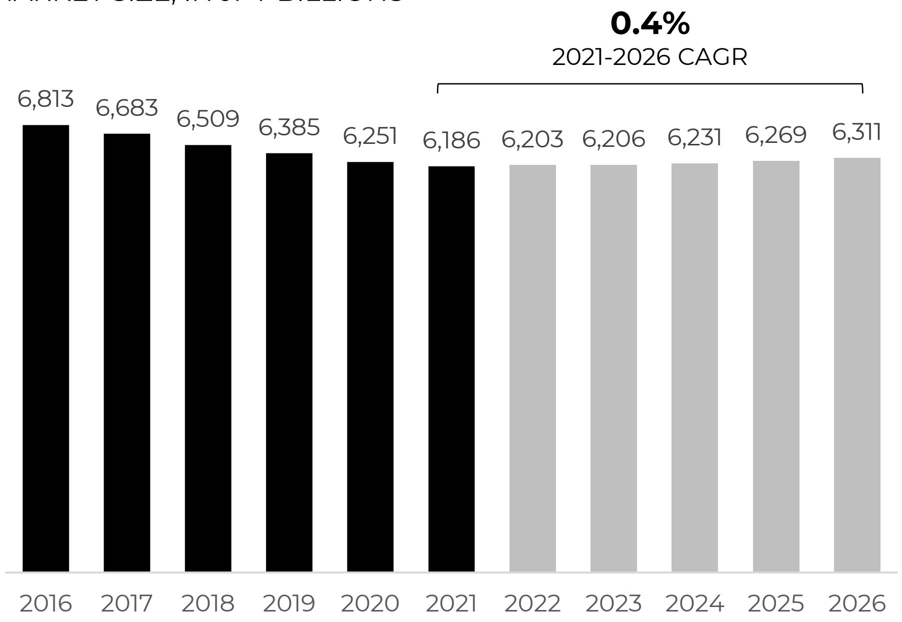
Source: Euromonitor

Image sourced from Wikimedia Commons.

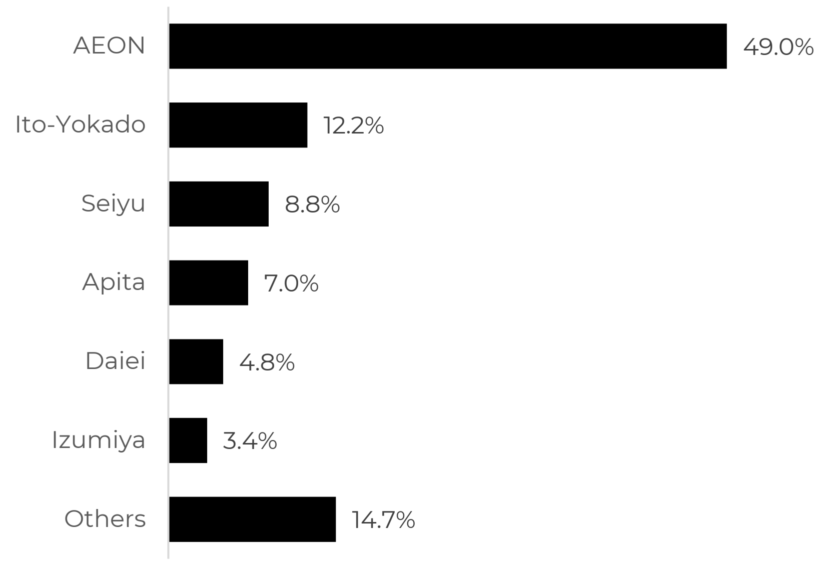
AEON is the dominant player in the mass merchandiser retail channel due to its mass positioning and large store network

Channel sales are expected to remain constant over the forecast period, as the affordability and wide variety of products available make retailers like AEON and Ito-Yokado preferred destinations for grocery shopping.

MASS MERCHANDISERS
MARKET SIZE, IN JPY BILLIONS



MASS MERCHANDISERS
BRAND SHARES (2021)



Source: Euromonitor, Nikkei Asia

AEON focuses on building online grocery and digital capabilities, and on differentiating itself through its private label brand

482

Number of outlets

AEON operates multiple online shopping websites, including one focused on wine.

おうちでイオン イオンネットスーパー	→	AEON Internet Supermarket
おうちでイオン イオンショップ	→	AEON Internet Shop
イオンでワイン、見つけよう。 AEON de WINE AEONLIQUOR	→	AEON Wine

1 AEON partnered with UK online supermarket Ocado to build online grocery capabilities

Digital transformation is AEON's highest priority initiative. In 2019, AEON announced a partnership with Ocado, which will allow it to leverage Ocado's expertise in robotic warehouses and customer fulfilment centres (CFCs), as well as its product-picking software and Click-and-Collect technology. AEON is targeting to increase its online grocery sales capacity to JPY600 billion by 2030.

2 AEON is consolidating shoppers across its massive store network on its integrated app

The AEON Group has a network of 19,000 stores under various retail brands, and a card membership base of 46.13 million people. In September 2021, AEON launched the iAEON application, which integrates all services offered by AEON Group companies into a single app. Using the app, AEON customers can collect points and make payments using AEON Pay.

3 AEON will continue to differentiate itself through its private label brand, TOPVALU

AEON views its private label brand as a strong point of differentiation between itself and other retailers. AEON recently made headlines for extending its price freeze on a fixed set of groceries and daily necessities amidst rising inflation. Apart from its promise to keep prices low, it is also introducing new offerings, such as the Vegetive line of soybean-based meat alternatives.

Source: Euromonitor, AEON Group, Reuters, Nikkei, Ryutsuu Biz

Ito-Yokado is operated mainly in highly populated urban areas and offers a variety of apparel, household goods, and food

129

Number of outlets

1 Ito-Yokado has a large store network covering five regions in Japan

Ito-Yokado has 129 outlets, with the strongest presence in the Kanto region, which includes Tokyo. Outside of the Kanto region, Ito-Yokado also operates stores in Chubu, Tohoku, Hokkaido, and the Kinki region. However, it is also trimming underperforming stores, and the number of outlets has decreased from 173 in 2016 to 129 in 2021. Revenue declined 8.8% in FY2021 from the year prior.

2 Ito-Yokado introduces initiatives in line with its commitment to the SDGs

Ito-Yokado's sustainability commitments revolve around four key themes: reduction of carbon emissions, reduction of plastic, reduction of food waste, and sustainable procurement. Initiatives that Ito-Yokado is testing include dynamic pricing to encourage sales of products by the sell-by dates, QR codes that convey information on fresh produce directly from farmers, and development of an app that helps consumers manage their household inventory.

3 Ito-Yokado was a frontrunner in setting up infrastructure for online grocery retailing

Ito-Yokado launched its online supermarket as early as 2001, and was also among the first retailers to open a dark store in 2015. It reported that since the outbreak of COVID-19, sales per store of its online supermarkets have increased by 10%.

Source: Euromonitor, Seven and I Holdings, PR Times, Diamond Chain Store

Variety stores are non-grocery focused retailers that sell an extensive assortment of products.

While variety stores include dollar stores and 100-Yen store formats, there are large chains such as Don Quijote that sell a wide variety of domestically sourced food products. Another retailer, Loft, is carving a niche for itself in the beauty and cosmetics category.

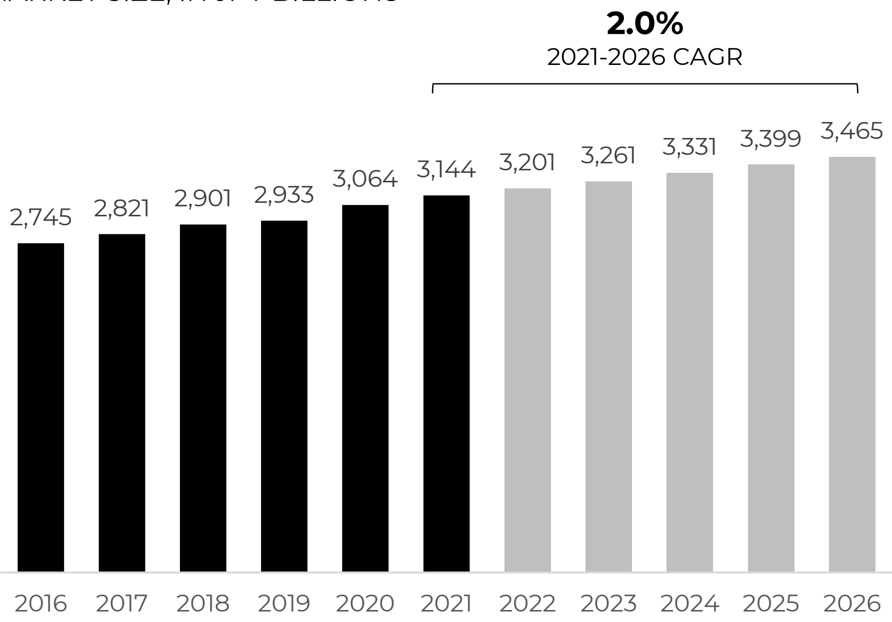
Source: Euromonitor

Image sourced from Fukugawa Gatharia

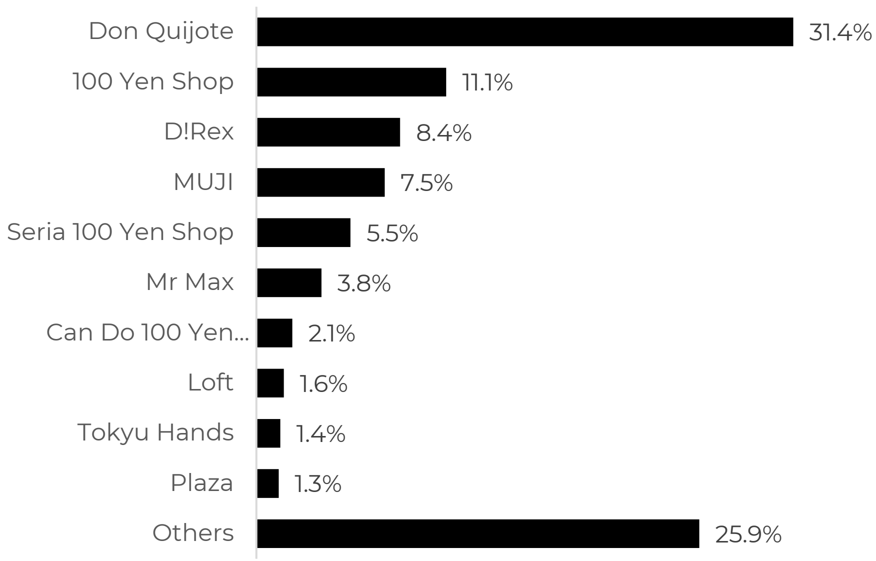
Variety stores are expected to continue growing at a 2% CAGR over the next five years

As variety stores mainly focus on non-grocery items, and tend to cater to the mass market through discounting and low prices, it is less suited to food and beverage categories, particularly those with a premium positioning. Loft is ramping up its focus on beauty and cosmetics, with the launch of several cosmetics-focused stores.

VARIETY STORES
MARKET SIZE, IN JPY BILLIONS



VARIETY STORES
BRAND SHARES (2021)



Source: Euromonitor

Costco is the sole player in the warehouse club channel, and it has aggressive expansion plans in Japan.

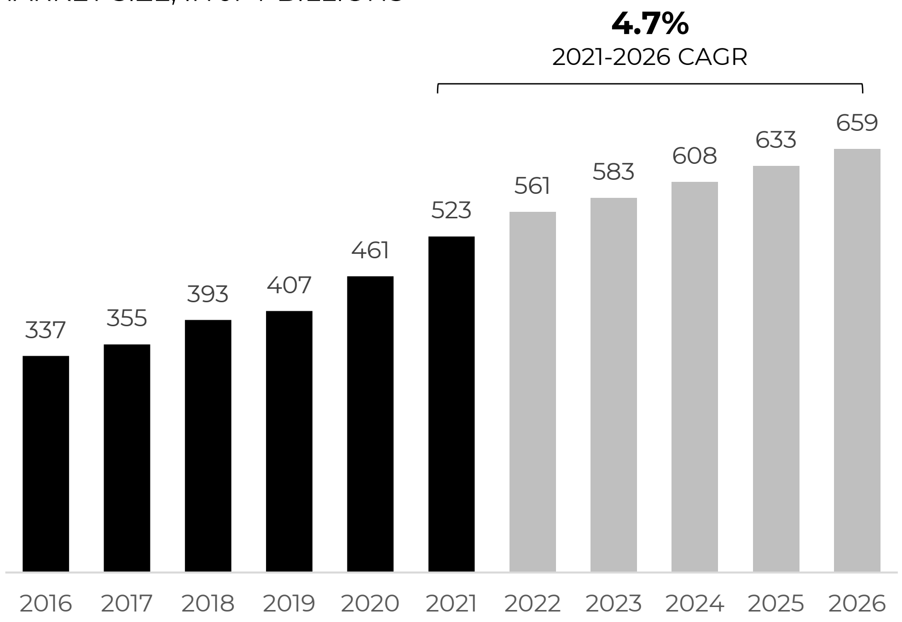
Warehouse clubs is a small but growing channel in Japan, as the trend of bulk purchasing catches on in Japan. However, bulk shopping is unlikely to appeal to highly urban consumers as household sizes tend to be small and home storage space is limited.

Source: Costco

Costco is the sole player in the warehouse club channel in Japan, and is aggressively expanding the number of outlets

Warehouse clubs is a small but rapidly growing channel in Japan, as the trend of bulk purchasing catches on in Japan. Costco sells a mix of imported products (mainly from the US) and Japanese products, all packaged in bulk.

WAREHOUSE CLUBS
MARKET SIZE, IN JPY BILLIONS



Costco's warehouse club model revolutionised grocery retailing in Japan when it first entered the market

When Costco opened its first outlet in Japan in 1999, Japanese consumers rarely purchased groceries in bulk due to limited storage space at home. Since then, bulk purchasing has become far more accepted among Japanese consumers, and the reduced frequency of grocery shopping due to COVID-19 has further accelerated this trend.

Costco has generated a great deal of media coverage and social media buzz due to its unique retail model

Segments featuring Costco products and shopping tips are frequently aired on Japanese TV programmes. Its unique retail model and product line-up has generated a tremendous amount of buzz on social media where consumers discuss tips and products, to the extent that social media influencers specialising in Costco have emerged.

Costco has aggressive expansion plans in Japan

Costco intends to increase the number of outlets to 60 by 2030, up from 30 outlets currently. While Costco outlets are mainly situated in suburban areas, it remains to be seen if Costco will attempt to penetrate into densely population urban areas. Costco is also continuing to innovate by localising its products to cater to Japanese consumers, which will drive future growth.

Source: Euromonitor

SECTION 5

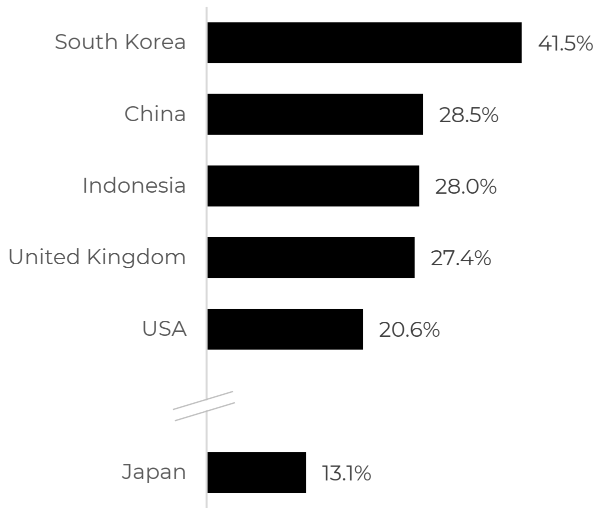
E-COMMERCE

While Japan's share of e-commerce lags behind global leaders such as South Korea and China, e-commerce adoption is likely to accelerate

Ample room for growth for Japan's e-commerce market

Japan's share of e-commerce is significantly lagging the top five global leaders, three of which are Asian economies. South Korea leads the world, with e-commerce accounting for 41.5% of retail sales in 2021. In comparison, the e-commerce share in Japan is 13.1%.

E-COMMERCE SHARE (2021)
% SHARE OF TOTAL RETAIL



Japan has the infrastructure to support e-commerce expansion

Japan is a highly connected market with all the necessary digital and logistics infrastructure to support rapid expansion of e-commerce. In addition to high internet penetration rates, Japan was the highest scoring market in East Asia on the World Bank's Logistics Performance Index in 2018, with a score of 4.03.

KEY NUMBERS

INTERNET PENETRATION
92.3%

SMARTPHONE PENETRATION
82.2%

BROADBAND SUBSCRIPTIONS
34.3 per 100 people

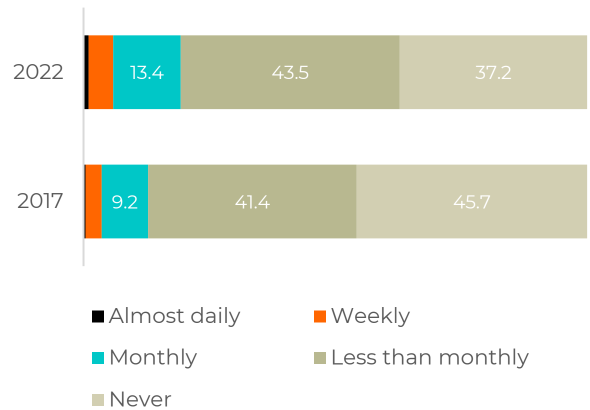
SOCIAL MEDIA PENETRATION
76.9%

AVERAGE CONNECTION SPEED
44.5 Mbits/s

The grocery retail industry and consumer behaviour is evolving

More grocery retailers are developing their digital and omnichannel offerings, and forming partnerships with e-commerce and logistics partners. Changing consumer habits, which the COVID-19 pandemic has accelerated, means that consumers becoming increasingly accustomed to ordering online, even for fresh food. **In 2022, 19.3% of Japanese consumers purchased groceries online**, compared to 12.8% in 2017.

PURCHASED GROCERIES ONLINE
% OF RESPONDENTS

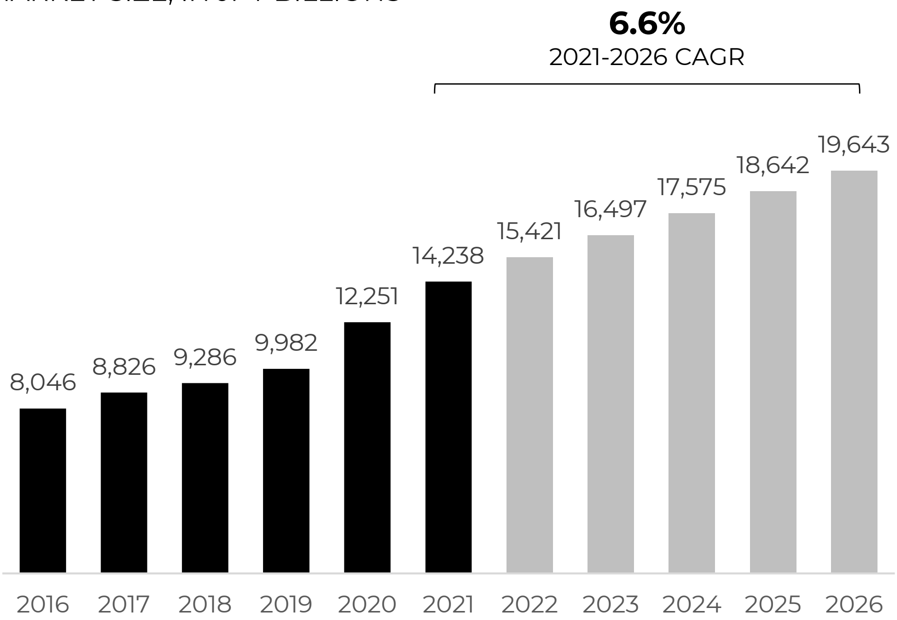


Source: Euromonitor, Statista, World Bank

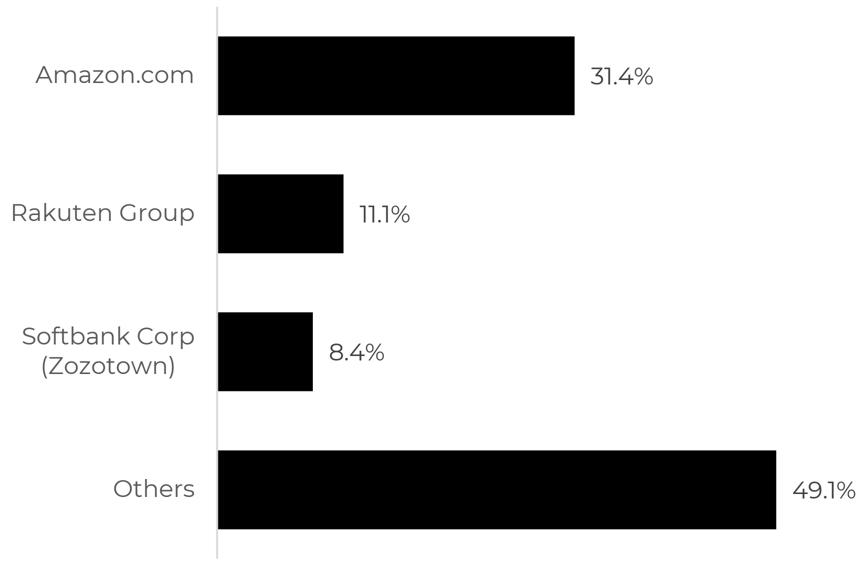
The COVID-19 pandemic drove a marked increase in overall e-commerce sales, driven by appliances and electronics sales

Online grocery shopping is small, but growing. Amazon and Rakuten are stepping up efforts in the fresh food category, with Amazon partnering multiple supermarkets like Seijo Ishii, Life, and Valor. Rakuten is collaborating with Seiyu to offer grocery delivery services.

E-COMMERCE
MARKET SIZE, IN JPY BILLIONS



E-COMMERCE (TOP 3)
BRAND SHARES (2021)

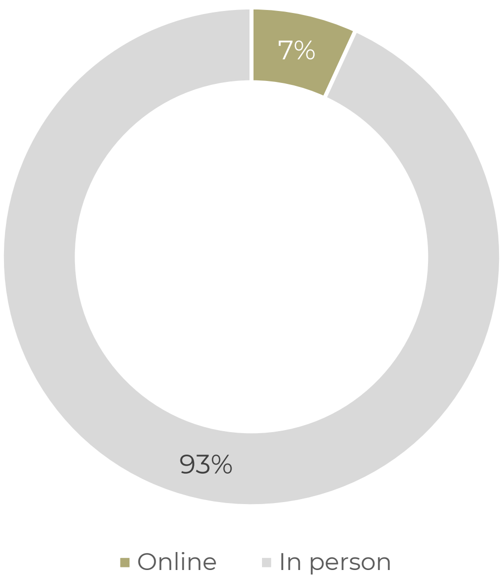


Source: Euromonitor

Online sales of food and beverage in Japan were still relatively low in 2020 and 2021

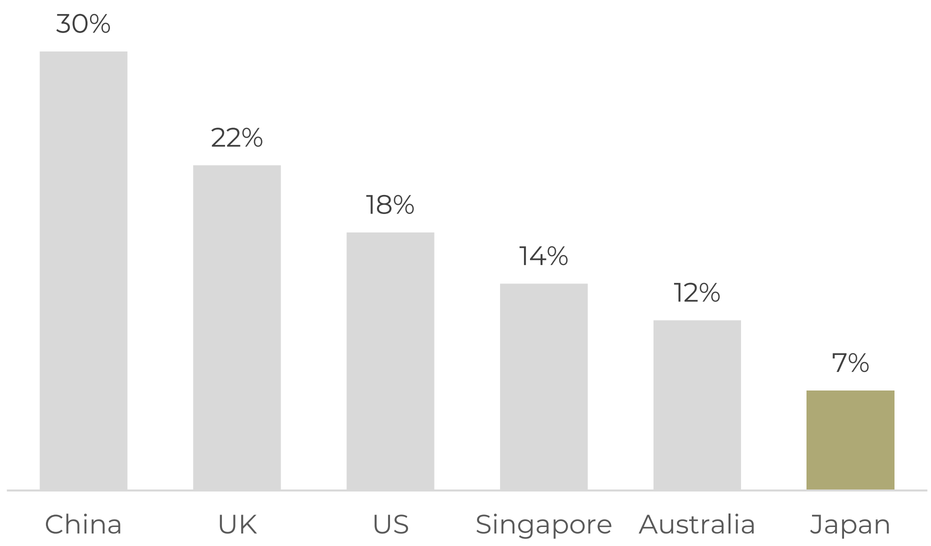
It was reported that in 2020, e-commerce accounted for 3.3% of food and beverages in Japan. A study commissioned by NZTE in 2021 reported that online sales accounted for 7% of all food and beverages purchasing occasions in Japan, and this was lower than other surveyed markets.

FOOD AND BEVERAGE PURCHASING OCCASIONS
% OF RESPONDENTS



Source: NZTE F&B Study 2021
Base: Japan n=6,024

FOOD AND BEVERAGE PURCHASING OCCASIONS
% OF RESPONDENTS



Source: NZTE F&B Study 2021
Base: Japan n=6,024, AU n=6,005; USA n=9,007; UK n=6,003; SG n=6,003; CH n=9,655

Online purchases are higher for certain product categories, notably alcoholic beverages, and health supplements and mānuka honey

Choosing the right product categories to list online is vital to e-commerce success.

FOOD AND BEVERAGE PURCHASING OCCASIONS, BY CATEGORY
% OF PURCHASING OCCASIONS VIA ONLINE CHANNELS

6%	4%	4%	5%	10%	7%	6%	46%
Meat	Fruit and Vegetables	Dairy	Seafood	Alcoholic Beverages	Non-Alcoholic Beverages	Sweet Snacks	Supplements/ Mānuka Honey

Purchased online more often as beverages are heavy and difficult for consumers to transport home.

Very price competitive and consumers search across many sellers online to find the best deals.

Total: Meat n= 754; Fruit & Veg n = 754; Dairy n = 756; Seafood n = 752; Alcoholic beverages n = 753; Non-alcoholic beverages n = 752; Sweet snacks n = 753; Supplements / Mānuka Honey n = 750

Source: NZTE F&B Study 2021

SECTION 6

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Definitions

DEFINITIONS – EUROMONITOR (RETAILING)

Retailing: Sales of new and used goods to the general public for personal or household consumption. Excludes specialist retailers of motor vehicles, motorcycles, vehicle parts, fuel. Also excludes foodservice, rental and hire and wholesale industries (Cash and Carry). Sales value excluding or including VAT/Sales Tax. Retailing is the aggregation of Store-based retailing and Non-store retailing. Retailing excludes the informal retail sector. Informal retailing is retail trade which is not declared to the tax authorities. Informal retailing encompasses (a) sales generated by unregistered and unlicensed retailers, ie retailers operating illegally, and (b) any proportion of sales generated by a registered and licensed retailer which is not declared to the tax authorities. Unregistered and unlicensed retailers operate predominantly (although not exclusively) as street hawkers or operate open market stalls, as these channels are harder for the authorities to monitor than permanent outlets. Activities in the illegal market, which is usually understood to refer to trade in illegal, counterfeit or stolen merchandise, are included within our definition of informal retailing. Activities in the "grey market", which is usually understood to refer to trade in legal merchandise that is sold through unauthorized channels – for example cigarettes bought legally in another country, legally imported, but sold at lower prices than in authorized channels – will be included as informal retailing if no tax is paid on sale by the retailer. However if the retailer pays tax – for example on cigarettes bought legally in another country but sold at a lower price than standard – the sale is included within formal retailing. In relation to click and collect purchases (i.e. where purchases are made over the internet but picked up at store) where the sales data is attributed depends on where the payment is made: If payment is made in store, then the sale is included in store-based sales. If payment is made over the internet, then the sale is included in internet retailing.

Store-Based Retailing: Store-based retailing is the aggregation of grocery retailers and non-grocery specialists and mixed retailers. Sales of new and used goods to the general public for personal or household consumption from retail outlets or market stalls. Excludes specialist retailers of motor vehicles, motorcycles, vehicle parts, fuel. Also excludes foodservice, rental and hire and wholesale industries, including Cash and Carry. Excludes the informal retail sector. Online or catalogue sales of store based retailers are counted within E-Commerce or Homeshopping. There are three main data types: Sales, Outlets, Selling space. Sales: Retail sales value excluding or including VAT/Sales Tax. Outlets: A fixed (ie not mobile) business unit that is used principally for retailing, ie selling consumer goods to the general public (see definition of retailing). Each store within a shopping mall is counted separately. Measured at the end of the year. Selling space: Floor space within a retail store used for trading. Also known as sales floor area, trade area, trading area, sales area, retail square footage. Includes sales floor, changing rooms, checkouts, areas behind counters, etc. Excludes warehousing, offices, car parks, etc Measured, as per store count, at the end of the year Includes self-service warehouse space at Ikea stores and outdoor space in garden centres.

Definitions

DEFINITIONS – EUROMONITOR (RETAILING)

Non-Store Retailing: The retail sale of new and used goods to the general public for personal or household consumption from locations other than retail outlets or market stalls. Excludes specialist retailers of motor vehicles, motorcycles, vehicle parts, fuel. Also excludes foodservice, rental and hire, wholesale industries. For the purposes of this study, non-store retailing is the aggregation of Vending, Direct Selling, Homeshopping and E-Commerce.

SECTION 7

APPENDIX: SUPERMARKETS PROFILES

Lawson Inc: Seijo Ishii

Seijo Ishii

Seijo Ishii positions itself as a lifestyle supermarket for discerning shoppers who are particular about food. Apart from a wide selection of high-quality fresh food, Seijo Ishii also sources seasonal domestic produce from specific regions in Japan.

As Japanese consumers are buying more fresh food than before due to COVID-19, Seijo Ishii will continue to focus on fresh food and in-house deli products, while expanding its store network and strengthening its e-commerce capabilities. In addition, it will also promote last mile delivery services through Uber Eats.

KEY NUMBERS

 # OF STORES
164

GEOGRAPHICAL COVERAGE
20 prefectures, but particularly strong in Tokyo and Kanagawa

POSITIONING
$$$

WEBSITE
https://www.seijoishii.com/

AEON Group: Bio c' Bon

Bio c' Bon

In 2016, the AEON Group entered a joint venture with Marne & Finance Europe, operator of Bio c' Bon, to bring the organic specialty supermarket to Japan. The first Bio c' Bon store was opened in Japan in the same year, and there are currently 27 stores across Tokyo and Kanagawa.

The AEON Group introduced Bio c' Bon to capture the rising health consciousness and demand for safe, organic products. Bio c' Bon focuses on procurement through direct imports (particularly from Europe), but also carries a range of domestically sourced Japanese products.

KEY NUMBERS

 # OF STORES
27

GEOGRAPHICAL COVERAGE
Tokyo, Kanagawa

POSITIONING
$$$

WEBSITE
https://www.bio-c-bon.jp/

AEON Group: Lincos

Lincos

Lincos is a premium specialty supermarket that is operated by Maruetsu.

Lincos stores are located in business districts, close to high-end apartments to capture high-income white-collar workers and expatriates. This is popular among shoppers in their 30s and 40s.

Lincos offers a wide range of premium, imported products such as cheeses, wines and liquors. Fresh food items are often packaged in small portions to cater to singles and small households.

KEY NUMBERS

 # OF STORES
6

GEOGRAPHICAL COVERAGE
4 stores in Tokyo, 1 store in Kanagawa, 1 store in Chiba

POSITIONING
$$$

WEBSITE
No standalone website

Source: Maruetsu, Ryutsuu News

Store images sourced from Ryutsuu News

AEON Group: SUPERMARKET KOHYO

SUPERMARKET KOHYO

SUPERMARKET KOHYO is operated by Kohyo Co Ltd, a subsidiary of the AEON Group following its acquisition in 2007.

It focuses on high quality, premium fresh produce, and differentiates itself through the polished store design.

It currently operates 25 stores in Osaka, 14 stores in Hyogo, 3 stores in Kyoto, 2 stores in Nara prefecture.

KEY NUMBERS

 # OF STORES
44

GEOGRAPHICAL COVERAGE
Osaka, Hyogo, Kyoto, Nara

POSITIONING
$$$

WEBSITE
https://www.kohyo.co.jp/

Source: Supermarket Kohyo

Store images from Hankyu Hanshin REIT

AEON Group: Peacock Store

Peacock Store

Peacock Store is a high-end supermarket that has been operated by the AEON Group following its acquisition from J Front Retailing in 2013.

There are currently 36 stores in the Tokyo, Kanagawa and Chiba prefecture, and 3 stores in Osaka and Hyogo prefectures.

Apart from stocking a range of higher priced products, Peacock Store also focuses on sustainability, stocking products with the Eco Mark, products using recycled materials, and additive-free products.

KEY NUMBERS

 # OF STORES
39

GEOGRAPHICAL COVERAGE
Tokyo, Kanagawa, Chiba, Osaka, Hyogo

POSITIONING
$$$

WEBSITE
https://aeonmarket.co.jp/peacock_shop.php

Source: AEON Group, Toyo Keizai

Image sourced from Jiyugaoka Keizai Business News

AEON Group: BLANDE

BLANDE

BLANDE is a new premium supermarket format launched by Kasumi. There are currently only two outlets, both based in Ibaraki prefecture, which is the stronghold of the Kasumi supermarket chain.

According to the company, BLΛNDE means 'mixed' and it aims to be a supermarket where 'people', 'food', 'life' and 'culture' are mixed through products and services.

BLANDE focuses on the store experience, with an in-store cooking studio for demonstrations and tastings, and the liquor section has a corner where customers can taste wines for a small fee.

KEY NUMBERS

 # OF STORES
2

GEOGRAPHICAL COVERAGE
Ibaraki

POSITIONING
$$$

WEBSITE
No standalone website

Source: United Super Markets Holdings Inc., Kasumi, News Tsukuba, Ryutsuu News

AEON Group: Picard

Picard

Following the success of Picard's frozen food products in AEON supermarkets, the AEON Group opened a standalone Picard store in Japan in 2016. The AEON Group has been working with Picard Surgelés SAS to develop products tailored to the Japanese palate. Picard stores in Japan focus on organically cultivated and environmentally responsible products, while also carrying products that are suitable for various types of diets, such as flexitarians.

The AEON Group currently operates 15 stores in Tokyo and Kanagawa, and products are also available on its online store.

KEY NUMBERS

 # OF STORES
15

GEOGRAPHICAL COVERAGE
Tokyo, Kanagawa

POSITIONING
$$$

WEBSITE
https://www.picard-frozen.jp/

Source: Nikkei Asia, Picard

AEON Group: MaxValu, Maruetsu, Kasumi

MaxValu

Maxvalu is the largest supermarket chain in Japan. It focuses on offering daily necessities with the maximum value (quality, price, assortment and service). MaxValu targets the mass market and low prices are a core part of the brand.

KEY NUMBERS

 # OF STORES
755

GEOGRAPHICAL COVERAGE
Nationwide

POSITIONING
$

WEBSITE
https://www.maxvalu.co.jp/

Maruetsu

Maruetsu is a supermarket that focuses on high quality fresh food. It also has a small format store, Maruetsu Petit, that targets customers living in urban areas with high quality products.

KEY NUMBERS

 # OF STORES
301

GEOGRAPHICAL COVERAGE
Tokyo, Kanagawa, Chiba, Tochigi

POSITIONING
$$

WEBSITE
https://www.maruetsu.co.jp/

Kasumi

Kasumi is present in six prefectures across Japan but has the strongest presence in Ibaraki prefecture. It has a moderate presence in Chiba, and Saitama, and an almost negligible footprint in Tokyo.

KEY NUMBERS

 # OF STORES
189

GEOGRAPHICAL COVERAGE
Ibaraki, Chiba, Saitama, Tochigi, Gunma, Tokyo

POSITIONING
$$

WEBSITE
https://www.kasumi.co.jp/

Source: Euromonitor, United Super Markets Holdings Inc., Kasumi

AEON Group: Daiei, MyBasket

Daiei

Daiei is a wholly owned subsidiary of the AEON Group. Daiei supermarket is present across 10 prefectures in Japan, but has a stronger presence in the Kinki region, particularly in Osaka and Hyogo.

The food section of Daiei stores is branded as ‘AEON Food Style’. It offers a wide range of fresh produce which is supported by its monthly Dai-Docoro magazine, which introduces recipes and nutritional tips. Stores also have an extensive section for imported wines and cheeses.

Daiei has an official app to communicate with customers, is installing self-service checkout counters at its stores, and working hard to develop its e-commerce offerings.

KEY NUMBERS

 # OF STORES
191

GEOGRAPHICAL COVERAGE
Tokyo, Kanagawa, Chiba, Saitama, Kyoto, Shiga, Osaka, Hyogo, Nara, Wakayama

POSITIONING
$$

WEBSITE
https://www.daiei.co.jp/

MyBasket

MyBasket is a small-format, urban supermarket operated by the AEON Group. Stores are mainly concentrated in Tokyo, Kanagawa, Chiba and Saitama prefectures.

MyBasket is in a phase of rapid expansion, where store numbers increased from 647 in 2016 to 983 in 2021.

MyBasket’s core proposition is “close, cheap, clean, and friendly”. It is a value-centred chain, where low prices are a core part of the proposition. As part of the AEON Group, MyBasket also stocks the AEON Group’s private label range TOPVALU.

As a low-cost chain, MyBasket also does not operate an online store to keep costs down.

The main categories sold at MyBasket are processed foods, frozen foods, confectionery, bread, milk, and fresh produce and meat.

KEY NUMBERS

 # OF STORES
983

GEOGRAPHICAL COVERAGE
Tokyo, Kanagawa, Chiba, Saitama

POSITIONING
$

WEBSITE
www.mybasket.co.jp

Source: Euromonitor, MyBasket, Nikkei Xtech, Daiei

Seven & I Holdings: York Mart/York Foods, York-Benimaru

York Mart / York Foods

Focus on fresh foods, high quality and fresh ingredients. Going forward, York Mart intends to strengthen offerings in the fresh food and delicatessen section, and focus more on its original and store exclusive products.

KEY NUMBERS

 # OF STORES
100

GEOGRAPHICAL COVERAGE
Tokyo metropolitan area

POSITIONING
$$

WEBSITE
https://www.york-inc.com/

York-Benimaru

One of the points of differentiation for York-Benimaru is that is sells a range of ready-to-eat food products manufactured by Life Foods, a wholly-owned subsidiary of York-Benimaru. Life Foods manufactures delicatessen products, bakery items, side dishes, sushi, bento boxes and other takeout foods. This offers its shoppers an additional level of convenience.

***FY2021: Net sales by category**

Fresh food	41%
Processed food	28%
Daily food	23%
Household goods	5%
Apparel	3%

KEY NUMBERS

 # OF STORES
235

GEOGRAPHICAL COVERAGE
Southern Tohoku and northern Kanto regions (Fukushima, Miyagi, Yamagata, Tochigi and Ibaraki prefectures)

POSITIONING
$$

WEBSITE
https://yorkbenimaru.com/

Source:

*Fiscal year ended February 28, 2021

Seven & I Holdings: THE GARDEN JIYUGAOKA

THE GARDEN JIYUGAOKA

THE GARDEN JIYUGAOKA is a premium supermarket that focuses on high quality food and liquor. Value proposition is fresh, healthy, and environmentally friendly food products.

It stocks a range of imported food items from all over the world, as well as local specialties.

Stores are concentrated in the Tokyo metropolitan area, typically within department stores and in train stations.

KEY NUMBERS

 # OF STORES
21

GEOGRAPHICAL COVERAGE
Tokyo metropolitan area

POSITIONING
$$$

WEBSITE
https://www.garden.co.jp/

Life Corporation: Life

Life

Life Corporation currently operates 281 Life supermarkets across eight prefectures. It is more established in Osaka and Tokyo, followed by Kanagawa, Hyogo and Kyoto.

Life manages four private label brands, each with a different proposition for varying preferences and income levels.

KEY NUMBERS

 # OF STORES
281

GEOGRAPHICAL COVERAGE
Tokyo, Saitama, Kanagawa, Chiba, Osaka, Kyoto, Hyogo, Nara

POSITIONING
$$

WEBSITE
http://www.lifecorp.jp/

Private label brands:

1. Smile Life: Affordable products that are safe and delicious.
2. Life Premium: A brand that pays particular attention to materials and manufacturing methods.
3. Bio-Ral: A brand tailored for health and the environment, using eco-friendly materials and manufacturing methods.
4. Star Select: A brand jointly developed by Life and YAOKO.

Source: Life Corporation

Life Corporation: BIO-RAL

BIO-RAL

BIO-RAL is a natural food supermarket that focuses on the four concepts of 'organic', 'local', 'healthy' and 'sustainable'.

BIO-RAL is operated by Life Corporation, and the first store was opened in Osaka in June 2016, and the second store was opened in the Tokyo metropolitan area in December 2020. Currently there are 5 BIO-RAL standalone stores, but Life Corporation intends to introduce BIO-RAL corners inside 40 Life supermarket outlets.

KEY NUMBERS

 # OF STORES
5

GEOGRAPHICAL COVERAGE
Osaka, Tokyo

POSITIONING
$$$

WEBSITE
http://www.lifecorp.jp/store/bio-ral/

Tokyu Store Corporation: Tokyu Store, Precce

Tokyu Store

Tokyu Store is a supermarket that offers "better products at lower prices", but still with the assurance of quality and safety.

Tokyu Store operates an online supermarket, and reports that the sales composition of fresh foods is exceptionally high at 37-38%, compared to about 30% at general online supermarkets.

KEY NUMBERS

 # OF STORES
74

GEOGRAPHICAL COVERAGE
Tokyo, Kanagawa, Shizuoka, Saitama, Chiba

POSITIONING
$$

WEBSITE
https://shop.tokyu-bell.jp/tokyu-store/app/common/index

Precce/Precce Deli Market

Precce is a high-end supermarket with a premium product line-up that focuses on nature, materials, and manufacturing methods, as well as safety, security, and health.

KEY NUMBERS

 # OF STORES
6

GEOGRAPHICAL COVERAGE
Tokyo

POSITIONING
$$$

WEBSITE
https://shop.tokyu-bell.jp/tokyu-store/precce/

Tokyu Store Food Station

Tokyu Store Food Station is a small-format store situated in high traffic urban areas, that focuses on convenience products such as fresh foods, seasonings, and ready-to-eat meals that can be taken away and eaten immediately at home.

KEY NUMBERS

 # OF STORES
11

GEOGRAPHICAL COVERAGE
Tokyo

POSITIONING
$$

WEBSITE
https://www.seijoishii.com/

Source: Tokyu Store website, Diamond Chain Store

Isetan Mitsukoshi: Queen's Isetan

Queen's Isetan

Queen's Isetan is a high-end supermarket operated by MI Food Style Co Ltd, which is jointly owned by Marunouchi Capital and Isetan Mitsukoshi. Isetan Mitsukoshi Holdings operates the Isetan and Mitsukoshi department stores.

Queen's Isetan opened its online shop in November 2021 and ships nationwide in Japan.

QUEEN'S ISETAN

KEY NUMBERS

 # OF STORES
18

GEOGRAPHICAL COVERAGE
Tokyo, Kanagawa, Saitama, Chiba

POSITIONING
$$$

WEBSITE
https://www.queensisetan.com/

Image sourced from Ryuutsu News, "三越伊勢丹HD／5年後に「クイーンズ伊勢丹」の買い戻しを表明"

Source: Isetan Mitsukoshi, Queen's Isetan website, PR Times

Valor Holdings: Valor

Valor

Valor is a large supermarket chain in Japan, with 241 outlets across 12 prefectures. It is currently focusing on renovating and expanding fresh food sections, as fresh food now accounts for a larger percentage of revenues due to consumers cooking at home more frequently post-COVID.

Valor is also renewing its focus on its private label brands. Valor has two private labels, Valor Select (basics at affordable prices) and Valor Premium (better quality and a little more luxury than usual).

Valor has partnered with Amazon Japan to stock its products (including its private label) on Amazon Fresh.

KEY NUMBERS

 # OF STORES
241

GEOGRAPHICAL COVERAGE
12 prefectures across Japan, but is the most established in Gifu and Aichi

POSITIONING
$$

WEBSITE
https://valor.jp/

UNY Co Ltd: Piago

Piago

Piago is a supermarket owned by UNY Co Ltd, which also operates the general merchandise chain Apita. Piago also operates a small-format store called Mini-Piago in Tokyo and Kanagawa.

UNY Co Ltd operates an online store shared by its retail brands Apita and Piago.

KEY NUMBERS

 # OF STORES
67

GEOGRAPHICAL COVERAGE
Aichi, Shizuoka, Mie, Toyama, Shiga, Ishikawa

POSITIONING
$

WEBSITE
https://www.uny.co.jp/
https://www.apitashop.com/shop/

Kobe Bussan Co Ltd: Gyomu Super

Gyomu Super

Gyomu Super is a franchise-model supermarket chain operated by Kobe Bussan Co Ltd. It specialises in direct imports of food and beverages from factories based in 45 countries globally.

Apart from direct imports, Gyomu Super offers a wide range of original products manufactured at its factory.

As it sources directly from manufacturers and purchases in bulk, Gyomu Super is able to offer low prices through economies of scale. For larger families, not for singles or DINKs.

KEY NUMBERS

 # OF STORES
969

GEOGRAPHICAL COVERAGE
Nationwide

POSITIONING
$

WEBSITE
https://www.gyomusuper.jp

While Gyomu Super mainly services B2B customers, some consumers do shop there as well and share tips/experiences on social media with the tag #GyomuSuper (#業務スーパー).

Kinokuniya Co Ltd: Kinokuniya

KINOKUNIYA

Kinokuniya Supermarket is a premium supermarket that focuses on the highest quality produce (vegetables, fruit, seafood, meat, delicatessen, liquors), and a bakery that produces Western-style bread such as German, British and Finnish bread.

The brand positions itself as a supermarket with a wide range of imported food products and Western food, particularly from Europe and other countries of origin.

Kinokuniya is also investing heavily in digital operations – it has an online store and an unmanned self-checkout store.

KEY NUMBERS

 # OF STORES
41

GEOGRAPHICAL COVERAGE
Kanto region

POSITIONING
$$$

WEBSITE
https://www.e-kinokuniya.com/store/

Source: Kinokuniya website

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