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● Are you capturing the demand from inbound visitors?

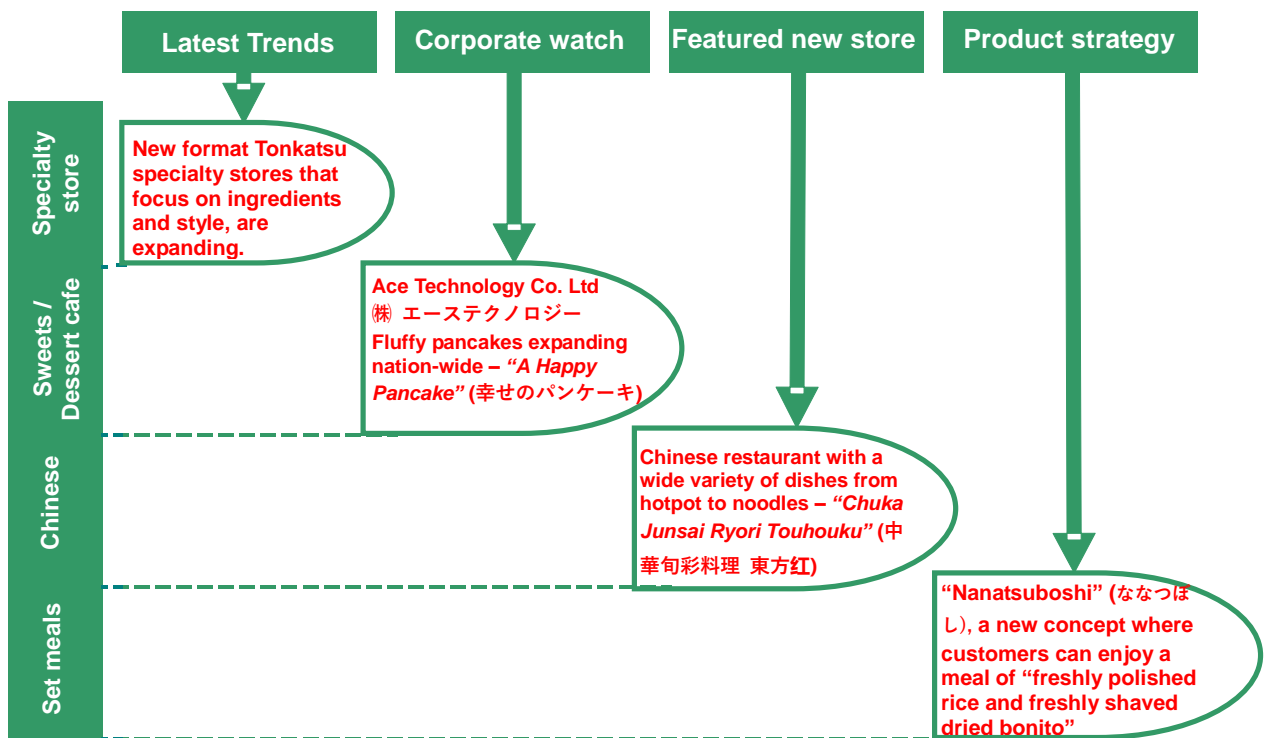
- The number of inbound tourists and foreign visitors to Japan was 31.91 million last year, an increase of 3.22 million as compared to 2017. We are reaching the target of 40 million visitors. More than 70% of the visitors were from China, Korea and Taiwan. There are definitely higher chances of hearing the Chinese language everywhere. These are business opportunities for the food services sector, but I wonder what type of food services is meeting the foreigners' demand. I have seen tourists in izakayas, ramen, yakitori and sushi restaurants, but is that all? I cannot help but think about how food services could deal with the high demand.
- It is difficult for the general Japanese people to interact with foreigners due to language and cultural differences, and they are not used to doing so. We will need to deal with the increase in demand for food services earnestly, as the inflow of foreign visitors will increase further as we approach the Olympic Games.



- Jotaro Fujii

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HOT NEWS! America: Franchisor cut fees to attract franchisees



1. HOT NEWS! **America: Franchisor cut fees to attract franchisees**

Wienerschnitzel, a hot dog chain, started this year's franchising campaign with a "2019 limited incentive offer". The franchise fee has been reduced from US\$32,000 to US\$5,000, and sales royalty has been reduced from 5% to 1% for the first three years. Founded in 1961, Wienerschnitzel has 357 stores, mainly in California, Texas. It is a typical low-investment franchising model, but it is popular only in selected regions. Nevertheless, it is the number one hot dog chain and enjoys a certain level of brand awareness. Sales grew at 103.7% last year, as compared to the previous year. All are franchised stores. 9 stores opened last year, and they plan to open 20 this year. Japan does not have a hot dog chain. But if the investment is low, it is possible to start one using a franchising model.



| WORLD FAMOUS HOT DOGS | | CHILI BURGERS | |
|-----------------------|--------------------------------------|---------------|--|
| | Chili Cheese Dog 1.99 | | Chili Cheeseburger 1.99 |
| | Chili Dog 1.69 | | Ultimate Chili Cheeseburger 2.29 |
| | Mustard Dog 1.29 | | Junkyard Chili Cheeseburger 2.59 |
| | Deluxe Dog 1.79 | | Jalapeño Poppers Chili Cheeseburger 2.99 |
| | Kraut Dog 1.49 | | |
| | Chicago Dog 1.79 | | |
| | Bacon Wrapped Street Dog 1.99 | | |
| | Substitute a Pretzel Bun .50 Here | | |
| | Angus All Beef Chili Cheese Dog 2.99 | | |
| | | CORN DOGS | |
| | | | Corn Dog 1.29 |
| | | | Mini Corn Dogs 1.89 |



2. Latest Trends

New formats of Tonkatsu stores that focus on ingredients and style, are expanding

■ **Tonkatsu Oribe (とんかつ おりべ)** By **Ten Corporation (株) テンコーポレーション**



● The tonkatsu specialty store opened on 19 December 2018 along Kaminarimon Street, a 5-minute walk from Tawaramachi Station on the Tokyo Metro Ginza line. They serve 3 kinds of set meals: Rosu Katsu (pork loin) (ロースかつ) (120g) at ¥780, big portion of Rosu Katsu (大ロースかつ) (180g) at ¥950, and Hire Katsu (pork fillet) (ヒレかつ) (120g) at ¥1,080. The store installed a touch panel ticket vending machine, with instructions in 4 languages. The machine is equipped with an electronic money and credit card reader. Pork loin from “Mugi Urara sangen pig” (麦うらら三元豚) and pork fillet from “Akagi Sanroku pig” (赤城山麓豚) are deep-fried using an auto deep-fryer that was developed in-house. The store is patronized mainly by male customers.

■ **Tonkatsu University (とんかつ大学)** By **RingerHut Co., Ltd (株) リンガーハット**



● The 5th outlet of the specialty store opened on 9 November 2018, in a foodcourt located on the 2nd floor of “AEON Shinonome” shopping centre, about 15 minutes’ walk from the Shinonome Station on the Rinkai Line. Using the know-how of “Tonkatsu Hamakatsu” from the same group, the store maintains the flavors by using quick deep-frying at 75°C. The menu includes a Rosu Katsu set meal (ロースかつ定食) at ¥690, a Hire Katsu (ヒレかつ定食) at ¥790, as well as 3 types of Katsu-don (かつ丼) and 14 choices of mixed-fry set meals that include “Shrimp fry” (海老フライ) and Deep-fried Chicken (唐揚げ), priced from ¥580 to ¥980. The store promotes take-outs by using containers with the tagline of providing “long-lasting warmth” (温かさ長持ち). The store is patronized mainly by couples and families.

Discussion : The future of “Tonkatsu Specialty Stores”

Matsuya Foods’ “Matsunoya” (松のや), Zensho Holdings’ “Katsuan” (かつ庵), Skylark’s “Tonkara Tei” (とんから亭), and “Tonkyu” (とん久) are examples of Tonkatsu specialty stores that have expanded. The pioneer, “Katsuya” (かつや) have expanded to more than 380 outlets. **Tonkatsu Oribe (とんかつ おりべ)** uses a streamlined menu, local ingredients, and a multi-lingual cashless ticket vending machine, to target and cater to the increasing numbers of in-bound foreign visitors. **Tonkatsu University (とんかつ大学)** sells fried food in a foodcourt with few specialty stores, and aims to grow the market demand for ready-to-eat cooked food for takeaways. The Tonkatsu business is expanding, with new entrants and an increase in demand for take-outs.

3. Progressive Companies

■ Ace Technology Co., Ltd 株式会社 エーステクノロジー

- 10 stores in 2017. Rapid expansion in 2018 with 8 new stores.

Ace Technology Co., Ltd was established in July 2003. The company, with its core business in Web system development, started “A Happy Pancake” (幸せのパンケーキ) in July 2014, in Minamisenba in Osaka City Chuo Ward. This was followed by another outlet in Nishihonmachi. In November 2015, after making its first entry into the Kanto region by setting up an outlet near the A2 exit of Tokyo Metro Omotesando Station, A Happy Pancake was transformed into a multi-outlet concept that is located mainly in downtown areas such as Shibuya and Kichijoji. In 2017, the concept expanded into Okinawa and Hokkaido. The first overseas outlet was set up in Hong Kong in September 2018. The pancake specialty store has established 26 outlets in major cities nationwide.

● Dessert Café “A Happy Pancake” (幸せのパンケーキ)

Fluffy pancakes are made by baking a dough that is mixed with meringue. The store sells 8 kinds of sweet pancake such as “Happy Pancake” (幸せのパンケーキ) which comes with whipped butter cream and manuka honey, “Rich cheese mousse pancake with berry sauce” (濃厚チーズ・ムースパンケーキベリーソースがけ), and “Milk tea pancake with home-made granola” (紅茶ミルクパンケーキ自家製グラノーラがけ), at ¥1,100 to ¥1,590. In addition, there are 4 types of pancakes that are served with omelettes and salads during lunch time. They are priced at ¥980 to ¥1,390. The store is patronized mainly by female customers, and the estimated check size is ¥1,500 per person.



Pancakes are carefully baked over hotplates.

Happy Pancake's signature fluffy pancakes

4. Featured New Store

Chinese restaurant with a wide variety of dishes from hotpot to noodles

Chuka Junsai Ryori - Touhouku 中華旬彩料理「東方紅 (とうほうこう)」

BY Touhouku Co., Ltd 東方紅



On 21 December 2018, “Chuka Junsai Ryori – Touhouku” 中国旬彩料理 東方紅 (とうほうこう), opened on the 8th floor of commercial facility “Shinjuku Marui Annex”, located near the Tokyo Metro Shinjuku Sanjome Station. The operating hours are from 11:00 to 23:00, and has a seating capacity for 60. There are 50 kinds of Chinese dishes in the dinner menu. They include classic dishes such as “Hearty Eight Treasures Mixed Vegetables” (具沢山八宝菜) and “Prawns in Chili Sauce” (海老チリソース); “Braised Pork Ramen” (とろーり角煮ラーメン), “Pan-fried Shrimp and Leek Buns” (海老ニラ焼きまんじゅう), and other dim sum and noodles, priced from ¥480 to ¥1,820. Other menu items include the black chicken herbal hot pot. There are mostly couples and female diners in the restaurant. The restaurant has 4 outlets, which are all located in commercial facilities such as atré Ebisu and Futako Tamagawa Rise Shopping Centre. The average check size is around ¥3,000 per person.

Evaluation

Chinese restaurants such as “Shahoden” (謝朋殿) and “Sekkomon” (石庫門) have expanded in the commercial facilities in downtown Tokyo. Customers are attracted by their dinner set courses, the higher-priced a la carte dishes, and izakaya styles. “Touhouku” 東方紅 (とうほうこう) has a wide variety of Chinese dishes that are served throughout the day at an average price point of ¥1,000. It focuses on cultivating demand for the dinner segment. The company has five Chinese food services concepts. It plans to expand the casual “Touhouku” concept further, with its affordable prices and pleasant environment.

5. Product / Business Strategy

Japanese Set Meal Specialty Store

A new concept where customers can enjoy a meal of “freshly polished rice and freshly shaved dried bonito”

“Nanatsuboshi” (ななつぼし) [BY subLime Co., Ltd \(株\) subLime](#)

■ **Features** : The store serves 9 kinds of set meals with mains such as binchotan-grilled fish (mackerel, salmon, silver cod fish), amiyaki (grilled, 網焼き) pork shogayaki (pork with ginger, 生姜焼き), and karaage (fried chicken, 唐揚げ), priced from ¥1,100 to ¥1,300. There are 5 types of side dishes, such as cold tofu and stews, to go with the mains. Many customers order the deep-fried sashimi tuna roll (Osashimi Maguro Katsu, お刺身マグロかつ) that is coated with breadcrumbs, and served with a grated ponzu sauce. The store features an open kitchen surrounded by a counter table, where customers can watch the cooking process using the day’s freshly polished rice and shaved bonito. Operating hours are from 11:00 to 22:00 (lunch is served till 15:00 and dinner starts from 17:30), closed on Sunday and public holidays. An outlet opened on 10 January 2019, near the JR Tokyo Station Yaesu North Exit. It serves all-day set meals, targeting at office workers. The store is patronized mainly by female customers during lunch time. The average check size is around ¥1,200 per customer.



Strategy: Many izakayas and restaurants that are located in the vicinity of office buildings serve set meals priced below ¥1,000. “Nanatsuboshi” (ななつぼし) attracts customers by using high quality ingredients that are freshly prepared using the rice-polishing and shaving machines in the store. To encourage repeat customers, the store uses crowd-funding where supporters pay a fixed amount to receive a “Free set meal passport”. The funds are raised to purchase rice-polishing and bonito-shaving machines. The crowd-funding initiative created a buzz and attracted attention to the store. The store expands by adopting a differentiation strategy, serving high quality ingredients at higher prices, focusing on “freshness of ingredients” (こだわり食材のフレッシュ感) and providing a “live cooking experience” (調理が見えるライブ感).

- Latest new store

11 December 2018 VELUDO COFFEE-KAN

A 5-minute walk from JR Shibuya Station, facing the “Shibuya MODI” commercial building.

A new café format that sells freshly-baked **croissants** and **hotcakes** in a cozy (居心地のよさ) environment. It is operated by Kohikan Corporation Ltd, which was acquired by The Longreach Group in May 2018.



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