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1 September 2018 issue

● Increase in Consumption Tax

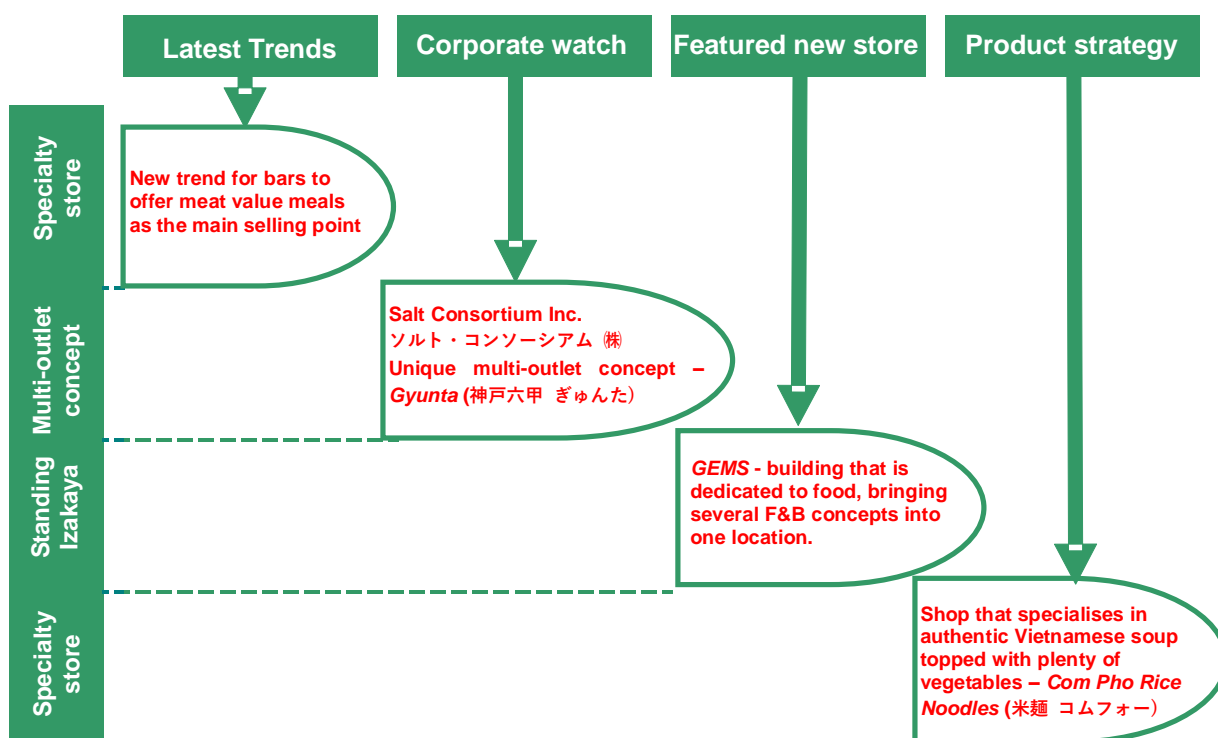
- The time has come to implement measures to cope with the increase in consumption tax that will take effect a year later. One year from now, the tax rate for food services will increase to 10%, but the consumption tax rate for fresh and processed foods will remain at 8%. There is an opportunity to increase the market share for the lunch segment. Food services must work on maintaining or improving sales. This will depend on the capability of each company. One way to develop a counter-strategy is to use recent data to study the problem of price and real value.
- This year's promising new products include the Barreal sparkling beer series, a collaboration between Kirin Brewery and Aeon's house brand "Top Valu" that is retailing at ¥84 (incl tax); KFC's ¥500 (incl tax) lunch menu; and Hotto Motto's ¥300 (incl tax) nori bento (seaweed lunchbox) which is selling at ¥60 cheaper than Hokka Hokka Tei's ¥360 (incl tax) bento. These companies are giving their best in devising outstanding marketing strategies, competing with one another. In reality, you can no longer excel just by using a simple low-price or value-adding strategy.



- Jotaro Fujii

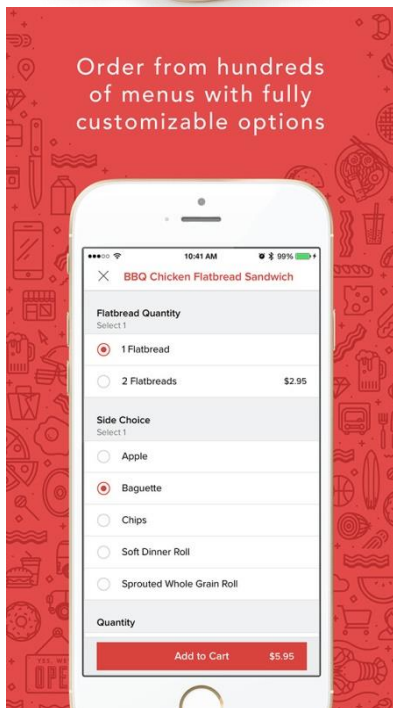
Contents of this issue

HOT NEWS! America: Chipotle Delivery Service drives sales expansion



1. Hot News! America: Chipotle Delivery Service drives sales expansion

Chipotle Mexican Grill Inc, a Burrito fast food chain, has partnered Door Dash to offer free delivery to customers. The results have been impressive. Free delivery service, with a minimum order of US\$10, has led to nearly 700% increase in weekly orders for the period April to September this year. Orders are placed through a mobile app. Food delivery is also a significant segment that is expected to grow rapidly for the Japanese market.



2. Latest Trends

New trend for bars to offer meat value meals as the main selling point!

■ 「BEEF KITCHEN STAND」 By [Yakko Dining \(株\) 奴ダイニング](#)



● The 7th Beef Kitchen Stand outlet opened in March 2018, next to Don Quijote at Shinjuku Kabukicho. It offers 50 kinds of small dishes. They include deep-fried dishes, stews, grilled dishes, salads, and Carpaccio. Pot-au-feu costs ¥130, Ajillo at ¥190, and Hamburger steak at ¥290. Lunch menu includes hamburger steak, roasted beef, salad, soup, curry and deep-fried food. There are also all-you-can-eat and all-you-can-drink options that cost from ¥880 to ¥1,380. Majority of the customers are single male diners across all ages.

■ [Beverly \(ビバリー\)](#) By [Foodream Co. Ltd \(subsidiary of VIA Holdings\) \(株\) フードリーム \(ヴィアHDの子会社\)](#)



On 21 August 2018, Beverly, a western bar, opened on the first basement level of the Nihonbashi Front building, located near Exit B1 of the Nihonbashi Station on the Tokyo Metro Ginza line. This is the second outlet, after the first at Yurakucho. It offers menu items such as “One Pound Steak”, “T-Bone Steak”, “Platter of four kinds of sausages”, and “Milano style black pork cutlet”, at prices ranging from ¥399 to ¥4,999. The outlet is patronized mainly by couples and groups of female customers. The average check size is ¥3,000 per customer. It aims to attract customers with reasonable prices, to differentiate from the other restaurants in the vicinity which are in the range of ¥5,000 per customer. The strategy is to serve high quality products at lower prices.

Discussion: The future of bars (izakayas) selling meat menus

The use of aged meat or black Wagyu beef, etc. will inevitably lead to the need to set higher prices, but “Beverly” prices the menu items below ¥1,000 to reduce the impression of a pricey restaurant. “Beef Kitchen Stand” aims to attract customers by keeping the prices of the meat menu low.



3. Progressive Companies

■ Salt Consortium Inc. ソルト・コンソーシアム 株式会社

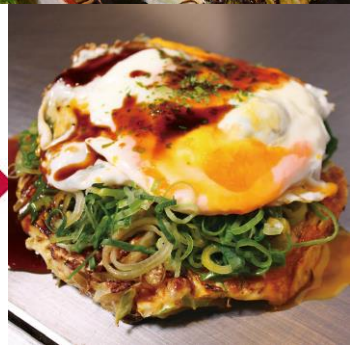
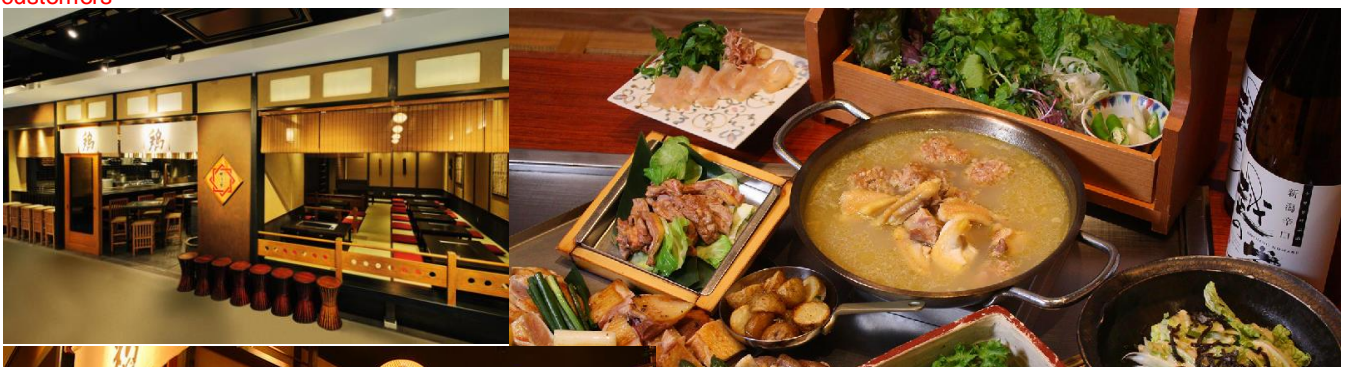
Salt Consortium Inc. was established in February 2002. In May 2002, it started an Okonomiyaki “Bochi Bochi” (ぼちぼち) restaurant near the Hiroo Station on the Tokyo Metro Hibiya line. In May 2006, it started a Hawaiian diner “MuuMuuDiner” and expanded in Kansai. This was followed by further expansion of new concept “Museum Café Mado Lounge” on the 52nd floor of Roppongi Hills in July 2016, and “Kobe Rokkomichi Gyunta” (神戸六甲道ぎゅんた) in September 2010. The group will be starting a meat donburi concept, “The Steak”, and “Chicken Cuisine Teppanyaki Kashiwa” (鶏料理 鉄板焼 かしわ) in 2018. This will give the group a total of 30 outlets across 24 concepts, and another 6 outlets under the “Concept . Beer Garden” brand.

● Japanese Okonomiyaki Teppanyaki – “Kobe Rokkomichi Gyunta” (神戸・六甲道 ぎゅんた)

It offers 20 types of teppanyaki priced at ¥500 to ¥880. They include the “Ikasuji Kon” (いかすじこん), which is stir-fry squid, beef tendon, and konnyaku; Korean-style okonomiyaki “Gyeran-jjim” (ケランチム); and “Stamina-yaki” (スタミナ焼き). Other dishes such as “Kawari Modern-yaki” (変わりモダン焼き) and “Vegetable salt-grilled yakisoba” (ベジタブル塩焼きそば) are available at ¥1,280 each. Customers get to enjoy freshly-cooked dishes that are stir-fried or grilled at the counter, but served and kept warm on the hot plate at the table. There are mostly housewives during weekday lunch hours at the Grand Tree Musashi Kosugi outlet; and families and a wide range of customers on weekends. The average customer spent is around ¥2,000. The concept features a refreshing and innovative use of ingredients.



● “Chicken Cuisine Teppanyaki Kashiwa” (鶏料理と 鉄板焼 かしわ) has 3 outlets, and is popular with a wide range of customers



4. Featured New Stores

Nomura Real Estate Development Co. Ltd 野村不動産 (株)

A building that specializes in a particular trade

Food & Beverage Building – “GEMS”



● On 27 August 2018, GEMS, a food-specialized commercial facility, opened at Shin-yokohama 2-chome Arena Street, about 5 minutes' walk from the Shin-Yokohama Station on the JR Yokohama line. There are 10 stores spread across 10 floors (9th and 10th floors are occupied by “Yakiniku Okuu” (焼肉 おくう). The stores are unique concepts from Yokohama, such as “Yakiniku Okuu” (焼肉 おくう), “Gyutan Hamatan” (牛タン 濱たん), “Modern China” (中華 福祥園), “Izakaya Shinyoko” (居酒屋 シンヨコ商店). GEMS plans to expand to 11 of such buildings, starting from Kayabacho in March 2018, Jingumae in April, Sangenjaya in June, and by December another 6 locations in the Kansai area.

Evaluation:

It is a gourmet spot that features authentic and local flavors and ambience that are unique to each food concept; and collectively “providing meals that bring happiness to the city” (食事は街を幸せにできる). In the selection of tenants, the developer aims to discover and attract shops that are special and unique, are already attracting queues locally, and those with good reputation. The strategy of repeatedly attracting and gathering specialized shops into one location has become the developer's forte. These new buildings can bring in business even if they are located off the main street, and not in prime sites.

5. Product / Business Strategy

Vietnamese **Original Pho** Specialty Store

Featuring a combination of soup and plenty of vegetable topping

“Com Pho Rice Noodles” (米麺 コムフォー) BY Shimada Group (株) シマダグループ

- **Features** : There are seasonal items such as “Chilled Tom Yum Pho with plenty of Kale” priced at ¥800 to ¥840, and 5 standard items which include “Chicken Pho”, “Sesame Pho” and “Spicy Pho”. Other dishes such as “Raw spring roll with shrimp” and “Almond Jelly and Drink set” cost around ¥280. The poster menu placed at the store is filled with various combinations of healthy gluten-free rice noodles and plenty of vegetables. It was observed that the store attracted mainly female customers. The 11th outlet opened on 25 September 2018 in Nihonbashi Takashimaya Shopping Centre.

Kichijoji outlet filled with female customers

“Tori Yuzu Pho” with lots of vegetables



The side dishes menu is enhanced at the “Komemen Shokudo by Com Pho” (米麺食堂 by コムフォー) Otemachi outlet

- **Strategy** : Mango Tree Kitchen is a similar concept. It serves Thai dishes such as “Gapao Rice” and “Khao Man Gai”, and has expanded to a commercial building next to the Naka station. **Komemen Shokudo by Com Pho (米麺 コムフォー)** has outlets in Otemachi and Ikebukuro to extend their reach to a wider customer base. They plan to expand further and attract more health-conscious customers with their **gluten-free and signature pho soup**.

- Recent new store opening

29 August 2018 – “Yakiniku Like” (焼肉ライク)

New fast food style Yakiniku (grilled meat) concept

offering 「TASTY」 「QUICK」 「VALUE」 meals

With over 100 outlets under brand names such as “Yakitori Sumire” (やきとり家 すみれ) and “Yarou Ramen” (野郎ラーメン), Dining Innovation aims for further expansion by driving the demand for “solo yakiniku”, using a “value for money” and “high turnover” business model. The first outlet has opened at the former location of the “Tonkotsu Ramen Hakata Furyu” restaurant (豚骨ラーメン 風龍 MAX), at the back of the New Shinbashi building beside the Hibiya exit of JR Shimbashi Station.



Gaisyoku.com 1 September 2018 issue

Produced by Fujii Consulting 1 September 2018

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東京都世田谷区代沢 4-1 0-3

株式会社藤居事務所

Fujii Consulting

Tel 03-5431-6513 URL : [WWW. i-consul.com](http://WWW.i-consul.com)