

# Domestic Demand-led Firms Looking Overseas Pressed by Shrinking Home Markets

By Hiroshi OKABE

Photo: Kyodo News

Overseas expansion is no longer limited to export industries such as automobiles and electric machinery. Even food and beverage producers, apparel makers and retailers catering to domestic demand are now eyeing overseas markets to make up for shrinking home markets. In view of the aging population and the sagging birthrate, companies that have hitherto relied on domestic demand find it essential to move into markets abroad if they are to survive and continue growing. Some of them have already resorted to aggressive M&A deals.

Fast Retailing Co., the operator of the Uniqlo casual clothing retail chain, opened its first French store in Paris in December 2007. The company had earlier opened stores in the United States, Britain, China and South Korea. In addition, Fast Retailing is exploring the possibility of acquiring widely known upscale American and European clothing makers.

Fast Retailing lost to a state-owned investment company of the United Arab Emirates in a battle to acquire Barneys New York, a major American department store chain. But Fast Retailing President Tadashi Yanai remains bullish, saying, "Our bid to buy Barneys has boosted our name recognition in the United States and has greatly benefited us."

Also in the apparel sector, Ryohin Keikaku Co., the operator of MUJI brand stores, has opened a store in the SoHo area of New York city as its first outlet in the United States. With leading fashion shops gathered in the SoHo area, the company expects to use the SoHo outlet to boost its presence and plans to open 40 to 50 more stores in the US market in the coming five years.

In the food/beverage sector, Kirin Holdings has acquired all shares in National Foods, a major Australian dairy product company, at about ¥290 billion and made it a wholly owned subsidiary. As the domestic beer market is tapering off, Kirin is seeking to strengthen its cor-

porate base through diversification. "The acquisition of National Foods will help make us a comprehensive beverage company, boost our globalization and strengthen our presence in the food and health sectors," says Kirin President Kazuyasu Kato.

Changes are also taking place in the sake brewing industry. In these health-conscious days, the number of Japanese restaurants is increasing in the United States and other foreign countries, boosting overseas demand for sake. Exports of sake set a record in 2007 for the first time in 11 years. As domestic sake consumption continues to decline on the back of the growing popularity of *shochu* (Japanese distilled liquor) and beer, sake brewers look to foreign countries as a new promising market and are moving to step up overseas sales. Some sake brewers have already started local production in foreign countries.

Meanwhile, Lawson Inc., a major convenience store chain, plans to hire 10 foreign students studying at Japanese universities, including Chinese, as regular employees in the spring of this year. The number accounts for 10% of about 100 new university graduates the company plans to hire as regular staff this year. Lawson plans to continue to regularly hire foreign students. At a time when the convenience store market is approaching saturation in Japan, Lawson intends to expand overseas operations, mainly in Asian countries where high economic growth is foreseen. Foreign students hired as regular employees will be prospective managers of overseas stores. Aeon Co., another major retail chain, also plans to accelerate the opening of outlets in China, boosting the number there five times in five years from 22 in fiscal 2007 to 102 in fiscal 2012.

Food, beverage and clothing manufacturers, retailers and other companies ori-



A Chinese man tries out a brand of Japanese sake at a tasting event in Beijing.

ented to domestic consumers customarily sought to boost their domestic market shares. As domestic demand continues to shrink, however, they have begun to look to overseas markets as the stage of competition. Overseas expansion by home demand-oriented industries sounds contradictory, but success or failure of their overseas operations is likely to decide their fate.

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