

Doutor: Coffee Shops with a Winning Blend

By Kei Uchimura

For Japanese office workers and secretaries, a coffee break used to mean sitting leisurely at a table in a coffee house, savoring the taste and aroma of their favorite brew. In the past couple of years, however, a dramatic change has come over the country's coffee culture. In increasing numbers, Japanese now down their coffee standing up, at coffee shops equipped with counters instead of tables.

Go to any business district or railway station, and you are sure to find at least one such stand-up coffee shop in the vicinity. And likely as not, that shop will belong to Doutor Co., the originator of the stand-up coffee shop and the biggest coffee shop chain in Japan. Today, there are no less than 139 "Doutor Coffee Shops," most of them concentrated in the Tokyo metropolitan area.

It's the price, not the decor, which is the big draw at Doutor Coffee Shops. A cuppa at Doutor's is only ¥150 (\$1.20 at the exchange rate of ¥130/\$), compared with the usual ¥350 (\$2.70) in a conventional coffee shop. Nor is the flavor inferior to the brew served up at more expensive sit-down houses. At ¥150, Doutor coffee is halfway between the price of the morning edition of a national newspaper (¥80) and a pack of "Seven Star Mild" cigarettes (¥220), the best-selling tobacco in Japan. The price, it would seem, is right.

Chic atmosphere

The average floor space of a Doutor chain store is 66 square meters. In every shop, the grain of the wooden counters and cream-painted walls glisten under the light of globe-shaped lamps suspended from the ceiling. Standing-height circular tables are placed here and there, while the wall space is taken up by counters or, in some stores, small chairs and tables. The common feature is a somewhat chic and sophisticated European atmosphere.



Catering for busy people: many customers prefer to drink their coffee standing up.

Of course, that is not the exclusive preserve of Doutor Coffee Shops. What really sets them apart from other chic, brightly lit coffee shops is their highly rationalized management system. Doutor Coffee Shops have neither waitresses nor waiters. Their menus list only 12 items—five varieties of coffee, two kinds of fruit juice and five quick snack foods, including hot dogs. It takes only 10 seconds for a customer to get his or her drink from the counter staff, and 30 seconds for food. That's possible thanks to modern machinery, including West German coffee makers. Dish washers economize on labor and kitchen space.

Unlike ordinary Japanese coffee houses, Doutor Coffee Shops keep neither newspapers nor magazines for their customers to read. They provide no *o-shibori* hand towels. In short, they cut expenses to the bone. The ¥150 cup of coffee is simply the product of managerial efficiency.

Success has come quickly for Doutor Co. In 1980, there were only two Doutor Coffee Shops. Growth was solid for the next few years, but it was in 1986 and 1987 that things really took off as the chain expanded by 81 shops in just two years. Sales have been growing by leaps and bounds, going from ¥2.8 billion in 1985 to ¥5.5 billion in 1986 and ¥9 billion in 1987. Coffee on the hoof is clearly off to a running start in Japan.

Just how strong is the Japanese coffee habit? Plenty strong. In terms of consumption in 1986, coffee was the top

drink in Japan at 56%, as against 40% for green tea and 4% for black tea. Consumption of coffee, all of it imported, has nearly doubled in the past 10 years. According to a 1986 survey by the International Coffee Organization (ICO), the average Japanese drinks 4.2 cups of coffee a week. This is admittedly still small by international standards. Finns, the world's heaviest imbibers, drink 23.2 cups a week on average, and Americans 8.4 cups. Nonetheless, the All Japan Coffee Association thinks coffee consumption in Japan will continue to increase. The value of coffee consumption, ¥820 billion (\$6.3 billion) in 1987, is projected to top ¥920 billion in 1990. The ratio of coffee consumption inside and outside the home, meanwhile, has been stable at 40:60.

No time to sit

Although coffee consumption is still rising, coffee shops are already being weeded out in a struggle of the survival of the fittest. A 1987 survey by the Ministry of International Trade and Industry speaks eloquently of the severity of the competition. Between 1984-1987, some 11,000 of Japan's 160,000 coffee shops went out of business. In Tokyo especially, an astonishing 22%, or 4,500 shops, closed their doors during the period.

This is the environment in which the Doutor chain has scored its great success. Akio Tsunemoto, general manager of Doutor Co.'s Corporate Planning Office, says the secret lies in exploiting changes

in people's values. "We took advantage of the needs of the times and made thoroughgoing corporate efforts to offer coffee at a price which everybody could afford," says Tsunemoto. "People's valuation of time has changed; they attach more importance to it. Salaried workers, in particular, are constantly rushed. They don't even have time to go into a shop and sit down, yet they still thirst for a cup of coffee. We designed our Doutor Coffee Shops to meet this simple need. In a conventional coffee shop, people spend an average 30 minutes for a drink, in a Doutor store just 10 minutes. Our shops were the answer for people who wanted to spend a little time instead of a lot of time enjoying a cup of coffee."

Some 55% of Doutor patrons are men and 45% women. Customers in their 20s and 30s account for more than half the clientele, followed by people in their 40s. Unexpectedly, working women bring Doutor coffee shops much of their business. While 40% of all Doutor patrons are salaried men, another 40% are young working women. Most of the rest are students and housewives.

The success of the Doutor experiment thus lies in tight market segmentation and a managerial focus on just one of the purposes for which customers tend to en-

ter coffee shops. The conventional coffee shop in Japan attempts to satisfy a wide range of purposes, from business meetings to rendezvous, relaxation and simply enjoying coffee. Doutor zeroed in on people who wanted to use a coffee shop for just one thing—drinking coffee.

Inspiration in Paris

The number of people who want nothing more than a quick brew would seem to be unexpectedly large. The average Doutor shop caters to about 1,000 customers a day, racking up monthly sales of ¥7 million. If an ordinary coffee shop of the same size served 200 guests a day, it would be considered a top earner in the trade. The gross margin of the ¥350 coffee served at an ordinary coffee shop is ¥262, or 75% of the price. The gross margin of the ¥150 Doutor cup is ¥93, or 62%. The quick turnover of customers more than makes up for the lower margin, however, with the result that Doutor shops are earning far more than their conventional competitors.

How did this all come about? Doutor Co. was only founded in 1962, making it a late-starter in the Japanese coffee bean roasting and distribution business. And this ironically helped lead this newcomer

to adopt a downstream strategy of opening coffee shops instead of just selling coffee beans.

In short, department stores and supermarkets and the other usual sales outlets had already been cornered by established coffee companies. When raw coffee bean prices began to climb in 1970, Doutor had to find some way to boost sales or be squeezed out of business.

In 1971, Doutor President Hiromichi Toriba flew to Europe in search of new business ideas. One morning on the Champs-Élysées in Paris, he was struck by the scene at a sidewalk cafe. Not all the people sipping coffee were sitting at tables. Some were drinking coffee on the terrace, while others were perched on chairs in the cafe. Some white-collar workers were standing at the counter. Moreover, the price per cup differed depending on where the customer chose to drink it. Toriba had a flash of inspiration. "This," he told himself, "will become popular in Japan, too."

In those days, coffee was still considered a luxury drink in Japan. Toriba's plans had to wait until the 1980s when coffee had finally become a popular product thanks to the specialty coffee shop boom of the mid-1970s.

Like all good ideas in Japan, stand-up coffee shops could not remain Doutor's monopoly for long. In the past year, leading breweries, supermarket chains, and many other coffee bean roaster-distributors have entered the market. Tibor of West Germany opened its first store in Japan in October 1987.

The revolution in Japanese coffee drinking is only beginning. Recent years have seen the appearance of new businesses which deliver hot coffee directly to business offices. Charging only ¥1,000 for a thermos bottle containing 20 cups of coffee, the service is steadily gaining popularity. At the other end of the spectrum, de luxe coffee shops have also appeared charging ¥1,000 for a single cup. Clearly, coffee has entered an age of diversity. ■

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Fig. 1 Growth in Number and Sales of Doutor Shops

