

Fresh Concept

With their rapid opening of chains of outlets throughout the country, family restaurants and fast-food chains which made their debut in Japan around 1970 have carved for themselves a solid position in the restaurant chain industry, which has a ¥20 trillion (\$138 billion) market. But 20 years after their debut, changes have taken place in their business environment, and the family restaurants and fast-food chains are facing problems that are forcing them to make changes in business strategy.

Family restaurants and fast-food chains have so far tried to increase their sales by opening more outlets. However, all chains target the same places for new outlets—prime locations along major highways in suburban areas or near railway stations. Consequently, a large number of outlets far exceeding demand have been concentrated in the same commercial areas, causing their sales to level off. Moreover, suitable locations have become hard to find. This has slowed down the pace of new openings. Rents have risen sharply, mainly in the Tokyo metropolitan and other city areas, to the extent that they put a strain on restaurant operators and make it extremely difficult for the chains to open new places.

Family restaurants and fast-food chains use part-time workers. They are now finding it difficult to recruit such staff because of the emergence of other industries which also depend greatly on part-timers, as well as the change in young people's attitudes toward work. The shortage of young part-timers is a seri-



A family restaurant sharing a building with a car dealer, reflecting efforts to overcome high rents in land-scarce Tokyo.

ous problem that restaurant chain establishments cannot afford to disregard.

Under these circumstances, family restaurants and fast-food chains turned in 1989 to the development of new attractive menus and remodeled their premises in an attempt to increase sales, while trying to develop new sites for chain stores. For instance, they open "pilotis-style" stores (using the first floor as a parking lot and the second floor as a store or restaurant) in order to make the best use of limited land; so-called "midair" restaurants or stores (in floors above the second floor, for which rents are relatively low) in first-class locations where rents are exorbitantly high; and compound stores by tying up with gas stations or car dealers. They are also advancing into regional small and medium-sized cities.

In addition, they are developing new forms of business by opening "coffee shop restaurants" designed to incorporate the efficiency of the family restaurants, or "dinner restaurants," where spending by the average customer is high. The coffee shop restaurant is a new type of family restaurant which concentrates on light meals and which can attract customers throughout the day.

As an emergency measure to cope with the shortage of young part-time workers, they have increased the hourly wage by 20% to 30% as compared with the preceding year. The latest financial statements

issued by principal chains show that the higher wage has resulted in an increase in personnel expenses and imposed another burden on their business.

It can be said that family restaurants and fast-food chains have sought, through trial and error, new ways to invigorate their business throughout 1989 and to adjust to the drastic changes in the restaurant chain business environment. With no signs of change in this environment and with most of the family restaurants and fast-food chains still in the experimental stage of developing new forms of business, the restaurant chain business will have to operate in 1990 in an environment as stringent as that in 1989.

From the macro standpoint, the demand for restaurant chains is expected to continue to expand, as dining out has already taken root in daily Japanese life, more women are working and earning money, and people are taking to more leisure activities. In order to increase their share of the market, the family restaurants and fast-food chains cannot simply rely on developing new products. They also have to develop an entirely new concept that should have just as powerful an impact on consumers as their original entry into the Japanese market—with their fresh and novel concept—did some 20 years ago.

(Makoto Okayama, economist)

New Stores Opened by the Three Major Family Restaurant Chains



Note: The three major family restaurant chains are Skylark, Royal and Denny's Japan.

Source: Financial statements by each company