

In our July newsletter we featured the JFPF publication, *Toward an Aging Society: Issues and Recommendations*. Japan’s aging population was an issue of concern to JFPF as long as 35 years ago when JFPF first published this book. It was a work that looked at Japan’s core responses to its aging in the context of the time, and offered policy recommendations for the nation to adopt.

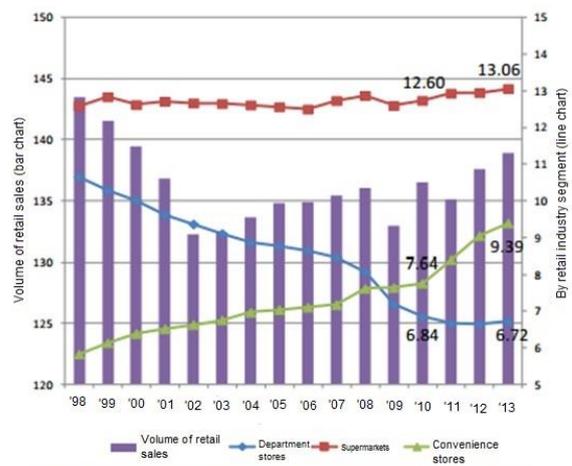
On a variation of this theme, this month we will be looking at measures that business sectors in Japan are taking in response to the country’s aging. Specifically we will be looking at Japan’s convenience stores, which of all Japan’s businesses might be said to have grown in parallel with the nation’s aging.

The history and role of convenience stores in Japan

It may be something of an exaggeration to say, but convenience stores in Japan are turning into a part of the country’s infrastructure that supports the daily lives of its older citizens. Convenience stores however do not have a long history in Japan. The present-day incarnation of the convenience store in Japan dates back to May 1974, when Seven-Eleven opened its first store in Toyosu, Tokyo. This was the time of the first “oil shock”, a turning point which signaled the end of the period of rapid economic growth that began with Japan’s post-war recovery and transformed the country, as symbolized by events such as the Tokyo Olympics in 1964 and the normalization of diplomatic relations with the People’s Republic of China. Convenience stores expanded rapidly in Japan in the years that followed, and according to the convenience store statistics monthly report for July 2016 of the Japan Franchise Association (JFA), there are now 54,331 convenience stores throughout the country. Even this number was a 2.3% increase on the number of stores in 2015. Whereas Japan’s ten main convenience store chains¹ had only 6,308 stores in 1983, by today (July 2016) their total had



Volume of retail sales in Japan, 1998 – 2013 (trillion yen)



¹ Seven-Eleven, Lawson, Family Mart, Circle K Sunkus, Ministop, Daily Yamazaki, Seicomart, Poplar, Three F, and Save On

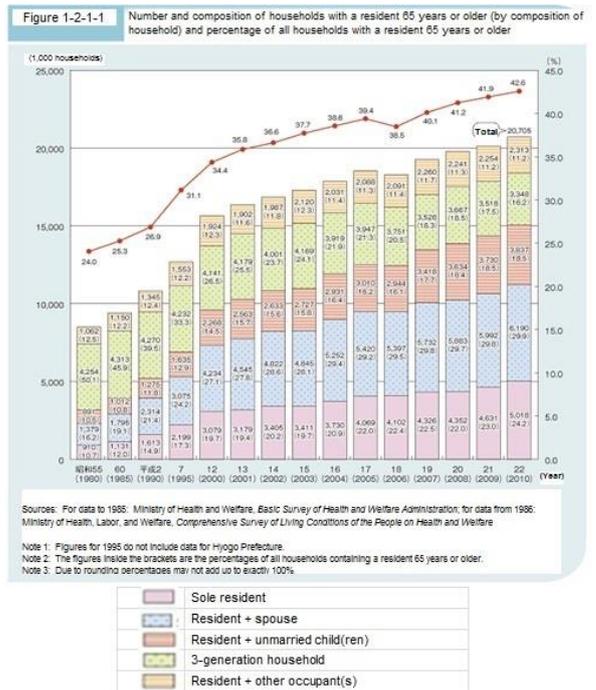
expanded to 54,331 stores.

According to the "Survey of the Operating Environment of Convenience Stores (Nomura Research Institute)" released by the Ministry of Economy, Trade and Industry in September 2014, "convenience stores have also have diversified store formats as part of their business strategies. They have steadily expanded both the number of stores and the volume of their sales in the four decades since their first appearance in this country. They have developed a range of different business models, and based on their success in providing delivery services that are interwoven into people's lives (not just in the country's larger metropolitan cities but also out in its regional areas), their intangible presence in Japanese lives has grown ever stronger to become an important pillar of national infrastructure today".

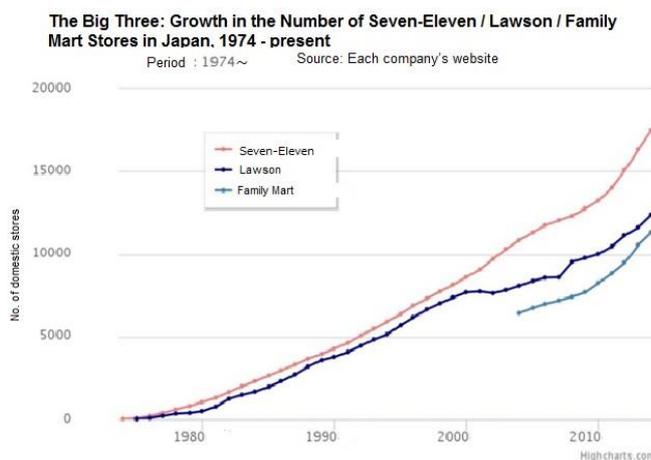
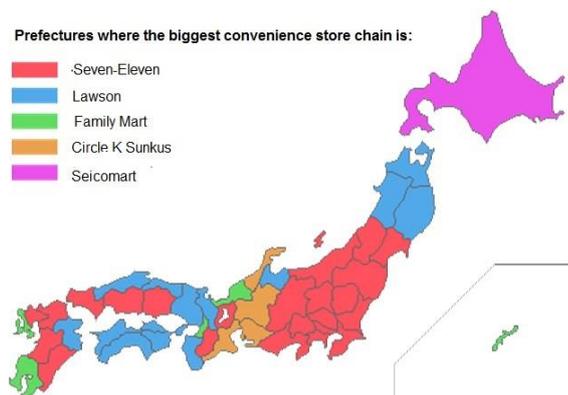
According to the presentation made by Mr. Ryuichi Isaka in 2012, the then President and COO of Seven-Eleven Japan Co., Ltd. (currently the President and Representative Director of Seven & I Holdings, Co., Ltd.), convenience stores' competitive strength lay in introducing nationwide stock purchasing and customer sales systems into the small retail store sector in Japan's regional areas, which at the time had extremely low levels of productivity. He says that developing systems to achieve productivity gains that in turn ensured stores' profitability was a major factor behind Seven-Eleven's expansion. As Japan's population became increasingly concentrated in its urban areas, its population of younger people in particular became more and more centered in its cities. This meant that in regional Japan there were fewer young people to support small retail businesses, and in the cities convenience stores created employment opportunities in the form of part-time jobs for the influx of young people pursuing a university or higher vocational education. In other words, changes in Japan's social structure and environment lay behind convenience stores' rapid advancement.

Over the past 30 years, while the number of households in Japan has increased, the figures shows that there has been clearly an increase in the number of households consisting only of older residents and single occupant households, as represented by the increase in the number of households containing only residents aged 65 years or older. Households made up only of older residents in particular have been increasing in number every year, and accounted for 20.9% of all households as of 2010. At the same time there has also been a relentless decline in the number of people per household.

In parallel over this time retail stores have grown larger in size; more and more retail businesses have retreated to larger population centers; and less populated regions have seen a decline in the number of retail stores. This has consequently given rise to the nationwide phenomenon of underserved consumers. But it is convenience stores that seized on the needs that sprang up in the voids that resulted from such structural changes to Japan's retailing industry. It is just as clear that



convenience stores have been embraced by the broader community generally as the country has experienced social and demographic changes as well as population flows rural to urban areas.



The current top three convenience store chains in Japan are ① **Seven-Eleven**, with 18,785 stores in Japan and 41,046 stores overseas as of June 2016; ② **Lawson**, with 12,395 stores in Japan and 785 stores overseas as of February 2016; and ③ **Family Mart**, with 11,872 stores in Japan and 6,029 stores overseas as of the end of July 2016². Each of them is building an overseas distribution system that incorporates a global supply chain linking different parts of the world, including North America, Asia and beyond. The varied approaches/strategies taken by each convenience store company with its expansion within Japan have produced diverse outcomes on the ground, and as shown on this map it is also very interesting to observe geographical distribution of those companies across Japan.

Issues affecting society in Japan that convenience stores can potentially tackle

An aging population is a challenge, or rather a bonus, that Japan is currently experiencing, and it needs to develop appropriate social mechanisms and programmes to respond to. According to the Cabinet Office 2016 White Paper on the Aging of Japanese Society³, based on data dated October 1, 2015 Japan's senior citizens consisted 26.7% of its total population (increase by 0.7% from the previous year), putting Japan at the top of the world's aging societies. With that percentage in mind, we will now present examples of how convenience store companies are shaping their business strategies for aging consumers and to the decrease in the size of Japanese households.

Initiatives to meet the needs of older customers

Initiative 1: Home delivery of purchases

Seven-Eleven and Family Mart have launched **home delivery services** and **mobile points of sale** as part of their approaches to catering to the needs of elderly customers. They use environmentally-friendly 4-wheel scooters to deliver pre-ordered purchases to customers. These companies have developed meal products specifically for home delivery that offer convenience and nutritional balance for people – specifically the elderly and housewives – who feel it a hassle to go out shopping for meals or on a daily basis. Forty-five percent of the people who have signed up for Seven-Eleven's meals delivery service are aged over 60 years old, and 18% are over 80 years old.

² <http://www.family.co.jp/company/familymart/store.html>

³ http://www8.cao.go.jp/kourei/whitepaper/w-2016/zenbun/28pdf_index.html

Seven-Eleven's data shows that older customers use the service more frequently (users over 80 use it 10 or more times a month).

Initiative 2: Reducing product sizes and serves

Seven Premium is a type of service available at Seven-Eleven that specializes in **small-portion meals**, both ready-made and for people to prepare at home themselves. These products have become part of its response not just to an older population, but also to smaller households. Circle K Sunkus is developing stores that serve as "**mini supermarkets**", stocking a wide assortment of fruit and perishable foods. Lawson Store 100 is working on offering a more **comprehensive range** of perishable foods and everyday products, as well as on a **flat rate pricing model** and **optimal product sizing**.

Initiative 3: Ensuring food safety, promoting "eat local", and meeting health needs

Convenience store companies have begun to go into the **agricultural sector** in order to achieve the goal of "**local production for local consumption**" that encourages the development of products made from **local agricultural produce**. In addition, more convenience stores can now sell **pharmaceutical products**, providing a more integrated service to people's all-round health requirements. The convenience stores have been exploring strategies and specific measures to adopt for the role they should play in their community considering the needs of elderly and vulnerable population. These include entering into service agreements with local governments to take an active part in community watch programmes for the old population.

As mentioned earlier, Mr. Isaka, the then President and COO of Seven-Eleven Japan Co., Ltd., the convenience store chain so emblematic of Japan, gave a presentation at the *Asian Parliamentarians' Meeting on Population and Development* that APDA held in 2012, with focus on aging issues. He explained their initiatives in response to the aging of Japanese society, drawing particular attention to the role played by convenience stores within the broader community.

We will now present a brief version of his presentation in the following section.

28th Asian Parliamentarians' Meeting on Population and Development CSR Initiatives in Response to the Aging Society

Seven-Eleven is implementing three initiatives to cater to Japanese society as it ages: ① Seven Meal Service, a home delivery meal service; ② Seven Raku-Raku Otodokebin, to expand the functionality of our franchisees' existing purchases home delivery service; and ③ Seven Anshin Otodokebin, which sends out mobile points of sale to underserved markets.

The first of these initiatives, Seven Meal Service, was launched in 2000. The Seven-Eleven subsidiary that operates this service develops different models of meal delivery service, all of which operate on a paid membership basis. Seven Meal Service is targeted mainly at the elderly, carers of elderly family members, working women, and mothers with small children – people who find it burdensome to go out shopping. They can place their orders either in-store, by phoning or faxing a service center, or by going online. The ordered goods are first shipped to the convenience store which the customer designates, which then delivers them on to the customer's house (starting in May 2012). Delivery fees were scrapped for purchases of ¥500 or more. In the three months thereafter the number of orders more than tripled. The volume of orders also increased, as did the number of people signing up for the service. Looking more closely at who was using this service, 45% of all users were

60 years old or older, and 18% were over 80 years old. So one striking feature of this service is the large number of older people using it, and in fact older members also used it more frequently.

The second initiative, Seven Raku-Raku Otodokebin, began with our introduction of a fleet of covered 4-wheel delivery scooters. This fleet serves as a piece of infrastructure that can allow us to cater more effectively to the demand for delivery services, which is predicted to grow in the future as a result of changes in Japan's social landscape. Examples of the new uses we found for this fleet of scooters were the Seven Meal Service; a home delivery service for other non-meal purchases that customers can order from home by phone; and a home delivery service for bulk or bulky purchases too difficult for customers to carry themselves. Our franchisees then promoted these services very strongly so as to make the most of this infrastructure we had put in place, in an overall effort to improve convenience for our customers.

The third initiative that aims to meet customer needs is Seven Anshin Otodokebin, through which we dispatch vans equipped as mobile stores to underserved communities. For this initiative we work together with a number of different entities and organizations – local governments first and foremost, but also with social welfare groups, Japan Agricultural Cooperatives, and disaster area temporary housing centers. As one example of how this programme works, our mobile store van visits Shirosato Town in Ibaraki Prefecture regularly, and once on site it becomes a hub for people to meet. It also becomes an opportunity for the store employees to engage both more thoroughly and more personally with customers when providing detailed explanations of the products on display, which builds trust with people in the community and lets us learn what our customers want and think. This is very valuable information for us when it comes to what goods to stock – or not stock for that matter. In remote rural communities far away from cities and shopping facilities, a service like this offering even this small touch of courtesy to their lives is meaningful for helping to maintain the health of older couples and elderly people who live alone.

What our customers might need from us may therefore also reflect much broader social issues. Seven-Eleven Japan's philosophy is that we can undertake these initiatives both as part of our corporate social responsibility (CSR) to help find solutions for these issues, and to have a flow-on effect for our profitability as a company.

Convenience stores and preventative measures for a long-living, healthy society

As one prevention policy aiming to achieve a long-living, healthy society, the government has partnered with the private sector to use convenience stores as health screening sites, with the aim of raising the number of people getting routine medical and physical checkups as well as screened for cancers. In 2013 in Amagasaki City in Hyogo Prefecture, the country's first "convenience store health checkups" were conducted, with a total of 248 people getting a physical checkup or screened (78.7% of them for the first time in their lives). In Saga Prefecture, 99 men and women ranging in age from their 30s to their 80s received "convenience store health checkups" at a Lawson store located inside a residential care complex for older citizens. The initiative was well received by the participants, who said it was less daunting to visit a convenience store than a medical center, and it was also easier to get tested there in terms of access to information and convenience of access. Detecting illnesses at its early stage will be important if we are to keep the soaring cost of medical treatment in an aging society under control. In that regard there are high expectations for the role of convenience stores in communities to act as "health points".

In this newsletter we have featured some of the initiatives being conducted by Japan's convenience stores, which are an ever-present feature in people's day-to-day lives, to deal with aging in Japanese

society. Japan's population will age and shrink from now on as a result of its low birth rate, and for strategies to deal with this phenomenon we believe that it is important that the government and the private sector exchange ideas and work together at all levels in a range of different forms, if we are to develop a safety net that meets the requirements of an aging society.