September 2015

Changing Geography of Retailing in Japan: Move from Traditional Shopping Arcades to Malls

Adam Peach
University of Kentucky

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Recommended Citation
Peach, Adam (2007) "Changing Geography of Retailing in Japan: Move from Traditional Shopping Arcades to Malls," Kaleidoscope: Vol. 6, Article 9.
Available at: https://uknowledge.uky.edu/kaleidoscope/vol6/iss1/9

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I am currently a junior at the University of Kentucky majoring in International Economics and Foreign Language (Japanese). I am also a student in the Honors Program. Other activities include being an active member and treasurer of Sigma Alpha Epsilon fraternity. This research pertains to data gathered in Japan while I was there during the summer of 2006. The yearly trip to Japan, set up by Professor Karan, gives students an opportunity to develop a research idea and pursue it throughout the summer abroad. I was initially interested in the clash between traditional Japan and the modernization of capitalism. Professor Karan helped me narrow my subject down to study specific areas of business and how they were being affected by the developing economy. The project in Japan gave me an opportunity to collect data, statistics, and interviews on a subject that I was interested in studying. Looking back, there were many challenges that came with Professor Karan’s study abroad trip (language barrier, culture shock, etc.) but the difficulties made the concluding product much more fulfilling. In the future, I would like to work with a business involved in international commerce. Hopefully, the study of the Japanese language will aid me one day in the pursuit of this goal. Japan is a fascinating country filled with a rich history and a promising future; I want to thank Professor Karan for challenging me to go there and collect research on their changing economy.

Introduction

Structural, technological and regulatory change has swept retailing in most parts of the world. Retail outlets have become larger, more consolidated into chains, and less tightly regulated by governments. Reconfiguration of retailing has led to empirical and theoretical research into the spatial results of competition among individual shops and malls. Generally, explanations of shopping behavior based on rational choice models have proved inadequate, because the economic act of shopping is both cultural and social. A number of studies at very different scales have shown that place matters in determining retail habits (Johnson and Johnson, 1991; Simmons, 1991).

Japan’s retail market, estimated at $1.2 trillion, is the world’s second-largest after the United States. Japanese consumers demand high levels of quality and service. A complex network of distributors and wholesalers serve the retail trade. Many retailers in Japan are moving from traditional shopping arcades to newly built malls. Some are erecting large format stores and training employees how to serve the customer. Other changes have come directly from the United States, such as opening a space at the entrance for stacks of low price items, displaying goods in their original shipping boxes and grouping together related products such as dog food and flea collars. The mall stores also have Japanese innovations, such as an Ikea-style padded area where children can play while parents shop.
In this paper, the changing retail geography in Japan is analyzed, based on field research conducted in summer of 2006 in Yatsushiro, a city of 200,000 on the island of Kyushu. A medium-sized city was selected for this research because it reflects more accurately changes in retailing in Japan as a whole. Yatsushiro is nestled on the west coast of Kyushu, one of the four main islands of Japan. About the size of Holland, Kyushu consists of roughly 44,000 square kilometers, has a population of 14.7 million, and a Gross domestic Product (GDP) of 48.7 trillion yen ($413 billion), each respectively about 10 percent for Japan as a whole. Japanese, therefore, say Kyushu accounts for a tenth of the nation’s economy. In recent years major Japanese manufacturers such as Toyota, Canon, Nissan, Daihatsu Motors, NEC, Toshiba, Fuji, and Sony have made major capital investments in the region surrounding Yatsushiro. The growth of the automobile, semiconductor, and electronics industries within Yatsushiro hinterland makes the city an ideal location to observe the changes in shopping behavior and retail geography.

The Study

Over a period of four weeks in June/July, 2006, I collected data on shopping behavior and retailing in Yatsushiro City, Japan. The data collected through field observation was supplemented with relevant archival data from the Yatsushiro Government Building. Spending four weeks in Yatsushiro city gave me a unique opportunity to understand and evaluate the challenges facing the small, local business owners. Further perspective was gained by thoroughly interviewing two citizens who were being personally affected by these changes. Field experience, along with data, provides validity and value to this research.

Optimally, it would have been best to provide a more comprehensive report on the economic conditions of small business owners throughout Yatsushiro City. With the constraints of limited time and resources, I narrowed my study to businesses in Hon Machi One and Hon Machi Two. The arcade shopping area in Hon Machi One and Hon Machi Two are losing a large portion of their business; moreover, a significant percentage of these stores are closed, for sale, or for rent. I limited the boundaries for my research to include only the first floor businesses in Hon Machi One and Hon Machi Two, which are located under the new roof of the arcade.

The total number of buildings within these boundaries is one hundred and twenty. There were fifty six buildings in section one of Hon Machi and sixty four buildings in section two. For a visual interpretation, Figure 1 outlines the boundaries of my research, and clearly labels the separate sections of Hon Machi examined. Though some of the store names have changed, this figure accurately depicts the breakdown between Hon Machi 1 and Hon Machi 2, the location of the stores surveyed, and the proximity of closed businesses.

With these boundaries in place, I began to gather data. On several occasions throughout my four weeks in Yatsushiro, I rode to the arcade during morning, noon, and night. As my visits to Hon Machi One and Hon Machi Two increased, so did my familiarity with each shop’s respective “hours for business.” Moreover, I began to identify and chart the buildings that were closed. On my last few visits to the arcade, I began confidently to categorize each of these buildings as closed (no sign), for sale, or for rent. All three categories combined in both sections of Hon Machi gave a total number of twenty-one closed businesses. Based on my observations, there were a total of thirteen buildings that were closed without a
A Saturday morning in the Jusco Mall reveals a much livelier scenario. Shoppers are lined up at the market to get the relatively cheap prices offered by these large, outlet stores.

With nearly one fifth of the businesses in Hon Machi One and Hon Machi Two closed, I began to gather data on the factors that led to their economic decline. Normally, a business closes when it does not make enough profit; specifically, when expenses exceed revenue by a substantial amount and the owners decide to "cut" their losses. In regard to the small, family owned businesses in the arcade, the shops were not selling enough merchandise to cover expenses. During several observational studies in Hon Machi One and Hon Machi Two, it was apparent that the lack of sales was due to a lack of prospective shoppers. So the question for this portion of data collection became, "what were the main factors that influenced a person's decision to not shop in the arcade of Hon Machi One and Two?"

Undoubtedly, one of the most crucial factors influencing the area's poor attendance was related to the arcade's location. Historically, Yatsushiro was a castle town in the Edo Period. Therefore, the construction of the streets was related to protection and fortification, not for ease of public travel. The arcade is located in an area of Yatsushiro that has not seen much restructuring and development of streets. In fact, its position is quite awkward, with limited accessibility by way of a narrow road and obscure entrances. In our interview, Masahiro Nagae expressed concern with these issues: "They (the government) need to develop parking lots and the roads that go to them..."
because they are very complicated. They must make it easier to get in and out.” The same concern is reflected in an article by the Niigati Chamber of Commerce that relates the attitudes of small local retailers that have little capital and even less parking (Niigati, 2006). The article is written from the perspective of the shopkeeper who must remain competitive, though handicapped by small space and the lack of parking facilities. Unfortunately, I observed that the problem of difficult accessibility into the arcade has become crippling to shopkeepers, due to a rise in ownership of automobiles.

The fact that the majority of shoppers come into the arcade via bicycle made it clear that a lack of parking facilities for automobiles led to a lack of customers. When I brought up a question regarding the lack of customers to Masahiro Nagae, a manager of the Hon Machi Development Association, this was the first connection he made: “Twenty years ago a family had one car; now a family has two or three cars. All these cars can not find enough parking in this area.” The inaccessibility of the arcade areas in Hon Machi One and Hon Machi Two is exacerbated by an increase in the abundance of automobiles. During my interview with Ms. Shizuko, owner of a 2nd floor tea shop in Hon Machi One and a resident of Hon Machi for fifty years, a perfect connection was drawn between the compounding problems of a difficult location and the growth in the number of automobiles. She said, “There are only three streets, each with a small parking area that doesn’t connect to the arcade. You must walk two to three minutes from the parking area to the arcade. Now, people don’t want to walk. They want to drive right up to their shops.” These factors contributed greatly to the lack of consumers in Hon Machi One and Hon Machi Two. Further research led me to the You Me Town and Jusco outlet malls, where a significant number of Yatsushiro’s citizens now decide to shop.

My observational studies conducted at the two large shopping malls in Yatsushiro contrasted with my research at the arcade. Both the malls seemed bustling with shoppers and activity. Unlike the areas in Hon Machi, the malls were able to accommodate the rising popularity of automobiles, with wide, extensive parking lots. Along with the ease in parking, outlet malls like these also bring in customers with a vast number of products for a relatively cheap price. Jusco was one of the two outlet malls I studied in Yatsushiro. Jusco finds its consumer base by means of the chain’s product diversification, large space, and “everyday low prices” (International Journal of Retail and Distribution Management, 1997). There is no doubt that all of these factors have led to an abundance of shoppers at these malls and a staggering lack of consumers in Hon Machi One and Hon Machi Two. Figure 4 is a chart based on statistics obtained from City Hall, collected by the Yatsushiro Government. It represents the number of people visiting my specific areas of study on a random weekend in time. Take particular note of the constant drop in attendance, within every section of Hon Machi studied, since the opening of the Jusco and You Me Town malls.

Conclusions
The drastic drop in attendance in Hon Machi One and Hon Machi Two represent the difficulty that the large outlet malls create for small retailers. Unable to compete with the low prices, extensive parking, and vast variety of products, many of the small businesses are forced to close. My interview with Masahiro Nagae gave me insight into the changing attitude of the Japanese consumer. He said, “Now people think cheap is best; big malls get products at a low price. It is hard for small stores to compete with their price.” Examples of the average citizen’s concerns include destruction of history and traditions that are related to the local arcades within

A Saturday afternoon in Hon Machi reveals relatively no consumers. The shop owners struggle mightily because of this lack of shoppers.
the Kumamoto Prefecture (Fukuoka, 2006).

The economic devastation in Hon Machi One and Hon Machi Two is extensive, to say the least. Though they seemed to be competing with an unbeatable retailing giant, the shop owners of Hon Machi One and Hon Machi Two are not giving up. Within the last three years the government has invested large sums of money to promote the arcade’s revival. The biggest contributions were to fund the construction of the new roof and the building of a new road to the arcade. Masahiro Nagae of the Hon Machi Development Association said that they were beginning to see an increase in consumers after the construction; unfortunately, the opening of Jusco made their remodeling inconsequential. The owners of Hon Machi businesses hold community functions, established a drum team, and put on plays to showcase their originality to the citizens of Yatsushiro. Ms. Shizuko told me that the owners want more customers without having to support drama, a drum team, and movies. She believes that the owners of businesses in Hon Machi should rely on their strengths relative to the big outlet malls. “The elderly love to talk to somebody. The large shopping malls like You Me town are too noisy for them and it is difficult to find a particular product.” The answer to how traditional arcades in Japan survive the changing geography of retailing is unknown and, unfortunately, Hon Machi seems to be heading toward the common pattern of arcade closure.

The data gathered in the field in Yatsushiro suggests that Hon Machi One and Hon Machi Two are in a desperate state. The arcade area is handicapped by the area’s difficult location, and the problem is compounded by the lack of parking and the growing popularity of cars. Instead of the traditional arcade, the consumers are choosing to shop at large outlet malls like You Me Town and Jusco in order to park conveniently and buy a variety of cheap products. Unfortunately, this economic struggle between the traditional arcade and the massive retail outlets is taking place all over Japan. Nashima relates this nationwide issue: “The number of traditional downtown arcades in Japan is fast falling into decay with one shop after another closing down. The hollowing out of downtown areas has become an epidemic, with roughly 90% of the total 18,000 traditional shopping districts nationwide facing some sort of problem” (Nashima, 1997). Using Hon Machi One and Hon Machi Two as case studies, I conclude that the data gathered in regard to the effects that complex location, insufficient parking, an increase in the number of automobiles, and the retailing competition from large outlet malls have on Japanese arcades is overwhelming. With all these compounding pressures against traditional retail arcades, the staggering percentage of closed shops in Hon Machi One and Hon Machi Two is justified.

References

Acknowledgement
I want to give special thanks to my faculty mentor Professor Karan of the geography department. Without his advice, guidance, and enthusiasm this experience would not have been possible. I would also like to thank my parents for their unfailing support and encouragement. Thank You!

The parking lot at You Me Town Mall is filled with the cars of consumers. Without a doubt, business at Hon Machi has been hindered by its lack of such parking facilities.