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Outlet malls help chip away at Japan's sky-high prices

High quality, low prices
Consumers’ crowd aisles of new retailers offering bargains on brand goods

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Kazuo Yamada was excited when he shopped for discount luxury-brand purses and clothing at Woodbury Common Premium Outlets to the outskirts of New York several years ago. This summer he was thrilled again, not in New York, but in Gotemba, Shizuoka Prefecture, about 100km southwest of Tokyo, where she found a similar factory outlet full of discounted brand items.

"Now I don't have to go to all the way to New York. The outlet in Gotemba looks just like the one I saw in the U.S. and it sells brand products at affordable prices," said the 85-year-old Tokyo office worker.

The mall in Gotemba is operated by Chelsea Co., an outlet mall developer, which runs 21 malls in the country including Woodbury Common, in a joint venture with Mitsubishi Estate Co. and Nissho Iwai Corp. With 78 outlet shops directly run by mostly well-known brand companies, such as Coach, leather goods firm Bally, U.S. casual wear retailer Gap and traditional menswear retailer Brooks Brothers, the mall attracted an estimated 2.05 million visitors in the first 50 days, generating retail sales of ¥65.5 billion (US$677 million). Producers use the stores to sell items that are out of season, slightly damaged or intended for test marketing, at huge discounts of as much as 30-50% or even more.

"Chelsea's past business results and relationship with major foreign brands is helping persuade these brands to open outlets in Gotemba," noted Kazuo. "The companies were comfortable with our strategy to locate the mall 100km from Tokyo because they had worried that the outlets would conflict with their existing full-price shops elsewhere," he said.

Other mall developers are building new facilities. Mitsui Fudosan Co. has opened four outlet malls since 1996 and plans to open another in Niigata Prefecture. The other outlet in Shizuoka Prefecture, in October and another in Mae Prefecture in early 2002.

Distribution revolution
"The distribution revolution is bringing about favorable price declines as it reduces international price gaps and, in effect, increases consumers' income levels, even in real terms," said the Economic Planning Agency in its annual report on prices, released in July, titled "Japan's high-price myth in process of collapse." The report noted that the practice of price-fixing, started in the early 1990s by some discount shops in limited products, is now spreading to cover a wider range of goods and businesses.

Outlet Outlets

Mizuho merger losing its luster

Questions over possible bad loans, profitability, as well as personnel integration, spook analysts

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When Dai-Ichi Kangyo Bank, Fuji Bank and Industrial Bank of Japan announced last year they would merge to become the world's largest banking group, the news was greeted with thunderous profit potential look higher than those of Mizuno. Investors seem to be more impressed with other groups' strategies than with Mizuno, and wonder whether it can really crack the big leagues of the global financial world.

Another concern is that a rise in interest rates could deal a serious blow business units in April to gradually consolidate their operations. Full day-to-day operations will be fully consolidated by the spring of 2002.

Other major banks have similar consolidation plans. Sumitomo Bank and Sakura Bank will merge to become Sumitomo Mitsui Banking Corp. By April 2001, Bank of Tokyo-Mitsubishi, Mitsubishi Trust & Banking Corp. and Nippon Trust Bank Ltd. will set up a holding company named Mitsubishi

Second opinion

The Internet has been forcing Japanese companies to change the way they do business. Now it's affecting consumer behavior as well.

Price-comparison Web sites are sprouting up to provide information on prices, services and deals. The site for a host of products, from computer to insurance and books. For a closer look, see Page 3.