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Daiso: Japanese for bargain basement bonanza

Retailer's Ikea-like dollar stores set for N. American rollout

BY JOHN GREENWOOD

VANCOUVER • In its home base of Japan it's a retailing phenomenon, a sort of high-end bargain emporium rivaling such giants as Toyota and Coca-Cola for brand recognition.

But like many big Asian mer-

chants, Daiso is virtually unknown on this continent.

Now Thomas Fung aims to change that.

The chief executive of privately held Fairchild Property Group Ltd. recently entered a joint venture with Daiso-Sangyo Co. of Japan to open the first North American Daiso outlet at the Aberdeen Centre, a new upscale mall owned by Fairchild on the outskirts of Vancouver.

Mr. Fung said Daiso-Sangyo has been approached plenty of times before by other companies look-

ing to expand the chain in North America and Europe, but he is the first to come away with an agreement.

"That was a bit of a surprise to me," Mr. Fung said in an interview.

Think of Daiso as a cross between Ikea and a dollar store, a kind of bargain emporium with a bewildering array of merchandise — rows and rows of kitchen utensils, cosmetics, hardware, snack food and even fabric flow-ers. In all, there are about 50,000 different varieties of items, all

colourfully displayed and well laid out. And each one has a \$2 price tag. "The merchandise is very well presented, it's like you're walking into a department store," said Jim Smerdon, a consultant with Hudema Consulting Group Ltd. "The concept of merchandising is usually lost on [dollar stores] but not here. It's a really nice place to be in."

The Aberdeen Centre Daiso store covers nearly 30,000 square feet — about three times the size of the typical dollar store.

See DAISO on Page FP6



BILL KEAY PHOTO / CANWEST NEWS SERVICE

Japanese tycoon Hirotake Yano, CEO of Daiso-Sangyo, at the company's store in Richmond, B.C., the first outside of Japan.

Discount chain lands in Canada

DAISO

Continued from Page FPI

Daiso-Sangyo, which is controlled by Japanese billionaire Hirotake Yano, owns some 2,500 Daiso stores across Asia with annual sales of about \$6.3-billion.

Under the deal, Mr. Fung's company also gets exclusive North American rights to the brand. His plan is to open a string of corporate stores in major U.S. and Canadian cities, and to sell franchise rights for the smaller centres.

The Richmond Centre store opened last month and has exceeded expectations.

"Our partners are very excited," said Mr. Fung, who added that the store has broken sales and traffic head-count records for opening stores.

Richmond Centre has been open less than a month and is still mostly vacant, but on a recent Saturday afternoon the hallways

THE FIRST STORE HERE IS BEATING EXPECTATIONS

were thronged with people. many there simply to visit Daiso.

It helps that the the mall is located in a largely Asian community, where Daiso is a familiar name.

Nevertheless, the store's popularity has spurred efforts to lease space in the mall — and enabled Mr. Fung's company to raise the rent.

Mr. Fung said he is in negotiations with several major mall owners in the U.S. and Canada to open new Daiso stores, though he declined to name any of the companies.

But not everybody is so optimistic about Daiso's prospects. John Winter, a Toronto-based retail consultant, said Daiso will find itself fighting for market share within an already overcrowded retail sector.

"Virtually every large mall has a dollar store," said Mr. Winter. "And once they're ubiquitous they're less of a draw for consumers."

Those players are already established, so Daiso is in for a tough battle if it hopes to become a serious player in the North American retail industry, he said.

Critics argue that once you get past the quantity of merchandise and the colourful display, Daiso has a lot in common with the hundreds of dollar store chains that have popped up across North America over the past 10 years.

"I don't see anything different except the range of products," said Mr. Smerdon. "It's all stuff you'd find in a regular dollar store."

Still, the store seems to be doing remarkably well. According to Mr. Fung, stocks are already running low in at least half the categories.

"There's a lot of empty shelves that we can't replenish until the next shipment comes in at the end of the month," he said. "We're doing better than our most optimistic projections."

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