The Bankrupt American Brands Still Thriving in Japan

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Cultural cachet, licensing deals, and density explain why Toys 'R' Us, Tower Records, Barneys, and other faded U.S. retailers remain big across the Pacific.

North American visitors to the shopping corridors of Tokyo and Osaka may be surprised to find brands they'd written off as dead at home. In between the Uniqlos, Lawsons, Tokyu Hands, and other domestic chains that dominate the streets of Japanese cities, you'll see American names that you'll recognize from the nearest dead or dying mall: Toys 'R' Us, Tower Records, Barney's, and Dean & Deluca. They echo U.S. chains that have been gone bankrupt in their homeland and yet survive, even thrive, in Japan and other Asian markets.

What gives, an American tourist—or at least this tourist, who recently traveled to Kyoto and Tokyo—wonders? At least according to four experts on the Japanese retail industry, there are as many explanations as there are chains living out what seem to be second lives.

Licensing agreements

In Asia, most chains that bear the name of an American company are independent entities with a licensing agreement. So the decisions that made one company go belly-up in the United States wouldn't necessarily bear on stores in Japan or its neighbors.

For example, Toys 'R' Us Inc. filed for bankruptcy in the U.S. in 2017, having incurred billions of dollars in debt that prevented it from making necessary investments and updates to huge brick-and-mortar footprint. The following year, the erstwhile category killer shuttered nearly 800 of its big-box stores, becoming an icon of the American "retail apocalypse." The brand relaunched in the U.S. this fall after restructuring.

The story has been different across the Pacific. Toys 'R' Us Asia severed ties with its American parent company in 2018, allowing it to focus its business strategy on developing the Asian market, including a plan to open 68 new stories in Japan and China. As it is, the brand has long dominated the Japanese toy sector. Toys 'R' Us entered the country's retail market in 1991 as one of the earliest U.S. brands to break through Japan's complicated distribution and regulatory regime, which traditionally force customers to pay some of the highest prices in the world. Now the toy giant dictates to manufacturers, with few rivals and widespread name recognition.

"The reason they've survived is because of how well they've marketed themselves, plus very low competition in the sector," said Roy Larke, a senior lecturer in marketing at the University of Waikoto in New Zealand, and an expert on retailing and consumer behavior in Japan.

American brands still carry cachet

Japan also holds an appreciation for certain storied American imports. Luxury food retailer Dean & DeLuca may be closing stores in New York City as debts pile up, but its 50 locations across Japan are going strong. Beyond upscale deli cookies, shoppers may be flocking for the Manhattan-tinged universe that Dean & Deluca conjures up. “I think that retail stores in Japan that are American, and identified with American culture and taste, have a cachet in Japan that is apart from the way these same brands are viewed in the U.S.,” said David Flath, a professor of economics with a focus on retail at Ritsumeikan University in Kyoto.

W. David Marx, a Tokyo-based journalist and author, put it this way: “It’s an imported brand that exists in a fantasy world where *Sex and the City* isstill on air.”

Another example in Tokyo shopping malls is Barneys Japan, which licenses its name from the upscale Manhattan department store brand that recently declared bankruptcy. Like Dean & Deluca, its success is helped by having bottled a certain idea of Western luxury. “It lives on as an American fantasy, rather than the real American experience,” Marx said.

Density, density, density

For decades, the California-based chain Tower Records was the ultimate emporium for music lovers, peaking with 200 stores worldwide in the mid-1990s. But years of debt and shifts in how consumers access music forced it into bankruptcy, and all of its U.S. stores shuttered in 2006.

In Japan, however, the music never died. Tower Records still has a major presence in Tokyo and Osaka. The stores are no longer owned by the U.S. company, but the familiar yellow-and-red signage and multi-floor layout can give American shoppers flashbacks to the pre-piracy era.

A few factors explain Tower’s persistence in Japan. First, many Japanese listeners still consider obtaining actual CDs or even vinyl LPs an important sign of their fandom for artists. In 2016, *Quartz* reported that nearly 80 percent of music sales were on hard copies. That translates to shopping environments: “You have to own the objects, and there has to be a place to buy the objects, and that is part of why physical retail stores last a lot longer,” said Marx.

Recently, online shopping—via mega-purveyors such as Amazon and its Japanese competitor Rakuten—has been eating into Japan’s physical retail sales in nearly every sector. That is especially true for items that don’t need to be closely inspected before buying, such as books and CDs, Flath said.

But a tight-packed population sets Japan apart, said Marx and Larke: The country is about ten times as dense as the United States, and that makes a big difference for retailers with an urban foothold. For example, most of the 40 million people that live in the Tokyo metropolitan area alone can reach the city center in about an hour, Marx pointed said. In shopping hotspots such as Shibuya City—which boasts the busiest pedestrian intersection in the world, and the flagship store for Tower Records Japan—the huge volume of foot traffic can keep new and old retailers alive into the e-commerce future. Such city center locations allow retailers to be "part of the customers' daily file," Iwao Hosoda, the associate director of marketing and communications for the real estate services firm CBRE Japan, wrote via email.

In contrast, many of the large chains that recently disappeared in the U.S. had vast chains of big-box stores spread out across thinly populated rural and exurban parts of the country. The real estate was cheap, but that space-hungry format was vulnerable to e-commerce, and the empty structures and parking lots that scroll by on cross-country drives are a testament to their inefficiency.