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Consignment, not wholesale: decoding shoka shiire in Japanese department stores

Foreign brands arrive in Tokyo expecting a purchase order. What most Japanese department stores offer instead is a counter, a commission rate and stock that still belongs to the brand. Understanding shoka shiire is the first step to negotiating it.

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Three ways a department store buys

Japanese department stores use three purchasing forms: outright purchase (kaitori shiire), consignment (itaku shiire) and sales-based purchase (uriage shiire, better known as shoka shiire). Except for outright purchase with no right of return, the other forms let the department store send unsold goods back, so the risk of unsold stock sits largely with the supplier [1].

Shoka shiire is the extreme case. The department store records the purchase only at the moment a customer buys the item, so the goods on its floor remain the brand's inventory until the till rings. The supplier carries the unsold stock, and the department store books only its net margin as revenue, which is why Japanese department stores report floor turnover and accounting sales separately. Clothing, cosmetics and jewellery as well as some premium food and liquors are mainly traded this way [2]. Outright buying has been estimated at only a few percent of department store procurement [3].

The model is not new. Business historians trace it to the 1950s, when regulation of product returns pushed stores towards consignment, and suppliers accepted it because it widened their own margins while maintaining their presence in a high-footfall environment [4].

What the brand actually funds

A European brand signing a shoka shiire counter should budget for:

- **Inventory** on the floor and in reserve, owned and financed by the brand (if there is a registered company in Japan) or its Japanese importer until each unit sells;
- **Sales staff.** Counters have long been staffed by employees dispatched by suppliers rather than hired by the store [4];

- **Fixtures and counter build,** usually at the brand's cost and to the store's specifications;
- **Shrinkage and damage,** unless the contract says otherwise;
- **Markdowns,** which come straight off the brand's revenue.

In return the department store provides the address, its traffic, payment and tax-free processing, and access to its gaisho clientele, the personal-shopping service for its wealthiest customers provided the brand ensures an outstanding level of service [2].

One practical consequence: someone in Japan must own the stock. That means either a Japanese subsidiary or an importer-distributor that holds the inventory and accepts the consignment terms. Insuring consigned stock is a further cost, often underestimated in Japan.

A simple test before signing: model the counter on stock turn. If the counter needs three months of stock on hand, the brand finances a quarter of the counter's annual sales at cost, before any staff or fixture spending. If that working capital is not available, the counter is not affordable, whatever the commission rate.

The legal guardrails

Japan's Fair Trade Commission regulates the relationship between large retailers and their suppliers. Its 2005 designation of unfair trade practices prohibits a large retailer from forcing a supplier into consignment terms that are excessively disadvantageous compared with normal consignment practice. It also prohibits coercing suppliers into dispatching staff, except, with the supplier's prior consent, to sell that supplier's own goods only [5]. These rules will not set your commission rate, but they define what a department store cannot impose and somehow give a foreign brand an initial ground in negotiation.

A market under pressure

Japanese department store sales reached ¥5,675.4 billion in 2025, down 1.5% on a same-store basis, the first decline in five years. Tax-free sales to foreign visitors fell 12.7% to ¥566.7 billion. Cosmetics and jewellery held firm, while luxury clothing and accessories struggled [6]. From 1st November 2026, tax-free shops move to a refund method: they charge the tax-inclusive price and refund the consumption tax once the customs department confirms the goods have effectively left Japan [7]. Department stores are under growing margin pressure, and that pressure reaches suppliers.

For a consignment supplier, the refund method is not only a store matter. Ask how the store will process refunds, whether any handling cost is passed through, and how a sale is treated if the refund later fails.

Six points to negotiate

- **Commission rate.** Expressed as a share of retail. Benchmark it by category and by floor, and ask what it covers: card terminal and card fees, tax-free processing, promotions, gift wrapping.

- **Settlement.** Monthly closing date, payment date, and the currency and exchange-rate point if your importer pays you in euros.
- **Stock reporting and shrinkage.** Daily sell-out by SKU, periodic joint stock counts and a written rule on who bears losses.
- **Staff.** Number of advisers, who employs them, and a written limit on any work outside your counter.
- **Promotions and markdowns.** Your approval right, and who funds store-wide events and loyalty points.
- **Exit.** Notice period, ownership and removal of fixtures, and the return of stock.

Test before you commit: the saiji route

Department stores run short events called saiji, such as seasonal fairs or pop-up weeks on a dedicated floor. They run on the same consignment logic, without a permanent counter, staff contract or fixture build. For a brand with no Japanese sales history, two or three saiji produce the sell-through data a store buyer will ask for before offering a permanent space, and the data the brand needs before accepting one.

> **THE FIRST EDIT ASIA VIEW**
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> *Shoka shiire is neither a trap nor a favour. It shifts inventory risk to the brand in exchange for access to Japan's most qualified retail traffic. Brands that succeed model it as retail, not wholesale: they forecast sell-through per counter, finance the stock deliberately and settle the six points above before the fixture drawings are complete. Brands that treat a counter as an order book find out six months later that they have been financing the department store on their own.*

Sources

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