

## WORLD TRADE SURVEY: JAPAN

I am Hashino, who has just joined the staff of WDR from the previous issue as Japanese correspondent. I would like to present various information on the unique Japanese disco industry from my particular point of view.

This time, for this special edition I shall report on the peculiarities and recent developments of the Japanese disco industry.

First, it is necessary to inform you that Japanese discos are unique in that the opening of shops and business operations are greatly restricted by the "Law to Control Businesses Affecting Public Morals", a strict law which has no parallels in any other country.

In order to operate a disco in Japan, there are a number of problems which must be solved. One of them is the "Law to Control Businesses Affecting Public Morals" which is the law relating to the disco business. Differing from the business permits for general food and drinking establishments, this Law relates to shops possessing any danger of disrupting public order, and casts doubts on and greatly affects the majority of persons involved in discos as well as customers. For example, in Europe and the U.S.A., the main business hours are from 9 pm to early next morning or from late night until 12 noon. In Japan, under the restrictions of the Law, only business until 12 midnight is allowed. Due to these circumstances, most discos can basically operate only from early morning (in reality, the usual business practice is to open from 6 pm) until 12 midnight. However, if problems do not arise, most discos, excepting a minor segment, operate until the next morning although this is illegal.

† This Law was enacted in July 1948 to protect minors, purify the environment, as well as prohibit prostitution and prevent any involvement with organized criminal gangs ("Yakuza"); also included a defining clause relating to the disco business (at that time, referred to as "social dancing"). Discos appeared in Japan in the 1960s, at the same time as in Europe and America, and fell under extremely lax controls. However, in June 1982 a junior high school girl who was visiting a disco was taken out in a car and later murdered. This caused a strengthening of the law which continued until the present. This law covers business permits for the opening of discos (as well as other businesses affecting public morals, such as cabarets, nightclubs, "pachinko" game parlors, and "soapland" baths) and disposition of violators. The Public Safety Commission, which is a police-related organization, possesses this authority, and conducts issuance of permits, supervision, and enforcement. In reality, the details of each activity are decided in accordance with regulations of each prefectural/metropolitan government (similar to state laws); in concrete terms, under the existing laws there are restrictions on areas where businesses can open, on business hours, entry of minors, and employment of minors. Authority is included to decide and enact the cancellation or 6-months' suspension of business permits, forced searches by police, and imposition of penalties on offenders (in some cases, a criminal record is attached).

Major problems, such as murders, arose in the past, but why must people gathering at discos who simply want to enjoy themselves be deprived of their enjoyment before the last daily train departs? There are shops who close in strict accordance within the time dictated by this Law, but most shops operate until the next morning even though it is illegal. Unless they do so, there will be a big problem of not attracting customers. Customers want to stay in the discos until satisfied, so forcing customers out due to shorter hours will certainly lead to a decreasing number of customers. It is due to this reason that discos operate until the next morning knowing that it is illegal. As long as there are no complaints from neighboring residents about noise pollution or illegal parking or outbreaks of violence, the Public Safety Commission continues to act as if nothing is happening.

This is also present in the problem of entry by minors. Most discos restrict entry by minors by checking their identification cards, but this is not conducted thoroughly. Further, the teen-age strata is currently the main clientele of many discos, so silently allowing entry cannot be helped. Unless these do not create problems, it remains a silently permitted and widespread fact.

Under the current circumstances the conditions will become increasingly worse, the number of shops operating covertly is increasing because of falsified construction plans avoiding the restriction of the Law and deceptive business operations. These shops are increasingly susceptible to the dangers of grave problems caused by minors and infiltration by criminal gangs such as drug dealers, etc. Further, the dangers of disasters such as fires, etc. increase due to the deceptive applications for construction and fire prevention facilities permits. This type of law is necessary, but under the current situation where its basis is vague and real enforcement is lax, it can only be called nothing other than a bad law and a major obstacle when conducting a disco business. It is exactly because it is a vague and lax law that everyone violates it. However, if some sort of problem arises, it becomes an ever stronger restriction. As long as this type of injurious inconsistency continues, discos in Japan will not lose its suspicious-looking nature and become a major industry. Since ancient times, people have danced to express emotions and engage in conversation. Is it proper for these spaces called "discos", which best reflect the most basic motives of these people to dance, to remain forever in the shadows? For example, this Law may exist because Japan is safe, without problems of shops being unable to open or being forced to close due to the unreasonable pressure of racial discrimination, killings and injuries by guns as in the U.S.A., but it becomes the most bothersome and important problem when conducting the disco business in Japan. The murder which occurred in the past cannot be erased, but both the entrepreneurs and the customers should seriously consider this problem, not let it be a matter of just following regulations.

Next is a report on the history and current status of Japanese discos. A portion of the content is duplicated in the last issue's article on Juliana's Tokyo, so please ~~read~~ <sup>read</sup> it along with the last issue.

#### Foreword:

The major shops which were turning points from the birth of Japanese discos until today, as well as what changes were involved are reported. Of course, there were many discos other than those appearing here which ruled their times, but it is not possible to cover them all in these limited pages. These are developments uniquely Japanese, but will serve as reference since they include items and features commonly shared in many cities.

#### Genesis - 1st Disco Boom:

In the 1960s, the demand among young music-lovers to enjoy the latest music from Europe and the U.S.A. rose along with the popularity of the Beatles in Japan. At that time, most people could not hope to attend a concert by European or American musicians, so the trend was of course to dance at shops playing the newest records. There was no place created for dancing or DJs, but just everyone dancing each in their own way to the accompaniment of a jukebox. Later, the first place in Japan to have a space, although rather small, for dancing was "Crazy Spot" (Shibuya, Tokyo - 1966) which opened in 1966; after which a number of discos opened. Discos at that time were places where customers, shop's staff, and music-lovers gathered; there were no professional DJs, so the shop staff took turns at playing records. This was the start of the 1st disco boom.

The first disco in Japan under the name "discoteque", which originated in France around the same time and spread worldwide, was "Vibros" (Akasaka, Tokyo - 1968). It was also the first time that the system of checking the customer's attire was adopted. This involved the doorman's permission/refusal for entry by selecting fashionability, the result being that the main clientele were entertainers, models, fashion designers, etc. Around

the same time, the disco "Mugen" opened in the same building. "Mugen" became famous for its psychedelic lighting, interior using strobes and projectors, and a live soul band from overseas.

#### Diversification - 2nd Disco Boom:

After a number of other discos opened, the disco "Castele" (Roppongi, Tokyo - 1974) opened, importing designs and concepts from overseas by contracts with "Castele" in France. This was the first time much money was used on the interior and the "members only" system was adopted. This became the forerunner of most of the current discos. At that time, discos having various systems appeared, each shop acquiring different clientele. This was the 2nd disco boom. This boom gave birth, one after the other, to new discos which led to the creation in the mid-1970s of the current large-scale discos, after which there followed a decline. At that time, there were too many discos concentrated in one area of Tokyo, which led to people losing interest.

#### "Saturday Night Fever" - 3rd Disco Boom:

In 1978, the hit movie "Saturday Night Fever" was released, leading to the 3rd disco boom and the abrupt popularization of discos. This was not limited to Tokyo, but spread throughout Japan, leading to the flourishing of the disco industry. On the other hand, along with the decreasing age of disco customers, the number of interventions by police increased. The 1982 murder of a junior high school girl caused public controversy and a stricter revision of the "Law to Control Businesses Affecting Public Morals". Around that time, the star players of the past disco booms became estranged from discos and danced at a new style of shop called "cafe bars"; the first of which was "Red Shoes" (Azabu, Tokyo - 1981). This caused a stir and created the "cafe bar" sensation. This boom drew people who had never been to a disco out into the nightlife. Meanwhile, the shops which began the distinction in Japan between "disco" and "club" systems opened.

"Pitecantrouse" (Harajuku, Tokyo - 1982) was the originator of the current "club" system with its combination of performance and art with artistic salon elements. "Maharaja" (Azabu, Tokyo - 1984) which now possesses over 30 shops, opened with its luxurious interior, fully-equipped VIP rooms, and its staff clothed in black. The image of this "Maharaja" exerted a great influence and later became a synonym for "disco".

#### "Bubble" Economy - 4th Disco Boom:

The latter half of the 1980s met with the "bubble" economy whose benefits led to the creation of a number of gigantic discos and the pioneering of new clientele. At this time, the media focused on discos and shops handled by designers and planners called "space designers", causing the phenomena of customers being attracted by these people's names instead of the shop's interior. This became the 4th disco boom. "Turia" (Roppongi, Tokyo - 1987) opened in 1987 at the height of the "bubble" economy. It was designed by Sid Mead with a spaceship-type interior and lighting equipment and earned much profit. However, at the start of the new year and less than one year after opening, it closed when its lighting equipment fell down, killing 3 persons and injuring 14 others. This laid bare the problems of the disco industry as well as the "bubble" economy to the general populace. The lighting equipment which fell down incorporated many copies of "Vari-Lite" which were widely used for concerts at that time.

Due to the exceptional rise in land prices in metropolitan business districts caused by the effects of the "bubble" economy, new styles of discos were created in regions far from the metropolitan center called "waterfront", such as Shibaura, etc. The largest-scale disco incorporating the latest art from New York and greatest emphasis on audio was "Gold" (Shibaura, Tokyo - 1989), making possible intoxication by sound which had not



## Palladium

previously existed in Japan. The sound designer of "Gold" was James Toth, who worked on "Paradium" and "Mars". The sound system for "Gold" incorporated several ideas and equipment which had not existed previously in Japanese discos; it was like bringing a whole New York disco into Japan. Later, "Juliana's Tokyo" (Shibaura, Tokyo - 1991; details in the previous issue) opened and then closed after great success.

Collapse of the "Bubble" Economy (partially repeated above) - Today:

After the policy of relaxing financial restrictions occurred about 7 years ago, there was an abnormal rise in land prices due to excessive and illegal loans to the real estate and other industries by banks, etc., as well as excessive investment with disregard to the economic infrastructure. This led to the planning and construction of numerous gigantic facilities by the private sector. However, these loans, which were guaranteed on abnormally high land prices having no real foundation, collapsed leaving gigantic buildings still under construction. This left unoccupied buildings with no forecast for occupancy and huge amounts of debts uncollectable by the banks.

In 1988-1989, at the height of the "bubble" economy, a number of gigantic discos were constructed on conditional terms of 3-5 years as an effort to take advantage of the acquisition of surrounding land and waiting for a further rise in prices. This experimentation with retrieval of investment funds over a short-term and generation of much profit led to a worsening of financial conditions due to wasteful management by entrepreneurs, claims from neighboring residents due to sloppy construction, and deaths caused by lighting equipment falling down due to inexperienced engineering; this caused quite a number of discos to close before expiration of their contracts. Similarly, "bubble" economy enterprises became bankrupt one after the other.

The reduction of land prices due to the collapse of the "bubble" economy was further exacerbated by the high yen, but although some of the major banks had huge uncollectable bad credits, there were no bankruptcies because these banks came under Japanese government protection. It is virtually impossible to obtain loans for new ventures such as discos most enterprises are unable to invest in discos since they are suffering from reduced export profits due to the high yen. The collapse of the "bubble" economy and high yen also has serious effects on the past main clientele of discos, namely, entertainers, advertising people, and persons related to the real estate industry; so the number of customers is certainly decreasing.

In Japan, where the cycles of fads turns over quickly, it is impossible to gain many customers over the long term; and the general customer strata is also decreasing. A portion of the small-scale discos which captured clientele having a "clique" (snobby) consciousness as well as the "go all the way" type discos ("Juliana's Tokyo" being a representative disco with its raised dancing platforms, "body conscious" dance attire with some women showing-off in their underwear, and male customers who come to look and chase women) have surprised entrepreneurs by their ability to attract customers. However, the degrading of decorum caused the Public Safety Commission to exert pressure, creating an uproar over the abolition of the raised dancing platforms at "Juliana's Tokyo" and its eventual closure nine months later. Other than these successful discos, there are medium to large-size discos which are facing extremely difficult times due to the effects of the collapse of the "bubble" economy and decreasing number of customers; forcing these discos to attract customers by events which in turn require a sizeable budget, thus creating a bad cyclical pattern. After reversing the trend towards chronic deficits, most shops (there are a few exceptions) are forced to close or change business operations (change into food and beverage shops, male strip shows, etc.).

The situation has improved slightly recently, with some shops which once closed undergoing renewal and reopening under new management; thus the market is heading towards revitalization. Recently, numerous small-scale discos (these are called "clubs" in light of the musical genre played, scale, image, etc.) have opened; in the past year ten

shops appeared on the scene in the metropolitan district alone. This is attributable to falling land prices (there is an unstoppable trend downwards after the collapse of the "bubble" economy), loss of speculative value, and the fact that not only purchasing land (which was conducted aggressively during the "bubble" economy) but simply possessing land causes taxes to be imposed, causes land and building owners to directly operate these club-style shops are aggressively rent out their land or buildings. These small-scale shops, which are just dressed-up pubs and bars, are easily managed and are less risky since a fixed clientele is easily acquired. Thus, there are also shops by new entrepreneurs who have never operated such an enterprise previously and it is rumored that there are shops operated by criminal gangs. Most of these shops do not obtain the permits required under the "Law to Control Businesses Affecting Public Morals" and are thus operating without permits. These shops are therefore in danger of being closed on the spot if problems arise from injuries, drugs, noise pollution, etc.

Currently, the attention of not only the industry, but also disco freaks, is on the planned year-end opening of the world's largest disco "Velfarre" by the Avex Trax subsidiary Velfarre (please see the article on Velfarre and Avex Trax in the next issue). According to the operators: "instead of constructing a new company building, we built a 4-billion yen disco", which is a philosophy one step ahead of others and in a completely different dimension from the thinking of operators until now. It becomes the topic of nationwide discussion when a company which has grown rapidly, with annual sales growing ten-fold in seven years, controls the publishing rights for numerous artists, consecutively released sound sources for CDs and obtains excellent profits, conducts concerts and other events through its affiliated companies, plans to open the world's largest disco. From last year until this year, I have been involved in some of the audio system planning for new gigantic-scale shops involving hundreds of millions of yens, but the plans for them all fell through. However, I can start to see that these plans for large-scale shops will be actualized from next year and afterwards as the economy starts recovering from now. These large-scale discos which will open from now will overturn the current concept of discos and we can expect new systems and business formats (conversely, it must be so in order for these shops to establish themselves).

#### A Few Characteristics of Japanese Discoteques:

I shall endeavor to describe the systems and phenomena unique to Japan as compared with other countries.

#### Membership System:

This system was first introduced during the 2nd disco boom in the latter half of the 1970s, with several shops allowing entry only to members selected from among fashion designers and entertainers. Later, at some of these shops these selected persons became special members and were granted entry without charge, but the system itself slowly became inconspicuous. The next time this system appeared was during the rise of the "bubble" economy, causing an uproar by the media when a disco charged a 10-million yen membership fee to some of the young real estate dealers and newly rich landowners who had benefitted from the "bubble" economy. At that time, there are some shops which, instead of collecting membership fees, selected the members and allowed entry. However, these "high-handed" shops lost customers as the "bubble" economy collapsed. These customers were people who were seeking membership as a kind of status symbol and not going to simply to enjoy the disco itself; they disappeared as the "bubble" economy collapsed. After losing these customers, these shops inevitably had to change their business policy, finally switching over to the same business format as ordinary discos. Among these shops, there were some which were unable to switch over and were forced to close. At present, there are almost no shops which follow the membership system.

#### "Disco" and "Club":

This distinction, which originated in the 1980s, is currently becoming stronger. Although a strict definition of "disco" and "club" does not exist, there are some distinguishing features. This is a definition unique to Japan and includes a sort of irony, as you will see. Discos in Japan were grouped as "discos" even though they took various forms, but there is a boundary between "discos" as places to enjoy dancing and "clubs" as places of self-expression by direct contact with music and new cultures; a division which continues until the present time.

By the first half of the 1980, "clubs" had the image of places where "industrial cliques" and people who were in the forefront of things would come to dance, and where the general populace could not easily enter. This was due to the "industrial clique" boom caused by designers, the media, and people related to the advertising field. The fantasy that a creative "something" was occurring was strewn about, with overseas culture and information, which were relatively unknown in Japan, actually being introduced. This caused the phenomena where new work and amusements were born through the line of human connections and sensitivities gained at such "clubs". Although "clubs" were later opened to the general populace, it was still basically spaces to enjoy oneself.

On the other hand, "discos" followed the "go all the way" line through Eurobeat (or Techno-house); symbolized by skirt-chasing, and became oppressive places where everyone was conscious of "looking-being looked at". Comparing the business systems, in contrast with "clubs" where emphasis was placed on "software" such as contents of the songs played and events instead of the interior and equipment, "discos" placed astounding emphasis on the interior and lighting equipment. In terms of image, "discos" had a European image, whereas "clubs" had a New York image. The "club" type images were widely accepted by the Japanese, who are sensitive to the latest fashion; but, on the opposite side, they were equally quickly discarded. Now, thanks to the "Juliana effect", "discos" are showing an unusual popularity as places for the "I want to be looked at" "body-conscious" clad girls to show-off.

#### **Main Clientele:**

When discos first appeared, from the latter half of the 1960s to the 1970s, they were spaces for a limited segment of the nightlife population, such as designers, entertainers, and the fashion-conscious 15-35 year old population. Discos became popularized at once in 1978 by "Saturday Night Fever". Along with the great success of this movie, the streets at night were suddenly inundated with "John Travoltas". After the strengthening of the "Law to Control Businesses Affecting Public Morals", the situation became increasingly confused; and the "industrial cliques" who had been the main clientele until then, started fleeing to various hidden discos and cafe-bars which, in turn, became part of the "cafe-bar" boom. At this time, the media coverage of newly opening shops increased, drawing people who had never gone out at night to the nightlife. Shops were flooded with people as if they were on a sightseeing tour from the countryside, and there was a distinctive change in the clientele.

In 1982, the forerunner of today's "clubs" (discos like artist's salons) appeared and musicians and artists started frequenting these places in addition to the "industrial clique". In 1984, a shop appeared which became a synonym for today's "discos". with its staff clothed in black selecting customers by checking their attire, and advertising its luxurious interior and equipment, this shop was frequented not by the "industrial clique", but by people who wanted other to accept their own fashions. Further, this shop was the first to create a VIP room and became a gathering place for people yearning for some type of status. Later, with the appearance of huge discos during the "bubble" economy, many of the "industrial clique" and nightlife population were involved, but the clientele changed as "sightseers" from the countryside increased. These discos gave VIP status to those persons who got rich quickly during the "bubble" economy. But these people disappeared along with the collapse of the "bubble" economy, causing these shops to



close. "Gold", which opened at the last moments of the "bubble" economy, brought in the New York club culture with various contrivances and drew in all the "industrial clique" who had lost a place to go at that time as well as various other customers.

However, these customers gradually disappeared; excepting a portion, since they had graduated from nightlife. Now, the "disco" boom brought about by "Juliana's Tokyo" is centered on the "I want to be looked at, I want to show-off" 18-25 years old "body-conscious" clad girls with male customers coming to see their fashion or to chase these women.

Generalizing on the period from the genesis of discos until "Juliana's Tokyo", when discos first opened the clientele were the "industrial clique" and fad-conscious youth, then changed to customers from the countryside surrounding Tokyo as discos became popularized, by media coverage, and the original clientele did not like this change, so they disappeared. Before long, the principle that shops losing customers, except certain established customers, will inevitably close began to show itself. Except for the "industrial clique" for whom age is not a factor, there is a periodic displacement of customers as they age. However, the age range remains 16-25 years old for women and 18-30 years old for men. Of course, established customers are not limited to this range, but it can be said that there are no changes to this principle as the times change, and future tendencies are expected to be the same.

#### Check of Attire:

Although selective entry occurred since the beginning of discos, it was only from "Maharaja" in 1984 that it became an established system which remains firmly entrenched today. One reason is that the check of attire maintains the image of the shops by the objective of integrating the customers with the shop's interior. Another reason is the appeal to the clique mentality ("I am one of the chosen people") since the disco selected one's fashion. In concrete terms, "disco" type shops prefer a "member of society" type of fashion with "soft" type suits and leather rather than casual wear like sneakers and jeans; persons who do not fit this preference are not allowed entry. This was originally applied to male customers, and not to the current "disco" fashion of the "body-conscious" clad women. These women are given preferential treatment as "bait" for male customers, and most discos have a special day on which women are allowed free entry or a substantial discount.

"Club" type shops do not have exaggerated checks of attire, but some shops which are antipathic to "disco" fashion will refuse entry to male customers whose fashion is not individualistic. These checks of attire contribute, whether for better or for worse, to the clear distinction between the shop's clientele. This selection process is not any different from the famous doormen at clubs at New York, etc., but these have become standardized in Japan. In Japan, where the public safety is good, there are no body checks required in order to prevent people bringing in weapons.

#### Entry Refused for Unaccompanied Males:

This system has died out, except for some "discos" which carried this system over from the 1980s. At these shops, in addition to the check of attire mentioned above, the male customer must be accompanied by a partner of the other sex or entry to the "disco" will be refused. This system was intended to refuse entry to skirt-chasers and men who may cause trouble. In the 1980s, when this system appeared, there were many couples "created on the spot" at the entrances of these "discos". There were even some men who, wanting to enter the shop, offering to pay the woman's entrance fee ~~for~~ this "on the spot" couple.

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#### Entrance Fee:

Although past entry fees are unknown due to lack of reference materials, recent market prices for "discos" are 4,000 yen for women and 5,000 yen for men; making this the most expensive fee in the world. However, "disco" type shops give preferential treatment to women and some shops set aside a day for free entry for women. Also, since some "discos" also provide free drinks and food, it may not be so expensive after all. Usually, vouchers will be handed over when entering, and they can be exchanged for drinks and food. These vouchers are usually valued at 3,000 yen.

For "clubs", fees differ for events such as parties and for regular business. Also, a special feature of "clubs" is that most shops have one fee for both men and women, which is a policy completely different from "discos". In most cases, the fees are in the 2,000 to 3,000 yen range. Some "clubs" having a membership system may ask for membership fees, and such members will be given preferential treatment such as free entry during early business hours. In most cases, one can receive 1 or 2 free drink tickets when entering.

The most distinctive feature is that both types of shops will charge special fees during the year-end/New Year's week which are uniformly 20 to 30% higher. Although one can say that this is a gratuitous price for the year-end/New Year's period, it is a strange Japanese system.



## "Kurofuku" (Black Attire)"

The term "Kurofuku" was popularized with the opening of the disco "Maharaja" in 1984, and is still being used mainly with reference to disco employees such as the doormen and waiters. Employed based on their appearance and generally attired in black uniforms, these people are the "face" of the disco. "Kurofuku" is a proper noun which came from the image of the uniforms, but it usually has a special meaning. "Kurofuku", who are rather like hosts, gain the attention of female customers due to their appearance and right to approve/reject entry which makes them a special presence. Many customers are attracted to these "kurofuku" because of these reasons. Further, these "kurofuku" approach female clients on behalf of VIPs in the entertainment business who secretly come to play. It is by these means that "kurofuku" increase their relationship with entertainers. During the height of the "bubble economy" there were even turf wars between outstanding "kurofuku" who were able to capture a wide clientele by using these entertainers as a sort of bait. With just this in mind, a negative image would not have attached itself, but a certain segment had, in the past, dealt in drugs through criminal syndicates or themselves approached general female customers. As a result, the "kurofuku" of discos have come to include a peculiarly negative connotation.

## Elevated Dance Platform (Otachidai)

"Otachidai" is a dancing stage which is one floor higher than the usual dance floor. The design itself existed at the genesis of Japanese discos. However, for a long time, only professional dancers performed in these areas. It was about 10 years ago that customers began dancing in these places. The name "otachidai" became generally known through the disco "Maharaja" in 1984. Then, it was with the interest created by the mass media's broadcast of the gigantic "otachidai" at "Juliana's Tokyo" along the "go all the way" ladies clad in shocking fashions that it became known throughout Japan. For these ladies, "otachidai" were their stage- a sacred zone where they could enjoy their narcissism. In other words, they wore attention-attracting fashions and competed for places to be seen -- the "otachidai".

## System Planning

In Japan, there are almost no system planning companies specializing in discos. Companies specializing in sound design link-up with audio equipment manufacturers. These companies have special divisions for this work and use their own original equipment. Companies doing lighting design also serve as importer/distributors for their own disco lighting equipment. At times, these two companies create a complete link-up. There are almost no companies who do complete system design freely; there is usually some link-up with a manufacturer or the company itself is the distributor of imported equipment.

Currently, the disco industry in Japan is at the mercy of these companies, with new participation being difficult. In addition, there is another large problem. "Planning" is used in order to sell products. This itself neglects the value of "planning" itself. Naturally, for "planning" these companies will be selling mainly their own imported equipment, so not only is it difficult to demand "planning" for clients, but the client cannot accept such values.

Since the payment for products sold are determined in the form of list prices, and also that one cannot charge for "planning" itself, there is an opaque "fattening" of the work price. The party contracting the work accepts the quotation because it cannot judge the contents. In this way, "planning" charges are paid out even though they do not appear overtly. In Japan, "planning" charges cannot be retrieved unless products are sold and work is done. Since this method has been the norm until now, no one will be willing

to clearly accept the value of "planning". Japanese people have, since ancient times, not been willing to accept the value of insubstantial things. It is only fairly recently that there was general recognition of the importance of industrial rights and copyrights, so developments in new fields are not readily accepted.

At the very least, there exists a know-how for disco audio and lighting which is different from other fields. Image and quality will change greatly in accordance with "planning". Further, in closed conditions such as Japan, it is impossible to create the best things even under better conditions. Since selling the company's products is the first principle, the selection of the highest quality products from several manufacturers or having the DJs or user-side configure the best system is not done. The shops created under such conditions all have a strongly "looks the same" image. This is a truly Japanese phenomenon. Although the systems managed tend to look the same, hopping from one disco to another similar disco may fit into the homogenous national character of the Japanese people. Ironically, maximum interest of women currently frequenting discos in Japan is whether or not they stand-out on the "otachidai" (elevated dance platforms) in their shocking fashions (they are diverse, but one cannot say they are individualistic).

On the other hand, the "club" type shops, although smaller in scale, use systems configured from equipment selected by the shop's staff which allows a show of each shop's individuality. The customers frequenting these shops also compete for individuality through their styles. Here, the value of "planning", although evident in the price, achieve a semblance of individuality for each shop. Of course, it cannot be denied that there exists industrial groups matching each nation's traits, but there are many problems in Japan, starting with the opaque "planning" charge, which must be solved in order for the industry to grow.

#### Future Discos

A remarkable disco called "O'bar 2218" opened in July 1990. It was the first disco without a record turntable. The 12-inch records and turntable were replaced by an Apple Macintosh and Hard-Disk Recording System. To be more exact, there were two sets each of the Macintosh IIx with internal 100MB Hard Disk, 1.2GB external Hard Disk, Digidesign's "Sound Tools" system, and 600MB MO Drive. In addition, there were lights and laser control, 3D Audio Control (8 directions), a Macintosh SE/30 (with external 100MB Hard Disk), 600MB MO Drive, Mark of the Unicorn's "Performer", and Akai Sampler S1000 interconnected by MIDI and SCSI.

What did this "dream come true" system do? These systems were interconnected to allow automated operation by SMPTE time data. Here, instead of raw record sources or CDs, songs were played, as in other discos, by calling up sources from the large capacity Hard Disk which had been pre-recorded through the A/D Converter and Digital I/O. The movement of lighting and lasers, or sound and image, could be combined to make performances possible. If the need arose, one person could do all of this. This set-up was no different from sites where the remixing of most disco sound is currently being done. Indeed, it was even possible to create an original remixes as needed since such extravagant equipment had been employed.

When looking at the system, it was very impressive -- a system one dreams about. And the results actually achieved were superb. One could create a unique jingle or produce an impressive effect. However, this shop closed in 1993, after only three and a half years, due to financial difficulties caused by a decline in customers and complaints from surrounding residents. This shop was originally a live house/restaurant which greatly contributed to revitalization of that region, then reopened as the first disco to incorporate this remarkable system. It is very unfortunate that it had to close after such a short period of three and a half years.

It must be noted that a turntable had to be placed in this supposedly "turntable-less" system in the second year of operation. The reason was problems in system reliability and inability to create a "in the groove" feeling. This system incorporated state-of-the-art technology, but the image given was one of being "machine-controlled". Although the system may have been quite remarkable for those creating spaces called "discos", it was not remarkable at all to the customers going to the discos. In addition to the stylish lighting, fantastic laser beams, and excellent sound, the most important part of a disco -- the "in the groove" feeling created by the DJ -- was missing. The DJ is not simply supposed to maintain the tempo by extending the song or playing background music. A good DJ selects themes based on the customers' mood that day and on his own feelings, so he may try changing tempos to see customer reactions on the dance floor, do equalizing, or try out various effects just as if he is a musician doing a live performance. The customers may, at certain times, allow the DJ to do his live performance as he pleases -- sometimes raising or lowering the tension -- and sometimes feels that instant when it all "fits in the groove". DJs are like priests at festivals. No matter how much technology progresses, the role of this primitive priest cannot be fulfilled by a machine.

## Regarding Imported Equipment

When the various equipment sold by Japanese manufacturers are sold overseas, the prices are set at the same or slightly lower prices than the Japanese domestic list price. Conversely, when overseas products are sold in Japan through Japanese distributors, most frequently the prices are more than double the list price at the country of manufacture. A drastic price difference is not as noticeable as before due to the recent yen depreciation and the efforts of some sincere importers (the importer's profit margin is held at 20-40% by direct sales to the end users). But even then, it cannot be denied that foreign-made products sold through Japanese distributors are relatively higher for Japanese users.

The reason why Japanese-made products can be held at similar or lower prices overseas is that Japanese manufacturers aggressively establishing overseas branch offices and pursuing sales (this is why the domestic/overseas price differential is compressed). The reason why foreign-made products are expensive in Japan are due to the peculiar problems of Japanese distributors. Namely, when Japanese distributors sell foreign-made products in Japan, quite a number of expenses are incurred. First, there are the direct expenses of cost of the imported products themselves, transportation, communication expenses, etc. Then, there is customization for sales to Japanese users (expenses for creating Japanese language versions of the manuals, such as translation fees and printing costs), promotional expenses, labor and cost for customer support (technical support and explanations of proper operation), as well as back-up parts and spare equipment (which can also serve as demonstration units). Combining all these figures, it is inescapable that the price increases over the list prices in the country of manufacture. Further, Japanese distributors quite often function as wholesalers, so there are added expenses relating to the distribution network and setting of the wholesale price (even if the wholesale price for retailers is set at 60-80% of the list price, the distributors must maintain a minimum margin of 30%). In this way, prices for foreign-made products becomes double that of the list price in the country of manufacture.

Once the list price is set, it is not that easy to change it. If a large amount of a product exists as stock at the old price in the distribution network, the retailers must guarantee the price differential (between the old and new prices). This portion will, of course, create a substantial deficit (that is, be "in the red"). Also, the response to users who purchased goods just prior to a price change will become a problem. Due to these reasons, price setting generally had to be conducted over a long period of approximately one year. However, the recent yen depreciation has caused users to voice doubts about the domestic/overseas price differential. These doubts have reached a segment of the importers through whose efforts the old monopolistic way of doing business has become difficult to continue. These sincere importers are trying various unique ways of satisfying Japanese users, such as compressing the domestic/overseas price differential or adjusting the prices in short cycles.

As for the character of users, it is usual for Japanese people to bend over backwards to customers, so the most complaining customer ends gaining the most. Because of this, the overseas style of selling without extensive after service is not accepted by Japanese users. This is especially true for commercial spaces such as discos, where the necessity for maintenance of these equipment becomes important. If trouble occurs with any equipment being used daily, then an emergency repair at the site or temporary replacement is required. In most cases, users would prefer equipment from distributors having a support organization -- even though the price is extremely high -- rather than inexpensively priced imported equipment which has no after support.

Then, are Japanese prices competitive? This situation is unavoidable when one considers the reasons stated above. It all depends upon whether or not the user accepts



the price. For the foreign manufacturers, the question is how to select the ideal partner (distributor). For users, the question is how to get prices closer to those in the country of manufacture and yet receive support for the products. If a manufacturer wants to create a local corporate entity in Japan, these foreign equipment manufacturers must overcome the same obstacles if they wish to develop the Japanese market. I do not think that just creating a local corporate entity in a country with different commercial practices will work out very well.