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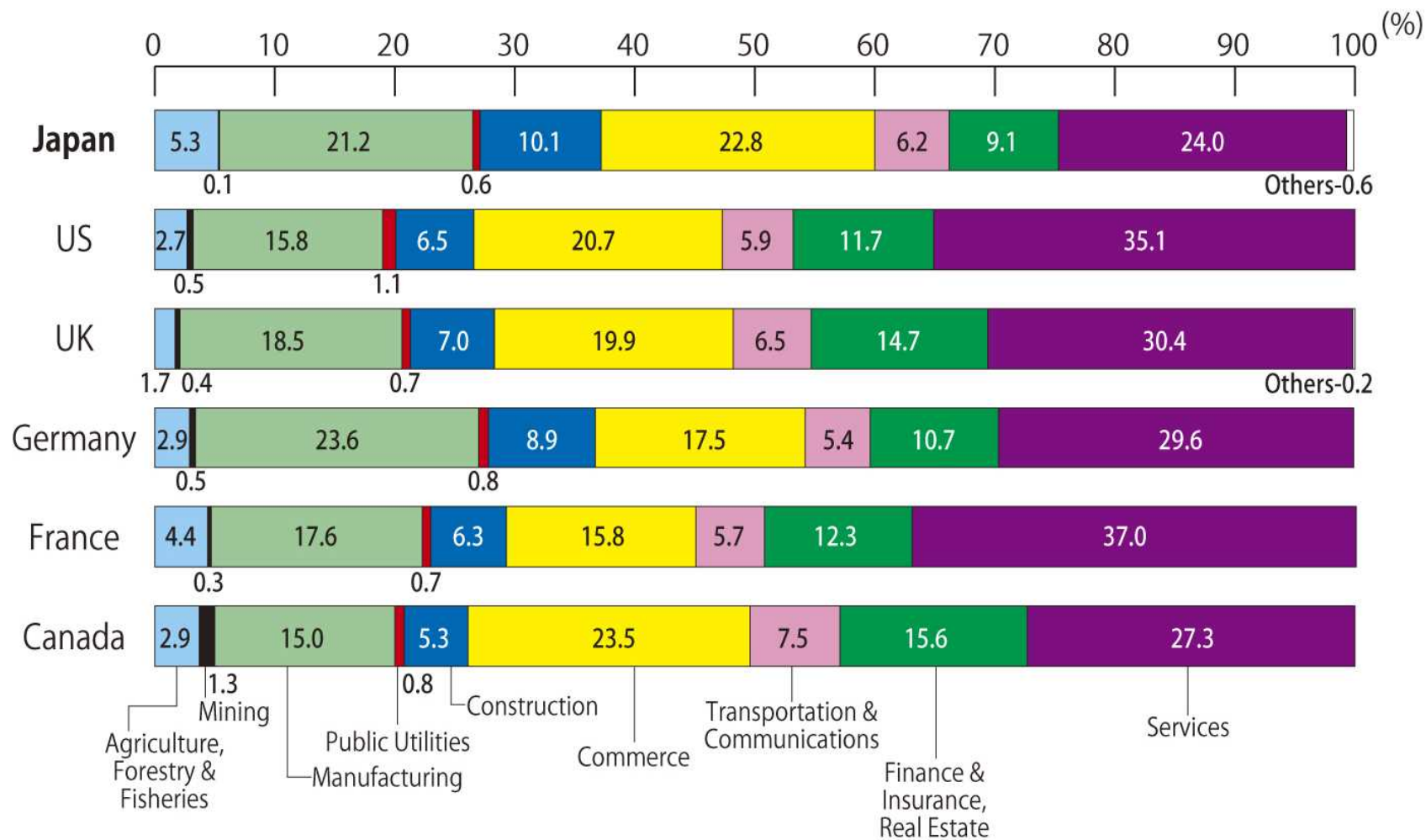
The International Competitiveness of the Japanese Service Industry

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1. Characteristics of Service Industry

- Manufacturing Industry → tangible goods
(Automobiles, Electronics, Machinery, Textiles, Steel, Chemicals...)
→「Universality」 → Standardized mass production
- Non-Manufacturing Industries (Service Industry) → Intangible goods (Hotels, Department Stores, Banks, Insurance, Convenience Store, Construction, Communication...)
→「Individuality」 → not mass production, that customer as an individual
→「intangibility」 「simultaneity」 「heterogeneity」 「non storability」 「non transportability」

2. Composition of Employment by Industry (2010)



Source: ILO Yearbook of Labor Statistics

3. Trading company as Particular Japanese Service Industry

- Five big trading Company
 - ⇒ Mitsui, Mitsubishi, Sumitomo, Itochu, Marubeni
 - ⇒ Pioneering role of the Japanese service industry as multinational corporations after World War II
 - ⇒ Major business: support the manufacturing industry in export & import
 - ⇒ Japan's economic policy: support to international competitiveness of manufacturing industry export
 - ⇒ Management style: established contract networks inside & outside countries among Japan expatriates → basically Japanese management

4. A Comparison of Major US and Japan Brands

Types	USA	Japan
Banks	CITI N.A, Bank of America, Chemical Bank, Morgan Chase	Mizuho, Tokyo Mitsubishi UFJ, Mitsui Sumitomo
Insurance	American Family, American Home Direct	Nissay, Tokyo Marine Mitsui Sumitomo Insurance
Securities	Morgan Stanley, Merrill Lynch, Goldman Sacks, AIG	Nomura, Nikko Citi, Daiwa
Credit	VISA, Master, JCB, American Express, Diners	alliance with US Credit
Hotels	Hilton, Sheraton, Westin, Holiday Inn, Marriot, Ritz Carlton, Inter-continental	Okura, Palace, JAL, ANA (mainly Asian region)
Supermarkets Department Stores	Wallmart, Robinson, Woolworths, Costco, Lawson, 7-Eleven, am/pm	Mitsukoshi, Takashimaya, Aeon Ito Yohkado, Family Mart (mainly Asian, China region)

Types	USA	Japan
Fast Food/Coffee Chains	McDonald, KFC, Mister Donuts, Starbucks, Tully's	Moss Burger (mainly Asia region)
Construction	Bechtel, Fluor	Kajima, Taisei, Shimizu, Chiyoda, TEC
Transportation	FedEx, DHL, Sealand, UPS	Yamato Transport, Nippon Express, NYK Logistics, Mitsui OSK Line
Theme Parks	DisneyLand, Universal Studio	
Consulting and Accounting Firms	Boston Consulting, McKinsey, Booz Allen, A.T.Carney, Price-Waterhouse, Peat Marwick, Deloitte, Touche, Tohmatsu, KPMG, Ernst & Young	alliance with US Accounting firms
Computer Soft-ware	Microsoft, Google, Yahoo	
Contents	Warner-Brothers, Columbia Pictures, Paramount, Fox, MCZ	Nintendo Famicon, Animation

5. Weakness of Japan's Service Industry in International Competitiveness

- Particularistic Japanese Management Style
 - ⇒ generally life time management, seniority system, company union
 - ⇒ Particularistic (Japanese Management Style) v.s. Universalistic (American Management Style)
 - ⇒ American Management Style: Clear job description, manuals & standards (McDonalds, KFC, Seven-Eleven, Disneyland...)
 - based on heterogeneous society (Melting pot, different nationalities)
 - management style transfer to worldwide
 - ⇒ Japanese management style: Human network among Japanese → based on heterogeneous society → management style not applicable worldwide

■ Government Protectionalism

Japanese government policy \Rightarrow Protective regulation for the service industry

:Closely connected with the home market to avoid competition from foreign countries

:Large-Scale Retail Law (1975) to protect local retailers in Japan

:Low production of labour by not being exposed to international competition compared with America

:Low R&D, expenditures for continuous innovation compare with America

Growth Rate of Labour Productivity (1995 – 2003)

	USA	UK	Germany	Japan
Manufacturing	33%	2.0%	1.7%	4.1%
Nonmanufacturing	23%	1.3%	0.9%	0.8%

Source; OECD, Compendium of Productivity Indicator 2005

Ratio of R&D Expenditure in Service Industry

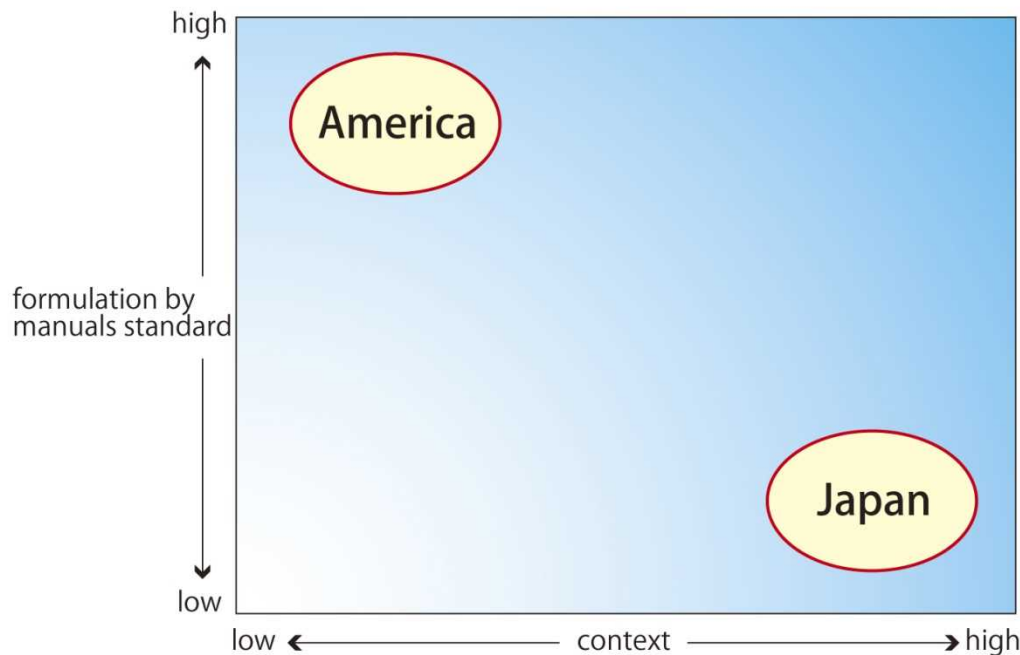
	USA	Japan
Manufacturing	57%	88%
Nonmanufacturing	43%	12%

Source; Statics of National Science Foundation (USA) 2005
Statics of Ministry of International Affairs and Communications (Japan) 2005

- Japanese Service Spirit

Basic high level recognized by Japanese and foreigners alike in department stores, supermarkets, convenience stores, hotels, retail stores...

⇒ The heart of Japanese our language : People in the same linguistic sphere → realm of implicit knowledge shared by Japanese ⇒ high context society



- Entrepreneurship

Less clear International vision than manufacturing industry in early stages after World War II

⇒ Japanese big manufacturing industries such as Sony, Toyota, Honda, Panasonic, Canon, NEC

→ Many core leaders for International business strategy, survey by Hiroo TAKAHASHI

“Entrepreneurship of Japanese Multinational Corporation”(1998)

⇒ Japanese service industry mostly focuses on the domestic market (small sized companies)

⇒ Less clear international business vision by ownership company → focus to Japanese & Japanese company markets abroad

6.Recent Trend of the Japanese Service Industry

- Japanese content industries such as electronic game animation is growing worldwide brand.
- Retailers such as supermarkets, convenience stores are growing in China and Asian countries: Seven- Eleven based in America went bankrupt in 1989, acquired by Ito-Yokado Japan. American Seven-Eleven recovered in 2000 due to Japanese convenience store management know-how
- Aggressive M&A by Japan's service industry in 21th century
- FDI in the Japanese service industry

Cases of Japanese Service Industry M&A Outside Japan

M&A Company	Target Company	Price (US million)	Year
Tokyo Marine	Philadelphia (US)	47.05	2008
Mizuho (former Daiichi Kangin)	CIT (US)	17.1	1989
Mizuho Corporate Bank	Merrill Lynch (US)	12	2008
Nomura Holdings	Instenet (US)	12	2007
	Lehman Brothers Asia · Oceania Business		2008
Mitsui Sumitomo Bank	Barclays (UK)	10	2008
Nomura Holdings	Fortress Investment (US)	8.88	2006
Tokyo Marine	Kirun (UK)	8.84	2007
Tokyo Bank	Union Bank (US)	7.5	1980
Mitsubishi Tokyo UFJ	Morgan Stanley	90.0	2008

Overseas Expansion for Asian Countries by Japanese Retail Store

	2009	2014
Mitsukoshi & Isetan Department store	5 stores	10 stores
Takashimaya Department store	3 stores in China	2012 Shanghai
Aeon Supermarket	7 stores	200 stores
Seven & I Holding	Supermarket 5 stores	30 stores
Family Mart	7000 stores in China, Korea	500 plus stores
Uniqro	400 billion customers in China	8000 billion Abroad

7. Conclusion

- Japanese service industry must expand abroad as well as into the manufacturing industry of the mature domestic market – decrease of population, little children & aging society, 21th century
- Japanese service industry will focus to developing immerging markets such as those in Asian countries, China is like Japanese
- Japanese service industry must develop higher level management know-how by blending universalistic (American) and particularistic (Japanese) which the accumulation of manufacturing management know-how in foreign countries

Case Study

WHAT IS CUSTOMER ORIENTED BUSINESS IN A GLOBAL ENVIRONMENT

~ Convenience Store, 7-Eleven in America and Japan ~

History

The company has its origins in 1927 in Dallas, Texas, when an employee of Southland Ice Company, Joe C. Thompson, started selling milk, eggs and bread from an ice house. The original location was an improvised storefront at Southland Ice Company, an ice-manufacturing plant owned by John Jefferson Green. Although small grocery stores and general merchandisers were present in the immediate area, Thompson, the manager of the ice plant, discovered selling convenience items, such as bread and milk, was popular due to the ice's ability to preserve the items.

This significantly cut back on the need to travel long distances to the grocery stores for basic items. Thompson eventually bought the Southland Ice Company and turned it into Southland Corporation, which oversaw several locations which opened in the Dallas area. Initially, these stores were open from 7 am to 11 pm, hours unprecedented in their length, hence the name. The company began to use the 7-Eleven name in 1946. By 1952, 7-Eleven opened its 100th store. It was incorporated as Southland Corporation in 1961.



1、Root of American Convenience Stores & 7-Eleven

- Late 1920's first appearance in America, 1960's Growth and Expansion
- 1927 Southland Ice Company (pre 7-Eleven) established by Claude Dawbey in Dallas
- 1946 "7-Eleven" naming by Southland Corporation
- 1963 Growth of 7-Eleven, 1052 stores in 250 cities in America
- 1992 7-Eleven 6167 stores, but stumbles
- 1995 Bankruptcy
- late 1995 Acquired by Ito-Yokado (Japanese supermarket company)

2、 Definition of Convenience Stores (American Convenience Store Association)

- counter area 93 ~ 300 m²
- parking lot size 5 ~ 15 cars
- business hours longer than supermarket's business hours
- sales style self-service
- List of articles basically articles of daily use such as dairy products, bread, confectionery, drinks, tobacco, frozen products, limited agri-product, etc.

3、 Definition of department store, supermarket, convenience store, franchise, retail store

- Department Store:
A large shop which is divided into sections each of which sells a particular type of thing.
- Supermarket:
A large shop selling all kind and household good.
- Franchise:
An authority that is given by a company to someone , allowing him/her to sell its goods and services.
- Retail:
The sale of goods to ultimate consumers, usually in small quantities.

4、Reason for the bankruptcy of Southland Corporation

- Diversification for Gasoline Business
- Real Estate Business
 - Dallas's City Complex
- TOB by a Canadian company
- Not customer oriented
- Reduction in price — discount
- Behind the Information System

5、Reason for the Success of 7-Eleven Japan

1) The franchise system and market – dominance strategy and franchise system

- Southland way
 - to bag land, construct stores, franchise contact to have someone else operate the store, company managed pilot shop.
- 7-Eleven Japan way
 - contact existing mom-and-pop store, persuaded their owner to transform their stores into 7-Eleven.

Market Dominance Strategy:

- Clustering stores
 - area concentration

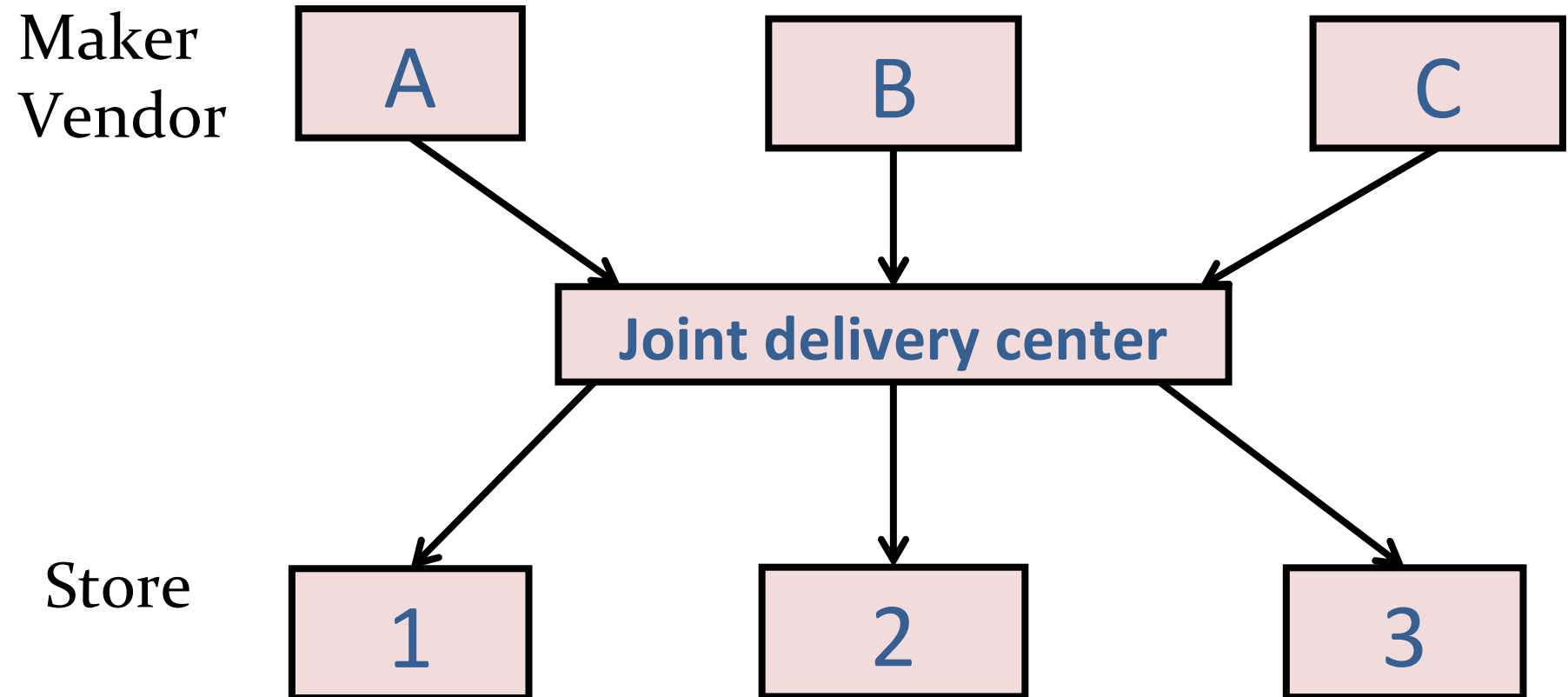
Three goals:

- To block the entry of other convenience chains, to increase of the efficiency of its distribution and franchise-support activities, and to increase its name recognition and improve the cost-effectiveness of its advertising expenditures within a given area.

2) Rationalization of Distribution

Step up new styled distribution system

Table 4-3. Joint delivery system of 7-Eleven Japan



6、 Use of Information Technology

- 1970s Early Stage → phone ordering
- 1978 → computer – processed ordering
- 1982 → POP (Point-of-Sales) System introduced into every store
- 1990 → fourth generation information system so all stores linked to 7-Eleven Japan's headquarters by ISDN (Integrated Service Digital Network)

7、The Vanguard Program

- The main goal of the Vanguard Program was to make 7-Eleven stores more responsive to the needs of consumer.
 - * New Store concept (Store look, prices an basic component product mix)
 - * New customer-driven operating system

● New Store Concept

* Product Selection

→ 700 items removed, 500 new items added easy to prepare entrée, fresh, produce and fruit...

* Competitive Price

→ everyday fair pricing

* Store Appearance

→ improved interior and exterior lighting
reduced gondola height and wider aisles...

* Store Operation

→ double coverage, stricter dress code, multiple payment options

● Customer Driven Operating System

- * Accelerated Inventory Management
 - ItO-Ykado's Corporate Philosophy and Practical of Customer Orientation
- * Combined Distribution Center

International Licensees

Territory	First Store Opened	Number of Locations
Canada +	1969	469
Mexico	1971	1,351
Japan	1974	13,718
Australia	1977	579
Sweden	1978	185
Taiwan	1980	4,801
China (Hong Kong, Guangdong, Beijing, Macau, Shanghai & Chengdu)	1981, 1992, 2004, 2005, 2009 and 2011 respectively	1,792
Singapore	1983	561
Philippines	1984	689
Malaysia	1984	1,328
Norway	1986	164
South Korea	1989	5,249
Thailand	1989	6,276
Denmark	1993	196
Indonesia	2009	57

+ A Wholly Owned Subsidiary Of 7-Eleven, Inc.

8、7-Eleven comparison between Japan and America

	Japan	America
1. Basic Philosophy	Unique convenient service	Convenience service as supporting supermarkets
2. Store Opening Style	Franchise (change from pro-open store)	Direct control & franchise (new store open)
3. Store Selection	Shopping street	Residential district
4. Target	Young, housewives, children	Blue-collar (worker) men
5. Information System	Building a unique information system	Legged behind building information system
6. Price Policy	Reasonable price	Low price sale

Japan

Japan has more 7-Eleven locations than anywhere else in the world, where they often bear the title of its holding company "Seven & I Holdings". Of the 39,153 stores around the globe, 12,925 of them are located in Japan with 1,713 in Tokyo alone.

The feel and look of the store is somewhat different from that of the U.S. 7-Elevens. In Japan they offer a wider selection of products and services. Japanese 7-Elevens offer not only food, drinks, and magazines, but also video games and consoles, music CDs, DVDs, digital cardreaders as well as seasonal items like Christmas cakes, Valentine's Day chocolates, and fireworks. Slurpees and Big Gulp super size soft drinks were introduced in the early 1980s but discontinued some years later.

On September 1, 2005, Seven & I Holdings Co., Ltd., a new holding company, became the parent company of 7-Eleven, Ito Yokado, and Denny's Japan.





