

AEON's Path to Global Retail Operations

By Akihito TANAKA

About AEON

AEON is a retail group comprising 168 domestic and overseas companies controlled by the holding company AEON Co. Central to the group's operations is "JUSCO," a general merchandise store. The AEON group also operates the "MaxValu" chain of supermarkets and the "MINISTOP" chain of convenience stores. We were among the first to start operating shopping malls in Japan.

Our mission is to constantly serve customers, adhering to the unwavering principle of focusing on pursuing peace, respecting humankind, and contributing to the local community, based on our customers as the central core.

We are a leading retail group in Japan, with consolidated operating income in fiscal 2007 exceeding ¥5.1 trillion yen (roughly \$50 billion).

Stores in Malaysia, Thailand, Hong Kong

In 1985, AEON (then called JUSCO) opened its first overseas store in Malaysia.

In January 1983, then company president Takuya Okada (currently honorary chairman and adviser), together with a senior official of the Japan Chamber of Commerce and Industry (JCCI), met with then Malaysian Prime Minister Mahathir Mohamad in Tokyo. Mahathir requested cooperation in modernizing commerce in Malaysia, and Noboru Goto, who became JCCI head later, asked Okada to accommodate the request.

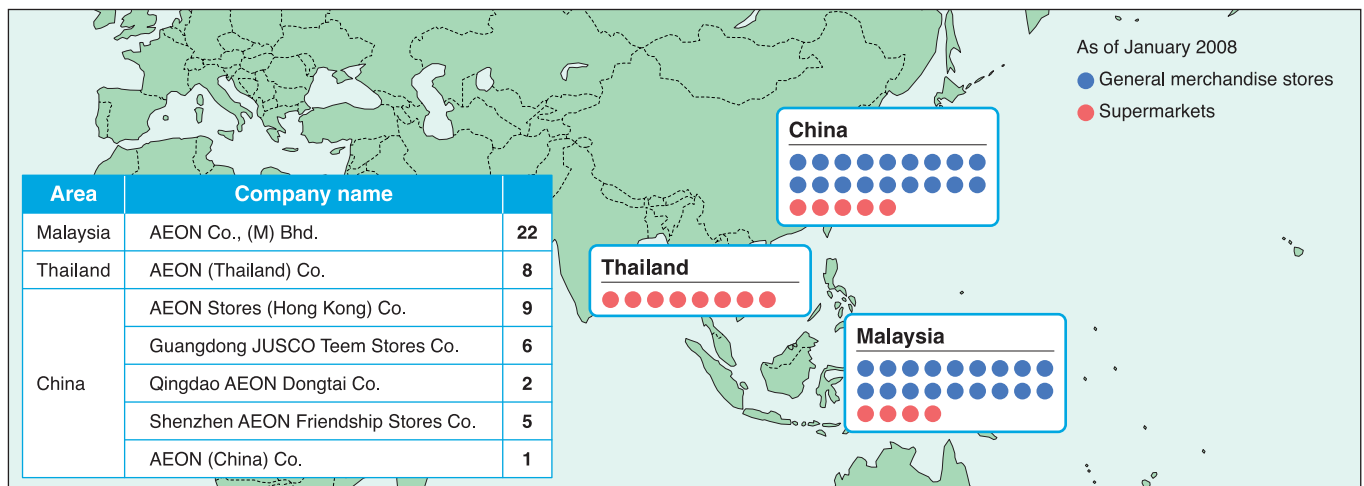
Okada visited Malaysia soon afterward and Mahathir showed him candidate store locations. The first site that Okada was shown was in an office district and was not entirely satisfactory, but Okada was attracted by the potential of the Malaysian retail market and decided to establish a store there. In June 1985, JUSCO's very first overseas store opened in Kuala Lumpur, the Malaysian capital. In December that year, JUSCO opened a second store offering a full line of goods in the three areas of clothing, food and housing.

During the same period, JUSCO also started retail operations in Thailand. In the beginning of 1983 when we conduct-

ed market research in Thailand, we found traffic congestion in Bangkok much worse than in Tokyo. So we were led to search for candidate sites in the suburbs instead of the city center. In December 1985, JUSCO's first store in Thailand opened on the outskirts of Bangkok.

The location of our third store abroad following those in Malaysia and Thailand was in Hong Kong. In November 1987, we became a core tenant in a commercial facility in the eastern area of Hong Kong Island where a new town was being built. The store, with floor space of 14,000 square meters, was flooded by shoppers on its first day. About 3,000 people lined up before the opening hour, and rushed in as soon as the doors opened. With so many people crowding each floor, we had to limit the number of visitors for the rest of the day. At that time, Japanese retail companies had already set up outlets in Hong Kong, but amid soaring rent, many were later forced to leave the territory. AEON, in contrast, has been successful in Hong Kong as we have continued to put efforts into creating stores that focus on the needs of ordinary

Chart Overview of AEON's overseas GMS & supermarket operations



Source : AEON



AEON's Dongbu store in Qingdao



Artist's sketch of AEON's No. 1 store in Beijing

local residents.

We are pleased to note that in the Asian countries and regions where we began business in the late 1980s, the local companies that operate the stores have steadily grown. The Hong Kong and Malaysian companies were listed on the local stock exchanges in 1994 and 1996 respectively.

More than 20 years have passed since the stores were opened. Ceremonies have been held to mark the various anniversaries, and the events have been graced by the presence of important personages. The local companies that operate AEON stores have clearly earned a solid reputation both in name and reality in their respective countries and regions.

Stores in China

In July 1996, a general merchandise store (GMS) was set up in the city of Guangzhou, Guangdong Province, by Guangdong Jusco Teem Stores Co., a joint venture between JUSCO Stores (Hong Kong) Co., an AEON subsidiary operating Hong Kong stores, and a local partner company. The store was located in the first basement of a large commercial complex (a grand mall), Guangzhou Teem Plaza, being developed in Tianhe Ward, a business and commercial center. The store provided a full line of clothing, food and housing products, and adopted a self-service method. Of all goods, nearly 100% were locally procured, and mainly comprised daily household necessities as well as a wide range of interna-

tional fashion brands, household appliances and IT products.

In 1998, a joint venture with a local company opened the Dongbu Shopping Centre in Qingdao, Shandong Province. It was China's first full-fledged suburban shopping center. The facility has parking space for 800 vehicles, and continues to draw numerous customers to this day, becoming a model case in the modernization of China's retail industry.

First Beijing Store to Open This Year

In Beijing, where I currently live, a large AEON shopping center is to open in the suburbs later this year. Considering the future development of motorization, the shopping center's parking space will have capacity for 8,000 vehicles. Many companies, not only from China but from Japan, are scheduled to become tenants in this facility.

The number of AEON stores in China including Hong Kong is now 23. Our plan is to add 80 stores by 2010, boosting the total number to about 100.

AEON's Future of Overseas Operations

The retail industry is a people-based industry. I have learned through my experience abroad that people are indeed our assets. When starting business in a new country, it is most important to respect the country's national traits and customs, learn about differences in cul-

ture and religion, and for the staff to become united and work hard, always aiming at customer satisfaction. Much of the management of AEON's overseas subsidiaries is in the hands of local staff. The president of AEON Stores (Hong Kong) Co. is an excellent local native.

Currently, as the Japanese domestic market is facing a decreasing population society, we cannot hope to see the kind of development that we saw during the country's period of fast economic growth. Under these circumstances, our goal is to make the same kind of achievement overseas as in Japan by 2020. At the moment, the proportion of overseas operations to domestic business is small, but is likely to become increasingly larger in the future. When we look back at the history of the retail industry, we see that chain stores in Japan have adopted advanced retailing technology from Europe and the United States, and contributed to improving the living standard of Japanese consumers.

I believe the retail industry is also a regional industry, and that it is one of the industry's social responsibilities to enhance the livelihood and culture of people in a foreign country where we operate. We will continue to expand our business, always keeping close to our hearts the principle that everything we do must be for the customer. **JS**

Akihito Tanaka is Chief Representative for China, AEON Co. He once served as executive vice president in charge of the company's shopping center development business.