

Developing Services And Information Into Commercial Products

Interview with Toshio Nishikawa,
president of the Japan Chain
Stores Association
by Tsunehiro Kunimasa

Japan's retailing industry, which previously polarized into small shops and a few large department stores, underwent a big change with the introduction after World War II of American-style self-service chain stores.

Today, self-service stores have expanded to the point where they now account for as much as 19.2% of all retail sales. With the expanded application of electronics technology, however, Japan's distribution industry is undergoing another major change. The following is an interview with Toshio Nishikawa, president of Uni Co., Ltd. and also president of the Japan Chain Stores Association, who explains developments in Japan's distribution industry.

Question: *Members of the Japan Chain Stores Association consist of the major stores among Japan's large-scale chain stores. To what do you attribute their rapid development in Japan after their introduction in the postwar period?*

Nishikawa: The Japan Chain Stores Association has 115 member companies operating 5,300 stores which employ 300,000 people. Their annual sales total ¥9,200 billion (\$38.3 billion) and account for approximately 10% of the share of all retail sales. Also, they hire 50,000 new school graduates every year.

Their tremendous growth is due, first of all, to the fact that they were willing to learn American distribution techniques, and that they noted the principles of



Toshio Nishikawa, president of the Japan Chain Stores Association

chain store management, the trend toward the establishment of stores in the suburbs and the development of motorization. Their growth is also due to the development of large stores, reflecting a changing Japanese mode of living.

Q: *Consumption trends are changing. In the past, the large stores were able to capitalize on the fact that they could price their goods low because of volume sales, but now aren't they faced with the need to diversify their goods in response to diversified consumption?*

Nishikawa: Japan is gradually developing into a mature society, and, as a result, consumption is becoming individualized and diversified. Also, consumers' values are changing.

As society is transformed from an industrial to an information-oriented society, demand for services rather than goods will increase.

Also, the aging of the population in Japan is advancing at a fast tempo, and the number of female workers is on the rise. Accordingly, there is a growing de-

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The rapid growth of chain stores reflects changing Japanese lifestyles.

sire for the maintenance of good health. In the United States, Sears Roebuck is not only engaged in the retailing of goods but has diversified into the financing and services fields. We in Japan must also diversify. Most likely, the situation will be vastly different a decade from now.

Q: Specifically, what goals do you have?

Nishikawa: There are three new strategies which we can consider for the future.

First is the development of new types of business based on the consumer economy. This will involve not only goods but overall consideration of services and information.

Second is diversification into new areas. And in these areas also, services and information must be steadily developed into commercial products.

And third is internationalization of operations.

"It will become necessary to sell culture rather than goods"

Q: Speaking of types of business, don't department stores, which have long existed, and general supermarkets now fall into the category of old businesses?

Nishikawa: Yes, they can be termed businesses of the past. The kinds of enterprises that are now on the increase are convenience stores and DIY (do-it-yourself) shops.

What consumers will expect from retailing stores from now on will not be merely the supply of goods but things that will help them to lead a healthy, cheerful and happy life. It will then become necessary to sell culture rather than goods.

Shopping centers already exist, but they will have to also house culture and health centers, while large-scale stores must become huge specialty stores.

Q: What do you specifically have in mind with respect to diversification?

Nishikawa: Well, first of all, retailing-related diversification as an extension of what we have been doing so far; second, diversification into service-related businesses; third, diversification into information-supplying businesses; and fourth, mail-order sales, that is, sales on the basis of catalogs and samples.

"Imported products are estimated to account for 20% of total sales of large chain stores"

Q: Japan's retailing businesses are internationalizing their operations, but I believe their activities are still in the initial stages. Will they expand in a big way hereafter?

Nishikawa: Large chain stores already handle a considerable volume of imported goods. Some of them have production plants in foreign countries, where the products are made and then imported into Japan. The local overseas manufacturers are informed of what goods are required and provided with the necessary technology to produce them.

Regionally speaking, most of the plants are located in Asia, in countries such as South Korea, Taiwan, China, Hong Kong and Singapore. They produce mainly food and clothing, from underwear to fashion items. The rest are sundry articles.

In the case of the large chain stores, imported products are estimated to account for 20% of their total sales. A mission to promote the import of foreign products into the Japanese market was dispatched by the Ministry of International Trade and Industry to the United States and Europe. Store executives from our industry also participated in this mission.

Q: There is continuing trade friction between Japan and the West. Are the chain stores playing a role in expanding imports?

Nishikawa: Yes, I think so. When President Reagan visited Japan for talks with Prime Minister Nakasone in November 1983, I was invited to the welcoming reception as the representative of the Japan Chain Stores Association. The contribution of the large scale chain stores toward increasing imports must have been highly evaluated.

"Eventually, robots will probably be used in retail stores"

Q: With the development of electronics technology, there will be greater use of new media. How will the retailing industry be affected?

Nishikawa: The progress of technology is so rapid that I'm not sure how far it will go. We are at the stage of mere conjecture. Since the Japanese mind accepts new things very readily, more readily than generally expected, I believe the new media will quickly enter homes. CATV will also develop from a one-way to a two-way system. It will then become possible to obtain the desired shopping information whenever required.

At our store, we are now experimenting with a system in which 50,000 items are stored in a video disc. The customer operates a terminal instrument which displays the products on a screen. If such a system were installed even in small stores, it could offer a large variety of goods to customers.

Eventually, robots will probably be used in retail stores. I'm looking forward to the progress of technological innovations. In any case, the retailing industry will undergo a major transformation. ●