cult for it to retain its position as Japan's third-largest automaker. In the end, the company still had to go out and build its own sales network, years after its competitors had already established themselves in the American market.

The biggest reason for Mitsubishi Motors' present overseas campaign is to recoup lost ground. But problems remain. Take MMC's relationshiip with Hyundai, for example. When the sharp appreciation of the yen made it economically feasible to import into Japan cars assembled in labor-cheap Korea, Mitsubishi announced it would market Pony Excels starting in 1989. A labor dispute at Hyundai disrupted the production schedule, however, and in the end Mitsubishi imported only 150 Excels to commemorate the Seoul Olympics. In connection with Mitsubishi's imports of the Pony Excel, Hyundai has asked MMC to reduce its own exports of Mirage cars to the U.S. Furthermore, as the yen's appreciation has sent import prices for car components soaring, Hyundai has been moving to raise the domestic content of its cars and is going to cut back on procurement from Mitsubishi Motors.

The tie-up between Mitsubishi and Hyundai began as a relationship between equals. It materialized out of talks between Hyundai Group Chairman Chung Ju-Yung and MMC Chairman Tomio Kubo in 1981 when the Korean economy was still in the doldrums. In order to conclude the tie-up, both overrode dissenting views in their respective companies. At that time, some people warned that Korean cars would squeeze Japan's U.S. market share if Mitsubishi helped out Hyundai. Mitsubishi, however, concluded there would be no boomerang effect. No one ever imagined that the day might come when they would try importing from Hyundai due to a strong yen.

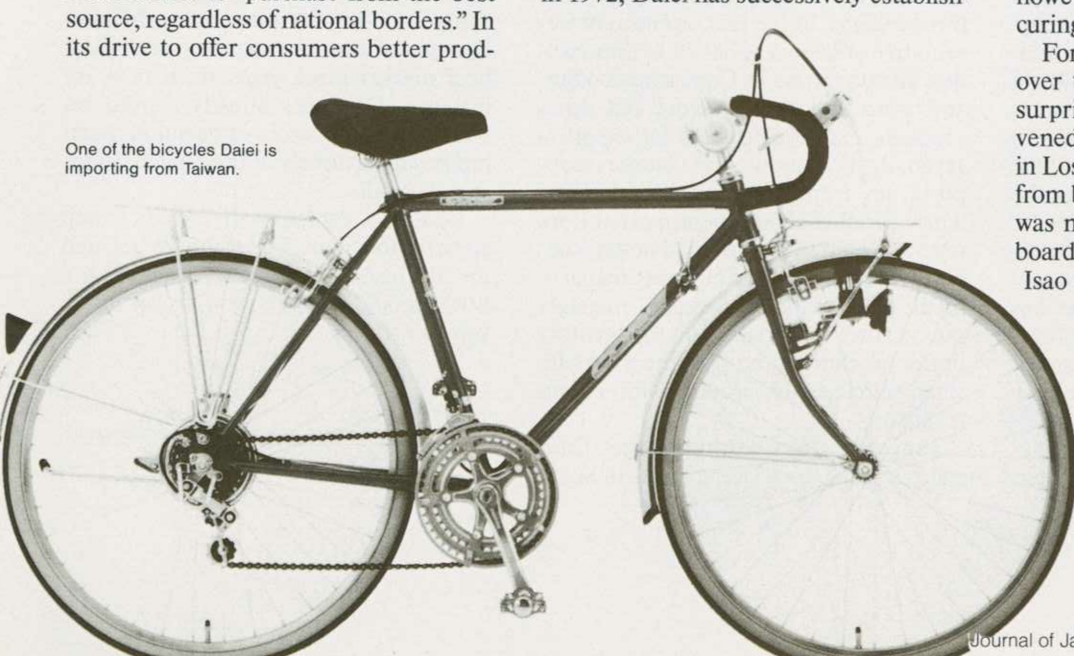
Looking only at production costs, assembly in a cheap-labor country is not really such a money maker if the main components are still made in Japan. The fruits of reverse imports appear only when the overseas partner becomes capable of producing its own low-cost, high-quality automobiles with the help of Mitsubishi technology.

Yet it is open to question whether MMC can continue to invest capital and technology long enough for its overseas partners to grow strong enough to be able to do so. Fostering the abilities of the local automakers with which it does business and finding ways to incorporate them into its global strategy are tasks which will test the strength even of Mitsubishi, the most outstanding corporate group in Japan.

Daiei: Buying the Best

The business policy of Daiei Inc., Japan's largest supermarket chain, has stayed constant for years: "Good products at lower prices for a more affluent society." In line with this corporate slogan, the watchword on the procurement of merchandise is "purchase from the best source, regardless of national borders." In its drive to offer consumers better products at lower prices, Daiei has established a system for finding such products anywhere in the world.

Daiei launched its globalization strategy more than a decade ago. Beginning with a tie-up with Swift & Co. of the U.S. in 1972, Daiei has successively established links with J. C. Penney Co. of the U.S., Victoria Station of the U.S., Au Printemps S.A. of France and K mart Corp. of the U.S. The earlier tie-ups were aimed at acquiring technology and know-how for advancing into new fields. Recently, however, the emphasis has been on procuring goods.



One of the bicycles Daiei is importing from Taiwan.

For anyone who has followed Daiei over the years, this should come as no surprise. In September 1979, Daiei convened a meeting of its board of directors in Los Angeles. Only English was spoken from beginning to end, even though there was not a single foreign director on the board. At the meeting, Daiei President Isao Nakauchi stressed that "from now on, the world will be the stage for our business activities. Until now, only a handful of our staff in the international division have been involved in international business. From now on, as many

Daiei staffers as possible must become international-minded merchants."

In hindsight, that board of directors' meeting in Los Angeles looms as a turning point in Daiei's history. That same year, Nakauchi flew to China to deliver a lecture on the "distribution revolution." He used the opportunity to negotiate the permanent stationing of Daiei staff in China to purchase products there.

Daiei went on to take a succession of similar steps in anticipation of an international age, until today salmon is airlifted in from Canada, asparagus from New Zealand and the United States, and eels from Taiwan. Even the raw ingredients for Daiei's instant *ramen* noodles come from South Korea. Daiei's direct imports from foreign supply sources totaled ¥45 billion in 1979, ¥50 billion in 1980, and have been increasing ever since. Even before the yen's recent rapid appreciation Daiei had 12 merchandise purchasing bases abroad. More than 5% of Daiei's sales of perishables and processed foods come from imports.

A display of Chinese silk blouses. Daiei's strategy puts the emphasis on procuring the best merchandise worldwide.

Prosperity and progress

The rapid appreciation of the yen following the September 1985 Plaza Accord further spurred Daiei's internationalization strategy. Recycling the benefits of the strong yen to consumers is consistent with Daiei's policy of supplying quality products at low prices. It is also in keeping with national policy and helps Daiei's own prosperity and progress. Recognizing the special importance of technological cooperation with Third World countries, Daiei also established an experimental farm in Tianjin in China in cooperation with the Tianjin Municipal Academy of Agricultural Science for the full-fledged production of vegetables for export to Japan. In the past, Chinese vegetables were imported only to meet shortages during Japan's off-season. Now Daiei plans to import 5,000 tons of vegetables annually from this farm within four years. It is supplying the Chinese with large tractors, agricultural chemicals, fertilizer and seeds from Japan.

This is not the only such example. Daiei is also importing radio cassette recorders from China in a tie-up with a firm in Guangdong Province, and bicycles from Taiwan through a tie-up with a local machinery maker. It has commissioned a leading South Korean chemical maker to produce kitchen detergents for marketing in Japan. Convinced that national boundaries have no meaning when it comes to the "best sources of supply," Daiei is importing not only food but electrical appliances, machinery, textile goods and kitchen utensils, mostly from the Asian NIEs.

Last year, Daiei's sales of imported merchandise reached ¥75 billion (about $560 million at the rate of ¥135). The company is confident they will exceed ¥85 billion in fiscal 1988.

To keep goods coming in from overseas sources, Daiei assigns general managers Europe, the U.S. and Asia to supervise the Daiei representatives stationed in the three regions. In the past, overseas representative offices were linked to Merchandise Headquarters in Daiei's head office, and were assigned to scout out novel products and develop them for export to Japan. As the variety and volume of imports has increased, however, deciding which product should be imported from where to gain the greatest advantage has become a vital part of business management. The regional general manager must gather information on the territory under his charge, and plan the most efficient purchase of products for export to Japan.

How does this work in practice? Daiei used to make *arare* rice crackers in South Korea and import them into Japan. Recently, however, inflation has driven up production costs, leading the company to relocate its *arare* production to Thailand. It provided technical guidance to the Thai producer to get production on track. Daiei can make such moves with great flexibility. The general manager in charge of Asia, for example, is stationed in Hong Kong and controls representative offices in Hong Kong, Manila, Seoul, Taipei, Beijing and Bangkok. He can arrange to procure raw materials in Thailand and the Philippines and ship them to Taiwan for processing. In short, he undertakes trilateral development of products for import into Japan, linking raw material producer nations with processing countries, and finally with the importer, Japan.

In time, Daiei hopes to establish a system straddling the whole world. When that happens, fabric produced in Europe could be brought to Asia for sewing into apparel for import into Japan. In anticipation of the liberalization of Japan's beef market three years from now, for instance, Daiei has already started researching new sources of beef and meat-processing channels in the United States and Australia.

Daiei is a company that keeps a step ahead of the times. The company's search for the best supply sources around the world should become even livelier in the years ahead.

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