

Globalization of Large Japanese Retailers and Stages of Their Global Development

Chiwai Cheung

Summary

This paper studies the globalization of Japanese retailers in terms of setting up affiliates or acquiring foreign firms/outlets in comparison with other sectors in the past two decades. It goes further to analyse the global strategy status of fifty big retailers by a modified Porter's model on strategic management of multinational companies: with four components (total and financial, personnel, merchandise sourcing, and marketing management) and seven stages in the process of global development. Results show that Yaohan Japan and Itoh-Yokado are the forerunners (seventh stage), and Isetan and Seiyu are at the sixth stage, and six firms in the fifth, eight in the fourth, twelve in the third, and twenty in the beginning two stages. Comments on the economic and cultural significance of their global strategy, and scenarios of recent developments, and difficulty in linking the stage framework with regional and group revenue status are given.

Keywords: foreign direct investment, globalization, multinational firm, retailer, strategic management.

I Framework of Analysis

In the 1980s the big Japanese retailers made their direct investments rapidly into key cities in Southeast Asia. It was reported in *Nikkei Shimbun* (Nov. 19, 1992) that the total sales space of eleven biggest retailers in Asia and Australia, including their existing and planned floorage amounted to 865,000 square meters. An outstanding example was Yaohan, with headquarters based at Numazu, Shizuoka Prefecture, whose overseas sales space amounted to 296,000 square meters in 1991, overtook its domestic floorage at 196,000 square meters. Their investments appeared in various forms: direct investment, joint venture, listing the company stocks at the stock exchange of host country, merging and acquisition (M & A), or participation in a local company's capital share. The form or style itself of investment is really the corporation's policy, strategic management, or even philosophy. On the other hand, the form that it takes has to conform to the requirements or legal framework of the

host country, and depends much on the openness and readiness in its investment environment, and incentives and taxation policies for foreign investment. And other factors such as country risk, market potential, global or regional trends in world economy are also important.

Various studies have thrown lights into the theoretical constructs of global business and management. Questions are drawn to the corporate structure and organization (Waldman, 1978) and marketing policy and international distribution system (Kaynak, 1988 ; Dunning, 1993). Taking the world automobile makers as an example, Porter (1986) has shown the importance of competition in determining a corporate's global strategy in terms of coordination and configuration of their activities, and decentralization or centralization tendencies of the production system. Financial management and risk minimization in foreign exchange are also seen to be significant factors in determining what activities should be remained at domestic ground or transferred to foreign soils.

Others have worked through empirical studies of individual retailer or distributor : Laulajainen (1992) on Loius Vitton, Cheung (1992) on Japan's Yaohan group, and etc. Edgington (1993) has studied the globalization of Japanese manufacturing corporation and generalized three periods of their global strategies, namely, the linear link-up to Japan in the 1970s, international specialization and mesh strategies in the 1980s, and tetra-polar strategic division of the world into Europe, USA and Southeast Asia in the 1990s.

1.1 Purpose of Study

The purpose of this study is twofold as follows : —

- (1) to analyse the operation of globalization activities of Japanese retailing industry as a whole in the last decade, and compare it with other industries and services ;
- (2) to analyse the stages of global strategic management and location context of the major retailing corporations originated from Japan.

1.2 Methodology of Analysis

This study will include two parts. The first part looks at the globalization of the retail sector by comparing its new foreign direct investment (FDI) with other economic sectors through four different periods since pre-1980 years. It will also provide the regional distribution of these

Cheung : Globalization of Large Japanese Retailers

activities of the recent year 1993. Lastly, the employment situation, or employment effects of Japanese FDI will be analysed. The data is obtained from the annual handbook of Japanese enterprises with overseas investments (Toyokeizai Shimposha, 1993), which is the only source that breaks up “commerce” into wholesale, retailing, and restaurant categories for further analysis.

The second part attempts to establish a framework for analysing different phases of development in the globalization of retailing activities. It first modifies the framework of Porter (1986) for multinational manufacturing corporate activities by including all the support activities (i. e. total management, personnel and labor management, research and development, and sourcing), and the downstream part of the line activities of sales and marketing, but excluding manufacturing (Fig. 1).

With the new framework, the phases of development are considered by the activities of these retailers in three different markets : capital/financial, merchandise supply, and sales (M. Wada, 1985). In the capital market, the phases of global expansion can be seen as, in ascending order, utilizing the loans from foreign banks in Japan, short-term investment into foreign capital market, getting loans or funding from foreign capital market, and investment in foreign firms or vice versa. The merchandise

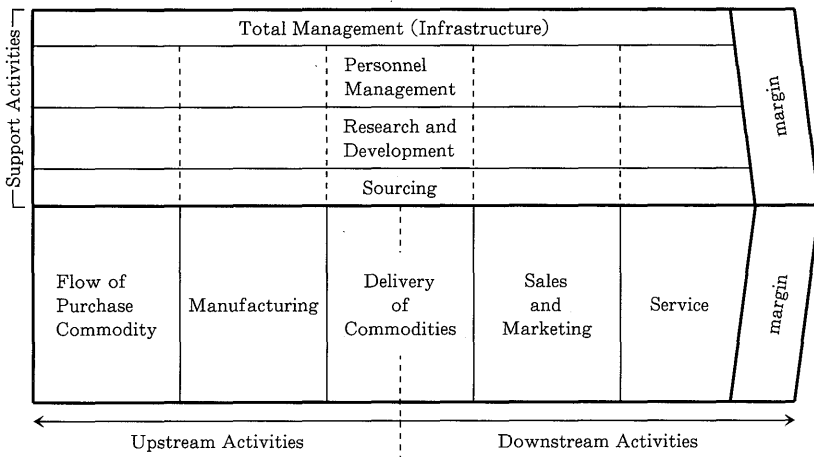


Figure 1 : Porter’s Analysis of Multinational Corporate Activities

supply market gives the phases of merchandise sourcing through sogo shoshas (trading houses), merchandise sourcing and information through overseas branch offices, and lastly similar process through overseas affiliates, or the joint-ventures with foreign suppliers. The sales market is categorized into stages of : supplying merchandise to market through shoshas, direct export to foreign firms, and lastly marketing through the establishment of overseas affiliates or retail outlets. Later Itoh (1993), expanded the number of phases to five, adding the establishment of regional headquarters and diversification of overseas operations into other types of retail patterns, and into different sectors besides retailing.

Along this line of thoughts and recent developments up to 1993, the author attempts to develop a larger framework with seven stages of strategic global management to analyse Japanese retailers. It includes the more advanced states of listing the stocks of local affiliate companies at overseas stock exchange, and move of headquarters to most revenue maximizing or cost minimizing location which may be outside Japan. The date for classification are drawn from the annual reports of listed companies in the first section of Tokyo Stock Exchange for the fiscal year of 1992/93. These companies in the first section are set up with over 1 billion yen in capital outlay and with net assets over 1.5 billion yen, and with regular profits for recent years before they can be listed. The number of retail companies is found out to be forty-eight, and that includes almost all the big retailers. However, the shoshas are not included here as they are wholesalers in nature.

II Globalization of the Retail Sector in Comparison with Other Sectors

What is the significance of retailing sector among others in the globalization of corporate activities? Which period in the past decades shows the greatest growth?

Table 1 shows that 217 retailing firms of different nature, such as department stores, general merchandise stores (GMS), discount houses, convenience store chains, specialty shop chains on clothings or electric appliances, and others, invest overseas directly. It only consists of 1.5%

Table 1 : Japanese Enterprises With Foreign Direct Investments

	Pre-1980	1981~85	1986~90	1991 & after	Total	%
Fishery, Agriculture & Forestry	49	13	44	21	130	0.9
Mining	36	31	36	16	121	0.8
Construction	125	109	201	59	503	3.5
Manufacturing	1,566	589	2,314	630	5,165	36.3
Wholesaling	1,598	665	1,269	379	3,984	28.0
Retailing	64	33	80	36	217	1.5
Restaurant	36	20	60	14	131	0.9
Finance & Insurance	235	186	446	82	964	6.7
Securities & Investments	43	85	302	51	490	3.4
Real Property	51	35	279	36	406	2.9
Transportation	176	112	285	82	670	4.7
Services	167	137	514	155	998	7.0
Stock Share Holding & Others	51	30	270	88	459	3.2
ALL INDUSTRIES	4,197	2,045	6,100	1,659	14,238	99.8

Notes : (1) Only the Japanese foreign direct investments with the equities over 10% are included in the study ;

(2) The enterprises which have retreated or are inactive now, are excluded. The total figure is different from the sum of all periods as the periods of some investments are unknown.

Source : Toyokeizai Shimposha (1993) *Kaigai Shinshutsu Kigyo Soran (Handbook of Enterprises with Overseas Investments)*, pp. 48-61.

of all the firms investing overseas, with major shares at manufacturing (36.3%) and wholesaling (28%).

The 1980s have been characterized by two dramatic rises of yen against the US dollar (endaka), i. e. early and mid-1980s. These two periods of endaka have pushed large, medium and even small Japanese enterprises in starting or deepening their roots or connections overseas. These firms mainly invest overseas for low labor costs, and not only for intensive or unskilled labor, but also for skillful labor, or even research and development brains. Comparing the share of percentages among the four short periods of classification, the retailing sector has a moderate start in pre-1980s with 30% (compared with the same for all industries, also for manufacturing, and 40% for wholesaling in the same period), then 15% in the 1981-85 period (14% for all, 11% for manufacturing and 17% for wholesaling), then 37% for the 1986-90 period of largest growth (43% for all, 45% for manufacturing and 32% for wholesaling), and lastly, 17% for the period of 1991-93 (12% for all, 12% for manufacturing and 10% for wholesaling). The last figure shows the Japanese retailers are still

very active in recent couple of years in starting new investments overseas, compared to other sectors. Perhaps the reason is that the high rates of economic growth which took place in some Asian countries, because of the success in export-oriented industries and service trades, brought up an increasing proportion of middle-income class in their cities, who favor more varieties of commodities, and they readily turn into customers of new GMSs or department stores, or gourmet restaurants.

Table 2 informs us the distribution pattern of Japanese retailers and their affiliates in different regions in the world, 1993. The greatest concentration of their operations, both for marketing and sourcing of merchandise, are at Asia (42%), compared to a concentration of 55% for manufacturing, 39% for all industries, and 27% for wholesaling. Europe is the next region with 27% of the overseas retailing activities originated from Japan, perhaps much more with sourcing of commodities than retailing outlets. This main sourcing relationship may be the same for North America which is ranked as the third region with 23%.

Table 2 : Distribution of these Enterprises and their Affiliated Companies Overseas in 1993

	Asia	Middle East	Europe	North America	Central & South America	Africa	Oceania	Total
Manufacturing	2,845	22	621	1,143	300	34	107	5,165
Wholesale	1,088	26	1,294	1,025	196	12	212	3,984
Retailing	90	—	59	49	4	—	14	217
ALL INDUSTRIES	5,496	80	3,090	3,563	858	142	676	14,238

Notes : Only the Japanese foreign direct investments with the equities over 10% are included in the study.

Source : *Ibid.*

The employment of Japanese retailers in host countries for their operations there are 36,802 persons in 1993. Employment of these retailers hold a share of 1.5%, the same as the percentage for the number of their affiliate companies or branches. The manufacturing sector has a much bigger share in local employment - 70%, compared to the percentage of 36% in the number of affiliates, and the wholesale sector a limited performance of 10%, compared to 28% for the number of affiliates (Table 3).

Table 3 : Employment Situation of Japanese Overseas Enterprises, 1993

	Local Employees	Expatriates from Japan
Manufacturing	1,684,255 persons	18,969 persons
Wholesale	245,103	14,591
Retailing	36,802	925
ALL INDUSTRIES	2,415,909	47,312

Source : *Ibid.*

The share of expatriates from parent company for the retailing sector is 925 persons, 2% among all sectors.

Another data from the 26th Survey on approximately seventy Japanese retailing corporations (Nikkei Ryutsu Shimbun, 1993) give the following results. There are a total of 988 retail outlets (department stores, supermarkets, specialty shops, convenience stores, and etc.) overseas, and 182 branch offices, employing 34,474 local employees. The total annual turnover of all these operations amounts to 328 billion yen in the fiscal year of 1992. Besides, the value of merchandise imported in the same period is approximately 345 billion yen.

III Stages of Their Global Development and Strategies

A conceptual framework of classifying the globalization of Japanese retailing corporations into seven stages are shown in Table 4. The major activities of the corporation related to global strategic management are seen to be total management especially finance management, personnel and labor management, sourcing of merchandises, and sales and marketing (Table 4).

In the globalization process, total management refers to changes in the corporate structure, like new establishment of branches, departments, or outlets, being visible from organization chart, and also finance management. In terms of total management, it shall first be domestic starting with domestic market-oriented strategy, then changed to both domestic and overseas market-oriented, and lastly global market-oriented. The department-in-charge is, at the first stage, the merchandise department

Table 4 : Various Stages of Global Development and Strategies of Japanese Retailing Corporations

STAGES	I	II	III	IV	V	VI	VII
TOTAL MANAGEMENT (esp. Finance, Location of Headquarters & Branches)	Domestic market-oriented strategy operated by merchandise department; finance sourcing from overseas	Domestic & overseas market-oriented strategy operated by merchandise dept.; establishment of overseas branch office	Domestic & overseas market-oriented strategy operated by overseas dept. & establishment of affiliated (finance) companies overseas	as left; acquisition or merging of local companies	Global market oriented strategy operated by regional headquarters, or establishment of affiliated finance companies overseas	In additional to operation of regional headquarters, listing the overseas affiliated companies	Move of headquarters to most revenue maximizing location, restructuring of global offices and affiliated companies
PERSONNEL AND LABOR MANAGEMENT	Nothing in special	Stationing of Japanese staffs, employment of local staffs	Local staff training and education	Training and development of local staffs and middle-rank managers or specialists	Integration of Japanese and local staffs	as left	as left
SOURCING OF MERCHANDISES	Sourcing from sogo shosha or other wholesale trading houses	Sourcing through overseas branch offices (domestic markets)	Merchandise sourcing by overseas affiliated companies	Merchandise sourcing by overseas affiliated companies and local companies (domestic and overseas markets)	as left; aiming at global market	as left; joint development of new merchandises	as left
SALES AND MARKETING	Selling of imported goods	Market research, import and export trade	Overseas outlet development in one single retail pattern	Overseas outlet development in various retail patterns or spread of one single pattern to different nations	Overseas outlet development in various retail patterns and spread of one single pattern to different nations	Conglomeration of retailing, services, and other sectors	as left

Source : Partly adopted from S. Itoh (1993), Retail business, in K. Umetsu, *Global Business*, Sagano Shoin, pp. 117-129.

itself, then changed to overseas department of more integrative responsibilities handling all overseas contacts in nature. At the beginning stages, establishment of overseas branch offices, of overseas retail outlets, and gradually move to M & A of local companies, setting up regional headquarters in key cities overseas, establishment of affiliated finance companies for securing funds, listing of overseas affiliated companies in local stock exchange to increase the company capital without the need to pay interests for loan. And lastly, total management may promote restructuring into a group with holding company at the top, and the headquarters may have to move to the most revenue maximizing (or to a less extent cost minimizing) location when situation favors and allows.

Next, the personnel and labor management shall change itself in the globalization process. The first few stages will be just dispatching Japanese staff overseas, then go on to training and education local labor, development of local middle-rank managers and specialists, to lastly, integration of Japanese and local staffs.

The third component - sourcing of merchandise, shall begin with sourcing through sogo shoshas or wholesale trading companies. Then gradually, it is changed to establishing branch offices, later affiliate companies of their own. The aim of merchandise development then shifts from domestic market to both domestic and overseas in their own entities, and lastly a real combination of both.

The fourth component - sales and marketing comprises of stages of sale of imported goods in the beginning, more involvement in import and export trade, establishing overseas outlet in one single retail pattern, to gradually diversifying these activities. And lastly, various types of activities are conglomerated and adapted to attain benefits from the economy of scope.

Fifty listed enterprises in the retailing sector are classified according to this four-component and seven-stage framework. The results of analysis are limited to more advanced stages of from the seventh to the third, and given in Table 5 with their locational context of their overseas activities. Furthermore, the results of seven-stage classification of the global development are given in Table 6, divided between department stores and GMSs/others.

Table 5 : Selected Japanese Retailers : Their Overseas Outlets or Affiliated Companies as at FY 1992

Cities / States	Y A O H A N	I T O H Y O K A D O	I S E T A N	S E I Y U	M I T S U K O S H I	T A K A S H I M A Y A	J U S C O	N I C H I I	D A I E I	B E S T D E N K I	T O K Y U H K T N	S O G O	D A I M A R U	M A T S U Z A K A Y A	M E I T E T S U H K T N	N A G A S A K I Y A	T A K A Q	7 E L E V E N J A P N	H A N K Y U H K T N	T O K Y U S T O R E	U N Y	H E I W A D O	I N A G E Y A	T O B U S T O R E	D A I I C H I	K A S U M I	I Z U M I	
Hong Kong	4L H		2	1 f	2	1	4	f	f	1	1	1	1	2	f	2				1				f	1			
Macau	1																											
Taipei			1		1	f	1	f	f		S	1			f									S				
Taichung	1																											
Beijing	1			f	f				f							1												
Tientsin									f																			
Shanghai	p		1		1				f																			
Dalian								p																				
Shenzhen	1																											
Seoul				f	f	f	f	f	f							f						t						
Singapore	4 W		5 L		f	1	f		f	1	1	2	1		1	1											f	S
Manila									f																			
K. Lumpur	3		3			1	3					1																
Malacca							1																					
Penang	1																											
K. Kinabaru	1																											
Brunei	1																											
Bangkok	1		2				6				1	2	2							f								
Rangoon														f														
Bagdad														f														
Sydney						1															f							
Melbourne														1														
New York	2			f	1	f			f					f	f													
DELAWARE		H					f							f														
Chicago	1			f					f																			
L. A.	4				f	f		f	f			f	f	1						f								
Fresno	3																											

Cheung : Globalization of Large Japanese Retailers

Cities / States	Y A O H A N I N T, L *	I T O H Y O K A D O	I S E T A N	S E I Y U	M I T S U K O S H I	T A K A S H I M A Y A	J U S C O	N I C H I I	D A I E I	B E S T D E N K I	T O K Y U H K K T N	S O G O	D A I M A R U	M A T S U Z A K A Y A	M E I T E T S U H K K T N	N A G A S A K I Y A	T A K A Q	7 E L E V E N J A P P N	H A N K Y U H K K T N	T O K Y U S T O R E	U N Y	H E I W A D O	I N A G E Y A	T O B U S T O R E	D A I I C H I	K A S U M I	I Z U M I	
S. Francisco	1														1													
Seattle								f																				
TEXAS		A																										
VIRGINIA		A																										
Orland					1	1																						
Vancouver	1																											
Honolulu				f	1			4f			6							A	58									
Sao Paulo						f										2												
San Jose	1																											
Amsterdam			F	F,F	F	F	F	F	F										F		F							
Brussels													f															
Luxemburg		L											f															
Frankfurt				L	f								f															
Dusseldorf				L	f			F																				
London	1				f			f			1	f							f									
Paris		L	f	L,f	1,f	1,f					f	f	1,f	1,f					f									
Lyon													1															
Milano			f		f	f		S			f								f									
Rome					1			S					f															
Barcelona												1																
TOTAL :	H,4L W,23, p	H, 2A, 2L	F, 5L, 1	2F 6f 3L	F 11f	F 8	F 14	F 2S 4f p	F, 4, 14f	F, 2	AS 9	9 3f	7 11f	4 2f	2 f	3 2f	A 3	58	F 5f	f		S t		f	1	f		S

Abbreviations : Numbers for existing retail outlets; and others as follows : -

- | | |
|---------------------------------------|------------------------------------------------|
| A : acquisition ; | M : merging ; |
| f : affiliated purchase office ; | P : planned retail outlet under construction ; |
| F : affiliated financial company ; | S : stock share participation ; |
| H : headquarters or holding company ; | t : technical assistance ; |
| L : listed at local Stock Exchange ; | W : wholesale or merchandise mart. |

Table 6 : Categorizing the Global Development of 50 Japanese Listed Retailers as at FY 1992

	Stage I	Stage II	Stage III	Stage IV	Stage V	Stage VI	Stage VII
Department Stores (Hyakktaten)	Yokohama Matsuzakaya Maruei; Jujiya; Hanshin Hyakktaten; Izutsuya	Matsuya; Marui; Kyoto Kintetsu Hyakktaten	Hankyu Hyakktaten	Tokyu Hyakktaten; Sogo; Daimaru; Matsuzakaya; Meitetsu Hyakktaten	Mitsukoshi; Takashimaya	Isetan	
General Merchandise Stores, Specialty shops, and others	Maruetsu; Life Corporation; Sotetsu Rosen; Chainstore Okuwa; Keiyo; Daiichi Katei Denki; Tostem Viva; Kotobukiya	Kotobukiya; Izumiya; Matsuya Denki; Suzutan	Tokyu Store; Uny; Heiwado; Inageya; Tobu Store; Daiichi; Kasumi; Izumi; Parco; Chujitsuya; Joshin Denki	Nagasakiya; Taka-Q; Seven-Eleven Japan	Jusco; Nichii; Daiet; Best Denki	Seiyu	Yaohan International (Yaohan Japan); Itoh-Yokado

Notes: (1) Data are based on the Annual Reports of retailing companies listed in the First Section of the Tokyo Stock Exchange, FY 1992.
(2) The Yaohan Group International is not listed in Stock Exchange in Japan, but its affiliate & partner Yaohan Japan. The change has been made since the FY 1990 because of its move of the newly established holding company to Hong Kong.

The most advanced stage, i. e. the seventh stage, is attained by two corporations, namely, Yaohan International (listed name as Yaohan Japan) and Itoh-Yokado, both being GMSs in Japan. But for Yaohan, its nineteen retail outlets in Asia are mostly department stores, with four outlets in Hong Kong listed in local stock exchange (1993), thirteen outlets in North and Latin America, and one in Europe. The company caught great attention as in 1990s when it restructured its group and then moved its newly established holding company to Hong Kong. The reasons are many, as mentioned by Chairman Kazuo Wada himself (Wada, 1991). China's market potential, low corporate tax rate in Hong Kong at 16%, and greater cooperation with overseas Chinese connections based in Hong Kong. It has also diversified into wholesaling sector by establishing the International Merchandise Mart (IMM) and regional headquarters in Singapore in late 1980s, and involving in M & A in Chinese restaurants, specialty shops of leather goods, cake shops, and meat processing factory in Hong Kong especially (Cheung, 1992).

Itoh-Yokado is of a different story. It has first learnt franchising practice from the parent company of Southland with headquarters in Texas and then began its operations of convenience store chains quite successfully in Japan. Later, as the parent company got into financial trouble, the Itoh-Yokado Japan has bought the stocks of its parent company and its related affiliates in USA, and set up its new group holding company in Delaware. Its stocks are also listed in the stock exchanges in Luxemburg and Paris, besides Tokyo. It now operates a broad range of retailing activities, including convenience stores, supermarkets, discount stores, department stores, and others like restaurants, processing factories and real estate business.

It is interesting to note that these two corporations (GMS, convenience store chain), but not the department stores, have been so active at the frontier in the global strategic management according to our research findings.

Two firms, namely Isetan Department Store and Seiyu GMS, are classified into the sixth stage of global development. Isetan has set up its finance affiliate in Amsterdam, and listed five of its retail outlets in Singapore in the local stock exchange. Besides, it operates nine more out-

lets in major cities in Asia, and three more branches for sourcing of merchandises.

Seiyu has set up two finance affiliates in Amsterdam, one for Seiyu-European region and the other for the whole Saison Group (distribution and resort development conglomerate) – world region. It also operates one retail outlet in Hong Kong, and five affiliated purchase offices in the world. The Netherlands offers tax haven for certain enterprise activities and also enable enterprises to obtain capital at lowest interest rates there.

Six companies are classified into the fifth stage of global strategy. Mitsukoshi department store operated six outlets and eleven affiliate purchase offices in the world, with the latter concentrated in big cities in Europe. Takashima (department store) operates seven outlets and four affiliate purchase offices overseas. Jusco (GMS) operates fourteen retail outlets (department stores mostly), concentrated in the cities in the Newly Industrialized Economies, and also Bangkok and Kuala Lumpur, and three affiliated purchase offices. Nichii (GMS) has set up its affiliate finance company in Amsterdam, participated in the equities of two other companies in Europe, and it holds four purchase offices overseas, and a new project in Dalian, China. Daiei (GMS), being the biggest GMS chain in Japan, operates four outlets in Honolulu, thirteen affiliate purchase offices over the world, and a finance affiliate company in Dusseldorf. Best Denki, an electric appliances shop chain, operates a finance affiliate company in Amsterdam, and two outlets in Asia.

Eight enterprises are categorized into the fourth stage. They include five department stores, Tokyu Hyakkaten, Sogo, Daimaru, Matsuzakaya, and Meitetsu Hyakkaten; and three GMSs/others, Nagasakiya, Taka-Q, and 7-Eleven Japan, which is an affiliate of Itoh-Yokado but being independent in financial account, has acquired the stocks of fifty-eight convenience stores in Honolulu. Tokyu Hyakkaten has acquired Dragon Seed Company (a chain of two department stores and eight specialty shops) in Hong Kong and participated in equities in Yungji (a chain of three department stores) in Taipei. Taka-Q (men's wear shop) has made an acquisition in Honolulu.

In the third stage twelve enterprises are categorized, including Hankyu department store; and the GMS group of Tokyu Store, Uny,

Heiwado, Inageya, Tobu Store, Daiichi, Kasumi, Izumi, Parco, Chujitsuya and Joshin Denki. Among which Hankyu and Tokyu Store have set up affiliate finance companies in Amsterdam but their strategic management are still mostly domestically oriented. Inageya has held equities in a firm in Taipei, and Izumi in the Yaohan's IMM in Singapore.

Lastly, in the two early stages of global development, the rest twenty companies are included. There are three department stores and four GMSs/others in the second stage, and then five department stores and eight GMSs/others in the first stage, which means they are domestic-oriented in their strategic management.

It is noted that a lot of Japanese multinational retailers have concentrated their activities in Hong Kong and Singapore for their market potential and indeed, some have placed the regional headquarters function of the multinational corporate network there. Besides, some of them have also selected Amsterdam, Dusseldorf, or Frankfurt for finance procurement and other purposes. Hong Kong offers a corporate profit tax at 16%, Singapore at 25% in general but a discounted rate of 10% for enterprises operating regional headquarters or procurement center functions. In comparison, Japan companies have to pay a profit tax rate of 45% in Japan.

IV Concluding Comments

The study has attempted to classify the global development or strategic management of Japanese major retailers into seven stages mainly by their organization set-up, financial management, procurement of merchandises and marketing policies. Several comments can be drawn.

4.1 Need for Further Study

Further study to cross the global strategic framework of the retailers with more quantitative data (e. g., turnover of sales, number of employed persons, area of selling spaces, and etc.) is necessary to establish some theoretical relationships between them. Usually the turnover of retail outlets overseas are difficult to get. Loan procurement or financial management is seen to be an important link, the nature, amount, frequency, and interest rate of loans drawn inside and outside Japan have to

be analysed further to get a better understanding. Finance management is significant because it provides for the large capital outlay in the real estate development or rentals for commercial premises, especially in Japan. Besides, the sectors of department stores and GMSs/others may best be separated with future scenarios for each sector will better answer the implications for strategic emphasis. Furthermore, how the development of stages in global strategy is related to the profit status of parent company is also an important issue that remains to be explained.

4.2 Significance and Expected Roles of Japanese Retailing Investments Overseas

One may comment that the significance of Japanese global retailing activities is not strong in terms of the number of affiliated companies and local employment, a figure of only 1.5% compared to other sectors going overseas. However, the retailing trade has a cultural and symbolic effect upon local population in their display of merchandise and promotion of cultural activities. They present possibilities of adopting different forms of life-styles to local customers at major cities in NIES and Southeast Asia with their show windows and displays. Of course they also present great challenge to the local retailers in how to serve better the needs and desires of the customers and to compete in the market share. Moreover, it is estimated the Japanese retailers may have captured a share of the total turnover over 50% in Hong Kong and Singapore due to the presence. With more and more influence, the major retailers should also be conscious of their significance in culture, with more sourcing or support for good local merchandises, and for preservation of traditional values in the host society. In longer planning, former experiences tell that they have to fit themselves into the local community and play the role of corporate citizen in supporting cultural and welfare activities.

4.3 Trends of Global Strategic Management : Network Relationships and Strategic Alliance

Are the operation strategy of Yaohan and Itoh-Yokado unique ?
Sometimes, enterprises operate in a very unique way.

Yaohan looks to the business opportunities of Hong Kong before and

after its return to China in 1997 (later changed to move its Yaohan International to Shanghai in June 1996), market potential and recent growth of China, and develop her group into a distribution conglomerate. It has other new moves like entering joint-ventures with the Chinese Venture Investment Corporation (CVIC) in opening more supermarkets, claimed to be a hundred in number, in China, besides, hamburger shop chain, shoe-making factory, cellular phone manufacturing and marketing, and large-scale joint-venture in Pudong at Shanghai. It also plans to set up a China business school with bases at Tokyo and Hong Kong to develop more trained manpower with the knowhow of both the import-export business laws and the Chinese language. Moreover, the group is trying to make use of the personal relationship with local business leaders in Hong Kong, and Chinese political leaders for expanding its service trade there. To conclude, its major spheres of activities are four areas: department stores, supermarkets, wholesaling and restaurants. One may observe that, Yaohan, because of great domestic competition and especially at the three major metropolitan regions (Keihin, Keihanshin and Chukyo), has limited choice but spent most of its corporate activities overseas for greener lands. Of course the Big Store Law has also been playing a restrictive role for starting big stores in Japan up till 1993. Yaohan also has projects in Kitakyushu (IMM) and Sapporo (K. Wada, 1991 and 1993).

Seiyu, or the Saison group, on the other hand, has not been so active overseas in terms of operating new outlets outside Japan. It only operates two finance affiliates in Amsterdam, and lists its stocks at three stock exchanges in Europe. The Seiyu Group has developed certain strategic alliance with nine distribution partners in other Asian nations to make cheaper bulk purchase for merchandises and seek for opportunities for further cooperation.

Notes

The study has been reported at the International Conference on "Recent Advances in Retailing and Services Science" jointly sponsored by the Canadian and European Institutes of Retailing and Services Studies at Lake Louise, Canada in May 7-10, 1994. Besides, a Japanese version has also been reported to the Kansai Chapter, Japanese Association of Economic Geographers at Kansai University, late 1994. This is a revised draft but data are not updated to 1996 as the period at 1992-93 has presented the time with most rapid global expansion for Japanese retailers. A second study on the present status including the closures or the retreated will be necessary in the near future.

Acknowledgments

The author likes to thank Professor Masakazu Ueda (Osaka City University), Professor Masayasu Muragami (Kansai University), Professor Yoshimasa Kato (Kobe University of Commerce), Professor Masato Ikuta (Ritsumeikan University), Professor Akinobu Terasaka (Ryutsu Keizai University) and Professor Scott Erickson (Ithaca College, New York) for kindly commenting on the earlier drafts or paper presentations. Needless to say, the sole responsibility and views of the paper remain with the author.

References

- Cheung, Chiwai (1990) : Honkon ni okeru Nippon no Oogata Kourigyo no Shinshutsu (Operations of Big Japanese Retailers in Hong Kong.) In Asian Geographical Study Group, ed., *Ajia no Henbo (The Changing Faces of Asia)*, Kokon Shoin, pp. 149-151.
- Cheung, Chiwai (1992) : The Globalization of the Japanese Yaohan Group : Transformation of a Local Superstore to a World Distribution Conglomerate. In David Huff, ed., *International Dimensions of Commercial Systems*, International Geographical Union Commission on Commercial Activities, University of Austin, Texas, pp. 75-103.
- Edgington, David W. (1993) : The Globalization of Japanese Manufacturing Corporations. *Growth and Change*, Vol. 24 : Winter, pp. 87-106.
- Enatsu, Ken'ichi (1984) : *Takokukigyo Yoron (Essentials of Multinational Corporations Study)*. Bunshindo.
- Enatsu, Ken'ichi, ed. (1988) : *Gurobaruna Kyoso Senryaku (Global Competition Strategies)*. Seibundo.
- Far Eastern Economic Review (1988), Conquering Asian Markets. May 26.
- Ikuta, Masato (1990) : Kuararunpuru Toshiken no Ryutsu Kindaika (Modernization of Distribution Sector in Kuala Lumpur Metropolitan Region). In Asian Geographical Study Group, *ditto*, pp. 136-148.
- Itoh, Shigeo (1993) : Kourigyo (Retail Business). In Umetsu, Kazuo et al., ed., *Gurobaru Bijinesu (Global Business)*, Sagano, pp. 117-129.
- Jones, Ken & Simmons, Jim (1990) : *The Retail Environment*. Routledge.
- Laulajainen, Risto (1992) : Louis Vuitton Malletier-a Truly Global Retailer, *Keizai Chirigaku Nenpo (Annuals of Economic Geographers)*, Vol. 38 : 2, pp. 55-70.

- Laulajainen, Risto & Howard A. Stafford (1995) : *Corporate Geography : Business Location Principles and Cases*. Kluwer Academic.
- Nakagaki, Noboru (1993) : *Gurobaru Kigyo no Chiiki Tokatsu Senryaku (Regional Headquarters Strategy of Global Enterprises)*. Bunshindo.
- Nikkei Shimbun (1992) : *Ajia ni okeru Nippon no Kourigyo Toshi (Japanese Retailing Investments in Asia)*, November 19.
- Nikkei Ryutsu Shimbun (1993) : *Nippon Ryutsu Kigyo to Chugoku Kojin Nettowaku (Japanese Distribution Corporations and Its Chinese Personal Network)*, January 26.
- Nikkei Ryutsu Shimbun (1993) : *Kouri Kigyo no Dai 26 Kai Chosa Kekka (Results of the 26th Survey on Retail Corporations)*, June 29.
- Kaynak, Erdener, ed. (1988) : *Transnational Retailing*. De Gruyter.
- Okurasho (1993) : *Yuka Shoken Hokokusho Soran, 1992/93 (Report of the Accounts of Priced Stocks of Different Companies 1992/93)*.
- Porter, M. E., ed. (1986) : *Competition in Global Industries*. Harvard Business School, Japanese translation by M. Tokei et al., *Gurobaru Kigyo no Kyoso Senryaku*. 1993, 4th ed., Daimondo.
- Sato, Toshio (1995) : *Keizai Kukan no Fuhensei to Koyusei (The Generality and Uniqueness of Economic Space)*, Chuo Keizaiisha.
- Sjoholt, Peter (1992) : *The Internationalization of Wholesaling and Retailing : Selective Branch and Locational Process*. In David Huff, *op. cit.*, pp. 38–55.
- Toyokeizai Shimposha (1993) : *Kaigai Shinshutsu Kigyo Soran (Handbook of Japanese Enterprises with Affiliates Overseas)*.
- Wada, Kazuo (1991) : *Yaohan no Sekai Senryaku (The Global Strategy of Yaohan)*. Mainichi Shimbunsha.
- Wada, Kazuo (1993) : *Chugoku Bijinesu Hokoku (Report on the Status of Chinese Business)*. Keizaikai.
- Wada, Mitsuo (1985) : *Nippon Kourigyo no Kokusaika he no Susume (Recommendation for Globalization of the Retailing Sector of Japan). Shohi-to-Ryutsu (Consumption and Distribution)*, Vol. 9 : 3, pp. 53–63.
- Waldman, Charles (1978) : *Strategies of International Mass Retailers*. Praeger.