

The Business Strategy Research of Japanese Retail Stores Under the E-commerce Environment

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Abstract

With the development and popularization of internet and mobile internet technology, and the expansion of internet users, E-commerce is growing, more and more customers are shopping through the Internet, and online retailing is developing rapidly. The development of E-commerce has caused a great impact on traditional Chinese enterprises, and the traditional entity retail industry has experienced a serious regression. As a result of the impact of e-commerce, Japan's retail stores have also been affected to some extent, but there is no such thing as China's entity store, which has been severely damaged and flagging. Japanese entity stores can cope with the impact of online shopping very well after the adjustment, it still occupies a dominant position in the whole retail business system. E-commerce and traditional physical sales have their advantages and disadvantages. Through the analysis, it is not difficult to find that the emergence of E-commerce has hindered and impacted the customer's potential taste demand, and many consumer needs and preferences cannot be met, which is just the way out for the further development of physical stores. In fact, retail stores and e-commerce are not absolute contradictions, the two are competitive but can complement each other. In Japan, the conflict between retail stores and E-commerce has been solved at a relatively good price. The key to solve this problem lies in the fact that Japanese stores can understand consumer demand in depth., design and sell products for customers' needs, and provide detailed and considerate experience service. The similar business strategy improvement is the secret of the long-term development of Japanese retail industry, which is also what retail enterprises around the world want to learn. In this paper, the author starts with business strategy, analyzes the current situation and environment of E-commerce in Japan, and then studies the characteristics of Japanese retail stores and the strategies to deal with E-commerce.

Keywords

E-commerce, Business Strategy, Retail Stores, Advantages, Disadvantages

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1. Introduction

The purpose of this paper is to start with business strategy, analyze the current situation and environment of E-commerce in Japan, try to reveal the unique business strategy of Japanese retail stores, and study how Japanese retail stores respond to the impact of E-commerce. The rise and development of E-commerce, on the one hand, makes the retail stores face enormous challenges, on the other hand, provides a huge opportunity for the development of the physical stores. The

future of the physical stores has great room for development and improvement. People should break through in the current predicament and seek a new way out. Any customer's consumption behavior originates from customer's demand. Customer's demand and preference guide the development of business. Business must be based on satisfying customer's demand to develop step by step, and then lead customer's demand. Study customer consumption demand and customer shopping behavior can lay a theoretical foundation for the development of retail entity store. To better meet the needs of customers, the way and direction of entity store development

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should be explored. Studying the characteristics of retail stores and E-commerce, and how they deal with the impact of E-commerce, the key to the development of Japanese physical stores could be found out. Overall, the research contents of this paper mainly include: customer demand system, characteristics of retail business system and the characteristics of physical stores and E-commerce, the development status of retail physical stores and E-commerce, the problems of physical stores, the experience and management strategies of Japanese retail stores to deal with the impact of E-commerce.

2. Business Strategy

2.1. The Concept of Business Strategy

Business strategy refers to the relevant measures taken by an enterprise in order to form a competitive advantage and create the space for future survival and development under the external competitive environment, taking into account its own advantages and disadvantages. From this concept, we can see that the external environment and internal conditions of the enterprise will change constantly, and the business strategy of the enterprise will be adjusted in time. The so-called business strategy, specifically, is the use and allocation of human, financial, technological, information and management resources owned by the enterprise's behavior, means and methods of action. Business strategy occupies a very important position in the operation and management of enterprises.

Generally speaking, business strategy has two characteristics:

- (1) Business strategy is support for management strategy. It is a set of measures to respond to environmental change, it is also to choose appropriate means and ways to achieve business objectives under the guidance of a specific direction.
- (2) Business strategy is flexible. Business strategy is a method of action in a specific period and stage. It should be adjusted accordingly with the change of internal and external environment, and be more flexible.

2.2. Analysis and Formulation of Business Strategy

In the process of operation and management, enterprises should constantly formulate, adjust and amend their business strategies. In other words, according to the changes of the external competitive environment, enterprises should combine their own advantages and disadvantages, adopt strategies that can give full play to their advantages and create their survival and development space. The selection and formulation of business strategy has always been an important part of enterprise management. Generally speaking, the following steps should be taken in the formulation of business strategy.

- (1) The analysis of external environment is the basis and the first

step in formulating business strategy. The external environment of an enterprise is neither static nor controllable. Enterprises need to search for relevant information and data through various channels and methods, and make corresponding analysis and prediction, which can lay the foundation for enterprises to formulate correct business strategies.

- (2) To analyze the advantages and disadvantages of enterprises is to analyze their own resources and strength, including tangible resources and intangible resources. By grasping the advantages and disadvantages, we can guide enterprises to foster strengths and circumvent weaknesses in their planning and give full play to their own advantages.

- (3) Analyzing the direction and scope of enterprise management is actually to segment the market according to the internal and external environment and find the space suitable for the enterprise to engage in business activities.

- (4) The guiding ideology of enterprise management is the guiding ideology that the enterprise carries out in the whole process in order to realize the management goal, which is the soul of the enterprise to formulate the management strategy.

- (5) Business objectives refer to the business results that enterprises want to achieve in a certain period according to their business ideas.

- (6) The formulation and selection of business strategy refers to a business plans which are consistent with the guiding ideology and management direction, and then analyzes and compares the plans to select a combination of strategies that can best achieve the business objectives set by the enterprise.

- (7) The implementation of business strategy is the implementation of business strategy, its effectiveness requires the effective allocation of internal resources owned by enterprises to ensure.

- (8) The evaluation and control of the implementation of business strategy refers to the timely evaluation of the effect achieved by the enterprise in the process of implementing the business strategy, confirming whether each step of the implementation of the strategy is effective and reasonable, and timely discovering the factors affecting the implementation effect, and putting forward the corresponding measures that can be improved to ensure the realization of business objectives.

3. Analysis of Consumption Demand and Consumption Characteristics

3.1. Consumption Demand

Consumption demand refers to the consumer's demand and desire for certain consumer goods, which generally exist in the

form of goods or services. Customer's consumption demand is aimed at the product or service which can satisfy the customer's certain psychological or physiological state, and is expressed as the need to obtain the product or service. Customer demand is constantly developing and changing with the development of social economy and the improvement of customer life and consumption level. Customers' consumption demand mainly has the following characteristics:

(1) Hierarchy and development: Customers' needs can be divided into several different levels. Of course, the division methods are different and the levels are different. For example Maslow used the terms "physiological," "safety," "belonging and love," "esteem," and "self-actualization" to describe the pattern through which human motivations generally move. Human needs are constantly developing, the level of economic development and living standards are constantly rising, and people's needs are constantly changing. When one need is met, another new need arises, and the general development of the need is from the lower to the detached, from the simple to the complex.

(2) Differences and diversity: The diversity of consumption demand is mainly reflected in three aspects. First is the extensive consumption demand. Consumers' lifestyles are gradually diversified, and the areas and scope of demand are also expanding. There are many demands for a variety of products or services. Second is a variety of needs for the same type of products. With the continuous evolution of customer demand, there is often demand for other ancillary functions after the basic function of the product is satisfied. Third, there is a latent demand on the same customer individual. The difference of consumption demand is reflected in two aspects. The first is that the same customer will have different value pursuits in different areas of life. The second is that different customers are in different natural and social environments, which naturally lead to different and diverse customer needs.

(3) Purposiveness and inducibility: Customer needs always point to specific goals. When the intensity of consumer demand increases to a certain extent, it will be converted into specific buying behavior. In many cases, the purposefulness of customer needs is often unconscious or subconscious. Enterprises can guide and stimulate customers' buying behavior through a series of marketing activities.

(4) Flexibility and periodicity: Demand elasticity, or demand elasticity, means that customers' demand for a certain commodity or service will change because of external factors such as price, ability to pay, interest rate and so on. Customer demand for many products is also cyclical. But this periodicity is not a repetition of the original needs, but a renewal and change in form and content.

3.2. Current Consumption Characteristics

(1) Personalization and diversification: The rising level of living and consumption leads to increasingly individualized and diversified consumption tendencies. People began to pursue distinctive and differentiated shopping.

(2) Leisure and Sociality: More and more customers are shopping not only for shopping, but also for leisure, relaxation, entertainment and social intercourse

(3) High quality and fashion: Many customers with strong economic capacity will pay more attention to the quality of products and pay more attention to brand and fashion.

(4) Convenience and regionally: The pace of life in a metropolis is fast. People are increasingly interested in ways of saving and shopping that can save time and energy.

(5) Technology and low cost: Online shopping is not limited in space and time, and the price of many goods is lower than that of physical stores.

4. Retail Formats and E-Commerce in Japan

4.1. Retail and Retail Format

Retail is a kind of commercial activity that directly sells products or services to the final consumers for their personal families or organizations or groups, and adds value to the products and services in the process. Retail format refers to the business form of retail enterprises, which is determined by the strategic combination of retail enterprises. Retail format is determined by its different market positioning, market segmentation and target customers.

Generally speaking, retail formats can be divided into two categories: store retail and non-store retail. Store retail is a kind of retail format with a fixed place and space for sale. The display and sale of goods are carried out in stores, and the purchase and consumption behavior of customers are mainly completed in this place. These formats include shopping centers, large supermarkets, department stores, convenience stores, etc. Non-store retailing is a retail format in which a manufacturer or merchant sells and delivers goods directly to consumers rather than through the store. Such formats include online shopping, TV shopping, telephone shopping and so on.

4.2. Advantages and Disadvantages of Retail Stores

Retail stores, as the name implies, are retail stores, there are fixed places and space for the display of goods and sales, and consumer purchasing behavior is mainly completed in this space. Retail stores have the following characteristics:

Multiple formats exist to meet customers' multiple needs; Provide a variety of values (shopping place, shopping experience, leisure space, fashion concept, social experience, one-stop shopping); Chain operation; Differentiated positioning and operation.

Advantages: (1) It enables consumers to get more shopping experience. It can satisfy customers' experience needs and psychological and social needs better. (2) Trading safer. (3) Have established brand advantage. (4) Have a sound distribution infrastructure. (5) The combination of various formats can meet the diverse needs of customers and has a certain ability to collect customers.

Disadvantages: (1) Information transparency is not high. (2) High operating costs and high commodity prices. (3) The display of goods and the consumption of customers are limited by space and business hours. (4) The formulation and modification of prices are not flexible. (5) There are few communication activities with customers, and two-way communication is not timely.

4.3. The development of E-Commerce in Japan

The history of E-commerce is very short, about thirty or forty years in Europe and America, but only about twenty years in Japan, Korea and China. However, in just 20 years, the development of E-commerce in Japan and China has achieved remarkable results, and now the market size has ranked third and second in the world. Especially Japan, which started late, has the most mature E-commerce market and the largest cross-border E-commerce export market in the world. Through the statistics of Japan's Ministry of economy, trade and industry, people can understand the scale of e-commerce in Japan.

Table 1. The scale of Japan's main e-commerce field (Unit: Trillion yen).

	B to C	B to B	C to C
(year) 2015	13.8 (7.6% rise)	288 (3% rise)	Unstatistics
(year) 2016	15.1 (9.9% rise)	291 (1.3% rise)	0.3458
(year) 2017	16.5 (9.1% rise)	317.2 (9% rise)	0.3569 (3.2% rise)

4.4. Advantages and Disadvantages of Online Shopping

Advantages: (1) Cheapness. Online shops offer cheaper prices than physical stores, it can better satisfy customers' demand for low cost. (2) Convenient shopping. Online shopping has no time and space constraints. Consumers can buy goods at any time and anywhere. (3) The information is highly transparent, which is convenient for customers to search and compare prices. (4) The two-way communication between customers and businesses is timely.

Disadvantages: (1) Shopping experience is poor. (2) Retail

formats are single and cannot be diversified. (3) The E-commerce market is guided by the traditional needs of customers, which limits its further healthy development. (4) Consumer groups are fixed and limited. From the age point of view, the main consumer groups of E-commerce are in the age group from 18 to 40 years old. (5) Reputation and payment security are at risk.

5. The Development and operation Strategy of Japanese Retail Stores

5.1. The Development of Japanese Retail Stores

Japan's entity business form is basically imported from the United States. After World War II, Japan changed from a controlled economy to a market economy. Its economic development speed, large-scale industrial production system, consumer goods production capacity, national income and so on all laid the foundation for its introduction of the real form of industry. The introduction of physical business forms in Japan has formed a new form, namely, the combination of American supermarkets and Japanese-style cheap commodities. In the field of retailing, from the perspective of its development process, its general development trend is the coexistence and development of large retail enterprises and small retailers, the combination of centralized development and decentralized development, the coexistence and development of professional retail formats and comprehensive retail formats, and the combination of chain development and the development of international routes. The development of E-commerce has also brought a great impact to the retail entities in Japan. In Department stores, for example, sales at department stores across Japan in 2016 were 597.8 billion yen, according to data from the Japan Department Store Association, which is less than 6 trillion yen in 36-year intervals since 1980. On the basis of the number of existing stores, sales decreased by 2.9% over last year. However, unlike other countries, under the impact of E-commerce, Japan's retail industry has not seen a lot of stores closed phenomenon, some retail enterprises insist on the premise of operating improved operating performance. According to "Nikkei circulation news", the statistics of the top 50 department stores in Japan in 2016 show that the turnover of 29 department stores was higher than that of 2015, among them Shinjuku general store of ISTAN in Tokyo ranked first in the country with 272 billion 400 million yen, an increase of 5.4% over 2015. The second place is Hankyu Department Store Umeda Main Store, its turnover increased by 10.4%. The highest growth rate is 18.1% of the general store of Matsuya Ginza. The turnover of Mitsukoshi Ginza store also

increased by 14.6%. The convenience store industry, Japan's second largest retail format, has been growing for 20 years since 1998. Even in a period of stagnant economic growth after the bubble burst, convenience stores grew far faster than supermarkets and department stores. By the end of 2016, there were 55,636 convenience stores in Japan, with operating income of about 11.45 trillion yen, according to the Ministry of Economy, Trade and Industry. Income from convenience stores in Japan increased from 375.1 billion yuan in 1998 to 709.6 billion yuan in 2016, with a compound growth rate of 3.6%, and the number of stores increased from 32248 in 1998 to 55636 in 2016, with a compound growth rate of 3.08%. Among the 11 convenience stores listed in the top 250 global retail companies, Japanese convenience stores and their agents occupy five seats, accounting for 52% of the total revenue of the convenience stores on the list.

5.2. Business Strategy Analysis of Japanese Retail Stores

(1) Department store industry is becoming high-grade and specialized

ISTAN and Hankyu Department are well-known and large-scale department stores in Japan. Their sales performance has been in the leading position in Japanese Department stores. Under the impact of online shopping and competition with the same industry, the major department stores are gradually changing the way of operation, one after another toward the direction of high-end and personalized development. For example, the Hankyu Department Store Umeda Main Store updated the location of the mall and made it into a theatrical department store. 20% store area is useless in commodity sales, instead, it turns merchandise retail stores into life information exchange stations. Shinjuku general store of ISTAN turns shopping malls into art galleries, pursuing the effect of art galleries, and embodying various artistic elements in commodity displays. The art picture that releases the latest commodity information changes once in 1 to 2 weeks. The idea of visual merchandising is elevated to an artistic level. Foreign tourists think it is a painting exhibition.

(2) Differentiated development of large integrated shopping malls

The common problem in department stores is that if the homogeneity of goods is too high, the performance will definitely decline. So in order to avoid this problem, practitioners in Japanese department stores choose to innovate and change. Take the Seibu Sogo as an example, it has tried to change the traditional display mode of cosmetics area. It breaks up the original independent counters brand, planslipstick areas, cream areas and so on from the perspective of more in line with consumer habits. Customers can try and compare freely and choose to be more diversified. This

concept has been affirmed by the market. The 100-year-old Japanese cosmetics Shiseido, a flagship shop on Ginza Avenue, has opened its stores more closely to women's lifestyles, displaying a mix of different brands of cosmetics and maintenance products. The store is like a beautiful garden for women. In Japan, there are not only department stores specially designed for specific groups of women, but also department stores specially designed for male or middle-aged and elderly customers. This is also an effective competition strategy in the homogenized market.

(3) Regional and convenient retail formats are in good development

Convenience stores, a retail format, have been playing an important role in the development of Japanese retail industry, maintaining an upward trend of development. As mentioned above, at present, there are many convenience stores in Japan, and the largest number of convenience stores is 7-Eleven. 7-Eleven and its agents business income amounted to US \$65.8 billion in 2015. The development of convenience stores in Japan has also gone through several periods. The convenience store business model began in 70s twentieth Century. Since 80s, the proportion of women stepping out of their homes and entering social work has risen. The 24-hour convenience shopping features cater to people's convenience needs, convenience stores at this time has been recognized by the community, it began to expand rapidly and become an important part of Japanese retail industry. Although Japan's economic development began to enter a downturn in the 1990s, the development of small retail formats has not been hindered as other large commercial formats. Convenience store enterprises have been further developed in the 1990s by expanding commodity categories and service types and improving operational capacity. After 2000, convenience stores develop financial services such as bank ATM and so on, and develop their own brands on the one hand, government restrictions on operating categories get smaller at the same time. These factors continue to promote the development of the Japanese convenience store industry, showing a steady upward trend after 2000.

(4) Development of small retail formats

Small retail formats began personalized and differentiated operation. AEON,, a Japanese enterprise, has started developing the "My Basket" of the small food supermarket since 2005. It is the same size as convenience stores, and by April 2014, it had 450 stores, making a single-year profit. This new format is based on the aging of population and the return of population to cities. "My Basket" is characterized by: Fresh food, rice and other ingredients are the main food products; Targeting the elderly population in the vicinity; Prices are much lower than convenience stores, with price advantages; It

can provide customers with convenience and community experience. These advantages are hard to provide by big shops.

(5) The proportion of private brand products is increasing

Large department stores and large supermarkets in Japan basically have their own brand goods. Private brand goods have gradually become an important part of the retail business market. Private brand is a brand owned by retailers. The advantages of commodities are low price, good quality and increasing market share. For example, ISTAN already has plans to officially become a specialty store retailer of private label apparel. ISTAN will analyze the sales of the stores and reflect them in the new merchandise planning to produce more products that customers want. These private brands can help expand the market with high-end luxury brands. And MARUI (Department store) is committed to working with customers to develop new products.

(6) Retail stores effectively respond to E-commerce shocks

The reason why Japanese retail stores can withstand the impact of E-commerce is largely due to the operational advantages of the store itself.

Offline business entity network developed well. The layout of Japanese retail stores is ingenious, densely distributed and well-developed. The shopping of customers is more convenient in space, and at the same time, it can meet diversified needs. The location and characteristics of each entity store are different for customers to choose.

Cooperate with e-commerce, distribute nearby. Japan's convenience stores can help online retailers and package service providers deliver packages by mail and nearby. It can be seen that physical convenience stores are the basis of Japanese E-commerce distribution system, which means that there is no absolute competition between Japanese physical stores and E-commerce system. The two are mutual cooperation and mutual dependence.

Grasp and utilize the advantages of physical stores. The primary reason Japanese customers choose E-commerce is convenience, time and energy savings, and the second reason is that goods are cheap. But at the same time, fake and inferior goods, bad goods, poor service and other reasons are most likely to lead to online shopping disputes. In Japan, the quality of goods is the first choice of Japanese consumers, so it is difficult for E-commerce to play its role in price advantage. Moreover, convenience stores are all over Japan, and customers can shop easily without wasting time and energy, so the advantages of E-commerce cannot be highlighted.

Japanese government levies taxes on E-commerce enterprises, so that the E-trailers will not have obvious price advantage. So in the development of Japanese retail system, it is not

dominated by E-commerce. In China, in order to support the development of small and medium-sized E-commerce enterprises, especially retail enterprises, many E-commerce enterprises and stores have not been taxed, which leads to a big price difference between online and offline. In Japan, a retail business structure dominated by physical shops and supplemented by E-commerce is formed.

6. Conclusions

From the above analysis, we can see that physical stores can meet the diverse needs of customers, including financial needs, functional needs, experience needs, psychological and social needs. Compared with E-commerce, it is a little weaker in meeting customers' needs for low cost and convenience, but better meet consumers' needs for experience, leisure, social and entertainment. E-commerce has a much poorer sense of shopping experience for customers. E-commerce is far weaker than retail stores in meeting consumers' experience, psychology and social needs. But it can better meet the financial needs and functional requirements of customers such as low cost, convenience and technology. From a worldwide perspective, under the impact of E-commerce, the development trend of retail stores in various countries has declined seriously. Japanese retail stores have always insisted on customer first, based on customer needs to change business strategy, improve the level of business operations, always occupy the leading position of the retail industry and guide the healthy and healthy development of the retail business system. This is exactly the way out for physical stores.

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