

〈研究論文〉

Japanese Foreign Direct Investment

– Japanese Retailers in Southeast Asia –*

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I. Introduction

Under the WTO regime, a significant trend of FDI highlighted in recent World Investment Reports¹ has been the shift from manufacturing to services. In 1970, for example, services FDI accounted for a quarter of international FDI stock. In 1990, the share increased to about half, and in 2014, the share of services FDI on international stock rose to 64 percent. Particular services FDI in developing Asia accounted for 70 percent². Japanese companies also have been shifting from manufacturing sector to service sector.

Despite the increase in services FDI over the last decade, the literature on the FDI tends to focus on manufacturing FDI³. Regarding Japanese FDI, an empirical results show that Japanese enterprises tended to choose an economic-oriented rather than a political-oriented city as their investment location, with the consequence being higher survival likelihoods in Shanghai than in Beijing. This location choice helped Japanese firms avoid policy uncertainty and political hazards in China's transition economy⁴.

This paper seeks to present several reasons of FDI

in Asia, especially Southeast Asia by Japanese retail and overview of department stores and convenience stores in Southeast Asia⁵. Chapter II describes five reasons for increasing the investment by retail industry. Chapter III introduce Japanese department stores and convenience stores in Southeast Asia.

II. Five reasons to shift FDI to the Retail Industry

This paper presents five reasons to increase foreign direct investment in Southeast Asia by Japanese retailers.

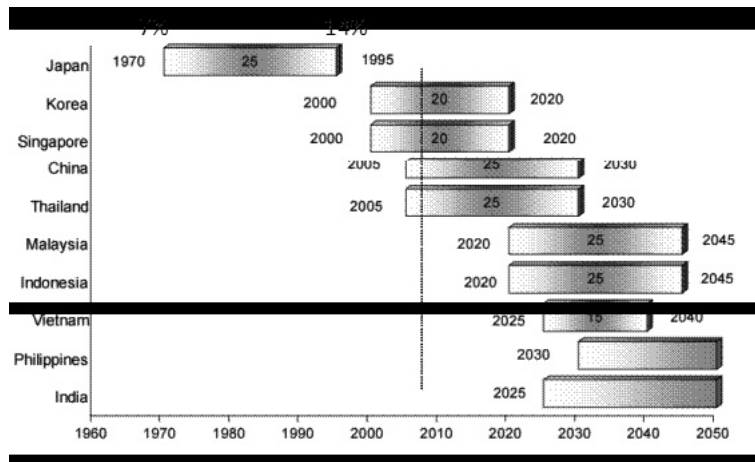
Firstly, Japanese retail market is downsizing because of aging (Figure 1). Although convenience stores exceeded the sales of supermarkets for the first time in 2017, the rate of increase in sales has declined year on year (Table 1). Department store sales are lower than online order sales. Japanese retailers such as convenience stores, supermarkets and department stores would like to invest in Asia regions.

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Figure 1. Aging Speed of Asian Countries



Source: United Nations, World Population Prospects: The 2004 Revision Population Database.

Table 1. Retail Sales in Japan

Units: JPY billions

	Convenience store	YOY	Super market	YOY	Online	YOY	Department store	YOY
2012	9,027	4.4%	9,641	1.0%	5,090	9.0%	6,145	-1.0%
2013	9,388	4.0%	9,484	1.7%	5,410	6.3%	6,217	1.2%
2014	9,735	3.7%	9,874	3.1%	5,860	8.3%	6,212	-0.1%
2015	10,206	4.8%	10,267	3.6%	6,150	4.9%	6,174	-0.6%
2016	10,507	2.9%	10,546	2.6%	6,510	5.9%	5,978	-3.2%
2017	10,698	1.8%	10,648	1.0%	6,940	6.6%	5,953	-0.4%

Notes: The sales data of Convenience stores, Supermarkets and Department stores are in the calendar year. Online data is in the fiscal year starting April.

Source: Japan Franchise Association, New Supermarket Association of Japan, All Japan Supermarket association, Japan Supermarkets Association, Japan Direct Marketing Association and, Japan Department Stores Association.

Secondly, Japanese retailers are driven by the search for new customers, specifically among the middle class in Southeast Asia, where they have the advantage of being able to capitalize on brand equity and business

model.

Thirdly, supply chain supports the backbone of retail business (Figure 2). Adoption of an efficient supply chain between producers and consumers by modern large retailers could reduce average transaction and information costs of market exchange; generate surplus for stakeholders such as producers, farmers, and consumers; expand output; and could thereby contribute to economic growth and net employment gains. Japanese retailers can introduce a highly advanced supply chain and develop local producers and generate externalities.

Figure 2. Value Chain of Convenience Stores

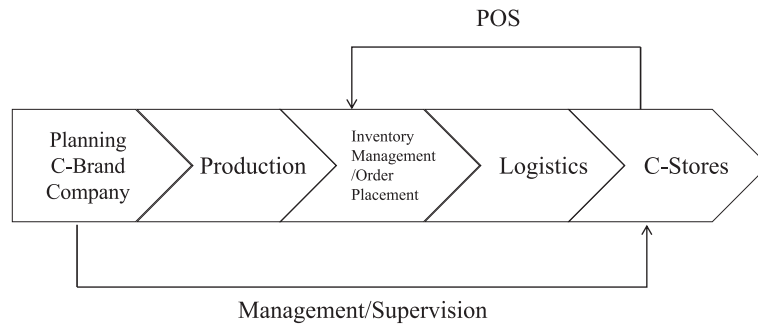


Table 2. Japanese FDI Position in 2006 and 2016 Units: JPY millions

2006	Total	Manufacturing	Non-manufacturing	% of Non-m
Total	534,760	312,317	222,443	41.6%
Asia	128,021	91,800	36,221	28.3%
China	36,052	27,994	8,058	22.4%
Asia ex.China	91,970	63,807	28,163	30.6%
Asia, % of Total	23.9%	29.4%	16.3%	–
China, % of Total	6.7%	9.0%	3.6%	–
Asia ex.China, % of Total	17.2%	20.4%	12.7%	–
2016	Total	Manufacturing	Non-manufacturing	% of Non-m
Total	1,536,091	646,649	889,441	57.9%
Asia	423,638	242,247	181,392	42.8%
China	126,468	82,916	43,552	34.4%
Asia ex.China	297,171	159,331	137,840	46.4%
Asia, % of Total	27.6%	37.5%	20.4%	–
China, % of Total	8.2%	12.8%	4.9%	–
Asia ex.China, % of Total	19.3%	24.6%	15.5%	–
Total, 2016/2006	1.9	1.1	3.0	–
Asia, 2016/2006	2.3	1.6	4.0	–
China, 2016/2006	2.5	2.0	4.4	–
Asia ex.2016/2006	2.2	1.5	3.9	–

Source: Bank of Japan

Fourthly, Japanese retailers are expanding FDI from China to Southeast Asia. They select diversified strategy rather than concentration to China market especially after the China anti-Japanese demonstrations of 2012. The proportion of non-manufacturing industry in direct investment has increased from 41.6% in 2006 to 57.9% in 2016 (Table 2). The share of direct investment in Asia ex. China has increased from 30.6% in 2006 to 46.4%.

Lastly, a large number of inbound tourists to Japan will strengthen brand equity of Japanese retailers and products like cosmetics and toiletries.

III. Japanese Retailers in Southeast Asia

According to the increase of direct investment from Japan, service industry outperforms manufacturing

industry in recent year. However, research in the service industry has not progressed much as compared with research in the manufacturing industry in Japan⁶. Asian researchers are interested in economic impact of FDI⁷.

This paper aims to organize the history of Japan retailers in Southeast Asia and the reasons for their investment in this region.

Regarding Southeast Asia, Daimaru began in Thailand and advanced to Singapore, Hong Kong, and others.

Recently, Takashimaya opened a store in Ho Chi Minh City, Vietnam in 2016, and plans to open a store in Bangkok, Thailand in 2017. In addition, Isetan Mitsukoshi Group is considering opening stores in Manila, the Philippines. Research on overseas expansion

of the distribution industry has been started for distribution business in Europe and the United States. It became increasing as the number of store openings in Asia increased as the distribution business in the West became a multinational corporation. Research on overseas expansion of the distribution industry has been started for distribution business in Europe and the United States. It became increasing as the number of store openings in Asia increased as the distribution business in the West became a multinational corporation.

Although the overseas expansion starts in the Japanese distribution industry from the 1960s onward, there is not much research accumulation except for newspaper and magazine articles. Daimaru has opened stores in Hong Kong in 1960, and in Bangkok, Thailand in

Table 3. Number of Japanese Convenience Stores by Countries

	Seven-Eleven	FamilyMart	Lawson	MINISTOP	Total	Change%
Korea	9,231	0	0	2,462	11,693	7.1%
Thai	10,268	1,134	85	0	11,487	7.1%
USA	8,421	0	2	0	8,423	-1.7%
Taiwan	5,221	3,154	0	0	8,375	2.4%
China	2,599	2,177	1,003	65	5,844	18.0%
Philippines	2,285	66	30	496	2,877	10.7%
Malaysia	2,225	32	0	0	2,257	6.2%
Mexico	1,835	0	0	0	1,835	-2.3%
Australia	675	0	0	0	675	4.5%
Canada	640	0	0	0	640	24.5%
Singapore	393	0	0	0	393	-5.8%
Vietnam	11	160	0	110	281	44.1%
Sweden	187	0	0	0	187	2.2%
Denmark	183	0	0	0	183	-2.1%
Norway	153	0	0	0	153	-0.6%
Indonesia	0	86	36	0	122	-53.6%
UAE	13	0	0	0	13	85.7%
Total	44,340	6,809	1,156	3,133	55,438	-22.7%

Source: Seven-Eleven (2017.12.31), FamilyMart (2017.12.31), Lawson (2017.2.28), MINISTOP (2017.12.31) and Hamamoto Atsushi (2016), "Ajia niokeru nikkei konbini no tenkaiyoukyo", Ajia Keizai kenkyujyo, Niopon-gata Convenience store tojyokokutennkai to hinkonnsakugen.

1964, respectively. Matsuzakaya opened a store in Manila, Philippines in 1966. Since the 1980s, Sogo and Yaohan were developing multiple stores in Southeast Asia and China. Since then, due to the management crisis caused by the nonperforming loan problem in Japan, overseas stores were forced to contract and withdraw.

Recently, inbound tourism to Southeast Asia and China, Japan has increased, and the service balance of Japan is in surplus in 2016. For Takashimaya and Isetan Mitsukoshi, inbound tourists' shopping is also increasing, together with Asian stores, they are enhancing brand power in Asia and synergy effects are expected. Of course, the fact that income in Southeast Asia and China improves due to industrialization and promotion of exports, and Asian branch in Japan's distribution business is deeply involved.

Because Seven Eleven closed stores in Indonesian, overseas convenience stores decreased by 22.7% since one year ago (Table 3). However, Seven Eleven still accounts for 80% of overseas expansion convenience stores. FamilyMart has relative strong network in China, Vietnam and Indonesia.

The fact that the number of Japanese convenience stores is declining in Europe and the US is expected to compete with local Asian companies even in Southeast Asia from now on. We would like to make this a future research topic.

IV. Conclusion

This paper describes five reasons that Japanese retailers investment in Southeast Asia. 1) Aging society in Japan and downsizing Japanese markets, 2) They expect to grow the middle class in Southeast Asia, 3) the development of supply chain, 4) Diversifies strategy

rather than the concentration in China market, 5) Increasing inbound tourists to Japan will strengthen Japanese retailers and products' brand equity.

This paper also mentions the case of Japanese department stores and convenience stores in Southeast Asia. 7-Eleven has the highest share of among Japanese convenience stores. The fact that the number of Japanese convenience stores are declining in Europe and the US is expected to compete with local Asian companies even in Southeast Asia in the near future.

We would like to make competition with local companies and comprehensive case study as a future research topic.

Annotation

- 1 UNCTAD (2015), *World Investment Report 2015*, UNCTAD (2016), *World Investment Report 2016*.
- 2 UNCTAD (2016), *World Investment Report 2016*.
- 3 Ramasamy, Bala, Yeung, Matthew (2010), "The Determinants of Foreign Direct Investment in Services", *World Economy*, Vol.33, No.4.
- 4 Ma, Xufei, Andrew Delios (2007), "A new tale of two cities: Japanese FDI in Shanghai and Beijing, 1979-2003", *International Business Review*, Vol.16, No.2.
- 5 There are some case studies retailers in Southeast Asia. Nguyen, Phuong (2017), "Analysis of retail market in Vietnam Case : Vingroup", Master Thesis submitted to Helsinki Metropolia University, Supasansanee, Latika and Kasiphongphaisan, Patthaveekarn (2009), "Logistics Management in Retail Industry : A case study of 7-Eleven in Thailand", Master Thesis submitted to Jönköping University, Ma, Xufei, Andrew Delios (2007), "A new tale of two cities: Japanese FDI in Shanghai and Beijing, 1979-2003", *International Business Review*, Vol.16, No.2.
- 6 Sato, Yukihiro (2009), "Strategic Choices of Convenience Stores Chains in China: 7-Eleven and FamilyMart, China Information. Vol. 23, No. 1,
- 7 Anh Le Viet (2007), "FDI-Growth Nexus in Vietnam", *Forum of international development studies*, Vol.31.

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