

A New Perspective on the Japanese Distribution System: Structure and Trade Practices*

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This paper surveys the conventional theoretical approaches to the Japanese distribution system, now subject to a great deal of controversy, identifies their shortcomings, and proposes an alternative, more comprehensive approach. In particular, the paper focuses on two points at issue concerning the distribution system, namely, the distributive structure and trade practices, examining how these are perceived by traditional schools of commercial scientists and by a newer breed of applied microeconomists who are gaining influence. A more accurate picture of the system should emerge when it is analyzed empirically from a perspective that is both historically conscious and mindful of strategic actions taken by different players in it; in other words, the perspective of business history.

I. Introduction

The Japanese distribution system, which has been in effect since the end of World War II, is drawing much attention internationally. Our purpose in this paper is to survey the existing theoretical treatises on this system, assess their shortcomings, identify an alternative, promising perspective that should guide our future empirical studies of the system, and specify research themes that need to be addressed. To state our conclusion at the outset, the ‘promising new perspective’ is that of business history. This paper, then, is at once a survey of the existing work on the Japanese distribution system, and an assertion that the methodology of business history can serve as an effective means of analyzing the distribution business in Japan.

The recent renewed interest in Japan’s distribution industry, both in Japan and abroad, was inspired by the industry’s having become an important focus of debate in the Japan–US Structural Impediments Initiative (SII) Talks of 1989–1990. The final report of the SSI Talks listed five measures to be implemented by Japan for improving its distribution system: (i) improvements of import-related infrastructure; (ii) acceleration of import clearance procedures; (iii) relaxing of distribution-related regulations, including those specified by the Large-Scale Retail Store Law; (iv) improvements of trade practices to make the Japanese market more open; and (v) continuous expansion of imports (Tsūshō Sangyō Chōsakai 1990: 58). Among these five measures, those bearing close relevance to and offering some clues for studies on the distribution system are items (iii) and (iv), while items (i), (ii), and (v) are related more directly to the expansion of imports. Underlying the need for relaxing regulations concerning large-scale retail stores mentioned in item (iii) is the distribution structure peculiar to Japan, summarily characterized by ‘an abundance of small, family-run retail stores, and the multiple-layered nature of the wholesale business’ (Nihon Seisanei Hombu 1993: 52). On the other hand, item (iv) addressed a number of behavior patterns characteristic of ‘Japanese trade practices’, such as the resale-price maintenance practice, non-price vertical restraints by suppliers, rebates, return of unsold goods, the dispatching of salespersons, and the coercive collection of contributions from retailers (Tsūshō Sangyō Chōsakai 1990: 78).

*Translated from Japanese by Moriya Fumiaki. Throughout this paper, Japanese names appear in the order of family name first, followed by given name.

Put straightforwardly, the points at issue concerning the Japanese distribution system can be divided broadly into two categories—those related to the distribution structure, and those pertaining to trade practices. In this paper, we will closely examine the conventional arguments about the distribution structure and the trade practices in Sections 2 and 3, respectively. In Section 4, we will probe into a ‘promising new perspective’ that should guide our future inquiries into the topic at hand.

2. The Structure of Distribution in Japan

2.1 Explanations by Tamura Masanori

A number of researchers, both Japanese and non-Japanese, have explored the determining factors behind the Japanese distribution structure, in which retail stores are too many and their average size too small, while wholesaling activities go through multiple stages. Included among the factors pointed out in recent English-language literature as explanations for the abundance and pettiness of retail stores are: (i) consumers’ behavior to purchase goods in small lots and at frequent intervals (Tsurumi 1982; Flath 1990); (ii) the fact that a majority of the small-sized retail stores are run as family businesses (Batzer and Laumer 1989; Patrick and Rohlen 1987); (iii) preferential tax treatments granted to these retail stores (Patrick and Rohlen 1987); (iv) the existence of legal restraints on large-scale retail stores (McCraw and O’Brien 1986; Kuribayashi 1991); and (v) the role performed by these stores as a meeting place for neighborhood residents (Bestor 1989).¹ Besides these factors, some researchers, such as Shimaguchi (1993), point to the cocktail effect of composite factors at work behind the abundance of small retail stores. Moreover, some of these researchers cite the excessive density of small-sized retail stores itself as an explanatory factor for the multiple-layered wholesale structure (Tsurumi 1982; Nariu and Flath 1993).

On the other hand, recent studies on the Japanese distribution structure published in Japanese are far too numerous to be surveyed briefly. We would, therefore, like to refer to Tamura (1986) as one of the most outstanding of the studies by Japanese scholars which try to identify the determinants for the distribution structure in Japan. Far more comprehensive and systematic in its arguments than most of the English-language studies cited above,² Tamura’s book is widely accepted as having set the standard for inquiries into Japan’s distribution system from the perspective of commercial science. Summed up below, then, are major contentions of Tamura (1986: 31–128), which are useful in grasping how the distribution structure in Japan is conventionally portrayed from the standpoint of commercial science.

Tamura asserts that the retail business structure in Japan retains features more reminiscent of those found in quasi- or less-developed economies than in other advanced economies, namely, the excessively high density of retail stores, their small size, and their nature as family businesses. Historically, these features have been typified by retailers of daily consumption goods, particularly beverages and foodstuffs: in the period from 1958–1976, the share of family-run stores in the beverage and foodstuff retailing sector decreased only very slowly (p. 59); in 1960–1979, the density of foodstuff retail stores also decreased slowly (p. 58);³ and in the late 1970s, labor productivity remained low in the

1. The summary here is based on the one by Potjes (1993: 38).

2. It should be noted, however, that the treatises by D. Flath, a close associate of Nariu Tatsuhiko to be referred to later, are fairly systematic.

3. Tamura observes that the ‘very slow rate of decrease in the density of foodstuff retail stores’ is ‘exactly what makes the pattern of emergence of the Ford effect in Japan distinctive internationally’ (Tamura 1986: 54). By the ‘Ford effect’ he means a general tendency ‘common to any society experiencing increases in both the productivity in retail businesses and

retail sector dealing in foodstuffs, beverages and other daily consumption goods (p. 44). According to Tamura, the basic structure of the retailing sector in Japan, characterized by the over-abundance of retail stores, many of which are extremely small and are often run as family businesses, was shaped and/or maintained in the pre-rapid growth period basically by the backwardness of Japanese capitalism, during the rapid growth period by the presence of slack in the retail markets, and in the post-rapid growth period by the presence of institutional mechanisms. The presence of 'slack in the retail markets' here refers to the fact that the growth of the retail markets during the rapid growth period was such that new business opportunities arose at a greater rate than large-sized corporate retailers were able to take advantage of fully and promptly, with the result that smaller-sized retail stores were able to avail themselves of some of the expanding business opportunities (p. 61). By the 'institutional mechanisms' Tamura means institutional restraints on the activities of large retail stores, typically those stipulated in the Large-Scale Retail Store Law (LSRSL) of 1974, which was legislated as a 'new pillar sustaining the Japanese-type retail business structure' (p. 80). Writing in 1986, Tamura asserts that the LSRSL was 'by far the most crucial factor that [had] determined the course of development of the retail industry in Japan over the past dozen years or so' (p. 102).

On the other hand, Tamura sees the determining feature of the wholesale business in Japan as its multiple-layered structure. He asserts that, whereas in the pre-rapid growth period this feature was characterized basically as reflecting Japan's low level of economic development, the picture began to change after the economy was launched on its high growth trajectory. Now the wholesaling sector came to be affected increasingly by interactions between 'two latent forces' (p. 125) or trends, unleashed by the economic growth: (i) a trend toward vertical integration, which, fueled by marketing activities of manufacturing firms, had the effect of simplifying the multiple-layered structure of wholesale business; and (ii) a trend toward expanding the assortment of commodities to be channeled through the distribution system to satisfy the ever diversifying consumer demand, having the effect of intensifying the multiple-layered structure still further. The effects of these opposing trends on the wholesale structure have tended to cancel each other out, and have left its multiple-layered nature basically untouched. The main reason for the perpetuation of the multiple-layered structure, according to Tamura's view, is that the retail sector in Japan, characterized by the over-abundance of retail stores, their pettiness and family-run nature, has rendered the multiple-layered wholesale sector advantageous in economizing on the social costs of wholesaling distribution, allowing it to remain in place during and after the rapid growth period.

We have offered above a fairly detailed overview of Tamura's argument because it represents the views of the distribution structure in Japan harbored by scholars of business economics. Recently, however, alternative explanations about the distribution structure have come into wide circulation.

2.2 Explanations from the Standpoint of Applied Microeconomic Theory

In the wake of the conclusion of the Japan-US SII Talks, a number of studies by scholars of applied economics have appeared proposing alternative explanations about the determining factors behind Japan's distribution structure. As will be examined more closely in Section 3 below, these new studies, represented by Maruyama Masahiro (1992) and Nariu Tatsuhiko (1994), share one common hallmark: all of them use applied microeconomic theory in their attempt to explain the trade practices in the distribution system.

real per capita income over a considerably long span of time', that is, 'the tendency for the density of stores dealing in daily necessities per head of population to decrease, and the ratio of stores dealing in luxurious goods per head of population to increase' (pp. 52-53).

Maruyama summarizes his findings about the determinants of Japan's distribution system as follows:

The dispersed existence of a large number of small retail stores in Japan is closely related to both the behavior pattern of consumers to purchase small lots of goods at frequent intervals and the sales activities of retailers, which, in turn, are respectively conditioned to a large extent by the costs of maintaining stocks at home and the costs of going out for shopping, in the case of consumers, and by the costs involved in placing orders with suppliers and the costs of maintaining inventories, in the case of retailers.

On the other hand, the multiple-layered nature of the wholesale sector is attuned to, and consequent upon, the prevalence of small-sized and diversified retail stores, and as such partly has the effects of reducing the required number of transaction networks and economizing the costs of wholesale transactions ... The fact that wholesale transactions in Japan are generally organized as contractual relationships on a long-term, continuing basis, and that the relationship between the parties to these transactions is characterized basically as one between the seller and the purchaser, allows the distribution system to retain its multiple-layered nature (1992: 279).

Similarly, Nariu asserts:

The existence of a large number of retail stores makes it possible for consumers to purchase small quantities of goods at frequent intervals, thereby to save their costs of shopping and storing. In Japan where the diffusion rate in passenger cars is relatively low, the road conditions are poor, and residential space is at a premium, consumers must bear relatively larger costs of shopping and storing goods in their homes, and are thus bound to be less efficient in the execution of shopping and storage activities, than their counterparts in the advanced countries of the West. On the other hand, Japanese retailers are able to perform their distributive tasks more efficiently than those in the West, thanks to the high diffusion rate in automobiles for commercial use in Japan and the compact nature of the country's land area (which translates into shorter distribution distances). The high density of retail stores in Japan, especially those dealing in daily necessities, is a net result of the fact that the country's distribution system has adapted itself efficiently to the peculiar social and economic surroundings, by shifting the burdens of carrying out the distributive tasks from the relatively inefficient consumers to more efficient retailers. As such, the high density of retail stores is not necessarily a reflection of cultural or historical factors peculiar to Japan, nor is it a manifestation of the backwardness of the Japanese retail sector.

... The distribution channel in Japan, especially the one for daily necessities, is somewhat longer than that in the United States. This can be explained by the fact that Japan's distribution system, having adapted itself efficiently to the social and economic climate, entails a large number of retail stores, especially those dealing in daily necessities. And in shipping goods to a large number of widely dispersed retail stores, indirect physical distribution is preferred to direct distribution because the former promises to offer greater economies of scale than the latter, reducing transportation costs and supplying a wider assortment of goods. The net result of this is the large number of stages involved in the distribution channel (1994: 17).

The basic tenets of the arguments by Maruyama and Nariu are surprisingly similar. (What is more, the passages quoted above are the nucleus of the arguments in which the two authors respectively summarize their observations about the determining factors behind the Japanese distribution structure.) Since the two authors base themselves on the same theoretical framework, it may not be a mere coincidence that their arguments sound so similar. At any rate, it is clear that applied micro-economists invariably ascribe the high density of retail stores in Japan to consumers' behavior

patterns, or their limited capability to perform distributive tasks. They then ascribe the multiple-layered structure of Japan's wholesale sector to the high density of retail stores.⁴

2.3 A Historical Perspective and the '1985 Shock'

One problem that immediately comes to mind upon listening to applied microeconomists' arguments about the Japanese distribution structure is that their approach, unlike the approach taken by Tamura, pays absolutely no heed to the historical factors underlying the structure. Take, for instance, Nariu, who refers to the low rate of diffusion of passenger cars, the less than satisfactory road conditions, the limited space of Japanese residential quarters and the like when he explains Japanese consumers' limited capability to perform the distributive tasks, while citing the narrow land area of Japan (or the short distribution distances) and the high diffusion rate of automobiles for commercial uses as the explanations for the high capabilities of Japan's retailers to perform their distributive tasks. But, all the factors cited by Nariu, except for the limited land space of Japan (or the short distribution distances), have undergone significant changes in keeping with the changes in the Japanese economy since the end of World War II. And yet, Nariu, along with Maruyama, fails to take into account whatever changes have taken place over time in the factors to which he refers. In summary, the attempts at explaining the features of the Japanese distribution structure from the standpoint of applied microeconomic theory, unlike Tamura's treatise, gloss over how the Japanese economic climate has changed from the pre-rapid growth, to the rapid growth, and to the post-rapid growth periods.

The neglect of the changes over time in the basic economic climate would have been less serious than it was, had Japan's distribution structure remained basically unchanged since the end of World War II. In reality, however, Japan's distribution system experienced a violent change, or what is known as the '1985 shock'. The shock is so called because the number of retail stores began to decrease in or around 1985, contrary to the long-held belief that Japan's distribution system was characterized by the presence of an excessive number of retail stores. Let us trace this change by drawing upon Kakeda Yutaka (1993).

Kakeda notes that, as evident from Table 1, the number of retail stores in Japan began to decline, beginning in 1985. Assessing change over three variables of store size, kind of business, and managerial organization type, he notes that stores that decreased most conspicuously were: very small stores with two or fewer attendants, those dealing in foodstuffs and beverages, and 'mom-and-pop' stores, often run as family businesses without regular employees. Kakeda then points out that this decline in the number of retail stores that began in 1985, or the phenomenon known as the '1985 shock', was brought about by both the decrease in the rate of openings of new stores and by the increase in the rate of closures of existing stores (Figure 1). And Kakeda also finds that the decline in the rate of opening of new retail stores was most conspicuous for very small stores when looked at in terms of store size, and for foodstuff and beverage stores when looked at in terms of business categories (Table 2).

Thus, Kakeda's analysis points out that the 1985 shock can be characterized primarily as a phenomenal decrease in the number of very small retail stores dealing in foodstuffs and beverages,

4. In explaining why the high density of retail stores leads to a multiple-layered wholesale structure, both Maruyama and Nariu take recourse to the principle of minimization of the number of transactions, or the principle concerning economies of scale. These two principles, however, have already been postulated by Suzuki and Tamura (1980) as part of what they assert as the four basic principles for explaining the formative mechanism of the commerce industry, the two other principles being on the condensation and conformity of information, and on the pooling of uncertainties.

Table 1. Retail Stores in Japan, Broken down by Size, Business Category, and Organizational Form, 1970–1994.

Year	1970	1979	1982	1985	1988	1991	1994
Number of retail stores (1,000)	1,471	1,674	1,721	1,629	1,620	1,591	1,500
Breakdown by size (%)							
2 persons or less	63.9	61.1	60.2	57.7	54.0	53.2	51.0
3–4 persons	22.5	24.0	24.0	25.1	26.1	26.2	24.7
5–9 persons	9.6	10.5	10.9	11.7	13.2	13.4	14.8
10–49 persons	3.7	4.1	4.6	5.1	6.3	6.6	8.8
50 persons or more	0.3	0.3	0.4	0.4	0.5	0.5	0.7
Breakdown by business category (%)							
Miscellaneous goods	0.2	0.2	0.2	0.2	0.2	0.3	0.3
Textiles, clothing, and accessories	13.8	14.2	14.1	14.1	14.6	15.1	15.0
Foodstuffs and beverages	48.3	43.9	42.1	41.2	40.4	39.1	38.0
Automobiles and bicycles	4.0	4.4	4.9	5.2	5.5	5.9	6.0
Furniture, furnishings, and fixtures	10.6	10.9	11.0	10.6	10.3	9.9	9.6
Other stores	23.1	26.4	27.6	28.7	29.0	29.6	31.1
Breakdown by organizational form (%)							
Incorporated stores	16.1	22.8	25.3	27.6	31.1	35.5	38.7
Individually owned stores	83.9	77.2	74.7	72.4	88.9	64.5	61.3
Individually owned stores without regular employees	73.8	56.4	58.8	54.5	41.4	42.9	43.4

Source: *Tsūshōsangyōshō* (Ministry of International Trade and Industry), *Shōgyō Tōkei Hyō* (Sōkatsu-hen) (Statistical Table on Commerce: Book on Summary), various annual issues.

often run as family businesses. The question is: why did these stores begin to decrease in number beginning in the mid-1980s? Unfortunately, a plausible answer to the question is not forthcoming even from Tamura's analysis cited above, despite its historically conscious approach. This is partly due to the way Tamura organizes his argument. In assessing the state of things in the post-rapid-growth period, he emphasizes the significance of the LSRSL and other institutional measures so strongly as to make him blind to the fact that significant changes were taking place in the mid-1980s, even though the LSRSL paradigm was still dictating the implementation of public policies at the time.⁵ The absence of any reference to the 1985 shock from Tamura's 1986 book is understandable. But the reason why Tamura, while having convincingly pointed out that the basic features of the Japanese distribution structure can be summarily seen in the features of retail stores dealing in daily consumption goods, particularly beverages and foodstuffs, fails to deal squarely with the 1985 shock in his subsequent work can only be explained by the peculiar way he organizes his discourse.

The most penetrating analysis available thus far of what lay at the core of the 1985 shock is Ishii Junzō (1994), which sheds new light on the family-business nature of small-size retail stores, and

5. Note that Tamura (1992) emphasizes that the Japanese distribution structure began to undergo significant changes in the early 1990s, consequent only upon the relaxation of the LSRSL.

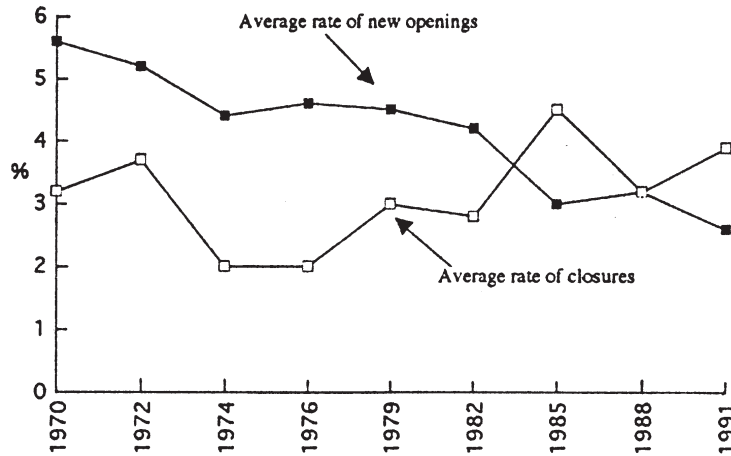


Figure 1. Rates of New Openings and Closures of Retail Stores, 1970-1991.
Source: Kakeda (1993).

Table 2. Number of Newly Opened Retail Stores, Broken down by Size and Business Category, 1970-1991.

Year	1970	1979	1982	1985	1988	1991
Number of newly opened retail stores	65,552	68,890	62,412	48,123	46,073	46,944
Number of newly opened stores by size						
2 persons or less	44,867	43,967	36,879	25,385	21,307	20,827
3-4 persons	11,805	14,338	13,670	12,047	11,977	12,606
5-9 persons	6,010	6,946	7,606	6,864	7,889	8,415
10-49 persons	2,627	3,376	3,989	3,666	4,696	4,871
50 persons or more	243	263	268	161	204	225
Number of newly opened stores by business category						
Miscellaneous goods	107	186	184	124	170	154
Textiles, clothing, and accessories	8,832	11,362	10,775	9,496	10,571	10,945
Foodstuffs and beverages	28,874	27,456	22,805	17,295	15,900	14,301
Automobiles and bicycles	2,446	3,348	3,410	2,810	2,472	3,172
Furniture, furnishings, and fixtures	8,425	7,167	6,223	4,068	3,510	3,389
Other stores	16,868	19,371	19,015	14,330	13,450	14,983

Source: Kakeda (1993). Note: years refer to the ones in which the surveys for the original source, *Tsūshōsangyōshō* (Ministry of International Trade and Industry), *Shōgyō Tōkei Hyō* (Sōkatsu-hen) (Statistical Table of Commerce: Book of Summary), various issues, were conducted. The numbers of newly opened stores for each year are the estimates for the year preceding the year of survey.

Table 3. Retail Stores in Japan, Broken down by Business Category, 1982–1991

	1982	1985	1988	1991
Department stores	461	428	433	455
General merchandising stores	1,507	1,634	1,851	1,924
Clothing supermarkets	606	520	571	618
Grocery supermarkets	4,358	4,707	4,877	5,185
Household goods supermarkets	531	646	949	1327
Convenience stores	23,235	29,236	34,550	41,847
Other supermarkets	58,777	59,643	53,834	67,473
Ordinary retail stores	1,631,990	1,531,820	1,522,687	1,472,394

Source: *Tsūshōsangyōshō* (Ministry of International Trade and Industry), Shōgyō Tōkei Hyō (Gyōtaibetsu Tōkei-hen) (Statistical Table of Commerce: Book of Statistics for Different Business Categories), various annual issues.

identifies both the growing inclination among members of store-owning families to differentiate between the business and the family, on the one hand, and the declining size of store-owner families, on the other, as the main causes of the shock. More sociological than economic, Ishii's analysis is very interesting⁶ and convincing, in so far as it lays bare problems inherent in, or what Ishii calls 'enemies within', very small retail stores.

At the same time, however, there is no denying that Ishii's analysis leaves one important question unexplained, namely, the question of why the 1985 shock manifested itself in the form of a decline in the number of small-sized foodstuffs and beverage stores. A clue to answering this question is offered by Table 3, which reveals, among other things, that the period from 1982 to 1991 saw a steady increase in the number of grocery supermarkets and a conspicuous increase in the number of convenience stores. In discussing the growth in the number of grocery supermarkets in the 1980s, it is important to bear in mind the observations made by Azuchi Satoshi, the pen-name of Arai Shin'ya, president of the Summit Store supermarket chain (Azuchi 1995: 67–68): (i) unlike the original connotation of the term 'supermarket', which means a grocery supermarket, big stores such as Daiei and Itoh Yokado, usually regarded in Japan as typical supermarkets, when classified in terms of types of business operations are closer to department stores than to supermarkets; and (ii) in their early years of development, grocery supermarkets were faced with various constraints posed by wholesale markets in urban centers which were operated in ways advantageous to smaller stores, and by the artisanship of workers engaged in the handling of perishable goods, and it was not until the early 1980s that grocery supermarkets began to establish competitive advantages over traditional meat shops, fish stores, and vegetable stores, by relaxing or overcoming these constraints, and by establishing their own distribution systems. This argument, if accurate, basically answers the question of why the 1985 shock played itself out as it did. More specifically, Azuchi's assertion

6. It is worth recalling a series of observations about family-run retail stores by Tamura: 'Family-run stores are retail stores that cannot be understood by the concept of corporation used in economics' (1986: 41); and 'If family-run stores behave in ways different from what firms are supposed to according to economics, it still remains to be solved as to how the distribution system as a whole, which has these stores as its important constituents, should be theoretically conceptualized' (1984: 33). In the light of these observations, the novelty of Ishii's analysis is undeniably clear.

suggests that as grocery supermarkets systematized themselves, they made it increasingly difficult for operators of small-sized foodstuff and beverage stores active in the same trading area to sustain their operations, and for potential operators to open new stores of this type.⁷

Existing studies have tended to focus on the growth of supermarkets (more specifically, the growth of both big general supermarkets and as-yet-fully-systematized grocery supermarkets), and to conclude emphatically that their growth in Japan did not cause small-sized retail stores, especially those dealing in foodstuffs and beverages, to decline in number.⁸ We should remember, however, that the big stores and small-sized foodstuff and beverage stores do not compete directly in the same trading area. In order to better understand the 1985 shock, therefore, it is imperative that the developments concerning these small-sized foodstuff and beverage stores, the very pivot of the 1985 shock, be analyzed side by side with those concerning their direct competitors in the same trading area, namely grocery supermarkets. Undertaking concrete case studies on the processes by which some of the forerunners among grocery supermarkets, such as Kansai Supermarket and Summit Store, systematized their physical distribution systems, and ascertaining the relationships between the managerial innovations undertaken by these grocery supermarkets in the 1980s and the 1985 shock, will be central to the future research efforts to analyze Japan's distribution system from a historical perspective.

Another fact of possible relevance to the 1985 shock that may be drawn from Table 3 is the phenomenal increase in the number of convenience stores during the 1980s. It is highly plausible to assume that considerably large percentages of the rapidly growing convenience stores must have been opened by new operators who previously would have opened small-sized foodstuff and beverage stores, and by existing owners of such retail stores who shut them down and switched to an alternative and more lucrative form of business. These observations show that in order to convincingly explain why the 1985 shock played itself out the way it did, it is essential that the changes over time in the structural composition of different sizes of retail stores in Japan, including both convenience stores and grocery supermarkets, be analyzed in close connection with the changes in the structural makeup of different types of operations.

3. Trade Practices

3.1 Concerns for the Fair Trade Commission

As pointed out in Section 1, included as part of the agenda on the Japanese distribution system discussed in the Japan-US SII Talks, in addition to the system's distribution structure, were the trade practices in Japan, which are the focus of discussion in this section.

The Japanese trade practices which were found objectionable by the American delegation to the SII Talks were the return of unsold goods, the dispatch of salespersons by suppliers, the resale price maintenance practice, the imposition of non-price vertical restraints, and the coercive collection of rebates and contributions from retailers. These problems are not new, but had been identified many years prior to the SII Talks by the Fair Trade Commission, a branch of the Japanese government, as important objects of its policy. For instance, in one of its earliest efforts to intervene in trade

7. We are concerned here not so much with the quantitative increase in grocery supermarkets during the 1980s, as with the qualitative changes undergone by them. This is why we pay attention to grocery supermarkets rather than to general supermarkets, in spite of the fact that the rate of increase for the former in the period from 1982 to 1991, 1.19 times, was lower than that for the latter, 1.28 times (see Table 3).

8. See, for instance, Tamura (1986: 54-58).

practices, the FTC specified as early as in 1954 ‘certain unfair trade practices to be circumvented by department stores’, instructing department stores to refrain from returning unsold goods to suppliers, and from coercing suppliers into dispatching salespersons as part of the arrangements for *itaku shiire* (consignment purchases).

In its assessment of the trade practices in Japan, the FTC’s primary concern has been neither with the social or historical backgrounds underlying various practices nor with the question of how and to what extent they are rational from the standpoint of the parties concerned, but rather, and singularly, with the question of whether a certain trade practice obstructs competition or not. And the FTC’s attitude has been that any trade practice that is deemed questionable for the economy as a whole (especially for consumers and potential new entrants) can violate the Anti Monopoly Law, regardless of how the practice is rational for the parties concerned. In 1990, the FTC compiled, as part of its response to the SII Talks, a policy guideline entitled ‘Distribution and Trade Practices and Competition-Encouraging Policies in the Future’ (Kōsei Torihiki Iinkai 1990). While stating that ‘the distribution and trade practices have been shaped against a historical and social background’ (p. 1), the guideline observes as follows:

When viewed in relation to market mechanisms, the distribution and trade practices in the Japanese distribution processes are varied. Some are rational from the standpoint of corporate activities and have competition-promoting effects, while others are deemed to obstruct competition. In devising and implementing measures for encouraging competition, it is imperative to exclude the competition-hindering practices while evaluating as much as possible the competition-promoting practices. (p. 13)

As attested to by this passage, the FTC has been concerned primarily with whether a particular trade practice works to hinder competition or not, and has taken action to restrict the practice in question only when it is judged to be obstructive to competition. Put differently, despite its acknowledgment of the need to judge particular trade practices in the light of the circumstances that have led to their emergence as well as the question of whether or not they have any economic rationality, the FTC has taken little account of these factors.

3.2 Explanations from the Standpoint of Applied Microeconomic Theory

The historical and social backgrounds of Japanese trade practices and their economic rationale for the parties concerned—the factors which the FTC excluded from its main focus of attention—have been addressed by a large number of studies, including Ejiri (1979), Pelligrini (1986), Tsurumi (1982), Dodwell Marketing Consultants (1991), Maruyama (1988, 1992), Flath and Nariu (1989), Kurasawa (1991), Itō, Matsushima, and Yanagawa (1991), Miwa (1991), Aruga (1993), Suzuki (1993), and Nariu (1994). Influential among these recent studies, in much the same way as in the case of studies on the Japanese distribution structure noted in Section 2 above, are attempts by applied microeconomists to demonstrate that Japanese trade practices are economically rational.

Applied microeconomic theory, premised as it is on the imperfectness of information, is different from traditional microeconomic theory which presupposes perfectly competitive markets. Its main concern is to identify the economic consequences of ‘the existence of the “asymmetry of information” and “information gaps”, and to examine the roles which the existing modes of trade or institutional setups perform in actual transactions as concrete responses to [those consequences]’ (Maruyama 1988: 9). In this approach, emphasis is first placed on the fact that because economic transactions are characterized by both the uneven distribution of information and the ‘bounded rationality’ of individual actors, the contracts between the parties to a transaction cannot but be imperfect. It is then explained that the problems of adverse selection and moral hazard that derive

from unevenly distributed information can never be fully solved by contracts, which, by nature, are bound to be imperfect. This is where various trade practices come in: they perform, in place of contracts, the role of dealing with the problems of adverse selection and moral hazard.⁹ The most important contribution of this approach to studies on trade practices is that it has demonstrated that different phenomena observed in various markets around the world, such as distribution markets, financial markets, and labor markets, can be analyzed by applying the same universal logic.

It is thus easy to see that, in explaining Japanese trade practices, this approach invariably emphasizes how practices are economically rational, in that they help avert or mitigate the risks that could otherwise result from the imperfectness of information. In the words of Maruyama, the practices of paying rebates and returning unsold goods are ‘means of efficiently allocating [among the parties concerned] what risks might remain uncovered’ (1988: 80).

From the standpoint of applied microeconomic theory, Japanese trade practices are also regarded as a means of coping with externalities, which, along with the imperfectness of information, can disrupt appropriate allocation of resources. Maruyama, for instance, observes that ‘the practices of resale price maintenance and rebate payment can perform the role of internalizing the horizontal externalities, while a selective distribution policy to distribute goods through an exclusive chain of franchise stores can perform the role of internalizing the vertical externalities’ (1988: 114). Itō, Matsushima, and Yanagawa, on the other hand, characterize the practice of paying rebates as ‘a means of incorporating externalities into market mechanisms’ (1991: 139).

3.3 The Importance of a Historical Analysis of Managerial Resources

The applied microeconomic theoretical approach to the Japanese trade practices, with its emphasis that these practices are rational as a means of averting or mitigating risks, or dealing with externalities, is refreshing insofar as it challenges the wisdom of the influential views, typically those expressed by the American delegation to the SII Talks, which condemn outright the Japanese trade practices as problematical. Indeed, a series of recent studies from this standpoint have argued convincingly that the Japanese trade practices, though different from American practices, can be economically rational in their own right under certain conditions. Unfortunately, however, these studies have largely failed to explain through what processes and why the ‘certain conditions’ have come to take on their present features. Here, too, the approach from the standpoint of applied microeconomic theory is found wanting in a historical perspective, the same drawback as pointed out about its treatise on the distribution structure.

Let us take the argument of Kurasawa (1991) as a concrete example. Kurasawa, like many other scholars of this school, essentially equates the practice of *itaku shiire* (consignment purchases) to that of ‘return of unsold goods’.¹⁰ Kurasawa asserts that although the practice of consignment purchases is different from the ‘practice of returning unsold goods’ in terms of the mode of transaction, ‘the difference between the two is obscure when it comes to the question of “economic analysis,” because it is extremely difficult to differentiate between the two as reflecting two separate rational choices’ (p. 217). However, as Takaoka (1997) has demonstrated based on her study of transactions between department stores and suppliers, the practice of returning unsold goods and that of consignment purchase came into wide use in different periods, with the latter replacing the

9. For more detailed applied microeconomic explanations of why trade practices become necessary, see, for instance, Williamson (1985), Tirole (1988), Itō and Matsui (1990), and Milgrom and Roberts (1992).

10. This is also the case with Maruyama (1988) and Nariu (1994), for instance.

former. (We will come back to this point shortly.) The reason why Kurasawa, nonetheless, equates the two practices is because his attention is focused exclusively on the similarities between the economic functions performed by the two, neglecting completely the processes by which the two practices evolved.

To be sure, the approach from the standpoint of applied microeconomic theory may be fairly effective in describing how the ‘practices as they exist now’ are rational. Yet the problem is that Japanese trade practices, even after having been explained as rational in this manner, still remain a source of much concern in Japan and abroad. What is required of us now is to explain the processes by which the Japanese trade practices have taken shape, have undergone changes, and have survived to date, and to do so in close reference to the concrete realities of Japanese society. More precisely, we must elucidate the dynamics of the evolution of the Japanese practices in concrete, not abstract, terms.

In analyzing the dynamics of the evolution of the trade practices, ideas proposed by channel power theory seem to be able to serve as a useful guidepost.

Channel power theory, which was developed in the 1960s based on the behavioral sciences, begins with the interrelationship between the parties to a transaction, and questions the formation of ‘power’, defined as the ‘ability to manipulate the behavior of other constituent organizations’ (Takashima 1985: 203). The theory was enriched through attempts at classifying power bases into several types (i.e. the building of a power-bases model¹¹), and at explaining the causes for the power formation based on the degree of dependence (i.e. the building of a power-dependent model¹²). In the latter half of the 1970s, the channel power theory developed what is known as a resources-dependent power model.¹³ This model ‘pays attention, as does the power-dependent model, to relationships of interdependency, but explains the formation of power, not on the basis of a summarized form of interdependent relationships, but on the basis of interrelationships among various resources’. Takashima notes that ‘its concepts of dependency among resources allows it to overcome the drawbacks suffered by the idea of power-base, which failed to explain both the logic of formation of power and the way in which power has bearing on the relationship of selling and purchasing goods’ (Takashima 1985: 207). The use of this resources-dependent power model makes it possible to describe, for each party to a transaction in a distribution channel, that the way in which it is endowed with managerial resources affects its ‘power’, or ‘ability to manipulate the behavior of other constituent organizations’, and that the power, in turn, affects the way in which the transaction is carried out, namely, the trade practices which govern the transaction. Briefly put, the power channel theory opens the way for explaining trade practices by paying attention to the allocation of managerial resources.

It is our contention that the dynamics of the evolution of trade practices can be analyzed effectively by paying attention to managerial resources, modeling as in the approach proposed by the power channel theory. Focusing attention on managerial resources, among other variables, is meaningful because these are the factors of greatest flexibility for parties to transactions. We would also like to emphasize that analyzing the dynamics of the evolution of trade practices essentially calls for a historical approach. In tackling questions such as what strategic actions various actors of

11. A power-bases model identifies five bases for power, namely rewards, coercion, legitimacy, identification, and expertise (French and Raven 1959: 150–167).

12. For further details about a power-dependent model, see El-Ansary (1975).

13. For further details about a resources-dependent power model, see Pfeffer and Salancik (1978).

transactions, such as retailers, wholesalers, and manufacturers, have taken to acquire the necessary managerial resources, how the managerial resources have been allocated among the actors as a result of their actions, and what sort of trade practices this particular allocation of resources has brought into existence and with what effects, it is crucially important to place these questions in their historical contexts.

Let us return to concrete examples. As pointed out already, Takaoka undertook case studies of the relationships between department stores and suppliers, examining the dynamics whereby the practices of returning unsold goods, consignment purchase, and dispatching of salespersons took root in early post-war Japan (Takaoka 1997). The major findings of her study are as follows.

The post-war economic rehabilitation period in Japan saw general improvements in managerial environments of department stores. In particular, the increasing trend toward westernization of people's life-style, such as the growing popularity of western clothes, accompanied by the rapid spread of ready-made clothes, provided department stores with golden opportunities for growth and expansion. In order to seize these opportunities, long-established department stores in centers of big cities found it imperative to make the best possible use of the invisible, yet very important managerial resources in their possession since the pre-war days, namely, their convenient locations in urban centers and their 'good will'. They needed to take advantage of expanding business opportunities. Furthermore, they wished to expand their operations by renovating, enlarging, or even completely rebuilding their conveniently located stores, and by maintaining and further improving their 'good will', which they had earned by retaining competent sales staff capable of choosing merchandise assortments which would satisfy customers' needs. However, the managerial resources, especially human and financial resources, with which department stores were equipped at the time were far less sufficient than would have been necessary for them to expand rapidly enough to take full advantage of the resources at hand, i.e. the convenient locations and their long-standing good will. They had difficulties, for instance, in recruiting discerning salespersons knowledgeable about, and capable of handling, the ready-made clothes which were increasingly in vogue. In procuring the funds for renovating, expanding, or completely rebuilding their stores in convenient locations, too, they were faced with various policy restraints. In spite of all these obstacles, department stores did manage to outcompete other types of retail stores by carrying better assortments of clothing, because they were able to develop vertical relationships with their suppliers, which helped them make up for shortages in human and financial resources.

Let us examine more closely the typical mechanisms of vertical inter-firm relations with suppliers that department stores made use of in the early post-war economic rehabilitation period as a means of supplementing their shortages in managerial resources. First was the 'system of returning unsold goods', and second, 'using salespersons dispatched from suppliers'. In the 'system of returning unsold goods', the purchaser, after the ownership to the goods in question has been transferred from the supplier, is allowed to return unsold goods to the supplier as the norm, even in the absence of any reason that would normally justify such return. Both systems, returning unsold goods and dispatching of salespersons, had been practiced to a limited extent in the pre-war days, but post-war they came into use far more extensively as a means of making up for the shortages in human and financial resources, and keeping good assortments of clothing so as to maintain and further reinforce the good will of department stores. However, unlike the pre-war system of returning unsold goods, which was 'institutionalized' in the sense that both a department store and a supplier firm shared in the risks involved in accordance with a certain agreed rule, the post-war system was introduced unsupported by any rule explicitly stipulating how the risks should be shared by the two parties, and was thus 'non-institutionalized'. As this eventually aroused the objections of suppliers, the FTC felt

obliged to intervene, imposing official restraints on specific transactions of department stores in 1954, as pointed out in Section 3.1. The imposition of these special restraints caused a shift from *kaitori-shiire* (buy-up purchases) accompanied by possible returns of unsold goods by a purchasing department store to *itaku shiire* (consignment purchases),¹⁴ but this switch at first did not carry much significance for department stores, because both ‘non-institutionalized returns of unsold goods’ and ‘consignment purchases’ produced much the same effect of making up for the shortages in their human and financial resources.

Consignment purchases by department stores, which carried a greater burden of risk for suppliers, were less advantageous for suppliers than buy-up purchases. Suppliers opted to accept the arrangements for consignment purchase despite its disadvantage to themselves, because they judged the resources of good will and convenient locations enjoyed by department stores to be sufficiently attractive to justify their making certain concessions in their dealings with department stores.

It was also true, nonetheless, that in a certain sense suppliers welcomed the adoption of consignment purchases by department stores. It was a matter of urgent necessity for them to establish an acceptable rule of transactions with department stores to bring an end to the ‘non-institutionalized’ post-war practices of the return of unsold goods which were prone to be used in a very opportunistic way, and which, if left unchecked, could threaten to shake their own operations to the foundations. Increased mark-ups that would result from the shift from the practice of buy-up purchases to that of consignment purchases were also attractive to suppliers.

Though welcomed by both department stores and suppliers as more or less reasonable, the consignment purchase system, with the passage of time, began to produce effects significantly different from those it was originally expected to produce. More specifically, this system did prove effective in making up for the shortages in department stores’ human and financial resources in the short run, but over the years it caused department stores to suffer from declining profits-to-sales ratios and from deterioration of their merchandising expertise, tipping the balance of bargaining power in the transactions between department stores and suppliers in favor of the latter. Suppliers, for their part, dispatched their salespersons to department stores, at first out of necessity to lighten the risk burdens attendant upon the consignment purchase arrangements. Over the years, however, they acquired, through these salespersons, expertise in closely following and anticipating consumer trends, and gradually gained control of the sales operations on the floors of department stores. A number of supplier firms went as far as to establish their own brand-names, and to exercise control over the pricing of the goods they supplied. These developments show that for their decision to

14. Purchases of goods by a department store can be broken down into three methods: *kaitori shiire* (buy-up purchases), *itaku shiire* (consignment purchase), and *uriage shiire* (purchases of goods as they are sold). According to the definitions given in Kōsei Torihiki Iinkai (Fair Trade Commission 1952), a report of investigations published when department stores’ purchasing practices became a social issue for the first time, *kaitori shiire* means a purchasing practice whereby a department store bears all the risks for the goods once it purchases them, *itaku shiire* means a practice whereby only those goods sold are treated as having been purchased, on condition that any risk of damages or losses that may arise after the inspection of the goods upon their receipt by purchasing clerks are borne entirely by the department store, and *uriage shiire* means a practice whereby, as in the case of *itaku shiire*, only those goods sold are treated as having been purchased, but with the condition that any risk of damages or losses that may arise after the inspection of the goods upon their receipt by purchasing clerks are borne entirely by the supplier. It should be pointed out, however, that in the text of the paper, where we are concerned with the question of how the risks are shared by a department store and a supplier, we make no distinction between *uriage shiire* and *itaku shiire*, but instead treat them unilaterally as *itaku shiire* (or consignment purchase), because neither involves any risk of ownership of the goods for the department store. To add in passing, goods purchased by way of *kaitori shiire*, and thus carrying greater risk for the department store, have higher mark-up rates for the department store than do goods purchased by way of *itaku shiire*, thus carrying smaller risk.

depend on suppliers for human resources, the most crucial element for sustaining the most valuable of their managerial resources, namely their good will, department stores had to pay by partially transferring that very good will to suppliers.¹⁵

Kashiyama Junzō of Kashiyama & Co. Ltd., now Onward Kashiyama Co. Ltd., one of the leading apparel suppliers to department stores, offers a vivid first-hand account of these developments in his autobiography (Kashiyama 1981, originally published in 1976).¹⁶ In 1953–1954, his company actively implemented a four-point strategy for boosting its sales to department stores: (i) the consignment purchase arrangements which were introduced in 1953; (ii) dispatching salespersons to department stores beginning in 1953; (iii) supplying clothes made on a semi-made-to-order basis beginning in 1954; and (iv) implementation of stringent financial management, beginning in or around 1954 (pp. 277–279). A late-comer to the business of supplying ready-made clothes to department stores, Kashiyama & Co. Ltd. must have found it imperative to pursue strategies (i) and (ii) in order to expand its sales. However, the following observations by Kashiyama, made in 1976, about the consignment purchase system and the dispatch of salespersons also sound very convincing.

These systems were no more than my own experiences applied to distribution strategies, the experiences which I had accumulated as an employee of a department store, and later, after quitting the job, by making many visits to department stores around the country. The attempt to introduce these systems was unprecedented in 1953. Subsequently, they came to be adopted to such a large extent that they are now the target of criticism in connection with the question of improving transactions in textile goods, and are dubbed as ‘pre-modern systems that force supplier firms alone to bear heavy burdens’. But, those of us in the supplying business believe that they still have many advantages (p. 278).

Kashiyama asserts that dispatching salespersons to department stores is advantageous for suppliers of apparel goods, because by this arrangement ‘we can discern consumer trends, and listen directly to consumers’ views’ (p. 278).

The analytical procedure explained above tries to examine the process by which Japanese trade practices, such as the return of unsold goods, consignment purchases, and the dispatch of salespersons, took root, and to do so by focusing attention on managerial resources possessed by department stores and suppliers in the post-war economic rehabilitation period. As such, this procedure may also be useful in the analysis of trade practices at work between supermarkets and supplier-manufacturers, and between specialty stores and supplier-manufacturers.

One possibility is to probe into the relationships between supermarkets (inclusive of both general merchandising stores, or GMSs,¹⁷ and grocery supermarkets), which grew rapidly in Japan during and after the rapid economic growth period, on the one hand, and manufacturers of processed foods, on the other, by paying attention to their relative endowments of managerial resources. Such an analysis will enable us to explain the circumstances that gave rise to the rebate system. Crucially

15. Our discussion here is focused on the relationship between long-established department stores in the hearts of metropolises and major provincial cities, which had been in possession of managerial resources such as good will and locational advantages since before the post-war economic rehabilitation period, on the one hand, and their supplier firms, on the other. Newer stores which came into existence after the war seem to have been suffering more seriously from shortages in managerial resources, and thus have had to make up for these shortages by depending far more extensively on the practice of consignment purchase and the dispatching of salespersons from suppliers. Suppliers, who were already in the process of establishing arrangements for consignment purchases with long-established department stores, seem to have found it relatively easier and less costly to make similar arrangements with up-and-coming department stores.

16. The autobiography was first published serially in 1976 in *Nihon Keizai Shimbun*, and was later collected in a book.

17. GMSs are equivalent to what Azuchi calls ‘big stores’.

important for such an analysis will be to identify the reason(s) why the development of supermarkets as a new form of retail business, and the introduction of the marketing activities by manufacturers of processed foods, took place almost simultaneously.

Another is to make an inquiry, from a similar perspective, into the relationships between specialty stores dealing in household electric appliances and cosmetics, and the manufacturers of these goods, in the period after the 1953 revision of the Anti Monopoly Law opened the way for the maintenance of resale prices. Such an analysis will shed new light on a wide range of issues including the integration of distribution systems, the resale price maintenance system, non-price vertical restraints, and the rebate system. Crucially important for such an analysis will be first to differentiate specialty stores into two categories, those incorporated into manufacturers' keiretsu channels, and those which opted to remain independent, and then to divide the stores of the latter category further into two sub-categories, those which subsequently managed to increase or maintain their sales, and those which suffered from reduced sales—namely, to break down specialty stores into a total of three categories. The trade practices between specialty stores and manufacturing firms have often been explained in terms of the peculiar features of the goods concerned, such as electric appliances and cosmetics, but such an approach is unsuitable for answering the question of why three different types of specialty stores exist side by side with each other in the same business. Only by probing into the managerial resources possessed by the three types of specialty stores and their supplier firms, and by analyzing the relative significance of such resources, will we possibly answer the question, and moreover specify the reasons why the trade practices between specialty stores and their suppliers have taken on such features as they do now.

To sum up, in analyzing Japanese trade practices it is essential that we pay attention to the managerial resources possessed by the different parties to transactions, and to locate various actions taken by different parties with regard to their managerial resources in a proper historical context. An endeavor to analyze the formative and developmental processes of various trade practices in close reference to the managerial resources possessed by different parties to transactions is indispensable in order for us to start studying Japanese trade practices from a genuinely comparative perspective, and, as such, constitutes an important part of the future research agenda.

4. Concluding Remarks: a New Perspective on the Japanese Distribution System

Our purpose in this paper has been to identify a promising new perspective that should guide our future empirical studies on the Japanese distribution system, and specify research themes that need to be addressed. The distribution structure and the trade practices are, by nature, mutually interactive and closely related to each other. Driven by the need to specify research themes worth tackling, however, we have chosen to deal with them separately. In lieu of a conclusion, we would like to summarize our view on important research themes with regard to the distribution structure and trade practices, and note the analytical perspective from which they should be approached.

In order to further studies on the Japanese distribution structure, characterized by an overabundance of retail stores which are generally very small in size and by multiply layered wholesale dealers, it is essential that we examine the changes over time in retail stores in Japan as broken down by both size and type of operations, while firmly maintaining a historical perspective. A concrete research undertaking of importance is to shed light on the '1985 shock' (or the phenomenon of a decline in the number of small-sized retail stores dealing in foodstuffs and beverages, that began in 1985), and to empirically analyze the two developments that were closely related to the shock,

namely, the systematization of grocery supermarkets, and the rise of convenience stores. We now have some pioneering studies on the rise of convenience stores (e.g. Kawabe 1994; Yahagi 1994), so it will be especially important to study grocery supermarkets in close reference to the strategies pursued by supermarket chains such as Kansai Supermarket and Summit Store.

In order to further studies on Japanese trade practices, including the practices of returning unsold goods, dispatching of salespersons, payment of rebates, resale price maintenance, and non-price vertical restraints, it is essential to pay attention to the managerial resources possessed by various parties to transactions, and to the interrelationships among these resources, clarifying how the interactions among different parties to transactions with their varying managerial resource endowments led to the emergence of various trade practices. Concrete research undertakings of possible importance will be: (i) to examine the relationships between department stores and suppliers in the post-war economic rehabilitation period, analyzing in particular the practices of returning unsold goods, consignment purchases, and dispatching of salespersons; (ii) to examine the relationships between supermarkets (inclusive of both GMSs and grocery supermarkets) and supplier-manufacturers during the rapid growth period, and thereby elucidate the evolution of the rebate system; and (iii) to examine the relationships between specialty stores and supplier-manufacturers in the period following the 1953 revision of the Anti Monopoly Law, probing into the circumstances that gave rise to the resale price maintenance system and non-price vertical restraints. In undertaking these studies, it will be crucially important to pay close attention to the strategic behavior of each party to the transactions.

In recent discussions on the Japanese distribution system, explanations of it from the standpoint of applied microeconomic theory are gaining much influence. However, one representative work of this school, Maruyama (1992), admits in the closing chapter that ‘the book has shortcomings’, one being that its historical analysis is less than satisfactory, and another its failure to probe deeply enough into the managerial strategies pursued by firms active in the distribution industry (pp. 282–283). Indeed, as we have demonstrated in this paper, both remaining always historically conscious of and paying full attention to strategic actions taken by different parties to transactions constitute the core of the new, alternative analytical perspective that is indispensable for gaining a fuller understanding of the Japanese distribution system. In summary, what is called for is an approach that makes use of the methodology developed by business historians.¹⁸

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18. Conceivably, the future research themes of possible importance identified in the paper may be dealt with by means of methodologies other than that of business history. And yet, it is crucially important that studies on these themes, regardless of whatever methodologies they employ, should focus their attention on strategic actions of the parties to transactions, and place them in proper historical context. In light of this, we believe that the methodology of business history is by far the most appropriate.

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