British Retail and Its Influence on the Development of the Private Brand Strategy at Daiei, Inc.

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This study investigates how Daiei, Inc. (henceforth “Daiei”), Japan’s biggest retailer between the 1970s and the 1990s, historically developed its Private Brand (PB) strategy. In particular, this study explores how Daiei developed a new business model of this strategy through a business alliance that spanned the late 1970s and the mid-1980s with well-known British retailer, Marks and Spencer plc (M&S).

Daiei launched its first PB merchandise in 1961 in the form of instant coffee, jointly developed with a major coffee manufacturer. In the 1960s, it sold its PB products under double brand names with major manufacturers. Furthermore, in the 1970s, Daiei further expanded its PBs to include clothing for gents and ladies and processed foods and gave them original names, such as “Blue Mountain,” “Rollina,” “Christy,” “Captain Cook,” and so on. After the mid-1970s, Daiei started selling generic PB products with minimal functionality. These were packaged plainly and sold at comparatively very low prices. Daiei absorbed the idea of low-price PB business models from American retailers in the 1960s and 1970s, but while these practices worked well enough for the latter, they were not entirely successful in the Japanese market. While looking for a solution, Daiei came across the best practices implemented at M&S in the late 1970s. Daiei succeeded in contracting with M&S, and as a result, earned the exclusive right to import and sell M&S’s original PB products, i.e., the St. Michael merchandise, in 1978. The contract lasted for 9 years (1978 to 1987). In addition to selling St. Michael products, Daiei dispatched some buyers to the London head office of M&S as participants in in-house training courses provided by M&S. These courses introduced them to M&S’s business model of quality-based PB strategy. M&S welcomed them and imparted their business know-how to them.

M&S is one of UK’s oldest and most respected chain stores. Much has been written about the company’s history (Bevan 2007, Bookbinder 1983, Briggs 1984, Rees 1969, Sieff 1987 and 1990). Although many researchers have analyzed the history of M&S, little is known about their business partnership with Daiei. Similarly, many Japanese historians have conducted research on the history of Daiei (Atsumi 2007, Mikuriya 2009, Ohno 2010, Yahagi 1993 and 1996), but the business relationship between Daiei and M&S has not been explored till now. The historical interpretation presented in this study is of great value; it helps fill a blank area in the history of both retailers and provides new viewpoints pertaining to the historical development of Japanese retailers’ PB strategies.

The questions considered here are: (1) How was the alliance formed? (2) What were the details of their partnership? (3) In what way was the alliance significant for Daiei? (4) Did the same significance hold for M&S as well? I examine these historical questions in this study.

Historical materials and in-house references and data were sourced from archival collections pertaining to M&S and Daiei at Leeds University (UK) and the University of Marketing and Distribution Science (Hyogo, Japan), respectively. The latter was instituted by the founder of Daiei, Mr. Isao Nakauchi. The author also interviewed several buyers of Daiei, who were, at the time, directly involved in the collaboration between M&S and Daiei. Moreover, quantitative and qualitative data from these interviews were corroborated against the archival and survey materials. Through these investigations, I was able to build an accurate picture of the value of this alliance.

It may be concluded that M&S’s experience of entering the Japanese market through its partnership with Daiei determined the direction of its future strategy for Asia. They shifted their interests from Japan to Hong Kong, which become the profit center of M&S’s Asian business in the 1980s. With knowledge transfer from M&S, the other partner of this alliance, Daiei, learned a lot about a new concept, namely, the prominent business model of the PB strategy. Until that time, as historians have emphasized, Japanese retailers were influenced only by their American counterparts and imitated their business models. However, this study provides new insights on the topic. It reveals that while Daiei
was influenced by American retailers mainly in the 1960s and the 1970s, they absorbed the model followed by British retailers in the late 1970s and the 1980s. This historical fact clearly demonstrates the critical change in the direction of Daiei’s PB strategy—from concentrating on low prices to emphasizing product quality. Moreover, unfortunately, Daiei did not necessarily succeed in imbibing this new quality-based PB. Therefore, this study also analyzes the structural problems that led to Daiei’s failure in implementing the quality-based PB it learned from M&S.

References
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