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   1) External Analysis: “Threats” and “Opportunities”
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3. Create Your Own “Blue Ocean”!

4. Six Viewpoints to Create Your Own “Blue Ocean”

5. Conclusion
1. Introduction (SWOT and Five Forces)

- **SWOT**: The way to analyze the external and internal environment of the organization from the four viewpoints: 1) Opportunities, 2) Threats, 3) Strength, and 4) Weakness

<table>
<thead>
<tr>
<th>Internal</th>
<th>External</th>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengths</td>
<td>① Leadership</td>
<td>② Harvest / Divest Quickly</td>
<td></td>
</tr>
<tr>
<td>Weakness</td>
<td>③ Niche / Harvest</td>
<td>④ Divest Quickly / Withdrawal</td>
<td></td>
</tr>
</tbody>
</table>

1) Threats and Opportunities
“Threats”

- Aging and Population Dynamics
- Lack of personnel ➞ Weakened Production Base
- Tradition and Maintenance of Resources and Technology
- Hindrance to the Continuous Provision of Daily Service
- Scale Change of Domestic Food-relates Market
- Decline of Regional Traditional Food
- Dilution of Public Understanding for Agriculture and Rural Areas
- Impact of Climate Change

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Source: MAFF, Japan
Five Forces Analysis tells us...

- New entrants/Entry costs • BTE (Eco. of Scale, Differentiation, Regulation, Scale-free cost advantage)
- Used to be Rice, fertilizer • Now, land, Cultivation techniques, Location, How to go out with farmers

- Procurement of production materials and feed ingredients
- The status of each country as “Export Destination” seen from the U.S.

- Local consumers, supermarket buyers, remote consumers
- Price cut, homogenized products, delivery with strict deadline

- Ag products of domestic other origin, imported, and whole new substitutes (item, technology)
- Used to be beef, oranges, now vegetables, fruits, and rice, then temporally domestic favor

- Competition among commercials, other cooperatives, and overseas competitors
- Who is the real competitor?

“Opportunities”

Increasing...

- in global population and food demand
- in people aware of the importance of food and agriculture
- consumption of processed foods and prepared dishes
- in aging and small number children’s market/products
- in purchasing foods by internet
- movement to recognize the value of rural communities
- productivity through progress in science and technology
Future Prospects for Increase Population and Food Demand

![Graph showing population and food demand projections.](image)

Changing Family Type

- **A**: husband, wife, and child(ren)
- **B**: single household

If the family type changes, the required food and eating habits will change!
Future Estimate of Food Expenditure Ratio by Item

<table>
<thead>
<tr>
<th>Item</th>
<th>Actual value</th>
<th>Estimated value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eating out</td>
<td>22.6%</td>
<td>21.7%</td>
</tr>
<tr>
<td>Alcohol beverages</td>
<td>4.5%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Drinks</td>
<td>2.5%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Processed foods</td>
<td>12.1%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Confectionary</td>
<td>12.1%</td>
<td>12.2%</td>
</tr>
<tr>
<td>Oils, fats, and condiments</td>
<td>12.1%</td>
<td>12.2%</td>
</tr>
<tr>
<td>Fruits</td>
<td>11.6%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Vegetable/Seaweeds</td>
<td>9.3%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Milk/Eggs</td>
<td>8.9%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Meats</td>
<td>8.2%</td>
<td>7.9%</td>
</tr>
<tr>
<td>Seafood</td>
<td>7.5%</td>
<td>7.8%</td>
</tr>
<tr>
<td>Grains</td>
<td>6.5%</td>
<td>7.4%</td>
</tr>
<tr>
<td>Meat</td>
<td>6.2%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Seafood</td>
<td>5.0%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Grains</td>
<td>8.3%</td>
<td>9.7%</td>
</tr>
</tbody>
</table>

Source: MAFF-Japan
### Analysis from Industry Structure

<table>
<thead>
<tr>
<th>Stage</th>
<th>Description</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fragmented</td>
<td>Absence of market leader, no economies of scale... closely tied to community</td>
<td>1) consolidation, 2) integration, and 3) changing ownership structure</td>
</tr>
<tr>
<td>Emerging</td>
<td>Overwhelming predecessor advantage</td>
<td>1) Tech leadership, 2) preemption of valuable resources, and 3) establishing customer switching costs</td>
</tr>
<tr>
<td>Matured</td>
<td>Slow growth, many repeaters, slow introduction of new product &amp; services, many foreign competitors</td>
<td>1) improvement of current products &amp; services, 2) cost reduction, quality improvement by process innovation</td>
</tr>
<tr>
<td>Declining</td>
<td>Continuously decrease sales, more threats than opportunities, but still possible to find opportunities</td>
<td>1) leadership, 2) niche, 3) harvesting (reduction of items, cutting small customers, declining services), 4) withdrawal</td>
</tr>
<tr>
<td>Global</td>
<td>Multinational, global, transnational opportunities</td>
<td>simultaneously, multi-country (market), world level optimization, or both...</td>
</tr>
</tbody>
</table>

### 2) “Strength” and “Weakness”
Four Questions for Internal Analysis

- **Economic Value**
  - Is management resources and capabilities possessed adaptable to opportunities and threats?
  - Policy protected part and independent part, value in community

- **Rarity**
  - How many competitors hold agriculture-specific management resources and abilities?
  - Land, production/processing facility, network of farmers, unique weather, soil and culture of land

- **Inimitability**
  - Presence or absence of target management resources. Generally, the existence of goods, business.
  - The essence consists of (1) original historical conditions, (2) route dependency, (3) uncertainty of causality, (4) social complexity

- **Organization**
  - Is your Coop an organization that can fully demonstrate its own management resources and capabilities?
  - Official command and reporting system, management system, compensation system

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**Points of Inside Analysis**

<table>
<thead>
<tr>
<th>Economic Value</th>
<th>Rarity</th>
<th>Inimitability</th>
<th>Organization</th>
<th>Strength/Weakness</th>
</tr>
</thead>
<tbody>
<tr>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>Strong • Sustainable Competitive Advantage</td>
</tr>
<tr>
<td>○</td>
<td>○</td>
<td>○</td>
<td>−</td>
<td>Strong • Unique • Temporary Competitive Advantage</td>
</tr>
<tr>
<td>○</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>Normal • Standard • Competitive Equilibrium</td>
</tr>
<tr>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>Weak • Competitive Disadvantage</td>
</tr>
</tbody>
</table>

**Found out so far... Then, what should be done specifically?**
**Is it enough to compete to create added value? Or not?**
2. Cases: Lessons Learned and Limitations

① JA Tosa-Reihoku, Kochi, Japan

- Position and role viewed objectively from outside
- Story involving regions, curiosity, and ideas
- Branding failure/success process
- Grasping big trend in the world
② Fre-Ai-Hime-Pork, Ehime, Japan

<table>
<thead>
<tr>
<th></th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>region</td>
<td>indifference</td>
<td>Understanding, co-existence</td>
</tr>
<tr>
<td>producers</td>
<td>Self-flow, uneven</td>
<td>Unified raising</td>
</tr>
<tr>
<td>council</td>
<td>Social gathering</td>
<td>Unified rule, standard</td>
</tr>
<tr>
<td>Ken-Noh Ehime</td>
<td>Quality focus only</td>
<td>branding</td>
</tr>
<tr>
<td>Local Feed Company</td>
<td>Supply, price competition</td>
<td>Local production, Eco-production</td>
</tr>
<tr>
<td>Zen-Noh</td>
<td>deal</td>
<td>Co-effort</td>
</tr>
</tbody>
</table>

③ **JA Date Mirai** (Now Fukushima Mirai)

- Confirm prejudice and fantasy
- What to make the “Core” of the brand
- Celebration, justification, transparency, and returns to producers who worked hard
4. JA Biei, Hokkaido, Japan

- Presence or absence of elements to become a brand
- Brand recognition
- Whether the customer is empathized
- Whether it is accompanied by concrete action or not

5. JA Satoura, Tokushima, Japan

- Clear “concept” to say in a word!
- What is a “regional brand”? 
- How to protect a brand?
- How to sustain and boost a brand?
⑥ JA Aichi-Minami, Aichi, Japan

- What is our main agricultural product?
- What are the characteristics of that main agricultural product?
- How is demand trend?
- What should Coop do as a response to change?

Case: U.S. Wine Industry

Fierce competition in 1,700 player. Seven competitive factors.

1. Price per bottle.
2. Phrase indicating package sophistication, luxury, and superiority
3. Mass-marketing
4. Vintage
5. Winery tradition and style
6. Aroma and taste like tannin and oak
7. Variety
At the time, about 1,600 American wineries were supposed to have adopted a differentiation strategy, but actually it looked exactly the same from the viewpoint of consumers. Actually, many of the adults were losing interest in wine. Because wine is wearing a waste, it is hard to buy, it was hard for ordinary people to understand flavor, scent and so on.


3. Creating your own “Blue Ocean”!
Creating your own Blue Ocean, and Swim freely!
(Blue Ocean Strategy)

- "Red Ocean"

Existing competitive market, and many competitors. The more competitors you have, the less profits you have. At the end, all products become commodities...

- Red Ocean’s strategy is “differentiation” or “cost reduction”. These are alternatives, and no compatibility at all. If management wishes to ease, they take low cost approach.

Blue Ocean Strategy

- Strategy for creating (or finding out) the spacious blue ocean where there are no competitors, and to act freely!
  ➞ That’s the way to demonstrate the uniqueness of the area

- Is competition with other business a real purpose?
- Should we aim for “raising incomes of farmers”, “expanding agricultural production”, and “revitalizing the region”?
  If so, should we firmly attract many “potential customers” in the region?
Four Actions to Create Blue Ocean

What factors will change compared with the industry standards so far?

1. **Remove!**
2. **Increase!**
3. **Decrease!**
4. **Add!**

If you do not know what to do of the four actions...

- ★ **Focus on alternative industries/products!**
- ➔ Beer and wine: same drink...
  Why does beer have many times the sales of wine, and is preferred by many people?
- ➔ Then, think about **characteristics of substitutes**
- ➔ What did Australian Casella Wines think of as a new entrant?
For many Americans, wine already had a high threshold as the taste was too complicated.

Casella Wines launched wine (Yellow tail) that was mellow, fruity, and fine unfolding such as innocence. In addition, it cut out tannins, oaks, aging, deepness which was a longstanding competitive factor. Because it shipped without aging, working capital had decreased greatly!!!


Strategy Matrix of Casella Wine

(Decrease)  
Deep taste and smell  
Variety  
Tradition and style of winery

(Remove)  
Technical terms and grade  
Aging  
Mass-marketing

(Increase)  
Price equal to table wine  
Alliance with retail shop

(Add)  
Easiness to drink  
Easiness to select  
Fun and adventure

4. Six Points to Create Your Blue Ocean

1. Learn from Substitute Industries
2. Learn from other strategic group in same industry
3. Learn from Buyers Group
4. Look around the complementary goods/markets
5. Switch from function-oriented to sensitivity-oriented
6. Look over the future


1. Do not repeat the mistake of “Wagyu” brand!
   - Too many regional/local brands
   - Consumers are indistinguishable!
   - There are far more people eating meat...

2. Share Wisdom and Strategy within your COOP!
   - Then, real competition will start

3. PDCA has no meaning if it mistakes how to set P (Strategy)
Order is important to create a strategy

Many strategies fail because they start thinking about prices and costs rather than the benefits of customers.


<table>
<thead>
<tr>
<th></th>
<th>Members</th>
<th>Associate members</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hokkaido</td>
<td>68,984</td>
<td>281,976</td>
<td>350,960</td>
</tr>
<tr>
<td>Tohoku (6pref.)</td>
<td>636,427</td>
<td>383,019</td>
<td>1,019,446</td>
</tr>
<tr>
<td>Kanto (10pref.)</td>
<td>1,159,663(44,257)(68,909)</td>
<td>1,420,695(163,459)(263,278)</td>
<td>2,580,358(207,716)(332,187)</td>
</tr>
<tr>
<td>(Tokyo)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Kanagawa)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East-Japan</td>
<td>1,865,074</td>
<td>2,085,690</td>
<td>3,950,764</td>
</tr>
<tr>
<td>(S.ttl)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(G.ttl)</td>
<td>4,561,504</td>
<td>5,583,859</td>
<td>10,145,363</td>
</tr>
</tbody>
</table>

Understand the people who support Coops, not images! This leads to our own “Strategy” formulation!

Source: MAFF- Japan
Thank you for listening, and enjoy your stay in Japan!