

## **Sustainable Principles : A case-study of AEON/ Japan**

**By Prof.Dr.B.Hallier**

The AEON-Group reflects as well Japanese traditional values as also the principle of the wheel of retail as a driver for innovation. Started in 1758 by Sozaemon Okada today's business got its main input within the last 60 years by the Honorary Chairman Takuya Okada and the present chairman Motoya Okada.

The dedication to Japan becomes most obvious in the change of the company-name from OKADAYA first in 1968 to JUSCO (Japan United Stores Company) – also by the way how that merger happened in a Japanese style. The way and the name allowed other companies to join without „loosing face“. But also the choice to plant cherry-trees ( SAKURA) at the opening ceremony of its first store at Okazaki-City in 1965 is standing for Japanese mentality. There is no other word/image in Japan for spring then the flourishing sakura-trees .

There is a very interesting parallel between the company's history compared with Japan's history: in Okazaki-Castle Ieyasu Tokugawa was born – famous for the Samurai/Shogun-period – who united Japan and was becoming the first general/Shogun of the Edo-period (1603-1868) . Edo was the traditional name for the place called today Tokyo !

Changing again its company-name in 1989 to AEON shows the sensibility of the management to use for the new focus „internationalization“ not its Japanese origin but a word representing the culture of all Asia Pacific region and also being in harmony with the development since 1758 . AEON stands for „eternity“ : and eternity stands for longtime success of an equilibrium between economics, ecology and ethics.

### **The Economic Rise**

The first store of today's AEON-group was the Okadaya-store in Yokkaichi-Kyurokucho in the Mie-Prefecture founded in 1758 by Sozaemon Okada. Relocating that store in 1887 the Okada family created a motto which is even perfect still for the globalizing retail 200 years later : „Give the central pillar wheels“ or in modern words „Fit to your customers“ !

The second visionary step for the economic rise was taken in 1968/69 when the stores of the Okada-family joined first with Futagi in the Hyogo-Prefecture and then additionally with Shiro. The name for the joint venture was JUSCO standing for Japan United Stores Company. The aim of the three entrepreneurs was „to modernize the retail industry“ in Japan. Might be that the mood for national innovation was also influenced by the Olympic Games of 1964 which brought big changes to Tokyo by modernizing dramatically the capital of Japan. The Olympic Games became a showcase for modern Japan within the country as well as in its international image.

For sure the merger of the three retailers did not come as a vision to reduce costs and to increase the own personal profit , but the first partners stated within a memorandum which in its content is still valid today : “ We welcome further new partners“ ! It was a „merger of hearts“ and not a takeover with winners and losers. This was also essential to be able to

remove former boundaries between the employees of JUSCO and to integrate the personnel into the new company. Within this context it has to be mentioned that the traditional way of Japanese thinking was still at that time to stay for the whole life-work-time within one company; this is then the root for very long-standing investment for financial as well as human capital.

The third aspect to understand the economic success-story of today's AEON-Group is the diversification-/segmentation strategy starting in 1969 by the establishment of the first Japanese development company to build full-fledged shopping centers together with Mitsubishi Company. In 2015 AEON had 207 Mall-type Shopping Centers and 155 Neighbourhood-type Shopping Centers. But also the segmentation strategy was very successful having today 618 General Merchandise Stores, 2.030 Supermarkets, 381 Discount Stores, 121 Home Centers, 4.683 Convenience Stores, 3.932 Speciality Stores, 3.347 Drug- and Pharmacy Stores, 919 other retail stores as well as 698 Financial Service Stores and 1.640 other Service Stores in the AEON portfolio. The AEON-Group today is comprised of more than 300 companies with a total turnover of 7.078 billion Yen managed by about 440.000 people in Asia.

Last but not least the fourth source of the economic development is the internationalization strategy. It started in 1984 by a request of the Prime Minister of Malaysia to support the modernization of the retail business in his home-country. This political initiative was based on connections derived from the World Retail Congress 1980 being held in Tokyo. Inspired by that event Takuya Okada visited retailers in the neighbouring countries – and then decided in 1983 to become co-founder of a Federation of Asia Retailers Associations and to start a first retail exhibition in Tokyo under the name „1st Asia Retail Convention and Exhibition“ in the same year with the intention to improve the lives of the citizens in Asia and the Pacific regions. Takuya Okada also aimed to improve the social status of retailers itself by those actions as at that time the image of retail was relatively low.

In 2015 the AEON-Group has expanded with retail stores to nine countries and has additionally in Australia, India, Laos and Myanmar subsidiaries – in those countries mainly points for financial services. Retail stores are ( in alphabetical order) in Cambodia, China, Indonesia, Japan, Malaysia, Phillipines, South Korea, Thailand and Vietnam. The portfolio-mix in the various countries is very different ; but it all results in the fact that the AEON-Group is the number 1 retailer in the Asia Pacific Region.

#### Ethics and Ecology

Ethics and Ecology play an essential part within the vision of the leadership of AEON. In 1946 after the renewed opening after World War II the president of Okadaya , Takuya Okada, addressed its customers in a leaflet to welcome PEACE . This key-word influenced also today's AEON-philosophy : it consists out of the three basics PEACE, PEOPLE, COMMUNITY. The AEON-Group sees the customer in this triangle and is dedicating itself to an ever-lasting innovative spirit with the customer in its focus. That triangle determines all AEON-CSR-activities

The word/symbol of AEON itself has its origins in the Latin word „eternity“ – which in the end is a synonym of sustainability. Taken the actions it is in the AEON-case study academically nearly impossible to make clear distinctions about what is „just ethics“ and what is „just ecology“ : mostly it is both together like a Shinto-Shrine in a Buddhist Temple and vice versa.

„PEACE is absolutely necessary for prosperity of the retail sector“ Takuya Okada recognized and used this point also in his dialogue with the retailers in the Asia Pacific area. On the background of World War II conflicts especially also between Japan and China the strong political sign has to be judged when in 1998 Takuya Okada started the revitalization of forests at the Great Wall in China. – Insofar the China commitment was also a continuation of founding a Federation of Retail Associations all over Asia/Pacific.

Another facet of the PEACE-Philosophy is the inner peace of a human being (sometimes mentioned as the balance of Yin and Yang). Human education as a challenge was seen by Takuya Okada already in the 50ies of the last century and so he started in 1959 an exam system for promotion within the company. This was very unusual in Japan as the traditional promotion within companies follows the seniority principle of Sempai/Kohai. Since 1963 the AEON-group is recruiting regularly university graduates ; since 1964 AEON has additionally its inhouse Okada Management College – later becoming the AEON Business School. It is worth mentioning that AEON likewise is working to foster local staffs in its Asian partner countries.

The start of an environmental policy can be dated back to the year 1965. When for the first time the Okada-root was expanding beyond its home-town Okada-san wanted to express his appreciation to the customers at his new store in Okazaki-City and therefore he collected ideas. The front-runner of the proposals was to plant 700 cherry-trees ( sakura) along the river near the Okazaki-Park. Based on this action environmental issues became more and more important and in the end of the 1980ies Takuya Okada established the AEON Environmental Foundation – planting trees ! In 2013 the accumulated result has been exceeding 10 million new trees .

In 2015 the AEON Environmental and Social Report is documenting activities and goals on 102 pages . The content of the report is structured like follows :

- Dialogue with Stakeholders
- The Challenge for AEON Staff :
  - Promoting Energy Conservation
  - Conserving National Resources
  - Building Connections with the Community
  - Safe and Reliable Own Labels
  - Dissemination of Corporate Principles
- Corporate Governance
  - Risk Management
  - Compliance and Corporate Ethics
  - Environmental Management

The Sustainability Principles are based on four cores :

- Low carbon society
- Conservation of biodiversity

- Better use of resources
- Addressing social issues

„Eternity“ is based on public awareness and trust ; actions therefore have to be published to the stakeholders in a permanent dialogue and as a permanent path beeing checked as a kind of „open books“ . AEON does this in a Chronology :

- 1965 Cherry-Tree Donation to Okazaki-City
- 1977 JUSCO /AEON Welfare Fund
- 1979 Okada Cultural Foundation
- 1989 1 Percent Club Foundation
- 1990 Aeon Environmental Foundation
- 1991 AEON Hometown Forest Program ; Bring your own bag Campaigne in Malaysia
- 1992 AEON Hisai Store (Forest Program)
- 1993 First organic private label
- 1994 First Barrier Free Store Planning
- 1995 Returnable food container/ reusable hanger systems
- 1996 First Environmental Committee
- 1997 Children's Eco Club /AEON Cheers Club
- 1998 Forest Revitalization at the Great Wall by the AEON Environmental Foundation
- 2000 ISO 14001 certification across the entire company
- 2001 First AEON-support for constructions of schools
- 2002 Clean Road Activities
- 2003 Use of biomass packaging materials; AEON supplier Code of Conduct
- 2004 Participation in the UN Prevention Policy of Global Warming
- 2005 Eco Store in Chikusa
- 2006 Certification for processing/distribution of MSC-products; AEON scholarship Program
- 2007 Agreement for a recycling oriented society
- 2008 Specific goal for CO2 reduction
- 2009 First Carbon Footprint labelling; first Japan Awards for Biodiversity
- 2010 Starting the ASEAN University Students Environmental Forum; AEON-UNICEF Safe Work Campaign
- 2011 AEON Sustainability Principle
- 2012 Sustainable Management Committee; First ISO 5001 Certification; paasing the Benchmark of accumulated 10 million trees
- 2014 AEON Sustainable Seafood Program

Taken all those individual steps it becomes clear that AEON developped from the local Okadaya-retailer via the Japanese innovator JUSCO not only to a leading international player in Asia but is also a rule-setter for technical, environmental and ethical questions on a global stage.

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