

# Japanese Consumer Cooperative: An Alternative Institutional Model to Promote Organizational Learning for Cooperatives in Thailand

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**Abstract:** The research examines the roles, functions and policy of consumer cooperatives in Japan, analyze the key factors success of consumer cooperatives in Japan and apply the appropriate management to consumer cooperatives in Thailand. Key success factors are developed from Japanese Consumer Cooperative Union (JCCU) at national level. JCCU was assisting newly business and recovery cooperation after the failure and proposed to join the international cooperation that can be made Japanese consumer cooperative playing a major role in ICA activities. Focusing on the case study, Osaka Izumi Cooperative Society has cooperative functional structure classified clearly to committee's responsibility, respond the need of members, and providing member's welfare and social responsibility. Besides cooperative has professional staff and high technology which could be the key factors to business achievement. In order to apply Japanese consumer cooperative model to Thailand, starting first with short and middle period development, adoption into the branding as well as Japanese consumer cooperative is really nice to co-op members to trust in cooperative and keep closer to co-op members. In this point cooperative store or cooperative market should keep movable ideas, look at trends, what things can eliminate, reduce, raise or create. It is to improve business and response members need. Some success business activity of consumer cooperative in Japan such as home delivery services could be applied in Thailand due to the time-value of member and create community support.

**Keywords:** Japanese Consumer Cooperative, Osaka Izumi Cooperative Society, Japanese Consumer Cooperative Union, JCCU, Cooperative model, Retailing business.

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## 1. INTRODUCTION

Cooperative is one of tools management and plays a major role in developed and developing countries. They have been important in both agricultural and non-agricultural industries. Cooperatives are business owned and control by members, and form to provide benefit to members with works, services, or goods at advantages prices. Such as Japanese cooperatives, from rural to urban, farmer to consumer, or student to senior, cooperatives play a critical role in nation's daily life and broad role throughout the Japanese economy (David Thompson, 2008). Retailing business nowadays is active in Japanese societies. Consumer cooperative in Japan is the one tool management to supply a wide range of goods and services to its members. There are 600 consumer co-op societies with a total individual membership of 26 million (JCCU, 2012). However, many cooperatives have been accompanied by frequent failure. Many cooperatives have been forced into liquidation or merger as a result of changing conditions in their business environments, poor business models,

bad management or the failure of members to support them (John O' Connor, 2004). In the most developing countries, including cooperatives in Thailand are faced with several challenges. These come from the national and global economics. Changes in the world economy can be effected the cooperative structure and their autonomy. On international market, cooperative as economic institutions must be adjusted their function following change of world and regional agreements. The most successful cooperatives are generally avoiding the problems and keep membership-based nature. The study objective is to apply the appropriate management to consumer cooperatives in Thailand. In this way, the successful of consumer cooperatives in Japan may share good practice in term of membership's control, financial management, marketing and technology that would be applied to cooperatives in Thailand and other countries and solve some current problems in their cooperative movement. It might be an alternative model for local business that will be responsive both to community needs and economic growth.

## 2. METHODOLOGY AND ANALYSIS

The study area is located in Osaka Prefecture of Japan. Osaka Izumi Co-operative Society in Sakai City, Osaka Prefecture is a selected case study in this research; they focus on home delivery service of foods. It has grown into one of the largest cooperative societies in Japan. The methodology of the research is conducted in May 2013 without any test of hypotheses. The aim of research method is exploratory and descriptive in nature and provides explanations in the case study. The research was used multi-method from ranges of methodologies including interview, personal experience, direct observation and case study. Face-to-Face informal discussion and small interviewing method were selected to provide considerable flexibility in the collection data. The interviews utilized with a combination of directed questions and open-ended questions which focused on attitudes and personal views. Qualitative analysis will be used in the research. This type of analysis is appropriate under specific circumstance and learns more in depth details of actions. It is designed to describe how (process) and why (meaning) that could be helped researcher to determine the hidden information and understand why these things occur (Cooper & Schindler, 2006)

The analysis process was exploratory in nature focusing on the technique methods following (Donald Ratoliff, 2011);

1. Typology is a technique to classify system taken from patterns, themes of other kinds of group of data. The purpose of this technique is to describe the general operations of the consumer cooperative and the environment in which they were operating. The cooperative was asked to supply details which classify sales/turnover, memberships, distribution and marketing system. They were also asked to give the cooperative structure, policy and attitude of senior staffs.
2. Logical analysis (Matrix analysis) is an outline of generalized causation, logical reasoning process by using flow charts, diagrams, etc. to pictorially represent these, as well as written description. It demonstrates the relationship between cooperative structure and their operational methods to ensure that there is a better understand the cooperative system.
3. Constant comparison is the way to find consistencies and differences and need to categorize specific. By this comparison technique, it can be emphasized the similar or difference in structure and management between cooperative in Japan and Thailand. Researcher could get a point to a basis idea on research analysis.
4. Cause and effect analysis is a process for graphically representing the relationship between a risk (effect) and the possible factor that cause it. Using this technique is to identify and verify the factors which are causing a risk or set of risks for planning mitigation strategies. In case of this research, the researcher will analyze cause and effect in the case study and apply the possible key factors in proper way of cooperative management.

## 3. DISCUSSION AND ANALYSIS

### 3.1 Consumer Cooperative Movement in Japan:

The study of Japanese consumer cooperative movement showed that the expansion of Japanese consumer cooperative began due to increasing taxed and debt loads in rural areas; and financial woes of small/middle-sized in urban areas. The government solved the problems by establishing cooperatives societies learning from German credit unions. Consumer cooperative grow rapidly after the end of Asia-Pacific War. Black markets in urban areas were selling various good at higher price that authorized prices. Under these circumstances, small consumer cooperative began and organized on the basis of residential communities to obtain and distribute food items and other daily-life. Because of consumer cooperative spread throughout the nation, the Japanese Consumer Cooperative Union (JCCU) was established at national level to be guiding body of Japanese consumer cooperatives. JCCU was assisting newly business and recovery cooperation after the

failure. JCCU pointed out to organize small-sized gathering in each places (Han) especially woman units and family clubs. “Han” played the important role as the basic unit for “joint buying” business. Also, the mutual help of member and social action based on their interests are the key success of consumer cooperative business. Consumer cooperative has expanded the membership continuously and JCCU proposed to join the international cooperation that can be made Japanese consumer cooperative playing a major role in ICA activities. It can be concluded that JCCU plays important role in national level and guides primary cooperatives follow national policy and participate in management activities which can help each cooperative achieve in their business.

### 3.2 Case study of Osaka Izumi Cooperative Society:

Osaka Izumi Cooperative Society is a consumer cooperative with group of people collective responsibilities and development of needy, especially under privileged. It occupies a key position of a delivery system of food. Cooperative could be achieved with the concept of food “safety” and “security”. The cooperative was established in 1974, because of the oil shock (oil crisis) in 1973. All commodities prices were rapid increased, high cost of living and extreme inflation. To examine alternative solutions to protect their own lives, the groups of housewives in south Osaka Prefecture brainstormed a provisional capital to start a joint purchase in 1974. The expanding and achievement of joint purchase business is being for startup of Osaka Izumi Cooperative Society. (Honda, 2013) The cooperative located in the southern of Osaka Prefecture, covering the city of Sakai as well as the southern part of Osaka Prefecture It has grown into one of the largest cooperative societies in Japan. The target of home delivery service of foods is focused on individuals and groups. The home delivery business consists of distribution center, home delivery catalog and internet businesses. They all involve the sale of variety food items to the members. The management system of foods and quality control were demonstrated such a mechanism of distribution process, commodity inspection center (Co-op Lab), food market, as well as recycle process. Reporting of financial, business conditions, organizational and other equities showed total business sales 70 billion yen in FY2012, accounted for the largest business of home delivery business sales 51 billion yen, followed by foods market business sales 14 billion yen. The membership of cooperative was 466,150 people (at March, 2014),(Osaka Izumi Cooperative Society, 2013). In 2020 vision, the cooperative has set new challenges to achieve 50 percent of membership rate in business areas and extend business sales amount 100 billion yen. (My navi corporation, 2013). In addition, JCCU was ranked Osaka izumi cooperative to number 6 of top ten of Consumer cooperative in Japan since sales were increasing every year (Table 1).

**Table.1: The Cooperative Revenue and Ranking**

Year	Total revenue (Billion yen)	Top ten ranking reported by JCCU
2013	73.24	6
2012	70.16	8
2011	69.92	9
2010	64.97	10
2009	61.00	10
2008	58.11	-
2007	55.59	-
2006	52.93	-
2005	50.19	-

Source: Osaka Izumi Cooperative Society and JCCU

### 3.3 Summary of Thai Consumer Cooperative and its Problem:

Consumer cooperative businesses are mainly operated retail business with providing beneficial goods and services to members. The others objectives of co-ops are; to promote and disseminate cooperative education among member, to cooperate and collaborate with other cooperative organization within and outside the country. Consumer cooperatives in Thailand have been faced problems both external and internal management. In national level, the most important problem is cooperative members are losing faith of Cooperative League of Thailand (CLT). It causes of the refusal to pay subscription fees to CLT and less participation in CLT’s activities. Moreover, CLT has centralized all if its work in Bangkok office. Since more than 7,000 cooperative in Thailand are spread all over country. CLT has been trying to recover the

faith of its member through setting CLT provincial offices and conducting surveys to listen the problem and need of its members. On the other hand, consumer cooperative themselves also have several problems such as managerial problems, lack of competitiveness, the growth of overseas commercial businesses be brought into large department stores, shopping malls, retailer seven eleven. Vivat Mungsripraem (2011) concluded that Consumer cooperatives in Thailand in 2011 year have ran normal business, accounted for 60.21 percent of the registered cooperative. The operation of the cooperative business volume was 5,472.18 million baht. It distributed to supply products 97.29 percent and the rest are other businesses. The profit was 160.95 million baht, account for 2.98 percent of total income gains. The 144 cooperatives were profitable but remaining 35 cooperative were loss of 21.20 million baht. Besides, some cooperatives use the cooperative in wrong objectives such as large cooperatives spent areas of business for third party rent and cooperative in government units focus on student internship activity more than their own business

In current period, cooperative face the problems that come from outsides and their own management. Most cooperatives have not improved methods of management. Besides, necessary goods are sold at higher price than other retailers. Thousands of retailer businesses are increasing everyday and have their own distribution centers covering the whole country that would be faced the problem for consumer cooperatives. While, the other problems relate to inaccurate data (facts and figures), lack of government support which means the government does not have a specified strategy for consumer cooperatives but focusing on agricultural cooperatives.

**3.4 The Development of Consumer Cooperative Business in Thailand:**

As regards to consumer cooperative in Japan, it is estimated that one third of Japanese household are members of consumer cooperatives. Retail business has the largest scale in term of membership and turnover (ICA, committee on Consumer Cooperative for Asia and the Pacific, 2012)

In Thailand, they have to push retail business to the outstanding activity of cooperatives by learning those business activities of consumer cooperative in Japan. Thailand should discover strategies and ideas for adapting operations. So, the retail business can be benefit when opportunities or challenges arise. Cooperatives can improve business opportunities by analyzing current operation and finding new directions. Some examples from consumer cooperatives in Japan can be expanded strengthen and corrected weakness.

**3.4.1 Design Co-op Brand:**

One of the important steps to make a success is the creation of co-op brand as an innovative effort that response to the needs and wished of co-op members. National level needs to support co-op activities which will be help for adaption into the branding. Co-ops must think about the objective and create words definitions for co-op business. Key words of consumer cooperative in Japan are “safe and reliable” that make members will trust and believe in this brand. Manufactures under license are needed to produce and distribute of products. Good and appropriate system will control manufacturing which lead consumer trust in cooperative products. With this concept, national level/ co-op federation can be the main organization of brand development program and also be the distributor and quality control division (Fig. 1).

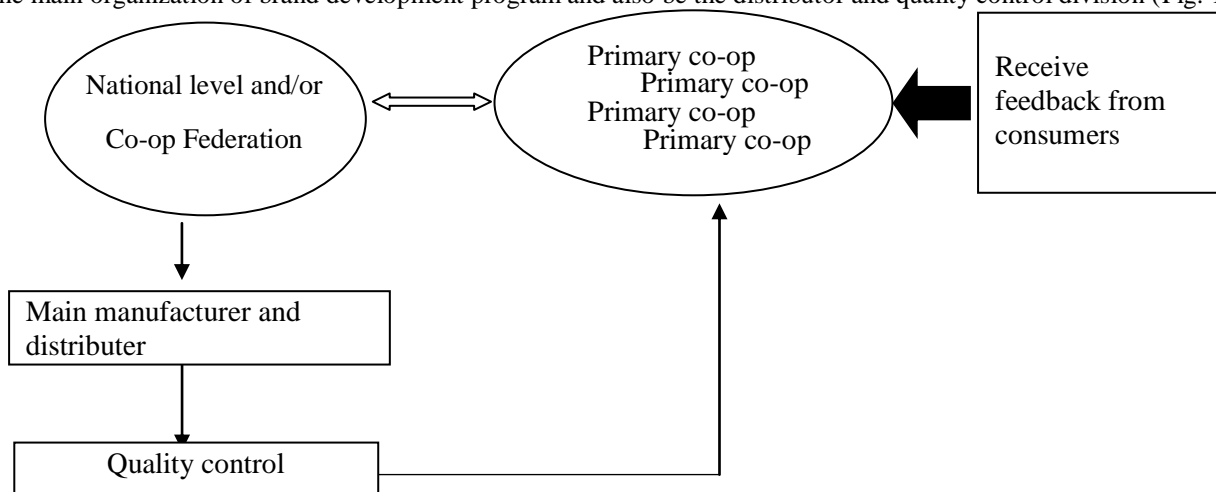
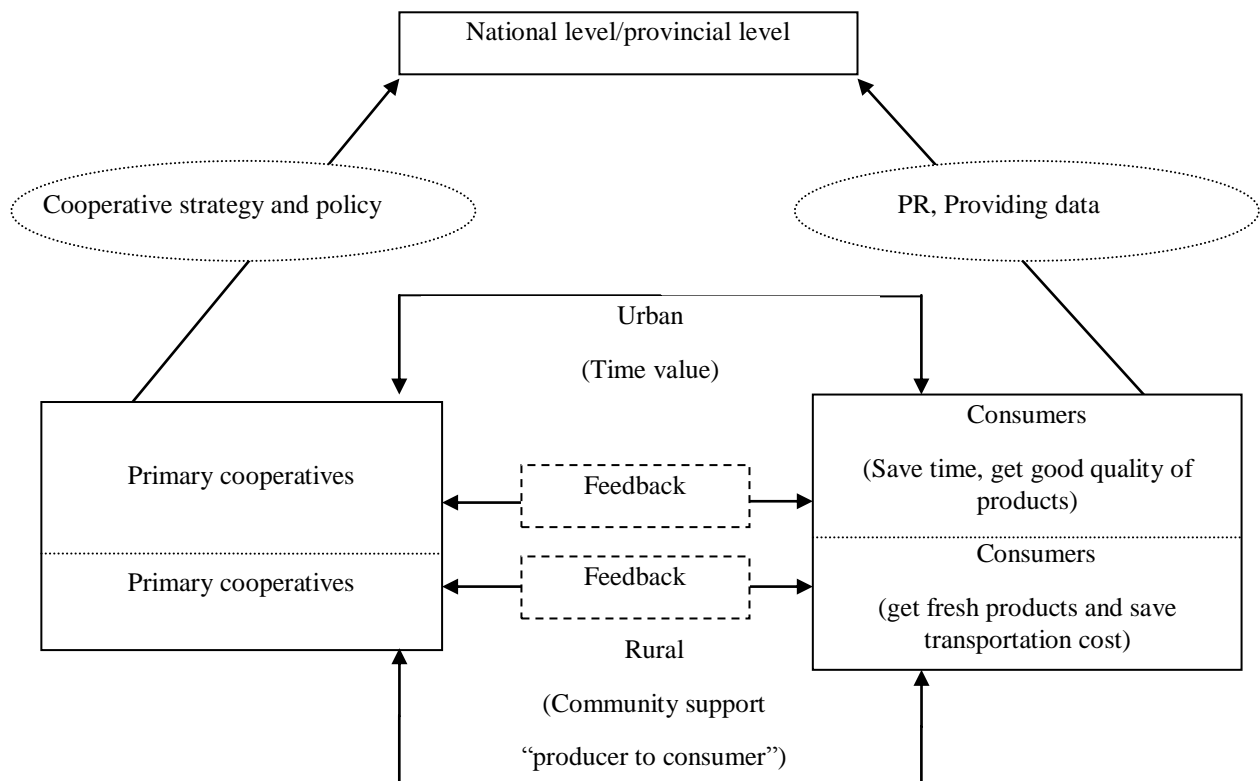


Fig.1: Group of cooperative and national level involve in brand development

**3.4.2 Home Delivery System:**

Home delivery system is unique character of consumers’ cooperative in Japan with strong concerns for the quality of life. In Japan, where is the elderly society that cannot be out to shopping. It is not just say “cannot buy” but also communities have lost their own functions due to withdrawal of supermarket and other food retailers from those areas. This phenomenon is called “food desert” the closing and withdrawal of supermarkets directly triggers the creation of food desert. Another point is the shopping conditions have deteriorated in rural areas, and particularly mountainous communities, ahead of cities and suburbs (Manao Kidachi, 2010). Japanese consumer cooperatives put many efforts to solve the food desert problem that would mean cooperatives shift in strategy from store operation to store-less trends (home delivery system). During the 1990s, home delivery of cooperative product has risen dramatically. This service is bringing new member to cooperatives and well organized retail distribution system. In the big cities including both Japan and Thailand in the future, time-value will become more importance factor as well as price (Yoshihiro, 1997). In rural areas where it is difficult for consumers to purchase fresh products because there are no shops close to their community or without car.



**Fig.2: Benefit and convenience of home delivery service**

The idea of home delivery can be emerged in Thai consumer cooperatives to serve problem both urban and rural area. It could be started by survey the leader of cooperatives on the business for consumer’s distribution industries and, communities are also related to this implementation. Fostering of new function needs professional skill which is core task of cooperatives paparell with how to raise member and hot to promote them to pariticipate to increase purchase amount. Home delivery services includes concept of self-reliance which mean community-support agriculture products from “producer” to “consumer” (Sanchoku concept). That is the way to keep quality of food and quality of care given to plants and animal (Fig. 2).

**3.4.3 Cooperative Store/ Co-op Market:**

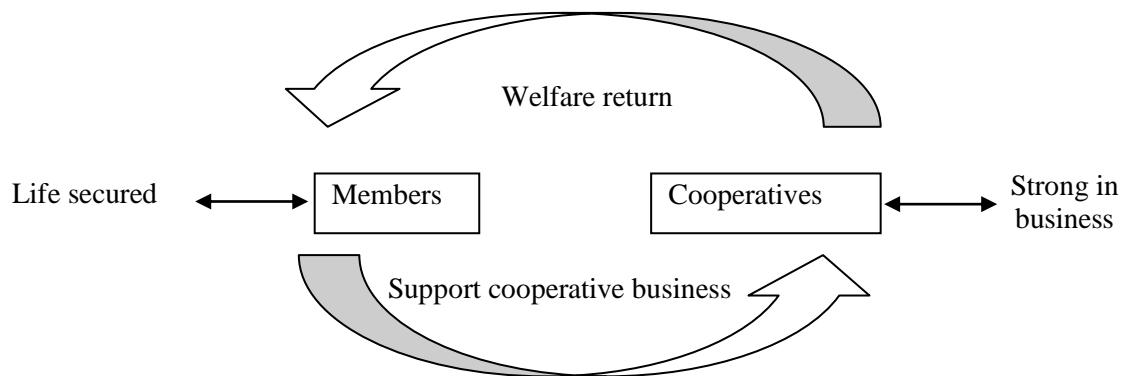
Cooperative store is not only the place to sell goods or services to consumers, but it is also where the materials are kept and divided into various sections. The stores play important in the operation of cooperative in the area of co-op members’ residences. The basic purpose of cooperative store is to contribute and make it easier shopping to local community.

Several cooperative stores in Thailand lack of good management necessity of stores. One must recognize that efficiency in store operations has to build from the initial planning stage. Stores must be an integral of part of the purchasing, manufacturing and marketing. Unfortunately, stores management will fail to attract appropriate consumer and lose market share to other competitors. Cooperative stores or food markets in Japan always care the needs of consumers and maintenance of daily goods. They purchase fresh product in local community areas that is ready to serve to consumers with high quality. They maintain accurate and up-to-date records of material received, issued, rejected, disposed, and quantity on hand of all the items. Good organization of cooperative store in Japan can be adjusted to cooperative store in Thailand of the following

- 1) Outline the needs items of local consumers and set the priority of inventory.
- 2) Define clear act the responsibility of board committees, manager, and staff.
- 3.) Establish proper communication channels such as catalog, brochure, promote special events, offer new arrival products.
- 4) Big cooperatives are facing difficulties to compete with private retailer. Japanese cooperative stores will re-sized and spread out small size cooperative store in member-areas.
- 5) Good physical inspection procedures to guarantee the quality of goods.
- 6) Report accurate form is the certificated to account department for clearing payment of goods and also be an important to purchase sections.
- 7)Use the local product to keep transfer cost and make product fresh till the consumer hands.

**3.4.4 Cooperative Welfare:**

The purpose of cooperative welfare is to support member and secured life. The cooperative welfare is a optional choice regards to turnover of cooperative. It starts by creation of cooperative welfare fund from the state and any fund receives from federal, personal, or other sources. The cooperative has to use this fund for member livelihoods and show balance to the state every month until the cooperative can manage their own fund. On the other hand, consumer cooperative can join directly mutually with health and welfare cooperative (health and welfare cooperative would be a new type of cooperative in Thailand) Or, joining with public health insurance, hospital that is the way to improve quality of life of co-op members. Member can participate in welfare activities. It seems like a circle that member support co-op products too. It will lead to strong in business and cooperative returns to their members as welfare for member well-being. Moreover, cooperative can expand to insurance service to members, to offer life and the insurance products that suit to member needs. In Japan, consumer cooperative has concerned to environment and mutual health. There are the benefit returns to society (fig.3).



**Fig.3: Cooperative welfare circle**

**4. CONCLUSION AND RECOMMENDATION**

Japanese consumer’s cooperative in Japan strongly put effort to encourage cooperative through JCCU, the main body of national level. Focusing on the case study, Osaka Izumi Cooperative Society has provided member’s welfare and social responsibility. Besides cooperative has professional staff and high technology which could be the key factors to business achievement. Some success business activity of consumer cooperative in Japan such as home delivery services could be applied in Thailand due to the time-value of member and create community support. The future development issues are also important for cooperative. Japanese consumer cooperative is more than just retail. Several facilities are implemented such as distribution center, inspection laboratory and recycle business. Parallel to its financial gold, Japan consumer cooperative provides a social responsibility as well as an economic mission. Those facilities implementation are able to conduct in Thai cooperative for future development.

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