

# Channel Strategy for Small Manufacturers in Japan

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## *Preface*

Most small manufacturers of industrial goods, especially those doing good business or holding top market share are carrying out direct marketing. In another word, in order to market their products they transact business directly with their industrial customers skipping wholesalers or retailers. On the contrary, small manufacturers of consumer goods are mostly utilizing merchants (wholesalers and retailers) to sell theirs. Thus, it is in the field of the latter that has something to do with the channel strategies, and naturally enough, all the manufacturers discussed in this paper are those producing consumer goods.

Let's see the functions that channels (and wholesale and retail individually) fulfill as well as their importance first, and actual tendency small manufacturers are showing as to wholesalers and retailers. Then, discussed are the actual practices that small manufacturers are making as to Vertical Marketing System.

## Section 1 Outline of Channel Strategy

### *1 Significance of Channel and Channel Strategy*

Between “production” and “consumption & use” exists a gap in the phases of place, quality, quantity, time and information<sup>(1)</sup>. “Distribution” is the bridging activity for this gap. There are two kinds of bridging activities; one concerning the phase of “transfer of ownership” and the other concerning that of “physical transfer like transportation and storage.” The former is called “commercial distribution” and the latter “physical distribution.” The “channel strategy” dealt with in this book concerns the sphere of the former (the latter is to be discussed in the next paper).

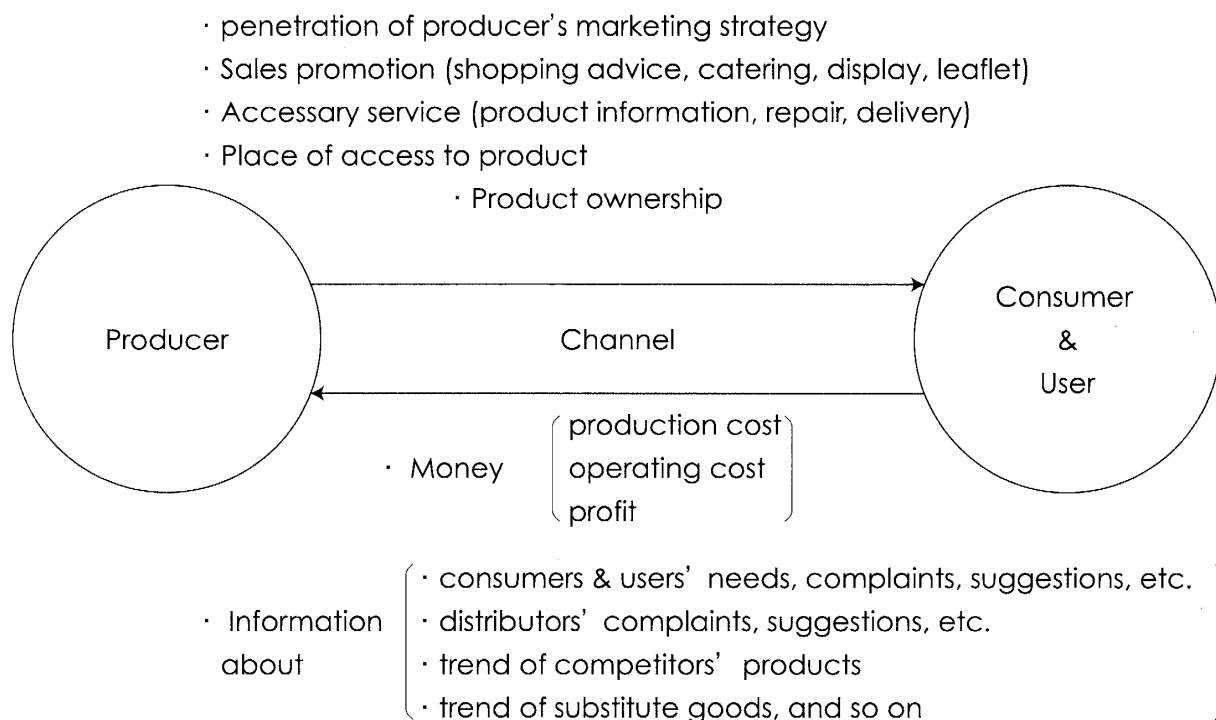
The “commercial distribution” is called “channel,” or “sales channel.” “sales

route” or “marketing channel.” How to use a wholesaler and a retailer (i.e. wholesaler to retailer, direct sale to retailer, direct sale to consumer & user, etc. and even which particular dealer to be used and what style of direct sale to be applied) are the main theme.

“Channel strategy” is the concept where differential superiority versus competitors, or the concept of competition, has been added to the above concept of channel.

## 2 Function of Channel

The channel, as shown in Figure 1, exists between the producer and the consumer and user and has functions of not only ① “handling delivery of goods and payments” but also ② “doing the marketing activity on behalf of the producer, and sending out real information concerning actual conditions



**Figure 1 Function of channels**

of consumers, users and competitors, and so on.” The function ② involving the channel is extremely important for the marketing strategy of producers.

In other words, the channel makes it easy for consumers and users to have access to goods, by presenting the locations to purchase them from as well as taking charge of

product delivery and payment acceptance on behalf of the producer. In case the producer should construct such a channel, which actually is a network of marketing channels, through use of its own capital, it would take a tremendous amount of time and capital. Moreover, the channel has the function of furnishing the producer with precious marketing information as well as helping the producer by being properly motivated, thus enabling the producer to develop the marketing strategy to its advantage. This in turn expands sales and maximizes long-term profit with less difficulty, if the channel is utilized with ingenuity.

### *3 Importance of Channel Strategy*

Since other schemes of competition strategy, such as product differentiation strategy, market segmentation strategy, price strategy, promotion strategy and physical distribution strategy are all imitated by competitors, even if an epoch making competitive strategy is hammered out, its advantage will soon be offset, often disappearing in a short time.

On the other hand, since channel strategy, which involves a contract, is binding for a long period, it can exert a decisively influential power against competitors<sup>(2)</sup>. Accordingly, this channel strategy, versus other competition strategies, works very effectively and efficiently.

In other words, due to its long-term binding force, channel strategy can be used to gain competitive advantage and develop competition to its advantage for a long time, if it is properly planned and managed. As a result, as time goes on, the gap among competitors will expand with regard to business results and structure. Therefore it is very important for channel strategy to be planned and executed in the most advantageous way, ahead of competitors.

The above marketing channel comprises the wholesale function and the retail function, both of which are carried out by the wholesalers and retailers. So, let's study below the functions and characteristics of the business conditions concerning wholesale businesses and retail businesses.

## Section 2 Concrete Functions of Commerce

### 1 Wholesale

#### (1) Significance of Wholesale

Commerce means the business of buying goods from others and selling them to others without performing any production activity. In other words, it is the business concerning the afore-mentioned “commercial distribution,” referring to commerce in the narrow sense of traditional theory<sup>(3)</sup>, and it consists of wholesale business and retail business.

Wholesale means the business of commerce, of selling goods purchased from other enterprises (producers and other wholesalers) to organizations such as other producers, business establishments, wholesalers, retailers, hospitals, schools, etc, for resale.

Now, let's study the actual function of wholesaling so as to clarify the position of wholesaling in the sales channel.

#### (2) Function of Wholesale

##### 1) Kinds of wholesale function<sup>(4)</sup>

The wholesaler is at a position close to the producer in the process of marketing channel and fulfills the following rational and economic functions:

##### ① Demand adjustment function

The wholesaler can identify general change of demand among each retailer and subordinate wholesaler, from the angles of volume and time, to keep demand stable and continuous. This function makes it easy for the producer to develop a production plan and it contributes to the reduction of production costs.

##### ② Function of simplifying transactions

If the producer transacts directly with retailers scattered around the nation, it will be obliged to distribute small lots of goods frequently, bringing about office work. It will suffer low efficiency in distribution and a high cost. Moreover, the cost to cover risks of credibility increases, causing a rise in the distribution cost to cover it, ultimately resulting in an increased retail price.

Meanwhile, in case a wholesaler exists in the middle, both the producer and the retailer have only to transact with a small number of wholesalers, and both the office work load and the distribution cost decrease. Furthermore, the cost for credibility risks falls, lowering

the relative distribution cost.

③ Function of collection (Gathering of goods)

Collection at one spot of products of many producers scattered geographically makes it easy for retailers scattered across the country to purchase goods in assortments. This is even more meaningful when small producers are scattered and consumers' needs are diversified.

④ Storage function

Products are temporarily stocked for control of demand and supply concerning the quantity and the time of sale between the producer and the retailer. This function is thought to be particularly important in case production is made concentratedly and temporarily, and consumption is leveled out over a year.

⑤ Distribution function

This means the function of subdividing the collected goods into quantities desired by the organizations for resale, such as retailers and subordinate wholesalers, and distributing them in small lots.

⑥ Finance function

For economic development of a company, it is necessary to expand finance and credit. As the locations of customers are limited within a certain commercial zone, it is easy for wholesalers to know their credit standings and grant them credit. It is easier for producers to grant credit to a small number of wholesalers than the numberless retailers scattered around the country.

⑦ Information function

Since wholesalers are positioned between "upstream" producers and "downstream" retailers, they gather a huge amount of information flowing from both "upstream" and "downstream." By collecting, analyzing and processing this information, and giving merchandise information such as who are the local good sellers and bad sellers to the producers and retailers, wholesalers can contribute to their marketing strategies.

⑧ Function of retail support

Wholesalers help provide various kinds of support to retail shops' management and sales activities, aiming at co-existence and co-prosperity with them. It does this by giving advice concerning changes or strengthening of the type of retail operation, guidance on

construction of marketing strategy, giving merchandise knowledge, training of salespersons, planning and suggestions of sales promotion, etc.

## 2) Players of wholesaler function

An increasing number of large-scale retailers, Voluntary Chain (VC) and Franchise Chain (FC) have been directly transacting with producers, skipping wholesalers. Even in this case, however, the above-mentioned wholesale function is fulfilled either by producers or by the headquarters of the retailers. Even when wholesalers are removed, the wholesale function must be fulfilled by either of them for smooth and efficient distribution.

## 2 Retail

### (1) Significance of Retail

Retail is the business of selling goods purchased from other enterprises (producers and wholesalers) to “consumers.”<sup>(5)</sup>

### (2) Function of Retail

The retailer is placed at a position close to the terminal consumer in the process of the distribution channel, and provides the following economic functions<sup>(6)</sup>:

#### 1) Adjustment function of consumer demand

The producer can heighten its economic efficiency by producing many goods at one time and then selling them at one time. On the other hand, consumers require and consume a wide variety of goods in small lots at different times throughout the year. This necessitates the existence of wholesalers to meet the needs of producers and that of retailers to meet the needs of consumers.

In other words, retailers offer an adjustment function for demand and supply regarding quality, optimum stock of goods, quantities, and time of supply.

#### 2) Function of consumer conveniences

This is the function of providing consumers various conveniences such as ㉠ Information including product knowledge, ㉡ Locational convenience by locating at a place convenient for shopping, ㉢ Granting credit through such systems as credit sales, installment plan, ㉣ Other services like delivery and taking orders.

#### 3) Promotion and assistance function for wholesalers and producers

This is the function of providing various kinds of assistance and promotion such as ① Maintenance and expansion of sales routes, ② Giving such information as consumption trends and market trends, ③ Merchandise management on their behalf, ④ Bearing risk on stock.

#### 4) Function of price fluctuation adjustment

This is the function of attempting to stabilize the final retail price against market price fluctuations and business fluctuations in a timely manner.

#### 5) Function of sales promotion

This is the function of arousing direct demand from consumers by means of personal selling, displays, advertising, POP, uplifting of the purchasing mood, etc.

### *3 Selection of wholesalers and retailers by small manufacturers*

Although it has been clear that there have to be both wholesalers and retailers for efficient and effective commercial distribution, or marketing, this theory applies mostly to large manufacturers. Because of the lack of bargaining power, small manufacturers are in the subordinate position in determining the big merchants' purchasing price and purchasing quantity. Most wholesalers are bigger in corporate size than small manufacturers.

Accordingly, small but competitive manufacturers tend to shorten the length of channels of distribution, and many of them use only retailers instead of utilizing both. Some of them are even using various types of retail outlets which seem to well fit for selling their particular products. Or they even tend to trust retailers more than wholesalers as to consumer information.

Some of the major reasons for these phenomena are as follows:

#### 1) Niche market product with company name not much known

The types of their products are for niche market, and so, the amount is not big enough for wholesalers to be willing to handle. Moreover its brand name or company name are not well known, or known only locally. Thus, they try to utilize small and local retail outlets of various kinds.

Tokutake-Sangyo<sup>(7)</sup> in Okayama Prefecture, whose main business is production of travel slippers, was manufacturing them for export by request of a trading company in Osaka around 1968. However, due to the yen appreciation, the corporation suffered a deficit

and was obliged to change the target to the domestic market, and accordingly, stopped using the trading company as a channel, switching to specialty stores of travel goods (retail stores affiliated with large travel agencies like JTB). This happened in 1974.

In 1989 the maker started production of room shoes and supplied them to large mail-order companies like “Ceceil” and “Senshukai” by OEM. In 1995, this firm disagreed with the mail-order companies in their merchandise strategy and this resulted in reduced orders that year due to the discord, and this motivated the company to become the maker of its own brand.

What was created then was care shoes for the aged. It has the brand called “Ayumi.” Part of the instep is covered with a fastener to facilitate ease of wearing in addition to being cloth-made and light. With a view to securing a sales network for this product in an independent way, the manufacturer entrusted telephone sales to NTT telemarketing and got old folk’s homes and drug stores, nearby places to the aged, to handle the article. Now the number of the stores selling “Ayumi” is as large as 1,500.

## 2) Precise and up-to-date consumer information by retailers

The information as to consumer needs and wants in more precise and up-to-date when collected through retailers than wholesalers, because they are handling consumers directly and every day. These information is extremely important for small manufacturers to carry out marketing competitive enough.

Tokunaga Koinobori<sup>(8)</sup>, a manufacturer of carp streamers in Okayama Prefecture, got an information, “Even under this recession, high quality carp streamers with higher price sell well. The higher the price, the better it sells. And major customers are grand parents who buy them for their grandsons.” According to this information, the company produced koinobori of extremely high quality made of silk and packaged in the box made of paulownia tree, with the price of three hundred thousand yen for 6 pieces, three times as high as ordinary ones. And they turned out to sell extremely well.

On the contrary, wholesalers’ information was “In such a depression as this, the cheaper the better they sell.”

## 3) Necessity to lower the retail price

In order to realize lowering the retail price to cope with the price competition against the price competition against products imported from south east Asian countries, small



manufacturers have to reorganize their traditional marketing channel. Because of this, they skip wholesalers and start direct transactions with retailers.

Kaneko<sup>(9)</sup>, a manufacturer of crackers used for parties was forced to lower its retail price to cope with the price competition with those from Taiwan. In Japan, those crackers usually have to go through three levels of wholesale before reaching retailers. Kaneko, started to sell directly to retailers throughout Japan. It was a drastic means to lower the retail price. And the company can be competitive enough as to price now.

### Section 3 VMS-Ultimate Channel Strategy

Channel strategy can roughly be classified into three schemes; ① Open channel strategy (sale through as many shops as possible), ② Selective channel strategy (transaction only with cooperative and influential shops) and ③ Vertical Marketing System: VMS.

Of the above schemes, the ② Selective channel strategy and the ③ Vertical marketing system are suitable for small manufacturers. Those companies with superior results should adopt the vertical marketing system (VMS) above all. Here, let's study not only the concept of VMS and the basis for its competitive advantage, but also the realities of its application to the small manufacturer.

#### *1 Significance of Vertical Marketing System*

Compared with the afore-mentioned commercial functions, the characteristic functions of marketing<sup>(10)</sup> are the following three, ① Thorough survey and understanding of market characteristics, ② Meeting customers' needs thoroughly in each phase of marketing 5P's and ③ Utilizing the marketing channel, such as the sales channel and the supply channel, and controlling it at will<sup>(11)</sup>.

VMS refers to the system that either one among the producer, the wholesaler, the retailer and the service trader becomes the channel captain of the marketing channel, controlling the other channel organs in some form or other, and being able to develop the marketing strategy in unity at its own will.

## 2 Characteristics of VMS

The vertical marketing system has the following characteristics<sup>(12)</sup>.

- ① Constituents have a strong mutual relationship with each doing the given marketing function. The whole system is skillfully controlled based on the total plan.
- ② Constituents are designed to perform economic activities as a system.
- ③ Although it's an "open" network, entry is limited by the standard of the system and marketing conditions. The loyalty of the constituents is guaranteed by the capital relationship and contract relationship, so the network is relatively stable.
- ④ Strategies, types of which are not many, are planned by the staff and executives of the channel captain.
- ⑤ The cost, sales volume and investment relationship of the strategy are taken into

**Table 1 Comparison between Vertical Marketing System and Conventional Channel**

|   | Vertical Marketing System   | Conventional Channel   |
|---|---|--|
| Channel Leadership                            | A channel captain exists, showing strong leadership.  | A channel captain may not exist, and even if it does, its leadership is weak.  |
| Selection of Constituents                     | Specific enterprises are selected as constituents by the channel captain.   | The constituents are fixed only by an old business relationship.   |
| Cooperative Relationship among Constituents   | Constituents are mutually related for the betterment of the organization, the highest total efficiency and the group activity | Constituents are related to one another so that individual constituents may mutually cooperate to realize a transaction, while, as a rule, they can act on their own or independently. |
| Setting a Common Goal as A Group              | The common goal for all constituents to aim for is set by the channel captain.  | There hardly exists a common goal to aim for.  |
| Group Norm                                    | All constituents have the will to obey group rule and are ruled by the group norm established by the channel captain.         | A group rule which all the constituents approve, doesn't exist or is fragile even if it does.  |
| Consciousness of Belonging to An Organization | All the constituents have strong loyalty toward the organization they belong to.  | The constituents are faintly conscious of belonging to an organization, and naturally their loyalty to it is weak.   |
| Perception of Competition                     | All constituents think they should deal with the competition in unity.  | Each constituent regards his own efforts as the only means to deal with the competition.   |

account throughout the marketing process, and the constituents must pursue optimum economic trade-off among them, and strive to reduce total cost.

- ⑥ Scientific decisions by professionals and professional committee members are taken into consideration.
- ⑦ Decisions are made according to the marketing concept and the organ in charge of marketing strategy.

The functional differences between VMS and the conventional channel regarding the above characteristics are summarized in Table 1<sup>(13)</sup>.

VMS may be said to represent the organic organization where a group of suppliers of special products from the “upstream” to the “downstream” are homogeneously united with the channel captain. Also, a very efficient and effective marketing system exists in which information concerning trends of customers and competitors is well controlled by the channel captain and suitably fed back for marketing activity. And this system enables not only a large enterprise but also a small manufacturer to become the channel captain to construct its own VMS and develop competition to its advantage.

### *3 Means for Binding Organizations*

The important thing in the construction of a vertical marketing system is how to combine the organizational institutions (producer, wholesaler and retailer) for the distribution channel. There are the following three methods<sup>(14)</sup>.

#### (1) Capital System

This is the system brought into being by capital investment, and there are three types of this system: ① Distribution of goods produced or manufactured by the producer (maker) through its own distributor or retail store, ② Planning and production of goods by the wholesaler owning a factory, and distribution of the goods through its own retail store, and ③ Planning, production and distribution all led by the retailer or service trader owning its own factory.

#### (2) Contract System

This is the method of uniting organizations, literally, by contract, and there are the following two systems.

1) System based on a Rigid Contract

This is a systematization of the wholesalers and the terminal affiliated-retail stores based on a rigid contract, like a franchise chain (FC) and an affiliated-retail store system.

2) System based on a Lenient Contract

This is a systematization of the participating stores, led by a wholesaler or an influential retailer, by a lenient contract, like a voluntary chain (VC).

(3) Management System

This is a system of making the support system itself the means of union by a channel leader, giving other organizations within the channel those things which are advantageous for their management, like sales support and information.

4 Types of VMS by Different Leaders

There are four types of VMS according to whether the producer, the wholesaler, the retailer or the service trader becomes the leader (channel leader or channel captain). The following represent the cases with the individual features. However, since the VMS led by a service trader has almost nothing to do with the small manufacturer, the explanation for it is omitted.

(1) VMS led by the Producer

In order for the producer to execute marketing both efficiently and effectively, it is necessary to establish the following two matters; ① making the intent of the producer's

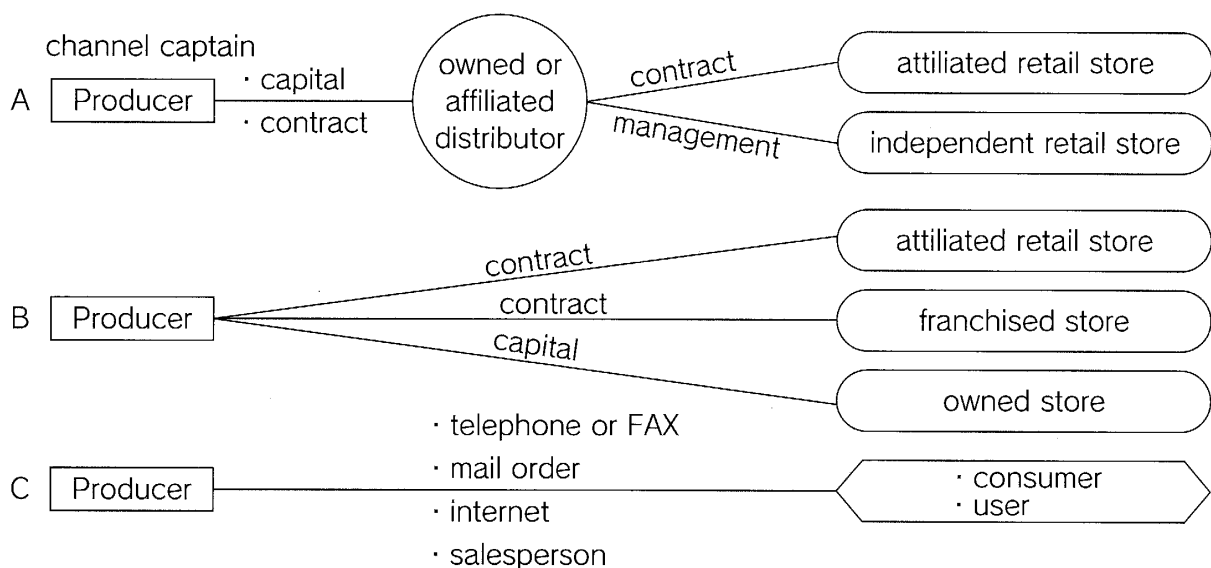


Figure 2 VMS Pattern with a Producer as the Channel Captain

marketing strategy fully understood by the terminal retailers to sufficiently motivate them, instead of taking action on the produced goods already wholesaled to wholesalers or retailers distributing competitors' goods as well, and ② the information feed-back system with unity between the producer and the distributor by which the information concerning the reactions and trends of consumers, users and competitors can surely reach the producer, either directly from the retailers or through the wholesalers. Establishing a VMS is the ultimate answer to this objective.

There are three patterns of establishing a VMS with the producer as the channel captain as shown in Figure 2<sup>(15)</sup>. Of the three, pattern B and C are the ones most suitable for small manufacturers. As a matter of fact, excellent small manufacturers including many “Vital Small Companies” are taking either pattern B or C, skipping wholesalers and even retailers. Pattern C is the so-called direct marketing system which needs little explanation, and so does pattern A with a capital system. So, let me explain a little about pattern B with two kinds of contract system.

The producer selects some specific prospective stores from among the retailers, makes them affiliated stores or franchised stores based on the “one-store for one-area” territory system, and makes them concentrate on sales of its own products without letting them handle its competitors' products. In return for that, it carries out a variety of supportive activities (guidance and giving information) useful for the management and sales of its affiliated stores.

On the other hand, the affiliated stores or franchised stores can contribute to the further pursuit of perfection of the producer's marketing strategy, the procurement of good sellers, etc., by positively collecting various complaints, suggestions, opinions, etc. from consumers and users and conveying them to the producer.

As a result, the competitive advantages to both the producer and the affiliated or franchise stores will expand greatly, making it possible for them to attain larger sales and profits.

#### (2) VMS led by the Wholesaler

In order for the wholesaler to carry out its own marketing activity efficiently and effectively, it must construct and manage the VMS for which it can function as the channel captain. Figure 3 shows the typical pattern for this<sup>(16)</sup>.

Since wholesalers are positioned between producers and retailers, they control an enormous amount of information concerning distribution of various kinds of products. By collection, analyzing and processing the information, they can identify the trends of consumers and users, clues on the development of new products, hints on the reform and improvement of goods, information on good sellers and dead stock, methods of sales, fashion trends, etc.

To put it concretely, the wholesaler becomes the channel captain and sets up a network of its own retail stores and/or its affiliated retail stores as shown in Figure 3. Otherwise, it places tenant stores in department stores (in this case, it sends its salespersons to tenant stores as despatched employees to reflect customers' information on merchandising), thus constructing the VMS toward "downstream."

Meanwhile, toward "downstream," the wholesaler can construct a VMS by setting up its own factory, or an affiliated factory or a subcontracted factory as seen in Figure 3, to help it produce the PB (Private Brand) goods based on its own marketing survey, according to its specifications, holding the brand and added value for itself.

The wholesaler which has built the above VMS toward both the "upstream" and "downstream" will not only plan the products based on market trends but also supply the planned goods to the market through its connected retail network. This is the marketing activity itself as pointed out in Chapter 1.

The business activity by the wholesaler that has established such a VMS is no longer commerce, but nothing but marketing strategy. Therefore, the wholesaler can show a huge competitive advantage over its rival wholesalers which haven't formed a VMS yet.

In this type of VMS, small manufacturers can be incorporated either as an affiliated factory, or a subcontract factory. However, if they are to become a "Vital Small Company," they should establish their own VMS. Then, only after that, they could choose to become

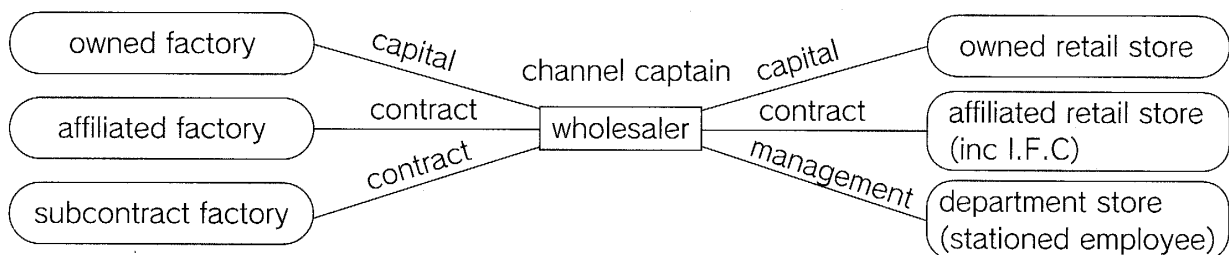


Figure 3 VMS Pattern with a Wholesaler as Channel Captain

an affiliated factory, as a side job, producing PB products for the wholesaler who is the channel captain.

### (3) VMS led by the Retailer

By becoming the channel captain, constructing a VMS and managing it properly, the retailer can also make a superior marketing effort, utilize business competition to its advantage, and attain substantial growth. This has the pattern shown in Figure 4<sup>(17)</sup>.

Of the retailers, medium and small retailers, not to mention such influential retailers as GMS and department stores, or retailers with FC or VC, can more easily improve goods and plan new products based on customer information which can be obtained in a large volume and directly by contacting customers daily.

The retailer can develop a VMS by having its affiliated subcontract factory improve, develop and produce products as planned, studying the method of their sale and pushing sales aggressively through its own store, or the FC or VC affiliated store, or its salespersons.

A VMS led by the retailer as the channel captain will also enable its constituents to develop very considerate and minute marketing activities to customers within the target market, thereby gaining an overwhelming competitive advantage over other corporations within the same industry, and gaining large sales and profits.

In this pattern of VMS, small manufacturers can be incorporated either as an affiliated factory or a subcontract factory just like the pattern of a wholesaler-led VMS. However, if they are to become “Vital Small Companies,” they should establish a solid VMS of their own. Only after that is it all right to be an affiliated factory producing PB products as a side job, for the retailer as a channel captain.

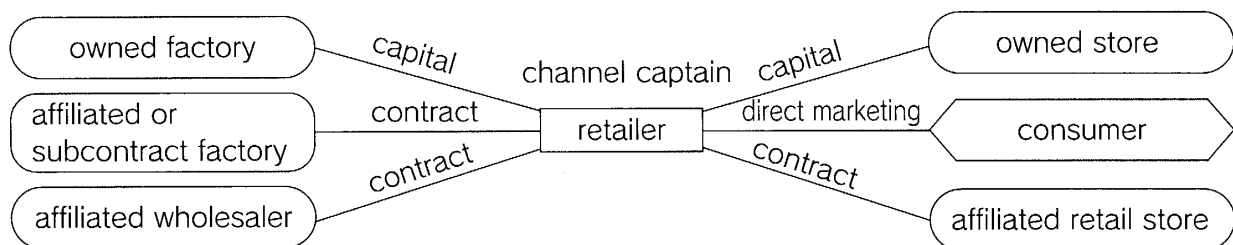


Figure 4 VMS Pattern with Retailer as Channel Captain

## 5 Cases of VMS established by small manufacturers

Establishing VMS is a very effective means for small manufacturers to become highly

competitive good companies. Three examples for this are presented below to show how they have actually established VMS.

◆ Shabondama-Sekken (manufacturer of non-additive soap, Kitakyusyu-City)<sup>(18)</sup>

This company sells its products (non-additive soap and shampoo, etc.) mainly by mail order. Enlisted customers number as many as 145,000 as of June, 2000. It also produces PB products for superchains and department stores. This is one of the typical cases of forming a VMS through capital system.

◆ Ishimuramanseido (manufacturer of both Japanese and Western sweets, Fukuoka-City)<sup>(19)</sup>

It markets its sweets through its own confectionary stores, and recently launched a franchise store system, with the number of franchisees gradually increasing. In other words, The company has established its VMS through both capital system and contract system.

◆ Mochikichi (manufacturer of rice cookies, Nohgata - City, Fukuoka Prefecture)<sup>(20)</sup>

This company sells its rice cookies through mail order. But since competitors also started this direct marketing system, it has established a retail store network of its own throughout Japan. The number of stores number as many as 130 as of May 1998. This is another one of the typical examples of forming a VMS through capital system.

## Conclusion

Marketing channels or channels in short play very important roles for successful marketing in that they carry out various kinds of functions like blood tubes and nervous system in a body. This can especially apply to channels for consumer goods. And so, the discussion in this paper was made only on manufacturers of consumer goods.

However, the magnificent functions carried out by channels, or wholesalers and retailers, can be well applied to large manufacturers, not small manufacturers.

Because of their inferior bargaining power due to lack of brand equity and comparatively small production amount, it is advisable, in most cases, for small manufacturers to utilize retailers directly, skipping wholesalers. In another word, they should make their marketing channel as short as possible. In this sense, it is much better for them to establish a VMS



of their own.

When implementing it, if the small manufacturer is relatively young and weak in brand penetration, it will be effective to launch direct marketing system either through telephone, fax, internet, and so on, or through owned retail stores it has established.

If the company has brand equity in the market which is usually a niche market or a local market, after a long history of operation, it can embark on franchise system in establishing network of retail outlets.

#### Note

- (1) Shimizu Miyashita & Harada, *Ryutsu Nyumon*, Yuhikaku, 1979, pp.44-52
- (2) Kotler, p., *Marketing Management*, Prentice-Hall, 1984, pp.538-539.
- (3) Commerce in the narrowest sense pointed out by Kubomura, R.& Harada,T.,edited by, *Shogyogaku wo Manabu*, Yuhikaku, 1979 p.15.
- (4) Kubomura R.& Harada, T., edited by, *Shogyogaku wo Manabu*, Yuhikaku,1979,pp.88-98.
- (5) The fundamental difference between wholesale and retail depends upon whether the purchaser is a consumer or not. Retailing is for consumers, and wholesaling is for customers other than consumers.
- (6) Kubomura,R. "History of Development of Marketing in Japan," Murata.,S,edited by, *Rrinciples of Present day Marketing*, Yuhikaku, 1973,p.3.
- (7) *Nikkei Business* [Feb.5,2001] p.62.
- (8) *Nikkei Business* [April 27,1998] pp.61-62.
- (9) *Nikkei Business* [Oct.16,2000] pp.60-61.
- (10) Some functions peculiar to marketing. In other words, functions which can be seen in marketing but not in traditional commerce.
- (11) Yamamoto,H., *Theory on Commercial Management*, Senbundo,1989,p.27.
- (12) McCammon,Jr.,B.C., "Perspectives for Distribution Programming," Bucklin, L.P., edited by, *Vertical Marketing Systems*, Scott Foresman and Co.,1970,p.44.
- (13) Ejiri,H.,*Distribution Systematization*, Chuokeizai-sha,1983,p.76.
- (14) McCammon,Jr.,B.C.,*Ibid.*,pp.43-46.
- (15) Yamamoto,H., *Theory and Practice of Marketing Strategy*,Dobunkan,1992,p.169.
- (16) *Ibid.*, p170.
- (17) *Ibid.*, p172.
- (18) *Nikkei Business* [July 24,2000] pp.74-75.
- (19) data through interview
- (20) *Nikkei Business* [May 11,1998] pp.55-56.