

The Development of Japanese Department Stores in the Early 20th Century -The Process of Western Adaptation-

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The department store was the first modern retailer, not only for Western countries, but also for Japan. The department store broke out of the mould of the traditional retailer with the introduction of two key innovative developments in Japan. One was the modernisation of the retailer alongside the physical transformation of the retail outlet from a dry goods store format to a department store format. The other was the Westernisation of retailers and their customers' lifestyles, heavily influenced by the pro-Western political standpoint of the Japanese government at the time. These two factors combined, through an assimilation of the Western model of retail, to trigger the birth of a new entity: the Japanese department store. This study will describe the evolution of the Japanese department store, and how, through a process of Western adaptation, it succeeded by the early 20th century in becoming a world-class modern retailer in its own right.

The development of dry goods stores

The dry goods store, the predecessor of the department store, was a fashionable and prestigious store that dealt in silk draperies in Japan. It catered exclusively for the upper classes, who were the only customers permitted to enter the store. People could not look at the goods outside a store to be tempted inside, because there were no window displays; all that could be seen were curtains, which were hung to obscure the front of the store. The only customers, therefore, were those who were allowed to enter the store. Once inside, customers would inform the clerk of their requirements, and the clerk would pick up some suitable goods, according to his knowledge and experience. Customers would never enter a store without a clear intention of making a purchase; nor would they ever browse the store themselves. In fact, it was difficult to know exactly what kind of products were for sale and how many were available, as the goods were not displayed at all, but remained out of sight in a back room.

Established by Mitsukoshi in 1673, these traditional Japanese dry goods stores nevertheless introduced some innovative sales techniques, such as cash payment and fixed price policies. This was much earlier than in the West, where these measures were not introduced until the mid nineteenth century. However, Mitsukoshi had not yet begun to develop the department store; this concept would have been very difficult to implement, considering the restrictive nature of business transactions at the time. Business was always to be conducted in an exclusive space without free entrance, and customers could purchase goods only under tightly regulated conditions.

In 1895, this prohibitive form of shopping was transformed forever when Mitsukoshi's Nihonbashi branch was converted into a sales area with display cases. Sample patterns for new silk draperies were displayed in showcases, and rotated regularly to attract customers and encourage them to enter the store. For the first time in Japan, customers were able to view products freely. Customers were invited to browse the store and inspect the visual displays at their leisure, completely at liberty to select products without being disturbed by the clerks. This style of store naturally attracted a vast traffic of potential customers, as well as paying customers. Mitsukoshi succeeded in expanding its customer base downward to lower social tiers by introducing these sales displays. As a result, dry goods stores were able to offer their customers an entirely new, liberating and enjoyable shopping experience.

Taking the decision to become a department store

Mitsukoshi was the first leading retailer to convert its business format to that of a department store. Profits had sharply declined towards the end of nineteenth century due to the Meiji Restoration. During this time Japan became more outward looking, and this led to the demise of the Samurai Class who were Mitsukoshi's greatest patrons. In 1891, a Mitsui Bank manager, who had studied at an American business school, was transferred to Mitsukoshi in order to restructure the company. He introduced some sales innovations common to American department stores, and specifically followed Wanamaker's business model. Then, in 1905, Mitsukoshi took the decision to completely transform itself into an American-style department store. This decision became a formal declaration of its intention to make this transformation, and was announced in newspapers; it came to be known as 'Mitsukoshi's department store declaration'¹.

Following this decision, Mitsukoshi, and subsequently four other retail firms, namely Takashimaya, Matsuzakaya, Daimaru and Shirokiya, embraced Western sales methods to become modern retailers². With a view to becoming department stores, they improved their methods of showcasing and selling their products, and introduced double-entry bookkeeping. Customers were free to leave the store if they did not find anything they wanted; then again, they often purchased attractive goods they saw on display, even if they had come into the store without intending to buy anything. After the sales displays were adopted, every customer was able to purchase a product at a fixed price, without having to bargain for it. And because of the introduction of the double-entry bookkeeping system, these new stores were also creating the foundations for the modern firm. Although they were not yet completely developed Western-style department stores, the major overhaul sparked by Mitsukoshi's declaration sent Japan

¹ This announcement had some press coverage dated 3rd Jan, 1905. Osaka Asahi Shinbun is one such example.

² These four retailers could not take the decision to become a department store immediately after Mitsukoshi's declaration. Because dry goods stores were prestigious retailer, and their clerks have some proud to be selling a silk drapery which required a certain amount of handling skill and to serve upper class with it in a traditional way, they were not able to transform their sales method easily. See Fujioka, R., (2006), *The development of department stores*, Yuhikaku, as to the conflict between old and new ways.

racing towards the embrace of a genuinely modern retail industry.

Some retailers began modelling the modernisation of their retail and consumer culture on Western department stores. Japanese retailers lagged about half a century behind those in the West, and they sought to catch up, as the publicity of ‘Mitsukoshi’s department store declaration’ demonstrated. Many Japanese managers of dry goods stores travelled to Belgium, France, Germany, the United Kingdom, and the United States to learn from modern retailers, and after Mitsukoshi’s declaration had been announced, began following in his footsteps. Upon their return to Japan, they set about adapting their stores to a Western style of management.

Meanwhile, the growth of department stores in the West was rapidly accelerating, given the favourable economic climate in expanding modern cities and the development of industrial technologies. The Bon Marché, a pioneer among department stores, introduced revolutionary managerial advances in 1852, including a small mark up with high sales volume and more rapid turnover, fixed prices, free entrance, and acceptance of returned goods³. And Wanamaker’s, one of the leading American department stores, brought about a retail revolution in 1874 by introducing the full guarantee, fixed prices, cash payment and cash returns⁴. It is important to note that these changes were not driven by cultural patterns of purchasing, but by purely economical factors.

In addition to these managerial changes, department stores began to create an entirely new form of consumption. Emile Zola based his descriptions of a Parisian department store as a cathedral of modern commerce, on the Bon Marché and the Louvre⁵. It was a dream world that customers could enjoy a brilliant spectacle of goods⁶. Michael Miller described how the Bon Marché shaped the bourgeois way of life. The glamorous image of the Bon Marché that spread to the middle-class masses was not simply drawn from the values and habits of the Parisian haute bourgeoisie, however⁷. In the United States, William Leach pointed out the new culture of consumer capitalism and the collaboration between economic and non-economic institutions, and also the growth of a new class of broker⁸.

These studies suggested that the development of department stores was influenced not only by economic factors, but also by the new culture of consumption. As Geoffrey Crossick and Serge Jaumain mentioned department stores differed from traditional retailers in their levels of capitalisation, the diversity of their merchandise, their sales methods, and their structure and style of management, to which were added their social functions as cathedral of commerce. Any one of these elements could be found in earlier

³ Pasdermadjian, H., (1954), *The Department Store: Its Origins, Evolution and Economics*, Newman Books, pp.3-4.

⁴ Gibbons, H. A., (1971), *John Wanamaker vol.1*, Kennikat Press, p.108.

⁵ Zola, E., (1980), *Au Bonheur des Dames*, Hachette, originally published in 1883, p.298.

⁶ Williams, R., (1982), *Dream World: Mass Consumption in Late Nineteenth-Century France*, University of California Press.

⁷ Miller, M., (1981), *The Bon Marché: Bourgeois Culture and the Department Store, 1869-1920*, Princeton University Press, p.185.

⁸ Leach, W., (1994), *Land of Desire*, Vintage Books.

stores, but gathering them all together constituted a major step in the evolution of European retailing⁹. In this sense, department stores were hubs of innovation in modern history.

Diversity of merchandise

A department store's merchandise was of fundamental importance; and increasing the range of the merchandise in particular, was crucial in order for the store to be able to expand the scale of its operation. Aristide Boucicaut, inspired founder of the Bon Marché, was one of the visionaries who led this process; and it soon became clear that as he expanded the lines of his merchandise, so his sales dramatically increased. He originally only handled piece goods, but soon added dresses and ladies' coats to his assortment. As a direct result, sales for the Bon Marché expanded from 5 to 20 million francs in just 10 years, between 1860 and 1870¹⁰. Meanwhile, the Louvre also expanded its line and quickly reached a new stage in which it covered the needs of the home, as well as clothing, by the addition of the home furnishing department and other classes of merchandise¹¹.

In the United States, diversification into non-textile departments was slow in the second half of the nineteenth century, as American department stores were busy closely following the whims of Parisian fashion. By 1869, Macy's, which claimed to be New York's first department store, had 12 departments containing a wide range of products, including sports equipment, gardening equipment, garden furniture and beach goods; this reflected the growing diversification of middle-class consumption¹². However, it was not always easy for retailers to produce such a diversity of merchandise, particularly for non-Western countries, who had the added task of having to westernise their products, as well as expanding their lines. Japanese retailers therefore diversified their merchandise step by step in cooperation with wholesalers and manufacturers.

For example, Takashimaya's Osaka branch, first based in Shinsaibashi, was renovated in 1907 in order to expand its sales area, and started to handle not only silk draperies but also cosmetics, imported clothes and miscellaneous goods. This increase in the variety of merchandise was necessary in order to be able to compete with other department stores. European products such as bags, blankets, cameras, shirts, shoes and socks, were all imported from Britannia plc in the United Kingdom, through Takashimaya's trading companies, and attracted some upper class customers. Eventually, however, staff began to notice an overflow of stock, due to a lack of consideration about the differences between Japanese and Western body sizes, and so subsequently reduced their imports of Western merchandise that was difficult to sell in Japan¹³.

⁹ Crossick, G, and S. Jaumain (1999), "The world of the department store: distribution, culture and social change", in Crossick G. and S. Jaumain (ed.), *Cathedrals of Consumption: The European Department Store, 1850-1939*, Ashgate, p.9.

¹⁰ Pasdermadjian, op.cit., p.4.

¹¹ Ibid., p.5.

¹² Lancaster, B., (1995), *The Department Store: A Social History*, Leicester University Press, p. 58.

¹³ Takashimaya (1937), *Osaka Takashimaya 40 nenshi*, Takashimaya, p.127, pp.186-187.

In 1919, Takashimaya resolved to become a department store, and when its Osaka branch changed location from Shinsaibashi to Nagahori in 1922, it again began the fundamentally important process of diversifying its merchandise, so that it could grow from a dry goods store to a department store. As with the Shinsaibashi branch before it, its merchandise initially consisted entirely of silk draperies, then gradually began to expand into other areas. This time, the new Osaka branch benefited from a more modern framework for achieving its goal of diversification successfully, and by 1931, the sales in non-draperies departments - mostly miscellaneous goods such as accessories, bags, cosmetics, shoes and household goods - had grown to 32% compared with the sales of silk draperies, which stood at 42.3%¹⁴.

So how was it that Takashimaya's Nagahori branch succeeded in increasing the sales of its diverse new merchandise within just 12 years of its decision to become a department store? It did not occur simply as a result of introducing sales displays or fixed prices or from importing Western products. Instead, it resulted from the development of production and distribution systems for handling large-scale and wide-ranging merchandise. Because of the great diversity of products now on offer to customers, retailers were able to modernise their stores, so as to display their wares in a more customer-friendly Western style. Dry goods stores therefore had to restructure their buildings and facilities from the traditional Japanese style into that of the West, including in their embrace of modern technology. By implementing these changes, Western products would now be displayed in an environment that approached that of an authentic department store. It soon became evident that these budding department stores were leading the modernisation of the retailing and distribution industries in Japan.

Producing domestic Western products

Department stores needed to add non-draperies to expand their line of merchandise in order to be able to grow further. Although demand for Western products was increasing during the Meiji era, it was unrealistic to import so many products. The issue of body size was just one problem; more crucial were the differences in lifestyle between East and West, two completely contrasting cultures. Western products simply did not fit into the Japanese way of life without some sort of modification. Furthermore, Japan's production system was not sophisticated enough to be able to handle such large quantities of high quality manufactured products. Japanese retailers therefore ended up having to create Western-style merchandise themselves, through a process of trial and error.

The construction of the Imperial Palace in 1888 provided the perfect opportunity to begin this challenge¹⁵. The Imperial Palace played an important political role, as it represented its outward-looking Japanese government, and was also a symbol of national pride¹⁶. The government decided to adopt Western styles of design and

¹⁴ Fujioka, op. cit., pp.90-91.

¹⁵ Ibid., pp. 94-101.

¹⁶ Nakanishi, S., (2000), "Bunmei Kaika to Minshu Seikatsu", in Ishii, K., et al. (ed.), *Socio-Economic History of Modern Japan 1: The Meiji Reform Period*, University of Tokyo Press, pp.220-

decoration for public spaces within the palace, such as audience rooms for socialising with Western countries, whilst keeping the Palace's façade and residential spaces in the traditional Japanese style¹⁷. These public spaces would therefore be furnished with a Western interior design, including carpets, curtains, furniture and ornaments. The government had decided to use mostly domestic products rather than imported ones, however, in order to encourage and support the development of its domestic industry.

Takashimaya received orders from the government to become one of the suppliers of these domestically produced Western-style products. The company had previously provided the Imperial Palace with Japanese products, and had produced and sold simple Western-style goods such as fancy tablecloths at its stores; but it had never dealt in very high quality Western ornamentation. Furthermore, Takashimaya was required to produce these quality Western products domestically, and not to import them. Needless to say, it represented a huge challenge for Takashimaya, but one that it was prepared to undertake. The company soon began making a thorough study of Western architecture and interior design, and sent managers to Europe with associated manufacturers to closely inspect Western products at expositions. Takashimaya's task was to train its Japanese workforce to such high standards, that they would be able to reproduce these authentic Western products themselves.

During this time, manufacturing companies across Japan began to introduce similar Western-style production systems and to obtain detailed knowledge of Western products through governmental support. Engineers visited Europe and learned advanced skills in the textile industry, then imported looms from France and built up new large-scale production systems. Budding manufacturers relied completely on retailers buying and selling their huge quantities of products, in order for them to succeed in their new enterprise. If these products suffered poor sales, then they inevitably collapsed under the new production system. Takashimaya endeavoured to secure the market for these manufacturers and then transferred their knowledge into Takashimaya's own associated manufacturers. In this way, Takashimaya and its associated manufacturers were able to successfully meet the challenge set for them by the Japanese government. Following this experience, Takashimaya was able to confidently and independently produce a range of high quality Western products from the very heart of Japan.

Following its great accomplishment at the Imperial Palace, Takashimaya went on to receive another order from the Japanese government in 1889, to supply the interior decoration for its Diet Building, including the laying of Western-style carpets¹⁸. Takashimaya undertook to use Suminoe¹⁹, one of its most accomplished associated manufacturers, to work on this project. The carpets proved to be another challenge, however, as Japanese rooms were never furnished with carpets, and Suminoe had only ever produced Chinese carpets in the past. Takashimaya therefore sent its managers and engineers from Suminoe to visit Europe, where expatriate staff at a Takashimaya

224.; Sakamoto, K., (1991), *Ito Hirobumi to Meiji Kokka Keisei*, Yoshikawa Kobunkan, p.172, p.188.

¹⁷ Nakamura, K., (2000), *Bunmei Kaika to Meiji no Sumai*, Rikogakusha.

¹⁸ Fujioka, op. cit., pp. 106-110.

¹⁹ Suminoe, (1975), *Suminoe Orimono 60 nenshi*, Suminoe.

trading company guided them to areas famous for textile production, including Lyon, in France. There they gathered various samples of textiles and full-sized carpets to return to Japan. Once in Japan, engineers at Suminoe performed reverse engineering on the textiles, in order to examine and discover how they were manufactured. Using Takashimaya's French imported looms, and financial assistance, Suminoe was therefore able to successfully develop the carpet domestically, and deliver finished products to the Diet Building, as required.

Without Takashiyama's collaboration with its manufacturers, and its ties with the West, the company would never have been able to enlarge its range of merchandise. The creation of new products was simply not possible without extensive cooperation between manufacturers and retailers; neither one could do it alone. Department stores depended on manufacturers for their merchandise, and by agreeing to stock and sell their products, stores helped to create a stable production system for manufacturers, though this was not entirely possible without the addition of an effective distribution system. It was vitally important to the development of retailing that department stores build a successful relationship with their manufacturers. By doing this, Takashimaya, in cooperation with its associated manufacturers, was able to offer its customers a very wide range of Western merchandise.

Westernisation of lifestyle

In this way, ranges of Western and other products were expanded, and this entailed two changes. First, as already noted, department stores had to create new distribution systems in order to be able to handle their wider ranges of merchandise. Some department stores learned Western production skills from European manufacturers, procured Western materials and machineries such as looms through their trading companies, and then supported associated manufacturers in their efforts to develop Western products. This wide-ranging merchandise required a new distribution system to manage it and so this resulted in the modernisation of related industries.

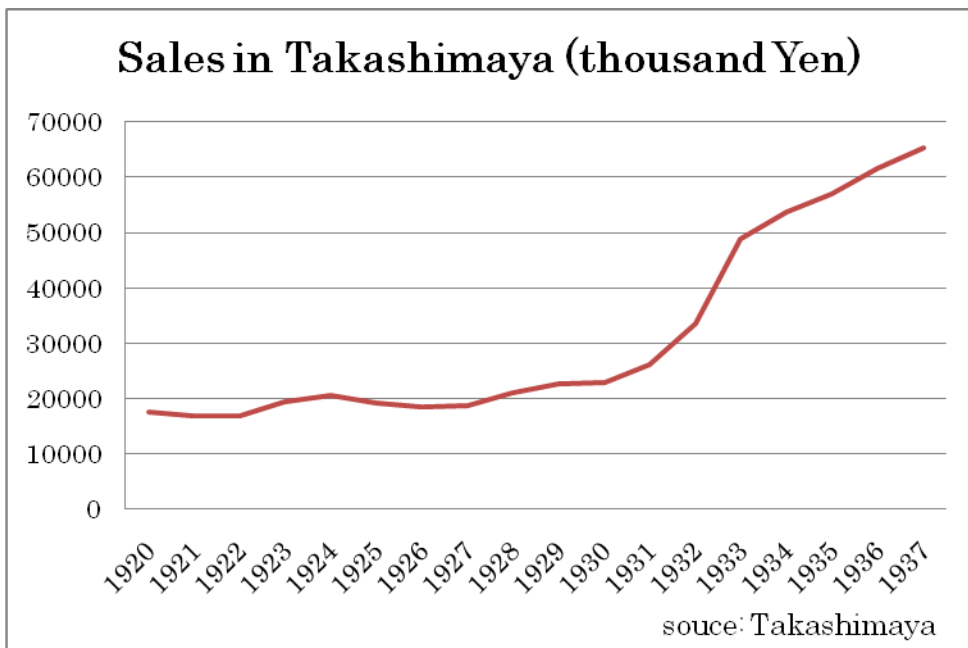
Second, these pioneering stores began to actively promote their products in order to tap into a new market. Given that the upper classes were heavily influenced by the imperial family, once the Imperial Palace and the Diet Building had embraced the Western style, the spread of its popularity was foreseen by politicians. Department stores, which were very prestigious in Japan and conducted excellent business with upper-class customers, now became the catalysts of a new lifestyle for the upper classes. Department stores showed upper-class customers how to use their Western products and suggested ways in which they could adopt a more westernised lifestyle, into which their new products would more readily fit. When upper-class customers began wearing Western dresses and living in Western-style houses, upper middle-class customers were then influenced by them. This trickle-down effect meant that the department stores' strategy had been successful in creating a new market.

A wider range of merchandise helped department stores add the upper middle classes into their customer base, and this expanding customer base in turn accelerated the production of an even wider range of merchandise at the store. This was because once a

certain variety of products were made available in department stores, new types of related products also came to be in demand, such as Western ornaments or Western clothes. For example, department stores began by selling decorative goods such as tablecloths, but their customers then wanted a Western-style table and chairs set to go with the tablecloth. These stores discovered that if their customers accepted one product, they would then quickly accept other products, making it possible for the department stores to succeed in their goal of diversification. Japanese department stores exemplified this process of diversification with Western products before the Second World War.

So the thing that made the early Japanese department stores special was their role in the development that led to the Westernisation of Japanese lifestyles. Moreover, department stores did not simply transfer the products, the fashion, and the production systems from the West; they devised ways to manufacture new products based on European weaving technology, and created new Western fashions in Japan. As a result, East met West through these products, on the sales floors of department stores. This phenomenon transformed traditional stores into established department stores, and opened up a new customer base among the upper middle classes.

In doing so, department stores offered customers a new, more enjoyable shopping experience with Western products. Their modernisation and Westernisation of retailing had little success initially in terms of sales, but subsequently, sales began to increase rapidly (as shown in this table). Takashimaya generated 17.6 million Yen in sales in 1919, the year in which it decided to transform its retail format into that of a department store. As its new production system became operational, sales increased to 22.9 million Yen in 1929, and finally to 65.3 million Yen in 1937, when war broke out between Japan and China. Thus the Japanese consumer grew to accept the styles and products of the West, integrating them into their lives through the marketing strategies of department stores during this time.



Conclusion

The early development of dry goods stores enabled them to begin to catch up with prestigious Western department stores such as the Bon Marché and the Louvre in Paris, Harrods and Selfridges in London, Wanamaker's in Philadelphia, and Macy's in New York. During this process, the implementation of techniques such as the fixed price policy, sales displays, and free entrance were significant innovations. Of equal importance was the successful expansion of their customer base down through the social tiers. However, this early development of department stores in Japan did not occur solely as a result of sales innovations, but was also closely related to the Westernisation of Japan.

The Japanese department store could not have been established without the handling of Western products. Expanding its merchandise with domestically produced Western-style goods, home furnishings and other departments, was an important part of the department store's growth. The feature that differentiates early Japanese department stores from early Western department stores is the fundamental impact they had on Japanese culture; their Westernisation of the Japanese way of life.

By the time Japanese department stores had become truly modern retailers in their own right, they no longer had anything to learn from Western department stores in order to be able to compete in the market²⁰. As Japanese department stores strove to fit Western products into the Japanese way of life, they were inspired to implement many innovations, not only in their sales methods but also in their development of new products in collaboration with manufacturers. Japanese department stores at this time were completely overwhelming other retailers with the sheer volume of their sales, and had become so powerful that small retailers in Japan were no longer able to compete with them. This was the birth of the large-scale modern retailer in Japan, and the beginning of the steady stream of incremental innovations that has gone on to dominate and characterise the Japanese distribution system.

²⁰ Hirai, Y.,(1938), "Oubei no Hyakkaten Mondai ni tsuite," *Keiwa*, No. 73.

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