

Culture and Corporate Strategies

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Agenda



- **Introduction to culture**
- **Two cases**
 - **Ippudo case**
 - **Muji case**

Culture

Four Components

Language

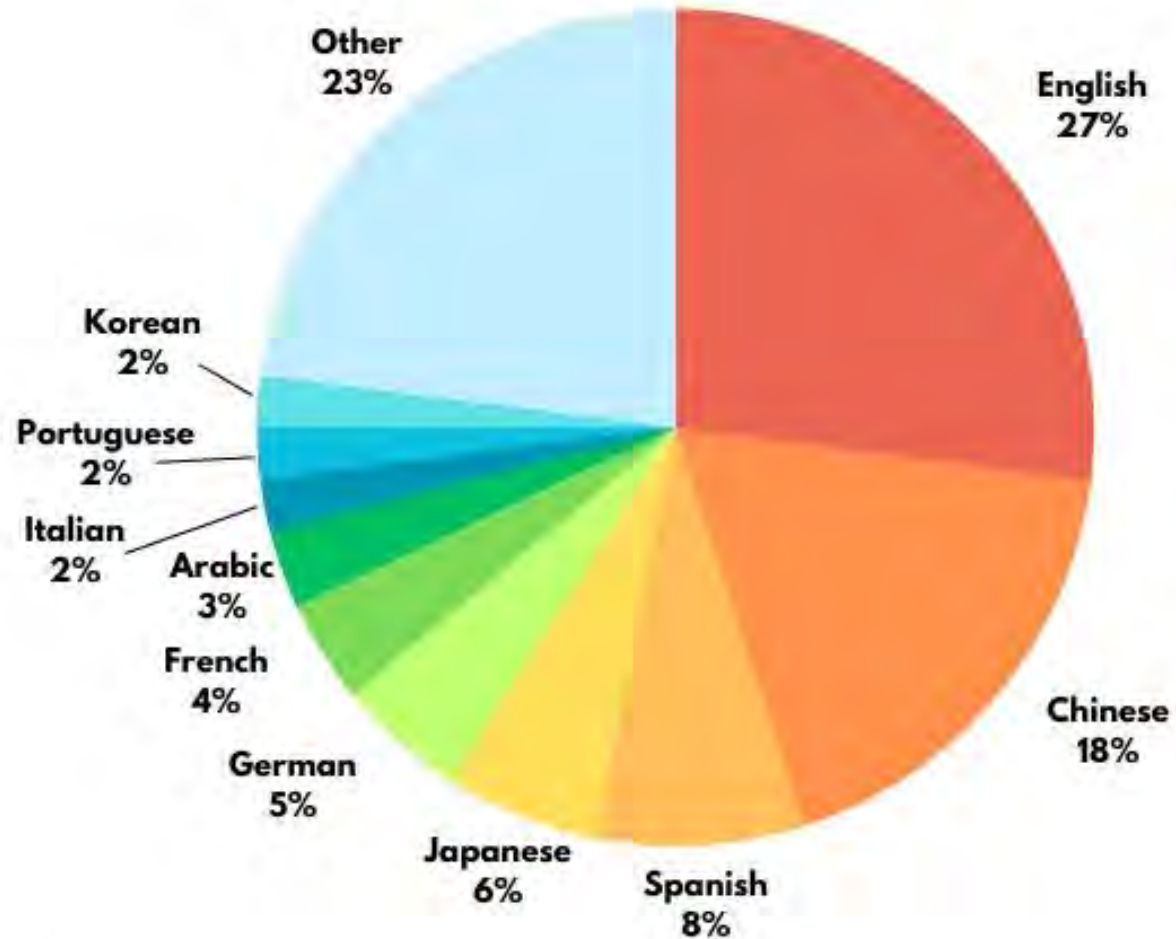
Religion

Social
Structure

Way of
Living

World Languages by Share of Global GDP

2024 Source: <https://translatepress.com/languages-by-gdp/>



Cultural Differences

- There are three ways to understand cultural differences:



Context



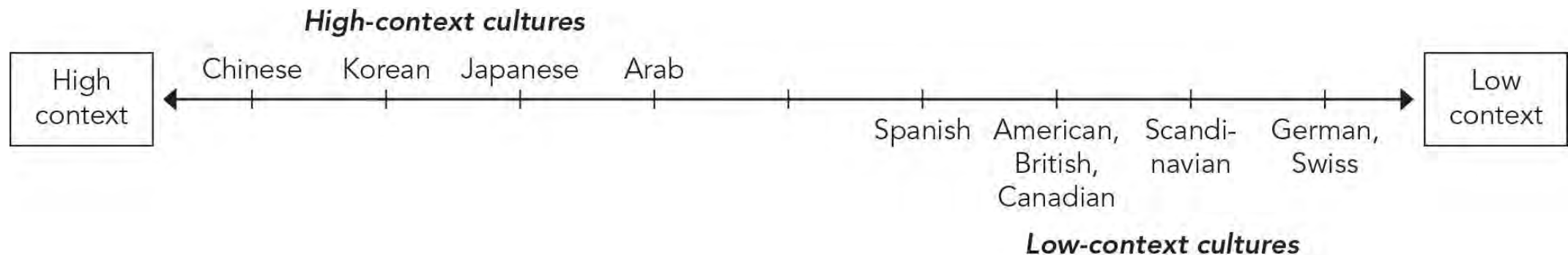
Cluster



Dimensions

High-Context vs Low-Context Cultures

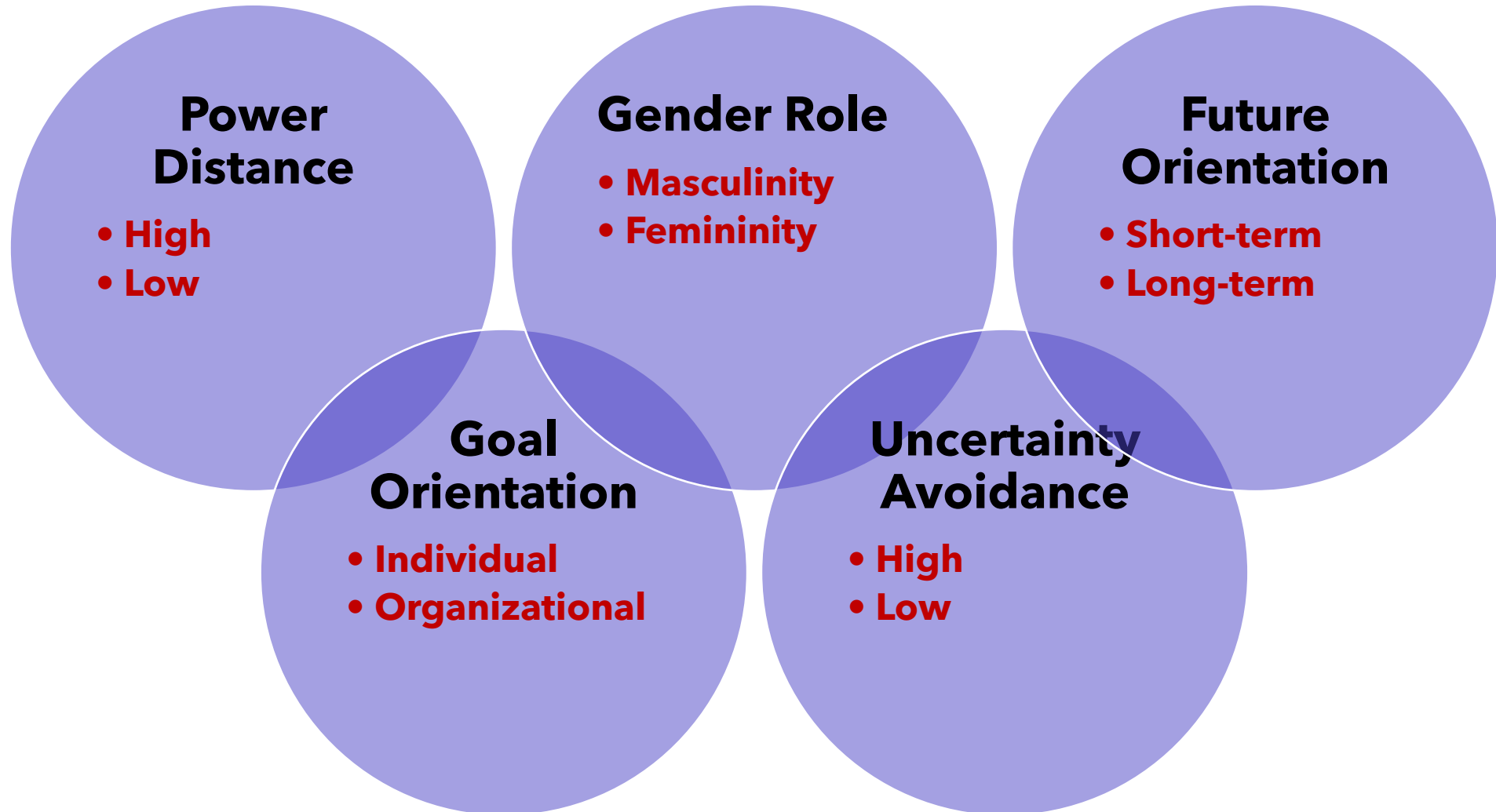
- **Context:** The underlying background upon which social interaction takes place
- **Low-context culture:** A culture in which communication is usually taken at face value without much reliance on unspoken context
- **High-context culture:** A culture in which communication relies a lot on the underlying unspoken context, which is as important as the words used



Cluster Approach

Ronen and Shenkar clusters	GLOBE clusters	Huntington civilizations
Anglo	Anglo	Western (1) ²
Arab	Middle East	Islamic
Eastern Europe	Eastern Europe	Slavic-Orthodox
Far East	Confucian Asia	Confucian (Sinic)
Germanic	Germanic Europe	Western (2)
Latin America	Latin America	Latin American
Latin Europe	Latin Europe	Western (3)
Near East	Southern Asia	Hindu
Nordic	Nordic Europe	Western (4)
Sub-Saharan Africa	Sub-Saharan Africa	African
Independents: Brazil, India, Israel, Japan		Japanese

Dimension Approach

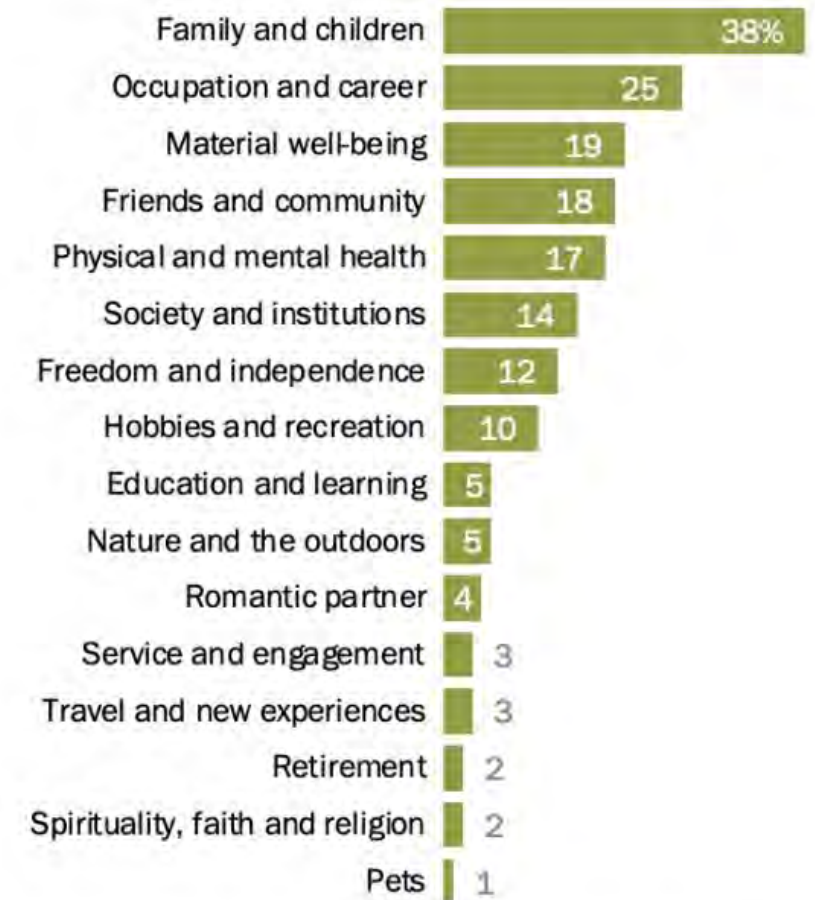


What Makes Life Meaningful?

- Pew Research Center, USA

Family, careers and material well-being are among the most cited factors for what makes life meaningful

Median % who mention ___ when describing what gives them meaning in life



Note: Percentages are medians based on 17 publics. Open-ended question. See Appendix A for more information.

Source: Spring 2021 Global Attitudes Survey. Q36.

"What Makes Life Meaningful? Views from 17 Advanced Economies"

PEW RESEARCH CENTER

While family, careers, material well-being, friends and health are all top sources of meaning, they vary in importance across publics surveyed

Ranked choice among 17 topics coded as part of what gives people meaning in life

Australia	Family	Occupation	Friends	Material well-being	Society
New Zealand	Family	Occupation	Friends	Material well-being	Society
Sweden	Family	Occupation	Friends	Material well-being/Health	
France	Family	Occupation	Health	Material well-being	Friends
Greece	Family	Occupation	Health	Friends	Hobbies
Germany	Family	Occupation/Health		Material well-being/General Positive	
Canada	Family	Occupation	Material well-being	Friends	Society
Singapore	Family	Occupation	Society	Material well-being	Friends
Italy	Family/Occupation		Material well-being	Health	Friends
Netherlands	Family	Material well-being	Health	Friends	Occupation
Belgium	Family	Material well-being	Occupation	Health	Friends
Japan	Family	Material well-being	Occupation/Health		Hobbies
UK	Family	Friends	Hobbies	Occupation	Health
U.S.	Family	Friends	Material well-being	Occupation	Faith
Spain	Health	Material well-being	Occupation	Family	Society
South Korea	Material well-being	Health	Family	General Positive	Society/Freedom
Taiwan	Society	Material well-being	Family	Freedom	Hobbies

While family, careers, material well-being, friends and health are all top sources of meaning, they vary in importance across publics surveyed

Ranked choice among 17 topics coded as part of what gives people meaning in life

Japan	Family	Material well-being	Occupation/Health	Hobbies	
UK	Family	Friends	Hobbies	Occupation	Health
U.S.	Family	Friends	Material well-being	Occupation	Faith
Spain	Health	Material well-being	Occupation	Family	Society
South Korea	Material well-being	Health	Family	General Positive	Society/Freedom
Taiwan	Society	Material well-being	Family	Freedom	Hobbies

Characteristics of Japanese Culture

- High-context
 - Read the atmosphere (空気を読む)
- High uncertainty avoidance
 - Low tolerance of mistakes
- Collectivistic
 - Not encouraging entrepreneurship
- Masculine-societal
- Long-term oriented
- Inward-oriented
- Harmony-searching

Culture Related to Business

- **National culture**
- **Organizational culture**





Ippudo Case

George Wang, Prof. PhD.



Ippudo

- Ippudo, also known as Hakata Ippūdō (博多一風堂) in Japan, is a Japanese ramen restaurant chain with locations worldwide.
- Ippudo is well known for its tonkotsu (豚骨) ramen, and has been described as "the most famous tonkotsu ramen shop in the country".
- The founder started the business to promote a higher level of customer service with Japanese hospitality (omotenashi).



Ippudo, New York

- In 2008, the first overseas restaurant opened in New York City's East Village, with another location in Midtown West opening in 2013. Ippudo NY has been praised many times in the press for its ramen bowls.
- As of 2017, international ramen shops accounted for 45% of all the shops. The firm aimed to increase international shops to 10 times of domestic shops by 2025.

WELCOME TO  IPPUDO

Bienvenue 歓迎 환영
ようこそ 您來 歡迎光臨
Bienvenidos 이어서오세요 환영



International Expansion

- In the international markets, the firm aimed to convey Japanese culture through a bowl of ramen, Japanese language, and decorations.



IPPUDO MALAYSIA RAMEN COMBO SET
Serving ONLY on weekdays (11:00AM - 3:00PM)

1 RAMEN + 1 SIDE DISH or 1 DESSERT + 1 GREEN TEA (Hot / Iced)
FOR ONLY RM29.90++

PROMOTIONAL RAMEN

AKAMARU SHINAJI 赤丸新味
IPPUDO'S original tonkotsu broth enhanced with special blended miso paste and fragrant garlic oil. Served with thin noodles, pork belly, kikurage and spring onions. A refined modern-style ramen.

SHIROMARU MOTOAJI 白丸元味
IPPUDO'S original tonkotsu broth served with ultra thin noodles, pork loin, bean sprouts, kikurage and spring onions. Classic Hakata-style ramen.

KARAKA-MEN からか麺
IPPUDO'S original tonkotsu broth with spicy miso, cashew nuts and ground pork.

SIDE DISH

TERIYAKI CHICKEN BUN 照り焼きチキンパンズ Steamed bun with grilled teriyaki chicken	BARA BARA RICE バラバラ御飯 Japanese chashu rice topped with fresh diced Japanese cucumber, pork loin, egg and flying fish roe with homemade sauce	SAKE KANI SALAD 鮭カニサラダ Mixed salmon and crabmeat served with fresh greens topped with caesar dressing
SPICY CHICKEN BUN スパイシーチキンパンズ Steamed bun with grilled spicy chicken	TAKANA CHASHU RICE 高茶チャーシュー御飯 Mixed Japanese rice with pickle and chashu, served with spicy miso	KANI SALAD カニサラダ Japanese crabmeat salad served with fresh greens and flying fish roe

DESSERT

RASPBERRY SORBET ラズベリーシャーベット	PEACH SORBET ピーチシャーベット	WASABI CREAM わさびアイスクリーム
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All prices are subjected to 10% service charge and prevailing government taxes.

Ippudo, Malaysia

International Strategy (1/3)

- **New restaurant concept:** Ippudo had consistently emphasized creating a space where people could experience fun and excitement, rather than merely being a place to fill the stomach.
- **Location:** Being in the East Village ensured that access to the crowds from such neighborhoods as SoHo, the Village, and Union Square, which were also fashionable, avant-garde and vibrant, in line with Ippudo's target segments.



Ippudo, Paris

International Strategy (2/3)

- **Targeting:** Located in the East Village, Ippudo served a vibrant crowd that included an eclectic mix of students and young adults with an average age of 30 years, younger than the average customer in Japan. The crowd was vivacious, open to trying new things, and fit well with Ippudo's target segment.
- **Pricing:** The menu was designed to warrant a top-notch dining experience that the locals would easily accept.



Ippudo, Thailand

International Strategy (3/3)

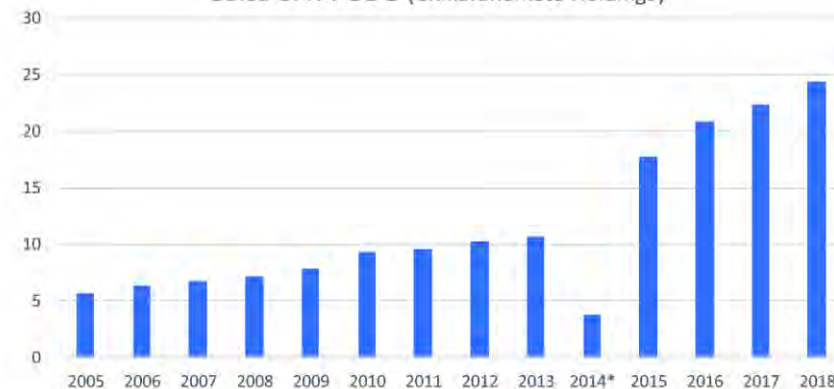
- **Integrating Corporate Culture to Operation:** Ippudo's customer service strategy was designed to align with its corporate values by integrating Japanese work vocabulary and service culture into restaurant operation.
- **Recognizing the local contents:** servers in the United States had a flatter relationship with customers and communicated in a more direct way. Some items were adjusted to meet local preference.



Ippudo, Hong Kong

Ippudo's Financial Performance

Sales of IPPUDO (Chikaranomoto Holdings)



Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014*	2015	2016	2017	2018
Sales	5.7	6.3	6.8	7.2	7.9	9.3	9.6	10.3	10.7	3.8	17.8	20.8	22.4	24.4

*Only 3 months for changing the accounting month end

(Billion JPY)

Segment Sales and OP

(¥million)		FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	YoY (%)	FY3/20 CE	Yo (%)
Domestic Store Operation	Sales	12,718	14,384	14,641	15,056	15,795	4.9	16,764	6.1
	OP	479	1,166	1,054	1,000	910	-9.0	943	3.6
	OPM (%)	3.8	8.1	7.2	6.6	5.8	-0.8ppt	5.6	-0.2ppt
International Store Operation	Sales	3,312	4,329	4,851	6,243	8,578	37.4	10,033	17.0
	OP	194	-104	141	490	609	24.3	747	22.7
	OPM (%)	5.9	-2.4	2.9	7.8	7.1	+0.7ppt	7.4	+0.3ppt
Domestic Merchandise Sales	Sales	1,681	1,961	2,294	2,254	2,086	-7.5	2,143	2.7
	OP	0	4	57	37	50	35.1	109	118.0
	OPM (%)	0.0	0.2	2.5	1.6	2.4	+0.8ppt	5.1	+2.6ppt
Others	Sales	132	190	643	896	1,005	12.2	1,070	6.5
	OP	-48	-93	-87	-20	-8	n/a	-9	n/a
	OPM (%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total	Sales	17,845	20,865	22,430	24,451	27,466	12.3	30,010	9.3
	OP	624	973	1,165	1,507	1,561	3.6	1,790	14.7
	OPM (%)	3.5	4.7	5.2	6.2	5.7	+0.5ppt	6.0	+0.3ppt
Adjustment	Sales	0	0	0	0	0	0	0	0
	OP	-494	-470	-555	-602	-605	n/a	-640	n/a
Figures as in P&L	Sales	17,845	20,865	22,430	24,451	27,466	12.3	30,010	9.3
	OP	130	502	609	905	957	5.7	1,150	20.2
	OPM (%)	0.7	2.4	2.7	3.7	3.5	-0.2ppt	3.8	+0.3ppt

Source: Based on Chikaranomoto Holdings Co., Ltd YUHO and presentation material

Financial Ratios

(¥million)	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20CE
OPM (%)	0.73	2.41	2.72	3.70	3.48	3.83
ROE (%)	-	4.79	8.94	16.53	14.35	-
ROA (%)	-	3.48	3.98	5.70	5.64	-
Shareholder equity ratio (%)	21.55	20.63	23.91	27.76	26.37	-
D/E ratio (%)	363.81	383.73	313.84	249.12	269.91	-
Total asset turnover (X)	-	1.69	1.65	1.65	1.73	-
Interest coverage (x)	1.56	6.00	7.32	11.00	11.14	-
Current ratio (%)	119.02	98.15	113.32	121.26	112.79	-
Interest-bearing debt	6,373	7,011	7,378	7,142	7,190	-
EBIT	269	515	623	955	-	-
EBIT Margin (%)	1.51	2.47	2.78	3.91	-	-
EBITDA	865	1,239	1,345	1,733	1,944	-
EBITDA margin (%)	4.85	5.94	6.00	7.09	7.08	-
Dividend (JPY)	-	3.00	6.00	4.00	4.00	-
Dividend (JPY)	-	3.00	6.00	9.00	8.00	8.00
Total dividend payment from retained earnings	-	30	67	150	187	-
Dividend pay-out ratio (%)	-	24.70	22.80	23.30	30.50	-
Shares outstanding (shares)	10,300,000	10,300,000	11,253,500	23,307,300	23,693,500	-
Treasury (shares)	-	-	-	-	89,600	-

Source: Nikkei Value Search, CE=Company Estimate

Chikaranomoto Holdings Co Ltd + Add 1

3561:TYO ▼

Consumer Discretionary › Travel and Leisure

PRICE (JPY) TODAY'S CHANGE SHARES TRADED 1 YEAR CHANGE BETA
1,802.00 ↓ -75.00 / -4.00% 665.90k ↑ +123.85% 1.7008

Data delayed at least 20 minutes, as of Oct 13 2023 07:00 BST.

REVENUE IN JPY (TTM)

27.68bn

NET INCOME IN JPY

1.80bn

INCORPORATED

1986

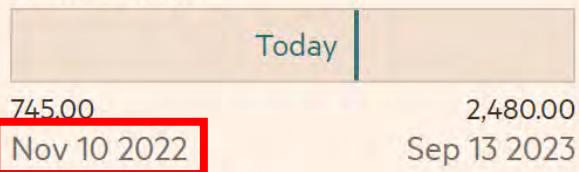
EMPLOYEES

498.00

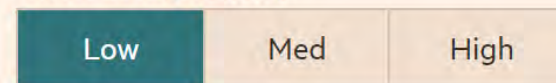
Key statistics

On Friday, Chikaranomoto Holdings Co Ltd (3561:TYO) closed at 1,802.00, -27.34% below its 52-week high of 2,480.00, set on Sep 13, 2023.

52-week range



Short selling activity



Provided by S&P Global Market Intelligence

Open	1,868.00
High	1,868.00
Low	1,793.00
Bid	--
Offer	--
Previous close	1,802.00

Average volume	847.77k
Shares outstanding	30.13m
Free float	11.26m
P/E (TTM)	31.95
Market cap	58.58bn JPY
EPS (TTM)	60.84 JPY

Annual div (ADY)	10.00 JPY
Annual div yield (ADY)	0.55%
Div ex-date	Mar 30 2023
Div pay-date	Jun 08 2023

2024-08-24

1,237.00 -100.00 (-7.48%)

At close: August 2 03:15PM JST

[Summary](#) [Chart](#) [Conversations](#) [Statistics](#) [Historical Data](#)

Valuation Measures⁴

Market Cap (intraday)	37.30B
Enterprise Value	34.10B
Trailing P/E	17.08
Forward P/E	N/A
PEG Ratio (5 yr expected)	N/A
Price/Sales (ttm)	1.17
Price/Book (mrq)	4.02
Enterprise Value/Revenue	1.07
Enterprise Value/EBITDA	8.51

Financial Highlights

Fiscal Year

Fiscal Year Ends Mar 31, 2024

Most Recent Quarter (mrq) Mar 31, 2024

Profitability

Profit Margin 6.88%

Operating Margin (ttm) 10.27%

Management Effectiveness

Return on Assets (ttm) 11.87%

Return on Equity (ttm) 25.86%

Income Statement

Revenue (ttm) 31.78B

Revenue Per Share (ttm) 1,059.26

Quarterly Revenue Growth (yoy) 15.50%

Gross Profit (ttm) N/A

EBITDA 4.21B

Net Income Avi to Common (ttm) 2.19B

Diluted EPS (ttm) 72.49

Quarterly Earnings Growth (yoy) 0.50%

Tokyo 豚骨 Base

A New Brand by Ippudo



Muji

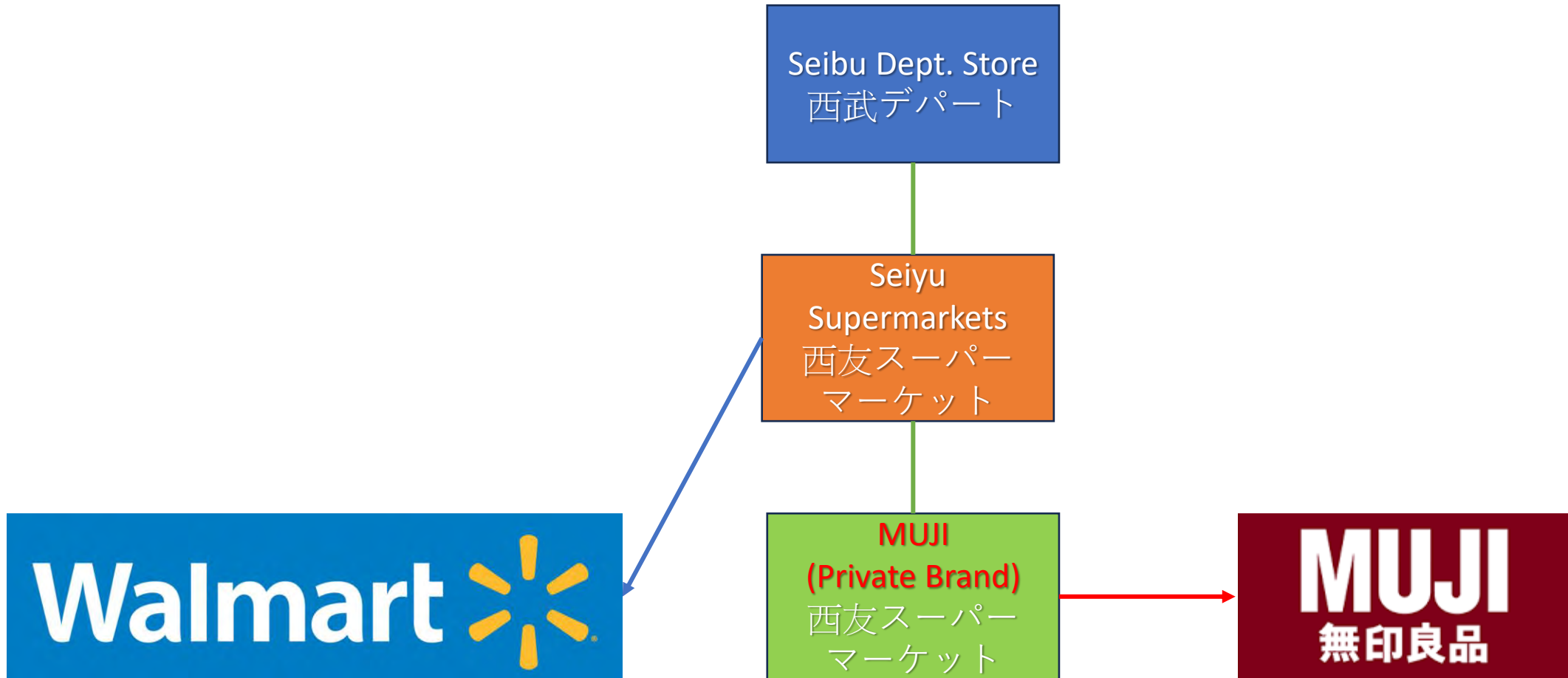
An Adventure to International

MUJI

無印良品



How Was Muji Established?



Private Brands

- Costco's Kirkland
- 7-11, Fami-Mart
- Wal-Mart's Great Value



Japan's Lost Decades (1995 - 2015)

Japan: Gross domestic product (GDP) per capita in current prices from 1984 to 2024
(in U.S. dollars)



Source
IMF
© Statista 2020

Additional Information:
Japan: IMF

Minimalism Lifestyle

- Minimalism is defined as a design or style in which the simplest and fewest elements are used to create the maximum effect.
- Joshua Becker of Becoming Minimalist offers this definition: “Minimalism is the intentional promotion of the things that bring you joy and the removal of those that do not.”
- It might be called simple living, tiny living, intentional living, and a myriad of other things—but there is at least one common thread: the idea of curating the things we own to best reflect our priorities and vision for our lives.

Challenges

- **Internal Factors**

- Brand dilution (focusing on growing, forgot about mission)
- Big company disease (inflexible)
- Strategy mistakes (expanding too fast; too much inventory)

- **External Factor**

- Rise of competition, facing challenges in different areas in the retail industry



無印良品



MUJI

Operations

- From "lower price for a reason" to "this is good enough"
- Several reforms & campaigns: WORLD Muji, FOUND Muji, Muji LABO, Muji.net
- Three product lines: apparel, household, food + housing business in 2006



Problems Challenging Muji since 2010

- Faced a decline in the number of customers, as well as profits.
- Will new business scopes, e.g., housing, cafe, florist, campsite, be successful?
- How to continue overseas business?





Two Recent International Strategies

1. **Localization** – Empowering international subsidiaries making localized strategies, e.g., Muji Taiwan.
 - **From Localization to Internationalization** – Bringing the local products to international

A Similar Strategy Taken by Costco

- Of all the Costco stores in the world, Costco Taiwan stores made the highest profit margins.
- Now lots of Taiwanese products can be found in Costco US stores.



Costco, VA, USA



Costco, Kaohsiung, TW





全聯福利中心

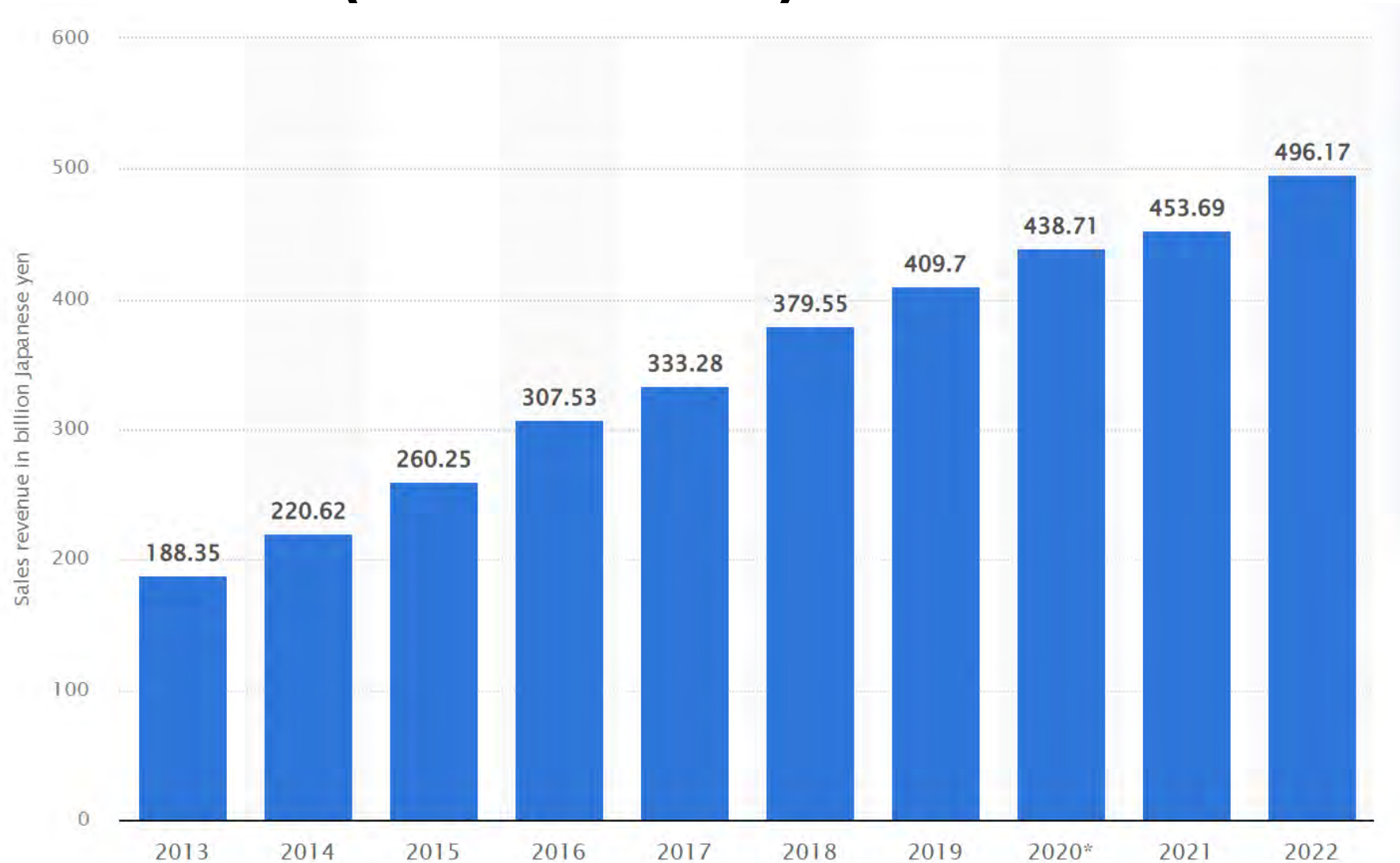
MUJI
無印良品



TWO Recent
International Strategies

2. Co-marketing and increasing
distribution channels, e.g., “Muji +
Lawson” in Japan and “Muji + PX
Mart” in Taiwan

Sales of Ryohin Keikaku Co., Ltd. (Muji) 2013 to 2022 (in billions ¥)

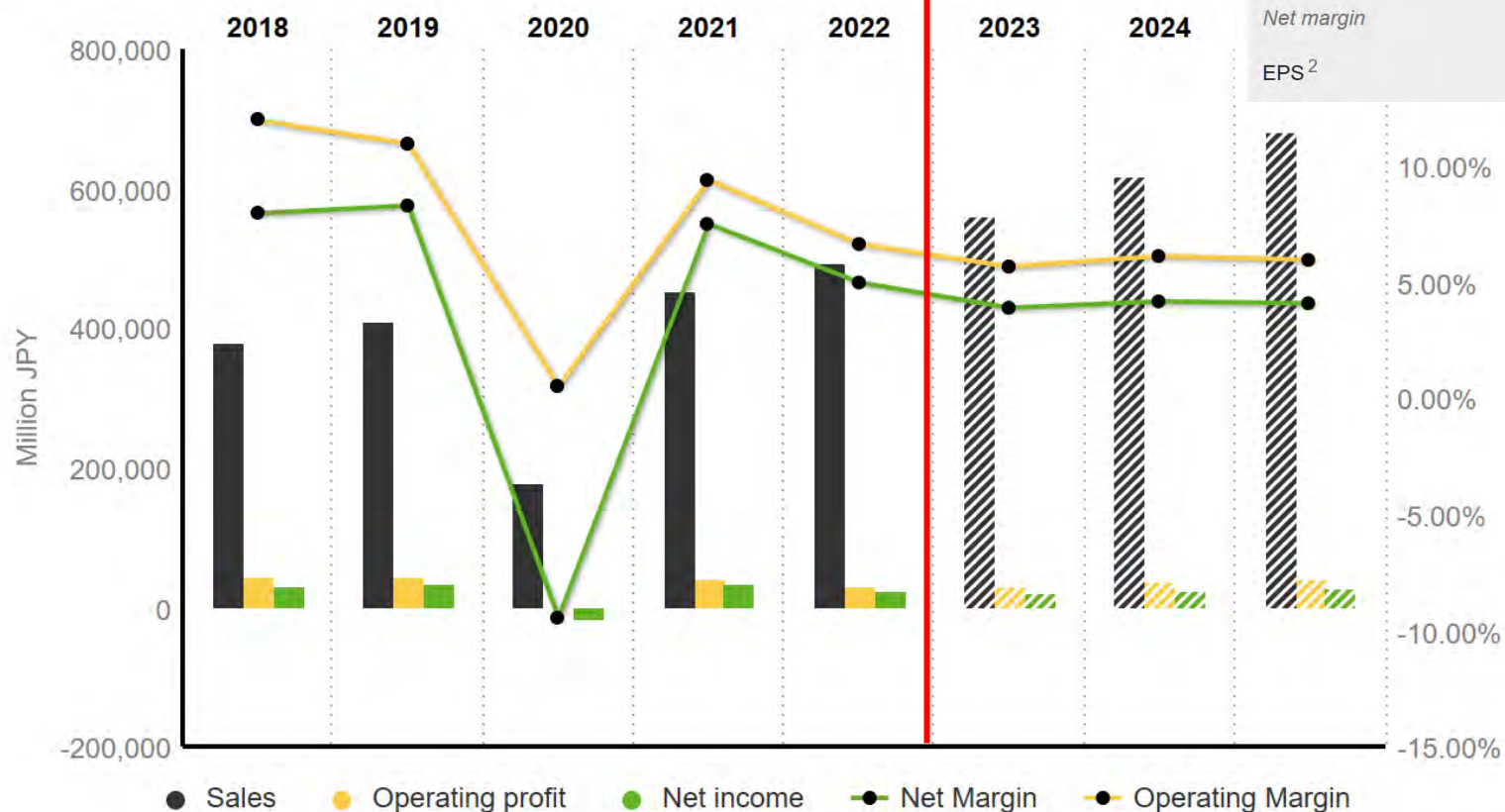


Muji's Financials

Fiscal Period: August

	2020	2021	2022	2023	2024	2025
Net sales ¹	178 933	453 689	496 171	560 079	619 747	681 608
EBITDA ¹	11 793	62 569	56 059	54 544	60 117	65 326
Operating profit (EBIT) ¹	872	42 447	32 773	31 575	37 736	40 368
Operating Margin	0,49%	9,36%	6,61%	5,64%	6,09%	5,92%
Pre-Tax Profit (EBT) ¹	-18 113	48 589	33 204	31 517	36 901	39 798
Net income ¹	-16 917	33 903	24 558	21 641	25 657	27 653
Net margin	-9,45%	7,47%	4,95%	3,86%	4,14%	4,06%
EPS ²	-64,3	129	93,2	82,1	97,3	105

Income Statement Evolution (Annual data)



Projected Income Statement: Ryohin Keikaku Co., Ltd.

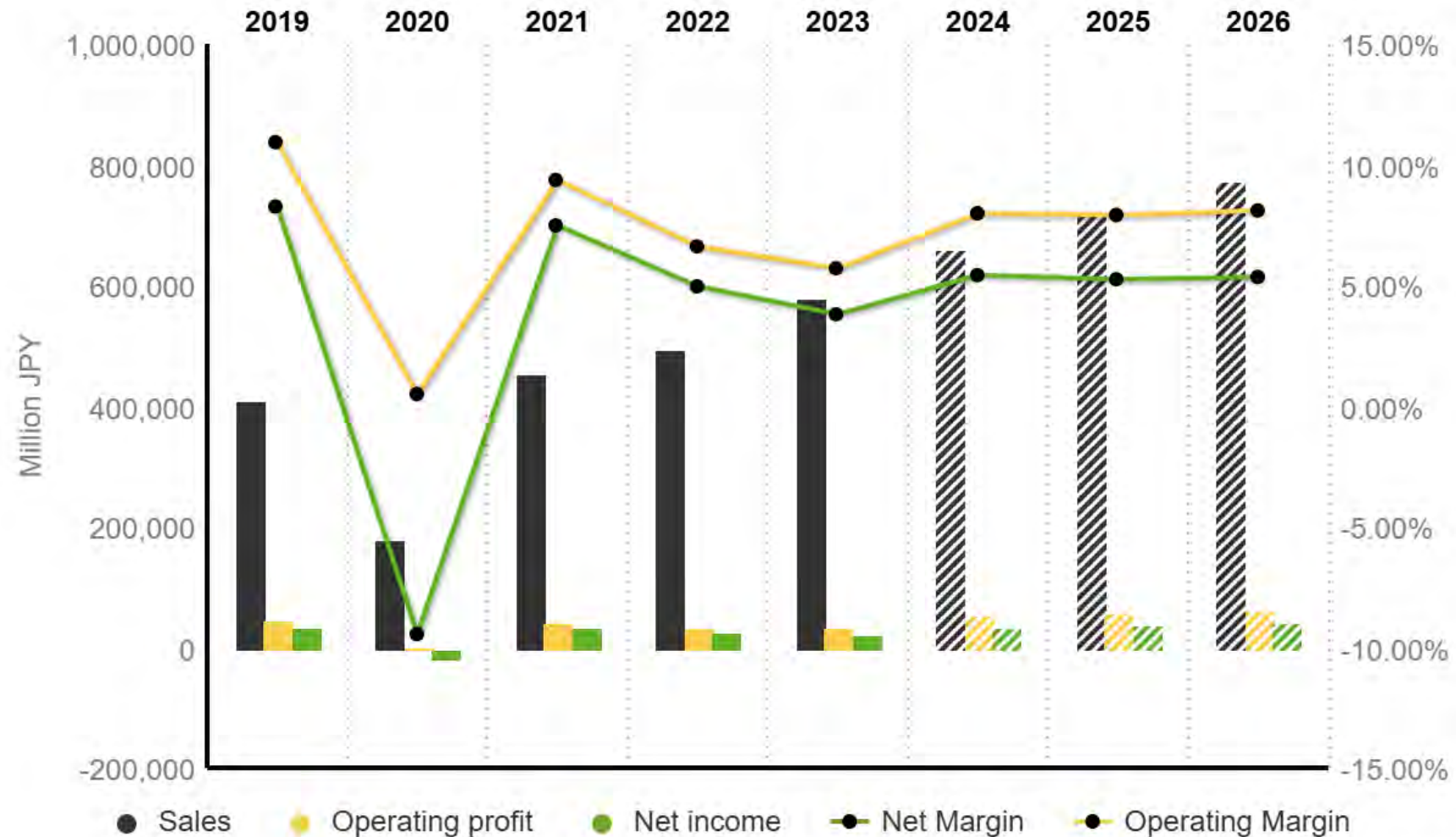


ⓘ Data adjusted to current consolidation scope

Annual

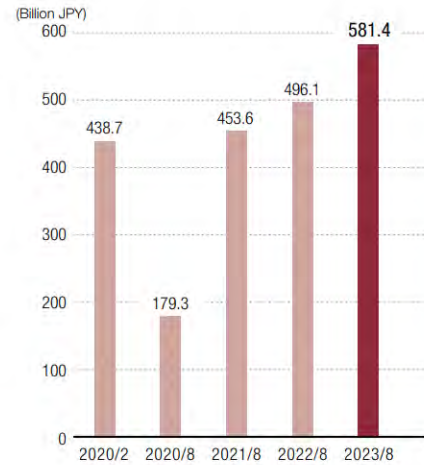
Quarterly

Halfyear

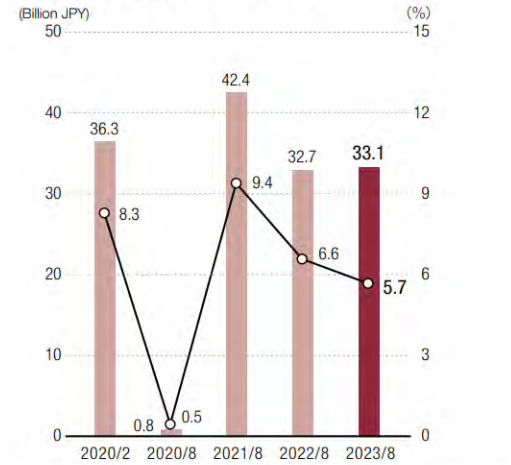


Financial and Non-Financial Highlights

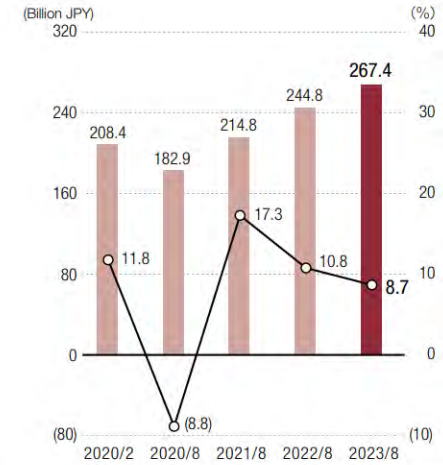
Operating Revenue



Operating Profit/ Operating Profit Ratio



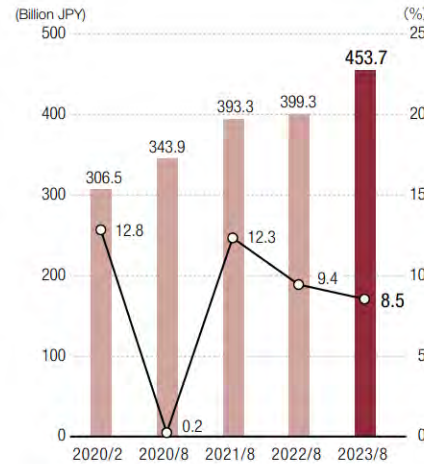
Net Assets/ROE



■ Operating profit (Left scale) ○ Operating profit ratio (Right scale)

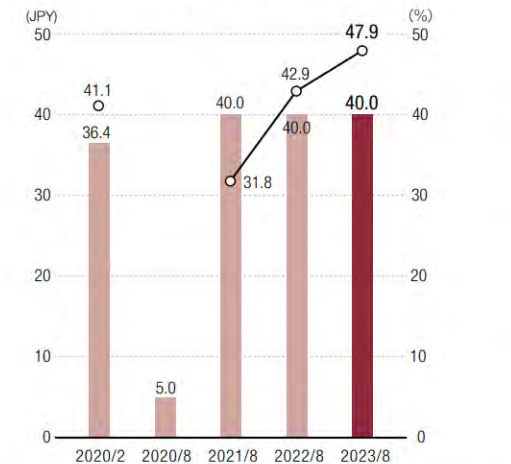
■ Net assets (Left scale) ○ ROE (Right scale)

Total Assets/ROA



■ Total assets (Left scale) ○ ROA (Right scale)

Dividends per Share/ Dividend Payout Ratio

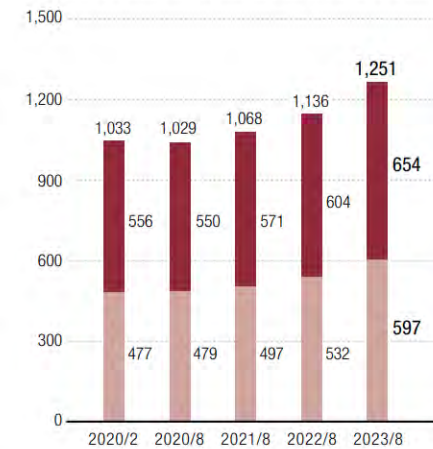


■ Dividends per share (Left scale) ○ Dividend payout ratio (Right scale)

Note: The dividend payout ratio for FY2020/8 is not presented as the Company recognized net loss per share.

Number of Stores (Total) in Japan and Overseas

Includes licensed stores, Cafe&Meal MUJI and IDÉE



■ Number of stores overseas ■ Number of stores in Japan



THANK YOU !

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