

KFI 45th Anniversary

U.S.-Japan Food Distribution Symposium

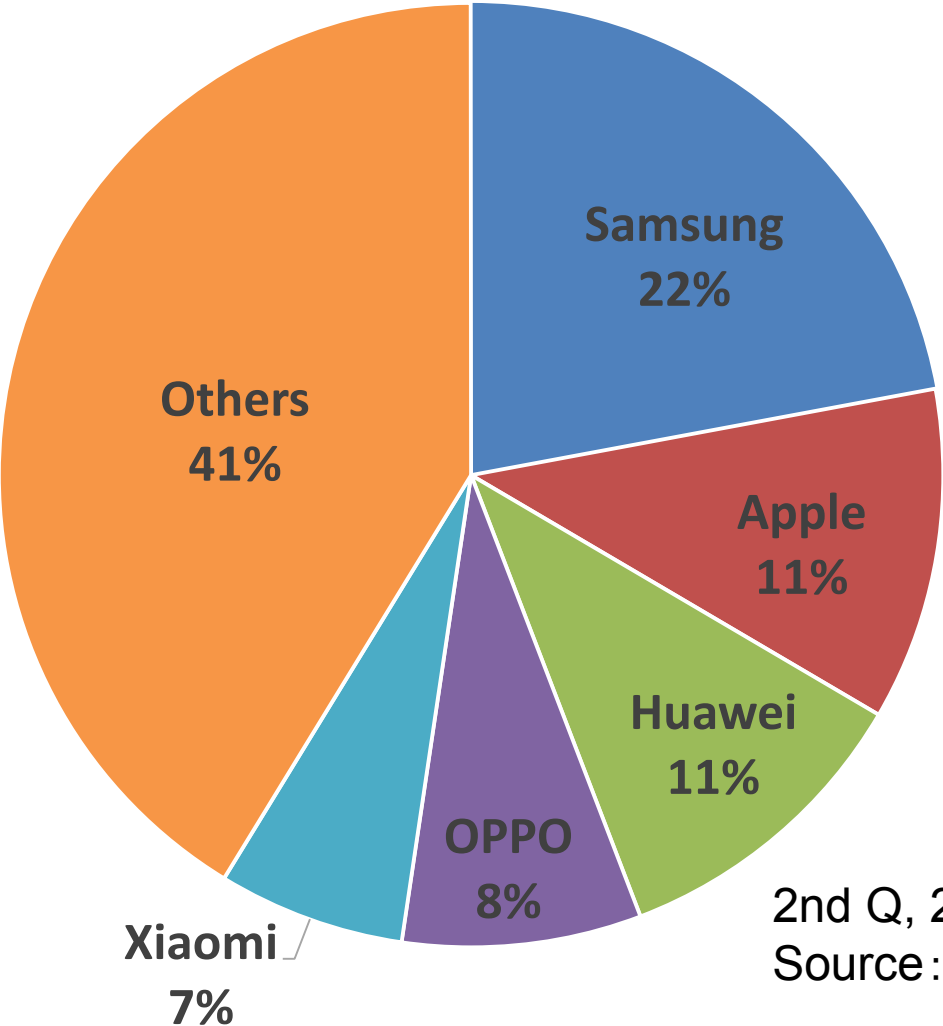
Innovation Triangle

– Factors that bring evolution to both
corporations and consumers –

June 7, 2018

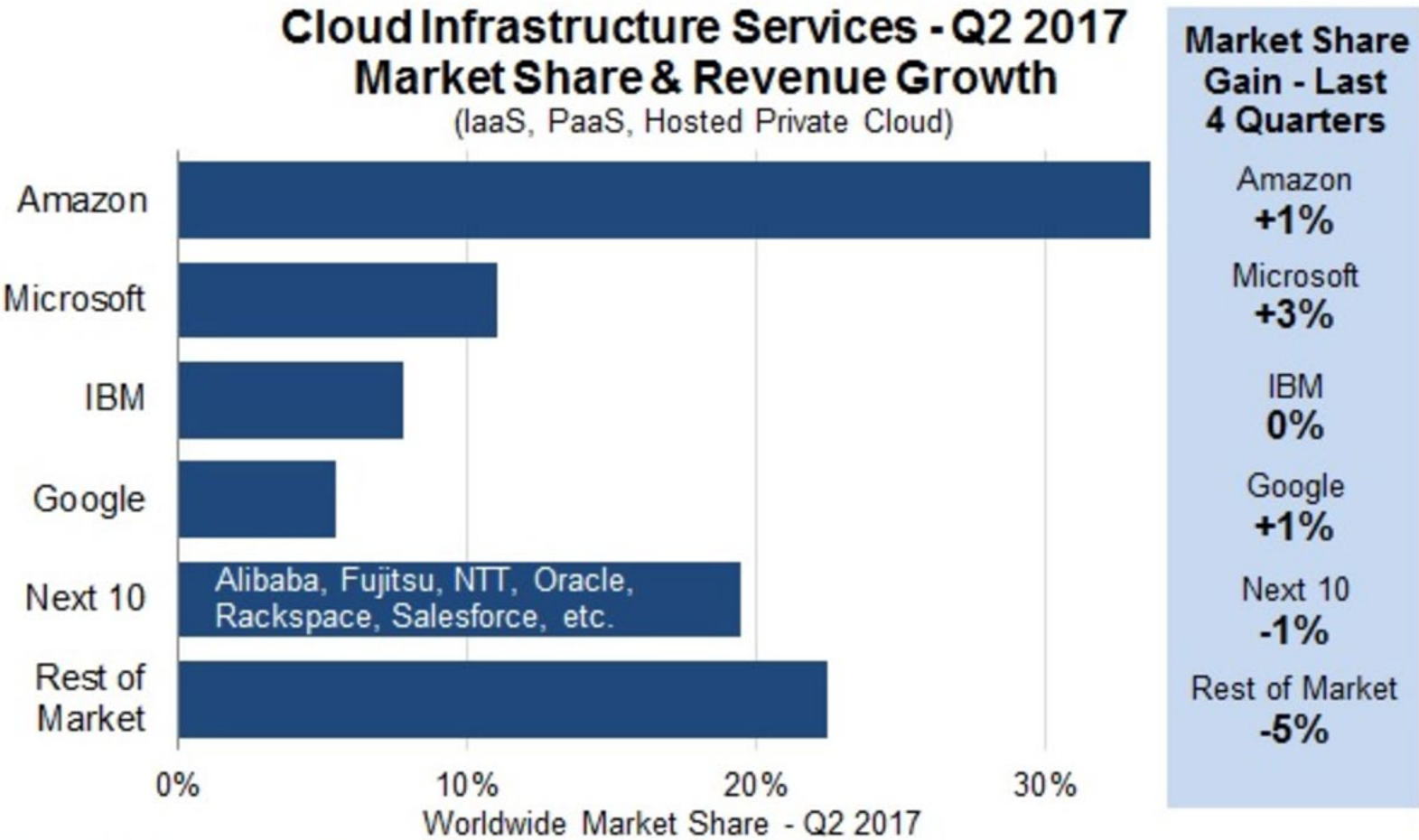
Waseda Business School
Kazunari Uchida

2017 Mobile Phone Worldwide Share



2nd Q, 2017, top 5 market share
Source: Strategy Analytics

Cloud-base Web Service Market Share



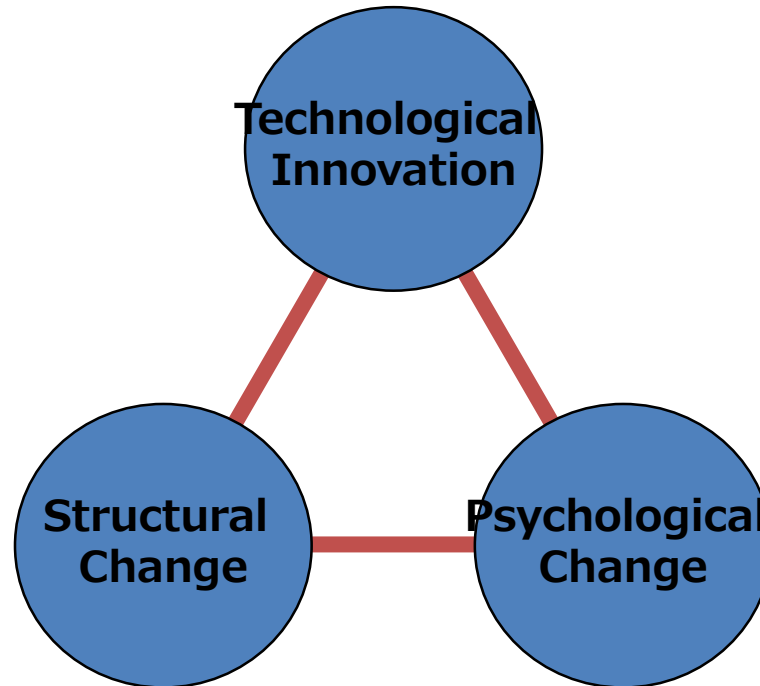
Source: Synergy Research Group

4 Types of Game Changers

	Existing products and services	New products and services
Existing profit generating model	Reforming of the process <hr/> Re-evaluate existing value chains <ul style="list-style-type: none">• 7-11's Seven Cafe• "Oreno" restaurant concept• QB House	New market creation model <hr/> Embody new values that clients haven't thought about before <ul style="list-style-type: none">• JINS PC• Aoyama Flower Market• Toshin High School
New profit generating model	System destruction model <hr/> Disable existing profit generating model <ul style="list-style-type: none">• Smartphone based games• LINE free phone calls• Uber• AWS	New biz creation model <hr/> Create new business model <ul style="list-style-type: none">• Kakaku.com• Times (coin-operated parking)• airCloset

Source: "Game Changer's Competition Strategies" p.31

Innovation Triangle



3 drivers that bring innovation in business

What Are Disruptive Technologies?

- HBS professor Clayton Christensen's concept
- Incumbent technology increases products' capabilities = Sustaining technology
- On the other hand, disruptive technology may have an effect of lowering products' capabilities in a short term
- Typically, disruptive innovation is technologically simple, uses existing products' parts, and architecture is often simpler than incumbent counterparts.
- Ironically, excellent business operation is a primary reason why market leader loses its position

Source: "Innovator's Dilemma" by Clayton Christensen

Examples of Technological Innovation

IT

- **AI, IoT, VR/AR, Big Data, RFID**
- **Mobile settlement, Cryptocurrency**

Latest Technologies

- **Self-driving cars, Drones, Robots**

Life Science

- **iPS cells, DNA analysis**

These are within people's imagination and everybody is watching

Structural Change in Japan

Population Dynamics

- Change in family structure
- Elderlies' & unmarrieds' needs
- Utilization of seniors
- Mismatch of housing

Industrial structure

- Development of mobile equipment
- Courier service infrastructure
- Labor force shortage

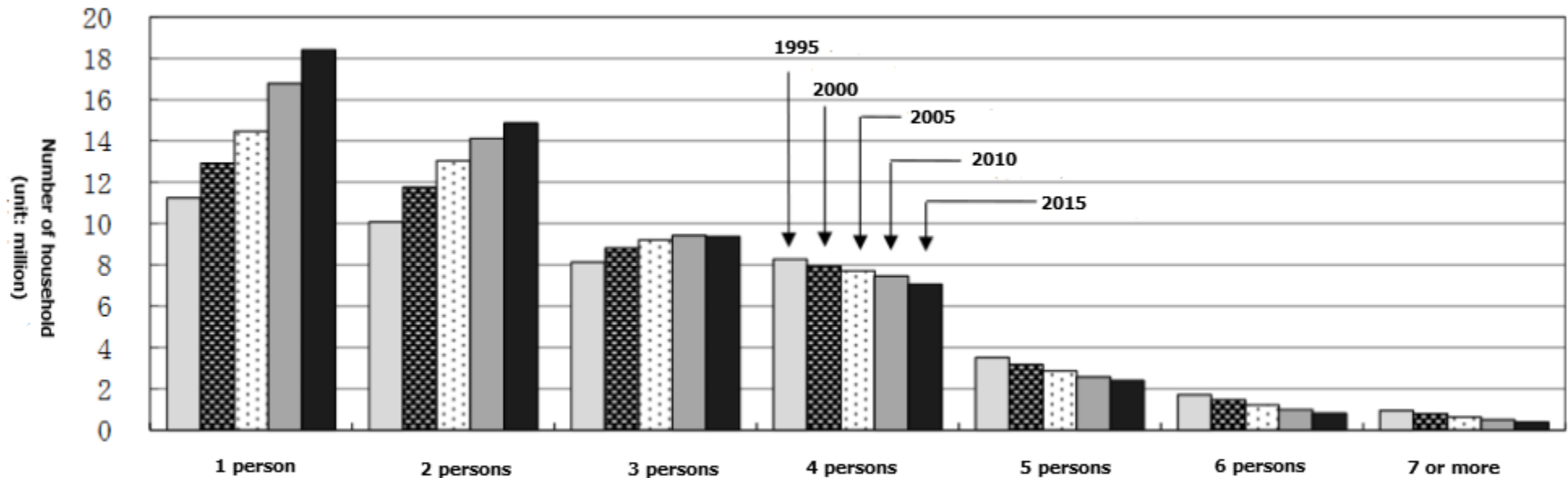
Globalization

- 40 Million overseas visitors per year

Structural Change

- Happening Right Now in Japan

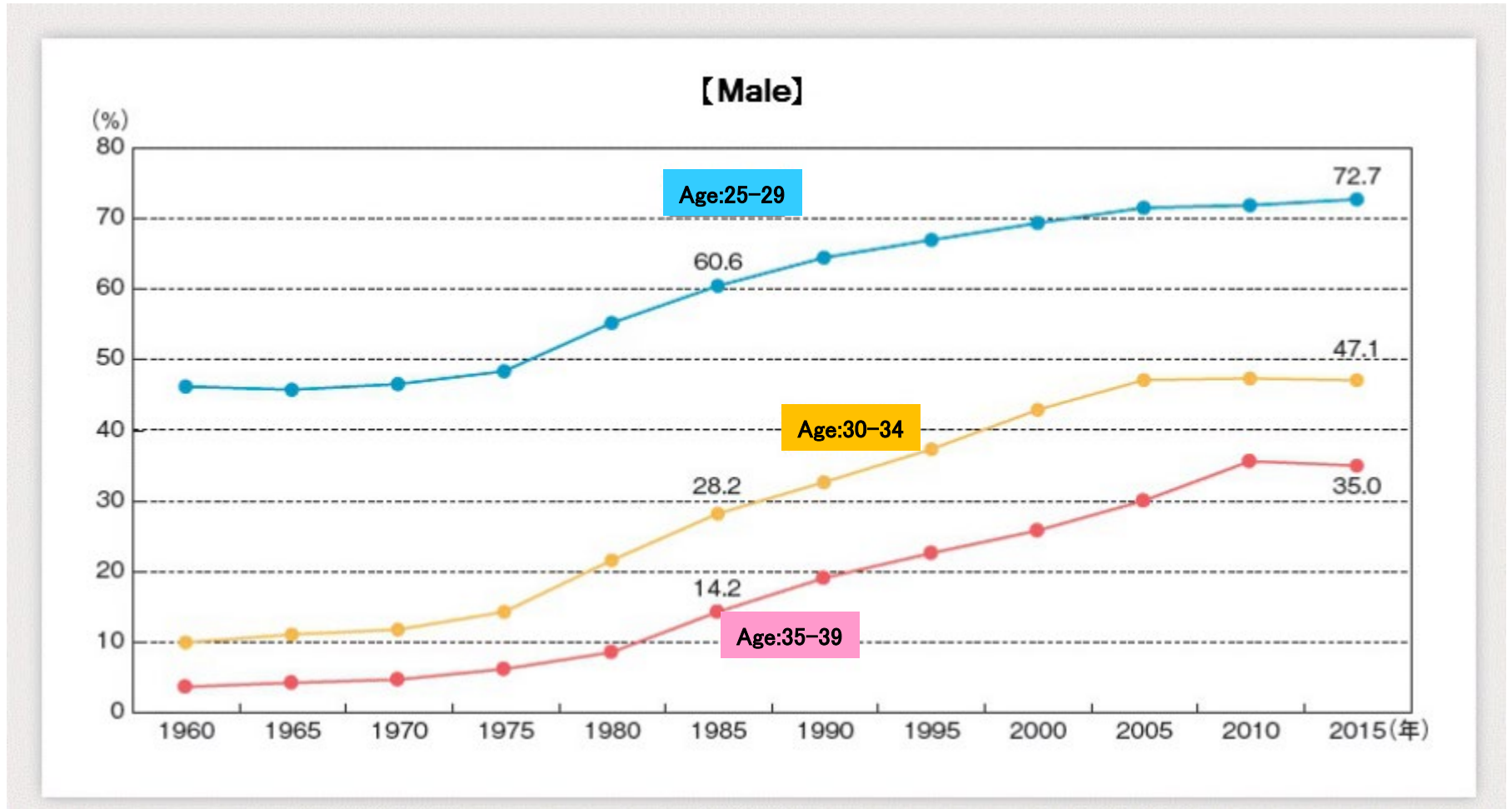
Household size change in Japan (1995 - 2015)



Source: 2015 Population Census report by Ministry of Public Management

Male in early 30s: 1 in 2 unmarried

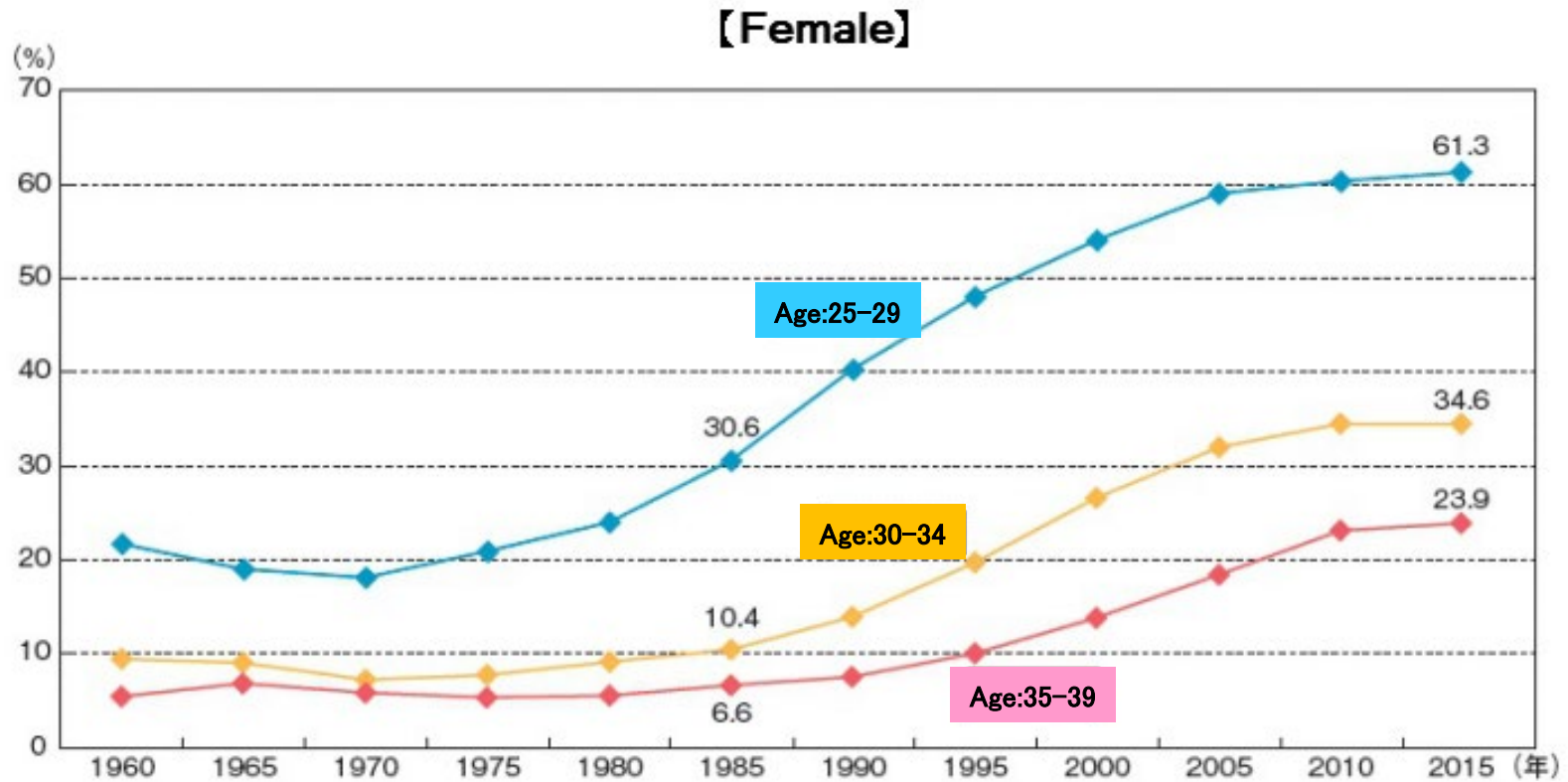
Male in late 30s: 1 in 3 still unmarried



Source: 2015 Population Census report by
Ministry of Public Management

Female in early 30s: 1 in 3 unmarried

Female in late 30s: 1 in 4 still unmarried



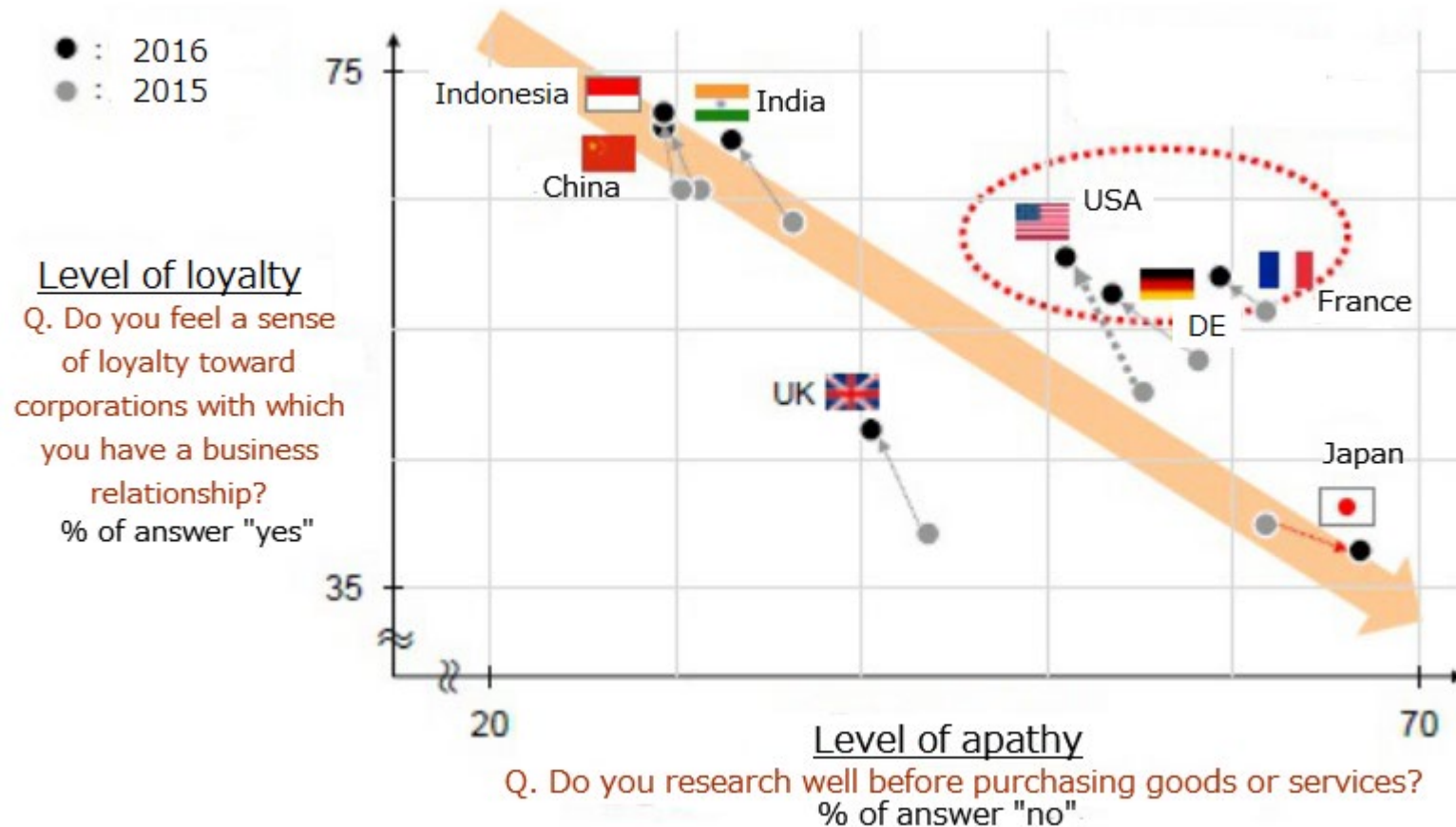
Source: Census by Ministry of Public Management

Note: Okinawa Prefecture is not included in 1960 - 1970

Psychological Change in Consumption Behaviors

- **Apathetic consumers**
- **Inclination toward safety**
- **Eco-Environmental interest**
 - **Bicycle commuting**
 - **Success of "I-LOHAS" bottled water**
- **Ownership to nonownership**
 - **Mercari, Car sharing...**

Japanese Consumers Are Becoming More Apathetic

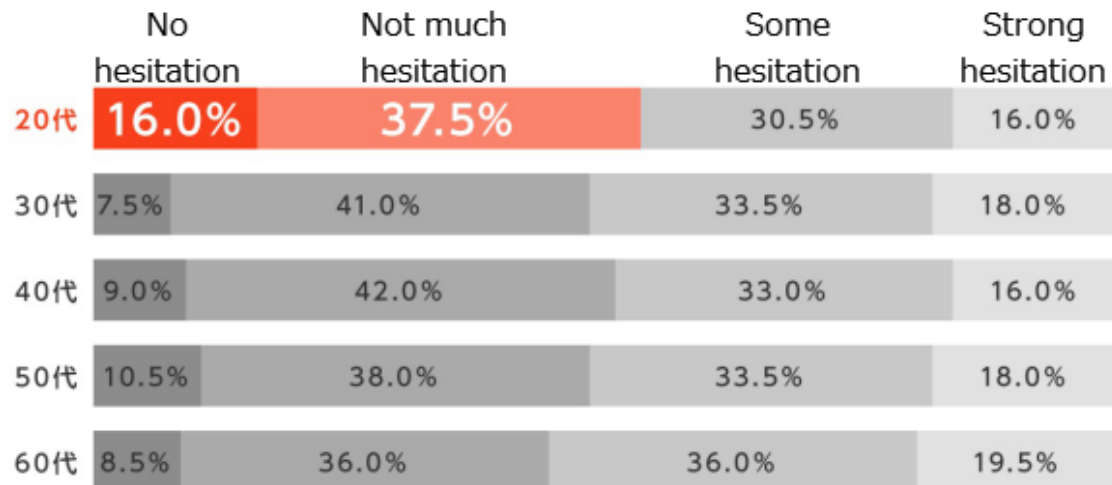


Source: Accenture "Global Consumer Research 2015 vs 2016"

Increasing Number of Consumers Are Willing to Buy 2nd-hand Items

Q2. Do you hesitate to purchase and use 2nd hand items?
Choose one that describes you the most

n=1000 (single answer)



More than half of Flea market app users answer “Checking flea market apps for price before purchasing new items” (54.6%), “Handling own possessions gently to retain higher resale value” (53.2%)

Source: Mercari consumer research 4/6/2018

Psychological changes in corporate activities

- **Revenue to profit · growth to sustained existence**
- **Client · employees to stakeholders**
- **In-house to outsourcing**
- **Workers' fluidity · globalization**
- **Risk aversion**
 - **BCP (Business Continuity Planning)**
 - **Crisis/Scandal management**

Phrases Innovators Face

“That's impossible”

“That way doesn't work here”

“Changing that much is too much”

“We've tried something similar but it didn't work”

“If it were so easy...”

“When you have more experience, you will understand”

- Joel A. Barker

Let us not utter such words

Innovation Triangle - Conclusion

- **Traditional rules of game will not work**
- **Come up with your own winning pattern**
 - **Innovate as needed**
- **Don't overlook game changing drivers**
 - **Pay more attention to structural changes and psychological changes than technological innovation**