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Knowledge Transfer in Management of
Department Stores:
Centering on Transfer of
“Buyers Manual” and “MD Notes”

Graduate School of Economics, The University of Tokyo
Nagoya University of Commerce and Business
MIYAZOE, Kenshi

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東京大学21世紀COE [モノづくり]
ものづくり経営研究センター

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Abstract: Literature concerning merchandising (MD), the core area as regards the management of department stores, includes the “Buyers Manual” edited by the National Retail Merchants Association. This manual was introduced into department stores in Japan, which was recovering from World War II. Among Japanese department stores, Isetan tried to transplant the knowledge presented in the manual by reediting it into an in-house document entitled “Merchandising (MD) Notes.” Subsequently, both sets of knowledge materials were transferred to multiple department stores when top Isetan managers moved jobs. Focusing on these knowledge materials, the author analyzes the transfer of knowledge in the department store industry.

Keyword: Knowledge transfer, merchandising knowledge, transfer from abroad, transfer within the industry

1. Preface

1-1. “Buyers Manual” and “Merchandising (MD) Notes”

The materials in this study are the “Buyers Manual” created by the National Retail Merchants Association (NRMA), and the “Merchandising (MD) Notes” based on the “Buyers Manual” edited by Isetan, a Japanese department store

The “Buyers Manual,” created by the National Retail Merchants Association (NRMA), concretely describes all of the steps involved in merchandising in the retail industry from merchandise planning through purchasing, merchandising assortment (*assortment of merchandise*), selling, sales promotion, discounting, the numerical aspects of stock management, and even concepts of corporate organization.¹⁾ Although it is called a manual, it does not describe practical procedures specific to any single organization, but was instead co-written on the subject of merchandising by many practical people representing the U.S. retail industry of the time, and it has been revised and republished several times since it first appeared in 1930. As regards the 1957 edition, considered in this paper, most of the writers were practical business people working in department stores, and it may better to call it a theory of department store management, given that it discusses merchandising at department stores in its entirety from the viewpoint of actual business.

This “Buyers Manual” attracted the attention of the management of Japanese department stores, which were recovering from the damage caused by World War II. The first contact was made by Isetan, which is a major Japanese department store. In 1951, President KOSUGE, Tanji III of Isetan (known at that time as Managing Director KOSUGE, Toshio) visited department stores in the U.S. and Europe, and is said to have found and returned with the 1949 edition.²⁾ The second contact was Depato Shimbun Co., Ltd., the publisher of a trade journal for the department store industry. OGAWA, Kyoichi then president of this publishing company, translated the 1957 edition published by the National Retail Merchants Association (NRMA) into Japanese, and made it available as a three volume series between 1961 and 1963. This translation was supported by SHIMIZU, Shigeru then a member of the Research Department of Takashimaya, another major Japanese department store.

“MD Notes,” the other material discussed in this study, was created while Isetan was working on introducing and utilizing the knowledge presented in the NRMA’s “Buyers Manual”. Isetan focused on their merchandise assortment and department deployment based on merchandise categorization according to, for example, the concerns of consumers and merchandise use, and developed these ideas in their own way to define eight categories and twenty-three items (called “categorized

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merchandising”).³⁾ These categories were organized into a card book called “MD Notes” for buyers and sellers to carry with them at all times. These “MD Notes” were utilized in Isetan’s merchandising operations such as merchandise planning, merchandise assortment and stock control.

This study attempts to describe the actual situations in which merchandising knowledge was transferred from the U.S. to Japan, and between Japanese department stores, by referring to the “Buyers Manual” and the resulting “MD Notes”. This illustrates an example of the active introduction of knowledge from foreign department stores during the period of recovery of their Japanese counterparts in the 1950s and 1960s. While the introduction of the “Buyers Manual” from the U.S. by KOSUGE of Isetan is noted in the corporate history of Isetan and is widely known among researchers of the department store industry (Fujioka 2004 et al.), the existence of the Japanese translation of the “Buyers Manual” published by Depato Shimbun has gone largely unrecognized. This is because the Japanese translation was sold by Depato Shimbun to department stores on a made-to-order basis, and there is no copy in the National Diet Library. During interviews on MD knowledge transfer with department store staff, I came across a copy at the Tokyu Department Store. This manual was available to every department store in the early 1960s, so it will not be a surprise to find that many department stores other than Isetan referred to it. What were the actual situations of knowledge transfer?

1-2. Relationship between managers moving between department stores and MD knowledge transfer

In the Japanese department store industry, management staffs sometimes move to a different department store as shown in Chart-1 and Chart-2. First, YAMAMOTO, Munekazu who had been involved in the internalization of the “Buyers Manual” and the preparation of the “MD Notes,” moved from Isetan to the Tokyu Department Store (then Toyoko Department Store) (1963).⁴⁾ Later, YAMANAKA, Kan moved from Isetan to Matsuya in 1976, and then to the Tobu Department Store in 1990. How was the knowledge described in the U.S. “Buyers Manual” and presented in Isetan’s “MD Notes” transferred when these management people moved from Isetan? This study attempts to explore the actual situations in which the tangible knowledge materials entitled “Buyers Manual” and “MD Notes” were transferred with an awareness of them.

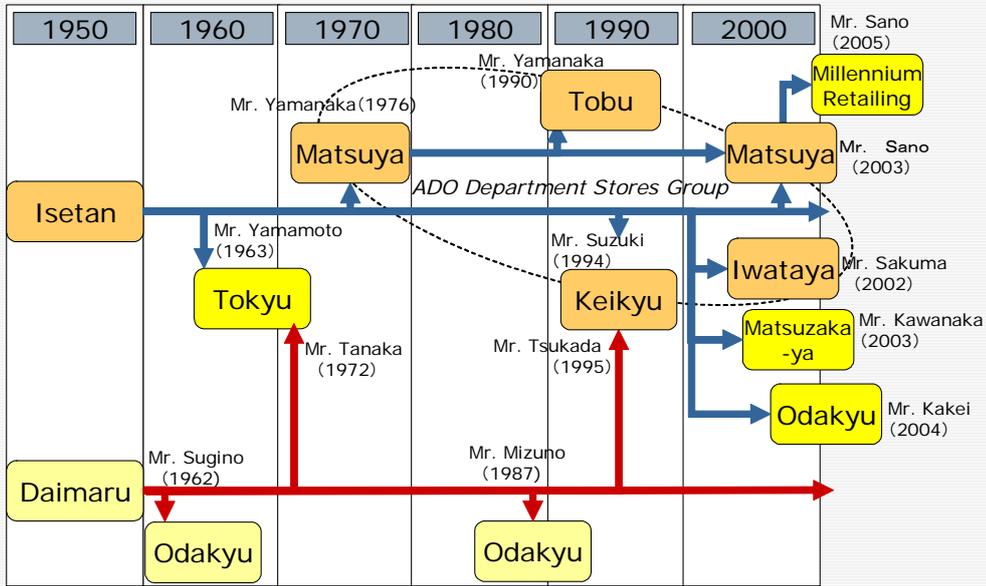
It was about 50 years ago that the knowledge provided in the US “Buyers Manual” was introduced into Japan. However, this knowledge transfer is not simply a management topic of the past related to the history of the department store industry. I believe that this theme has remained alive from the

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days of the fundamental restoration of department store management immediately after World War II until today. Recently, managers with experience of merchandising at Isetan have moved to local

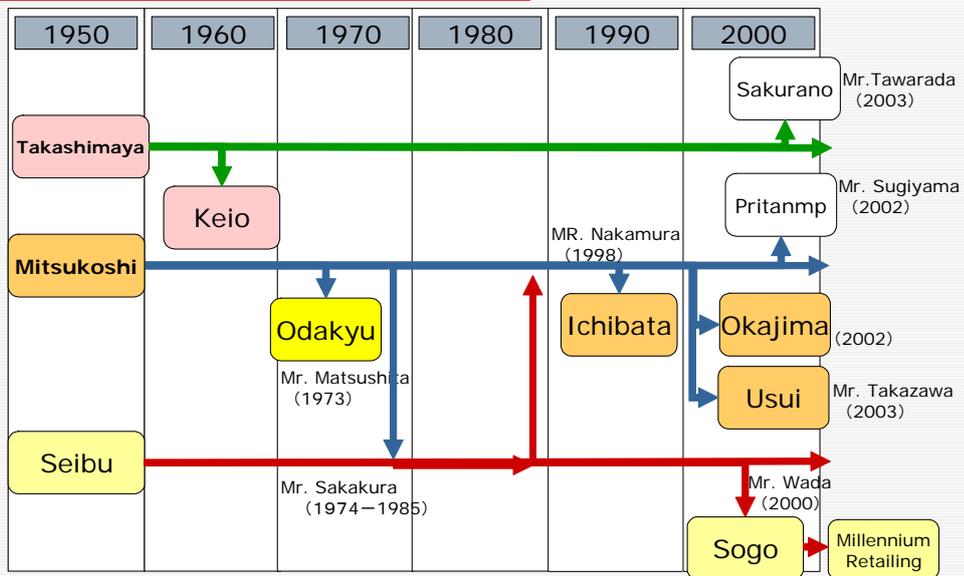
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Chart-1
The Moves of Executive Managers of Department Stores (1)



(As of Feb.2005)

Chart-2
The Moves of Executive Managers of Department Stores (2)



(As of Feb.2005)

department stores belonging to the ADO group (Isetan-sponsored nationwide business alliance group of department stores), and then to Matsuzakaya, Odakyu Department Store and Millennium Retailing, Inc. (the holding company of Seibu Department Store and Sogo) outside the ADO group. This trend among major department stores to recruit managers from Isetan to enhance their merchandising capabilities may be supported by today's recognition that knowledge concerning merchandising is essential for the management of a department store, and such knowledge is the source of competitiveness.

1-3. Previous knowledge transfer studies

Since the Meiji Restoration, Japan has seen countless cases of industries springing up and modernizing by introducing knowledge related to business practices, management and technologies drawn from the corresponding industries in advanced foreign countries. Japan started researching department stores in the U.S. and Europe in the late nineteenth century, and many kimono shops transformed themselves into department stores in the early twentieth century, triggered by the "Department Store Declaration" launched by Mitsukoshi in 1904. Japan's department stores were born from knowledge studies carried out by business people who visited department stores overseas in the early days (Takahashi 1972). Since then, as part of their growth, Japanese department stores have learned about store design from their peers overseas through study tours. Shiraishi & Toba (2003) described the process by which Takashimaya transformed itself into a department store before World War II by making positive use of the knowledge that the store obtained from overseas department stores mainly by visiting them.

With respect to knowledge transfer in the retail industry, there are many studies such as Goldman (2001), which describe, in terms of global marketing, the process by which business styles and management knowledge are transferred when a retailer based in an advanced country branches out into a developing country. With regard to the business styles of department stores, Sekine & O (2003) concluded that the transfer of management techniques from Japan to Korea is attributable to technical tie-ups established for opening stores.

On the other hand, I found very few studies undertaken from the viewpoint of organizational learning and focusing on the recipients of knowledge that analyze the process by which the recipients enhance their management and organizational abilities by introducing this knowledge. From this type of viewpoint, Nakamura & Asakawa (2004) studied the pharmaceutical and bio industries, and identified four stages of knowledge transfer, namely exploitation, acquisition, digestion and

utilization, which is suggestive for this study.

The available and effective approaches to knowledge transfer are still being studied (Kim 2002). Previously published work discussing knowledge transfer includes studies by Nonaka & Takeuchi (1996), Almeida & Kogut (1999), and Leonard & Swap (2005). They describe their approaches to knowledge transfer as follows: “the interaction between implicit knowledge and explicit knowledge occurs on an individual basis” (Nonaka & Takeuchi 1996), “knowledge in its context is transferred via human beings” (Almeida & Kogut 1999), and “Deep Smarts are fostered through guided experience” (Leonard & Swap 2005), all of which emphasize knowledge transfer “via human beings.” The knowledge transfer dealt with in this paper is defined as the creation or transfer of knowledge within an organization, and the body of work describing transfer between corporations is very small. Suzuki (1980) divided and organized the ways of transferring retail management techniques from A to B into three types: (i) a person moves from retailer A to retailer B, (ii) an employee of retailer B learns retail management techniques from retailer A, and (iii) a third party mediates the transfer. Should we recognize that knowledge transfer among department stores occurs via people, that is, through the movement of the management staff of major department stores?

This study focuses on the department store industry, and analyzes the transfer, from the U.S. to Japan and among Japanese peers, of knowledge closely related to management, such as merchandising from the viewpoint of organizational acquisition and knowledge acquisition. These viewpoints differentiate this study from previous work.

2. Method of study

2-1. Existence of transfer and assessment of extent

Although the actual transfer of knowledge (the extent of transfer) has yet to be definitely defined, this study divides knowledge transfer into the following five stages described by Nakamura & Asakawa (2004). (i) “No transfer” represents the stage where no knowledge related material has been transferred, (ii) “Transfer of materials” represents the stage where knowledge related materials have been physically transferred, (iii) “Utilization” represents the stage where the transferred knowledge is utilized, (iv) “Rooted” represents the stage where the transferred knowledge has been utilized and taken root in the organization, and (v) “Real effects” represents the stage where the transferred knowledge generates effects reflected in performance figures. The extent to which knowledge has been transferred is evaluated in the above order.

This study treats “Buyers Manual” and “MD Notes” as knowledge to be transferred, and has

carried out an evaluation by defining the clearly recognizable “Transfer of materials” stage, where the physical or visible materials have been transferred (held by the corporation concerned) as the first stage of knowledge transfer.

2-2. Survey method

I conducted surveys for this study as follows. Based on information concerning the movements of department store management staff mentioned above, I surveyed a total of twelve department stores beginning with Isetan, followed by Matsuya, Tobu Department Store, Keikyu Department Store, Iwataya, Tokyu Department Store, Odakyu Department Store, and Matsuzakaya, to which Isetan’s managers moved, and Takashimaya, Mitsukoshi, Daimaru and Seibu Department Stores (Millennium Retailing, Inc.).

First, I sent questionnaires to the managers in charge of the management planning of these department stores posing general questions about awareness, in-house retention and utilization of the “Buyers Manual” and “MD Notes.” Second, I visited each of these corporations to interview key staffs at the director level who were familiar with the history of knowledge transfer and utilization, and to determine the in-house materials (actual papers or books) that were available. Third, I researched descriptions of merchandising-related training and system construction based on the corporate history of each department store, and literature dealing with important people in merchandising.⁵⁾ During these surveys, I took care to check facts with as many sources as possible.

3. Actual situations of knowledge transfer related to merchandising at department stores

I analyzed the transfer of merchandising knowledge seen in the “Buyers Manual” and “MD Notes,” and drew the following four conclusions:

3-1. Formats of knowledge concerning merchandising at department stores

I found that there are five types of tangible materials describing knowledge of merchandizing operations at department stores: (i) the “Buyers Manual” (English version) edited by NRMA, (ii) material prepared in-house by translating the “Buyers Manual” edited by NRMA in-house (Matsuya), (iii) “Buyers Manual” (Japanese version) published by Depato Shimbun, (iv) “MD Notes” created by Isetan, and (v) merchandising-related manuals edited in-house by each department store.

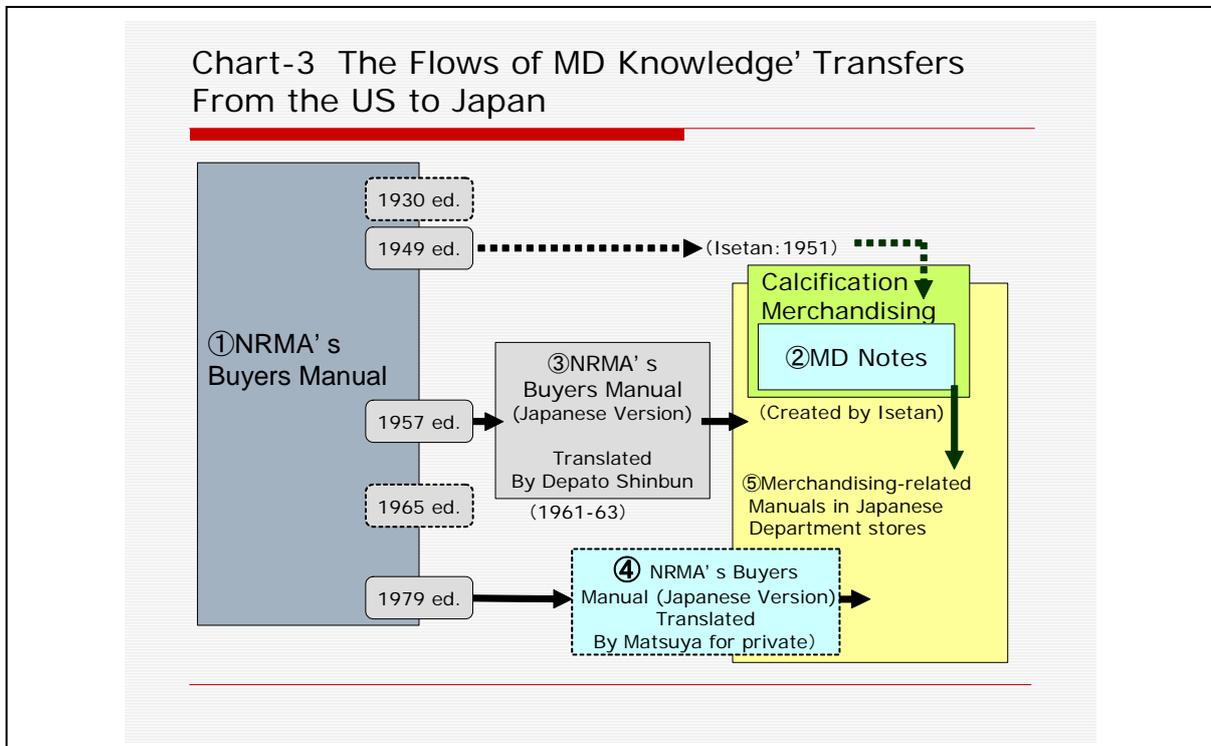
While Fujioka (2004) also provides a description of the NRMA “Buyers Manual” (English

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version) in Isetan’s corporate history, its Japanese version translated and published by Depato Shimbun is described for the first time in this study. I believe that this is a meaningful contribution since it constitutes the discovery of material produced during the department store recovery period after World War II.

3-2. Routes of transfer

Chart-3 shows the flows of the introduction of knowledge from the U.S., and its transfer inside the Japanese department store industry. The “Buyers Manual” (English version) edited by NRMA was transferred from the U.S. to Japan via two routes. One was its introduction by KOSUGE, Tanji III of Isetan, and the other was the publication of the Japanese version by Depato Shimbun, the publisher of a trade journal for the department store industry. (Later, Matsuya translated NRMA’s “Buyers Manual” (1979 edition) into Japanese in-house to produce a private version.) Inside Japan, Isetan created its “MD Notes” based on concepts presented in the “Buyers Manual.” “MD Notes” was transferred to other department stores, and its concepts were reflected in the transferees’ merchandising-related manuals.



3-2-1. Transfer of “Buyers Manual” from the U.S. to Japan

Introduction of knowledge by Isetan

In the course of approximately three months from June to September 1951, President KOSUGE, Tanji III of Isetan (known in 1951 as Managing Director KOSUGE, Toshio) visited many department stores in New York, London, and Paris and other cities in the U.S. and Europe. Isetan’s corporate history describes President KOSUGE’s view on the concepts of merchandizing as follows:

In the U.S. after the end of World War II, the conventional sales attitude of waiting for shoppers “to sell produced goods” was being replaced with a new marketing method “to make suppliers produce goods that are sure to sell well.” Managing Director KOSUGE, Toshio toured the U.S. commerce industry in the middle of the “Marketing Revolution,” when all the plans and schemes for creating “things that sell well” or “merchandise that sells well” were comprehensively called MD, and every retailer was concentrating wholeheartedly on the establishment of merchandising.⁶⁾

Merchandising is a scientific method for consistently planning, undertaking and controlling every stage from product planning to purchasing, and from the assortment of goods in each department to sales trend analysis. This was a very fresh idea for Japanese department stores in those days. The NRMA “Buyers Manual” was a document that covered all the ideas and steps involved in merchandising in a systematic way.

KOSUGE, Toshio brought this “Buyers Manual” (assumed to be the 1949 edition) back to Japan, and promptly instructed YAMAMOTO, Munekazu (then Senior Manager of the Merchandise Division) and YAMANAKA, Kan (then Section Manager of the Children’s Clothes Department) to translate it into Japanese.

Furthermore, these two managers focused on the concept of merchandising standards. They modified the translation to fit Isetan’s actual business practices by adding Isetan’s own categorization by shopper, usage and attention level to the price zone, price line and seasonal factors described in the original document. Thus, the concept of merchandising standards and “categorized merchandising” was invented, and incorporated into “MD Notes”.⁷⁾

Categorized merchandising was first applied to the Children’s Clothes Department in Isetan’s Shinjuku Store. Based on the unprecedented concept of “categorization by usage,” clothes, childcare goods, sundry goods and furniture were gathered together in the Baby Goods Department. Despite the baby-boomer era and its explosive demand for baby goods, the Children’s Clothes Department was less integrated into a complete department than the kimono, men’s wear and ladies’ wear departments that were core business divisions. This delay in integration allowed Isetan to take a

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leading role. The success of this attempt led to applications to other departments, and the organization of corporate-wide categorized merchandising as the MD's core function.

At that time, YAMAMOTO was holding study meetings on merchandise categorization almost every day with members of the Merchandise Division. YAMAMOTO is said to have taken the initiative in fostering human resources and inculcating the basic principles of MD.⁸⁾

Translation by Depato Shimbun and participation of Takashimaya

By contrast, Depato Shimbun Co., Ltd., a publisher of trade periodicals and other materials for the department store industry, was also interested in the NRMA "Buyers Manual". The publisher asked Takashimaya to review the translation of the "Buyers Manual" (1957 edition), and SHIMIZU, Shigeru then a member of the Research Department at Takashimaya's Head Office, led the review. The translation was supervised by then Professor SHIMIZU, Akira of Meiji University (elder brother of SHIMIZU, Shigeru), and the Japanese version of the "Buyers Manual" was completed. While the original English version comprised a single volume, the Japanese version was divided into three volumes and published separately between 1961 and 1963. These volumes were not sold in bookstores; Depato Shimbun Co., Ltd. sold them directly to department stores. It is said that around 1,000 copies of each volume were sold.⁹⁾

Thus, the NRMA "Buyers Manual" was introduced into Japanese department stores by Isetan and Takashimaya in parallel, but it should be regarded that the comprehensive, wide-ranging know-how as regards department store operation included in the original English version of the "Buyers Manual" was introduced by Takashimaya.

Although SHIMIZU, then a member of the Research Department of Takashimaya's Head Office, took charge of the translation, it was nothing more than a task requested by Depato Shimbun Co., Ltd., and hardly affected Takashimaya's business as a whole. There is also no evidence remaining in Takashimaya to show that this department store positively utilized the "Buyers Manual" as a corporation. It is suspected that because it had obtained various types of information from abroad through other channels since before the war, unlike Isetan, Takashimaya had no urgent need to rely on the "Buyers Manual" for overseas information.¹⁰⁾

3-2-2. Transfer among Japanese department stores

I sought to find tangible evidence of transfer to confirm the transfer of knowledge materials such as the "Buyers Manual" and "MD Notes" from Isetan to other department stores. The results are

Chart-4 Knowledge transfer of “Buyers Manual” and “MD Notes”

(Evidence of MD knowledge)

Company Name	Move of Executives from Isetan	NRMA's Buyers Manual			MD Notes	
		English Version	Private Translated	Translated by Depato Shinbun	Concept of MD Classifications	MD Notes (Card)
Isetan	●	▲			●	●
Matsuya	●	▲	●		●	●
Tobu	●	▲			●	●
Keikyu	●				●	
Iwataya	●				●	
Tokyu	●	●		●	●	●
Odakyu	●				●	●
Matsuzakaya	●				●	●
Takashimaya		▲		▲		
Mitsukoshi						
Daimaru						
Seibu	●					

● exist ▲ Exist only in a record

illustrated in Chart-4.

The “Buyers Manual” was transferred to three department stores to which YAMAMOTO and YAMANAKA moved from Isetan, i.e., Matsuya, Tobu Department Store and Tokyu Department Store. “MD Notes” was transferred to a total of five department stores including Odakyu Department Store and Matsuzakaya, to which Isetan managers had recently moved, in addition to Matsuya, Tobu Department Store and Tokyu Department Store.¹¹⁾ The concept of categorized merchandising was transferred to Keikyu Department Store and Iwataya, but not in the form of the “MD Notes.”

Knowledge transfer to Matsuya

In 1976, YAMANAKA, Kan of Isetan was invited by Matsuya, then in a desperate slump, to join the company as Vice President (he was promoted to President in 1979). YAMANAKA did not bring Isetan’s “MD Notes” as it was into Matsuya, but set about establishing direct communications by gathering young employees in the directors’ meeting room. He started a series of training sessions for the sales staff at each corner called “PCA School” (commonly known as Yamanaka School), where the person in charge of a corner analyzed his or her counter based on the concept of categorized merchandising, and presented improvement plans for discussion by the participants. Thus, Isetan’s MD knowledge was transferred to Matsuya.¹²⁾ At the same time, Matsuya continued studying the

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NRMA “Buyers Manual”. In 1989, nineteen Matsuya staff members translated the 1979 edition of the NRMA “Buyers Manual” and created Matsuya’s in-house version using a word processor. Then, Matsuya improved the performance of its Ginza Flagship Store in terms of clothes and kitchenware, and became a leading department store in the Ginza.

After moving to Tobu Department Store in 1989, YAMANAKA, Kan invited OHTA, Nobuyuki who had undergone buyer education in the U.S. and had been working as a columnist for Senken Shimbun, to become President of Tokyo Lifestyles Institute, Inc. (an organization authorized to create merchandising directions). OHTA took charge of a “Merchandizing Seminar” to train merchandisers. The framework of merchandiser training and operating methods were based on YAMANAKA’s approach, but the content was devised by OHTA. In 2003, SANO, Kazuyoshi, Senior Manager of the Merchandise Administration Department of Isetan with experience in merchandising, was invited to Matsuya as Vice President (and Director of the Operation Headquarters). His training style was based on YAMANAKA’s approach.

Knowledge transfer to Tobu Department Store

In 1989, YAMANAKA, Kan moved from Matsuya to the Tobu Department Store as a senior corporate advisor, and in 1990, he took the office of President of the Department Store. YAMANAKA focused on education with respect to merchandising for buyers and sales staff with a view to enhancing sales power toward large-scale expansion and the renewal of the Ikebukuro Store. He carried out practical training by letting trainees look at actual merchandising operations at different departments, and consider challenges and improvements (called the “Tobu School”), which comprised the same training format as that realized by YAMANAKA at Matsuya.

“MD Notes” was also introduced into the Tobu Department Store, and its employees were made to carry notes describing mandatory requirements for assortment and department design. In March 1990, the Tobu Department Store introduced a buyer system and a sales manager system, and in October 1990, established the Service Training Department for on the job training (OJT) close to actual sales activities. The merchandising training curriculum included basic principles for buyers and merchandisers, fundamental knowledge about budgeting and numerical-based control, price-based merchandising, complete department design, basic knowledge of marketing, and purchasing strategies. After establishing in-house merchandising knowledge, Tobu Department Store incorporated it in its own “Buyers Manual”.

Knowledge transfer to Tokyu Department Store

In 1963, YAMAMOTO, Munekazu quit his position as Managing Director of Isetan to take the office of Representative Director and Vice President Responsible for Sales at Toyoko Department Store. During his first four years at Toyoko, he launched a series of structural reforms.¹³⁾ This was because in those days, Toyoko was overwhelmed with managerial problems, so YAMAMOTO was unable to focus solely on merchandising, which had been his domain at Isetan.

Later, after the start of the new manager system (1967), YAMAMOTO repeatedly emphasized in manager training the three principles of the “base of sales,” i.e., ideas of (i) improvement of the service level, (ii) thorough unit-based merchandise management, and (iii) improvement of business processes. YAMAMOTO continued preaching these three principles until his death three years later.

YAMAMOTO died in 1971, when the Tokyu Department Store was in the process of reformation, but he left two knowledge materials at Tokyu. One is the Tokyu version of “MD Notes.” Although the standards for categorized merchandising are the same as in Isetan’s original version, the Tokyu version is entitled “Merchandising Checkpoints.” I acquired a copy of this material, but its cover includes the wording “Toyoko Department Store & Shirokiya”. This suggests that this material was issued between 1963, when YAMAMOTO joined Toyoko, and 1967, when Toyoko merged with Shirokiya, and was renamed Tokyu Department Store.

The other knowledge material is a collection of YAMAMOTO’s instructions and remarks at meetings edited into a pocket-size book entitled “YAMAMOTO, Munekazu Genkouroku – Shoubai no Michi” (Words of YAMAMOTO, Munekazu – Virtue of Merchants). This book was prepared in 1972, after YAMAMOTO’s death, as a lasting memorial and to pass his instructions on to the following generations. The employees are encouraged always to carry this book with them. This book talks about the philosophy of commerce as a retailer or department store, and the basic stance toward department operation and merchandising. The section entitled “Unit-based Merchandise Management and Categorization & Organization” (pp. 82 – 83) describes the concept of categorization by target, usage, design and size.

After YAMAMOTO died, however, TANAKA, Shosuke of Daimaru was invited to become vice president (1972). Categorized merchandising techniques were no longer taught, and the merchandising knowledge gradually disappeared.¹⁴⁾ However, between 1983 and 1989, Tokyu Department Store held buyer training sessions once or twice a year, inviting Mr. Seagull, one of authors of the NRMA “Buyers Manual” (1979 edition) , who was an executive officer of Macy’s. Through these training sessions, the “Buyers Manual” and knowledge about categorized

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merchandising were reintroduced, but immediately after the last session of this training course, Tokyu changed its merchandising policy to reduce the range of buyers' tasks, the training system was abolished, and the knowledge was not passed on. The two knowledge materials YAMAMOTO left at the Tokyu Department Store are held personally by senior employees, but are not used organizationally. A different "Buyers Manual" currently used inside Tokyu includes neither the knowledge introduced through the original "Buyers Manual" nor the merchandise categorization found in the "MD Notes" provided by YAMAMOTO, Munekazu.

3-3. Transfer accompanying personal moves

The transfer of the "Buyers Manual" and "MD Notes" among corporations was the direct result of the movement of management staff to other corporations. The history of the movement of department store managers to other department stores is shown in Chart-1 and Chart-2. First, YAMAMOTO, who had taken charge of the internalization of the "Buyers Manual" and the sophistication of merchandizing at Isetan, moved to the Tokyu Department Store (then the Toyoko Department Store) (1963). Next, YAMANAKA moved to Matsuya (1976), and then to the Tobu Department Store (1990). The "Buyers Manual" and the "MD Notes" were both transferred to the department stores by these two high-rank managers. Recently, certain managers have moved from Isetan to Matsuzakaya, Odakyu Department Stores and others. Since these people had experienced merchandising at Isetan based on the "MD Notes," only the "MD Notes," and not the "Buyers Manual," were transferred to the new workplace. They brought only the knowledge they had been given. This transfer was the direct result of personnel changes. As regards the "MD Notes," not only was the tangible material transferred, but also the new managers applied and inculcated merchandising knowledge by directly training employees at the actual business sites of the new workplace, and established education opportunities such as "PCA School" (Matsuya) and "Tobu School" (Tobu Department Store).

When YAMAMOTO Munekazu moved to the Tokyu Department Store (1960s), both the "Buyers Manual" and "MD Notes" were introduced. For several years after joining Tokyu, YAMAMOTO was too busy with management reorganization and business improvement work to satisfactorily educate merchandisers on an OJT basis, unlike during his days at Isetan.¹⁵⁾ This is quite different from the case with YAMANAKA, who actively worked to transfer merchandising knowledge to Matsuya, then to the Tobu Department Store. This is assumed to account for the fact merchandising knowledge did not take root in the Tokyu Department Store.¹⁶⁾

3-4. Easier transfer of knowledge with an intensive, simple concept

Finally I found that the simpler the format of a knowledge material is, the more easily the knowledge is transferred and spread. Isetan's "MD Notes" were so simplified that users were able to keep only the headline of each item in mind. Employees easily understood what they should do, and the notes were portable so that users could always carry them for ease of reference. Thus, it was a very effective format by which to transfer knowledge. In contrast, "YAMAMOTO, Munekazu Genkouroku" (Words of YAMAMOTO, Munekazu) used in the Tokyu Department Store also provided standards for categorized merchandising, and was designed as a portable book, but its contents were expressed in sentences, so users were required to read and understand it. I assume that this is why it did not take root in Tokyu Department Store.

4. Isetan's development of "MD Notes" and its fruits

Isetan created "MD Notes" in-house based on the "Buyers Manual," and here, I will show how these unique "Notes" were developed by comparing them with the original "Buyers Manual" produced by NRMA.

In addition, I will describe the concrete effects Isetan's preparation of the "MD Notes" had on actual corner designs, and on communications among employees by comparing Isetan with Seibu Department Store, which did not have the benefit of the "MD Notes." Then, I will consider the fruits of this knowledge transfer.

4.1. Creativity of Isetan's development of "MD Notes"

Isetan independently developed their "MD Notes" as standards for assortment and department deployment based on ideas in the U.S. "Buyers Manual". In other words, this was a case of the internalization of knowledge introduced from the outside. No edition of the NRMA "Buyers Manual" includes concepts similar to those in the "MD Notes." The section that is closest to Isetan's "MD Notes" is the "Merchandising Assortment" (pp. 65 – 71 of the 1957 edition, and pp. 95 – 103 of Volume 1 of the Japanese version), which emphasizes the importance of assortment according to categorization by size, color and price, and identification of merchandise that sells in a short period and that sells all year round, while "Classification Reports" (p. 80 of the 1957 edition, and p. 116 of Volume 1 of the Japanese version) is highlighted. I assume that these chapters were interpreted from Isetan's viewpoints, arranged into a format applicable at the time, i.e., the scheme of categorized merchandising, and edited into the "MD Notes." I speculate that the period during which these steps

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were followed for the in-house creation of the “Notes” comprised the time following the return of KOSUGE, Toshio to the time just before YAMAMOTO, Munekazu quit, i.e., 1952 to 1963. The 1965 edition of the NRMA “Buyers Manual” includes the section “Merchandising by Classification” (pp. 181 – 192 of the 1965 edition), emphasizing the importance of “planning and analysis by each customer’s demand”. When this edition was published, YAMAMOTO, Munekazu had already moved to the Tokyu Department Store. This implies that Isetan’s “categorized merchandising” and the “MD Notes” preceded the 1965 edition of the NRMA “Buyers Manual”. The 1979 edition of the NRMA “Buyers Manual” includes detailed examples of merchandise classification, which are close to being a merchandise code scheme, under the headline “Merchandise by Classification” (pp. 252 – 256 of the 1979 edition).

It is significant that over many years there was no standard for merchandising items at Isetan other than categorized merchandising, and a belief permeated the employees that simply reciting these items and applying them would constitute complete merchandising. Since the idea of categorized merchandising was a concept applicable to every domain of merchandise sold at a department store, and the items of categorized merchandising were universal standards for merchandising, categorized merchandising took root in this company.

4-2. Knowledge taking root inside Isetan

After introducing knowledge about merchandising through the “Buyers Manual” edited by NRMA in the U.S., and creating the “MD Notes” for internal use, how did Isetan enable this knowledge to take root in the company? Examining this process of will clarify the fruits of knowledge transfer.¹⁷⁾

First, since the days of YAMAMOTO and YAMANAKA, Isetan officers were teaching buyers and sales people about merchandising focusing on whether “categorization and organization” were implemented. Employees were instructed always to be aware of categorized merchandising described in “MD Notes” and take action at every stage of the merchandising process from merchandise planning to departmental assortment and the analysis of sales trends and results.

Second, standards of categorized merchandising were applied to each employee layer and position according the range under control, and analyzed and managed. In concrete terms, a large category (for a division) of standards of categorized merchandising was allocated to the head of a division at each store, a middle-size category (for multiple departments) to a section manager or buyer, and a small category (for one department) to the person in charge of a department, and each person was required to plan and manage based on the allocated standards. Although concrete indices such as

actual pricing within each price zone and detailed classification varied with the merchandise field, each employee was able to understand the MD standards for the new division or department immediately, and start activities such as planning, sales, analysis and management after personnel transfer because the dimension and the base MD categorization were common to all the fields. Buyers were required to make merchandising across several departments and stores, but the same standards of categorized merchandising were applied.

Third, dimensions of categorized merchandising such as usage and concern were employed in the analysis in the “Merchandise Information Analysis System.” Although the dimensions employed were not unnecessarily detailed, dimensions usually recognized in categorized merchandising were used, and were absorbed naturally by the employees.

Fourth, departmental development and organizational design were also defined, developed and operated based on the concept of categorized merchandising. Therefore, at a newly opened department, the concept of the department and the composition of goods were easily understood from the viewpoint of categorized merchandising. At the “Baby Shop” and “Teens Shop” opened in the 1950s, for example, the targets were babies or teenagers, and products for these targets were displayed. In the 1960s, demand-driven departments such as “Casual Clothes Shop”, “Small Size Shop”, and “Large Size Shop” were developed one after another, but the concept and the merchandise composition followed the rules of categorized merchandising, and the employees easily understood them.

Similarly, operational organizations were also defined based on the standards of categorized merchandising, so their target shoppers and the merchandise composition were clearly identified. For example, the Ladies’ Wear Group Division of the Shinjuku Store was developing the 1st Ladies’ Wear Department (targeted at Young) and the 2nd Ladies’ Wear Department (targeted at Young, Adults and Middle) with the demand-driven category of ‘Size,’ and the 3rd Ladies’ Wear Department targeted at Adults, Middle and Senior. Thus, target shoppers and merchandise assortment were defined with standards of categorized merchandising. This was widely different from conventional organizations based on physical floors in conventional department stores, where, for example, the 1st floor is the 1st Ladies’ Wear Department and the 2nd floor is the 2nd Ladies’ Wear Department.

As described above, Isetan regarded its categorized merchandising indicated in “MD Notes” as a “Merchandising Formula” inside the company, and while applying it to various business scenarios, continued to inherit the established merchandising structure over many years without modifying it.¹⁸⁾

4-3. Difference between Isetan and Seibu Department Store

The way in which the fruits of the knowledge about merchandising presented in the “MD Notes” penetrated the Isetan employees can be clarified by comparison with a department store where such knowledge was not introduced. As an example, Isetan is here compared with the Seibu Department Store in terms of designing a new department concept and developing a department.¹⁹⁾

The first difference is the standardization of the business terms in daily use by the employees. In Isetan, terms related to categorized merchandizing were given a common definition throughout the company. In contrast, in Seibu terms related to merchandising used among management personnel were very sensuous, and their definitions and perception among employees were inconsistent. From the late 1980s, for example, Seibu began calling a customer segment “Mature,” but this term did not only mean a certain age cohort, but was a multi-sense word.

The second difference was in the understanding of the corner concept. Since Isetan devised the concept of a new corner based on the MD Notes, its target shoppers, price zone, type of concern, and usage of merchandise were clear, and its merchandising policy was evenly shared among people from top management to sales staff at the shop front. In Seibu, although an integrated, uniform store was constructed under the leadership of the headquarters’ staff, the concept did not penetrate to the sales front.

The third difference lay in sure materialization and improvement of sales departments. When a department required a refit, Isetan completed the new department as intended by the top management during the planned period. A post-opening report was made using terminology common throughout the company, and so the employees could detect issues and understand instructions as regards required modifications. As a result solutions and modifications were realized smoothly. On the other hand, Seibu often started a refit before the ideas about the target customers, usage and concern had been fully shared among buyers and shop developers, and the refitting work took a long time. Moreover, there were many cases where the top management would check the department immediately before opening, and point out some imperfection, and then the department had to be refitted again through the night. When Yurakucho Seibu opened in 1984, for example, some departments including fashion departments were modified just before the opening. Nevertheless, the top management found further unsatisfactory points, and staff members were forced to correct them. The existence of “MD Notes” is thought to account for this difference in knowledge sharing.

5. Summary and discussion

5-1. Transfer of merchandising knowledge in department store industry

The first finding of this study is that knowledge transfer in the field of merchandising activities in the department store industry is shown to exist from the examples of the “Buyers Manual” and “MD Notes.” Knowledge in merchandising accumulated by department stores in the U.S. was introduced into Japan with the “Buyers Manual,” the knowledge was internalized as the “MD Notes” by Isetan, and spread from Isetan to various department stores.

The second finding is that materials containing knowledge about merchandising were transferred along with management people who had been in charge of merchandising at Isetan, and then moved to other department stores. The expression “along with management people” represents three cases.

The first case is that when a manager moved, that manager brought merchandising knowledge material into the new workplace. The management staff that moved had been trained at Isetan, or had the same knowledge. When YAMAMOTO, Munekazu moved from Isetan to the Tokyu Department Store, and YAMANAKA, Kan moved to Matsuya and the Tobu Department Store, both the “Buyers Manual” and the “MD Notes” were transferred, but when Isetan’s managers moved recently to Matsuzakaya and Odakyu Department Store, only the “MD Notes” used personally by the managers at Isetan were transferred. This is the second one.

The third one is that the managers who moved provided the buyers and sales staff of their new workplaces with practical education using the “MD Notes.” For example, YAMANAKA established the “PCA School” (Matsuya) and “Tobu School” (Tobu) to assess actual merchandising at actual sales corners, point out problems and suggest improvements. In addition to the transfer of the knowledge materials, practical guidance by managers promoted the utilization of merchandising knowledge.

5-2. Conditions for knowledge transfer

Isetan and Takashimaya discovered the U.S. “Buyers Manual” almost simultaneously and translated it into Japanese, but they differed greatly in their subsequent continued in-house utilization. While Isetan proceeded with in-house utilization and incorporated the material in its own “MD Notes,” no influence of the “Buyers Manual” can be seen in the manual for buyers currently used inside Takashimaya. What factors have contributed to this difference in the transfer of knowledge?

Certain conditions regarding transfer are assumed to exist inside companies, as there are some

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differences in knowledge transfer among companies that touches the same or similar new knowledge at almost the same time. Isetan's case implies that the company needed to establish and enhance its sales power with knowledge about merchandising because of managerial situations to which the company was exposed and its position in the industry. Enhancement of the merchandising capabilities of the organization was a natural choice considering the corporate properties it developed as it grew, and the effects of subsequent operation strategies.

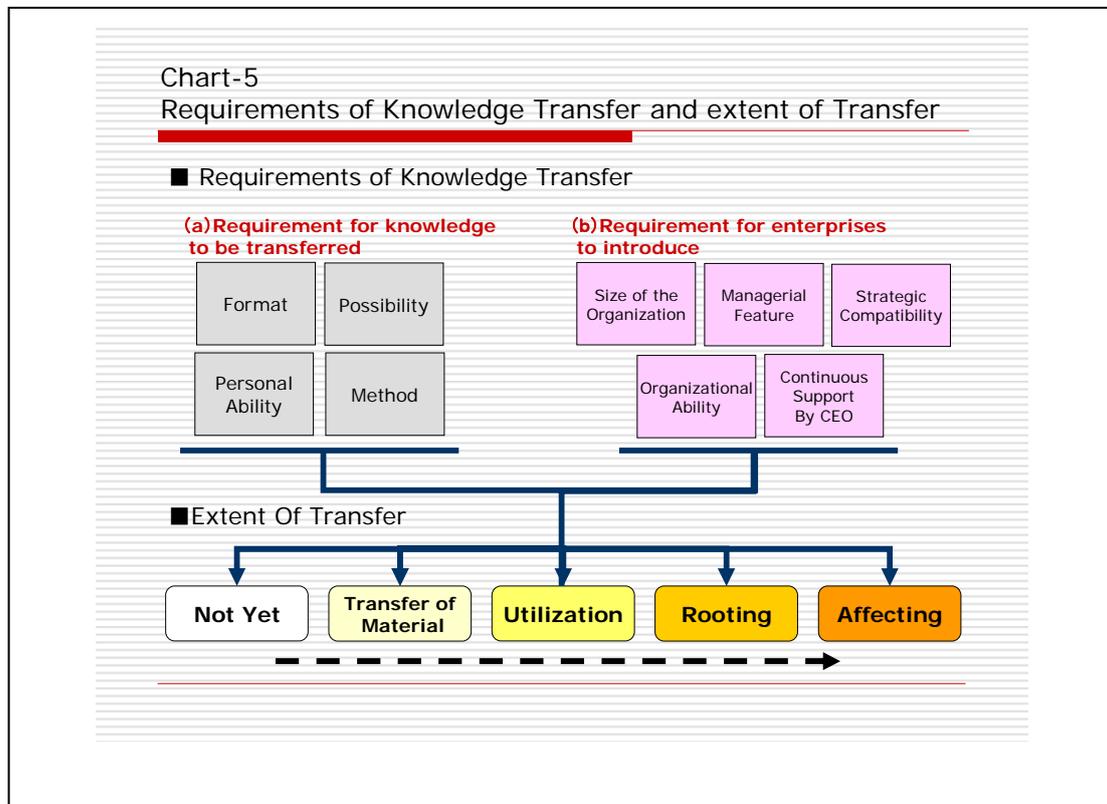
As proof of this assumption, the first factor is the position of Isetan in the department store industry in the 1950s. After the end of World War II, while many department stores resumed ordinary business to meet the demand to restore consumers' lifestyles, almost all the space at Isetan's Shinjuku Flagship Store had been seized and was held by the U.S. occupying forces until 1953, so the company was significantly behind its competitors. Under these circumstances, it was a particularly urgent task for Isetan to restore business know-how and systems, and catch up with other kimono-shop-turned-department-stores. By 1950, Mitsukoshi, Daimaru, Takashimaya and Matsuzakaya were outperforming other department stores. In that year, Isetan's sales were only 16.1% of Mitsukoshi's, the leader at the time, compared with 41.7% in 2000.²⁰⁾ In those days, two postwar history books, edited by Shimizu & Tsuchiya (1951) and Tsuchiya (1955), were jointly written by department store staff members, but Isetan participated only in Shimizu & Tsuchiya (1951), and the field dealt with by Isetan's staff was accounting, not merchandising.

Next, Isetan had grown, centering on its Shinjuku Flagship Store, over many years, which seems to have resulted in an enhancement of its merchandising capabilities. The required merchandising knowledge differed between companies such as Takashimaya, Mitsukoshi and Daimaru, which had nationwide multi-store strategies, and Isetan, whose growth centered on the Flagship Store. In fact, because Takashimaya needed merchandising knowledge for headquarters-driven multi-store operation, the company was making efforts to pursue and study merchandising organization and knowledge from multi-store-operating department stores in European countries in addition to the U.S., and was not relying solely on the "Buyers Manual" produced by NRMA (1957 edition), whose translation Takashimaya itself had taken charge of. Of those companies, Takashimaya focused on the centralized merchandising headquarters system of the German-based Karstadt Department Store, a member of the Continental Department Store Association, and dispatched multiple staff members to the German company to acquire operational knowledge. Then, Takashimaya reformed its merchandising headquarters organization in 1963 based on what it learned from Karstadt to prepare for multi-store development toward the 1970s (from four stores in 1963 to sixteen in 1979).²¹⁾

In department stores with multiple outlets such as Takashimaya, merchandising leadership was often unstable, shifting to and fro between the headquarters-led system, the store-led system, and the regional division system. However, since Isetan’s operations centered on its Shinjuku Flagship Store, cooperation between buyers and sales people was completed between the headquarters and the store front, so it was easier for Isetan than for others stores such as Takashimaya to extend the use of the “MD Notes,” and apply them to corner development and organization design. It can also be assumed that because Isetan retained the head-store-driven system, the merchandise division and the sales division did not become disconnected from each other, so the leadership was neither shifted nor conflicted. This enabled the company to maintain consistent merchandising operations based on the “MD Notes” over a long period.

I sought the conditions for knowledge transfer by analyzing related cases, in addition to Isetan, Matsuya and the Tobu Department Store, where knowledge transfer took place, and Takashimaya and Mitsukoshi, where the knowledge found in the “MD Notes” was not transferred, and defined the conditions as (a) requirements for knowledge to be transferred, and (b) requirements for enterprises to introduce knowledge as shown in Chart-5.²²⁾

(a) The requirements for knowledge to be transferred include (i) the format (shape) of the knowledge, (ii) the possibility of substitution with other knowledge, (iii) personal abilities involved



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in the succession of knowledge on the side of the knowledge recipients, and (iv) methods of transfer (training at recipients' workplaces). (b) The requirements for enterprises to introduce the knowledge include (i) the size of the organization (not only the number of employees, but whether it is a single- or multi-store operation), (ii) managerial features at the time of introduction (in a managerial crisis, or as part of evolution), (iii) strategic compatibility, (iv) organizational abilities to absorb new knowledge, and (v) continuous support of persons in charge of transfer by top management.

I assume that the requirements will depend on whether knowledge transfer is achieved and the extent of the transfer ("transfer of materials," "utilization," "rooting," or "affecting"). This study collected and analyzed data based on the existence of tangible materials such as the "Buyers Manual" and the "MD Notes" as the criteria for knowledge transfer. If I succeed in obtaining further interviews to determine "the utilization stage", "the rooting stage", and "the affecting stage" for each company, the correlations between the conditions required for knowledge to be transferred and the extent of any transfer may be clarified in detail.

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<Notes>

- 1) The National Retail Merchants Association (NRMA) was founded in 1911 in order to foster the retail industry, and department stores and specialty stores joined the association. Later, the association merged with other organizations to form the current National Retail Federation.
- 2) By the Secretariat to Corporate History Editors, Public Relations, Isetan (1990). Although the "Buyers Manual" brought back by KOSUGE Toshio in 1951 is assumed to be the 1949 edition according to the timing of the NRMA revision, the actual material was not found at Isetan so the edition remains unconfirmed.
- 3) Items of categorized merchandising indicated in "MD Notes" are as follows: First, categories for assortment are (1) Merchandise category (price zone): (i) Prestige (authority merchandise), (ii) Moderate (central merchandise), and (iii) Budget (bargain merchandise), (2) Price category (price line), (3) Seasonal category: (i) Year-round merchandise, and (ii) Seasonal merchandise, (4) Period category: (i) Introduction,

- (ii) Peak, and (iii) Sell-out, (5) Usage category: (i) Gift, (ii) Own consumption, (a) Durable merchandise, and (b) Consumable merchandise. Second, categories for corner development are: (1) Target category: (i) Sex, (ii) Age, and (iii) Group, (2) Usage category: (i) Task (use), (ii) Place (for use), and (iii) Function, (3) Concern category: (i) Color & pattern, (ii) Shape & design, (iii) Size, (iv) Price, (v) Material, and (vi) Taste.
- 4) Three patterns have been confirmed as regards the movement of management personnel of department stores. First, during the era of high economic growth, railroad companies established department stores in urban areas in quick succession, and mainly in the 1970s, recruited operation leaders from kimono-shops-turned-department-stores. The move of Munekazu Yamamoto from Isetan to the Toyoko Department Store (currently the Tokyu Department Store) was the first example of this pattern. Second, major department stores tend to dispatch managers to their affiliated companies to support management. The move of Kan Yamanaka from Isetan to Matsuya and the Tobu Department Store was intended to reinforce the Isetan-sponsored group of department stores (ADO). Recently, a third pattern has emerged where talented managers are scouted regardless of affiliation or partnerships. The movement of people from Isetan to Matsuzakaya, Odakyu Department Store and others follows this pattern.
- 5) I undertook research based on the Association's materials and interviews with directors and have described in another paper the activities of the Japan Department Stores Association with respect to transferring knowledge from department stores overseas. Surveys and descriptions in this study focus on each department store as an independent enterprise, and center on the transfer of the "Buyers Manual" published by NRMA.
- 6) Secretariat to Corporate History Editors, Public Relations, Isetan (1990). *A Century of Isetan*. p.118. Isetan (in Japanese)
- 7) In his paper *Digital Information Revolution and Fashion Industry* included in Volume 2 of Fashion Business Practical Lesson – Keys and Near Future Told by Professionals (in Japanese) edited by Ishikawa, A. and Ohara, Y., and published by Senken Shimbun (2002), Keinosuke Ookawa, Director and Managerial Executive officer of Isetan, writes that he translated such U.S. works as "MERCHANDISING" (which is assumed to be Douglas, Archer Wall. (1918), *Merchandising*, Macmillian). Anyway, this suggests the way in which Isetan collected a variety of merchandising knowledge, and created its own "MD Notes."
- 8) Tobita, T. (2001). p.32 *Words of Munekazu Yamamoto – Virtue of Merchants*. Kokushokankoukai. (in Japanese)
- 9) Interview with Shigeru Shimizu (June 2004), who translated the "Buyers Manual" by Depato Shimbun. Since there is not even a copy of "Buyers Manual" in the National Diet Library, it has not been referred to

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- by any previous research on department stores.
- 10) Shiraishi & Toba (2003) notes that Takashimaya was introducing many pieces of knowledge from department stores overseas even in prewar days.
 - 11) Matsuzakaya's "MD Notes" was introduced in the evening edition of Nihon Keizai Shimbun dated June 15, 2004, and "MD Notes" of Odakyu Department Store was introduced in Senken Shimbun dated September 16, 2004.
 - 12) The following descriptions about Matsuya are based on an interview with the Personnel Department of Matsuya in June 2004.
 - 13) Saito, N. (1994). p.121. *The God of the Department Store – Life of Munekazu Yamamoto*. Kawadeshobo Shinsha. (in Japanese)
 - 14) Tobita, T. (2001). pp. 52-53 *Words of Munekazu Yamamoto – Virtue of Merchants*. Kokushokankoukai. (in Japanese)
 - 15) Training in the Manager System conducted as part of business improvement was also given by external consultants. (Saito, N. (1994). pp. 188-190. *The God of the Department Store – Life of Munekazu Yamamoto*. Kawadeshobo Shinsha. (in Japanese)
 - 16) The Japanese version of the "Buyers Manual" was published between 1961 and 1963, new department stores opened during these years (Odakyu Department Stores, Tobu Department Stores, etc.) and many department stores nationwide purchased it, but how it was employed is unclear. It is assumed that, rather than introducing and utilizing merchandising knowledge from the "Buyers Manual," these new department stores placed more importance on inviting ready-to-work human resources into the management of the department store from kimono-shop-turned-department-stores such as Mitsukoshi, Takashimaya and Daimaru to achieve earlier practical operation.
 - 17) Based on interviews with a director and a managerial executive officer at the Sales Headquarters of Isetan (November and December 2004)
 - 18) It is evaluated highly that Isetan placed the essence of merchandising, that is, the concept that a department store should voluntarily carry out merchandise planning and assortment, at the core of its management, and materialized and practiced its philosophy as the "MD Notes," while most Japanese department stores concluded that American methods of merchandising did not fit their commercial conventions and practices and refused to introduce them.
 - 19) The case of Seibu Department Store is based on my own experience as an employee of the store and on interviews with former colleagues.
 - 20) Figures for 1950 are cited from Table 2 in Maeda, K. (1999) p.186. *Innovative and Adaptable Nature of*

Department Stores in Japan. The Mitsubishi Economic Research Institute, and those for 2000 from p.55
Research Year Book on Department Stores, Stores (2001). (in Japanese)

- 21) Kurahashi, Y. (1999) *Memoir of 85 years*. Own-account publication
- 22) Prior to World War II, Takashimaya and Daimaru were operating a Research Division with think-tank-like functions at their headquarters, and collecting various types of information on issues from management to corner development from department stores overseas, and studied application (Takashimaya was publishing an in-house material entitled “Research Materials,” and Daimaru issued “Research Material on Daimaru Kimono Shop”). Two postwar books on the history of department stores edited by Shimizu & Tsuchiya (1951) and Tsuchiya (1955), were written jointly by staff members of department stores, and Mitsukoshi wrote about the purchase and sale of merchandise, which suggests that Mitsukoshi was equipped with operational knowledge of a certain level in this field from prewar days.

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<List of Interviewees>

Regarding the “Buyers Manual,” “MD Notes” and knowledge introduction from department stores abroad during the 1950s and 1960s, I collected precious information and completed this paper thanks to interviews with the following people. I greatly appreciate their cooperation with my work.

The list provides the corporation name, the title of the interviewee at the time of the interview, and the date of the interview.

Daimaru

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Ex Director and Head of Kyoto Store (June 4, 2005 and August 19, 2005)

Isetan

Director and Managing Executive Officer (November 19, 2004 and December 2, 2004)

Ex staff in charge of edition of the corporate history

Iwataya

Manager of the Management Planning Department (May 16, 2005)

Keikyu Department Store

Ex Senior Manager of the Operation Policy Division (January 19, 2005 and March 14, 2005)

Odakyu Department Store

Ex Director and Senior Manager of the Merchandising Headquarters (February 1, 2005 and June 5, 2005)

Matsuya

Manager of the Personnel Department (June 23, 2004 and January 10, 2005)

Mitsukoshi

Staff of the Gift Sales Department of Nihombashi Flagship Store (March 9, 2004)

Staff of the Men's Clothes and Accessories Department of Nihombashi Flagship Store (March 19, 2004)

Deputy Secretary-General of the Headquarters of the Labor Union

Seibu Department Store

Representative Director and Vice President of Millennium Retailing (March 8, 2004 and March 30, 2004)

Takashimaya

Shigeru Shimizu (ex staff member of the Research Department of the Headquarters, and the translator of the "Buyers Manual," and currently, Professor of Josai International University (June 25, 2004)

Deputy Senior Manager of the Personnel Department (March 12, 2004)

Tobu Department Store

Representative Director and President (June 4, 2004)

Tokyu Department Store

Statutory Auditor (January 30, 2005)

Manager of the Management Administration Section (February 8, 2004 and August 20, 2004)