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The Process Model of Retail Format Creation in the Japanese Eyeglasses Industry : The Case Study of JINS Inc.*

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Abstract

Purpose – In recent years, new retail innovations have emerged in the Japanese eyeglasses industry and grown as a retail format. The purpose of this study is to establish the process model of retail format creation by examining how a retailer creates a retail format and under what kind of environmental conditions.

Research design, data, and methodology – This study pointed out the weakness of the concept of the retail format in existing research on the retail format in existing research on the retail format variation theory and suggested the concept of "Formula" to analyze an individual retailer. This study categorized the subjects categorize the subjects of retail format creation into four categories, and analyzed JINS which is the retail format leader in the Japanese eyeglass industry. This study used secondary data because it is valid.

Results - This research found "product handling skill," "changes to consumer purchasing patterns," and "competitive interaction" as environmental factors influencing retail format creation. This study highlighted how JINS adapted those environmental factors to create their original formula and suggested the process model of retail format creation through the JINS case study.

Conclusions - This study discussed two theoretical implications and three managerial impressions which were derived from the JINS case study. This study also discussed limitations and further research issues.

Keywords: Retail Format, Formula, Retail Innovation, Retail Competition, Eyeglasses Industry.

JEL Classifications: D30, L10, L81.

1. Introduction

The Japanese eyeglass industry is experiencing more dynamic change than ever. One of these changes is the shrinking of the size of the eyeglass market, Which has been a tendency from around 1990 to the present. Another change is the structural change in the industry distribution system. The number of small or medium size eyeglass retail is continuing to decrease and their functions are changing dramatically. Causes of such changes include a decrease in the number of purchasers, the flow of eyeglasses from production areas in China, and the tendency toward shrinkage of the eyeglass production area in Sabae, Japan.

One of the most significant factors influencing changes in eyeglasses industry in Japan is the appearance of SPA (Specialty store retailer of Private label Apparel) type glasses stores. In the early 2000s, the SPA type glasses store appeared in the retail eyeglasses market as a destructively low price competitor, competing fiercely with the existing major chain stores and acquired a status as an SPA type eyeglasses retail format in Japan.

The typical company of the SPA type glasses store is JINS Co., Ltd. (referred to hereinafter as, JINS). JINS's competitive advantage continued to grow due to its destructively low pricing and sales force exceeding that of other SPA type eyeglasses shops as well as creating large chain stores of a different retail format. Although sales and the number of stores is currently not at the level of existing major chain stores, the number of eyeglasses sold has reached its highest level in Japan since 2013(Nihon Keizai Shinbun, 2014, June 1).

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<Table 1> shows the awareness of the top 5 glasses retailers and number of visits per store (Nikkei Research, 2016). 'Megane ichiba' and 'Megane super' expanded by 'Megane top' and 'Paris Miki' are existing major eyeglass chain stores, JINS and ZOFF are SPA type glasses store. Brands developed by existing major eyeglass chain stores that appeared around 1980 are truly highly aware of consumer needs. JINS launched 2001 retaining fourth place in the market, with less consumer awareness that other major retailer but due to the 'visiting experience' became the top retailer. 'Interest in store' and 'Intention to re-visit' are considered critical factors for a store to become market leader. That can be said to be the attraction of stores which are also becoming the top in the industry.

<Table 1> Awareness of top 5 retailers and visits to stores

Retailer	Awareness	Visiting experience	Purchase/ usage experience	Intention to visit	Intention to re-visit
Megane Ichiba	92.5	14.8	7.5	20.6	57.
Magane Super	89.6	8.2	3.5	12.0	49.6
PARIS MIKI	74.1	6.7	3.0	8.6	48.4
JINS	73.1	25.3	14.2	28.8	65.8
ZOFF	62.6	15.3	6.8	20.3	63.6

Source: Nikkei Research (2016).

JINS sells large quantities of goods purchased in large amounts at low prices resulting in buying innovation. In order to further boost attractiveness to customers, sales innovations such as improving store appeal have resulted in growth as an SPA type retail company.

Based on the above, this research purpose is to build a process model of retail format creation through consideration of what kind of environmental conditions and how JINS creates their original retail format.

2. Literature Review and Analytical Viewpoint of This Research

2.1. Viewpoint of existing research

Research on retail format development has been referred to by various names such as retail development, retail institution evolution, retail system conversion, retail system vs. change (Mukoyama, 1986a). In this paper, this study refers to "the retail format variation theory." According to Brown (1987), retail format variation theory has been approached from three perspectives: environmental theory, confrontational theory, and circulation theory.

Circulation theory is an approach that attempts to clarify the regularity in which the same change pattern repeatedly occurs over time as retail format innovation progresses. Representative classical research that is positioned as the origin of retail format variation theory is retail circle theory (McNair, 1958). According to McNair (1958), the new retail format appears with low price and low service.

Representative classical research that is positioned as the origin of retail industry variation theory is McNair's (1958) retrospective circle theory. According to McNair (1958), the new business type appears with low price and low service. That business is accepted by consumers and continues to grow. However, to respond to competition and consumer's demand, the new business type will transform into a high-priced, high-service retail format by trading up by improving product quality, store appearance, location, etc. As a result, a new market space of low price is born. It should be noted that a new business type at lower market price will also appear.

After that, much research critically examined "wheel theory of retail," tried to overcome the limitations of the hypothesis, and research has progressed toward trying to present a hypothesis applicable to a wider reality (Mukoyama, 1986b). Representative research includes retail accordion hypothesis (Hollander, 1966), vacuum zone hypothesis (Nielsen, 1966), retail lifecycle hypothesis (Davidson et al., 1976).

The environmental theory is an approach that attempts to pattern business innovation concerning environmental change. This approach asserts that the retail format that is well adapted to environmental conditions such as economic, demographic, social, cultural, legal and technical conditions would survive and grow continuously. For example, around the middle of the 19th century, department stores were created due to environmental factors such as the birth of middle-income bracket, transportation which efficiently connected city and suburbs, elevator and slope Grasse, regular price sale, etc. Representative studies include Alderson's hypothesis (Alderson, 1965), economic and position uncertainty model (Thomas, 1970), evolution model (McNair & May, 1976).

The theory of confrontation is an approach in which a new retail format is created by the competitive interaction between existing retail formats and the new retail format. For example, in the United States a department store was located in the centre and succeeded as the first retail format in a high margin / low revolution business model, but the discount store appeared in the suburbs in a low margin · high revolution business against it. After that, the bargain department store appeared with margin rate and turnover rate positioned between the department store and discount store. Representative research is the dialectic theory (Gist, 1971), the crisis-change model (Stern & El-Ansari, 1988).

2.2. Weaknesses in analysis levels in existing research

Retail format variation theory has been advanced by three different approaches, such as circulation theory, opposition theory, and environmental theory, but has a universal recognition of its process (Kondo, 1998). The following approaches have been noted. (1) The new retail format is created by innovators who adopt innovative management methods adapted to environmental changes. (2) Innovative retailers compete with imitators and existing retailers with their innovative retail format as a competitive advantage. (3) And through this process, an innovative retailer establishes a specific position in the retail market, that retail format will be socially recognized as a new retail format.

Retail format variation theory has focused on the patterning of macroscopic retail lifecycles from the viewpoint of “innovation” and “competition” regarding the creation, development, and decline of the retail format. However, it did not put much emphasis on the micro-level behaviour of a specific individual retailer which is the main body of business development.

It is probable that the reason for is that probably existing research has been discussed with two implicit assumptions. (1) The existing research presupposes “competition between different businesses.” Such as the competition, for example between supermarkets and department stores and competition between convenience stores and supermarkets is premised on the competition among a macro-level retail format. So existing research has not focused much on competition and retail format development in an individual retailer. (2) Existing research has assumed on the diagram of ‘business type = company.’ Despite discussing the retail format level, existing research has different analytical criteria like format level, company level, and store level. In other words, the analysis aggregation level in the retail format variation theory is intertwined between macro-level and micro-level(Mukoyama, 1986b; 2009). Depending on the researcher, the aggregation level of the retail format level, company level, and store level is different. McNair (1958), Hollander (1960), and Izraeli (1973) have consistently discussed the aggregate levels at retail format level. Dreesmann (1968), Davidson et al. (1976), and Berens (1980) have discussed at the level of retail format and company. Regan (1964), Hollander (1966), and Nielsen (1966) have discussed at three levels of retail format, company, and store.

As described above, most of the existing research has been based on general observation without considering the specific situation, because the retail format variation theory was interested in the mechanism of macro-level retail format changes. If the hypothesis should have value in a managerial sense, it must be positioned as a decision-making situation of an individual company(Savit, 1984).

If the key concept to explain the mechanism of retail change is 'innovation,' the subject that causes innovation is an individual retailer, not ‘department store as a group’ or ‘supermarket as a group.’ Retail format innovation is a matter of the actor's specific retailer level, and it cannot explain macro-level business-state change mechanism without discussing this problem.

Explanation of the mechanism of the macro-level retail format innovation must be based on the explanation of the process of creative process of the retail format by the micro-level specific retailer (Kondo, 1998). Discussing focus on innovation occurred by an individual company as the subject of retail business creation and is an extremely important issue in the theory of retail format variation theory.

2.3. Analytical Viewpoint

2.3.1. Format and Formula

Based on the above problems of existing research, let us first clarify the concept of the retail format in this study. Mukoyama (1986a) defines the retail format as “a collective concept of retailers with commonality concerning management methods and the management techniques and operational effects used there.” Yahagi (1981) defines it as “a type of store/sales type in the retail market.” Ishii (2009) defines a retail format from the viewpoint of “method of selling’ and ‘collective phenomenon.” Ishii (2009) defines the retail format as (1) “Difference in the method of selling products by stores or types thereof.” The retail format does not remain at only one store, but (2) ‘As a collective phenomenon, it can be recognized as one type of selling method.7In this way, the definition of the retail format has been discussed from the viewpoint of “sales type” and “collective phenomenon.” In this paper as well, we also define the business style as "a group of retailers with commonality in sales type" from the same viewpoint.

According to the above definition, department store, convenience store, and supermarket are distinguished by the difference in sales-type respectively. However, the extent of the difference between different selling types is very general and abstract. For example, it is the extent of the perception that supermarkets are commonly used to the extent that they do not receive the objection that "This is not a department store but a supermarket" when looking at a supermarket. Furthermore, since the retail format concept of the department store is not a concept for a specific company, in fact, researchers have entirely different images. However, we recognize the business style as an overall image that is not confined to that recognition level. Therefore, although we can discuss the hypermarket as a retail group using the concept of retail format, we cannot discuss Carrefour's hypermarket and Tesco's hypermarket. Both Carrefour and Tesco developed their original hypermarkets depending on their respective management resources, capabilities, and strategies. Therefore, strictly speaking, although it is the same hypermarket, the retail formats between the two retailers are different. There is a limit to discussing an individual company level using the concept of general and abstract retail format.

From the above awareness of the issues, Mukoyama (2009) asserts the necessity of the retail format recognized as a concrete real observable concept by dropping the retail format recognized as a general, abstract, low manipulation concept to an individual company level. And Mukoyama (2009) suggested the concept of ‘Formula’ which is that the concept is company specific and individually observable.

When trying to capture the actual concrete business situation, components that can compare business forms with each other are necessary. It is ‘the retail mix’ which is a combination of retail service elements (e.g., location, store size, assortment, price, service, etc.) that retailers offer to consumers to gain discriminatory advantage and to respond consumer demand (Yahagi, 1981; Nakanishi, 1996; Mukoyama, 2009). Due to the definition of the retail mix, the value of the retail service element is determined as a result of the retailer's decision making. Therefore it is hard to imagine that different retail entities make the same decisions. Department store A and department store B are recognized as different entities. Department store as a retail format exists as an image, and it is a collective concept created as a philosophy type. Department store A as a formula exists as concrete, observable retail format. Furthermore, the values as a bundle of retail mix determined by retailer's decision making, that is, Formula is embodied as a phenotype in the store attribute dimension, not at the company level, so it appears at the store level.

A store as a phenotype Formula is maintained by the existence of elements that support it. Its elements are called product procurement (Mukoyama, 1996), product procurement system/ product supply system (Yahagi, 2007), business support system (Mukoyama, 2009), etc. In this paper, we call it a business support system. It is conceivable that the value of the store attribute is determined as a result that the business support system functions effectively.

Based on the above discussion, “Formula” is defined as "a retail company builds a business support system and decides a retail mix value depending on it, and it is embodied as a store." By defining “Formula” like this, it is necessary to aggregate the business support system at the company level and “Formula” at the store level.

2.3.2. The subjects of retail format

It is necessary to distinguish the analysis targets as the subject of retail format creation.

Firstly, it is a matter of whether the innovator is a new entrant or an existing retail company. In existing research, innovators are largely divided into two categories, new entrants and existing retailers. In McNair (1958) and Hollander (1960), it is a new entrant that creates a new business style that had never existed before. In Izraeli (1973) and Kondo (2002), it is an existing retailer that causes innovation by modifying or converting current retail format as a countermeasure to a new retail format. Therefore, it can be said that existing research has not established a systematic and unified understanding of innovators' origins.

It is extremely important to discuss after clarifying the origin of innovators as a subject of the creation of retail format in the retail format variation theory (Kondo, 1998). That is because the conditions for causing innovation are different depending on whether the innovators are newcomers or existing retailers. For example, in the case of existing retailers, there is an advantage that it is possible to efficiently utilize the management resources of an existing retail format (Nakano, 1976). On the other hand, however, it may be inferior due to constraints of the existing inherent norm of “Exchange” (Ogawa, 1993). In the case of new entry retailers, there are cases where they face problems of entry barriers due to reputation (Nariu, 1994) and capital procurement in the growth phase (Berens, 1980).

Secondly, it is a matter of whether it is a retailer dealing with a single variety of good or a retailer dealing with various kinds of goods. Of course, the conditions necessary to create innovation of retailers dealing with single variety and innovation of retailers dealing with multiple varieties are different. In reality, it was a retail company dealing with many kinds of products that created a new retail market by expanding and forming new assortments.

However, there are cases in which retailers dealing with single varieties can also be viewed as a new retail format creation in Japan. For example, Aoyama Shoji, a men's clothing chain in the men's clothing industry, and UNIQLO in the fashion apparel industry are representative examples of retailers that have dealt with single varieties, created the new retail format and achieved growth. In this paper, we refer to this kind of retail format creation as a "retail format creation in single varieties. "Based on the above discussion, it is possible to classify subjects of business creation as shown in <Table 2>. JINS to be analyzed in this paper is the new entrant and handling only eyeglasses. No.3.

<Table 2> The subjects of retail format creation

	Single variety	Multiple varieties
A existing retailer	Ⅰ	Ⅱ
A new entry retailer	Ⅲ	Ⅳ

2.4. Research method

This paper aims to clarify the creation process of individual retailer's business style through a single case study. To make theoretical case analysis successful, we must first clarify the selection of cases and the positioning of cases. According to Tamura (2006), the types of theoretical cases are divided into leading cases, representative cases, deviant cases, prototype cases, conforming cases, and nonconforming cases. JINS, which is to be analyzed in this paper is positioned as a representative case. JINS has made the most significant achievement among the SPA type eyeglass retailers in the Japanese eyeglasses industry. The innovation caused by JINS has been widely spread throughout the entire eyeglasses industry and has made a significant contribution to the development of SPA type eyeglasses retail format. JINS has led SPA type eyeglasses retail format as "a retailer format leader." It is, therefore, valid as a representative case.

For data collection, this study analyses using only secondary data. However, secondary data has a limitation as to whether data directly related to the research issue can be secured. In the case of JINS, there are sufficient secondary data concerning the creation of a retail format, such as newspapers, magazines, academic journals, television broadcasts, founder's books etc. Data reliability is ensured by confirming that data related to the subject of this research is confirmed consistently and commonly across multiple media.

3. The process of format imagination of JINS Inc.

3.1. Overview of JINS Inc.

The predecessor of JINS Inc. (JINS) is JIN Ltd. Which was established in Maebashi-shi, Gunma prefecture in 1988. At that time, JIN Ltd. Designed and produced aprons, cosmetic pouches, bags and so on. Since JINS entered eyeglasses industry in 2001, they accomplished various innovations. After that, JINS became the market leader in the eyeglass industry in about ten years. <Table 3> shows the transition of JINS's performance. It has expanded to 449 stores in 2017. Furthermore, JINS began to advance into China in 2010. In 2016, they had net sales of 46.1 billion JPY and the number of stores including overseas is 400 stores. The annual number of units sold annually is 5.2 million, which is the largest amount of eyeglasses sold in Japan. They expanded into China in 2010, and increased the number of stores 80 stores in 2016. They have been actively increasing overseas development, such as expanded 10 stores in Taiwan and opened 1 store in the USA.

<Table 3> Transition of JINS's Performance

Year	2009	2010	2011	2012	2013	2014	2015	2016
Net Sales in JPY (billion)	7.4	10.6	14.5	22.6	36.5	36.1	40.6	46.1
Number of stores	65	76	121	171	223	330	346	400
Annual number of units sold (million)	0.8	1.50	2.3	3.5	5.5	5.4	4.9	5.2

Source: HP of JINS https://corp.jins.com/jp/ja/company/history/

3.2. Prototype of Business and the blank zone of glasses retailing market

Until the 1970s, people usually ordered their eyeglasses in the local optician's. Most of the optician’s shops are operated by an individual and sell eyeglasses together with watches and jewellery. First of all, frames are chosen and, then lenses that fits your eyesight are purchased separately. Eyeglasses are recognized as medical instruments that correct vision and usually sold with luxury brands or frames that are made from high-quality materials. The average total price of lenses and frames is commonly cost over 40,000~50,000 JPY(Amikura & Miura, 2015).

In the 1980s, representative companies, such as Aigan, Paris-Miki, Shimizu eyeglasses, Vision-Megane, etc., appeared and one after another began to expand their businesses as chain stores throughout Japan. These chain stores took advantage of the scale of their business and expanded their business. As a result of the appearance of eyeglass chain stores was that the average unit price of eyeglasses gradually declined. The price decreased from 40,000 JPY to 30,000 JPY in around 1990.

Under these circumstances, JINS entered the eyeglasses industry and offered two types of eyeglasses with total prices of 5,000 JPY and 8,000 JPY which included eyeglasses frames and lenses. It made a significant impact on the eyeglass industry. Hitoshi Tanaka, founder of JINS and current president, described that he saw the cheapest eyeglasses store when he traveled to Korea with his friend, and it gave Tanaka impetus to open the eyeglasses store. Tanaka stated the following:

‘The Korea trip in 2000 is the trigger for me to start my business by eyeglasses. At that time, a set of eyeglasses was sold at about 3,000 JPY in Seoul Dongdaemun Market and Namdaemun Market. Moreover, it just takes only 15 minutes from order to finish. My friend who went together with me bought one set of eyeglasses to check. He can see clearly with the eyeglasses and is no problem in particular. Hence, my friend thought he could buy some sets of eyeglasses with the lowest price, and happily said he wants to put one in the car and put one in the bedside. In the meantime, I realized that I could develop a new market if I can sell eyeglasses for thousands of JPY.’ (Tanaka & Yonekura, 2014, p.161)

Tanaka came up with ideas to create a prototype business while on a trip to Korea, which was "low price" and "fashionable miscellaneous goods" of eyeglasses. As mentioned earlier, eyeglasses were expensive in Japan at the time. Hence, fewer people owned more than one set of eyeglasses to match clothes and situations, such as reading or driving. Due to their higher price, frames with an orthodox design that match any clothes and situations were mainly sold in eyeglasses stores. It was generally understood by the industry that consumers preferred frames with an orthodox design. Also, consumers recognized eyeglasses were due to the fact that glasses were made by professional engineers. However, Tanaka through his friends experience in Korea and realized the consumer's potential, wanting to have a range of eyeglasses to suit mood, outfit or situation. In Korea, Tanaka noticed the potential need could be fulfilled by offering eyeglasses at a the lower price.

Upon his return to Japan, Tanaka investigated why eyeglasses are expensive in Japan and stated:

'I wonder why the eyeglasses industry is so profitable, and even there don't have any customers. That is the reason for the price of eyeglasses difference between in Korea and Japan. Between eyeglasses maker and purchaser, there are a lot of people involved, such as the frame manufacturers, lens manufacturers, the concerned traders and selling stores, and it occurs extra middle-margin and brand fee. Hence, the lowest price range of eyeglasses in Japan is 30,000 JPY unnoticed. When eyeglasses are sold at the price of 30,000 JPY, it has sufficient profit for the seller. Even if chain stores don't sell many units of eyeglasses, they also are called as a superior company. No one complained to this structure, and it becomes "proper thing" "common sense" in eyeglasses industry. It is a chance.' (Tanaka, 2014, p.41)

The distribution route of eyeglasses was inefficient for Tanaka who designed and sold fashionable miscellaneous goods. At that time, the distribution route of eyeglasses started from "major brand manufacturers of eyeglasses", "manufacturers of finished goods", "middle processing manufacturer", "parts manufacturer" and "material dealer" at production stage, and then "wholesaler in production area", "the 1st wholesaler of consuming region" and "the 2nd wholesaler of consuming region" etc., at distribution stage. Members of the distribution route are complicatedly entangled with each other and constructed a complicated distribution route. A typical Japanese-style distribution structure (Tamura, 1986) was preserved, which is a microscopic, excessive retailing commercial structure and a multi-step structure of wholesale.

Tanaka thought that if he could use the know-how that he had cultivated from the business of designing and selling fashionable miscellaneous goods, and order large quantities directly from the factory, then it would be possible to sell eyeglasses at a lower price at their stores without going through a wholesaler. The style is known as SPA. SPA is a business model that carries out product design manufacturing, and selling. At that time, UNIQLO adopted it in the fashion apparel industry and achieved great success. Tanaka introduced the SPA business model into the eyeglasses industry like UNIQLO and decided to formulate an SPA type retailing company as a representative of eyeglasses industry. (Nikkei Business, 2015, April 13).

3.3. New entry into the eyeglasses industry

Since JINS has entered to the eyeglasses industry from a completely different industry, everything started from scratch. As a SPA company, Tanaka first challenged negotiations with Japanese domestic frame and lens manufacturers. At that time, in the eyeglass distribution system, the members of the distribution channel played their own roles and trading was done under the existing Japanese business practices. It is not difficult to assume that existing will not respond to transactions that will destroy existing business practices such as eliminating wholesalers or retailers.

'I bought a rich variety of frames from Korea. In the case of a lens, I consulted a lens manufacturer in Japan, but I was not opponent, and they presented a high price. Even if I explained the business model, no one accepted the deal. So, next time I went to consult with lens manufacturers in South Korea, they are in doubt that why I came to Korea though there are many lens manufacturers such as HOYA and Nikon in Japan. After I visited about ten lens manufacturers, I finally found a lens wholesaler who accepted my deal.' (Tanaka & Yonegura, 2016)

At that time, low price and style of eyeglasses in Korea advanced sooner than in Japan, so there were abundant eyeglass frames which were highly fashionable. Tanaka can purchased cheap and fashionable glasses from South Korea and earnestly set up stores. The concept of the store was to provide eyeglasses with "fashionability" to young people at a "low price." The price of glasses introduced a two-pricing system of 5000 yen and 8000 yen for a set of lenses and frames (Nihon Keizai Shinbun, 2001, May 24). Until then, lenses and frames were set and sold at separate prices in existing glasses shops. It was common that the price of the lens and frame together exceeded 30,000 yen, it is easy to assume that JINS made an exceptional price setting.

Because it needs technology to process eyeglasses in-store, the qualification system for certification of the optician is often found in other countries, but in Japan, it is able to open glasses store even without that qualification. Due to the development of optometry equipment and lens processing equipment, anyone can complete glasses in the store using lenses and frames. Tanaka has newly employed a person who has experience in selling eyeglasses. The suppliers taught Tanaka about the skills relate to eyeglasses (Tanaka, 2014).The first JINS was opened in Tenjin Bibre in Fukuoka in April 2001. It was less than a year since the trip to Korea. Tenjin Bibre was a department store focusing on fashion targeting young people. JINS's store was located just in front of the escalator on the fifth floor of the Tenjin Bibre, so it was easy for customers to enter (Tanaka, 2014). The store size was about 50 square meters, with 1,500 kinds of frames (Nihon Keizai Shinbun, 2001, May 2).

The customer selects the eyeglass frame and receives optometry in the store. After that, when the employee sets the frame on the machine, it automatically measures the size and shape of the lens, it takes only one minute to grind one piece. When the store staff puts the scraped lens in the frame, the glasses are completed (Cambria Kyuden, April 23, 2015).If the is not busy, JINS made it possible to pass the glasses to the customer in only 25 minutes (Nikkei Price One, June 15, 2002). At that time, when purchasing glasses, it was natural to hand it over to the customer a few days later in other stores, because those stores did not hold stocks of lenses in-store the store rather than due to processing lenses and frames. JINS maintained a stock of the lens in the shop, so that it was possible to deliver glasses to customers in under 30 minutes.

3.4. Full-scale expansion of business and counterattack by competitors

The first store was full of customers who had never seen such a fashionable and low-priced eyeglass store before, and it seemed that sales were steadily growing. However, a few months later, because low-price stores that imitated JINS appeared around, and sales declined. But, this has brought about a decision regarding Tanaka's next business step.

'I first decided to look around the store of the same business. I felt that JINS would win to compete with them. The frames, the interior of the shop, and the staff service were not very good. Honest to say, they had no sense of sales. The price was the same as JINS, but the others were entirely different. It doesn't mean that I have a sense of myself, but it is a fact that JINS was aiming for a highly fashionable glasses store. To be able to buy glasses at a low price is to have several glasses by clothing and situations. That was the concept that I wanted to enjoy glasses like that. For that, it is important for the glasses and the store to shine.' (Tanaka, 2014, pp. 58-59)

Tanaka decided to begin full-scale expansion of JINS and to make original glasses to differentiate it from competitors, not only according to price. The SPA type retail format began. Tanaka changed suppliers of frames makers from Korean manufacturers to China. The supplier of the lens remained as it was in Korea. (Nikkei Price One, 2002, June 15). Since it is necessary to order a large number of eyeglasses to make original products, JINS has started multiple stores. JINS rushed to open new stores, Daikanyama in Tokyo, Shijo Kawaramachi in Kyoto in 2001, Sannomiya in Kobe and Maebashi in Gunma in the 2002 year (Tanaka & Ogura, 2016). Stores opened in fashionable cities and Tanaka chose the places that fit the concept of JINS.

As JINS opened multiple stores, the recognition of JINS gradually increased and other SPA type glasses retailers began to appear. Due to the advent of low price oriented SPA type glasses retailers, existing large chain stores also had to enter the low price market. Thus, the low price market of eyeglasses was born in Japan, and intense price competition occurred. JINS's sales eventually fell, and in 2008 JINS eventually fell into the deficit. Although sales increased by 1,121 million yen from the previous year, the ordinary income decreased by about 494 million yen, and the net loss of 112 million yen was recorded (Amikura & Miura, 2015). Tanaka mentioned the cause of the loss of price competition as follows.

'A major eyeglasses chain retailer, Chiang Kai-do, began selling eyeglass without additional fee in 2005. And Magane top also began selling eyeglasses of 18,900 yen in 2006. Both the eyeglasses aspheric lens and the bifocal lens that have less distortion in the field of view were 18,900 yen. At that time JINS was charged an additional fee for each lens. Although JINS was appealing the low price of 5000 yen and 8000 yen, the complaints say that if they pay an additional fee, the price is higher than other shops.' (Tanaka, 2014, p.72)

The cause of the poor performance of JINS was a pricing structure that was hard to understand due to additional charges. Even if the shop front display price is low, there are many cases in which additional charge of 10,000 yen or more is required depending on the type of lens and the brand. "After all, it gets higher," inviting the distrust of consumers(Toyokeizai Online, 2012, January 31). The problem of JINS was clarified by competitors' low-cost strategy

The problem of poor performance was not only due to low price competition but because of the global financial crisis caused by the Lehman shock at the time, consumption stagnation occurred. Since the average customer price of existing glasses stores was 30,000 yen or more for customers, the purchase frequency of customer's glasses was once every 3 years. But the average customer price of JINS is 9,000 yen, so consumers frequency of purchase was twice a year (Nihon Keizai Shimbun, 2007, March 2,). Consumer's savings-oriented intensification has led to a prolonged replacement cycle of glasses, and the performance of JINS has declined(Nikkei Ryuutuu Shinbun, 2009, June 1).

3.5. Establish original business

JINS received a double blow of "intensifying competition" and "sluggish consumption," and undertook fundamental strategic transformation and reformed their business (SR Research Report JN, 2017). After the radical reform, JINS established their original business format, the sales have grown rapidly, and it has become a leader pulls among SPA type eyeglass retailers.

As you can see from <Table 3> presented on the page 10, the sales, which were 7.4 billion yen in 2009, tripled to 22.6 billion yen in just three years in 2012 and already 46.1 billion yen in the first half of 2016.

As already mentioned, JINS sold the greatest number of eyeglasses in Japan in 2013, and 5.2 million eyeglasses in 2016. Since JINS's business structure was to sell eyeglasses in large quantities with low price and low margin, so JINS created business reform with "attract customers" as the top priority on how to call customers at stores.

As already shown in <Table 1>, JINS has become the most visited glasses store in Japan. According to Tanaka (2014), the number of visitors per store in JINS is more than ten times and sales per store, are more than twice compared to competing stores.

3.5.1. Establishment of new price system

JINS, which has lost its price competitiveness by entering the existing large-eyeglass chain store into the low-price market, worked on establishing a new price system and reducing price competitiveness. A further aim of the new pricing system was to encourage the demand that prolonged the customer's replacement cycle (Nikkei Ryuutuu Shinbun, June 1, 2009).

Extra fees for lenses was a big problem within the existing price system. The shape of the lens can be divided into "spherical" and "aspheric." When the power of the spherical lens increases, the lens becomes thick, and the distortion becomes large around the visual field. There are also cases where it is not possible to mount lenes depending on the frame. Aspheric lenses were developed to compensate for the disadvantages of spherical lenses, and the distortion around the field of view is reduced, and it is easy to see in a natural view. JINS's customers had to pay extra fee for the aspheric lens, but JINS challenged pricing it at no additional charge.

'It was not just an aspheric lens that we thought to make the additional charge zero. Even aspheric lenses, I planned to offer a thin aspherical lens with a refractive index of 1.60 at zero additional charges. Competitors usually handle lenses with a 1.8 or higher index of refraction. The higher the numerical value, the thinner the thickness of the lens even with the same lens power. 1.6 was a well-balanced lens called "Ichiro of the lens." Mr. Yanai says, "If you do not overwhelmingly improve the quality your eyeglasses will not be sold." In order to realize this "overwhelming", I thought that there were only 1.60 lenses. (Omission)

In May 2009, we proposed "NEW All in One Price" which customers can purchase from 4980 yen including tax at zero additional charges. The response from customers was very tremendous. The sales of each store began to exceed the previous year, and the performance has been rising steadily. As I heard later, when the competitors saw the announcement "No additional charge for thin aspherical lenses at 4990 yen", they said that "JINS is over with this.' (Tanaka, 2014, pp. 93-95)

In May 2009, JINS suggested a new price is called "New All-in-One Price" of 4990 yen, 5990 yen, 7990 yen, and 9990 yen without an additional fee for eyeglasses using thin aspherical lenses which are said to have the best quality among aspherical lenses. OWNDAYS who is also one of the SPA type eyeglasses retailers abolished the additional fee for aspherical lenses in March 2012 (by the website of OWNDAYS). The same SPA retailer, Zoff still requires an extra charge of 5000 yen to 9000 yen depending on the refractive index (by the website of Zoff).

3.5.2. Reorganization of product procurement system

The past JINS was not large enough to make economies of scale. It was necessary to reorganize a new product procurement system to introduce the price structure of "New all in one price." To lower the cost of the lens, we must raise the operating rate of the factory, so we have narrowed the lens supplier to one of five suppliers. I said to the supplier, "We will buy the most lenses in Japan" and ordered in large quantities and purchase high-quality lenses cheaply (Tanaka & Yonekura, 2016).

Thus, JINS procured most lenses from a domestic lens manufacturer, but in October 2011 it was not possible to procure lenses from a local Japanese lens manufacturer located in Thailand was damaged by the floods. It was forced to negotiate directly with overseas lens manufacturers. Fortunately, in October of the same year JINS was directly authorized to import and sell the lens from overseas, so JINS was able to purchase shorts directly from two overseas lens manufacturers (Toyokeizai Online, January 31, 2012).

There was another aim for negotiations with overseas lens manufacturers. Not only planning and manufacturing the frame but also to make SPA by planning and manufacturing lenses. Despite the joint development of eyeglass retailers and lens manufacturers, it is difficult for glasses retailers to lead the development of lenses, so there is a limit to the degree of freedom of product development at present. (Toyokeizai Online, January 31, 2012).Thus, as for lens procurement, as of 2014, domestic transit was one third, and the remaining two-thirds were to trade directly from two overseas plants (SR research Report, 2015). In this way, JINS tried to lower the purchase price of the lens by concentrating the supplier of the lens manufacturer and the SPA making the lens.

3.5.3. Strengthen product development

If JINS cannot sell large quantities of lenses and frames purchased in large amounts at a low price, it is natural that excess inventory will occur and not grow the business. As a method of mass sales, JINS decided to add the concept of "functionality" further to "low price" and "fashion characteristic" which were core concepts of JINS's business until then. Tanaka states:

'The method of selling large quantities of merchandise purchased in large quantities is the market creation. Tanaka decided to focus on the functional aspects other than the vision correction of eyeglasses and encourage creation of new market. The typical functional glasses of JINS was JINS PC (now it is called JINS SCREEN).JINS PC are the eyeglasses to wear when using personal computers that have no lens power to control the blue light emitted from the personal computer screen or smartphone. JINS PC is a pair of eyeglasses that make your eyes less tired by reducing blue light by up to 50%. It is possible to suppress blue light by more than 50%. However, in that case, the light is reflected and conversely, the eyes become tired. In this way, JINS tried to differentiate from competitors while supporting them with data. (Gamblria Kyuden, April 23, 2015).In the autumn of 2011, about 40% of visiting customers included people who normally do not wear glasses at the time of the release of JINS PC. (Nihon Keizai Shimbun, December 11, 2012) At the end of 2012, it has already become a hit product exceeding 1 million units in total (Nihon Keizai Shimbun December 19, 2012). In May 2012, JINS developed and released a blue light lens with lens power (Nikkei Trendy Net, April 25, 2012).

After the JINS PC, "JINS Moisture" was launched which prevents dryness of eyes, "JINS POLLEN CUT" for pollen measures eyeglasses, "JINS MEME" to measure tiredness and sleepiness of eyes, "JINS SPORTS" to wear when doing various sports, JINS introduced functional glasses in succession into the market. Tanaka says that he tried to focus on the functions other than eyeglasses vision correction, beaten away consumers who did not need glasses until then and who did not visit glasses stores, and creating new markets(Toyoukeizai Online, January 31, 2012).

3.5.4. Store operation reform

Consumers at the time did not visit glasses stores unless there was a clear intention to purchase eyeglasses. The existing major eyeglass retail chains sold eyeglasses through face-to-face sales, and the completed glasses were given to customers at a later date. As a result, the purchase pattern of eyeglasses was different from the purchasing pattern of consumers buying fashion goods, and clothes, so existing large chain retailers tended to open stores at roadside locations rather than opening in shopping malls. On the other hand, JINS opened their stores in a shopping centres and fashion outlets in contrary to competing stores (Nihon Keizai Shimbun, 2012, February 25). The shop design is also open plan so as not to obstruct vision and to enable customers to pass by casually and purchase eyeglasses spontaneously in a similar way to buying fashion accessories.

As a result of such "location strategy," "destructive low price realization" and "functional product development," many customers visited JINS's stores, and the ability to attract customers sharply increased. To increase the attractiveness of the store, JINS tried to prevent deterioration of the service quality in-store such as customer waiting times, and JISN reformed their shops by implementing designs uniformaity across stores and improving store efficiency (Nikkei Ryuutuu Shinbun, 2009, June 1; Nikkei MJ, 2012, March 14).As a result of conducting store reforms, the location of JINS stores, store interior view, etc. had unique features, their characteristics worked as different store operations, and led to mass sales of glasses.

The glasses store is known as "a small factory." Special work such as optometry, processing, fitting, etc., and acceptance/handover etc. are more prevalent in store compared to other retailers and has been mechanized and standardized by JIN. For example, although the power of the lens is manually registered, incorporating it into the POS system, JINS was able to reduce the store work (Nikkei MJ, 2010, October 4).JINS also developed their original display shelves known as "MasMeJuki" which are shaped like a half-open trunk. As JINS develops the line-up of the eyeglasses series in 4 × 5 colours, The Mas Me Juki is also divided into 1 case vertical 4 row × 5 horizontal row accordingly. This display shelf is designed to makes customers choose, pick up, return eyeglasses to the original place after trying them on, and also reduces the amount of time employees have to spend on product arrangement and has made stock inventory management easy (Nihon Keizai Shinbun, June 1, 2014).JINS has also improved the space where customers wait for their eyeglasses. JINS tried to improve store efficiency to enhance customer service by displaying waiting time on an electronic bulletin board in the store, reducing the amount of reporting work to the head office for employees.

In addition, shortening the time to deliver glasses to customers, JINS increased the type and inventory of lenses to be stocked at the store. JINS typically stocks approximately 2,000 lenses in the store, so if the store is not overly busy, JINS can deliver eyeglasses to the customer in about 30 minutes.

‘Old-fashioned eyeglasses shops carefully explain to each customer to sell high price eyeglasses. They sell eyeglasses like consulting sales. So, they not used to mass selling. In the beginning, some customers believed that the sales method explained to each person politely was a high-class store, or had a distrust of being given glasses made immediately with simple steps. However, that way of selling glasses was inefficient. The reason why it took from 3 days to a week to deliver glasses to the customer is that it was not custom made, but it only took time to procure the lens from the manufacturer. Since JINS stocks lots of lenses in the shops can give glasses to our customers as soon as possible. No more than that.’ (Tanaka, 2014, pp.96-98)

In this way, customers' flow lines such as acceptance and visual acuity measurement, payment, delivery of eyeglasses inside the store began to flow smoothly. Except for visual acuity measurements and glasses fittings, customers could purchase glasses in the same was as buying clothes or other fashion items. Other stores sell eyeglasses through the method of "face-to-face selling," but JINS sells them by "self-service selling."Through such reforms, in 2013 JINS became the retailer that sells the most significant number of eyeglasses in Japan.

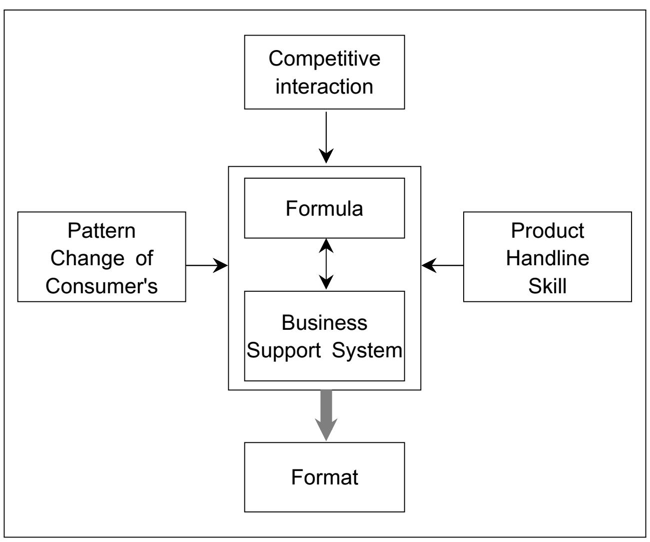
4. The Process Model of New Retail Format Creation

Based on the case study of this paper, we suggest the process model of retail format creation as shown <Figure 1>.

4.1. The external environmental conditions in Formula creation.

4.1.1. Product handling skill

Product handling skill is knowledge and information about products, special functions, and facilities required for physical handling thereof (Ishihara, 2000). Depending on the type of goods, for example, fish and shoes, the handling techniques such as storage and display of products are very different. Differences in handling methods and usage methods of products create heterogeneity in product handling. The boundary line where the heterogeneity of handling skills between goods becomes large is called the critical point of handling technology. If you acquire goods handling skills that can critically go beyond this, it means that you can handle that product.



<Figure 1> The process model of new retail format creation

It is thought that the handling skill of goods accumulates in the industry or a retailer. As a result, it is more difficult for new entrants from different industries to create innovations compared to existing retailers entering the same industry. That is because the processing skill for completing the eyeglasses is the skill possessed by the employees and accumulated in the store, or inside the retailer, new entrants who do not own that ability have difficulty in managing the eyeglasses store.

However, in the case of JINS, due to the development of eyeglass equipment such as eye examination equipment and lens processing equipment, and also since the product handling technique was accumulated outside the eyeglasses industry, so JINS could acquire the eyeglasses handling skill, and overcome the critical point of product handling skill.

Furthermore, because of the product characteristics of eyeglasses, each part of the frame is produced by small-scale manufacturers in a division of labour, so retailers can easily make their original brands by successfully organizing frame manufacturers. Also, it has become possible to import lenses at low price and high-quality products. It was easy to acquire the skills to handle eyeglasses. JINS has advantageously used the fact that the critical point of product handling technology has been lowered due to such environmental conditions.

4.1.2. Changes in consumer purchasing patterns

Due to the characteristics of the item called eyeglasses, some consumers view eyeglasses as medical devices for vision correction and some consumers see them as a the fashion item for self-expression. Before the appearance of the SPA type glasses shop, that is, in the era of independent retail shops and large eyeglass chain retailers, the medical aspects of eyeglasses were widely recognized among consumers.

During this period, glasses were highly specialized items, so consumers were not aware of the details in relation to eyeglasses. Since the knowledge of the eyeglasses was overwhelmingly on the shop side, it was common for customers to purchase frames and lenses through consultation with employees when buying eyeglasses. As it was a tool for correcting vision, as well as buying medicine, customers only went to glasses stores if there was a clear intention to buy such as abnormalities in eyeglasses. Therefore, consumers had trusted high priced and brand power eyeglasses. For this reason, conventional glasses shops have focused on how to make eyeglasses fit for individual customers rather than appropriate pricing of glasses. Eyeglasses were sold through "face-to-face selling."

Since the emergence of JINS, eyeglasses have penetrated consumers awareness as aspects of fashion accessories. As with fashion clothes, consumers have switched their glasses according to their clothes and mood of the day and replaced eyeglasses according to their lifestyle choices such as hobbies and computer use. To replace eyeglasses according to various usage scenarios other than vision correction consumers began to demand more glasses. Even without clear purchasing intentions, consumers quickly purchase seasonal style and preferred eyeglasses at the store. Consumers' attitude to the nature and use of eyeglasses changed. It is clear that they now like to choose eyeglasses by themselves and to prefer to buy eyeglasses through "self-service sales."

When the pharmacy appeared in Japan, the same thing happened. Consumers purchased cosmetics at department stores or cosmetic specialty stores through face-to-face sales before the pharmacy, but many customers have changed to the pharmacy which sells cosmetics through self-service selling. In the case of JINS, it can be said that JINS changed its consumer's purchasing pattern favourably to fit JINS rather than adapting it to the purchasing pattern of consumers.

4.1.3. Competitive interaction

In the process of creation of JINS's business style, the competition that was the trigger of a significant strategic change that decided JINS' s business concept could be divide into two stages.

The first stage is a strategic transformation from store level to company level. It is a competition that occurred when opening the first store in Fukuoka with destructive pricing. By selling fashionable eyeglasses procured at low prices from Korea, the 1st shop became a big hit. Then a couple of months later eyeglasses shops cheaply procured from South Korea also appeared around the JINS shop. Although this competition has led to a drop in JINS's sales, JINS tried to differentiate itself from competing stores not only with "low price" but also with "fashionable" glasses. In order to realize both concepts, JINS decided to develop as an SPA type retailer. It was competition that triggered the growth from store level to company level.

The second stage is JINS's original formula establishment from the SPA type retailer. Since JINS began multi-store development, SPA type glasses stores, especially existing eyeglasses chain retailers began to enter the low price market, and so low price competition became intense. Due to this competition, sales of JINS have significantly declined, but that competition also provided the opportunity for JINS to address their low price model problem. JINS has adopted a policy to realize lower prices than its competitors. For that reason, JINS has made new business reforms such as "New Price System",

"Procurement Reorganization," "Product Development Enhancement," and "Store Efficiency Improvement." Through these business reforms, JINS could establish their original formula, which resulted in the next growth.

In this way, through competitive interaction with imitators and existing foreign businesses, JINS was able to continuously make strategic modifications and established (create) their original Formula.

4.2. Embodying of Formula

Retailers make decisions based on management resources and skills while involving the external environment, and build their business support system at the company level. Retailers create their original stores as a bundle of retail mixes based on the business support system. This is the process of creation of "Formula".

First, it is about company level decision making on the business support system. JINS made their original business system to achieve low price and creation of new markets. JINS created a new price model called "New all in one price." To do this, JINS reorganized their procurement system through a reduction in the number of lens and frame suppliers. In some cases, they also procured goods from foreign suppliers. In order to sell large quantities of procurement products, JINS worked on developing eyeglasses that can be used in various situations such for fashion, personal computers, dry eyes, sports, etc. as well as eyeglasses for vision correction. Not only have those with bad eyesight caused an increase in sales but JINS has also created a new glasses market for those with no eyesight problems. In this way, JINS built a unique business support system.

Second, it is a store level decision in the realization of "Formula." JINS's most significant challenge in stores for mass sales was attracting customers. First of all, JINS located their stores in shopping malls or fashion buildings where many people gather. Just like purchasing fashion items, JINS also created a unique open plan store design through such as by eliminating doors and walls so that customers can easily enter the store and try eyeglasses themselves. The waiting time becomes longer as more customers visit the store, so that JINS needed to improve the efficiency of in-store work. JINS reduced the workload of in-store staff by developing original display shelving and mechanizing part of the in-store work. In this way, JINS raised the quality of customer service and realized self-service sales simultaneously. Through this process, JINS were able to create their original formula.

5. Conclusion

In this paper, we tried to construct the process model of the retail format creation by analyzing the case of JINS as a retail format leader. Next, we will discuss the theoretical and practical implications of this research.

5.1. Implications

5.1.1. Theoretical implications

First, it is vital to distinguish clearly between the format of retailer group and individual retailer in the retail format variation theory. The process by which a retail format leader creates their original formula is different from when the formula is adopted by a group of retailers. It is meaningful that this study suggested formula concept and highlighted the creation process of a retail format through an individual retailer.

Secondly, this study suggests that conditions of the creation of retail format are different depending on the subject of retail format creation. Depending on who creates the retail format, for example, new entrants and existing retailers, the conditions of retail format creation are different as they have different management resources, knowledge, and skills. For example, from the viewpoint of product handling technology, the product handling skill that is required differs between the creation of a retail format by a retailer handling a single type of product and creation of a retail format by a retailer dealing with various goods. It is meaningful that this study distinguished the subjects of retail format creation into four groups and modelled the process of how the new entrants who are dealing with single varieties create the formula and what kind of environmental conditions they used and adapted to.

5.1.2. Managerial implications

First, this study suggests that low price does not necessarily lead to mass sales in chain operations. As confirmed in the case of JINS, JINS caused various innovations to raise the ability to attract customers in order to sell large quantities of goods procured at low prices and in large quantities. A low price can be a necessary condition for mass sales under certain conditions, but it is not sufficient condition. In order to realize mass sales, it is necessary to form an assortment which customers would buy and store operations that support mass sales. JINS created new demand through the development of fashionable glasses and functional eyeglasses other than for vision correction, established original store operations to realize mass sales in stores, and was able to build a mass sales system from a long-term perspective.

Secondly, this research suggests that accumulating or improving product handling technology in companies is important for retailer innovation and growth. In order to handle new products, it is necessary to acquire the skill that exceeds the critical point of product handling skill. In most cases, this critical minimum point is the skill concerning the physical attributes of the product itself, such as product processing, storage, and logistics. Overcoming this critical point and handling goods well is a different problem. The skill of handling goods well is the skill that adds new meaning and value to products by adding new elements. Since lots of this skill is tacit knowledge, if it accumulates inside the company, it can work as a source of competitive advantage that competitors cannot imitate.

Thirdly, this research suggests that retailers actively taking on competitive behaviour may lead to retail innovation. JINS competed more actively than avoiding competition. Through that competition, JINS continuously revised its business by reaffirming their original business models, abilities and establishing their identity. On the contrary, retailers who do not compete with each other will lose the opportunity to build their identity or cause innovation.

5.2. limitation and further research

The concept model which this study suggested is derived from a single case study so it could not be generalized. It needs to consider the applicability to other industries carefully. We would also like to suggest some further research issues.

First, it needs to clarify the process models of retail format creation of the other three retailers that this research as shown in <Table 2>, and needs to compare the models with each other. Second, it needs to analyze the process of how the retail format leader and imitators establish a retail format as a retail group. Third, it is necessary to examine the influence of entrepreneurial spirit and mentality in retailers on the creation of formula.

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