# Retail functions and skills of venture merchants:
# A case study of Lunuganga*

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## Abstract

**Purpose:** This study aims to clarify the behavioral extraction and ability of venture merchants, who actively challenge commerce in the face of harsh living environments. **Research design, data and methodology:** Adopting the concept of retail functions and retail skills, this study examines how venture merchants perform retail functions, and identifies the required retail skills. This study analyzed primary data obtained through an interview with a bookstore called Lunuganga. **Results:** The venture merchant purchases products based on his self-assertion and creates an original "store identification." Moreover, he draws a changing "own-store customers image" and acquires "own-store customers," that is, customers acquired by him by building an original store identity. He sells products to "own-store customers" who identify with the store. The retail skills identified as required by venture merchants to carry out such retail functions were "skill to draw a store identification" and "skill to draw own-store customer image." **Conclusions:** Venture merchants' unique retail functions and retail skills suggest a new basis for the existence of small and medium-sized retailers. It is necessary to build a generalized theoretical hypothesis model by refining the concept presented in this paper by repeating research targeting venture merchants in the same industry and different industries.

## 1. Introduction

Traditionally, commercial retail structures in Japan are characterized as small-scale and excessive, having a multi-step wholesale structure. The Japanese distribution channel, which is narrow, long, and complicated, has long been criticized for being inefficient, both within and outside Japan. According to the theory of distribution revolution, the Japanese-style of "thin and long distribution structure"

should switch to the Western-style of "thick and short distribution structure (Kato, 2019, p.166)." Large-scale retailers, such as supermarkets, have attracted attention as leaders of distribution innovation, connecting mass production and mass consumption (Hayashi, 1962; Tajima, 1962). For a long time, small and medium-sized retailers (hereinafter referred to as retail SMEs) have been perceived as inefficient within distribution channels. However, since early 2000, researchers have started re-evaluating retail SMEs from the perspective of social effectiveness. These studies indicate that the contribution to the locality and uniqueness of the community development of the retailer's neighborhood, will be key in promoting retail SMEs, which are on the brink of closure (Kato, 2009). However, existing research has not sufficiently grasped the theoretical commercial behavior carried out by retail SMEs.

Retail SMEs' environment has changed drastically since the mid-1980s. The issue of succession has become

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apparent as an internal problem for these retailers, along with external environmental problems, such as large-scale retail innovators revolutionizing innovative retail technology and deregulated distribution policies. Retail SMEs are merely awaiting the closure of their business, while enduring these constant environmental changes. The number of stores going out of business is also increasing. The decline in retail SMEs is seen as a serious problem, causing issues such as vacant stores in commercial clusters, loss of the typical bustle of streets, and possibly, decline in the town's economy.

Nevertheless, even in the harsh environment where retail SMEs are declining, there are some active retail SMEs conducting their business. However, neither the SMEs depicted in the theory nor the retail SMEs seen in reality shed light on active merchants carrying out their retail functions.

This study elucidates such active merchants' behavior, specifically venture merchants (Mukoyama, 1999), and examines how they carry out their commercial activities, working on a small scale with limited resources, and what abilities they demonstrate while carrying out retail functions.

# 2. Literature review

## 2.1. Economic efficiency of retail SMEs

It has long been pointed out that retail SMEs in Japan are small scale and too many, thus exceeding demand (Arakawa, 1962; Ushio, 1953). The modernization of retail SMEs has been one of the central issues in Japanese commercial research. Large-scale retailers have attracted attention as leaders in the modernization of distribution. During Japan's high-growth period, a number of large-scale retailers, who had revolutionized the innovative retail format and developed nationwide chains, appeared in the market.

However, although the number of retail SMEs in Japan has decreased, it continued to increase until the mid-1980s. The survival of retail SMEs prompted studies from various perspectives in small and medium-sized commercial research (SMCR). Tamura (1986) indicated market slack, a phenomenon in which large-scale retailers cannot cover the demand during the high-growth period, as a reason for their survival. Maruyama (1992) analyzed the shopping habits of the Japanese and reported that, unlike the shopping patterns of Western consumers, the Japanese shop frequently. To reduce the cost of frequent shopping, they use small stores located nearby. Maruyama (1992) pointed out that the support of retail SMEs by consumer shopping habits also aided retail SMEs' survival. While both Tamura and

Maruyama highlighted external factors, Ishii (1996) focused on the internal commerce of self-employment by the family employment system, which is often seen in Japanese small and medium-sized commerce. The study found that the family employment system could provide low employment elasticity, high wage rate, and low exit rate, resulting in the survival of inferior retail SMEs.

These existing studies have deepened the understanding of Japanese retail SMEs' characteristics through a detailed analysis using macro data. However, they sought the survival factors of retail SMEs from the external market environment with the implicit assumption that retail SMEs are inferior. Although Ishii (1996) focused on the family employment system factor as an internal strength of commerce, it cannot be taken as indicative of the superiority of the commercial behavior of retail SMEs. Previous studies, therefore, do not sufficiently capture the behavior of individual merchants.

## 2.2. Social effectiveness of retail SMEs

SMCR has shifted its interest from the perspective of retail SMEs' efficiency to the aspect of social existence. The decline of central city areas is attributed to the decrease in the number of retail SMEs and is a major factor that resulted in the shift of research interest.

These studies were conducted on the relationship between retail SMEs and community development. Harada (2003), taking the perspective of economic logic, took a stance against the view that merchants who challenge commerce to improve sales are involved in community development. In contrast, Ishihara (2000), conducted a representative study from the position that states that retailers can contribute to community development. Retail SMEs are deeply involved in community life and, therefore, have an inseparable relationship with it. Thus, Ishihara (2000) claimed that community revitalization and promotion of retail SMEs are interdependent. Doi (2002) described the merchant active in community development as "town merchant." Watanabe (2010) categorized the types of town merchants and examined the relationship between the merchant's management consciousness and town development. He pointed out that the management consciousness of town merchants may have various effects on commercial agglomeration. Yamaguchi (2014) examined the interrelationship between distribution policy, merchants, and local communities through a case study of shopping districts.

SMCR, from the viewpoint of social effectiveness, has great significance. It highlights the positive aspects of retail SMEs, which thus far, is rather inefficient. However, for retail SMEs surviving in a difficult environment, community development contributions, which are non-

commercial activities not directly linked to the store's sales, are limited to some merchants. Therefore, research focusing on the unique retail functions of individual retailers is necessary.

## 2.3. Positioning of this research

In the existing theory of small and medium-sized commerce, retail SMEs are negatively perceived in terms of economic efficiency. Research from the perspective of social effectiveness also focuses on external factors rather than studying the necessity and superiority of small and medium-sized retailers from the original function of commerce. This is because studies on retail SMEs implicitly recognize them as passive entities that simply buy goods from major manufacturers or wholesalers and earn margins by selling the products.

However, the retail SMEs' role is different from that of large-scale retailers. While relying on limited resources, retail SMEs weak in retail technology create a differential superiority in the determination of product handling, pricing, and selling methods. Small and medium-sized merchants' unique ability to carry out such commercial activities is deeply related to the performance and growth of individual stores. Clarifying the unique abilities of retail SMEs can help solve the theoretical problems of existing research and practical problems of retail SMEs.

Research focusing on the capabilities of such retail SMEs is beginning to emerge. Matsuda (2017) conducted a participant observation of greengrocery retail SMEs and analyzed their technical capabilities in handling products. This research refined the concept of product handling technology (Ishihara, 2000) and deepened the understanding of small and medium-sized merchants' ability to handle products. However, it must be pointed out that the merchant's commercial actions related to purchasing and sales cannot be fully grasped from this study because it only analyzed product handling technology.

## 3. Method

### 3.1. Analytical concept

The primary activities of a merchant are purchasing and selling. The retail functions related to the former is "the purchasing agent function," and that related to the latter is "the sales agent function" (Mukoyama, 2001). Retailers purchase from manufacturers and wholesalers, and resell it to consumers. Consumers do not buy products directly from manufacturers, depending instead on retailers to buy what they need. In this way, the retailers perform the purchasing agent function, where they purchase goods from manufacturers or wholesalers on behalf of a consumer. Similarly, manufacturers do not sell their product directly to consumers, but through wholesalers and retailers. Thus, retailers perform the sales agent function, where they sell products to customers on behalf of the manufacturers.

However, the ability to perform both purchasing agent function and sales agent function is likely to differ significantly between large-scale retailers and retail SMEs. The former develop their own superior retail formats, accurately grasp the best-selling products through innovative retail technologies, such as information systems, and purchase numerous products. Subsequently, the headquarters sells these products through stores all over the country. It is difficult for retail SMEs that do not possess innovative retail technology to perform retail functions in the same way as large-scale retailers. Retail SMEs with weak retail technology, therefore, need to sell their products by employing appropriate pricing and sales methods, given their limited resources and their need to establish a livelihood.

Thus, the loss of competitive advantage in carrying out commercial functions, due to differences in retail technology and resource capabilities, is also a factor leading to the decline of retail SMEs. Some merchants, however, actively carry out commercial functions despite such a harsh environment. Mukoyama (1999) termed such active small and medium-sized merchants as "venture merchants." This study aims to clarify the unique ability of venture merchants by analyzing their actions.

To capture the ability of a venture merchant, this paper used the concept of "retail skill" (Cho & Watanabe, 2019), which is an adaptation of the concept of skill in manufacturers to retailers' context. Technology and skill are concepts used by manufacturers. The former is an explicit knowledge and can be mechanized or manualized, whereas the latter is tacit knowledge that can neither be mechanized nor manualized. Skill, thus, is an ingrained ability in an individual. When this concept is used in the retail industry, the knowledge of performing retail operations, and mechanized or manualized processes such as point of sale systems, can be called retail technology. The knowledge of retail operations that is ingrained in a retailer without being embodied by systematization or mechanization, is called retail skill (Cho, & Watanabe, 2019).

Based on the above analytical concept, the purpose of this study is to examine:

(1) How venture merchants perform their retail functions,
(2) What retail skill is the driving force for venture merchants in carrying out their retail functions, and
(3) How retail skills of venture merchants affect the performance of individual stores.

## 3.2. Research subjects and data collection

This study deals with an industry with the most remarkable decline in retail SMEs, that is, bookstores in Japan. According to Nippan (2020), the total number of bookstores in 2010 was 12,649. In 2019, that number dropped from 3,407 to 9,242, and the total floor area of bookstores decreased accordingly(Table1). Figure1 shows the area of bookshelves per store is increasing. From these data, it can be inferred that large bookstores survived, while many closed stores were small bookstores. Major wholesalers and large-scale retailers dominate the bookstore industry, and it is extremely difficult for newcomers to enter (Uchinuma, 2018). Under such circumstances, this study examines a bookstore called Lunuganga, a relatively new entrant that entered the market in 2017.

**Table 1**: Number of bookstores and total area

| Year | Number of store | Total area (m$^2$) |
|------|------|------|
| 2010 | 12,649 | 3,161,467 |
| 2011 | 12,316 | 3,153,119 |
| 2012 | 11,980 | 3,114,943 |
| 2013 | 11,645 | 3,090,790 |
| 2014 | 11,255 | 3,044,583 |
| 2015 | 10,855 | 2,982,207 |
| 2016 | 10,583 | 2,902,193 |
| 2017 | 10,226 | 2,828,214 |
| 2018 | 9,692 | 2,725,234 |
| 2019 | 9,242 | 2,602,327 |
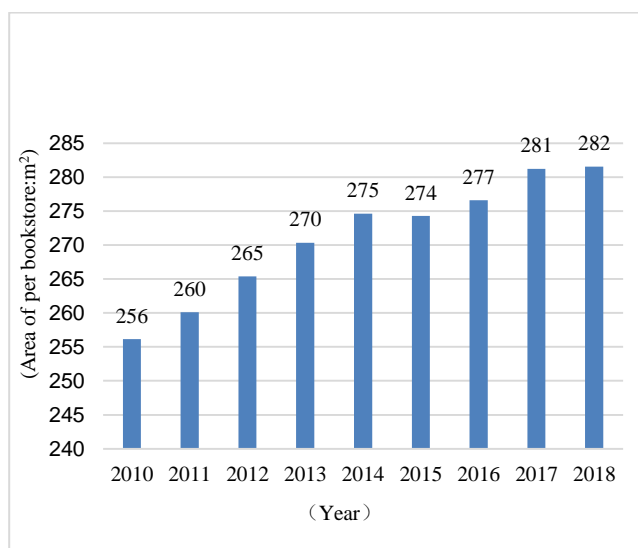


**Figure 1**: Bookshelf area per bookstore

Lunuganga is located in Takamatsu City, Kagawa Prefecture, Japan. It is a rare bookstore in a small town. While many large-scale bookstores sell best-sellers automatically sent by major wholesalers, this bookstore purchases and sells books in its original way, without relying on large-scale wholesalers. Although there are two large bookstores in the same shopping district, it coexists with them, segregating the market rather than losing customers to them.

Primary data were collected through an in-depth interview survey with the owner, Mr. Nakamura, using lifestyle methodologies, focusing mainly on how they purchase and sell books, conduct activities, and perform in-store management. Because the data aggregation level uses an individual merchant's microdata, there is almost no secondary data.

## 4. Case study of Lunuganga

### 4.1. Opening of Lunuganga

Lunuganga is a small bookstore that opened in 2017 in Takamatsu City. After graduating from Shinshu University's Faculty of Letters, the owner, Mr. Nakamura, gained three years of experience working at a large-scale bookstore. He then joined a trading company, performing a role unrelated to books. However, his passion for books led Mr. Nakamura to quit his job and open a bookstore in his hometown of Kagawa. Lunuganga is situated in an inconspicuous spot on Marugame Shopping Street, which is located in the central area of Takamatsu City, Kagawa. Redevelopment in the area has revitalized this shopping street, despite the decline of shopping streets in regional cities. Although there is heavy traffic in the area, the bookstore is not located in a prominent place. About opening the bookstore, Mr. Nakamura said:

*Because I like bookstores. The situation is that the number of small bookstores is decreasing rapidly, leaving only large bookstores. As a customer, although I like large bookstores, I also like to look around small bookstores. Therefore, I wanted to open a small bookstore. It would be a pity if all small bookstores collapsed. I thought the small bookstore would work successfully if I changed the method a little.*

Mr. Nakamura knew the charm of a small bookstore, which was different from a large one. He believed he could make his bookstore successful if he did things differently than other small and large bookstores. He said:

*Previously, a small bookstore was just an agent who tidied and sold books sent arbitrarily by wholesalers. The magazines also sold well; it was an era in which they could sell without any special effort. Today, customers spend more time browsing the Internet, and magazines do not sell very well. Customers no longer go to bookstores, as they all have the same books. I basically select books one by one and arrange them according to what I think are good books. I am particularly concerned about the arrangement of the books that I purchase. Additionally, in my bookstore, there is also a small space where customers can relax with a cup of coffee. Although events featuring an author were held frequently before, I have reduced the number of events because of COVID-19. I think the main difference is that I actively try to sell books by conducting various events and activities.*

Small bookstores in the past mainly sold best-selling magazines that were sent by wholesalers. Now, however, customers no longer buy magazines at bookstores, as they can easily collect information online. The rapid increase in convenience stores that carry magazines is another factor behind the decline of small bookstores. Recognizing the problems of existing bookstores, Mr. Nakamura decided to build a bookstore unlike those that only sell books sent by wholesalers, and instead build one full of his own individuality, created by purchasing books selected according to his own criteria. Additionally, he made various innovative efforts to sell them. Mr. Nakamura described opening a bookstore in his hometown as follows:

*I had been away from Kagawa for about 20 years after graduating from high school, so I did not know what kind of customers were in Kagawa. In addition, I was worried about whether opening such a small bookstore would be possible in a rural area. However, after opening the store, I realized my customers' needs. Now, I understand that if I present books like this, the books will sell like this.*

Mr. Nakamura opened the store without knowing the needs of the local people and the community. He was groping in the dark at the start, but he gradually responded to customers' needs by getting feedback from them. Mr. Nakamura also talked about his own-store management experience, such as sorting books of his choice, understanding the needs of customers in his store, and selling books, which is very different from his experience of working in a major bookstore.

*I worked at a large bookstore for about three years after graduating from university. My wife also worked at a bookstore for about a year. I can say that I know the basics of operating a large-scale bookstore, but I cannot say that*

*what I learned there is directly related to operating a bookstore. I thought it was feasible to start a small bookstore from scratch. I studied Letters at the university, and I have a lot of experience reading books. I can judge whether a book is good or bad, and this judgment is reflected in the store.*

When working at a major bookstore, he did not have to personally display the best-selling books sent automatically from the headquarters on the shelves, so there were few opportunities for him to touch the books directly. Large-scale bookstores do not have to select and purchase products, since they have a system in place that utilizes information systems (Uchinuma, 2018). This is different from opening a store and buying and selling products from scratch. To run a small bookstore, one needs to have abilities different from those used in working at large-scale bookstores.

## 4.2. Assortment as self-assertion

The primary purpose of purchasing is to sell the products and make a profit. The items that do not sell, therefore, will turn into bad inventories and must be disposed of. For that reason, bookstores usually sell an assortment of productions currently on sale. However, Mr. Nakamura said he is more inclined to sell the books he wants to sell, rather than put the best-sellers on display. He added that other abilities are required to sell the books he wants to, compared to selling the bestseller, "Simply put, it's a matter of purchasing and selling, so if you say something like a simple work procedure, I think anyone can do it. However, if you try to sell a good quality book there, I think you need some skill."

Choosing high-quality books that according to Mr. Nakamura are not best-sellers, but an assortment of books of his personal choice, is a form of self-assertion with a strong intention of selling to customers. According to his own standards, Mr. Nakamura does not prepare the kind of books that are currently on sale, and that everyone is looking for. He has a customer image that he thinks will buy the book. Mr. Nakamura said:

*These books are for people who have read books to a certain degree. I do not purchase comic books. Of course, these books can be sold to the masses. It is also not a book that yields profit easily, but one that is satisfying for those who usually read a certain amount of books. Therefore, I think that the target customers are people who read books to some extent.*

Mr. Nakamura selects books that are good from his own perspective, rather than rely on books written solely for sale.

As his customers need a certain level of ability to consume products, Mr. Nakamura considers those who can consume the books he wants to sell as his ideal customer. His intention is reflected not only in purchasing but also in the displays at his store. He describes the display method as follows:

*Many bookstore owners call it a context shelf. They put things depending on their own contexts. If one author influenced another author, I put that book next to the first author's book. It may seem that the two books are unrelated, but they are, in fact, related, so I put them together. I make a bookshelf by considering the context. This method was proposed more than ten years ago. I try to classify not by publishers, but rather consider interesting classifications.*

Mr. Nakamura displays books considering the relevance he finds between them. Additionally, even with the same books, the relevance between them will vary from person to person. In that sense, the display of Lunuganga was born out of Mr. Nakamura's sense or skill, which is different from the logic of other bookstores. The customers who come to the store out of curiosity form an image of Lunuganga through the store's books.

### 4.3. Change in product assortment

In this manner, when the customer's needs match the product assortment of Lunuganga, the customer visits again. Only a few customers visit Lunuganga, but that makes it possible for Mr. Nakamura to communicate with customers in the store. He said:

*I often talk to customers about the story of the book, "How was this book you bought the other day?" Those who come quite often also talk to each other normally. "It looks like a delicious curry shop has opened nearby." When customers check out at the cash register, they often strike a conversation. It is not just about, "How much will it be?" In terms of building relationships with customers, I think it's a little deeper than ordinary chain stores.*

Lunuganga is a general bookstore that tries to offer as many books as possible. However, the purpose of creating a small space for tea or coffee is not only to secure profits but also to increase the staying time of customers and induce communication. Customers visiting Lunuganga have the opportunity to deepen their understanding of the book while talking with Mr. Nakamura about the book's contents. Additionally, by having a strong connection with Lunuganga's customers through conversations, Mr. Nakamura can understand his customers' hobbies and tastes.

The information gathered through these conversations is utilized for the next product lineup. Mr. Nakamura said:

*Somehow, from the customer's face, I think about what the customer would buy. I imagine that this person and this person would buy this book, so I buy a certain number. If an author has a new book, I believe that a certain type of customer will buy the book. So when the customer comes to the store, I suggest the new book.*

Such insight on customer needs is different from the information of the masses' needs inferred from data in major bookstores. The information on the needs of Lunuganga's individual customers is acquired by Mr. Nakamura personally, by dealing with them. The book assortment of Lunuganga changes depending on its customers' needs.

*Purchasing books is a balance between the books that I think my customers will buy and the books that I like and want to sell. Additionally, there have been some cases where I thought a book is really good, but it seems like it cannot be sold, so I do not put it on the bookshelf. For example, the comic "Kimetsu no Yaiba" is on sale now, but it does not match our store's color, so I do not put it.*

As the number of Lunuganga customers increased, the product lineup that Mr. Nakamura originally intended at the time of opening, gradually changed. However, since the store only considers the needs of its customers and not the general customer, the product lineup is within the range of Lunuganga's store image. Mr. Nakamura said it was about a year after the store opened that he acquired his own customers and started understanding their needs. Moreover, as the needs of Lunuganga's customers gradually changed, the books that Mr. Nakamura himself intended to sell also changed. With the publication of new books that reflect the times, both Mr. Nakamura himself and his customers' interests keep changing. Mr. Nakamura considers the ability to catch such changes as necessary.

*It is not only about "I like it," or "I've read it." You also need to understand the atmosphere of the times, and consider whether certain books will sell. For example, books related to soil and bacteria are selling quite a lot now. I think that this sense, similar to smell, helps me understand the things needed by the world and is necessary.*

With changes in the times, the change in product assortment is a continuous process that Mr. Nakamura and his customers explore together.

## 4.4. Lunuganga's customers

Since Lunuganga is a small bookstore, it does not have many books. The bookstore's customers are used to this. For example, there have been cases where the customer asked Mr. Nakamura to hold events, such as reading clubs with the authors. People who attend such events buy books, which increases sales. Mr. Nakamura stated that customers use Lunuganga as if it was their own.

*Now, because of Amazon, people can buy books anywhere. However, in such a situation, the reason that customers deliberately take the trouble of buying books at Lunuganga is that they have a good relationship with the store. Many customers order books that are not in store—although they can buy the book on Amazon, they order it at Lunuganga. It takes longer than buying on Amazon, but customers wait for the books to arrive and then come to the bookstore to pick them up. I feel like our customers are supporting Lunuganga.*

After opening the bookstore, Mr. Nakamura also started using Social Networking Sites (SNS), such as Facebook and Instagram, to sell books. He stated:

*I introduce each book at length on Instagram. I do not know how well my followers read this introduction, but about 2,000 people viewed it. There are one or two people who want to buy the book. I also post pictures of the book and words quoted from the book on Twitter.   I also retweet and share books that customers bought at Lunuganga and post on Twitter.*

Mr. Nakamura publishes book information and in-store event information about three times a day on SNS. He and his customers share the joy of books with each other through Lunuganga's SNS accounts. Customers who get information from Lunuganga's SNS accounts often come from afar to buy books at the store.

## 5. Findings and discussion

### 5.1. "Store identification" drawn by venture merchants

Retailers make profits by purchasing and reselling goods. Thus, the retail functions related to purchasing and sales are the purchasing agent function and the sales agent function, respectively. The sales of products cannot be established without purchasing, and purchasing cannot be completed without sales. The retailer performs the purchasing agent function and sales agent function

simultaneously. The purchasing agent function is not easy to carry out, because purchasing cannot be made without selling. Therefore, retailers must have some purchasing standards related to their potential for sale when they purchase goods. The standard of purchase is the response of retailers who think consumers will buy a product. This response is the "market image" drawn by retailers (Ishihara, 2000).

To bridge the gap between the market image drawn by retailers and the actual situation of the market, retailers use various methods to collect and analyze information and assort products. In the book industry, large-scale wholesalers and bookstores use information systems to accurately grasp the selling situation, and purchase and sell the best-sellers. These retail technologies make it possible for retailers to bring the market image drawn by themselves as close as possible to the market's actual situation. However, owing to their technological limitations, retail SMEs can only rely on their own judgment. Thus, the market image they draw may be more isolated from the real market than that of large-scale retailers.

To overcome this problem, Mr. Nakamura takes an approach different from the approach of purchasing books according to the market image drawn from an unspecified number of consumers. He did not have any market image of local consumers at the time of opening his bookstore. The purchasing standard was not based on the market image, but on his "self-assertion" of what he wanted to sell. His individuality as self-assertion is projected as a store concept. Thus, Lunuganga was established as a store full of Mr. Nakamura's individuality.

This study refers to store image as "store identification," which is drawn by a venture merchant such as Mr. Nakamura. Rather than reflecting the market image as store identification, a venture merchant's store is one where they assert their individuality through product lineup, display, and store design. Store identification is distinguished from the retail format as a collection of retail mixes. In this study, the retail skill that venture merchants use to create their own original store identification is called "skill to draw a store image."

### 5.2. "Own-store customers image" drawn by venture merchants

When the store identification, which is full of Mr. Nakamura's individuality, had been established, it began to be transmitted outside. A variety of customers visit when the store opens, but only the customers who seek a very limited product assortment, which is Mr. Nakamura's self-assertion, visit again. Those who do not find the book they seek in Lunuganga will leave the store. In this way, customers who connect with Lunuganga's store

identification have gradually emerged. This study describes these customers as "own-store customers."

Own-store customers repeatedly use Lunuganga, even though the store is small and the product assortment is limited. This is because, although product assortment is limited, it is constantly changing. The product assortment dynamics are due to new books being published, and customer needs constantly being updated. To grasp these changes, Mr. Nakamura communicates with individual store customers, rather than collecting data from retail technology. The venture merchant's judgment about what the own-store customer would buy is called the "own-store customers image."

To reward the own-store customer image, the product assortment corresponds to the customer's needs. However, because of their own-store customers' image, their needs will remain within the range of product assortment that suits the store identification. Even though there are best-sellers, the venture merchant does not purchase those that do not match the store identification. The product lineup that matches its own-store customer image does not lead to the loss of store identification, which is full of individuality, drawn by venture merchants. Store identification is maintained, as well as differentiation from large-scale bookstores, preventing it from falling into a homogenized category.

The venture merchant always chases the ever-changing own-store customer image. The acquisition of new store customers, created by changing customer needs, is an important factor in continuing the business. Such "skill to draw own-store customers image" is the retail skill required of venture merchants, and the level of this retail skill seems to greatly influence the performance of individual stores.

## 5.3. Achievements with own-store customers

As mentioned above, it can be said that individual venture merchants perform a purchasing agent function based on self-assertion and their own-store customer image, and perform a sales agent function for their own-store customers.

Compared to the market image drawn from an unspecified number of customers, the image of own-store customers drawn by the venture merchant can be closer to the market, reflecting the customers' real needs in their store. This is closely related to the performance of the store. As Mr. Nakamura said, when purchasing books based on the image of own-store customers, drawn from the communication with the customer in the store, he predicts which books will be bought by which customers with high accuracy. Purchasing in this manner can reduce the risk of sales for the venture merchant.

Furthermore, as confirmed in the case of Lunuganga, the own-store customers acquired through the commercial functions performed by venture merchants show different behavioral characteristics from general consumers. While ordinary consumers tend to shop efficiently in the shortest possible time and least cost, own-store customers will order at the store they like and wait for the arrival of products, even if they can get the product immediately elsewhere. Additionally, they spend time and money going to the store they prefer to buy goods rather than nearby stores. Even if the product assortment overlaps with other large-scale retailers, they prefer to purchase the product at the store they like. Thus, it can be said that these own-store customers support venture merchants. It will also be possible for venture merchants to secure stable profits while taking in their own-store customers' needs.
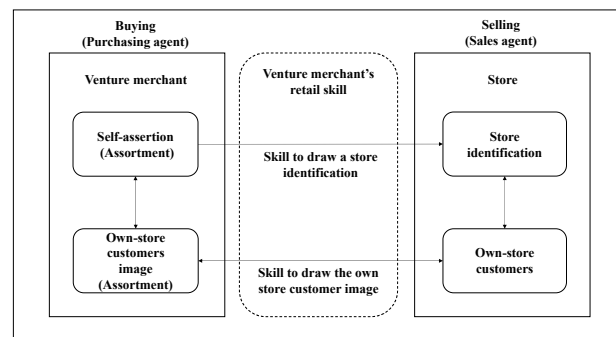


**Figure 2**：Retail functions and retail skills in venture merchants

Figure 2 is a conceptual diagram of the above discussion. The self-assertion of venture merchants is taken as the standard for purchasing products, which is the purchasing agent function. With the product assortment based on self-assertion, store identification with the individuality of the venture merchants has been created. Store identification will play the role of selecting customers. Specifically, customers who identify with the store will become own-store customers created by the venture merchant. In addition, the retail skill required for venture merchants to acquire their own-store customers is the ability to draw a store identification.

The appearance of new products due to the market environment will bring about changes in the needs of own-store customers. Therefore, venture merchants seek to capture changing customer needs through communication with their customers about products or everyday life. Through this interaction, venture merchants portray the image of their own-store customers through the product assortments that they think the own-store customers will buy. The image of own-store customers is more likely to meet the needs of actual own-store customers than the

market image drawn from an unspecified number of customers. Thus, a necessary retail skill of venture merchants is to grasp the needs of their own-store customers. In this way, the image of the own-store customers has been newly added to the purchasing standards of venture merchants.

However, the product assortment as the own-store customers image must match the store identification. Therefore, there will be a balance, such that the product assortment does not unilaterally favor the image of its own-store customers, and the self-assertion of venture merchants can also be secured. Product assortment from the connection between self-assertion and own-store customers image also brings about a change in the product assortment of the store identification. Consequently, even if the own-store customers feel inconvenienced while shopping, they will use the venture merchant's store, a shopping pattern that will help increase the sales of venture merchants.

In this way, the purchasing agent function and the sales agent function of the venture merchant are retail functions limited to the customer in the store. However, it is considered a way to generate maximum efficiency and profit from constrained resources and capabilities.

## 6. Conclusions

This study examined the retail functions performed by venture merchants and their retail skills as their ability to perform them. The results of this study hold significance not only in Japan but also in retail SMEs problems in East Asian countries such as South Korea, China, and Taiwan. For example, in South Korea, there is active research on retail companies that make full use of retail technology (Ha, 2020). In addition, active research continues on the decline of retail SMEs and strategies (Bae, 2012; Kim, Lee, & Youn, 2005).

### 6.1. Theoretical implications

There are two main theoretical implications of this study. First, the extraction of venture commercial behavior has highlighted new factors in the rationale for the existence of retail SMEs. The existing theory of small and medium-sized commerce has discussed the basis for the existence of retail SMEs from the viewpoint of economic efficiency and social effectiveness. The basis for the existence, in terms of economic efficiency, depends on external environmental factors. On the other hand, research from the perspective of social effectiveness has focused on social contributions other than the original commercial behavior challenged by retail SMEs. It can be said that these existing studies have not fully captured the original retail functions and abilities

of venture merchants. By analyzing retail skills as the venture merchants' ability in performing retail functions, this study revealed the unique retail functions of venture merchants that are different from large-scale retailers. The retail functions challenged by venture merchants suggest new possibilities for the existence of retail SMEs.

Second, this study highlights the market image drawn by venture merchants. There is a gap between the retailer's market image (Ishihara, 2000) and the real market. Bridging this gap has a significant influence on store performance. Large-scale retailers collect and analyze information by making full use of all methods to know the needs of consumers, and accurately purchase products that meet those needs. For large-scale retailers, innovative retail technologies, such as information systems, play an important role. Venture merchants, who lack retail technology, have no choice but to rely on their own abilities. The market image drawn by venture merchants' senses may create greater isolation from the real market than the market image drawn by large-scale retailers. The assortment based on self-assertion and image of own-store customers discussed in this study, indicates one of the factors that could bridge the gap between the market image and the real market of venture merchants.

### 6.2. Practical implications

The current findings have two practical implications. First, retail SMEs need to differentiate themselves by expressing their individuality. The individuality of a store can be created through assortment and store atmosphere. In the case of assortment, it is important to reflect not only consumer's needs but also the retail SMEs intentions, as criteria for purchasing products. Simply tailoring the assortment to the needs of consumers can homogenize the assortment with large retailers, leading to price competition. Therefore, retail SMEs need to purchase products with the intention of selling them, based on some purchasing standards. Intentional self-assertion assortment creates unique stores for retail SMEs. The store will meet niche needs, and the individuality of the store will lead to differentiation and make it more difficult to compete with large retailers.

Second, retail SMEs need to acquire their own-store customers. Retail SMEs have limited assortment, making it difficult for them to serve the mass consumer as a large market. Therefore, retail SMEs need to acquire their own-store customers who visit stores full of individuality and with sympathy. Responding to such needs of own-store customers will lead to them continuously using the store. Even if they are located in back alleys or inconvenient spots, the own-store customers of such retail SMEs will visit them.

Such store customers make a significant contribution to the store's performance.

## 6.3. Limitations and future research directions

This study analyzed microscopic and individual data of the commercial behavior of individual merchants. Therefore, the results of the analysis may be specific to the particular case under study; any generalization would require careful consideration. However, this study aimed at theoretical generalization, not limited to the details of exceptional individual cases, and attempted to develop a theoretical concept based on venture commercial behavior. As a future research topic, it is necessary to accumulate cases up to theoretical saturation (Strauss & Corbin, 1990). For that purpose, it is necessary to build a generalized theoretical hypothesis model by refining the concept presented in this paper by repeating research targeting venture merchants in the same industry and different industries.

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