

Consumer Co-operative Institute of Japan

Plaza F 15, Rokubancho, Chiyoda-ku, Tokyo
102-0085, Japan

Tel. 81-3-5216-6025 Fax. 81-3-5216-6030

ccij@jccu.coop

<http://www.co-op.or.jp/ccij/>

Main
Features

University Co-ops Face Competition under University Reform

Deborah Steinhoff

Introduction

Universities are undergoing fundamental restructuring in response to the changing economic and education environment in Japan. University Co-ops, which have been predominant on campuses for more than 50 years, are now facing competition. This is challenging Co-ops to rethink their business operations and redefine their role in order to retain a meaningful presence in this changing university environment.

Leaders within the university co-op movement and scholars are now analyzing the situation in order to define a new vision for University Co-ops and develop an action plan to secure University Co-op's continued place on college campuses throughout Japan.

Universities Face Change

In April 2004, the Japanese government, in an effort to address numerous problems in government-run universities, gave all national universities corporate status. Under this new plan, since March 2005, national universities are now required to keep account books under standards similar to corporate accounting rules. This entails producing profit and loss statements as well as balance sheets. This change, put into law to improve the management efficiency of universities, has had wide ramifications

Contents;

Main Features	1
University Co-ops Face Competition under University Reform by Deborah Steinhoff	
News in Brief	6
• Student's Dietary Life Surveyed	
• Study Trip to Social Enterprises in Europe	

on university services.

In terms of funding, one major change under incorporation is that universities can no longer rely on government subsidies. Now, the university's main revenues must come from tuition fees, and government and corporate grants in addition to subsidies. Government subsidies, which in the past accounted for nearly half of all university revenues, began to be cut in the last fiscal year. This has meant severe budget cuts across the board, and in some cases, universities have had to merge together, or even fold due to monetary constraints in light of the many other challenges universities are now facing.

Among these many challenges is the fact that university enrollment is declining and universities have to learn to compete in order to attract students. With decreased enrollment and budget constrictions, some private universities have in fact been forced to fold since they could not fulfill their enrollment. Furthermore, universities are being challenged to offer academic programs that meet the demands of a global economy. With universities no longer under the umbrella of the national government, they must reduce their budget and balance the books while improving their performance in order to compete in Japan's new arena of higher education. In order to do this, universities are looking to find the best services at the lowest cost and this poses new challenges for University Co-ops.

Brief History of University Co-ops

Before looking at how the changes at universities are affecting University Co-ops, the history of University Co-ops provides a basis to better understand the important relationship that University Co-op have developed with universities.

Over the past 50 years, the National Federation of University Co-operative Association has grown to have 227 member Co-ops. These Co-ops, which spread across university campuses throughout Japan, have 1.4 million members and an annual turnover of 197 billion yen. The federation falls under the umbrella of the Japanese Consumer Co-operative Union. The National Federation of University Co-ops is the largest and most formidable Co-op student federation of its kind in the world. The federation has a long history of both economic and social support for university student bodies across Japan.

University Co-ops took hold on university campuses following World War II when universities were feeling the aftermath of the war and did not have sufficient means to support their students. Co-ops formed to supply the fundamental services of food, essential supplies and books for students. In these early years, Co-ops developed very close ties to university student association bodies and they took a leading role on campuses during the confusing period after the war.

Throughout the 1950s and 1960s, when Japanese society was changing, along with unprecedented economic growth, University Co-ops continued to work closely with university student associations and university administrators to provide essential services for the student body. When the turmoil of student unrest hit university campuses in the 1970s, University Co-ops put their support behind the students. With student protests, however, directed at university authority, this put University Co-ops in a strained relationship with the administrations. However, Prof. Fukutake, the then President of the National Federation, initiated a drastic reorientation, insisting, "University Co-ops should cease to be a troublesome and annoying entity for universities and transform to a reliable and responsible one." From then on the relationship with universities had steadily improved. During the robust economy of the 1980s, Co-ops expanded to provide more services and they grew with the times as they worked to build an organization that integrated the entire university population into its membership. Although growth slowed down after the burst of the bubble economy in 1990s, University Co-ops grew however slowly and remained unchallenged on campuses

For nearly 60 years, University Co-ops have carved out a diverse and unique role for themselves and have operated free of competition on university campuses. Virtually the entire university community came to rely on Co-op to provide the services needed on campuses. Co-op stores offered a full range of food products, electrical goods, computers, books etc, not to mention travel services, and pharmacies. Co-op also operated an extensive chain of Co-op Inns; hotels located close to campuses that cater to students. Co-op has been the central depot where students come not only for services, but also to engage in social activities and to enhance their education, as Co-op offered assistance with skill development and job searching.

The niche that Co-ops have carved out for themselves on the campuses of universities is no longer plausible. Just as universities and the needs of students change, Co-ops are now facing competition and are looking to redefine and make changes in order to retain their role on campuses. In the new millennium, as universities are incorporated, and as student populations decline, student budgets decrease, student interest's change and student apathy increases, Co-ops face a new landscape in which they are striving to continue to make inroads.

Looking to Retain the Competitive Advantage

Universities are looking to optimize profits and stay competitive. These two factors are determining the fate of services on universities campuses and forcing Co-ops to take measures to stay competitive. Co-ops long standing relationship with universities is being evaluated in the light of university's changing management structure under the budget restrictions of incorporation. Under the old national university system, Co-ops operated under special contracts which included the free use of land, buildings and facilities. Also, for the most

part, University Co-ops enjoyed dominance in the services they provided, with little, if any, competition from outside businesses. This position is now in upheaval as universities are no longer able to abide by the status quo of that relationship both from a business and educational standpoint.

Optimizing profits on campuses, from a business perspective, is a challenge because the universities are only open 150 days a year. For Co-op, this shortened business year has been offset to some degree by not having to pay to lease the buildings and facilities they occupied. Needless to say, in an effort to maximize the use of their assets, universities are now considering charging Co-ops rent for the space they occupy. The first step in continuing to secure Co-op's competitive advantage, according to the Federation of University Co-ops, is to retain an agreement to have free leases. In this respect, the association is urging each Co-op to negotiate new contracts with their respective universities which clearly states the relationship between the Co-op and the university. Of most importance is developing a contract that allows Coops to have continuous free usage of the land and the buildings that they occupy on campuses.

University Co-ops are trying to maintain the good relationship that they have held with universities for so long. The Federation of University Co-ops Associations is proposing that Co-ops pay special attention to working out individual contracts with their respective universities that acknowledge the long history of performance and the mutual interest that Co-ops share with universities.

While it may be inevitable that universities, to some degree, require Co-ops to share the rising costs, Co-op must be prepared to share the burden while working with universities to show them that Co-op is the best organization to supply essential services on campuses.

It is well known that profitability within the food service sector is comparatively low. While the shortened business year must be considered, in terms of providing food services for students on campuses, profits, however, should not be the only determining factor. Safety and nutrition must also be considered and these are areas in which Co-op have proven to be the nation's leader. Co-ops need to stress this advantage when universities are considering outsourcing food services or considering letting convenience stores set-up operations on campuses.

Universities in an effort to optimize their assets are outsourcing food services, parking, travel, book purchasing, building maintenance and in some cases inviting convenience stores on to campuses. Universities are no longer willing to give Co-op's business contracts without first considering competitive alternatives. Most services are now being placed on the table and are open to competition. Co-op is looking to, in some incidents retain tasks and for others, competitively bid to take on new tasks in the co-op spirit of mutual interest. But in doing this, they need to reaffirm their role on university campuses and

convince university administrators that they will work with universities to improve their image through providing services that make universities attractive.

Co-op also recognizes the need to strengthen their relations with the surrounding regional community and investigate how they can work together with the community to offer services to campuses. In this capacity, Co-op has the potential to act as the middle-man and serve as the bridge or facilitator of the many services that campuses need from the surrounding community; such services such as bicycles, vehicles, futons, furniture and other essential "big items." Co-op needs to take on the role of being the bridge to services on the outside that are essential to student life inside campus walls.

To remain vital organizations to universities, Co-op need to increase their role in providing social services and promoting social awareness on campuses. In an effort to meet the changing needs of today's students, Co-ops are considering expanding their activities on campuses to include child day-care, parent counseling, internships, personal computer instruction, and career counseling among other services. Co-ops are also looking to find new ways to give back to the universities by offering scholarships. In terms of providing welfare services, University Co-ops are looking to learn from the experience of Consumer Co-ops which has a vast amount of experience in these areas. University Co-ops are also in the unique position to promote social awareness of the many problems that need to be addressed such as global warming, world hunger and the peace movement.

It is widely recognized that Co-op's image on campuses has waned somewhat in recent years and this is partially the reason some universities have invited convenience stores on to campuses. Co-ops are working to develop a very positive image that can reverse the damage caused by apathy in the past. In order to overcome this image, Co-op is looking to develop services that are both unique and diverse and can meet all the student's needs. As part of this image building, online services need to be upgraded and available 24 hours a day. Co-ops are working to learn how to improve their internet offerings in order to provide services that support education and career counseling.

Finally, in order to actually implement these changes now under consideration, University Co-ops realize that they need to place far more emphasis on training their own work force.

Co-ops must redefine their image and their role within university environments. The Co-op image needs to be up-graded and services need to be updated to fit into the new environment they operate under in order to better serve the needs of today's students. They cannot afford to have the inertia of business as usual. They need to move beyond the old mode and find new direction to meet the changing university population and environment.

In the light of competition, Co-ops need to continue to stress to university administrators that it is in university's best interest to partner with Co-ops because, by their very nature, the university will share in Co-op's profits, which will be distributed among members or reinvested to improve its services, thus ultimately benefiting the university community. This is a bottom line that will hopefully continue to give Co-ops a competitive edge on universities campuses

N E W S in Brief

Student's Dietary Life Surveyed

CCIJ has conducted several surveys based on questionnaires and interviews on children's diets since 1992 and published reports, which were widely appreciated in the media and by concerned people including school/kindergarten teachers, nutritionists and co-op members. It set up the Study Group on Food Education in 2003 to investigate the topics of food and health, consumer awareness and education etc. In the second stage of the project, the Group headed by Prof. Kazuko Yaguramaki conducted a survey on student's dietary life in January and February 2005. It sent out 1,410 questionnaires through 15 university co-ops from Hokkaido to Kagoshima and collected 722 replies. It found that 25% of respondents did not take breakfast, while there was a clear correlation between lack of breakfast and health disorders. The results were published in the CCIJ Report in September 2004 and widely distributed among university co-ops which plan to develop measures to help improving student's dietary life.

Study Trip to Social Enterprises in Europe

The Study Group "Co-operation in Living" was set up by CCIJ in response to the growing concerns about the impact of globalization on people's lives and the increasing role of third sector organizations that have been tackling with social exclusion which neither market nor multi-level government could not solve. The main objective of this Group was to analyze the role of third sector organizations in encouraging voluntary actions in the changing social policy frameworks, with the aim to promote local economy and social cohesion. The study took an interdisciplinary approach that combined economics, gender studies, and social policy. This Group led by Prof. Mari Osawa, decided to conduct a study tour in search of the best practices in the UK and Italy in September 2005. It visited the New Economics Foundation, the Co-operatives Group, Greenwich Co-operative Development Agency etc. and interviewed Prof. Roger Spear of the Open Universities and other researchers in the UK. It also visited social co-operatives of various types in Trento, Brescia and Milan, Italy. The Group plans to publish a volume next year including the observations from field visits in Japan and abroad.