

CCIJ News

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Main
Features

University Co-ops Facing Turbulent Era

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1. Introduction

Japanese University Co-ops have been nearly synonymous with campus services and student life across major public and private universities in Japan since the 1945. From food and general merchandise stores to cafeterias, to bookstores and travel centers,

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Co-op is visible and a major organization on campuses. Co-ops are more than just vendors. They are a student-based organization that exists to serve student's needs. The multi faceted dimension that University Co-ops play on Japanese university campuses is unique to Japanese universities and is unparalleled in universities around the world.

Until recently, Co-ops have enjoyed the benefits of being the sole proprietor on most campuses and where they operated free of competition. However, universities are now entering an era of "survival of the fittest" and Co-ops are facing these new turbulent times.

What are the ramifications for University Co-ops under this new reality? Looking to the future, what role will University Co-ops play on Japanese university campuses? Attempting to answer these questions is the focus of this article.

2. The Challenges for University Co-ops in the Competitive Environment

University Co-ops, with its more than 60 years of history on university campuses nationwide, is the single largest student organization in Japan. Nearly 40% or 1.4 million students, out of the 3.07 million students, belong to one of 229 University Co-ops on campuses throughout Japan. And 83% of the 87 national universities have large Co-ops on campuses. Traditionally Co-ops have supplied textbooks, school supplies, food and general merchandise, dining halls, student travel services, and part-time job placement services. In 2006, the combined sales turnover was 201.1 billion yen. While financial indicators have improved slightly over the past few years, overall Co-ops are operating close to or in the red, while a few Co-ops experience as much as a 3% surplus.

Changing socio-economic trends of the 21st century are now impacting University Co-ops which are attentively monitoring the restructuring of universities. Of these trends, globalization and the driving force behind it, information and communication technology have revolutionized the market place, retailing and shopping as well as how universities operate. Second, universities are now faced with the dilemma of how to adjust to a declining college age population and student enrollments. While in 1992 there were 2.05 million people 18 years of age. By 2007, the number of 18 year olds had decreased to 1.3

million and this number is predicted to decrease to 1.2 million in the near future. Third, in light of this, Japan's slow growth economy has placed severe financial constraints on universities. After the "National Universities Incorporation Law" of 2005, national universities are dealing with the decrease in government funding. Other public universities are also facing budget cuts, while private universities are facing declining enrollments and subsequent budget constraints. This has meant big changes in the way universities operate. Looking to fill the gaps left by the loss of government subsidies, and/or declining enrolments, universities are securing funds from outside sources whether that is through joint research with enterprises or through donations. Universities are also looking to streamline services and reduce operating costs by seeking optimal use of land and buildings and all resources including the University Co-ops. Universities are therefore opening their campuses up to competing vendors for services in an effort to attract students, optimize resources and be fiscally responsible. For Co-op the pressure is on to solidify their business plans and compete. In some 27 instances, convenience stores have already moved onto campuses in return for rents and other special contracts to help fund universities.

Historically, the public university system in Japan was, more or less, based on the concept of egalitarianism. Now, fierce competition for research funds has made it necessary for public universities to emphasize their uniqueness. And at private universities, competition for enrollment has also forced universities to compete with each other. So in other words, universities now find themselves in the era of "survival of the fittest." In this era, Co-ops no longer enjoy the monopoly or political affiliations they once had with universities, and they too must now compete with outside vendors and look to improve their services and develop new social and academic services to meet the new visions of universities.

3. University Co-op's Vision and Action Plan for the 21st Century

Reflecting on these new conditions on university campuses, University Co-ops have developed their Vision and Action Plan for the 21st Century based on four principles of Co-operation, Collaboration, Self-sufficiency and Participation.

Under this plan, University Co-ops are reexamining the basic purpose of Co-op

organizations for its members and reexamining how University Co-ops can best benefit the students, so that student's welfare remain the center of the Co-op activities (Co-operation). It is very important for Co-ops to examine how they can assist the university to actively engage in the present struggle they are facing for their own survival (Collaboration).

According to Prof. Shoji Kokichi, President of the National Federation of University Co-operative Associations, Co-ops have, in the past, primarily engaged in the businesses of food services, books, school supplies and general merchandise. These have been Co-op's basic activities, but they must now look at other areas and develop business savvy if they are going to flourish under the changes on campuses nation wide (Self-sufficiency).

In order to do this, University Co-ops must insure that businesses and all activities operate on democratic principles and that members, their representatives, managers and staff are all committed to working with university administrators to further the goals of the university. They must work to demonstrate the difference between Co-ops and for-profit organizations in terms of services and campus life. In this respect, promoting the importance of membership is the key (Participation).

University Co-op's, challenged by the inevitable encroaching competition on campuses should not be frightened off by this new reality. Co-op's long standing history of development on university campuses and their established reputation gives them an advantage over other organizations in terms of providing services to students on campuses. But University Co-ops need to reevaluate the current services and take a close look at how they can improve and enhance these services while also looking to explore new venues.

4. University Co-op Responds with it Strengths

University Co-ops are responding in various ways to the changes that are ongoing at university campuses. Public universities have put forth their *Mid-term Plans and Goals* for the next six years. Also, private universities have also laid out their mission statements. Co-ops must study these plans and make concrete proposals to respective

universities on how they can best contribute to the specific goals of each university. Active consultation with university administrators is now at the forefront of all Co-op proposals.

With competition lurking at the gates of most campuses, University Co-ops recognize the need to promote their organization and services to the university administrators and the campus body at large. For example, University Co-op activities to welcome freshman to campuses have been highly evaluated by students, but Co-ops have not necessarily been good at conveying these high evaluations to the university administrators. Another area where co-op has provided indispensable services over the years has been their operation of dining hall/cafeterias that offer students inexpensive and nutritionally balanced daily meals. At a time when food safety has come to the forefront, Co-op with its reputation for food safety has an advantage. Also, Co-op had been the main provider of textbooks and school supplies on university campuses across the nation. Although Co-op have been providing these services that greatly benefit the students, it has not been very good at self promoting its importance and Co-op officers are now realizing that there is a gap in communication with university officials that needs to be repaired.

Co-ops are now exploring services and activities to enhance student life. These activities include seminar and study aides, employment centers, and career development and networking. Also, in conjunctions with universities some co-ops are exploring academic counseling services. Co-ops operate facilities that provide opportunities for students to learn and develop together with fellow students. It is important for Co-op to communicate to university officials and students alike that Co-op operates on the principle of mutual self help and participation and not for-profit, as do convenience store chains. The challenge is then for University Co-ops to engage students in active participation by enlivening the student body to participate in the creation of a University Co-ops that meets the needs of students while providing the students with opportunities to interact with each other, develop communication skills, leadership skills and create a sense of university community.

This requires Co-ops to create spaces and forums where students can become better informed and excited about what they can accomplish through the Co-op basic operating principle of co-operation, collaboration, self-sufficiency and participation.

This is particularly important, now that student government is dwindling across campuses in Japan and students are seeking to find activities that are meaningful. University Co-ops estimate that there are about 7,000 student activists associated with Co-op and these students provide the base from which to grow the movement.

The annual Co-op publication “Living at University” is highly rated and prized by students as it provides not only the most valuable information on how to survive college, but also includes advice and information from senior students on how to study and use services on and around campuses. This publication has served as one example of how Co-op enriches and enlivens student’s lives.

5. Meeting the Challenges Together with Universities

The predicted continued decrease in student enrolment has many private universities as well as public universities, worried that they will not have sufficient students to operate. These universities, which are already facing financial difficulties, are anticipating serious management issues in the near future that will necessitate the retrenchment of academic faculties and departments and possible mergers or amalgamations of universities.

Co-ops, likewise, realize that under this foreseeable situation, Co-op management will face serious challenges, such as the mergers of University Co-ops. Considering this, it is most important that Co-ops aim to be financially stable and not inherit the past debts of other Co-ops.

University Co-ops must be prepared to meet the future challenges facing universities together with university officials. While universities face major reorganization and re-imaging, some have made contracts with convenience stores and coffee shop chains for financial or image boosting reasons. International coffee chains such as Starbucks is also expressing interest. The question facing Co-ops is how do they compete? Co-op stores are behind in terms of assortment, merchandise development, freshness of food, and being able to offer services such as ATMs and ticket services. It is very difficult for Co-op to compete with convenience store’s technological advances and 24 hour service.

In order to compete, Co-op must take advantage of their insider position on campuses. They must strive to develop an assortment together with the student body members. In particular they can focus on promoting merchandise that convenience stores do not carry and emphasize safe, healthy food. Also, Co-op must look to form regional alliances that will have the scale of operation to be able to standardize Co-op products, reduce production costs and boost sales turnover.

Second, University Co-ops must aggressively explore services that convenience stores cannot provide such as academic counseling, career counseling and training etc. already mentioned.

While Co-ops are now faced with universities outsourcing services that they traditionally provided, they also have the advantage to compete for new businesses that the university is also outsourcing. For instance, Co-op's long history of relations with universities, gives them an advantage for bidding on newly outsourced services such as supervising parking lots, libraries and student I.D. card management. Universities are also forming subsidiary companies together with other universities for such services as insurance, school supplies, dormitories, office furniture and cleaning. Co-op's collaboration with universities in developing these services is possible in the future.

Co-op's strength is its connection to the student body and in its ability to offer safe, reliable food and merchandise. In order to compete, they must use this advantageous position and tap into their student resources to improve services and create services that meet student needs while meeting the approval of the university.

Co-op also needs to enhance the recognition of University Co-ops within not only the student population, but also among the general public and especially parents. As mentioned earlier, the Co-op publishes and prints more than 500,000 copies of its "Living at University". Distribution includes university preparatory schools and also advertisements in newspapers and magazines. Although highly acclaimed, the publication alone is not enough and University Co-ops are looking to expand their Internet home page, especially their cell phone site.

6. In Summary

Japanese universities are in the age of “survival of the fittest.” Needless to say, universities are facing severe budget cuts while competing with each other to attract students. This has led to a new era of universities striving to emphasize their uniqueness and attractiveness to students by offering academics, but also student-life support services, and career training, scholarships and social and welfare services. Among all these diverse services that universities are now struggling to provide, University Co-ops have to compete with the outsourcing of services. This is forcing Co-ops to reevaluate their business and rely on their strengths.

As universities face new challenges, University Co-ops must work with the universities as they create new visions and develop plans to meet their changing circumstances. Specifically in the context of competition with convenience stores, University Co-ops are now looking to build new stores and improve their student dining halls and cafeterias. Although convenience stores have an upper hand in terms of their “on-time” ready to eat take-away food and other merchandise, Co-op must beat them at their own game by taking advantage of the inside track they have established with students and explore areas of service that private vendors cannot perform such as academic and career counseling, and job training. In this regard, Co-op can continue to be an integral part of university campuses by improving upon the many academic and social services they offer students.

Source:

Review of Consumer Co-operative Studies: (No. 385, February 2008): *Special Feature: University Co-ops in the 21st Century*.

News in Brief

Prof. N. Jinno Approved as New Chairperson of CCIJ

In the CCIJ Board meeting held on May 14, Prof. Naohiko Jinno was approved as new Chairperson following Prof. Otohiko Hasumi who served during 2000-2008. Prof. Jinno is working with the Faculty of Economics, the University of Tokyo and majoring in finance and local fiscal policies. He is an author of a number of best sellers in the fields of political economics for system reforms, economics for local regeneration, designing for hopeful society, strategies for post divided society etc. He holds some seats in the important government councils including Government Tax Commission and National Land Council.



Professor Naohiko Jinno, CCIJ's New Chairperson

Symposia and Colloquia

CCIJ Colloquium on Roles of Consumer Co-operatives in the Civil Society

The fifth colloquium took place on May 10 featuring on the Roles of Consumer Co-operatives in the Civil Society. More than 30 researchers and practitioners took part. Prof. N. Jinno of the University of Tokyo presented a strategy for expanding social system and activating democracy while Mr. Y. Taguchi of National Consumer Affairs Center presented the outlines of new consumer policies and expectation to 'consumer power.' Prof. M. Osawa of the University of Tokyo, Prof. T. Miyamoto of Hokkaido University and Prof. Emeritus T. Miyasaka of Waseda University commented from different perspectives. The ensuing discussion focused on the economic and social roles of consumer co-operatives.

CCIJ Open Forum on Non-profit Catering for the Elderly

On 27 May, CCIJ held the first Open Forum 2008. The subject was the present state and problems of non-profit catering services for the elderly. As the keynote speech, Associate Professor Yoshiyuki Shimizu of Tokyo Gakugei University explained his view of the life of the elderly and the importance of non-profit catering services. Then, the remainder of the forum was devoted to the discussion by practitioners and researchers. As a result of enthusiastic discussion, it was revealed that, whereas non-profit catering service is useful and often even vital, in most cases the provider faces serious financial difficulty; It is hard for them to provide catering service without financial support by local government. Thus, for the providers of this service, including NPOs, consumer co-ops and medical co-ops, how to cooperate with the government sector *and* local community is the key to make this service sustainable and widespread.

CCIJ Open Forum on Co-operative Insurance

The second Open Forum in 2008 was held at July 26, entitled "what is needed for co-operative insurance businesses." This forum was meant for understanding of the key points of the 2007 amendment to the Consumers Co-operative Law and the 2008 enactment of the Insurance Law, as far as co-operative insurance was concerned. Mr.

Osamu Hagimoto of Ministry of Justice explained how co-operative insurance is treated in these regulations. He put focus on the principle of equal-footing between insurance service providers. That is, according to his explanation, insurance service businesses must be subject to the common rule without respect of the organizational forms; for-profit or non-profit. This was followed by the presentations and discussions by researchers and practitioners, focusing on how “co-operative insurance” demonstrate its advantage and what is its core competence.

JSCS Conference Discussed on Insurance Co-ops

The Japan Society for Co-operative Studies (JSCS) held its spring conference on May 24 at Meiji University. Prof. N. Kohno of Ibaraki University introduced the main theme on “Co-operative Membership”. Then five papers were presented from legal and sectoral perspectives. In the Japanese legal system the co-operative membership has been strictly interpreted and non-member business has been prohibited in principle. Amongst topics discussed are the increasing non-member trading, ‘associate’ members in some sectors, deteriorating member’s participation and more heterogeneous member composition.

The JSCS’s annual conference was held on Sept. 27-28 at Fukushima University. The symposium focused on insurance co-op’s response to the new institutional environment. Recently the insurance co-operatives encountered the new regulations through the revision of co-operative laws and the enactment of Insurance Contract Law that were introduced to create level playing field with the for-profit insurance companies. This move is partly attributable to the pressure from foreign/domestic insurance companies that saw the threat in the growing co-operative sector but also attributable to the higher expectation for consumer protection. The co-operative insurance business is now under the same kind of financial regulations while those organizations lacking legal provisions are to be dissolved unless they are licensed or approved as full-fledged insurance companies or small-scale short-term insurance companies. The latter group requested to be exempted from the regulation. Assistant Professor M. Matsuzaki of Higashi-nihon Kokusai University gave an introduction, which was followed by presentations by Professor Emeritus H. Maekawa, Keio University, H. Yoshida of Japan Co-operative Insurance Association, Mr. I. Ina of National Trade Union Insurance Federation and Mr.

Y. Saito of Japan Workers' Alpine Federation. Comments and lively discussion followed the presentations.