



Keio Business School

Kazuo Wada and Yaohan International

The Yaohan International Group, led by Mr. Kazuo Wada, Chairman, comprised as of 1994 approximately 370 stores in Japan, Hong Kong, China, Southeast Asia, North America, Central America, and Europe, employed 21,000 persons, and enjoyed total sales of about 350 billion yen. Yaohan's operations in China already include opening on an experimental basis a small shop in Shenzhen in Canton Province, a department store in Beijing, a test shop in Shanghai, and Yaohan's first supermarket store in Shanghai. At the end of 1994 Yaohan opened its Shanghai International Merchandise Mart, and at the end of 1995 will open a large shopping center in Pudong, Shanghai No. 1 Yaohan; the group has earnestly set out to implement its business strategy in China. In looking ahead to the 21st century Kazuo Wada has focused on the expanding Chinese marketplace in setting his global strategic targets.

Yaohan's Past and Present

Kazuo Wada graduated from Nihon University in 1951 and joined the Yaohan greengrocery store begun by his parents in Atami, Shizuoka Prefecture, in 1930; in 1962 he founded the Yaohan Department Store and became its president. Though no more than a local supermarket in Shizuoka Prefecture, Yaohan gave preference to overseas expansion over domestic expansion, moving into Brazil in 1971 and beginning operations in Singapore in 1974. Despite the addition of a new store each year, Yaohan Brazil with its four locations faced a serious financial crisis in 1975 following the oil crisis and was shut down in 1980. Yaohan Singapore, in the meanwhile, was a success, and in 1979 Yaohan further expanded into Costa Rica and Fresno, California in the U.S. In 1984, the company moved into Hong Kong, already set to be returned to China in 1997. Yaohan expanded into Brunei and Malaysia in 1987 and into Taiwan in 1988, and was also successful in opening a store in New York.

In 1989, 3 months after the Tiananmen Square Incident, Yaohan International was established in Hong Kong, and in May of 1990 Kazuo Wada moved there with his family. In 1991 he opened a store in Thailand and in 1992 a store in Beijing. In 1993 he opened up new stores in London and Vancouver, Canada. Until the move of Yaohan's head office to Hong Kong, the group's business had been limited to retail operations such as supermarkets and department stores, but after moving to Hong Kong, the group diversified its operations, acquiring Chinese restaurants, a ham manufacturing factory, amusement centers, shoe and handbag specialty stores, and cake shops. In addition to 9 suburban department stores, Yaohan operates 40 restaurants, 33 cake shops, 22 game centers, and 42 shoe/handbag shops in Hong Kong.

Yaohan actively listed the companies within the group on the Hong Kong Stock Exchange. In 1988 Yaohan's Hong Kong department store was listed, followed in 1990 by Yaohan International Caterers Ltd., a company acquired by Yaohan, and in 1992 another acquisition, Yaohan Food Processing & Trading Co. Ltd. Then in 1993 Yaohan International Holdings (incorporated in Bermuda), responsible for overseeing operations in Hong Kong and China, was listed on the Hong Kong Stock Exchange. Appendix 1 and Appendix

The case was prepared by Hideo Ishida of the Graduate School of Business Administration, Keio University for use as the basis for class discussion. The case is not intended to illustrate either effective or ineffective handling of administrative situation. Copyright to this case belong to the Keio Business School. Prepared in July 1994 and revised in May 1995.