

# Study of Social Entrepreneurship and Innovation Ecosystems in South East and East Asian Countries

Case Study: Daichi wo Mamoru Kai, Japan

The Japan Research Institute

Office of the Multilateral  
Investment Fund

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**Study of Social Entrepreneurship and Innovation  
Ecosystems in South East and East Asian Countries**

**CASE STUDY**

**DAICHI WO MAMORUKAI**

**(The Association to Preserve the Earth),  
Japan**

**Multilateral Investment Fund**

**The Japan Research Institute**

**October 2016**

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(In an alphabetical order)

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- Tomohiro Hamakawa, Co-Founder of Earth Company
- Kazuya Ishii, PR Team, Business Strategy Department, DAICHI WO MAMORUKAI Co. Ltd.
- Fan Li, Co-Founder of The Global Links Initiative
- Saki Washio, , PR Team, Business Strategy Department, DAICHI WO MAMORUKAI Co. Ltd.

## 1. Introduction

<b>Name: DAICHI WO MAMORUKAI (The Association to Preserve the Earth)</b>	
Description	DAICHI WO MAMORUKAI (Daichi) is a pioneer in home deliveries of organic agricultural food and serves as a prime example of a Japanese social enterprise that has steadily grown over four decades.
Founded	1975 (Tokyo, Japan)
Legal format	Joint-stock corporation
Num. employees/volunteers	198 (FY2015)
Geographical reach	Nationwide in Japan, Beijing in China
Certifications/ awards	<p>Recognitions won by Daichi's founder, Fujita:</p> <ul style="list-style-type: none"> <li>Selected as one of top 100 social entrepreneurs who are changing the world by the Japanese edition of Newsweek in 2007</li> <li>Received the Special Award of the Social Entrepreneur of the Year in Japan in 2010</li> </ul>
<b>Social innovation variables</b>	
1. Innovation type	Daichi's innovations involve pioneering Japan's first organic agricultural business and home delivery model, as well as actively share its know-how with others.
2. Social impact	About 27,900 users (as of March 2016) and 2,500 farmers (as of March 2014)
3. Financial sustainability	Financially sustainable with an annual revenue of USD 136.9 million <sup>1</sup> in 2014, all from sales.
4. Key partners and support ecosystem players	Its competitor-partner, Radish Boya, as a market creator, and Lawson as a current primary shareholder and business partner.
5. Scalability and replicability	Development of low-cost high-efficiency nationwide logistic network is the key to further scalability. Highly replicable as demonstrated by the case in China.
References	<a href="http://www.daichi-m.co.jp">www.daichi-m.co.jp</a>

<sup>1</sup> Unless otherwise stated, the exchange rate of JPY100=USD\$1 is applied throughout this report and all the years refer to fiscal years (from April 1st to March 31st in the following year)



(Photo by DAICHI WO MAMORUKAI)

## 2. Local Social Issue and the Challenge

### 2.1 Background

From the 1950s to the early 1970s, Japan's economic growth driven by industrialization resulted in a wide variety of pollution issues particularly in the industrial areas. With this trend, Japanese people became increasingly concerned over potential adverse effects of mass-produced chemical substances, food additives, and agricultural chemicals on human health. Accordingly, consumer needs to purchase safe food grew over time.

Against such rising consumer needs, however, the suppliers of safe food were decreasing in number. Emergence and franchising of supermarkets inevitably brought the concept of industrialization into the world of food in the form of mass production and consumption. This concept also affected the field of primary products including agricultural products, leading to the beliefs that agricultural products can be marketed only 1) when a certain amount is reliably secured and 2) when they comply with standards on color, shape, and wormholes. These beliefs became more widespread with the closing down of small grocery stores and expansion of supermarkets. Given this trend, commercial farms increased their reliance on chemical fertilizers and agricultural chemicals in order to secure sufficient volume with certainty, achieve the color and shape standards, and avoid wormholes. This culminated in an ever-increasing gap between consumer needs for safe food and supplier capacity to meet those needs.

In the same time period, the Japanese economy experienced a large influx of cheap imports of agricultural products. And the influx accelerated steadily over time. As a result, the

calorie-based, food self-sufficiency ratio fell from 79% in 1960 to 52% in 1981 in Japan.<sup>2</sup> Intensifying price competition also began to undermine employment rates in the Japanese agricultural sector, influenced by deteriorating business conditions, increasing number of part-time farmers, and a lack of young successors.

In addition, the practice of complying with high production standards resulted in another social challenge of excessive food waste. This created an ironic situation in which domestic agricultural products were disposed for not meeting high standards, while a large amount of agricultural products were imported from overseas.

In response to these social challenges, DAICHI WO MAMORU KAI (hereinafter referred to as “Daichi”) aims to (a) respond to consumer needs to purchase safe food, (b) build a marketing channel which allows farmers who do not rely on chemical fertilizers and agricultural chemicals to run profitable businesses, and (c) resolve some of the fundamental issues in the Japanese agricultural system and improve the competitiveness of domestic agricultural products against imports.

## **2.2 The Rise of Japanese Organic Agriculture**

The term “organic farming” became common only after the 1970s as the antithesis to modern agriculture that heavily relies on chemicals, such as chemical fertilizers. Agriculture was originally a circulatory industry that gave back organic substance to soil to produce crops. Before the World War II, people used human and animal manure, plants and leaves as fertilizers. Such fertilizers which are derived from plants and animals are called organic fertilizers.

The history of chemical fertilizer started when calcium superphosphate was produced in the United Kingdom. Then, a new technology was developed for producing ammonia as a fertilizer by immobilizing nitrogen in the air. In Japan, people started using these chemical fertilizers only after the World War II. This shows how short the history of modern agriculture actually is.

With the development of chemical fertilizers, farmers started relying on pesticides and

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<sup>2</sup> Ministry of Agriculture, Forestry and Fisheries. (2014). “Statistics on Demand and Supply of Food” (in Japanese)

chemical fertilizers. The yield increased dramatically, but organic substance, humus content and microbe in soil decreased rapidly. Consequently, outbreaks of soil-borne diseases and pests increased, which made farmers rely on pesticides even more.

Alarmed by farming's increasing dependency on chemicals, some started to minimize the usage of pesticides and fertilizers by reintroducing organic substance, crop rotation and planting only the crops that suit the local environment. It was the return to organic farming.

From the late 1970s to 1980s, the organic farming movement spread among farmers and consumers who questioned the sustainability of chemical-dependent agriculture. DAICHI WO MAMORUKAI was established during this time as a pioneer in home deliveries of organic agricultural food. The organic farming movement consists of producers and consumers who promote producing, distributing and eating safe food by increasing organic farms.

### **3. Solution and Social Impact<sup>3</sup>**

Daichi's core solution to address these social challenges – food safety under threat, profitability of Japanese farms, and systematic issues of Japanese agriculture – is selling chemical-free vegetables. In its own words, Daichi defines this solution as “activities to eradicate agricultural pollution and to supply safe agricultural products”. Over the past four decades, Daichi has been a pioneer of organic farming in Japan especially in two areas: 1) organizing consumer groups and developing distribution channels and 2) developing a network of organic producers.

#### **3.1 Consumer Organization and Distribution Channel Development**

Daichi's sales approach has evolved to cater to consumer needs and adapt to socioeconomic trends.

##### **(a) Group purchase system**

Daichi's business model originated as a collective purchase system. This was a revolutionary business model because it connected farmers directly with consumers when Japan Agricultural Cooperatives (Japan's biggest farmers' cooperative network originally founded by

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<sup>3</sup> Kazuyoshi Fujita (2005). “A Revolution from a Radish”. (in Japanese)

the government) was dominating the agricultural value chain. Once a consumer group consisting of several to a dozen or so people submitted a bulk order form, Daichi arranged delivery of the ordered agricultural products in about a week. Daichi took charge of procurement, delivery, administration, accounting and issuance of newsletters to raise consumers' awareness on food safety. At a designated time and place (usually a parking space or in front of someone's house), the consumer group awaited the delivery by laying down a mat or sheets of newspapers with a scale ready at hand. When boxes of vegetables arrive, the consumers divided the vegetables into their individual orders and took them back to their homes. Such places to receive deliveries are called stations.

Daichi developed the group purchase system not only because it lacked financial capacity to invest in its own logistics network but also because the group purchase system also was civic movement in which consumers organize themselves into groups, share information about organic farming and support the farmers together.

#### **(b) Wholesale of organic agricultural products**

In 1980, some Daichi members started to wish their children's schools would use organic agricultural products for school lunches. Accordingly, Daichi created a new system in which once a school places an order, Daichi wholesales vegetables to a local grocery store, which in turn delivers the vegetables to the schools along with other products. In the Tokyo Metropolis, vegetable orders were delivered to about 130 schools during the peak period. Such wholesaling gradually expanded to supermarkets (eg. Yamazaki), department stores (eg. Odakyu), convenient stores (eg. Natural Lawson, Lawson's premium convenient stores that mainly sell organic products), food service industry, and other organizations that deal with organic agricultural products.

#### **(c) Home delivery system**

Customer support for the group purchase system waned as consumer individualism grew stronger due to various factors including advancing of gender equality and reduction in the number of fulltime housewives. Additionally, the group purchase system became inefficient over time because while the number of stations increased, the number of members per station decreased. Due to the emergence and expansion of home delivery services in Japan, in 1985, Daichi sought to differentiate its services and decided to add home delivery as an option.

In the home delivery system, Daichi's delivery staff visits individual customers on a weekly basis to not only deliver orders in a cardboard box, but also collect orders for the following week and pick up empty boxes and egg containers.

The start of the home delivery system marked Daichi's rapid growth as its membership significantly expanded. From its first delivery center in Chofu in the Tokyo Metropolis initially, Daichi's geographical coverage quickly expanded to Chiba, Kanagawa, Saitama and Yamanashi Prefectures. Today, Daichi offers two options for home delivery: 1) fixed-route delivery managed by Daichi and 2) designated date and time delivery using the services of Yamato Transport. In addition, Daichi established its online platform to cater to e-consumers who do not necessarily want to commit to regular purchase by becoming a member but want to purchase premium organic vegetables from time to time.

#### **(d) Collaboration with convenience stores**

As an extension of its conventional wholesale services, Daichi sought to expand its sales channel by tapping into the retail powers of convenient stores which had 7% share, the second highest after supermarkets, in the entire retail stores as of 2014.<sup>4</sup> In March 2013, Daichi concluded a corporate arrangement with Lawson, the second largest chain of convenience stores in Japan with 12,276 convenience stores across Japan as well as 591 overseas including China (as of February 2015).<sup>5</sup> After a lengthy period of test sales of organic agricultural products at several dozens of Natural Lawson stores (Lawson's premium convenience stores that mainly sell organic products) in Tokyo Metropolis, the Lawson management understood the business potential especially among health-conscious customers. In November 2015, Daichi decided to launch a new brand called "VEGGY TIME" to sell products at a total of 1,800 Lawson and Natural Lawson stores in Tokyo, Chiba and Kanagawa. With a portfolio covering potato, onion, carrot, tomato, and fruit, the new brand is expected to expand to 2,500 stores in the future.

### **3.2 Organic Producer Network Development**

At the beginning, Daichi staff visited farmers who were practicing organic farming and signed

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<sup>4</sup> Ministry of Economy, Trade and Industry. (2014) . "Commercial Trend Statistical Yearbook". (in Japanese)

<sup>5</sup> [www.lawson.co.jp/company/corporate/data/sales](http://www.lawson.co.jp/company/corporate/data/sales) [Accessed 20 May 2016] (in Japanese)

an agreement with them one by one. As the number contracted producers increased, Daichi developed a peer-to-peer learning system for improving the organic farming skills. Also, Daichi gradually shifted to signing contracts with producer's groups from signing contracts with individual producers in order to stabilize the supply.

#### **(a) A peer-to-peer learning system for improving the organic farming skills**

According to Kazuya Ishii of Daichi's Business Strategy Department, each producer is like an artisan who develops his/her own organic farming skills. There are many different approaches and methodologies to organic farming. Daichi provides the producers with guidelines, such as which pesticides they cannot use, but it is up to the producers how they make the vegetables. Daichi considers the key to improving the quality of organic products is organizing the producers into groups and facilitating knowledge exchanges among peers. Daichi acts only as a coordinator and emphasizes on the culture of self-learning.

As a result, the quality of organic products has improved greatly over the past four decades. Before, bug bites on vegetables were proofs for being organic. Nowadays, bug bites indicate low level of the producer's organic farming skills. Consumers also expect higher quality for organic food. Some producers complain that Daichi's requirements on the producers are getting too strict. Nevertheless, Daichi explains to the producers that quality improvement is a necessary condition for securing competing power against increasing competitors.

#### **(b) Stabilizing the supply by purchasing stocks from producer's groups**

Today, Daichi deals with producer groups instead of individual farmers. This is the reason why the number of contracted producers announced by Daichi has stayed at about 2,500 (of which 1500 to 1600 are farmers and the rest are processors) since August 2006. Daichi does not take into account small changes of each producer group's membership. Although the number of consumers increased after opening an online store, online consumers tend to be light users. Thus, increase in consumers does not necessarily translate into increase in producers.

Most producer groups distribute their products not only to Daichi but also to other retailers. Daichi recommends the producers to diversify their distribution channels in order to reduce their risks. For instance, a producer with ten farms may grow crops for Daichi following Daichi's guidelines in three of his farms while s/he grows crops for Daichi's competitors

following their own guidelines. On the other hand, producers can flexibly adjust the production volume for Daichi. Producer groups play an important role to coordinate adjustments among producers based on Daichi's cropping plans. In this way, Daichi can stabilize its supply.

## 4. The Social Entrepreneur

**Figure 1 Mr. Kazuyoshi Fujita**



(Photo by DAICHI WO MAMORUKAI)

Kazuyoshi Fujita was born in 1947 as the second son to a rice farming family in Iwate Prefecture in northeast Japan. While studying at Sophia University, Fujita was involved in the 1960s student movement as the chief editor of a newspaper club. The 1960s student movement was initiated by University students who opposed to the Vietnam War and oppressive campus policies, and developed to violent clashes with the police, mass arrests, and few deaths. At the time, the increasingly radicalized feuds among student activists ended up undermining the student movement itself and started to lose support from the wider public. Many students resigned from student activism with a lingering sense of failure in their minds. Such a youthful experience later affected Fujita in forming his management philosophy. For example, Fujita describes his point of departure of his entrepreneurial career:

*The majority of student activism and civil movements shouted in opposition and denouncement with the hope of raising awareness among the general public. Similarly, preaching a million times about the hazardous risks of agricultural chemicals does not lead to any solutions. Even if accusations are made to farmers and manufacturers of agricultural chemicals, there still lies a long way to abolish the use of agricultural chemicals. Therefore, I wished to start by focusing on growing a single radish in a healthy manner without using any chemicals, and then delivering it to an urban citizen to enjoy the taste.*

After graduating from college, Fujita also felt a deep sense of failure working at a publishing company without much purpose left. However, it was then that Fujita read a magazine article introducing Dr. Hirokage Takakura's work on promoting chemical-free agriculture in a rural village. Dr. Takakura, a former army surgeon, realized that farmers were heavily using pesticide made from DDT, which was also used as lethal gas by the Japanese army in World War II. He predicted correctly that it would soon affect farmers' nerve system seriously and started experimenting farming practices that do not rely on pesticides. Fujita, fascinated by the story, went to see Dr. Takakura and was introduced to the farmers. Farmers knew that by not using chemicals, they can make safer and tastier vegetables. Nevertheless, no supermarket would sell worm-infested vegetables. Without thinking too deeply, Fujita promised the farmers that he would sell their vegetables to consumers. Every weekend, he would drive to Ibaraki Prefecture, next to Tokyo Prefecture, pick up the vegetables and sell in an open space in a residential complex in Tokyo. The vegetables soon became very popular among housewives, who are typically from the countryside and craving for fresh and rustic vegetables that they grew up with.

As his business grew, Fujita first established an unincorporated organization called DAICHI WO MAMORU SHIMIN NO KAI (The Association of Citizens to Preserve the Earth) in 1975 and then turned that into a for-profit corporation Daichi (The Association to Preserve the Earth) in 1977, which would later become a pioneering social enterprise in Japan. Through Daichi, he supported the formation of Japan's first network for the production, marketing and consumption of organic vegetables. Fujita expanded his activities to other issues involving environment, energy, education, etc., and deepened collaboration with other agriculture players in various countries.

In 2007, Fujita was selected as one of the top 100 social entrepreneurs who are changing the world by the Japanese edition of Newsweek. He has also received many awards including the Special Award at the 2010 SEOY (Social Entrepreneur of the Year) in Japan. His literary works include *Yuuki Nogyo de Sekai wo Kaeru* [Changing the World through Organic Agriculture] and *Shiawase no Atarashii Monosashi* [New Yardstick of Happiness].<sup>6</sup>

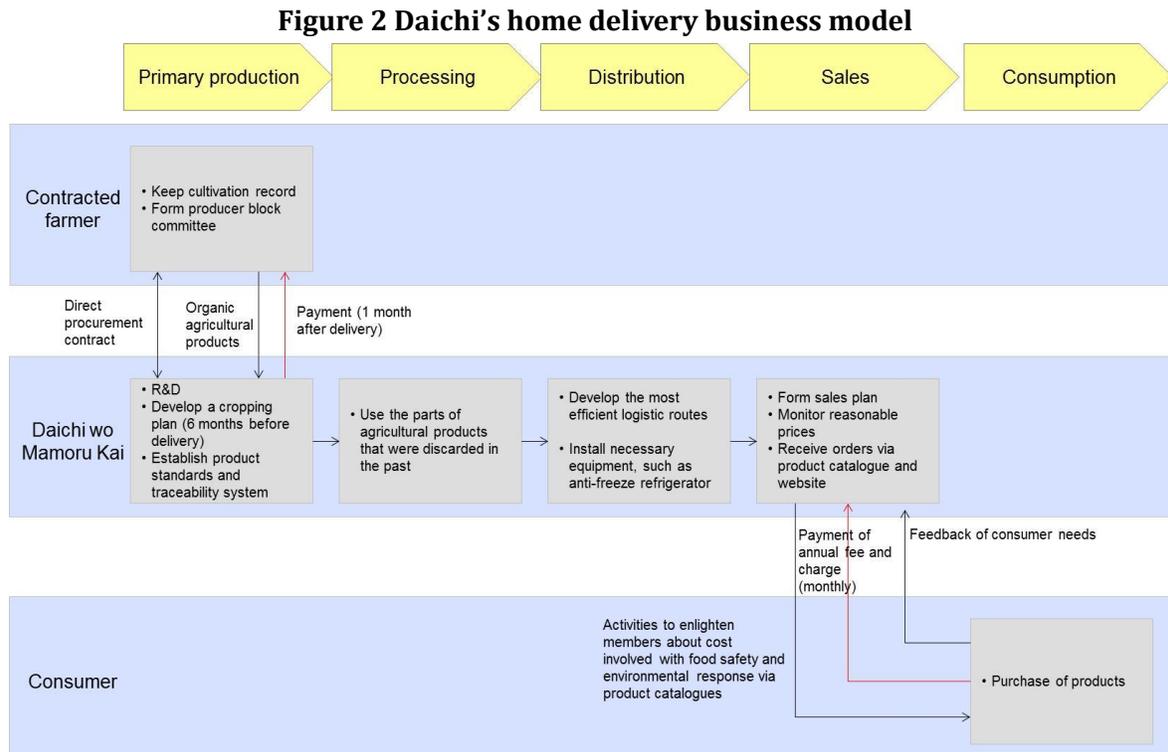
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<sup>6</sup> [www.bizacademy.nikkei.co.jp](http://www.bizacademy.nikkei.co.jp) [Accessed 20 May 2016] (in Japanese)

## 5. Business Model

The model of Daichi's home delivery business, its core business, is described as below.

### 5.1 Home Delivery Business



#### 5.1.1 Characteristics

Daichi's home delivery business is a membership-based model offering the following service flow.

- (a) Register as a member via phone or the application form on the website
- (b) Select either fixed-route delivery managed by Daichi or designated date and time delivery using the services of Yamato Transport
- (c) Place the first order: flexibility is offered to make modifications in product selection, quantity, delivery option, etc.
- (d) Receive delivery: For deliveries directly managed by Daichi, delivery staff visits on a predetermined day and time using a special Daichi delivery vehicle. The delivery day and time are determined by Daichi depending on the location; customers cannot choose the delivery timing. If a customer is not available to receive the delivery, the order is placed in a

returnable box (container or foam box) and stored at a designated place. Longevity of products is prolonged through the use of ice packs for refrigerated products and dry ice for frozen products.

\*For online orders made via the website store, which is open to non-members in addition to members, deliveries are managed by Yamato Transport and customers can designate the delivery date and time. The listing of products on the online shop is updated every Monday; orders for products in the new list commence at 13:30 on the same Monday.

A striking characteristic of the Daichi business model lies in the timing of payment to farmers: Daichi pays farmers about 50 days after delivery, unlike some other competitors that make advanced payments to their suppliers. This feature helps Daichi's cash flow, enables Daichi's smooth payment to farmers and reduces the need to have substantial capital even at scale.

To compensate for this, Daichi provides a generous offer to its partner-farmers: Daichi guarantees purchasing the entire harvest from each farmer at a pre-determined price. This is the other defining feature of the Daichi model. In an interview with JRI, Fujita emphasized the importance of this guarantee mechanism: *"Through this, farmers can predict their income and think along the lines of 'This farm will produce a profit of 1 million yen'. They will produce high quality products by mastering their own techniques, instead of attempting to mass produce."*

The downside of this business model involves balancing supply and demand. But, Daichi has managed to overcome this challenge by seeking ways to sell off surplus products, such as increase the number of products in the weekly vegetable boxes for existing members and sell to retailers through its wholesale business, as well as soliciting understanding from consumers when products are sold out. Daichi also balances supply and demand by setting its own quality control standards instead of the official JAS standards. For instance, if there is any climate or disease problem, Daichi communicates with its customers to ease its standards so that it can secure a certain level of supply.

### **5.1.2 Fee structure.**

The fee structure of regular members is as shown below.

- Annual service fee: USD 10
- Fee for agricultural products: A member can either sign up for a weekly set chosen by Daichi

or order products one by one on their own. The fee depends on the course a member chooses and volume of delivered products.

**Table 1 Examples of Daichi’s weekly set and their prices<sup>7</sup>**

Course	Examples of agricultural products included	Price of agricultural product set (weekly)
Standard course	7 kinds of vegetables, rice 1.5 kg, meat or fish, cooked side dish	USD 38-48
Alternative course	6 kinds of vegetables and fruits, meat, tofu, cooked side dish, confectionary	USD 38-48
Child safety course	Contains food for which no radiation was detected by measurements using high precision instruments. 7 kinds of vegetables, tofu, 10 eggs, meat, cooked side dish, confectionary	USD 48-55
Smoothie course	4 kinds of fruits, 3 kinds of leaf vegetables	USD 33-38

- Additional orders: It is possible to place additional orders from the product catalogue or web store. For additional orders, prices are reduced by 10%.
- Shipping cost: Shipping may be discounted depending on the purchase amount.

### 5.1.3 Target beneficiaries

Daichi’s main target segment is the child-rearing generation in their 30s and 40s as well as the elderly members in their 60s who were loyal customers from the initial start-up period.

## 5.2 Other Businesses

Daichi currently manages four other business lines, apart from the home delivery business. Below is a summary of descriptions of the other businesses.

**Table 2 Daichi’s business lines other than its home delivery business<sup>8</sup>**

Business line	Description
Marche business	Sales of lunchboxes and side dishes prepared using vegetables and meat complying with the standards of Daichi (free of additives even for condiments) at food courts.
Restaurant business	Running of restaurants that offer menus using domestic organic vegetables, meat/fish producers contracted by Daichi, natural wines, etc.
Natural housing	Provision of support for building human- and eco-friendly houses using

<sup>7</sup> [https://takuhai.daichi-m.co.jp/Categorygoods/30\\_30](https://takuhai.daichi-m.co.jp/Categorygoods/30_30) [Accessed 20 May 2016]

<sup>8</sup> Kazuyoshi Fujita (2005). “A Revolution from a Radish”. (in Japanese)

business	natural materials and domestic timber including recommendations of architects and contractors. Provision of services to improve the housing environment, including house cleaning using soap, tatami mat re-facing using domestic rush, and curtains made of organic cotton.
Wholesale business	Wholesale of safe agricultural products and processed products including the agricultural products of Daichi to Lawson and other supermarkets and trading firms.

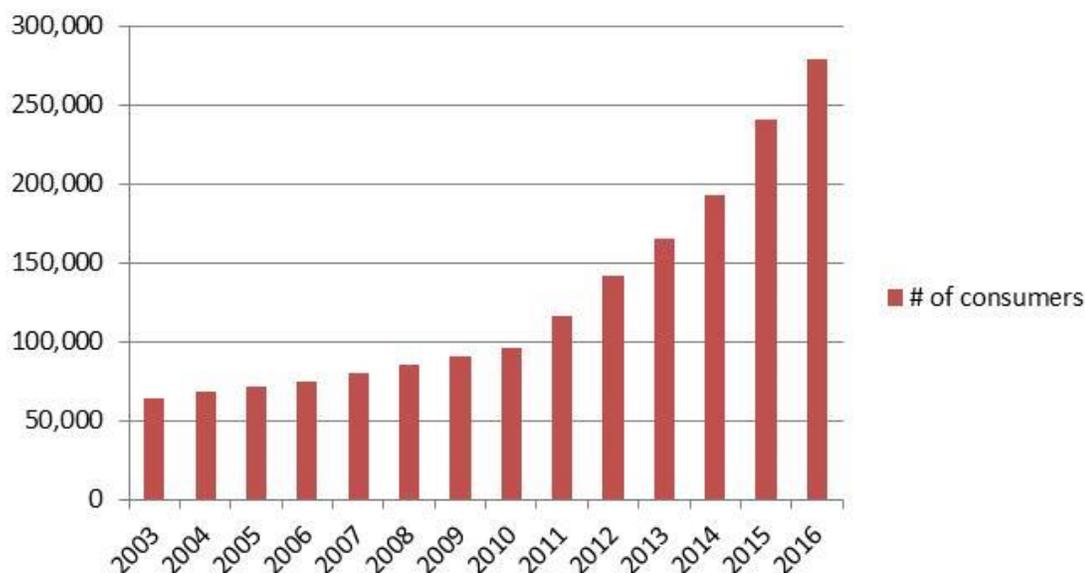
## 6 Social and Financial Performance

### 6.1 Social Impact Performance

#### 6.1.1 Social impact achieved

##### (a) Direct beneficiaries

**Figure 3 Trend in the number of service users (2003-2016)\***



(Source: DAICHI WO MAMORUKAI)

\* Number of regular members up to 2010. From 2011, a combined sum of regular members and web store users. The web store opened in November 2009, but the numbers of web store users in 2009 and 2010 are not included in the above graph.

As of 2016, 279,000 users are registered as either regular home delivery members or web store users. The number of service users increased by four times since 2003. The number of members increased gradually during the period from 2003 to 2009. In 2009, the web store was opened, leading to a drastic increase in the number of members.

Meanwhile, the number of partner-farmers has reached 2,500 (of which 1500 to 1600 are farmers and the rest are processors) in August 2006 and has stayed as such as of the end of March 2015. As described in chapter 3.2., Daichi does not take into account small changes of each producer group's membership. The data before 2006 was not available.

#### **(b) Mid-to-long term impacts**

While Daichi has made significant contributions to many social issues – including an improved sense of food safety among consumers, improved stability in the businesses of Japanese farmers, reduction in the amount of food waste in Japan, and improved food self-sufficiency ratio – Daichi's direct impact on these issues or its attributable impact is difficult to measure. Thus, in this document, the number of Daichi members (regular members + web store members) and the number of member-suppliers are used as proxies of social impact.

On a higher level, Daichi has substantially contributed to the formation of the industry around organic agriculture and home delivery services. Daichi has also provided its know-how to a competitor named Radish Boya, which has become one of the top companies in the same line of business, and other organizations in building their businesses.

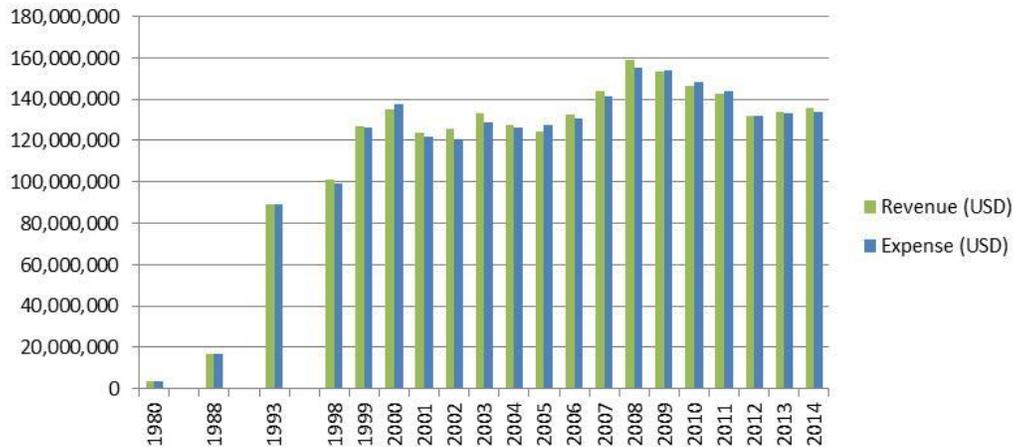
#### **6.1.2 Social impact measurement**

While Daichi monitors the number of users and producers, the social enterprise does not make other specific measurement for tracking its social impact.

## 6.2 Financial Performance

### 6.2.1 Revenue and expenses

**Figure 4 The trends of Daichi's revenue & expenses (USD) by year (1980, 1988, 1993, 1998-2014)**



(Source: DAICHI WO MAMORUKAI)

\*Revenue equals sales for Daichi. Expense includes direct cost of sales, plus marketing and administrative expenses.

In 2014, Daichi's total revenue (sales amount) reached USD 135.8 million while its total expense was USD 133.6 million. After peaking in 2008 (USD 159.1 million), the sales figures decreased over a few years, but then leveled off at its current level. Considering the abovementioned increase in the number of total members, particularly including the online customers, over the same period, Daichi's sales amount per member has been reducing in the past several years.

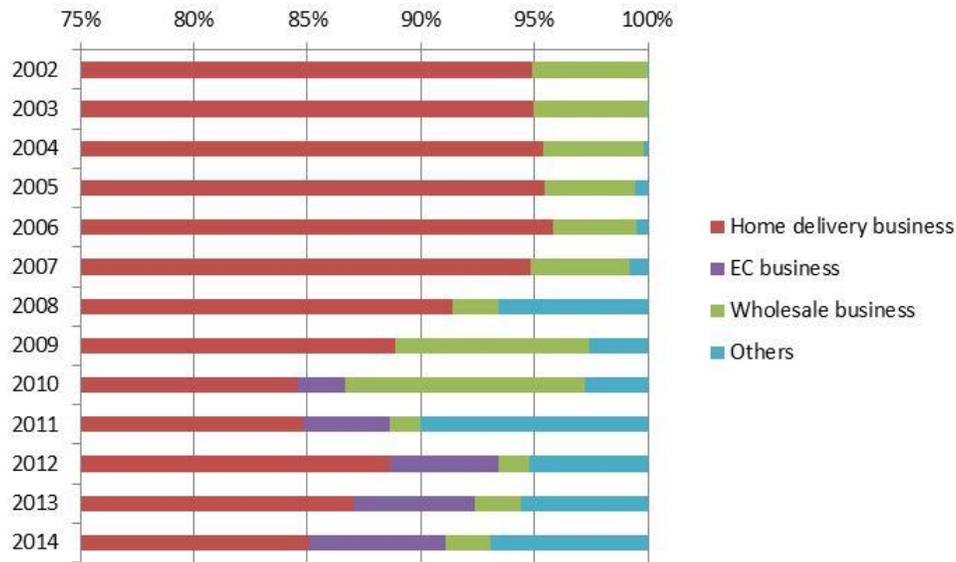
To better understand these opposing trends, it is helpful to distinguish the two main groups of Daichi customers:

- **Light users:** Consumers who purchase a portion of their daily agricultural product needs from Daichi and do not have emotional attachment to the Daichi mission.
- **Heavy users:** Consumers who buy a majority of their daily agricultural product consumptions from Daichi and hold strong associations with the Daichi mission.

With these two customers in mind, there may be two trends happening at the same time: an increase in the proportion of light users and a saturation of the heavy user market.

## 6.2.2 Proportion of income from sales

**Figure 5 Breakdown of revenue by business line (2002-2014)**



Daichi serves as a prime example of a social enterprise that is fully self-sufficient in terms of finance and does not rely on subsidies: it sources all income from product sales and receives no aid or donation.

Looking at the revenue breakdown by business line, the home delivery business has accounted for 95% of its total revenue until 2007, but has reduced to around 85% by 2014. The e-commerce business, which is open to non-members nationwide for ad-hoc purchases, grew in the mean time, reflecting the overall trend in the industry. Revenue from other businesses, including pre-made food, restaurants, and eco-friendly housing, has increased to about 7%.

## 7 Business Development and Ecosystem Evolution

In an interview with the JRI, Fujita reflected on his journey in the following way:

*Looking back at the journey, each situation or event was tough. And it was a process of overcoming each one after another. Therefore, it was not that I had a set master plan from the time I started the business.*

Nevertheless, in hindsight, Daichi's business development process can be categorized into five

stages: Start-up, Early, First Growth, Second Growth and Advanced<sup>9</sup>.

**Table 3 A summary of Daichi’s business development milestones from 1974 – present**

Stage	Year	Description of home delivery business
Start-up (1974- 1977.10)	1974	First met Doctor Hirokage Takakura who was promoting organic agriculture in Mito, Ibaraki Prefecture
	1975	Opened an open-air market in Koto-ward of Tokyo
	<b>1975.08</b>	<b>Established a volunteer organization called DAICHI WO MAMORU SHIMIN NO KAI</b>
	1976.03	Changed the organization name to DAICHI WO MAMORUKAI
	1977.04	“Organic Vegetables Fair” at Seibu Department Store in Ikebukuro, Tokyo
Early (1977.11 - 1980)	<b>1977.11</b>	<b>Split the logistics division of DAICHI WO MAMORUKAI under a for-profit company called Daichi</b>
	1979.06	Introduced organic agricultural products to school lunches provided in Shinjyuku, Tokyo; established “Association to improve school meals”
	1980.05	Established 1) Daichi Bussan Co. Ltd. (“The Earth Products Company”) as the company to wholesale to other organizations and cooperatives and 2) Daichi Bokujo Co. Ltd. (“The Earth Ranch Company”) as the meat division
	<b>1980</b>	<b>Business started to become profitable</b>
1 <sup>st</sup> Growth (1981- 1999.4)	<b>1985.10</b>	<b>Commenced home delivery service in Tokyo</b>
	1987.02	Established Fruit Basket Co. Ltd., a subsidiary that produces organic processed food products.
	<b>1987.12</b>	<b>Established a company called Radish Boya through the collaboration of Daichi Bussan and Nihon Recycle Undo Shimin no Kai</b>
2 <sup>nd</sup> Growth (1999.5- 2013.2)	<b>1999.05</b>	<b>Consolidated the businesses of Daichi Bokujo Co. Ltd., Daichi Suisan Co. Ltd. and Daichi Foods Co. Ltd. to Daichi Co.</b>
	<b>1999.10</b>	<b>Further consolidated the businesses of Daichi Bussan Co. Ltd. and Restaurant Daichi Co. Ltd. to Daichi Co.</b>
	2001.04	Commenced distribution of certified organic agricultural products based on the Act on Standardization and Proper Quality Labeling of Agricultural and Forestry Products (so-called JAS Act, effective since 1999)
	2008.06	Changed the official company name of Daichi to DAICHI WO MAMORUKAI
	<b>2009.11</b>	<b>Established the web store of DAICHI WO MAMORUKAI</b>
	2010.09	President Fujita received the 2010 SEOY (Social Entrepreneur of the Year) Special Award
	<b>2011.03</b>	<b>Commenced support for producers at disaster-hit areas in northeast Japan</b>
	2011.05	Commenced radiation inspection of all vegetables and fruit using simple measuring instrument; introduced high precision inspection instrument thereafter

<sup>9</sup> **Start-up stage:** a preparation period for setting up a business or an enterprise. An entrepreneur’s team develops a business idea and a business model. In some cases, they have product/service prototypes which are not fully developed or tested. **Early stage:** A period from business initiation until business scale-up. An entrepreneur’s team may first deliver its products/ services in a test market to examine its business model. Also, the team may file patents or obtain licenses, if necessary. Once the business model is consolidated, it starts its business. However, the business remains quite small due to lack of capacity and resources. It may reach a breakeven point at the end of this period. **Growth stage:** A period after scaling up the business. The business exceeds the breakeven point and increases its sales, number of beneficiaries, the market share etc. The team revises the business model in order to sustain and/or expand the business, if necessary. In some cases, the team starts to investigate new products/services. **Advanced stage:** A period in which the business has fully matured and is considered IPO or M&A activities.

	2012.10	Commenced a food delivery service for members of Yahoo BB!
	2012.11	<b>Established a joint venture Fuping Chuangyuan Agricultural Technology Development Co., Ltd. with Fuping Development Institute, a nonprofit organization in China</b>
Advanced (2013.3- Present)	2013.03	<b>Concluded equity participation and corporate engagement with Lawson</b>
	2013.05	Commenced home delivery services of organic agricultural products in Beijing, China
	2014.09	Commenced sales of products jointly developed with the home delivery service. Lawson Fresh, including dairy products and soaps
	2015.05	Scope of home delivery service expanded from the earlier focus on the Tokyo metropolitan area to nationwide locations

## 7.1 Start-up Stage (1974 - October 1977)

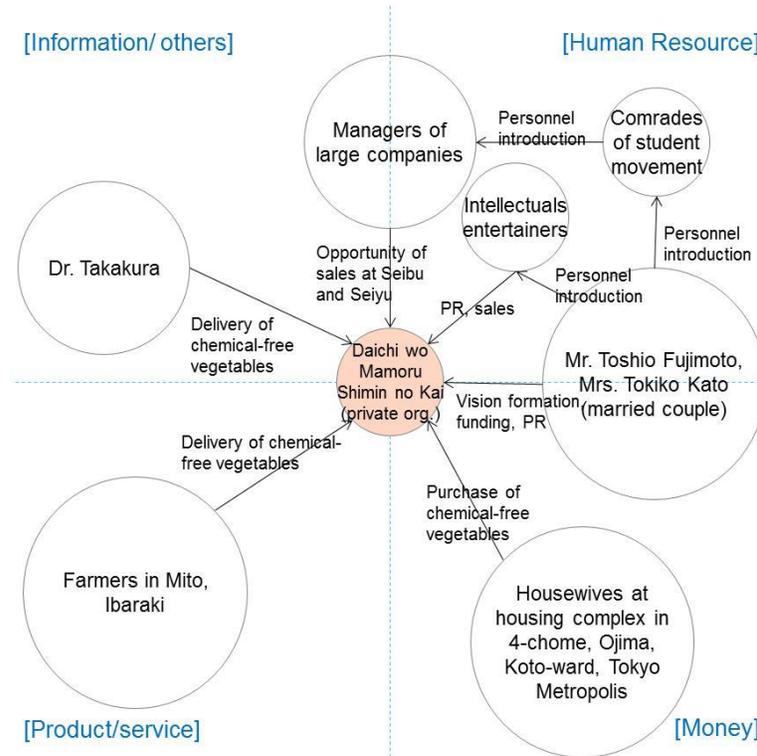
### 7.1.1 Milestones

The start-up stage for Daichi spans the period from encountering chemical-free agriculture through Doctor Hirokage Takakura in 1974, voluntarily selling the non-chemical vegetables made by farmers influenced by Dr. Takakura in open-air market in Tokyo, and to establishing Daichi Co. in November 1977.

This stage is characterized by Fujita's entrepreneurial spirit to pursue his social mission and steadily sell chemical-free vegetables – and thus malformed or worm-eaten – instead of taking an accusatory approach to social change. Fujita describes an important turning point in this period: “It was necessary to make a business proposal to farmers saying ‘We will purchase your cucumbers even if they are bent, and we will make sure you will receive your income.’ It was an issue of marketing and a matter of winning the hearts and minds of consumers. Therefore, I realized it was about business, not activism.”

## 7.1.2 Key supporters

Figure 6 Daichi's key supporter mapping in its start-up stage (1974 - October 1977) <sup>10</sup>



In its start-up stage, Fujita utilized his network of people whom he knew through his student movement activities from university days. Through his friends, Fujita met his most important supporters, Mr. Toshio Fujimoto, former chairman of the National Federation of Students' Self-Government Associations who later became the chairman of Daichi, and his wife Mrs. Tokiko Kato, also a former student activist as well as a famous singer.

## 7.2 Early Stage (November 1977 - 1980)

### 7.2.1 Milestones

The early stage corresponds to the initial stage of business setup from the establishment of

<sup>10</sup> How to look at this key supporter map:

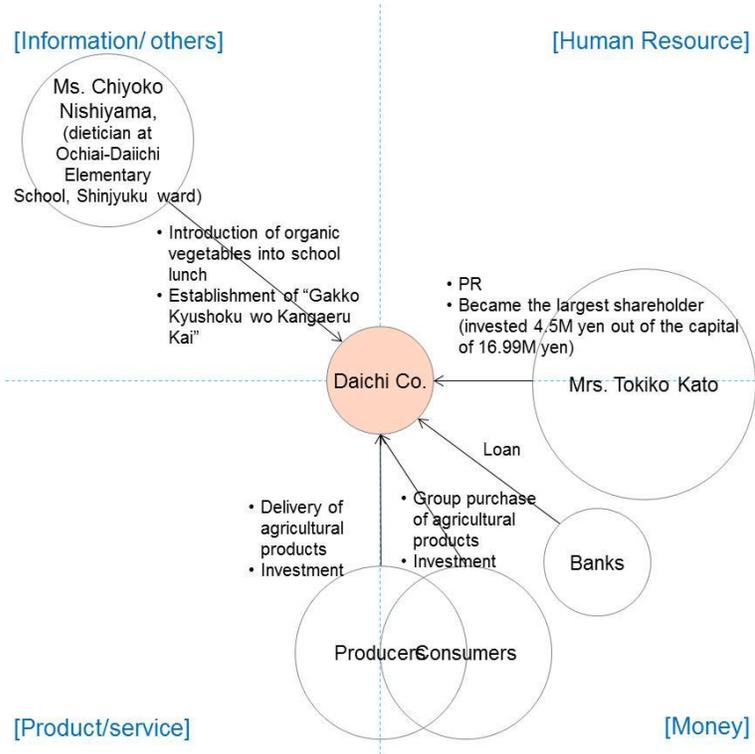
- The name inside the circle represents the key supporters.
- Depending on the kind of support they provide (HR, Product/ services, money, information), the circles are located in respective zones.
- The brief descriptions of the support are written on the arrows.
- The size of the circle expresses the level of impact (high, medium, low).

Daichi Co. in 1977 to the business gaining steam in 1980. During this stage, Daichi developed its group purchase system and gradually started related businesses, such as wholesale business and meat packing business.

The most important milestone in this period was the establishment of a for-profit company. Despite the image back then of for-profit corporations being evil, Fujita deliberately selected the for-profit legal status in order to make a point that it can take on social challenges to create positive impact.

**7.2.2 Key supporters**

**Figure 7 Daichi’s key supporter mapping in its early stage (November 1977 - 1980)**



Daichi strived to establish a new type of a joint-stock corporation in which shareholders are investors who sympathize with the social mission of Daichi and are interested in growing the company to execute its mission. By offering company shares to Daichi’s producers and consumers at a price of USD 50 yen per share, Daichi managed to raise a total fund of USD 170,000.

## 7.3 First Growth Stage (1981 – April 1999)

### 7.3.1 Milestones

For Daichi, the first growth stage lasts for about two decades, from when the business started to take off in 1980 until before the consolidation of the spin-off companies in May 1999. In this period, the business growth can be mainly attributed to launch of the home delivery service. Also in this stage, Daichi started providing products and technical support to peer companies (e.g. Radish Boya) in establishing their businesses, which in the next stage started having positive effects on Daichi's wholesale sales as well as consumers' recognition of organic food as these peer companies' business grew.

#### (a) Home delivery service

The launch of the home delivery service brought significant changes to Daichi. Until starting the new business line, Daichi's core business focused on the group purchasing system. Since the first half of the 1980s, however, Fujita began discovering the limits of group purchasing mainly due to the social advancement of women:

*Our group purchasing business targeted fulltime housewives, but they started to join the workforce one after another. There was no use to fight against this trend. The social advancement of women directly links to the reduction in the number of people who would participate in group purchases.*

Given this situation, Fujita decided to adapt its model by trialing a new approach of home deliveries which was a service just beginning to become common in the logistics sector. Daichi commenced its nighttime delivery service within a 5 km radius from bases by utilizing the trucks they used for delivering products to group purchase stations during daytime and quickly gained positive reputation. Soon after Daichi started its daytime home delivery service by building its own logistics centers and purchasing its own trucks.

#### (b) Replication

A couple of years after the launch of the home delivery service, Mr. Yuichi Takami contacted Fujita about establishing a similar grocery delivery company called Radish Boya. Since this essentially meant replication, Takami requested Fujita's permission, to which Fujita agreed and decided to fully support Takami. Fujita explains his thinking towards social impact and

replication the following way: “We ourselves don’t have to expand throughout Japan. We can just strive to be a model for others to follow suit. That way, we can together become the driving force to change society.”

Even today, the organic food market in Japan is much smaller than the European or US markets. Back then, the Japanese market was nascent. Therefore, Fujita decided to first build the organic food market by transferring its knowhow to others and collaborating, not competing, with them.

**Table 4 The organic food market share and size in sample countries**

Country Name	% of revenue from organic food in total food revenue	The market size of organic food (approx.)
Germany (2009)	3.40%	USD 7.5 billion
France (2009)	1.90%	USD 4.0 billion
The United Kingdom (2007)	2.70%	USD 3.3 billion
The United States (2008)	3.50%	USD 22.9 billion
Japan (2009)	0.32%	USD 1.3 billion

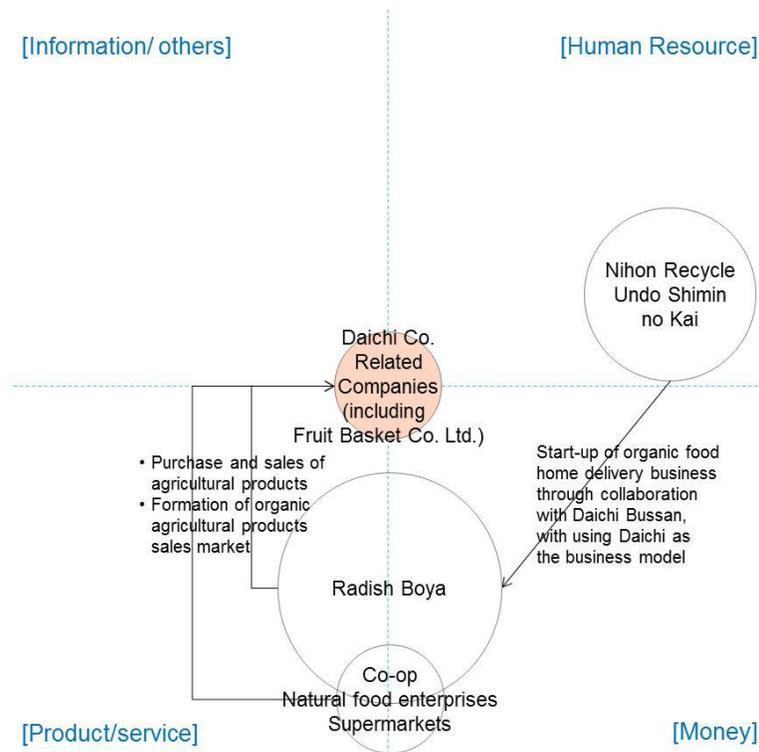
(Source: FiBL and IFOAM OAM ns (2008)“Organic agriculture: Statistics and emerging trends 2012”)

**(c) Setting up subsidiaries to mitigate risks**

As Daichi grew in size, Fujita started to perceive risks involved in creating a single massive organization. He and the leadership team preferred to form an organization with a diverse set of smaller entities, instead of enlarging a single company. Based on such preference, Daichi decided to create independent entities such as Fruit Basket Co. Ltd. so that Daichi as a whole could survive even if one piece happens to fail.

### 7.3.2 Key supporters

**Figure 8 Daichi's key supporter mapping in its first growth stage (1981 – April 1999)**



In this phase, the rise of Radish Boya and others contributed to expanding the market of home deliveries of organic agricultural products, which in turn benefitted Daichi's growth.

Daichi dispatched its staff to Radish Boya to support the new venture's start-up phase. Radish Boya excelled in marketing and advertisement that helped them grow into one of the top three organic-food home-delivery companies along with Daichi. Radish Boya enjoyed the luxury of not having to expend resources in production or procurement as Daichi was responsible for managing the farmers and delivering agricultural products to Radish Boya. Fujita considers Radish Boya to be one of the key partners engaged in a win-win relationship with Daichi.

## 7.4 Second Growth Stage (May 1999 – February 2013)

### 7.4.1 Milestones

Daichi's second growth stage covers the period from consolidating the spin-off companies in May 1999 until just before the landmark deal with Lawson in March 2013. Major events in this period include:

- (a) Consolidation of affiliated companies in May and October 1999,
- (b) Commencement of the online store in 2009,
- (c) Management challenges associated with the Great East Japan Earthquake, and
- (d) Establishment of a joint venture in China in 2012

#### **(a) Consolidation of affiliated companies**

Reversing the earlier decision to establish subsidiaries, Daichi shifted its strategy to corporate consolidation in this phase in order to increase its efficiency as its businesses grew. Daichi Bokujo Co. Ltd. (livestock business), Daichi Suisan Co. Ltd. (fisheries business), Daichi Foods Co. Ltd. (processed food business), Daichi Bussan Co. Ltd. (trading) and Restaurant Daichi Co. Ltd. were consolidated to Daichi Co. The Japanese organic food market was becoming more and more competitive with the approaching enactment of the organic certification system as well as increase in imported agricultural products. Fujita mentioned that he decided to *"reintegrate Daichi's resources, such as capital and human resources in order to survive the new era of the 21<sup>st</sup> century."*

#### **(b) Commencement of the online store**

Riding the e-commerce wave in the retail industry, Daichi opened its online platform in 2009, marking an expansion in its customer base from regular orders from members to spontaneous orders from non-members. Daichi also started delivering to customers throughout the country by utilizing Kuroneko Yamato's logistic services instead of solely focusing on delivering products to members in geographic areas covered by Daichi's own logistic centers.

#### **(c) Management challenges associated with the Great East Japan Earthquake**

The Great East Japan Earthquake on March 11<sup>th</sup> 2011, particularly its nuclear plant disaster in Fukushima, posed a new set of challenges to the Daichi management. While Daichi has partner-suppliers in the Fukushima region, many of Daichi's consumers are sensitive to the

issues of radioactivity and food safety. Daichi had to quickly work on regaining consumers' trust by starting radiation inspection of the food and obtaining new customers. Fujita describes the difficulties in dealing with the situation in the following way.

*We couldn't simply abandon our producers in the Tohoku region including Fukushima, yet we also weren't certain the most effective ways to support them. We received criticisms regarding our position to continue selling vegetables produced in Fukushima. Some customers even left us. Our business was growing prior to the earthquake, but then suddenly shrunk. Our restaurant business also dropped. As a result, we had to make various rearrangements inside the company. When the new system finally started to take form, the corporate engagement with Lawson started.*

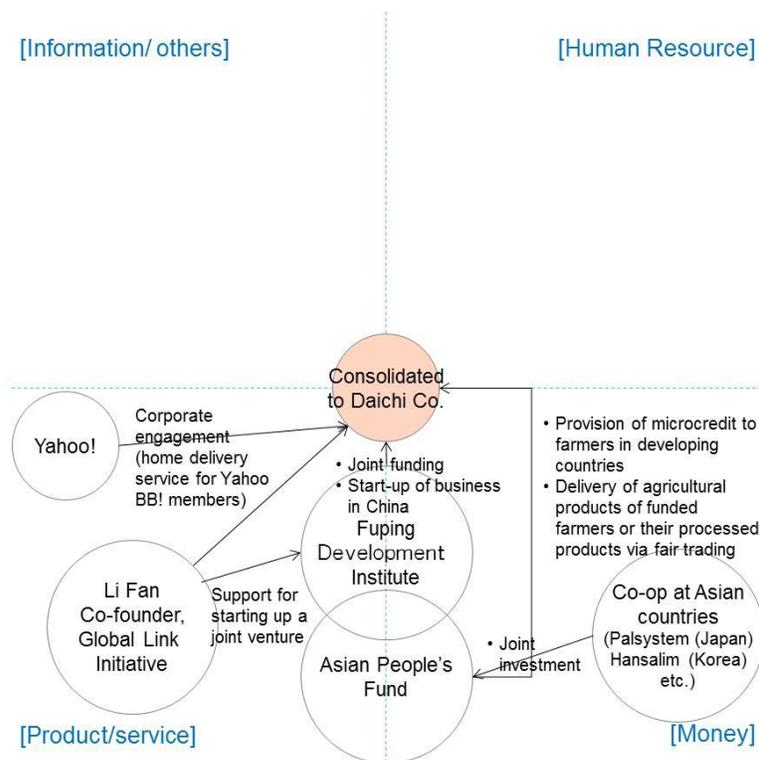
#### **(d) Establishment of a joint venture in China**

In 2013, Daichi and Fuping Development Institute (Fuping), an nonprofit organization under a Chinese social enterprise group Leping, established a joint venture to localize Daichi's business model into a Chinese context. With heavy usage of pesticides and chemical fertilizers, food safety has become a major social issue in China. Leping has been supporting farmers since 1993 through its microfinance program. Mr. Dongshu Shen, Executive Director of Leping, first visited Daichi in Japan in 2006 as a participant in the Sino-Japan social entrepreneur exchange program, organized by the nonprofit Global Link Initiative (GLI). Shen became convinced about the potential of a similar model in China and thus aimed to bring the Daichi model to China. Shen invited Fujita to visit Chinese farmers who are Leping's microfinance beneficiaries. Fujita was moved by Leping's work and the partnership took off from there.

Regarding the China replication, Fujita emphasizes his important encounter with Ms. Li Fan, the co-founder of GLI, a nonprofit that promotes partnerships among social entrepreneurs in Japan, China, and the UK. She was a major instigator for launching the joint venture with Fuping to initiate an agriculture business in Beijing based on Daichi's model.

## 7.4.2 Key supporters

**Figure 9 Daichi's key supporter mapping in the second growth stage  
(May 1999 – February 2013)**



As its business grew, Daichi's main supporters shifted to business partners from providers of human resources and financial support. The key characteristic of this stage lies in Daichi's expansion into other Asian countries through business partnerships. One example is the Asian People's Fund as described above. The other involved replication in China through a joint venture with Fuping, also explained above.

## 7.5 Advanced stage (March 2013 – present)

### 7.5.1 Milestones

Daichi's advanced stage pertains to its corporate partnership with the major convenience store chain Lawson in 2013 to set foot on Daichi's journey of further growth by utilizing Lawson's extensive distribution and retail network in the country with 12,276 convenience

stores across Japan as well as 591 overseas including China (as of February 2015).<sup>11</sup> Lawson became Daichi's primary shareholder (33.4%) in order to establish the following business partnerships.<sup>12</sup>

(a) Daichi's provision of its products to Lawson

- Sales of Daichi's products in Lawson's stores and online shop
- Joint product development
- Stabilization of farmers' income and strengthening Lawson's procurement capacity by signing one-year contracts with producers

(b) Daichi's business expansion by utilizing Lawson's infrastructure

- Expansion of Daichi's business nationwide by utilizing Lawson's stores and online shop
- Acquisition of Daichi's new customer base through Lawson's online shopping platform
- Reconstruction of Daichi's Supply Chain Management and Customer Relationship Management system by utilizing Lawson's knowhow

While it is too early to assess the effects of this landmark deal, the key takeaway is Daichi's strategic decision to pursue this mega-corporate path for further expansion. The partnership is expected to make it easier for Daichi to allocate more management resources and more effectively develop its strategic plans in the future. The partnership should also mark a transition from a social enterprise brand strongly associated with its founder to a less personality-driven corporate culture geared towards sustainable growth

There were high expectations for Japanese organic food market growth after the government established the organic certification system in 2000. Nonetheless, the Japanese organic food market, estimated to be about USD 1.3 billion, has not grown in recent years. Japanese agricultural products have an image of being safe. This is one of the reasons that consumers do not necessarily recognize a clear difference between organic food and regular food. Daichi, as well as its two other main competitors, also face the challenge of differentiating their organic food products from non-organic food products. All three try various ways to market their products but have not succeeded in achieving high growth in the past few years. The other two of the top three organic food home delivery businesses are the following.

• **Radish Boya:**

Delivers a set of organic vegetables or low-agricultural vegetables produced by its contracted

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<sup>11</sup> [www.lawson.co.jp/company/corporate/data/sales](http://www.lawson.co.jp/company/corporate/data/sales) [Accessed 20 May 2016] (in Japanese)

<sup>12</sup> [www.lawson.co.jp/company/news/073509](http://www.lawson.co.jp/company/news/073509) [Accessed 20 May 2016] (in Japanese)

farmers to the members one a week. Established in 1988, it is one of the oldest in the same line of business, but became a subsidiary of NTT docomo, Japan's largest telecommunications company, in August 2012.

- **Oisix**

Established in 2000, it grew rapidly and became one of the largest organic food home delivery businesses. Compared with the other two, consumers do not have to pay any registration fee, annual fee or user fee. Moreover, consumers have to select the delivery time and vegetables more flexibly. In September 2012, it collaborated with LUSH, an organic cosmetics company, to sell new a product line.

In an interview with the JRI, Fujita described the background behind and aspirations for this massive partnership.

*Regarding the corporate engagement with Lawson, we were already in the mindset of transitioning Daichi from a Tokyo-centric organization to a more decentralized company focused on "local production for local consumption". This mindset was driven by a sense of crisis that organic agriculture was reaching its saturation point no matter how much effort we make. Amid the TPP [Trans-Pacific Partnership]<sup>13</sup> negotiations and Japanese farmers facing a critical situation, we started to think that generating a much larger distribution and retail network was necessary to expand sales. We concluded the corporate partnership with Lawson keeping in mind the emphasis on protecting the domestic primary industry. We believe we will be able to establish bases throughout Japan (for instance, sales are made by utilizing the stores of Lawson nationwide) through this corporate partnership. A home delivery business is already up and running in China, so if our business can be extended to Shanghai, it may become possible for Lawson stores [in Shanghai] to cooperate. I wish to influence Japanese society and expand in Asia even by taking advantage of such expanded buying power with Lawson's help.*

Fujita also denied any risks of mission drift as a result of a corporation giant like Lawson serving as a primary shareholder.

*To the question of whether Lawson is exerting its influence on the management of*

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<sup>13</sup> The Trans-Pacific Partnership (TPP) is a trade agreement among 12 Pacific Rim countries, including Japan, Australia, United States, that entered into force in February 2016 after 7 years of negotiation. It aims to lower trade barriers by decreasing tariffs and other means.

*Daichi, it actually is more like Lawson is kindly providing guidance on issues that we have been dealing with in an amateur manner. For instance, we have learned many things from Lawson, including compliance issues. When I resign as the president [of Daichi] one day, Lawson may want to send in the next president. I believe a relationship to cope with such a situation has been established between us.*

However, Fujita regards that the challenge that Daichi currently face as a mature social enterprise is how to ignite innovation in established organizational environment.

*I like using the terms the first, second, and third revolution generations. The first generation opens up and lays the “desire path”. There is no compass there. They take action every day with the hope that tomorrow will be better than today. They make efforts with ambition in mind.*

*In the era of the second generation, the environment starts to become better gradually. There will be overtime payment, and the salary becomes somewhat higher. For our case, it corresponds to the period of 1980’s. The quality of vegetables also became better. However, in terms of the compliance, it was an era where we had to do things with having issues that could not be casually mentioned to other people.*

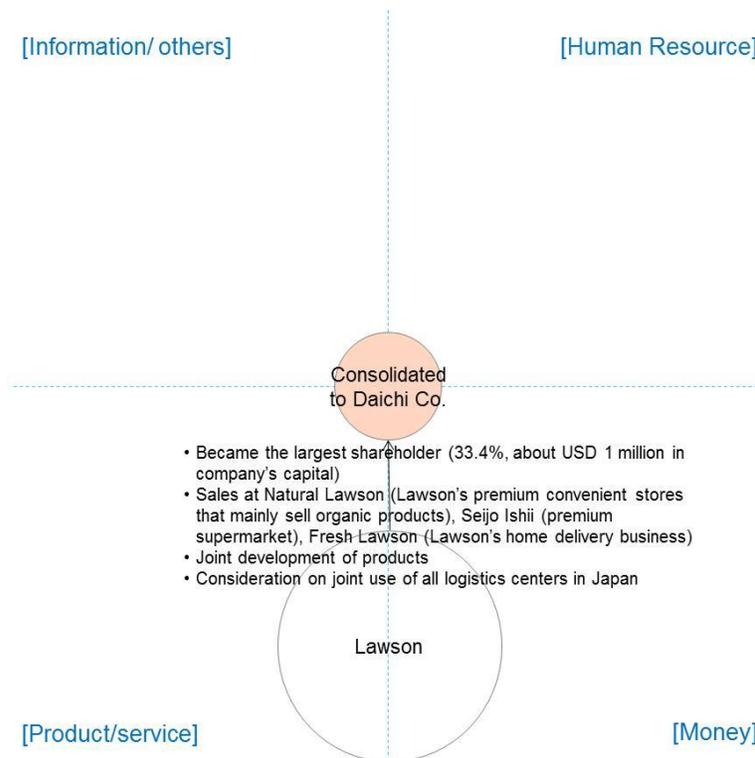
*The present corresponds to the third generation... In the third generation, the environment has been greatly improved, and the issue of compliance is about to be resolved. There is a sense of “It finally came to this stage” as business, but questions like whether employees are happy and whether they have the burning sensation of achievement arise. They are just following suit of predecessors within the rules created by the predecessors. Our organization is also experiencing the fading in the sense of achievement.*

*I am feeling that it is essential to create “young buds” to restart the cycle under such a situation. I would like to start a small revolution, like a small tree growing in a dense jungle... For instance, there is this thing called “potato front”. Potatoes are shipped in Kyushu around this time of the year. As the front moves northward, shipment is made in June in the Kanto region, and shipment is made from the latter half of September in Hokkaido. In Hokkaido, potatoes can be shipped until March. The movement of the front makes it impossible to satisfy the balance of supply and demand only by the concept of local production for local consumption. It is*

necessary to enable mutual help with the entire Daichi organization sharing the same aim, such as supplying agricultural products from Kyushu when there is none of the sort available in Hokkaido. I am thinking to establish an organization that binds together the concept of local production for local consumption and the entirety.

### 7.5.2 Key supporters

**Figure 10 Daichi's key supporter mapping in the later stage (March 2013 onwards)**



The key supporter in this advanced phase is Lawson, particularly Mr. Niinami, then CEO of Lawson. Fujita describes how he came to agree with Niinami on the corporate engagement.

*Through many discussions, he finally made a decision to form engagement. Our opinions conflicted on some issues such as TPP, but we both wanted to protect the primary industry of Japan. I had a strong desire to ask for his help.*

*Lawson is kindly maintaining a cooperative system with us, while they have limitations on their side. I believe the benefit of corporate engagement is substantial. Although it hasn't been realized yet, we made a request to them*

*stating “please sell chemical-free rice even if it were to be only 1 bag per store per day”. Even that level of sales quantity amounts to a substantial volume, and it will be a great encouragement to rice farmers. Daichi’s vegetables are sold at Natural Lawson, with the amount increasing gradually.*

According to Ishii, Daichi’s producers generally welcomed Daichi’s partnership with Lawson. For the producers, Daichi’s partnership with Lawson does not have any direct impact on them other than the possible future increase in distribution volume. As described earlier in this report, most producers are already distributing to large retailers like Lawson and equipped to increase its distribution to Daichi, if necessary.

## 8 Scalability and Replicability

**Table 5 Scalability and replicability of Daichi’s businesses**

	Home delivery business	Other
Scalability	<p><b>(a) Expansion of a nationwide network</b> Beyond Daichi’s direct coverage in the greater Tokyo region, Daichi relies on the logistics network of Yamato Transport. This involves a slightly higher shipping cost, therefore managing logistics cost is the key to scale in this business model.</p> <p><b>(b) Product differentiation and food safety</b> Given the increasing competition in the organic agriculture market, product differentiation becomes critical for survival and scale-out. The radioactivity threat in Fukushima posed a dilemma in deciding between consumer needs for food safety and supporting farmers in the affected areas. The challenge ahead involves striking a balance between scale and safety.</p>	<p><b>(a) Securing volume and controlling quality</b> To supplement the expansion of the home delivery business, scaling the wholesale business holds potential. The Lawson partnership in fact creates an enabling environment to do so. However, expansion of the wholesale business may inevitably call for a transition in the business model from supply-driven to demand-driven. This would involve increase in the number of partner-producers and adjustment of production volume, while at the same time raising challenges in quality control.</p>
Replicability	<p><b>(a) Environment to use logistics infrastructure</b> Developing a similar business in developing countries would require the following three elements: (1) educating and identifying partner-producers, (2) availability of a sound logistics infrastructure, and (3) consumer awareness. Among them, the second element, including traffic jams, road</p>	<p><b>(b) Combatting fake organic products</b> The main challenge advancing the wholesale business to developing countries involves combatting counterfeit products. This may require establishing certification systems in those countries to raise awareness of the value of organic products among general consumers.</p>

	infrastructure for trucks, etc., determines business feasibility.	
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## 9 Final Reflections

### (a) Creating a niche by adapting strategies while maintaining its mission

The key to Daichi’s success lies in its flexible adaptation to the various changes in the business environment while steadily maintaining the organizational principles since its inception: 1) Protect and grow the primary industry of Japan, 2) Protect people’s life and health, and 3) Create a sustainable society. This balance of adaptive strategies and principle-orientation is demonstrated in all of Daichi’s business lines including the group purchasing system, entry into the wholesale business, introduction of the home delivery system, launching of the online store, and corporate engagement with a retail giant.

Daichi’s growth over four decades can also be attributed to the social enterprise’s emphasis on creating a civic movement to enlighten consumers. Daichi has managed to achieve its social objective to change the mindsets of consumers by disseminating information through its publication and facilitating communication between producers through site visits and events, and therefore create a new market.

It is worthy of note that Daichi proactively provided support to new like-minded ventures entering the market. This was driven by a longer term vision of enlarging the overall market rather than a myopic perspective to consider them as possible competitors.

### (b) From niche to mass: Corporate engagement (equity participation) as a solution

Like many social enterprises that manage to achieve substantial scale, Daichi essentially saturated the organic agriculture market particularly in the ‘heavy-user’ segment. Accordingly, Daichi decided to expand its consumer base to the general mass by 1) launching the online platform that lowers consumers’ barrier to market entry, 2) partnering with a retail chain like Lawson. Daichi saw the Lawson partnership as a golden opportunity take advantage of expanding marketing channels without expending significant time and labor. Lawson also saw this partnership as a win-win solution to differentiate its brand.

Meanwhile, the convenience store side presumably gained a promising tool to realize differentiation from other franchises in competition through such corporate engagement

(equity participation). Such corporate engagement (equity participation) can be positioned as an effective method for social enterprises that achieved a certain level of increase in the business scale to realize continuous growth.