

Building Core Competitiveness based on Corporate Culture: A Case Study of Tsutaya Bookstore

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Abstract

In a complex and rapidly changing global landscape-marked by rapid advances in information technology and a sluggish world economy-the traditional retail sector, particularly physical stores selling goods, faces severe challenges. Corporate culture, as an implicit mechanism, works in tandem with explicit mechanisms to resolve internal conflicts and improve organizational performance. For physical bookstores, reinventing structure, identifying market demands, and breaking conventional mindsets to achieve transformative restructuring are urgent needs. This paper takes Japan's Tsutaya Bookstore, under CCC Group, as a case study to explore how corporate culture can positively contribute to building core competitiveness, offering transformation insights for the broader physical retail industry.

Keywords

Corporate Culture; Physical Bookstores; Transformation.

1. Introduction

In the face of a complex and shifting global landscape, China has entered a new phase of development that brings both opportunities and challenges. Uncertainty and instability in the external environment pose significant risks to the country's economic and social development. The global COVID-19 pandemic has had far-reaching effects, and the persistent global economic downturn brings more external pressures. These trends pose serious challenges-but also opportunities-for industrial survival and growth. With the widespread adoption of the internet and e-commerce, China has entered the "Internet Plus" era. Online retail is steadily replacing physical stores with its advantages in low cost and pricing. This compels physical retail businesses to strategically transform, rebuild their competitive advantages, and evolve into new business forms. To thrive in the internet era, companies must leverage their intangible assets-such as corporate culture and vision-identify and create customer demand, and break traditional thinking. In this era of change, risk and opportunity coexist; overcoming the former often leads to the latter. To gain favor with consumers and meet evolving market needs, companies must act strategically, enhance awareness of risks and trends, and foster innovation. This paper uses the case of Japan's CCC Group and its subsidiary Tsutaya Bookstore to examine how corporate culture contributes to building core competitiveness and provides new ideas for the transformation of physical retail enterprises.

2. Literature Review

Corporate culture functions as an implicit mechanism that works alongside other explicit systems to coordinate internal organizational conflicts and improve performance. Edgar Schein, regarded as the father of corporate culture, defines it as: "A pattern of shared basic assumptions learned by a group as it solved its problems of external adaptation and internal integration, which has worked well enough to be considered valid and, therefore, to be taught to new

members as the correct way to perceive, think, and feel in relation to those problems.”[1]As management ultimately deals with people, corporate culture embodies the wisdom and creativity of management and is essentially about managing people.

Corporate culture can be divided into three levels: the material level, institutional level, and spiritual level. The organization’s vision, mission, and values belong to the spiritual level and are critical for the long-term and stable development of a business. The vision represents a shared goal, the mission reflects a shared responsibility, and values represent shared choices-together, they answer the fundamental questions of who the enterprise is, who it serves, and whom it depends on. These three elements are interdependent: the mission motivates employees to realize the vision, and values support both the vision and the mission[2]. Corporate culture is the soul of the enterprise and the essence of its brand. A brand is an intangible asset and the outward expression of corporate culture. Culture and brand are organically intertwined-they originate from the same roots and reflect each other within the enterprise framework[3].To build a unique competitive advantage rooted in corporate culture, businesses must focus on customer needs throughout the value chain, implement a customer-centric mindset, increase customer stickiness, develop internet-based business models, and shape new value propositions[4].In the wake of the pandemic and prolonged global economic downturn, consumer spending has declined. Today’s market shows a growing preference for value-for-money purchases, differentiated shopping experiences, and experiential consumption[5]. The department store and retail industries face challenges such as a lack of innovation, insufficient momentum, and a reliance on traditional business models[10]. Consequently, the share of brick-and-mortar retail sales in China’s total consumer retail sales has declined yearly-just 8.71% in both 2021 and 2022. In contrast, online retail accounted for 31.27% of total retail sales in 2022[6].This data clearly shows the immense impact of e-commerce on physical retail, which has gradually replaced offline shopping. To survive and thrive, physical retailers must refocus on customer needs, develop unique advantages in physical retail, and undergo transformation grounded in corporate culture.

3. The Tsutaya Business Model

3.1. Origins and Development of Tsutaya

In March 1982, a record rental shop opened on the fifth floor of a department store near Hirakata Station in Osaka, Japan. To meet the mall’s requirements, Muneaki Masuda (founder of Tsutaya Bookstore) combined dining services with record rentals by partnering with “DELHI,” a well-known Indian curry chain from Tokyo. This marked the opening of his first store-“LOFT,” a place where customers could enjoy both music and food.In March 1983, Masuda opened a second store across from LOFT, which sold books and rented records. This was the first official Tsutaya Bookstore, and it marked the beginning of a new kind of multifunctional bookstore under the Tsutaya brand.

CCC (Culture Convenience Club) Group was founded in March 1985, originally under the name “Tsutaya.” Today, CCC Group centers around its Tsutaya and T-POINT businesses, and it now serves as a holding company for various business ventures. Tsutaya has become Japan’s largest chain of music and video rental stores. Over time, it has expanded to include various store types and has acquired other rental chains. Its in-house brands span diverse areas including home goods, skincare, and stationery.Muneaki Masuda envisions CCC Group as the “world’s best lifestyle proposal company.” The group has built the T-Point rewards system, with all operations revolving around lifestyle content, platforms, and data. As of 2020, the T-Point user base exceeded 65 million. In Tokyo, over 55% of residents carry a T-Card, which can be used at around 170 partner companies and 640,000 stores across Japan. These transactions generate data covering the consumption behavior of over one-third of Japan’s population[7].According

to Green Funding, CCC operates around 1,500 physical stores in Japan and serves more than 60 million members. Its retail brands include T-SITE, Tsutaya Bookstore, Tsutaya Electrics, and Tsutaya.

3.2. Market Positioning and Demand Creation

When Tsutaya Daikanyama T-SITE opened in 2011, it strategically targeted customers aged 60 and above. In Japan, around 70% of the country's estimated 1,500 trillion yen in personal assets are held by this age group. Meanwhile, 70% of the working population-more than 50 million people-have annual incomes below 4 million yen (approximately 200,000 RMB). Despite having strong purchasing power, many elderly consumers lack fulfilling retirement experiences. In an aging society like Japan's, attracting senior customers is key to maintaining foot traffic. Tsutaya Daikanyama Bookstore was built to serve this demographic, addressing their interests in topics such as health, mortality, and daily living. The store is divided into themed zones like cooking, religion, housing, travel, and automobiles. Hours are tailored to their routines, with an early opening time of 7 a.m., pet daycare services, designated taxi pickup areas, and in-store notification systems in cafés. To ensure that the impulse to consume after reading could be effectively converted into purchasing behavior, each themed zone is paired with corresponding product displays and specialist staff. These "proposers" are key opinion leaders (KOLs) in their respective fields-over 30 in total-serving as knowledgeable guides who offer personalized recommendations. These advisors are considered "living books," sharing their experience and expertise to deliver a top-quality customer experience. Understanding customer needs and building trust through sincere, need-based service has always been central to CCC Group's sales philosophy.

From its inception, CCC Group has emphasized "lifestyle proposals" as its core product. At its heart, this concept is about creating demand-not just offering products or services. By providing diverse lifestyles to different demographics, shifting customer mindsets, and establishing new norms, CCC has made this concept the cornerstone of its competitive advantage. From its origins in Hirakata in 1983-offering lifestyle proposals to young people through films, music, and games-to its 2011 launch of Tsutaya Daikanyama for seniors, CCC continues to explore evolving consumer desires. By identifying or even generating needs, and offering tailored experiences, CCC creates new lifestyle norms and broadens its business through diversified operations. [9]

3.3. Corporate Culture and Transformative Reinvention

CCC Group's corporate vision is to become the world's best lifestyle proposal company. Muneaki Masuda believes that "a lifestyle proposal is about presenting an inspiring vision of living." These proposals must evolve with the times. In the 21st century's information era, where diversity and personalization are increasingly valued, customers expect one-on-one lifestyle solutions. This requires a comprehensive database. Based on the T-Point rewards system, CCC develops personalized proposals tailored to individual lifestyles. The T-Card plays a core role in this system: it synchronizes products across all categories, industries, and regions with diverse and multilayered consumer groups, enabling CCC to deliver highly customized lifestyle solutions from multiple dimensions[7]. For example:

- Next to a cookbook, customers will find the ingredients featured in its recipes.
- Beside fashion magazines, seasonal clothing items are on display.
- Near travel books, postcards and personalized travel packages are available.

All of this expresses Tsutaya's unique take on lifestyle curation.

CCC promotes a corporate culture of innovation and challenge. "Constantly challenging the things you're not good at" is a key principle repeatedly emphasized by Masuda[11]. This attitude drives CCC to enter new fields:

- From combining dining and music rentals in its early stores,

- To launching the universal “T-Point” system from its original Tsutaya membership cards,
- To expanding into overseas markets in partnership with Airbnb,
- From directly operated stores to franchising and providing consulting services for large-scale commercial facilities and foreign companies.

By continually broadening its scope, CCC evolves through each challenge, developing new capabilities in response to external demands and opportunities. Masuda has stated in interviews that CCC’s goal is to be an organization that “thinks”-not one that merely survives without thought. He positions CCC fundamentally as a planning company, which means it must possess creativity and independent thinking. Yet, he also warns that as a company becomes more successful and stable, employees may grow complacent and stop thinking-creating a new kind of crisis. The organization values brainstorming and collective problem-solving. A good lifestyle proposal requires knowledge spanning many domains-eating, dressing, living, transportation, and the arts. Since no one person can master all of them, CCC encourages staff to quickly draft initial concepts and then refine them through group collaboration.

From LOFT to Tsutaya franchises, from the T-Point system to the creation of large-scale projects like Hirakata T-SITE, and even helping Airbnb expand into the Japanese market, CCC’s business scope continues to grow. Only 20% of Tsutaya’s profits come from book and audiovisual product sales, while 80% is generated from franchising operations. In its core business, Tsutaya Daikanyama houses 150,000 books-only 12% of which overlap with other bookstores. The rest are rare, out-of-print, or collectible editions, sourced at great expense. CCC’s retail ecosystem is diverse, including:

- Lifestyle brands such as Culture By Design, Lelierre, and Necott Store
- Skincare brand Cu Apothecary
- Stationery brands Black Bear and Hedera
- Mobile accessories brand IROMEKI
- And home electronics under Tsutaya Electrics

As society shifts toward information sharing, the definition of “media” expands beyond books. In this digital era, CCC offers varied services such as rentals and secondhand sales to create a new, more flexible cultural marketplace. With the rise of e-commerce and online bookstores, physical bookstores are losing their edge as providers of a tangible, immersive cultural environment. To stay competitive, they must break free from industrial-age thinking and traditional models, undergoing self-disruption and transformation[8]. Tsutaya Daikanyama Bookstore exemplifies this transformation. Branded as a “library in the forest,” it takes the form of a lifestyle street district, with the bookstore as the central hub, surrounded by cafés, restaurants, clinics, convenience stores, and specialty shops. For example:

- Starbucks is embedded within one of its pavilions.
- Other buildings house electric bike stores, camera shops, gourmet restaurants, stationery and toy stores.

This creates a comprehensive cultural and lifestyle experience. Tsutaya breaks through the traditional boundaries of bookstores by adopting a mixed-use operational model where industries complement and promote each other. Using the T-Point system-which connects 168 companies and 640,000 stores and collects consumption data on nearly one-third of Japan’s population-CCC targets marketing with precision, builds customer profiles, and tailors offerings accordingly. This reward system spans essentials like fuel, delivery, and convenience stores, effectively making “T-Points” a universal currency for everyday life.

3.4. Stakeholder Relationships

Regarding stakeholders, CCC Group places strong emphasis on a customer-centric philosophy. As Muneaki Masuda puts it, “Customers will only buy what they want, not what is recommended

to them.” The key to successful sales is simple: provide customers with solutions they truly desire. To do so, one must stand in the customer’s shoes-physically and emotionally-understand their needs, and offer sincere answers. “The store exists for the customer; making money is just the result.” This statement encapsulates the core principle of CCC’s customer-first approach. At Tsutaya, the company offers more than just products-it presents new lifestyles. It seeks to create emotional value that generates happiness and turns customers into loyal fans. By fostering this emotional connection, Tsutaya increases customer stickiness and encourages repeat visits. When choosing locations for its bookstores, Tsutaya typically selects sites within 500 meters of public transportation. Its goal is to make customers feel that not visiting would be a missed opportunity. The key to this lies in offering genuinely useful and desirable products. Moreover, CCC believes that doing work that earns customers’ gratitude achieves two goals: Sustaining business profitability and Cultivating exceptional employees. CCC builds compact yet highly efficient teams. It employs a team-based organizational structure. Despite having over 3,500 employees across the group, the chairman’s office has only six staff members.

Within teams, roles and responsibilities are clearly defined, rewards and penalties are strictly enforced, and information flows quickly through open communication. As for employees, CCC emphasizes the importance of capability development. The principle of “challenging what you’re not good at” applies to everyone-from the chairman to frontline staff. One core component of CCC’s organizational culture is building a dynamic team that values critical thinking and continuous self-breakthrough. Based on the two-factor theory of motivation, CCC first addresses “hygiene factors” by providing a comfortable working environment-clean offices, friendly coworker relationships, etc.-to prevent dissatisfaction. However, the real driver of motivation is personal fulfillment. Employees are not motivated by orders alone. To inspire active engagement, companies must help employees pursue self-actualization, aligning personal goals with organizational ones.

To that end, CCC encourages job rotation to increase workplace variety. Employees continually acquire new knowledge and tackle new challenges, gaining the skills required to launch new business ventures. This boosts enthusiasm and helps develop employees into world-class planners within the company. CCC also sets clear goals and performance-based incentives for every project, team, and individual. This detailed system of compensation and accountability serves to motivate employees and advance corporate objectives.

4. Conclusion

4.1. Shaping Corporate Culture

Corporate culture is the dominant set of shared values, beliefs, and aspirations gradually cultivated within a company through long-term practice in production, operations, and management. A strong organizational culture has a positive impact on enterprise development and serves a guiding and coordinating function for stakeholders. Externally, corporate culture reflects the enterprise’s management philosophy and shapes first impressions for potential partners and consumers. Internally, it acts as an unwritten code of conduct for employees. Therefore, building a strong corporate culture should reflect and reinforce the company’s mission.

4.2. Identifying Market Needs and Breaking Organizational Boundaries

Formulating differentiated strategies based on regional market characteristics and offering tailored products and services is one of Tsutaya’s key tactics. A store exists for its customers-it cannot be limited by past “successful business models.” Due to advances in digital technologies such as the internet, companies can no longer rely solely on a single industry to build core competitiveness. Diversification has become a common strategic trend for large organizations.

This requires companies to cultivate a culture of innovation, embrace challenges, and encourage employees to take on unfamiliar tasks.

In addition to vertical expansion, businesses must be prepared to seize market opportunities and expand horizontally. This includes extending into new industries through franchising, strategic partnerships, or joint ventures. By doing so in a risk-controlled manner, companies can achieve diversified growth and foster synergies across various business units.

4.3. Establishing and Upgrading Data Assets

As the global information revolution advances, the rise of cloud computing, the internet, big data, smartphones, and social platforms has reshaped industries-not only in terms of infrastructure and technology, but also in thinking, strategy, and business models. These changes are driving revolutionary transformations and enabling new forms of business. By leveraging data, companies can target low-value markets while occupying high-value segments of the value chain-outcompeting rivals through strategic differentiation. Tsutaya Daikanyama has launched an online bookstore and adopted online-offline integrated marketing. It also employs Radio Frequency Identification (RFID) systems to gather data through readers embedded in all bookshelves. This facilitates big data marketing and consumer analytics. To strengthen data collection and enhance its competitiveness, CCC Group has formed strategic alliances and equity partnerships with companies such as SoftBank, Yahoo Japan, and FamilyMart to further develop the T-Point ecosystem. Leveraging emerging technologies to promote corporate culture, understand market needs, and refine product and service offerings is an essential path toward building sustainable competitive advantages.

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