

【Article】

# Theory of Regional Venture business (II)

## -Based on the experience of venture support work in Okinawa-

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1. Examples of the Establishment of New Businesses  
— Illustrated by Nihon Gettou Co., Ltd —

One of the things we need now from regional promotion and community development is organized, non-accidental, startups of local companies and local ventures businesses capable of independent income generation and able to withstand globalization (through inter-regional and international cooperation). The specific methods for starting such businesses differ with local environment and needs in each area, so I will examine three countries and discuss them in modules 3~5 and the workshop.

On the other hand, the common and universal concepts, theories and methods applicable to every country and region must be researched, established and presented. Now

that globalization has advanced so far, competition becomes global. Therefore we now need a theory of regional business startups and venture businesses based on the latest, topical theories of management.

I will now use the example of Nihon Gettou to describe management strategy theory, with particular reference to the theory of regional venture business management strategy.

(1) An overview of Nihon Gettou Co., Ltd

Gettou is a plant (a grass) of the ginger family, which contains aromatic compounds. The sub-tropical area of Okinawa is the only part of Japan where it can grow. Nihon Gettou uses all parts of the plant as raw materials and produces a wide range of products. For example, essential oils are extracted from the leaves to make perfumes and fragrance sprays, while fibers from the stems are used for wallpaper and various other types of paper, and the seeds are used to make tea.

The leaves of gettou contain a unique fragrant constituent. In Okinawa, they have traditionally been used to wrap mochi (rice cake), which is then steamed and eaten. Besides the pleasure of the fragrance, the leaf has a preservative action, allowing long-term storage. One of Nihon Gettou's diverse product ranges makes use of this property of the leaf.

Scientific investigations have confirmed the efficacy of gettou essential oil against insects, bacteria and odor. Nihon Gettou has recently doubled its sales, but total turnover from all products is still only around ¥200 million, of which wallpaper contributes a 60% share.

(2) Corporate domain strategy - Creating new market fields

The mainland Japanese market is already securely in the grip of many established companies, making it difficult for newcomers from Okinawa to break in. One strategy for breaking into the market is to look for a gap that has been overlooked by established companies (called a "niche market" in management terminology). A slightly more aggressive approach is to break the market into smaller parts in order to move in (the term is "market segmentation"). What determines the company's products, business composition and fields of business is the company domain.

For example, there is the marketing strategy of addressing the monolithic passenger vehicle section of the automobile market, segmenting it into off-road vehicles, sports and the like, and moving into those new markets.

Another more aggressive company domain strategy is to create a market and field for business activity from a new idea that nobody has thought of before. In that case, there are no competitors, so even a newcomer can secure a place in the market.

The fragrant constituent of Gettou is not strong enough to act as insecticide, but it is effective as an insect repellent. It is also a disinfectant, without being strong enough to

Figure 1 Pamphlet of Nihon Gettou



harm humans. Until now, strong efficacy has usually been a sales point, but Nihon Gettou has succeeded in turning that around, so its mildness is the selling point.

They have made the idea into a company and created a new field of business around "environment-friendly products - natural, safe, healthy and ecological" (refer Figure 1).

Revenue is rising and the market will diversify as it matures. The market is not just looking for good and economical products, it wants products that reflect values, tastes and interests.

They envisage a corporate domain that handles products and markets that are good for the consumer's health, and place no burden on the environment.

This kind of product and corporate domain matches the image of Okinawa, as the prefecture of health and longevity, blessed by nature, and the related brand image.

### (3) Selection of business fields - Core competence strategy

Before a product reaches the customer, there are a string of business fields from product planning through raw materials procurement, manufacturing, marketing and after-sales service. Core competence strategy determines which of those activities the company will do for itself and which it will outsource from other companies.

Manufacturing is not very advanced in Okinawa. Nihon Gettou makes an extremely diverse range of products, but Okinawa does not have suitable companies able to produce all of them. The company's products must be of the highest quality if they are to be well received and used throughout Japan.

Therefore, it looked for quality manufacturers around the country and ordered the manufacture of superior products from them, which it then marketed. For example, the wallpaper which accounts for 60% of Nihon Gettou's turnover is produced by a major manufacturer in Gifu prefecture, an area which produces Japanese paper. The fragrance comes from microcapsules filled with gettou essential oil, which were ordered from a specialist company in Tokyo, one of only a few in Japan.

Conversely, being situated in Okinawa means that only Nihon Gettou itself can secure the raw material, gettou, in large volumes, which it does through various measures, such as contracting farmers to grow gettou and running plantation farms. The development of

diverse products can only be done by Nihon Gettou, with its exhaustive knowledge of the properties of gettou, and so it concentrates on marketing its lineup of earth-friendly products, backed by the health brand image of Okinawa. The company concentrates its management resources in the activities where it is most able.

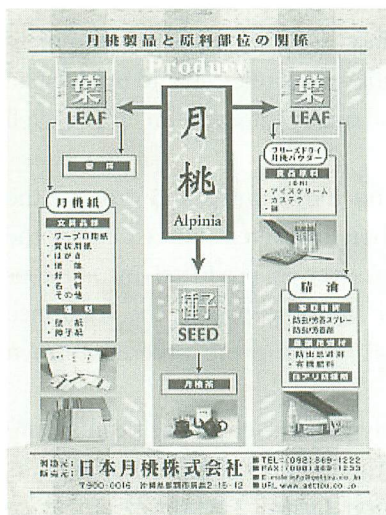
In management terminology, defining and reinforcing the business fields a company does best is called a core competence strategy. Outsourcing is the practice of leaving activities outside the core competence to other companies. When this arrangement is linked more closely through information technology, it is called a value (business) chain, which is the management strategy used by Dell Computers.

(4) Basic strategy as a biomass company (industry) - Use of all raw material parts

Okinawa has a strong potential of the bio-business, such as the aforementioned business of the Nippon Getto Corporation, since Okinawa, like other Southeast Asian countries, is located in the sub-tropical zone. Let's explain the main points of the bio-business, introducing the Nippon Getto's examples.

Companies using organism resources as their raw materials are called biomass companies, and their main characteristic is that they use raw materials derived from organisms in very large quantities. Therefore they use only one part of the resource and must dispose of the rest, an approach which can be very costly for the disposal processing. Old types of biomass business often use their resources in that way. It is typical of sugar refining companies. Sugar cane is pressed, and the pressed liquid is boiled down to make syrup (the raw material of sugar). The remainder of the cane is discarded, or burned as fuel in

Figure 2 Pamphlet of Nihon Gettou



the factory. A new-style biomass industry would make wax from the skin of the cane, make pulp from the crushed cane (bagasse) and so on, to make use of all parts of the raw material.

Nihon Gettou extracts essential oil from the gettou leaves, but it only produces 100g of oil from 100kg of leaves. The weight of leaves is 1,000 times greater than the amount of oil extracted. When the leaves are used in this way, an even greater weight of stalks remains and must be used effectively in some way. In fact, the stalks are used as the raw material for gettou wallpaper, word processor paper and tatami matting. Gettou seeds have traditionally been used in Chinese medicine, and the company has developed gettou medicine using the effects of the seeds (refer Figure 2).

Thus the raw materials consumed by the biomass company are used in their entirety. A key point of the marketing strategy is to balance the production volumes of each type of product to match the quantities of each type of raw material component.

At first, Nihon Gettou produced the essential oil from the leaves and mainly developed products based on the oil. The stalks were used as fertilizer, but the balance of materials was bad and the arrangement was not profitable. Therefore it overturned the basic strategy of a biomass company, redesigning its product range with reference to the balance of its raw material components.

This balance has led Nihon Gettou to success in the development of many products.

Recently, one distiller of awamori, a traditional Okinawan liquor, has been manufacturing black vinegar (similar to Italian Balsamic vinegar) out of leeks, which were originally discarded (for a sizable cost). Black vinegar has been a perfect match with the recent boom in health care products and the amount of black vinegar sent to the Japanese mainland now is greater than that of awamori.

## 2. Test-marketing Shop Strategy

— Moving from an Adult and Elderly-Oriented Market to  
a Youth-Oriented Market, Nakazen Inc. —

Nakazen Inc. is the largest and an established health food shop in Okinawa. The details for Nakazen will be discussed in the video here, so I will just touch on some of the major points of interest. 80% of Nakazen’s sales come from catalog orders. Furthermore, 60% of these orders are from people who come to Okinawa, realize the high-quality of their health food products, and then continue to place orders. However, Nakazen’s health food market is

Figure 3 Pamphlet of Asian Herb Restaurant and Cafe



generally oriented towards those 50-years and older. Nakazen, sensing danger at the shrinking elderly market and the necessity for expansion, is employing the following strategy. Nakazen has built, in the Naha (prefectural capital) suburb of Chinenmura, a herb garden, shop, cafe, and tourist facilities known as the "Kurukuma (the scientific name of turmeric): Asian Herb Restaurant and Cafe." They have also moved their headquarters and production facilities to this area(refer the pamphlet of Kurukuma).

Fresh herbs that are grown in one part of the herb garden are then used in food at the restaurant. Mainly young people visit, and the strategy is to have them become familiar with health foods through first eating food made with these herbs. Tours of the herb garden, manufacturing facilities, and shop are also provided. Nakazen is succeeding in gradually advancing their market for health foods from adults (who were the former target) to the youth market (as well) through this test-marketing shop (restaurant).

### 3. Tourism as a Regional Industry

– Breaking Away from Being a Sub-Contracted Industry and Company –

#### (1) Okinawa: The Japanese Mainland's Colony for Tourism

Tourists in Okinawa account (figures based on receipts coming from outside the prefecture) for about 470 million yen annually (approximately 4.7 million visitors) and their contribution to the prefectural economy is great. For example, the tourism industry accounts for 13% of prefectural production, 15% of employment, 12% of tax revenue. It is, without a doubt, the leading sector of Okinawa's economy.

However, the percentage of money that is made from tourism that actually stays in the prefecture is very small. Most of it is thought to go back to transportation (primarily airlines) companies and large travel agencies on the mainland. This isn't really a word I want to use, but, Okinawa is often called the Japanese mainland's "colony for tourism."

Up until this point, Okinawan tourism has hoped for tourists coming from the outside and for travel agencies on the Japanese mainland to bring them in. Okinawa has been dependent on the outside. As a result, this leads to the hollowing out of the region (Okinawa).

The tourism industry in general has a tendency to fall into this over-reliance on the outside. When, like in Okinawa, you add the fact that there are many remote islands this becomes even more so. To get to Okinawa from the Japanese mainland one must travel by air and this means that large-scale capital is required for airline carriers. This also means that only a few domestic carriers are able to do this and free competition becomes impossible. This constituency of Okinawa that relies on the outside occurs here as well. From this constituency, the great majority of profit and cash flows back to the Japanese mainland, creating a "colonial-like" structure. Breaking away from being a sub-contracted/outwardly-dependent industry (and the companies within that industry) is vital.

At the same time, according to the long-term forecast for the tourism market by the World Tourism Organization, the number of international travelers will expand threefold, from 565 million people in 1995 to 1.561 billion people by 2020. The amount of consumption spent on tourism is expected to expand some five times. Notably, China, which neighbors Okinawa, is forecast to see a 20-fold growth in the number of tourists and its tourism industry is a very attractive industry.

Supposing a tourist area is connected by land, it is then possible for tourists to travel individually by car and the dependency on airlines does not occur.

(2) An Attempt at Regionally Lead Tourism: Okinawa Tourist Service Inc.

Amid this dependency, one large travel agency in Okinawa (Okinawa Tourist Service, Inc.), although on a small scale, is attempting to move from tourism that is dependent on the mainland to a model of tourism that is regionally lead.

This is done by "understanding repeat visitors to Okinawa and the creation of value-added products, such as the ECO Marine Club."

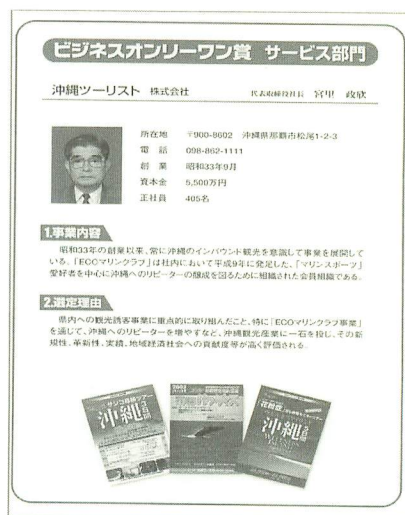
In 2002, this company was awarded the annual "Business Only One" award (refer award), which is giving to a unique Okinawan business.

It should be noted that in the scuba diving industry, industry-related businesses in cities on the Japanese mainland are generally referred to as diving shops and actual operations in places like Okinawa are called diving services. I will employ this terminology in my paper. It is estimated that there are about 200 diving services in Okinawa.

The scuba diving industry is one area where expectations for repeat customers are very high, with an estimated 300,000 divers coming every year. These tourists could be similar, for example, to surfers who visit Bali.

Many tourists who scuba dive are unique among visitors to Okinawa in that they don't use large travel agencies on the Japanese mainland but directly contact local operations (mainly diving services) to make reservations. This is because if you are not dealing with a scuba diving service, it is going to be impossible to get personal consultations on tide conditions, what kind of marine fish is in-season, etc. Repeat visitors are created when these consultation services are accurate. It is necessary that these scuba diving operations are strengthened and, simultaneously, other tourism industries (I will talk about ecotourism later

Figure 4 Pamphlet of Business only one Prige



in my paper) that are not dependent on outside forces are further developed.

In order to establish scuba diving tourism and to differentiate oneself with competing regions, it is necessary to train local scuba diving services, improve quality, resolve issues related to operations, collect data on tourists who dive, and to develop marketing that is based on all of this.

Most of the businesses that are responsible for the 300,000 annual diving visitors are small, self-run diving services within Okinawa prefecture. These diving services purchase discount airline tickets for their customers and then send them to the customer and in doing so are able to solicit clients. Not only does this take a lot of manpower, it also is one of the reasons behind chronic cash flow problems for many small-scale diving service operations.

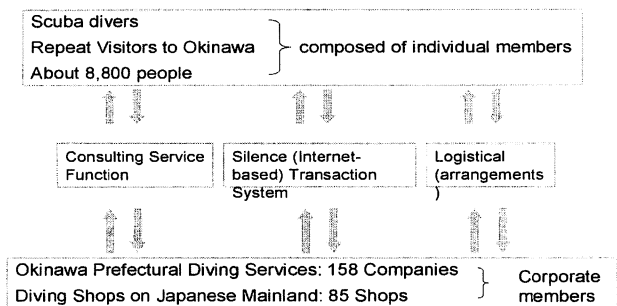
Furthermore, on many remote and outer islands (which make up much of the prefecture) there are no travel agencies or airline carriers and in order to purchase airline tickets it is necessary to go out of the way to Naha or another urban area. In this manner, the diving service employee in charge of reservations has to purchase airline tickets, make lodging reservations, and so on for customers. Manpower that originally should have been used to guide people out in the ocean is lost and, accordingly, a tendency towards a decline in the quality of service and profits can be ascertained. Moreover, there have even been certain violations of the Travel Law.

<An Introduction to the ECO Marine Club>

Thus, Okinawa Tourist Service started the ECO Marine Service in 1997. Being a major travel agency, with an average of 300,000 customers per year and dealing with some 33 million yen, the ECO Marine Club was organized (membership driven) and a business platform based on scuba diving tourism was created. As Figure 5 reveals, this is a system which helps solve issues facing both individual scuba diving tourists and small diving services.

Figure 5 Business only one

**Services Provided by the ECO Marine Club**  
(Scuba diving, tourism-based business platform)



(The source Mr. Yoshikazu Higashi)

Operations are being developed based on three main pillars:  
 A) accurately understanding the repeat visitor to Okinawa;  
 B) Providing information and increasing customer satisfaction for tourists with specific agendas (Currently, this is mainly scuba diving);  
 C) Establishing Various logistical



arrangements in the tourism field.

As a strategy for concrete implementation of various plans, such as reducing cash flow burdens for the diving service operators, reducing business-related burdens, and making data collection easier, and as a means to create a data bank, this members-only system undertook a partnership with a credit company and from 1997 onward has used the signatureless (Internet-based) transaction system (refer ECO marine Club's credit card).

Based on the ECO Marine Club's corporate credit card transactions: A) There is now no need to travel off-island to visit financial institutions and travel agencies B) Credit card payments occur one month later, and there is no need to purchase tickets for customers and cash flow has been greatly improved.

Detailed figures for club members are as follows:

Individual members: 8,863 people

Composed of mainland residents who are frequent and preferred repeat visitors to Okinawa and agree with the principles of the ECO Marine Club.

Primarily organized through the agency's network on the Japanese mainland.

Corporate members: 158 diving services within Okinawa

Mainland: 85 diving shops, 13 other companies

All figures are as of September 30, 2002

#### < Services Provided By and Functions of the ECO Marine Club >

Services provide by and functions of the ECO Marine Club are applicable to regionally Minded tourism. Thus, let me go through these services and functions.

Specialized consulting function for repeat scuba divers

By creating positions for specialists who can answer the individual needs of each customer and through the daily collection of data, it was made possible to respond to each diver's goals and agenda. For example, among repeat divers, there are people who want to take underwater photos, people who want to see hammerhead sharks, those who want to see coral spawning, and so on. Even though we speak of scuba divers, there are many individual goals and agendas. The ECO Marine Club, based on information provided by 158 prefectural corporate members, is able to provide the most applicable (based on conditions, skills) instructors to meet visitor's needs. There are no previous examples in Japan of such an information clearing center for the support of tourists with specific travel goals and agendas.

Simple Reservation Methods Made Possible by Silence Transactions

In 1997, long before almost everyone else, the Silence transaction system, which is

currently used for Internet transactions, was adopted. Reservation methods include telephone, fax, e-mail, etc. As members are able to settle transactions with a credit card, time delays caused by bank wires, etc., are reduced, reservations can be made anywhere, and tickets arrive within a few days. Today, such a system is ubiquitous, but in 1997 there were very other examples of such systems. In 2001, ¥382.49 million in silence transactions were made.

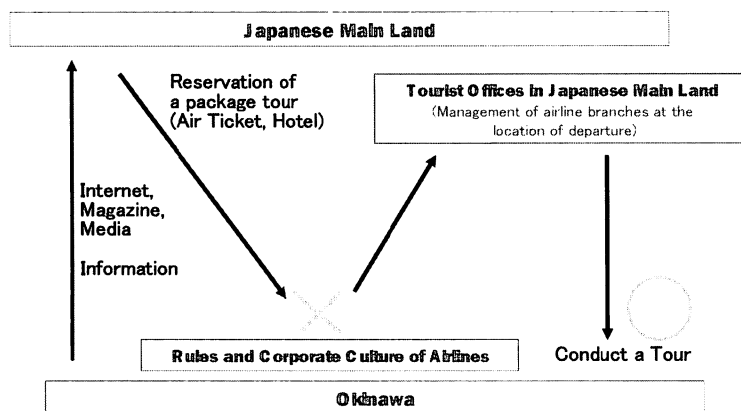
(3) The Tourism Industry as a Regional Industry

I have used the case of the Okinawa Tourist Agency Inc. and their increase of repeat diving customers and the creation of value-added products to explain the regionalization of the tourism industry. It is necessary that this kind of hard work and effort is repeated and the tourism industry changes from being dependent on the outside, as it has been until now, to being self-sufficient and self-spontaneous.

However, it is structurally inevitable that the system of issuing tickets and making lodging reservations has a "sub-contracted" feel to it as countries that receive tourists (inbound countries) from overseas become dependent on the country of departure (outbound countries).

Perhaps it is not so problematic when the outbound country plans and the inbound country simply carries out those plans, or if we lived in an age when travelers were merely satisfied with package/group tours. From now on, however, traveler's needs will become increasingly individualized, multi-faceted, and a high level of service will be expected. When this is the case, direct information on the destination country becomes necessary. Sales

Figure 6 Reservation System of Okinawa Sightseeing (Current system)



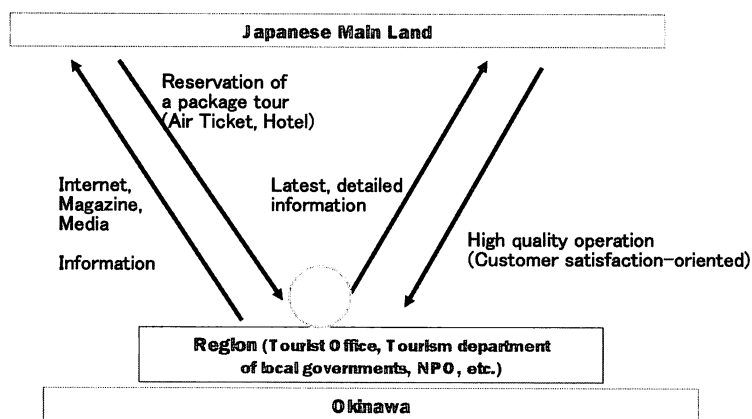
(The source Mr. Yoshikazu Higashi)

chances for travel agencies in the destination country to offer unique options to travelers and expectations for value-added products also exist.

This relationship between the Japanese mainland and Okinawa can be directly applied to Southeast Asia and the so-called "developed" countries, and the relationship between Bali and Jakarta. Both Bali and Okinawa are similar. They are both separated from the mainland and tourists can only get there by plane. Based on current airline ticket issuance rules and sales customs the following occurs.

Please take a look at Figure 6. No matter how much information on Okinawa one finds on the Internet and no matter how much information tour companies provide, tour and airline ticket reservations are not possible in Okinawa alone. On the whole, the tourism industry goes through travel agencies on the Japanese mainland (the departure areas for airline carriers) when making reservations and paying for fees. The local area (Okinawa) simply carries out secondary or sub-contracted work. In the travel industry, this is referred to as the inbound air tour fare system.

Figure 7 Reservation System of Okinawa Sightseeing (Future Goal)



(The source Mr. Yoshikazu Higashi)

Figure 7 is an ideal situation as seen from a local perspective. When, based on tourism information dispatched from that locality, regional travel agencies are able to make reservations, issue airline tickets, and, furthermore, directly provide information based on traveler's needs and direct feedback between the local agency and the traveler becomes possible. This is ideal for the traveler.

Although it may not be true for all travelers, when there are tourists, such as scuba divers and surfers, who come specifically for local tourist resources, it is difficult to be satisfied with the monopolization of profits by mainland travel agencies and airline

companies. Taking the tourist industry's profit mechanism into account, the local side must develop strategies here as well or the tourism industry as a regional industry will not work.

<IT Era>

### III. *Potential of the Regional Enterprises Utilizing IT and Digital Technology*

Prologue: Equal Opportunities for Knowledge for Students and Professors - IT Society -

Although this is not something I myself directly experienced, it is a story I heard from a colleague at the graduate school of Tsukuba University, my former employer. This occurred during a discussion with students in a class where a paper by an American management specialist was being used. The lecturer had explained the article in question to the students, but one particular student disagreed with the lecturer's interpretation of a certain passage. This student, when the professor's explanation was incorrect, confidently stated, "This is the correct answer." When the professor inquired as to why the student was able to disagree with such confidence, the student explained that he himself had at first not understood the passage and, hence, sent e-mail directly to the paper's author. As he (the student) was using the answer he had received via e-mail, he knew that he was correct. In recent years, e-mail and homepages have advanced, and it is now possible to directly inquire with the author of a paper. Thusly, students and professors alike have been put on equal footing.

A few years prior, before the development of information technology (IT), we educators had a great deal more knowledge than the students; or at least we had more chances to gain knowledge. Educators had a great deal of experience, and, much more so than the students, possessed a vast number of specialized books and journals. Based on this, we had a greater wealth of knowledge, and, because of this, in the event of a discussion or debate, held a dominant advantage.

Today, however, with the ubiquity of IT technology, both student and teacher, searching on the Internet, can obtain the same wealth of information. In some cases, young, energetic students may even be at an advantage. As shown in Figure 1, when IT develops and expands in this fashion, the actions of corporations, markets, and clients themselves and the relationship between these companies, markets, and clients changes dramatically. Accordingly, society as a whole also changes.

#### 1. Okinawa Industries in the IT Era

— The potential for Okinawan music to become an industry —

##### (1) Okinawan music draws worldwide attention

Okinawa is an environment that generates music. The combination of Japan's richest natural environment and an independent culture nurtures the sensitivity that is most important for the arts. Also, the presence of US troops since the end of WWII has created a need for music services and supplies of jazz, rock and other types of music, so there were special circumstances for the development of music as a business.

In that environment, there was a stream of crossover from traditional folk songs and island music into new forms, which achieved popularity. There is also an abundance of music in the genres of Okinawan pop, rock and jazz.

People are close to this music in their daily lives, making it easily accessible for them. The towns are dotted with folk music bars where patrons can enjoy live folk performances, and there are live music venues for many genres.

This musical environment has produced many artists and musical resources that are active in mainland Japan and around the world. One example is Shokichi Kina, who won global fame with "A Flower for Everyone's Heart".

However, most musical resources have drained away to Tokyo in the past. Popular artists from Okinawa prefecture commonly make their debuts with major record labels on the mainland. Thus, however well Okinawan music sells, and whatever Okinawan artists do, the profits flow to Tokyo, with nothing feeding back to Okinawa.

## (2) Changes in the environment affecting the music industry

Until now, highly talented Okinawan artists had no way to develop national careers without going to Tokyo. Changes are affecting the music industry's situation, with a boom in sales of audio records from "indy" labels that are independent of the major labels.

We will now examine the case of Mongol 800, a band nicknamed "monpachi"(refer record jacket of Mongol 800). They have sold 2.66 million records worth ¥5.4 billion, making them the biggest-selling Okinawan artists working in Okinawa and signed to an independent label.

There are two main reasons for the rapid growth of the indy labels.

- ① In the analog era, the costs of producing an album on CD used to include as much as ¥20 million for the recording equipment. With more recent digital technology, adequate sound quality can be obtained from equipment costing only around ¥2 million, a tenfold reduction.
- ② The major labels can exploit the mass media for large-scale promotions. Their promotions can use newspapers, magazines, TV commercials and tie-ups with drama programs, and they have a big impact on music sales. Recently, however, the use of the Internet has been spreading throughout Japan. In the world of the Internet, Okinawa is as good as Tokyo as a place to disseminate information, and costs are very low.

It used to be difficult for indy labels to reach listeners with their information, but with

the spread of the Internet, they have an environment which makes it easy for them to spread their information nationwide. For example, a continuing flow of information can be delivered to listeners through homepages and other channels, almost free of charge. New communications tools such as cellular telephones, e-mail and Internet message boards have been an important factor in the growth of indie record labels.

The PR and advertising potential of the Internet can be applied to other indie products, besides CDs. The growth of the Internet has put the whole of Japan, and even the world, within reach of extremely low-cost advertising through homepages, e-mail and Internet message boards. Individuals can do that, just as major companies can.

That is an enormous advantage for the formation of venture businesses.

### (3) Three models and types for Figure 8)pes for an Okinawa-related music industry

Okinawan artists can be divided into three groups, according to music business structures of rights and profits, and those can be compared with reference to the local benefits they return to Okinawa. (refer Figure 8)

#### Case 1 : The Namie Amuro model

This singer comes from Okinawa, but signed to major labels on the Japanese mainland. Her sales have topped ¥10 billion. Her music and lyrics are written by a group of mainland Japanese writers, so the rights belong to mainland music publishers.

#### Case 2 : The Kiroro model(refer record jacket of Kiroro)

The singers came from Okinawa, but signed to major labels on the Japanese mainland. They write their own music and lyrics. Nevertheless, the copyrights are still held by mainland music publishers.

#### Case 3 : The Mongol 800 model

They write and perform their own music, in the same way as the Kiroro model. The difference is that they have signed to an indie label in Okinawa, and their copyrights remain in the prefecture.

Let us take ¥3,000 as the retail cost of a CD album. Under the Namie Amuro model, only ¥54 returns to Okinawa as the artist stamp tax (2%) for the singing alone.

Under the Kiroro model, the artists also write the music and the lyrics, so they receive author's stamp tax of ¥81, in addition to the artist stamp tax, for a total of ¥135.

Under the Mongol 800 model, the artist and writer stamp taxes are in the prefecture, and a local indie record label produces the master disk, so the master disk stamp tax of ¥351, together with ¥603 profit from the CD sale are profits for the Okinawan record company. However, deducting production and distribution costs of ¥1,830 means ¥1,170 also remains in the prefecture.

The Mongol 800's indy record label, High Wave, earned profits of ¥740 million in 2002, making it the 19th highest in Okinawa's income ranking.

If Okinawa attempts to gain economic benefits from its music, it will be able to do so, provided it builds a business model like case 3 above. That model first became possible with the use of IT and digital technology. It demonstrates the potential for other industries and companies to set up venture businesses and local industries.

Figure 8 The Structure of Profit by Different Artist Model

	Artist Stamp tax	Writer stamp tax		Master Stamp tax	Income From CD sales	Product on and distribution costs	Income to Okinawa
		Writer's share	Publishing Company's share				
Value	¥54	¥81	¥81	¥351	¥603	¥1,830	
Namie Amuro Model	○						¥54
Kiroro Model	○	○					¥135
MONGOL800 Model	○	○	○	○	○	▲	¥1,170

(The Source form Nansei Shoto Industrial Advancement Center)

<Beyond Venture Business>

#### IV. Community Business and Micro Business

I will talk on community business and micro business in the different way from industry domain that I talked in (1) to (2). Mainly I will focus on both businesses in Okinawa.

Now many people are expecting promotion of high tech industries such as digital contents, computer system, and digital communication in Okinawa. However reality shows that it is not so easy to establish stable high tech industry in Okinawa. Open rate, that is rate for starting new business, is 4.0% in Okinawa and close rate, that is rate for closing company is 6.4%. These figures are average rates in the period of 1986 to 1991 and they are the highest in Japan. 4800 companies started and 4300 companies winded up of business in the period in Okinawa. Demand for new business is big but competition is also hard. If you see companies in Okinawa, they are usually "ordinary companies."

If you analyze ordinary companies with the prospective of both community business and micro business, you can solve many problems in business field in Okinawa. Then what is Community business and Micro business? (Hereafter CB and CM.)

CB is local project for the local people by the local people. With CB the local people enrich their community life by themselves. They get their own knowledge and method together and start business for the community.

MB often targets at niche market and create new employment even though it does not always have latest technologies. It is related not only to business but also to a particular purpose or social activity

You can see a graph with community-global axis and profit-purpose axis in figure 6.

What kind of problem can MB and MC solve in the community? What kind of promotion can they make? The answers are the follows:

- Development of life size business opportunity
- Solution for unemployment
- Work as a purpose in life
- Combination of work and life (Creation of new work style)
- Self-employment, Combination of employment and business promotion
- Production with business expansion in community

Okinawa has much potential human resources for community business. Experienced retired people, young unemployed people, house wives who quit her job for marriage or childbirth can play a great role in community business. Right now the system for these people are not enough to start new business. We need new system to make potential human resources to be active in community business. Community collage can work well for a first step.

Now, management skill and capital are lacking for community business. The management and money are essential to start business. NPO or other organizations should help people in the community to start business.

Figure 8 **Placement of C&M Business**

