

# **An examination of drugstore opening strategies and their effects from a dominant strategic perspective : based on a questionnaire survey of one metropolitan prefecture and six prefectures in Japan**

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## **Abstract**

In store management, in order to utilize the hospitality spirit of their company in customer service, companies should first increase the number of opportunities to meet customers. In this study, we focused on "dominant strategy" as a measure to increase opportunities to meet customers, using the drugstore industry as a case study. We examined the situation regarding the opening of new stores and customer usage in the Kanto region (Tokyo and six prefectures), and analyzed the impact of opening stores in concentrated areas on customer awareness and usage frequency. The survey covered the top seven brands (Matsumotokiyoshi, Sugi Pharmacy, Wellcia Pharmacy, Cocokara Fine, Turuha Drug, Cosmos Pharmaceutical, and Sandrag) in terms of sales in the first quarter of fiscal 2024, and 1,000 men and women between the ages of 20 and 69 participated in the survey. The results in this paper confirmed four elements of the dominant strategy. First of all, it is shown that each brand is employing a dominant strategy. Next, the number of potential customers is expected to increase in proportion to the number of stores, following the dominant strategy. And then the dominant strategy is shown to have a relationship with the purchasing behavior of potential customers. Finally, it is shown that the degree to which each brand implements the dominant strategy varies across different prefectures.

**Key words:** Hospitality management, Dominant strategy, Drugstore industry, Customer recognition, Questionnaire survey

## **1. Introduction**

The one of concept of hospitality management is "treating guests and hosts with human dignity in a mutually satisfactory, equal, and collaborative relationship" (Hattori, 2006). In store management, in

order to utilize the hospitality spirit of their company in customer service, companies should first increase the number of opportunities to meet customers. In this study, we focused on "dominant strategy" as a measure to increase opportunities to meet customers, using the drugstore industry as a case study. The "dominant

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Table 1: Strategies for opening new stores based on annual securities reports

#	Brand	Strategies for opening new stores	Y/N <sup>1)</sup>
1	Matsumotokiyoshi	- Business integration with Cocokara Fine - Global expansion and franchise development	No
2	Sugi Pharmacy	- Strengthening store openings in areas where the recovery of human flow and the number of foreign tourists visiting Japan are remarkable - Continue to focus on opening stores in Kanto, Chubu, Kansai, and Hokuriku-Shinshu areas	No
3	Wellcia Pharmacy	- Capital and Business Alliance with Turuha Drug - Group plans to open more than 100 new stores per year	No
4	Cocokara Fine	- Business integration with Matsumotokiyoshi - Global Expansion	No
5	Turuha Drug	- Capital and business alliance with Wellcia Pharmacy - Further promotion of the dominance strategy in the areas where we have already opened stores	Yes
6	Cosmos Pharmaceutical	- The basic strategy for opening new stores is to gradually expand the area in which we open stores "like ink seeping out." - The aim is to achieve steady growth by opening stores with high customer-drawing power in high-density clusters and expanding the area in which they are located.	Yes
7	Sandrag	- Promoting store openings in the most suitable business format depending on the location Commercial district, downtown, suburban stand-alone, suburban complex, discount store	No

1) The term "Dominant strategy" is mentioned in the securities report.

strategy", which involves opening stores in a concentrated manner in a specific area, is used as a key strategy in chain store management (Komagi, 2012). In general, the research on dominant strategy can be found in empirical studies that focus on convenience stores. This strategy is used to monopolize the customer share in a specific area and eliminate the space for competitors to enter, but on the other hand, it has also been pointed out that there is a possibility of a battle for sales between stores in the same chain group.

This paper is a case study of the drugstore industry, which is said to use the "dominant strategy" in the same way as convenience stores, and it examines the relationship between the opening of drugstores and customer usage in the Kanto region (Ibaraki, Tochigi, Gunma, Saitama, Chiba, Tokyo, and Kanagawa prefectures) and develops its discussion. The drugstores analyzed are the top seven brands (six companies: MatsukiyoCocokara & Co., Sugi Holdings Co., Ltd., Welcia Holdings Co., Ltd., Tsuruha Co., Ltd., Cosmos Pharmaceutical Corporation, Sundrug Co., Ltd.) in terms of sales in the first quarter of fiscal 2024.

## 2. Dominant strategy and each brand's strategy

### 2-1. What is a dominant strategy?

In business management, a dominant strategy is a strategy to increase market share and establish a competitive advantage in a specific region or field by opening concentrated regional stores. Its goals include reducing distribution costs and increasing customer awareness and brand power (Komagi, 2012). In other words, it can be explained by economies of density, that is, the prevention of entry of competing stores and the effect of sharing local resources and knowledge among its own stores (Nishikawa, 2021).

Nishikawa (2021) focused on two contrasting types of store-opening behavior: competitive store-opening, in which chain retailers open stores in markets with many competing stores in the same industry, and dominant store-opening, in which chain retailers open stores in markets with many of their own stores, and showed which strategy chain retailers adopt and why their choices differ among firms in the same industry (Nishikawa, 2021).

## 2-2. Each brand's strategy

The drugstores under scrutiny are the top seven brands in terms of sales in the first quarter of FY2024, beginning with No. 1: Matsumotokiyoshi, Sugi Pharmacy, Wellcia Pharmacy, Cocokara Fine, Turuha Drug, Cosmos Pharmaceutical, and Sun Drug. Table 1 presents the store opening strategies that can be discerned from the 2024 annual reports of the companies. However, due to the confidential nature of store opening strategies, which are crucial for business growth, the details of these strategies are not available for disclosure. Consequently, the description of each company's growth strategy is constrained to a concise overview. It is evident that Turuha Drug has adopted a dominant store strategy. Furthermore, Cosmos Pharmaceutical's explanation of its store strategy can be regarded as analogous to the dominant store strategy.

Additionally, Matsumotokiyoshi and Cocokara Fine, as well as Wellcia Pharmacy and Turuha Drug, are components of the same management group, indicating the possibility of disparate strategies for new store openings among these entities.

## 3. Purpose

In the realm of store management, leveraging the company's hospitality ethos in customer service hinges on enhancing opportunities for customer interaction. This study undertakes a focused examination of the "dominant strategy" as a conduit to augment opportunities for

customer engagement, employing the drugstore industry as a case study.

The following assertion is made in this paper:

**Question 1:** Is the dominant strategy being used?

Komagi (2012) states that the dominant strategy is being deployed in the Japanese drugstore industry. However, in the securities reports of drugstore brands, only Turuha Drug and Cosmos Pharmaceutical are stated to be deploying the dominant strategy. This paper will demonstrate whether the dominant strategy is being deployed by drugstore brands.

**Question 2:** Is the dominant strategy recognized?

If a dominant strategy is being implemented under a drugstore brand, we will demonstrate how many customers are aware of it. In this survey, we will ask potential customers questions. The questions will clarify whether they know the stores of each brand and whether they know more than one brand.

**Question 3:** Is it leading to purchasing behavior?

It will be demonstrated whether awareness of the dominant strategy is linked to purchases. In this survey, potential customers are asked questions. The questions clarify whether or not they have made purchases at each brand's stores.

**Question 4:** What are the differences between the brands?

Seeks to ascertain whether there are any discrepancies in the predominant strategies employed by the various brands under consideration.

To this end, we conducted a questionnaire survey on the

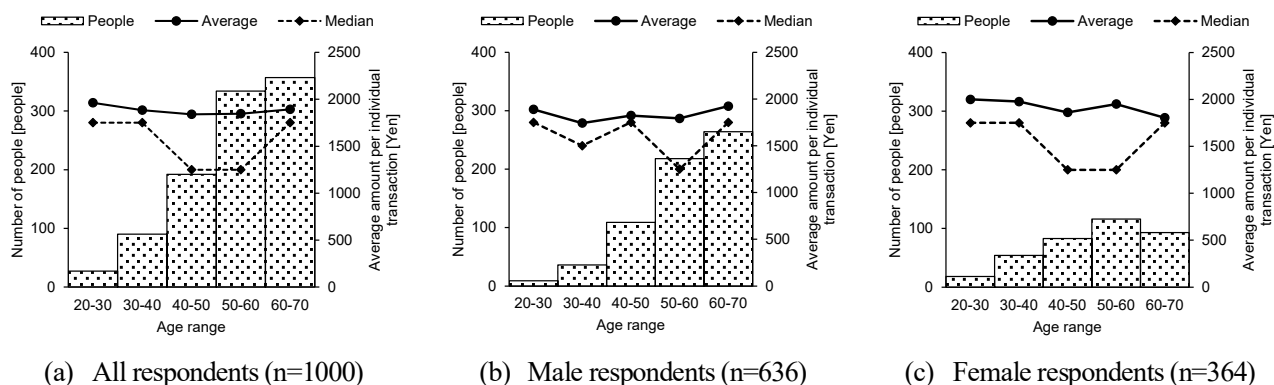


Figure 1: Gender and age distribution of respondents to the questionnaire survey

Table 2: Number of respondents to the prefecture-specific questionnaire survey

Type of respondents	All	Kanto Region (Tokyo and 6 prefectures)						
		Ibaraki	Tochigi	Gunma	Saitama	Chiba	Tokyo	Kanagawa
All	1000	48	37	36	190	133	371	185
Male	636	30	23	25	120	85	233	120
Female	364	18	14	11	70	48	138	65

store opening situation and customer awareness in the Kanto region (1 metropolitan area and 6 prefectures) and analyzed the impact of concentrated store openings on customer awareness and frequency of use. The survey targeted the top 6 brands in terms of sales in the first quarter of 2024, and 1,000 men and women aged 20 to 69 were surveyed.

#### 4. Collected data

##### 4-1. Questionnaire Survey of Customer Perception and Store Usage

In this paper, a questionnaire survey was conducted in the Kanto region (Tokyo and 6 prefectures) in cooperation with a research company. The survey received 1,000 responses from men and women between the ages of 20 and 69.

As illustrated in Figure 1, the distribution of individuals by gender and age is presented, along with the mean expenditure when making purchases at drugstores

(henceforth referred to as "the amount paid"). The amount paid constitutes the value assigned by each individual respondent. The total number of respondents (a) is 1,000, and the age distribution reveals an increase in the number of respondents with increasing age. The amount paid exhibits a divergence between the average and median values in the 40-50 and 50-60 age groups, suggesting the presence of a bias in the distribution of spending patterns. In such cases, the median value is generally considered a more reliable indicator. The amount spent is found to be lower in the 40-50 and 50-60 age groups. The subsequent group of males (b) comprises 636 respondents, and the age distribution mirrors the overall distribution, with an increase in the number of respondents as age advances. The accounting amount exhibits a divergence between the mean and median values in the 50-60 age group, signifying that the accounting amount is lower in the 50-60 age group. The number of female respondents (c) was 364. The age distribution exhibits a peaked mountain shape, with a peak at 50-60. The accounting amount

Table 3: Resettable land area and population by province

	Ibaraki	Tochigi	Gunma	Saitama	Chiba	Tokyo	Kanagawa
Residential surface area (km <sup>2</sup> )	3975	2983	2279	2585	3554	1418	1471
Population (thousands)	2918	1975	1974	7266	6223	13512	9129
Population density of residential surface area (persons/km <sup>2</sup> )	734	662	866	2811	1751	9529	6206

Adapted from Ministry of Internal Affairs and Communications (2020)

Table 4: Number of Store Openings

Store Name	Ibaraki	Tochigi	Gunma	Saitama	Chiba	Tokyo	Kanagawa
Matsumotokiyoshi	42	55	34	156	241	423	106
Sugi Pharmacy	5	7	40	173	36	299	90
Wellucia Pharmacy	165	71	116	255	173	328	266
Kokokara Fine	4	3	1	39	35	295	63
Tsuruha Drugstore	60	39	0	13	206	196	64
Cosmos Pharmaceutical	30	28	30	30	26	11	6
Sun Drug	15	12	9	74	55	227	93

Adapted from MatsukiyoCocokara & Co. (2024), Sugi Holdings Co., Ltd. (2025), Welcia Holdings Co., Ltd. (2024), Tsuruha Co., Ltd. (2025), Cosmos Pharmaceutical Corporation (2025), Sun Drug Co., Ltd. (2025)

Table 5: Population density of pavements (thousands/number of pavements)

Store Name	Y/N <sup>1)</sup>	Ibaraki	Tochigi	Gunma	Saitama	Chiba	Tokyo	Kanagawa	Min.
Matsumotokiyoshi	No	69 **	36 ***	58 **	47 ***	26 ***	32 ***	86 **	26 ***
Sugi Pharmacy	No	584	282	49 ***	42 ***	173 *	45 ***	101 *	42 ***
Wellucia Pharmacy	No	18 ***	28 ***	17 ***	28 ***	36 ***	41 ***	34 ***	17 ***
Kokokara Fine	No	730	658	1974	186 *	178 *	46 ***	145 *	46 ***
Tsuruha Drugstore	Yes	49 ***	51 **	-	559	30 ***	69 **	143 *	30 ***
Cosmos Pharmaceutical	Yes	97 **	71 **	66 **	242	239	1228	1522	66 **
Sun Drug	No	195 *	165 *	219	98 **	113 *	60 **	98 **	60 **

1) The term "Dominant strategy" is mentioned in the securities report.

\*\*\* <50, \*\* <100, \* <200

demonstrates a divergence between the average and median values in the 40-50 and 50-60 age groups, indicating that the accounting amount is lower in the 40-50 and 50-60 age groups.

Table 2 shows the number of respondents by prefecture and gender. Of the total 1000 respondents, 371 were from Tokyo, 190 from Saitama, 185 from Kanagawa, 133 from Chiba, and the remaining prefectures each had less than 50 respondents. The minimum number of respondents required for statistical analysis is typically considered to be 30, as this is believed to approximate a normal distribution. In the results of the survey presented in this paper, when gender is not considered in the analysis, the number of responses from each prefecture exceeds 30. However, when gender is taken into account, the number of responses from Ibaraki, Tochigi, and Gunma prefectures is occasionally less than 30. Consequently, the ensuing analysis will be conducted exclusively when gender is not a factor.

#### 4-2. Population by metropolitan prefecture and store openings by brand

Table 3 shows the residential surface area and population in the Kanto region (Tokyo, Kanagawa, Tochigi, and

Gunma prefectures). Tokyo and Kanagawa prefectures have large populations, while Tochigi and Gunma prefectures have small populations, with a difference of more than 4.5 times. There is a 14.4-fold difference in the population density of the residential surface area.

Next, Table 4 shows the number of store openings by

prefecture. The number of store openings by prefecture shows the number of new store openings for each brand in each prefecture.

The "Residential surface area" is the total land area minus the forest area (forests and grasslands) and the area of large lakes. If the total area is large but the area of habitable land is small, it means that there are many forests and lakes that are not suitable for human habitation. The ratio of inhabitable land area can be found in the statistical data compiled annually by the Statistics Bureau of the Ministry of Internal Affairs and Communications.

## 5. Analysis and Discussion

### 5-1. Is the dominant strategy being used?

It is hypothesized that each brand is employing a dominant strategy. As illustrated in Table 5, the population density of stores is a quantitative metric that quantifies the expected number of customers per store. Store population density is defined as the expected number of customers per store. A lower value indicates a relatively large number of stores. Matsumotokiyoshi and Wellcia Pharmacy demonstrate a propensity for establishing a lower store population density in areas outside Tokyo, indicating that they may utilize the number of stores relative to population as a pivotal indicator when determining the opening of new stores. Cosmos Pharmacy also exhibits a propensity to establish fewer stores in Tokyo and Kanagawa Prefecture, both of which are characterized by substantial population sizes.

It is evident that there exist variations by brand and prefecture. However, it is noteworthy that the minimum

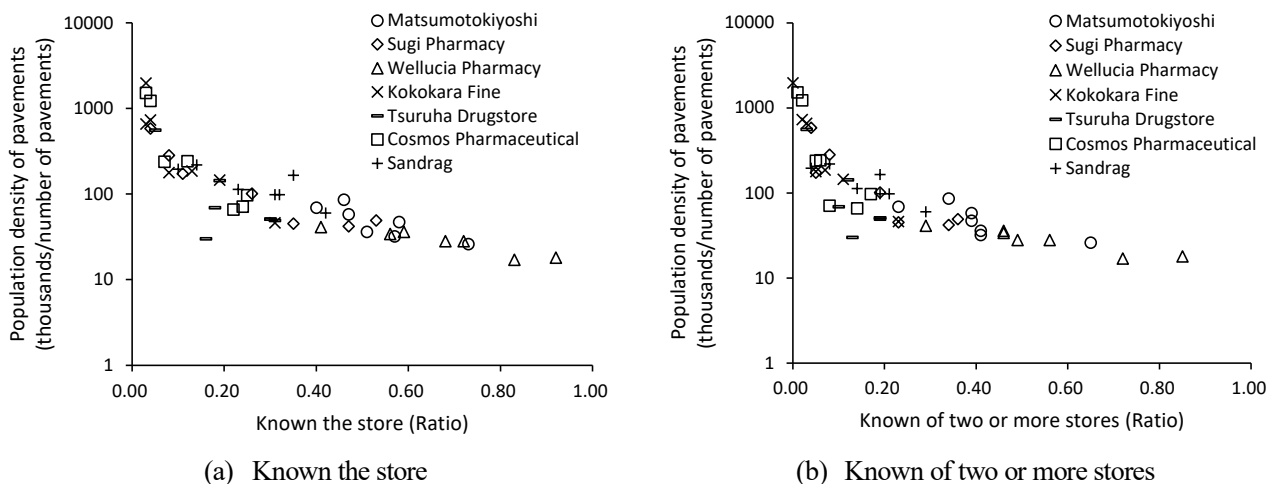


Figure 2: The relationship between the dominant strategy and the perception of potential customers

number of store customers for each brand is 66,000. This observation leads to the hypothesis that each brand is developing a dominant strategy by prefecture.

**5-2. Is the dominant strategy recognized?**

As illustrated in Figure 2, the relationship between the dominant strategy and the recognition of potential customers is demonstrated. The left diagram (a) delineates recognition as "knowing the brand's store," while the right diagram (b) defines recognition as "knowing two or more stores of the brand." It is hypothesized that the value of (b) will undergo a shift as the number of stores increases in accordance with the dominant strategy. The vertical axis represents the population density of pavements, which exhibits a decline as the number of stores in the area increases. The horizontal axis signifies the awareness

of potential customers, measured as the ratio of the number of respondents who acknowledge familiarity with the subject.

As illustrated in Figure 2, the number of potential customers is expected to increase in proportion to the number of stores, following the dominant strategy. Given the assumption that the density of stores is relative to the area, it is hypothesized that the correlation between them will be a quadratic curve approximation. Furthermore, given that the questionnaire survey question is "2 or more stores," respondents who know 2 stores and respondents who know 10 stores are treated equally, suggesting that saturation may occur.

**5-3. Is it leading to purchasing behavior?**

As illustrated in Figure 3, the dominant strategy is shown to have a relationship with the purchasing behavior of potential customers. The vertical axis of the figure represents the population density of stores, which decreases as the number of stores increases. The horizontal axis represents the purchasing behavior of potential customers, which is measured as the ratio of respondents who have taken purchasing action.

As shown in Figure 3, it is expected that the purchasing behavior of potential customers will increase in proportion to the number of stores. Given the premise that store density is measured in terms of area, it is

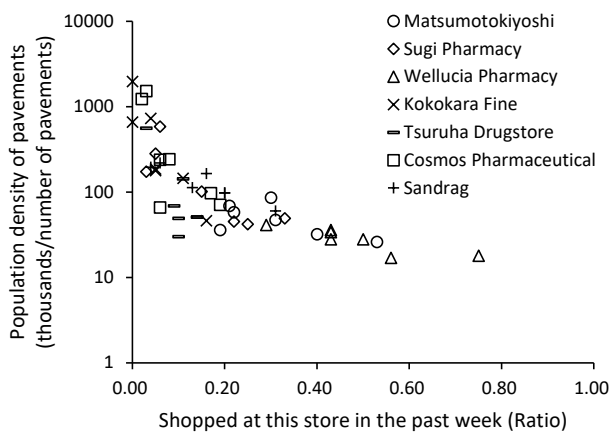


Figure 3: The relationship between domination strategies and the purchasing behavior of potential customers

hypothesized that the correlation between the two will be a quadratic curve approximation. Furthermore, since the question in the questionnaire survey was "more than two stores," respondents who know two stores and those who know ten stores are treated equally, so there is a possibility of saturation occurring in the data.

#### 5-4. What are the differences between the brands?

As illustrated in Figure 3, the brands with high store opening rates tended to have high customer usage rates, and Welcia Pharmacy in particular had a high store opening rate in prefectures other than Tokyo. On the other hand, there were differences in the effects of store openings by brand, and it was found that, for example, the relationship between the rate of store openings and the usage rate was weak for Tsuruha Drug. This suggests the need for a detailed analysis of the effects of the dominant strategy and improvements to the strategy that consider the characteristics of the brand.

As illustrated in Table 5, the degree to which each brand implements the dominant strategy varies across different prefectures. For instance, Cocokara Fine has a minimal presence in Ibaraki, Tochigi, and Gunma prefectures, while Sugi Pharmacy has a negligible presence in Ibaraki and Tochigi prefectures. Similarly, Cosmo Pharmacy has a limited presence in Tokyo and Kanagawa prefectures. Conversely, Matsumotokiyoshi has a significant presence in all six prefectures, indicating a more widespread network of stores.

#### 6. Conclusion

In store management, in order to utilize the hospitality spirit of their company in customer service, companies should first increase the number of opportunities to meet customers. In this study, we focused on "dominant strategy" as a measure to increase opportunities to meet customers, using the drugstore industry as a case study. We examined the situation regarding the opening of new

stores and customer usage in the Kanto region (Tokyo and six prefectures), and analyzed the impact of opening stores in concentrated areas on customer awareness and usage frequency.

Table 1 presents the store opening strategies that can be discerned from the 2024 annual reports of the companies. However, due to the confidential nature of store opening strategies, which are crucial for business growth, the details of these strategies are not available for disclosure. Consequently, the description of each company's growth strategy is constrained to a concise overview. It is evident that Tsuruha Drug has adopted a dominant store strategy based on the 2024 annual report. Furthermore, Cosmos Pharmaceutical's explanation of its store strategy can be regarded as analogous to the dominant store strategy as well.

Therefore, we aimed to understand the store opening strategies of each brand using questionnaire surveys, corporate information, and geographical information. The analysis in this paper confirmed four elements of the dominant strategy. First of all, it is shown that each brand is employing a dominant strategy. Next, the number of potential customers is expected to increase in proportion to the number of stores, following the dominant strategy. And then the dominant strategy is shown to have a relationship with the purchasing behavior of potential customers. Finally, it is shown that the degree to which each brand implements the dominant strategy varies across different prefectures.

There are two directions for future research. First, in order to demonstrate and generalize the effectiveness of the dominant strategy, it is necessary to conduct surveys in different industries. Second, it is necessary to derive efficiency measurement indicators such as the cost-effectiveness of the dominant strategy.

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