



INDIVIDUAL EMPOWERMENT

DIALOGUE 01 — YUTA TSURUOKA — HIROSHI AOI

Individual Empowerment Made Possible by Digital Technologies

BASE, Inc., CEO Yuta Tsuruoka believes that, when the internet makes the individual and the small team stronger, the world becomes better. We invited Mr. Tsuruoka to talk with President Aoi, an advocate of promoting individual empowerment together with younger generations, to discuss his view of the world of the internet and his predictions for the businesses that will shape the future.



This discussion can be viewed in its entirety on the kono yubi to-mare YouTube channel (in Japanese only).
The following is an excerpt.
www.youtube.com/channel/UCCHq6q2aRFTyyEwVOMxHYXA

BASE Roppongi office featuring a spectacular skyline view

Failure of the Internet Dream,
Start of the Second Act

Aoi: I have really been looking forward to today. I am excited for the opportunity to ask you, Mr. Tsuruoka, about BASE, the future, and your dreams and visions. For starters, BASE's mission is "Payment to the People, Power to the People." I think most would agree that the internet was a technology born with the purpose of granting power to the people, or, in other words, of facilitating individual empowerment. I refer to this as the internet dream. Today, however, tech giants like Alphabet Inc.; Amazon.com, Inc.; Facebook, Inc.; Apple Inc.; and Microsoft Corporation are monopolizing information and capital on the internet, creating disparity between the haves and the have-nots even in this space and effectively undermining the potential for individual empowerment. For this reason, I would say the first act of the internet dream has ended in failure. Regardless, there is hope for the future as members of younger generations, like yourself, are once again trying to use the internet as a vessel for granting power to the people. I see the efforts of your generation as representing the second act of the internet dream. What are your thoughts in this regard?

Tsuruoka: You touch on a very difficult subject. We cannot deny that the sheer size of tech giants has robbed the people of their power. On the other hand, the internet offers venues like Instagram and Twitter, where the individual can gain a strong sense of empowerment. It is perhaps a structural reality of the internet that platform holders end up

having the greatest amount of power. However, it is because of the strength of platform holders that everyone is now allowed to have a voice on the internet. The power of these voices is such that it might have even changed the course of presidential elections in certain countries. From this perspective, you might say that there was a benefit from tech giants amassing such power.

Aoi: Social media has definitely played a role in supporting individual empowerment.

Tsuruoka: However, with the tech giants as large as they are today, we must now think about how to coexist alongside such massive platforms and how to create a space for ourselves outside of such platforms. For this reason, rather than this second act being about seizing individual empowerment, it is more about living alongside mega platforms. The long tail* area of the empowerment curve will be the third act of the internet dream. This area represents potential for niche products to see consistent demand over the long term.

Aoi: In other words, we are at the midpoint, the transition period, for realizing the internet dream.

Tsuruoka: I think that the structure of BASE is really intuitive. Traditional e-commerce platforms, like Amazon, have both demand-side and supply-side aspects. BASE, meanwhile, only deals with the supply side, and we are targeting the extreme end of the long tail area of the empowerment curve. For the demand side, we will borrow the capabilities of mega platform holders. In this manner, we are taking advantage of the good aspects of the prior internet eras, and we are currently at a point at which

we are half dependent on large platforms and half empowered as individuals. It is possible that the power will return to large platforms in the future, but it is also possible that the individual may claim the power.

* The portion of distributions of numbers far from the "head" portion at the center of the distribution

Small is Beautiful

Aoi: I suspect that BASE might be the first long tail-oriented e-commerce platform.

Tsuruoka: You are correct. Total distribution amounts are among the most important indicators for e-commerce businesses, and it is common for e-commerce platform holders to seek large affiliates so that they can become larger merchants. However, because we already have merchants like Rakuten and Amazon, BASE is able to take a different approach. Prior merchants were not able to commit themselves to serving the long tail end of the curve, but we can. Committing ourselves in this manner could be seen as a duty of my generation. Moreover, the lack of prior commitment to this area leaves a gap open to be filled by our business. This long tail-oriented approach requires a long-term perspective, looking to maximize earnings over 10 or 20 years, as opposed to achieving the greatest possible earnings next year. This approach may seem irrational from a short-term perspective, but its rationale becomes apparent in the long term.

An underlying principle of this approach is long-term confidence in the potential for the internet and for technology. My generation was raised around the internet and various other technologies. We grew up amid constantly increasing internet speeds, rising iPhone specs, and growing tech giants. This background is the source of such long-term confidence. We know the wonders of the internet age like our backyard, and we are thus able to speak with confidence about the world that will emerge two to three decades from now. This


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be active at the front lines of product development.

Yuta Tsuruoka

Yuta Tsuruoka,
CEO and Senior Executive Officer, BASE, Inc.

Born in Oita Prefecture in 1989, Yuta Tsuruoka took part in an internship program at crowdfunding company CAMPFIRE, Inc., while he was still in university. He released the BASE platform in 2012, and some 10,000 shops were opened through this platform in its first month. BASE, Inc., was established later in 2012 and was listed on the Mothers section of the Tokyo Stock Exchange in 2019.  thebase.in (in Japanese only)

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Hiroshi Aoi

confidence underpins BASE's long tail strategy.

Aoi: Your approach means that the users of our platform will all be operating small businesses. What are your thoughts regarding such smaller businesses?

Tsuruoka: We refer to the individuals who sell products through our platform as "owners" because they effectively own their own shop, and we try to avoid using words like "small business" or "small and medium-sized enterprises." I do not have a strong aversion to the term "small business," but I do feel strange referring to our users as "small and medium-sized." This is because the term "small and medium-sized enterprises" implies a desire to get bigger. BASE's users, however, do not necessarily desire for their business to get bigger. We have some users who have no intention of growing their staff above five members, no matter how much sales may increase, or those that don't replenish their inventories even if they immediately sell out. In this manner, our users are committed to their own individual approaches, a right granted to them as owners. Selling what one wants to sell. Buying what one wants to buy. Only accruing as much money as one needs, and working only when one wants. This is a set of values that many will likely subscribe to going forward. Small businesses offer the benefit of allowing people to embrace such values. As our society becomes a happier place overall, people with diverse values are taking the idea of being "small and medium-sized," something that was previously viewed as a weakness, as a strength.

Aoi: This has all been made possible by the internet. An incredibly influential economist coined the expression "Small

is Beautiful" in a book he wrote around 1973. I really liked this idea. However, at the time, everyone was convinced that bigger was better, and his words thus fell on deaf ears. Today, we have finally reached a point at which the beauty of the small is being acknowledged.

Small Businesses Satisfying Personal Preferences

Tsuruoka: I actually believe small businesses have advantages over large businesses. For example, when a new marketing method appears on the internet, it is individuals who are the first to adopt it. Larger businesses cannot act with such speed.

Aoi: We are truly seeing a reversal in values. Nowadays, larger businesses suffer from a lack of flexibility. As a result, there are some businesses that strategically and intentionally maintain their small size.

Tsuruoka: The rational advantages of small businesses can be seen in all aspects of operations. As individuals now have their own voice, it is becoming harder for large companies to counter what has been said using mass media after the fact. The internet trends over the past five to 10 years have shown the emergence of a larger number of direct-to-consumer (D2C) brands. The teams developing these brands have been engaged in local skirmishes with other such brands, with only the strong surviving.

Aoi: I believe that the small business format is the best format for apparel businesses. This is because everyone has different tastes, physiques, and body types. When the apparel industry was at its height, it primarily comprised apparel manufacturers working on sewing

machines in one-room apartments. When these individuals put their clothes up for sale in small shops at Marui locations in Shinjuku or Shibuya, they would fly off the shelves. This was during the so-called DC (Designers and Characters) brand boom of the 1980s. When I think about it, I cannot help but feel that history is repeating itself. The emergence of D2C brands has brought that sense of excitement back to the apparel industry, and I find myself inspired to support the efforts of such brands. As you say, small businesses are more economically feasible. We are likely entering into an era in which aspiring entrepreneurs are able to put their individuality on full display and transform their preferences into a business.

Tsuruoka: In the past, apparel manufacturers were only able to sell their products to people within a close proximity to them. Today, however, the internet and modern technologies allow people to deliver their products to customers anywhere in the world. This reality has lowered the high barrier to entry into the apparel industry as one no longer needs to have a brick-and-mortar store in a prime location.

Aoi: Businesses used to entail competition between people offering the same things, but times seem to be changing. The businesses of the future will likely see people offering different things forming networks and working together. What type of co-creative initiatives do you hope to promote in the future, Mr. Tsuruoka?

Tsuruoka: I feel strongly that future co-creative initiatives will be advanced through the entire business ecosystems. All members of the business community will be prospective partners, and it will be impossible for one business owner to provide all the forms of value needed. In the case of BASE, we called upon MARUI GROUP to establish physical stores. We were able to take this approach because the current era is very strongly oriented in favor of users. Businesses in this era are only able to prosper to the degree that they satisfy users. No matter how



you look at it, co-creation is becoming the cornerstone of business in the current era.

Aoi: I think I have wrapped my head around this. In the future, rather than MARUI GROUP having its business while also collaborating with BASE as a separate endeavor, we will come to adopt a perspective that frames collaboration as our business. Individuals will be the business owners of the future, and individuals and small teams will have a main-stage role in the business community of the future. For MARUI GROUP, the value we provide, the co-creation we pursue, will be shaped by our ability to support such individuals and small teams.

Tsuruoka: It is rare for a company of MARUI GROUP's size to say that individuals will be on the main stage in the future. I have incredible respect for this boldness.

Definitive Reason for Pledging Life to Supporting Younger Generations

Tsuruoka: MARUI GROUP is collaborating with BASE as part of its co-creative projects with younger generations. Why are you, Mr. Aoi, so committed to

supporting younger generations? It seems rare for someone to be so dedicated in their support for younger generations.

Aoi: I see myself as a forward-looking person. I have little interest in the past; it is much more edifying to think about the future. When I was around 45, I realized that the people I interact with and the people from whom I sought guidance were getting younger and younger. To me, the input of younger generations is the future itself. My interactions with such individuals give me a glimpse of the future, and this is incredibly exciting.

Tsuruoka: You mean to say that your commitment to younger generations is a product of an earnest curiosity, a desire to formulate an image of the future?

Aoi: That is one reason, but I have another, more definitive, reason. When my son was in sixth grade, his class conducted a panel discussion on the theme of "Our Future" during a class that was open for viewing by parents. I was shocked at how depressing the panelists' visions of the future were. Some predicted that humanity would be destroyed by nuclear war, while others projected extinction due to global

warming. Nonetheless, they said this while laughing. It dawned on me that these kids were the same age as Greta Thunberg. Even though they lived in a different country, they would be living their future in the same era as her. It then hit me: It is the responsibility of my generation to protect the future of these children. At that very moment, I lost my ability to pass the buck to others. After that, I turned 60, and at that time I pledged to use the rest of my life to support younger generations. What do you, Mr. Tsuruoka, think you can learn from younger people?

Tsuruoka: Basically, I think that the only place to find new ideas is from younger generations. At the very least, this is true in the IT and technology spheres. Here, it is people in their teens and 20s that are setting the trends. This means that I only have another decade during which I can be active at the front lines of product development. It is crucial for the most important and influential members of frontline operations to be young. It is also a must for all members to share such values in order to spur their mutual growth.