

# Chapter 18

## Innovations in the Service Industry During the COVID-19 Pandemic: The Case of Japan

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### ABSTRACT

*This chapter investigates the impact of the COVID-19 pandemic on the Japanese service sector and the resulting innovations to manage and respond to the difficult situation. Specifically, this study illustrates how e-commerce is emerging as a leading channel for retailers, examines the ethical awareness of both businesses and consumers, and studies the new business models resulting from this trend. Based on several case studies, this study examines the service sector's response to a series of disasters, the cultural background of consumers, and age-long corporate cultures. Additionally, the future direction of innovation in Japan's service sector is discussed and forecasted.*

### INTRODUCTION

The COVID-19 pandemic had a serious impact on both human lives and the society and economy worldwide. The various recommendations and measures introduced by governments across the world to prevent the spread of the infection had adversely affected the service sectors.

On November 16, 2021, Japan officially recorded 13,700 infections and 146 deaths per million population (Worldometer, 2021). The economy was severely crippled during this time. A government survey reported that Japan's Gross Domestic Product (GDP) shrank by 27.8% during April–June 2020 compared with that during April–June 2019. This was the worst economic loss experienced in the past 50 years. The service sector accounted for nearly 60% of this loss because the country had been inten-

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sively investing in the service sector in preparation for the 2020 Summer Olympics and Paralympics and trying to attract s many foreign tourists to Japan but failed because of the immigration restrictions.

The plight of the service sector in several countries was similar owing to government recommendations and measures undertaken to curb the pandemic(Aldrich and Yoshida,2020; Konishi, et al., 2021; Shanka & Menebo,2022). However, the policy characteristics in Japan was exceptional. While the national government declared a state of emergency in response to the pandemic, this was sheer recommendations only to the service sector; thus, there are no legal restrictions(Aldrich and Yoshida,2020; Konishi, et al., 2021).

Therefore, the service sector was not subject to legal restrictions such as lockdown and business hour restrictions practiced and imposed in other countries. The service sector rather engaged in voluntary industry initiatives to combat the infection(Konishi, et al., 2021).

Consumers were also receptive to these nonlegal measures and cooperated through self-restraint(Wakashima, et. al, 2020). Ironically, the so-called go-to travel campaign by the national government in cooperation with the travel industries was a great success(Ochi, 2021; Anzai and Nishiura, 2021). Consumers practiced minimum health protocols during this campaign, which contributed significantly to the dwindling travel industries and the regional economy(Ochi, 2021).

Consumers' cooperation went to the extent that there were a few instances of hoarding in the retail sector. Fortunately, there was no reported massive hoarding(Konishi, et al., 2021).

Few studies have attempted to understand the impact of the pandemic and other imperative factors that act as a blueprint for navigating businesses to the future. Therefore, this chapter uses numerous case studies to analyze the impact of the pandemic, empirically examines how it has been an engine of innovation in the service sector, and studies the characteristics of these innovations. This study leads to a foundation in forecasting through the changes in the service sector and provides analytical inputs to academicians, business practitioners, and policymakers.

This chapter is presented as follows. First, Section 1 briefly summarizes the outbreak and course of the COVID-19 pandemic in Japan. Next, Section 2 presents unique examples of the so-called hoarding behavior in Japan that occurred during the outbreak of the pandemic. Section 3 presents examples of e-commerce developments related to the retailing of food and daily necessities that occurred during the pandemic. Section 4 introduces a new form of purchasing, called “supportive purchasing,” that emerged from the ethical awareness of businesses and consumers. Section 5 presents the conclusion.

## **THE SUMMARY OF THE PANDEMIC IN JAPAN: 2020–2022**

### **Outbreak Course of the Pandemic**

The first case of COVID-19 infection in Japan was confirmed on January 16, 2020, in a resident of Kanagawa Prefecture who had returned from Wuhan, China (Wakashima, et. al, 2020; Nihon Housou Kyokai, 2020). The first confirmed death occurred on February 14, 2020. Subsequently, a second outbreak occurred in travelers and returnees from Europe and the United States.

Moreover, the cruise ship *Diamond Princess* departed Yokohama Port on January 20, 2020, stopping at Kagoshima, Hong Kong, Vietnam, Taiwan, and Okinawa, before returning to Yokohama Port on February 3, 2020. During the voyage, a passenger who disembarked in Hong Kong on January 25 began coughing on January 19–23, developed fever on January 30, and was confirmed to be positive for the new

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