

Japan's economy and the coco cola company



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Japan's economy is a reflection of the Japanese culture, which obviously differs from Western culture. The Japanese economy was in a period of growth during the 1980s. The standard of living was on the rise with the average household income reached US\$25, 000. Also, the Yen was becoming stronger during this time.

In addition, Japan was becoming increasingly concerned with health issues, which means that nutritious foods and beverages were becoming more and more popular. Industry Coca Cola falls into the beverage market, which in Japan was worth US\$18 billion. This US\$18 billion industry can be broken down into seven different markets: 1. Colas - 10% 2. Other carbonated drinks - 9% 3. Juice - 26% 4.

Teas - 9% 5. Coffee - 21% 6. Water - 16% 7. Sports drinks - 9% The Tea Market Tea has a long history, especially in Japan. The Japanese company, Ito En Limited, is a major player in the tea market.

They are a wholesaler and packager company since the 1970s. But with the Japanese economy booming, more and more people are having less time for pleasures like tea. People were becoming busier and their lifestyles were changing. As a result, canned, ready-to-drink tea was brought to the market. The ready-to-drink tea segment consists of three types of tea: Oolong, which holds 57% and is growing at a rate of 42%, Black, which holds 31% and is growing at a rate of 60%, and Green, which holds only 12% of the ready-to-drink segment.

There is also a fourth competitor that has made its way into this Japanese market. Western-style tea with milk and/or sugar, was experiencing a 60%

annual growth rate. Distribution Channels The four major distribution channels for tea are grocery stores, convenience stores, restaurants, and vending machines. The “big dog” in distribution channels is the vending machine. Sales from vending machines for beverages account for 50% of all beverage sales.

A well-placed vending machine can end up selling around 10,000 cans per year. In addition, Japan had about 5 million vending machines with roughly 2 million with canned drinks. Grocery store beverage sales amount to US\$4.8 million and at the time of the case was experiencing growth of 5.

1% annually. Convenience stores sales total US\$3.4 million and were experiencing 15.8% growth.

Coca Cola Japan Company In 1957 Coca Cola made its way into Japan. Their focus was on relationships, the competition, and to understand the Japanese culture. Coke wanted to build strong ties with local businesses that were already major players in Japan. These potential alliances would be with the three most notable partners in Japan: Mitsui, Mitsubishi, and Kikkoman.

By 1985, Coke had established their dominance. Compared to revenue in the USA, Japan was a great market where four to five times the revenue could be made on a gallon of syrup. From a public relations standpoint, Coke wanted a positive image, so they promoted cultural, educational, and athletic activities. Recent Success The Japanese sector of Coca Cola has been quite a success that is the result of hard work in direct marketing to local retailers and the large distribution system setup. The distribution system has 17 centers that supply their own regions throughout Japan.

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This shows the Japanese that CCJC is for real. It shows their dominance. However, dominance needs other aspects to help generate sales and win market share. Coca Cola knew that in order to be successful, they would have to bend over backwards and make sure things happened throughout the entire product process. One of Coke's goals in Japan was to create lasting local relationships.

They ended up helping to unify some disparate players. In 1973, Japanese farmers had a huge surplus. Coke bought the bumper crop and to produce HI-C. This stimulated a positive relationship with local producers. In 1975, Georgia, ready-to-drink coffee, was introduced into the market.

It was designed to target young Japanese businessmen. It proved to be another success for Coke. By 1987 it was leading the market with 34% share. This means Coke's "big foot" is in the coffee market "door." More recently in 1983, Aquarius, an isotonic health drink that replenishes fluids and electrolytes was introduced.

Current State By the late 1980's, when this case was done, CCJC had a substantial presence in some Japanese markets. The cola market belonged to Coke with their 90% market share. Also, the non-cola market saw Coke taking a little less than 60% of the market. However, in the rest of the drink market, Coke only represented 10%.

Overall, Japan was a more lucrative country than the USA was. Japan produced 21.5% of Coke's worldwide profits, while USA only made Coke 18%. The channels of distribution that Coke used were dominated by

vending machines. 750, 000 vending machines produced 65% of Coke's revenue.

In addition, they were planning on adding 100, 000 new machines a year that would cost US\$4000 each, totaling US\$400 million annually in vending machines alone. Competition There are five major competitors in the Japanese drink industry: Ito En Ltd., Suntory Ltd., Kirin, Hitachi Zosen Corp.

, and Asahi Breweries Ltd.. Ito En was the leader in canned tea market. They started the boom in 1981 and by 1985 they had the first can of green tea on the market.

This tea was special for on the run people. It was basically immune to temperature changes. Suntory was the largest distillery in Japan. Recently they have been gaining in the nonalcoholic beverage market. Also, Suntory created Oolong tea that hold 50% of the market share.

Besides these products, colas, green tea, and tonics are also part of Suntory's product mix. They are also considering entering the canned coffee market. Kirin is the first to produce canned black tea in 1986. They are the 5th largest brewery in Japan with a 50% share. They also are a soft drink leader and have annual revenues of about US\$1 billion. Basically, Kirin is into a little bit of everything, but has weak sales in the canned coffee market.

Hitachi is a diversified corporation that is into shipbuilding and biotechnology. They created a new tea from the tochu tree that is beneficial for high blood pressure, the liver, and the kidneys. Asahi is the first to bring

Western-style tea into Japan. They are also a major player in the canned coffee market. Problems Evaluation of the tea market is a problem for CCJC.

The manager needs to determine whether he feels that entering the tea market would be worth CCJC's while. Also, even if the tea market seems to be a decent market for CCJC, will the Japanese people like what CCJC produces? The pros and cons need to be laid out for a clear decision. In the meantime, issues in other markets are on the rise. How are generic sodas going to affect Japan.

Is there going to be a fruit flavor drink trend? Should CCJC even be thinking about tea? Alternatives There are many options for CCJC to choose from. CCJC could choose to do nothing with tea and focus on maintaining their strong dominance in the cola and non-cola markets. On the other hand, CCJC could decide to enter the tea market and compete with the big Japanese players. Also, CCJC could choose to focus more on the fruit flavored drinks that make up 26% of the US\$18 billion drink industry. Evaluation Since CCJC has a commanding market share in colas and non-colas, the threat of generic sodas coming into the market are not as big of a threat to CCJC as they are to other small competitors in Japan. CCJC's marketing budget is most likely astronomical compared to any generic soda.

This means generic soda will probably take a little bit of market share, but nowhere near enough to be a huge concern for CCJC. Furthermore, when 90% of the market is owned, there isn't much room for improvement, but maintaining position will always require constant attention, which Coke has always done well. One of the concerns of the manager was whether ready-

to-drink tea is a fad? Tea has been part of the Japanese culture for 100's maybe 1000's of years. At the same time, Japan is becoming more modern. People are on the go in Japan's urban economy and they still are going to want their tea. All the major players in Japan have introduced ready-to-drink tea and have been successful.

Ito En started the tea boom, Suntory put out Oolong that takes 1/2 the market, Kirin has established their presence with black tea, Hitachi has the therapeutic tochu tea, and Asahi is sporting the Western-style tea. This clearly shows that canned tea is a viable product in the eyes of the major Japanese players, who the Japanese culture well because they are Japanese. The tea market is a viable market as can be seen from the competition between CCJC's major competitors, who are already in the tea market. Oolong tea has established itself in the market with a commanding share of 57% and growing at a rate of 42% annually. There does not seem to be a dominant player in black tea, green tea, or western style tea. The most attractive market share is in black tea, with 31% and growing on the average of 60% annually.

Tea is 9% of the US\$18 billion drink industry, meaning that the tea market is worth roughly US\$1.6 billion and black tea accounts for 31% equaling a little more than US\$0.5 billion. This does not even take into account the 60% growth annually. Another alternative that CCJC has is to look into the fruit drink market.

This is the market segment that is responsible for 26% of the entire drink industry. Many types of juices are possible and most likely many competitors

are in this segment making it more difficult to get a decent profit.

RecommendationsThe tea market is where CCJC should head. It is a viable market and black tea is where CCJC can penetrate the market. Kirin may have been the first to bring canned black tea to the market, but they seem more focused on their beer that commands 50% of the beer market. This means there is market share that CCJC can capture, especially when the average growth rate of 60% is taken into account.

Perhaps down the road they could tap into Western-style tea. It's something keep in mind because Coke is headquartered in the West.