TOP MANAGEMENT FORUM

Corporate Brand Management

ASIAN PRODUCTIVITY ORGANIZATION
Top
Management
Forum

Corporate Brand Management
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Brand management has a long history. However, the rapidly changing business environment, intense global competition, and more demanding and sophisticated customers have given brand management new significance as a platform through which a corporation can quickly claim and sustain a niche in the market. In other words, a strong brand will give a corporation the cutting edge it needs to survive.

Among Japanese companies, the initial thrust to penetrate the world market was based on price competitiveness through the mass production of goods and services. As competition intensified globally and standards of living improved throughout the world, there was a strategic shift to producing quality goods and services. “Made in Japan” became synonymous with quality and reliability. Despite this, however, there were then only a very few Japanese brand names of worldwide renown. The watchmaking industry is a good example of the importance of brand recognition. Today, Swiss brands dominate the wristwatch market thanks to their aggressive brand management campaigns. In light of past experiences, Japanese companies realized the importance of brand management and since then the field has come a long way in the country. Among the 100 top brands listed by Interbrand, seven are Japanese. Some Japanese brands have become household words, like Sony, Toyota, Toshiba, Seiko, and others.

The current publication is a compilation of presentations made at the 2006 Top Management Forum by distinguished speakers, and it is my hope that readers will gain new insights on how Japanese corporations have made relentless efforts to achieve the essence of productivity in making “tomorrow better than today” through corporate brand management.

I would like to express the APO’s deep gratitude to the Government of Japan for the generous financial support for this annual forum, to the distinguished panel of speakers who shared their insights and experiences on corporate brand management, and to the Japan Productivity Center for Socio-Economic Development for its assistance in organizing the forum.

Shigeo Takenaka
Secretary-General

Tokyo
February 2007
I
Introduction
Introduction

Branding and brand management are not necessarily new ideas. They are perhaps as old as the history of trade. The business environment, however, has changed dramatically, and is continuing to change very rapidly. Worldwide competition is unavoidable. It is also very intense. At the same time, today’s customers are much better informed, selective, and hence more demanding. Under these circumstances, a brand takes on a new meaning. It is a platform through which a corporation can quickly claim a spot in the market and win customers. Because of brand recognition, a company may also introduce a new line of products more easily. A brand also justifies charging a premium price. Similarly, it gives a company powerful leverage when dealing with distributors. In sum, a strong brand will give a corporation the cutting edge it needs to survive.

Looking at its root, the word “brand” has its origin in the old Scandinavian “brandr,” meaning “burn,” referring to the branding of livestock to show their ownership. In the corporate realm, a corporate brand distinguishes a company from its competitors. Today, however, a brand goes beyond mere differentiation. Brand management is now complex, dynamic, and multidimensional. The brand management team must address a host of interrelated issues. Additionally, corporate brand management requires the strong backup of marketing, promotion, and advertising strategies.

In other words, managing a corporate brand is not simply about projecting the visual identity of a corporation through a logo or slogan. It is about winning a battle, an arduous and challenging one to be sure, especially with the brand itself serving a dual and seemingly contradictory purpose as an ultimate weapon, and at the same time as the most precious but fragile possession that we must defend.

In this context, Japan has had its share of mistakes and losses. In the late 1980s, Japanese companies were zealously pursuing corporate identity campaigns. They proved to be failures. The main reason was that they were putting emphasis on visual identity only, by designing new logos or changing the company name.

When the Japanese economy was stagnating in the mid-1990s, there was intense discussion about the viability of “typical Japanese management” style, which put much more emphasis on employees than on shareholders. There were some who believed that companies were no longer for employees, and that it was necessary to change to US ways of thinking that value the shareholders most highly.

However, a very important element was missing in those days, when only two alternative concepts, “employees” or “shareholders,” were considered. It was the customer’s point of view that had been ignored. Many European companies were paying attention to brand, which takes into account all three elements: customer, employee, and shareholder.

Ultimately, three basic elements are required for corporate brand management. Those are clear vision, consistency, and strong leadership. A basic management objective has to be clearly established, and it should be universal over a long period of time. At the same time, the corporate brand is exactly the mirror image of that vision.

We were honored to welcome a group of outstanding guest speakers to this top management forum. Their presentations can be found in the chapters that follow in this volume.
Dr. S. Fukukawa, Chairman, TEPIA, The Machine Industry Memorial Foundation; former executive of Dentsu

Under the title “Improving Corporate Value and Brand Power,” Dr. Fukukawa mentioned that a corporate brand may symbolize the sum total of three values: economic value, customer value, and social value. He said the basis for brand management lies in designing a brand value structure and improving the company’s relationship with customers, with the aim of raising the power of a brand.

He stressed the importance of intellectual capital, and said that business leaders have to make their management strategy clear and let the strategy take root within the company as a shared consensus to use such intellectual capital effectively.

Dr. Fukukawa also touched upon the significant role played by information systems and technological power. He said that top leaders should establish a corporate culture in which employees may always devote themselves to the challenge of creating a new market, new technology, and new systems. He reiterated the importance of maximizing the three values as a whole and faithfully executing corporate social responsibility.

Mr. H. Yamachika, Director, Technical Cooperation Division, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade, and Industry

Mr. Yamachika kindly participated in the first day of the Forum on his way to attend a business meeting in Thailand from Kansai International Airport. He briefed the participants on METI’s policy on technical cooperation. He introduced five priority areas: protection of intellectual property rights, harmonization of standards and conformance, streamlining trade procedures and distribution logistics, environmental protection and energy conservation, and development of human resources for supporting industries and SMEs.

Ms. Y. Shibasaka, Manager, Intellectual Property Services Office, KPMG AZSA & Co.

Ms. Shibasaka explained the importance of intangible assets, such as brand and know-how. A firm’s balance sheet only represents what the company brings from outside of the company, and intangible assets do not appear in the balance sheet. This is why a company’s market value is more than what appears in the balance sheet.

She said that more and more companies had recently been trying to disclose their intangible assets. She also referred to intellectual property reports. More than 20 Japanese companies have created intellectual property reports, which have the internal effect of increasing awareness of intangible assets such as intellectual property.

Mr. T. Fukui, President and CEO, Honda Motor Co., Ltd.

Mr. Fukui talked about the dream of the founder of the company, Mr. Souichiro Honda, and how he made his dream come true, beginning with participation in motorcycle and automobile races and F1 racing. He also explained how the company had achieved those lofty goals, taking as an example the development of CVCC engines. One of the missions in those days was, “We want to keep beautiful blue skies for the children of the future!” It was because everyone working in Honda shared the same goal that they succeeded in developing low-pollutant-emission engines, according to Mr. Fukui.

Honda has decided on a new slogan for the 21st century. It is “The Power of Dreams.” Mr. Fukui said that the company wants to share dreams with everyone and make dreams a reality. Honda wants to be a company that society wants to exist; it wants to be No. 1 in terms of customer satisfaction, not in terms of market share.
Mr. T. Yamamoto, Corporate Officer, General Manager, International Operations, Wacoal Corp.

Wacoal was established in 1949. From the beginning it selected the English written brand name “Wacoal,” with the aim of global expansion in 1953. The founder’s philosophy and goals were clearly expressed: a business based on the establishment of a brand, and the realization of a worldwide Wacoal.

Mr. Yamamoto described the corporate visions. The key words for these are mutual trust, qualified company with qualified people, and worldwide vision. He explained how Wacoal expanded its business in women’s undergarments in the global market, starting in Asia in the 1970s, the US in the 1980s, and Europe in the 1990s. Now the sales of Wacoal products overseas total approximately US$500 million, and the company has direct investments in 14 countries. Wacoal puts primary emphasis on its own brand, which represents quality, fit, fashion, and innovation.

Mr. Yamamoto stressed that Wacoal’s method of brand value communication is bilateral communication with consumers through sales consultants, taking the example of its expansion in the US market, where the brand is established in the middle-to-upper markets for intimate apparel.

Mr. S. Takano, General Manager, Brand Management Office, Matsushita Electric Industrial Co., Ltd.

Mr. Takano told the story of Konosuke Matsushita, who founded the company with only three people. The founder’s idea was clearly expressed in the company’s basic management objective: “Recognizing our responsibilities as industrialists, we will devote ourselves to the progress and development of society and the well-being of people through our business activities, thereby enhancing the quality of life throughout the world.”

The company’s two visions are “Realizing a Ubiquitous Networking Society” and “Coexistence with the Global Environment.” Saying that intangible assets will be the key factor in global competition, Mr. Takano outlined the company’s brand unification campaign. Originally Matsushita products had two brand names, “National” and “Panasonic.” The Panasonic brand name, which was a combination of the two words “pan” and “sonic,” was first used in 1955 as the pet name for audio speakers manufactured for export; the origin of the older National brand name was “of the nation, for the people,” and this brand name was first used for bicycle lamps in 1927. The unification campaign for a single global brand under the Panasonic name was very successful. The company called it “The Switch Is On” campaign, and it was completed in March 2004. However, Matsushita decided to continue to use two brands as far as the Japanese market is concerned.

The company introduced a new global brand slogan, “Panasonic: Ideas for Life.” “Ideas” refers to the value which Panasonic wants to offer to customers, while “for Life” refers to for customers’ daily and whole lives.

Mr. Takano defined the brand power equation as a multiple of “product,” “marketing,” “philanthropy,” and “business performance.” Business performance is the outcome. In his company, there are some 100 brand management promoters.

Mr. K. Saito, President, Dai-ichi Mutual Insurance Company

Dai-ichi Mutual Life Insurance Company was the first financial institution to win the Japan Quality Award. With 55,000 employees, the company put “policyholders first” as its management philosophy. Its basic management slogans are “Win public trust,” “Maximize customer satisfaction,” and “Energize employees and the company.”
Mr. Saito stressed that the company exists for three groups of stakeholders: customers, employees, and society. He mentioned that one means of enhancing the corporate brand is the pursuit of corporate social responsibility.

Mr. Y. Tamaru, Officer, Theme Park Business Supervision, Oriental Land Co., Ltd.

Tokyo Disney Resort was inaugurated in 1983, and it has attracted 380 million people during the past 23 years. There are two theme parks, whose visitors together number 25 million a year. The number of employees totals 5,000.

Mr. Tamaru said the company’s philosophy is family entertainment, the importance of which was really felt by the founder, Walt Disney, when he took his children to an amusement park. He mentioned that during the 1950s, when the US economy was developing many goods and products, it was a big surprise that Walt Disney stressed the importance of services provided by humans.

Tokyo Disneyland is pursuing the goal of giving visitors pleasure through all five senses. The theme park is viewed as a big stage under the blue sky. Management stresses the importance of employees. The resort’s magnificent facilities can only be successful through the efforts of those working for it, including the operations staff.

Mr. Tamaru introduced the company’s efforts to increase its value. The first principle is quality control and the pursuit of consecutive themes. The second is providing excellent hospitality. The last principle is the clarification of a code of conduct. His company calls its employees “cast members,” because they are performing a show to entertain the visitors. For improving quality, there are two key phrases: “Every day is the first play” and “Good show or bad show?” With regard to providing happiness to visitors, the company has established rules abbreviated as “SCSE,” which stands for safety, courtesy, show, and efficiency.

The Tokyo Disneyland brand is represented by each cast member. To enable all employees to be representatives of the company brand, management is making its best efforts to satisfy its employees.

Mr. H. Suda, Adviser, Central Japan Railway Company

Mr. Suda was formerly the President and CEO of Central Japan Railway Company. The story he told of the painter Émile Gallé seemed at first to be unrelated to corporate branding. However, when he said that taking care of the human heart is really the essence of management, the relationship with branding became clear. Gallé made his best efforts to harmonize the contradictory elements in his works of art: delicacy and boldness, the West and the Orient, and quality and mass production.

Just as Gallé, through art, created the Nancy brand, after the town where he lived, regional development must take brand into consideration. Mr. Suda emphasized that the tourism industry needs brand management, because Japanese tourism began with group tours, which relied on standardized services. He stressed that the brand represents the message expressed by a company’s management and reveals what the management believes in from the bottom of the heart. He also touched upon the necessity of customers’ awareness of the brand and said that it is vital for the hearts of both sides to be synchronized.

Takuki Murayama
Director, Research & Planning Department
Asian Productivity Organization
II

Resource Papers
Improving Corporate Value and Brand Power

Shinji Fukukawa  
Chairman, TEPIA  
The Machine Industry Memorial Foundation

I am very pleased to be invited to this APO Top Management Forum on Corporate Brand Management. My name is Shinji Fukukawa, from the business community, but I spent 33 years with the Ministry of International Trade and Industry, which is now called the Ministry of Economy, Industry and Trade, and I have followed Japan’s economic and industrial development from the beginning of the postwar period to its advanced stage.

At that time the key word was “productivity.” We spent a great deal of time improving the productivity of industry and also of other sectors of society. More recently, people are talking about corporate value and corporate brand strategies. As you know, the Japanese economy has recovered from the long recession that took place during the 1990s and that lasted until 2002. The recovery was triggered by increased exports to the United States, China, and other Asian countries. But also in the background were some specific phenomena that helped businesses, especially those in the manufacturing sector, to recover their dynamism: innovative corporate agreements, improvements in corporate profitability, and the challenging of technological frontiers. Now share prices have risen, backed by improved business profitability, and corporate profits have risen more than 10% in the last two years. Confidence in corporate management has also been restored. The people of Japan are developing renewed interest in the power of the enterprise.

Looking also at the Asian situation, the East Asian area plays a very important role in the world economy: Asian countries are considered to be the factory of the world economy and to have contributed greatly to its expansion. In recent years the East Asian countries have established a web-type industrial cooperative framework that has helped to make industrial patterns more sophisticated.

But it is also at the level of the enterprise, or companies or businesses, where such cooperative frameworks can be developed, and so I think it is very worthwhile to consider the role of the corporation in the economic growth of the East Asian countries. I would also like to invite you to pay some attention to corporate values or corporate management in Japan. Perhaps they will be useful for your inquiries into the productivity of your countries.

Here in Japan, discussions of corporate values and the power of brands have been stirring up interest recently. The reasons lie, in my view, in deepening awareness among companies that it is important to ask what are their real corporate values, and to enhance them, in order to be competitive as globalization progresses rapidly and international competition heats up. In the worldwide market, China and other Asian countries have been acquiring increasing international competitiveness, and fierce price competition is taking place among the East Asian countries. Meanwhile, companies in the United States and Europe, making full use of their technological and information powers, are competing to innovate and also vying to win consumer trust. In other words, the focus of competition among companies has been shifting from price to quality and further to elegance or attractiveness. In addition, the number of corporate alliances, mergers, and acquisi-
tions has been rapidly growing, both within national markets and across borders, and the need to redefine the meaning of corporate value and to assess it in a fair manner has been accelerating these trends.

And what are corporate values? I would define corporate values as the source of the ability of companies to provide products and services that respond to the values and needs of the market and society. The company is an organization designed to produce the values the market and society pursue, and the aggregation of those values constitutes its brand power. According to my understanding, the values that companies should seek consist of economic value, customer value, and social value. Economic value means that companies should increase their revenues and profits and boost their share prices. Consumer value signifies that an enterprise should provide the products and services that will satisfy customer needs, while social value means that the enterprise should contribute to the sustainability and discipline of the society through its activities, including the maintenance of social order, providing safe goods and services, protecting the environment, and coexisting with local communities.

Discussions of corporate social responsibility have been taking place in and outside Japan in conjunction with discussions of corporate values. I believe that both concepts—corporate social responsibility and corporate values—stand on the same ground, and that companies can fulfill their corporate social responsibilities only by pursuing economic value, customer value, and social value. There have also been serious discussions of who owns a company, and according to the line of reasoning which I have mentioned, the conclusion is that the company belongs to its shareholders in terms of its capital, while at the same time stakeholders such as customers, business partners, and local communities have close relationships with it.

Economic Value

First, an enterprise should pursue an increase in its economic value. In order to realize economic value, it is essential for the company to improve its earning power. Then it should return the fruits of the activities to its shareholders, distribute them to its employees, improve its international and internal reserves, and make the best investment choices to take the next steps for growth.

How do we measure economic value? Among various indicators, earning rates are often used. They include the profit turnover ratio and the return on capital employed ratio. The return on equity, ROE, is also used in relation to the ownership capital. ROE, which stood close to zero in Japan in 2001, increased to 7.6% in 2004 and to 9.8% in 2005. Compared with the rate in the United States and Europe, however, the ROE of Japanese enterprises remains quite low. Since its share price indicates the earning power and growth potential of a company, market capitalization is often used as the measure of corporate economic value. However, international comparisons using market capitalization are rather limited because market capitalization is often influenced by foreign exchange rates, price fluctuations of oil (as seen recently), speculative moves, and other factors. When we look at the world corporate ranking at the end of 2005 in terms of market capitalization, we find that the U.S. corporation General Electric topped the list for the third consecutive year. Energy companies are highly ranked on the list because of the recent surge in crude oil prices. Among Japanese companies, Toyota Motor came in eighth, with a market capitalization 7.6 times that of General Motors and Ford Motor Corporation combined. However, the market capitalization of Japanese companies is generally smaller than that of corporations in the same business categories in the United
States and Europe. For example, Hitachi’s market capitalization is about one-fifteenth that of General Motors. The capitalization of Ito Yokado, the biggest retailer, is about one-fourteenth of Wal-Mart’s.

Japanese financial institutions were high in the world rankings during the period of the Japanese bubble economy in the early 1990s, but they dropped sharply after the economic bubble burst. Though they have been moving back up more recently since the successful disposal of non-performing loans and the restructuring of the financial sector through mergers, they still rank lower than American and European financial institutions because of their weak profitability. Market capitalization may be the key factor to assess the market value, but it is influenced by a number of factors. However, business leaders and executives should place priority on market capitalization in executing business strategies.

Table 1 shows the world corporate rankings in terms of market capitalization at the end of 2005.

Table 1. World corporate rankings in terms of market capitalization (end of 2005)

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Company name</th>
<th>Market capitalization (unit: billion dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>General Electric (US)</td>
<td>371.5</td>
</tr>
<tr>
<td>2</td>
<td>Exxon Mobile (US)</td>
<td>349.5</td>
</tr>
<tr>
<td>3</td>
<td>Microsoft (US)</td>
<td>280.1</td>
</tr>
<tr>
<td>4</td>
<td>Citigroup (US)</td>
<td>253.5</td>
</tr>
<tr>
<td>5</td>
<td>BP (UK)</td>
<td>219.6</td>
</tr>
<tr>
<td>6</td>
<td>Proctor &amp; Gamble (US)</td>
<td>200.4</td>
</tr>
<tr>
<td>7</td>
<td>Wal-Mart Stores (US)</td>
<td>198.1</td>
</tr>
<tr>
<td>8</td>
<td>Toyota Motor (Japan)</td>
<td>187.1</td>
</tr>
<tr>
<td>9</td>
<td>Bank of America (US)</td>
<td>185.3</td>
</tr>
<tr>
<td>10</td>
<td>HSBC (UK)</td>
<td>180.4</td>
</tr>
</tbody>
</table>

It is crucial for a company to boost its earning power in order to improve its corporate value. Enhancement of labor and capital productivity is the key for this purpose. To achieve this goal, companies should continue their efforts to streamline their production systems that are designed to gain higher output in relation to the input of resources and labor, to make their procurement of resources and materials more efficient, and to cut down on their distribution costs while they apply information systems intensively and efficiently. Further, they have to grasp the demands of customers in a changing marketplace, cultivate new demands, and develop new products and services. Needless to say, the source of improved corporate earning power lies in technological innovation. Companies have to conduct joint research and development projects and promote technological cooperation with other companies, while strengthening their own technological capabilities.

Reform in corporate governance is also an important factor for the improvement of corporate earning power. Executives should introduce information systems that can accurately grasp changes in the tastes and characteristics of a company’s customers, as well as in the technological and social conditions for selecting the most promising investment targets that will improve earning power and define clearly the main focus of research.
and development. Where there is a weakness in management resources within the company for maximizing future growth potential, executives should make use of alliances, mergers, and acquisitions to compensate for their weaknesses. Business alliances, mergers, and acquisitions have become increasingly popular in Japan. In 2005, the number of mergers and acquisitions by Japanese companies increased by 21% compared with the previous year, totaling 2,113. This is because many Japanese companies have come to believe that it is difficult to survive in today's global competition unless they reach a certain size. They turn to alliances, mergers, and acquisitions to expand their growth potential, expand their market share, and enhance their technological competitiveness. Some companies, unfortunately, use these tools to push up their share prices speculatively and raise their market capitalization, but speculative games like this will not succeed in the long run, I believe.

Risk management is also important for maintaining earning power. Companies are surrounded by many uncertainties in their business environment. They are constantly exposed to unexpected dangers such as natural disasters, crimes like cyber terrorism and patent infringements, as well as foreign exchange fluctuations, policy changes, product boycotts by consumers, and strikes by workers. They have to be prepared to face these risks. Hostile takeover attempts have also been on the rise recently, making it necessary for companies to defend themselves. Management strategies to minimize those risks are also important in order to prevent a decline in revenue and profit and to secure sustainable rates of development.

Customer Value

One of the most important roles of a company is to respond to the values of customers. In the product-led economy in the second half of the 20th century, suppliers tended to take mass production systems by installing large-scale plants and standardizing working systems and putting their products on the market for mass consumption using advertising. However, in the information technology-led economy of the 21st century, customers may possess a great deal of information on the market and can exercise their own judgment in buying goods and services. These changes result in a differentiation of demand and a diversified demand structure, and companies must respond to these changes. Today's consumer environment has two typical characteristics: low price orientation and high value orientation. When consumers buy daily necessities like shirts or socks, where there is little difference between one product or service and another, they tend to select low-priced products; however, they do not hesitate to pay high prices when buying things like jewels and furniture, or when enjoying operas, concerts, and ballet performances or travel cruises.

The large expansion here in Japan of 100-yen shops, discount stores, and fast food restaurants shows consumers' preference for low-priced goods. Consumers also use the Internet to look for products with low price tags. Companies targeting the low-priced sector tend to order products from countries with low costs or to move their production base to those countries in an attempt to meet this trend.

The preference for high value is demonstrated in several areas: culture, time management, self-improvement, the pursuit of good health, the importance of nature, and safety and security. In the first area, as globalization progresses, opportunities to associate with other countries expand sharply and make people more interested in culture. People become more likely to seek their identity in culture. In choosing cars, electronic home appliances, furniture, and fashionable apparel, people have come to consider not
only their functions, but also their designs, colors, and other factors that satisfy their cultural sense. Recent progress in digital technology has made it possible to instantly and interactively provide a wide variety of information in the form of sound, data, diagrams, and animation. The electronic and information technologies can make new forms of artistic expression possible, including electronic musical instruments and laser lighting systems, while newly-developed electronic techniques such as computer graphics have made the performances of operas and ballets more sophisticated. Moreover, digital technology has made the expression of sensibilities more sophisticated, far beyond the capability of analog technology, and has made possible a greater variety of cultural expressions. It has expanded the means of cultural communications and the transfer of cultural expression. The shift from LP records to CDs and from color television to plasma and liquid crystal television, as well as the wireless distribution of music and images, symbolize this phenomenon. Pop art and animation have made it possible to integrate real and virtual expression in film and other visual media.

In the second area, new types of preference may emerge as people become more aware of the value of time. The information and communication revolutions have brought about an age in which companies and people can access other entities or individuals at any time, from anywhere. The increasing use of mobile phones has made us realize the importance and value of time. Further, in the business sector, companies can now operate in the best possible locations anywhere in the world as a result of the information and communication revolutions. E-trading has spread rapidly, enabling people to save time in choosing goods and shopping for them. Women have changed their lifestyles and the way they use their time because of their growing participation in society, and this has resulted in the expansion of time-saving services for doing housework as well as in increasing sales of packaged and prepared foods. When people realize that time value is important, they become more inclined to use their time in a more careful manner. They tend to associate with other cultures, spend more time with their families, deepen their relations with friends, enjoy leisure activities, and take trips overseas. The economy of speed, ironically, may stimulate the awareness among people that it is important to enjoy leisure time, hobbies, and relaxation.

Third, the value to people of redefining themselves through education is now becoming more apparent. When our standards of living improve and we have access to abundant information, we want to take advantage of it to improve our abilities and talents. It can be said that this trend is also a reflection of culture and time values. E-learning systems have been spreading widely in recent years. A typical example is the pursuit of culture subjects, including English lessons. People are also now becoming more interested in pottery, haiku, painting, and other cultural activities, and the Internet is making it easier for them to find classes.

Fourth, the importance and pursuit of good health is increasingly recognized. In the 20th century, the average life span increased from 44 years to 60 years all over the world, and from 44 years to 81 years in Japan. Reflecting this trend, we are becoming more health-conscious. An abundant amount of information available on health may accelerate this trend. The medical information system has advanced, providing us with many accurate means of monitoring our health condition. Further, in order to stay healthy, many people have come to refrain from drinking alcoholic beverages and smoking, to eat more natural foods, to take supplements, and to exercise.

The fifth factor is our respect for and valuing of nature. Japan and other countries in Asia have always considered coexistence with the natural world important and have
found beauty and sensibility in the changing seasons. Recently, however, the degradation of the global environment has become a serious problem. Heat waves, forest fires, droughts, long spells of rain, and floods have been occurring frequently in the world, symbolizing the climate change that is taking place. People fear that global warming, if left unchecked, could raise the sea levels, flood low-lying areas, spread diseases, and lead to soil degradation as well as to water and food shortages in the long run. The human race has developed technology and industry to make life more comfortable and more convenient for itself, but that development has now reached the stage where it really interferes with the circulatory functions of nature. Consumers, beginning to become aware of this change, are beginning to take the value of nature more seriously, by seeking goods and services with low environmental burdens and expecting the industrial sector to establish a circulatory economic system. Demand for hybrid cars and energy-saving electronic home appliances has been accelerating, and interest in recycling has also been rising among consumers.

Sixth, we see the value of safety and security influencing preferences. When our living standards become higher, we start looking for physical health and financial security, as well as spiritual relief. People are talking about how to prepare themselves for natural disasters like frequent earthquakes, torrential rains, and so forth. Some companies have been severely criticized for their defective cars, electric appliances like heaters, and communication devices, which threaten consumers’ safety. Moreover, people are naturally paying much attention to the safety of foods, as can be seen in the issue of BSE-infected cattle. Crimes like theft and burglary have become more rampant, fueling demand for safety and security and spurring a strong interest in measures to prevent child kidnapping and other crimes. Companies can play a significant role in many areas of our life by providing advanced information systems and new types of services that enhance safety and security.

Social Value

Third, I would like to discuss social values. Corporate social responsibility is now emphasized in the various sectors of the business community. In Japan, the earliest discussions that called corporate social responsibility into question took place in the 1960s and 1970s in connection with the nation’s serious pollution problems. Enterprises that polluted the air and water and brought about serious diseases in their neighborhoods were severely criticized by the public. The question of the corporate social responsibility was also raised later as companies boosted prices to take advantage of the shortages of oil and as scandals involving racketeering activities at shareholders’ meetings surfaced. Some companies have also come under criticism for selling defective products. However, in recent years Japanese industry has been actively tackling global environment issues. Keidanren (the Japan Business Federation) announced an environment charter in 1991 to develop action guidelines and also started a “Voluntary Action” in 1997 to improve energy efficiency and reduce CO₂ emissions. The challenge is to develop and use energy-efficient and low-polluting hybrid cars and electric cars, energy-saving equipment, and new sources of energy like solar energy. Meanwhile, the Environment Ministry and the Ministry of Economy, Trade, and Industry have put incentive measures in motion to help the private sector increase its efforts while drafting guidelines on environmental accounting and environment reports and urging industry to introduce them. In the international arena, the International Organization for Standardization, for example, has been trying to set up guidelines for corporate social respon-
sibility. It has been improving its environment action standards, including the ISO14000 series, and also drafting basic rules for non-environmental items. Plans to set up international accounting standards have been progressing.

Next I would like to touch on compliance issues. It is only natural for companies, as members of society, to honor various laws, regulations, and rules in order to help maintain social stability and sustainability. They are also required to follow not only organizational laws and regulations that concern themselves, but also other rules, general or specific, that govern their activities. Never should they commit accounting irregularities, conduct shareholders’ meeting in inappropriate ways, abuse the power of supervisors, or participate in price fixing and violations of the labor laws. It is also necessary for them to do all in their power to safeguard personal information and protect information security. Laws and regulations sometimes have loopholes. Some companies try to take advantage of those loopholes to gain profits, but such actions are not, under any circumstances, desirable. When the company plans to take a certain action, it is necessary to examine whether that action might violate the spirit of the law involved, even if it does not violate any specific provisions. Society has its own ethics for action. As long as companies are members of society, they need to honor and follow its ethical principles. It is desirable for companies to live up to the expectations of society and to observe its ethics in dealing with their customers, employees, and stakeholders, to support socially disadvantaged people, and to cooperate with local communities.

I also think it is important to undertake market evaluation and work to improve goods and services. It has been already pointed out that customers are always in search of ways to improve their own human values. This search may lead the market to a higher level. Companies should of course provide goods and services in response to customer needs, but customer value will rise further if, going beyond this, they develop and offer goods and services that are safer, easier to use, and of better quality.

The Japanese business community is now making efforts to improve the global environment. And, of course, as you know, an international cooperative framework is now in place, which consists of the United Nations Framework Convention on Climate Change and the Kyoto Protocol. Here in Japan, many businesses are now trying to reach the targets for CO$_2$ emissions set by the Kyoto Protocol, and this effort is leading to a search for technological innovation and increased efforts to improve the efficiency of energy consumption and to reduce CO$_2$ emissions.

With regard to the sense of social values, satisfying the human values of workers is also an important part of the challenge facing companies. Just as customers seek human values, workers similarly expect their companies to satisfy their human values. The days when employees supplied labor for a certain period of time every day following certain company manuals are gone. Companies can no longer tap the creative talents of their employees with wages and orders alone. They should try to encourage the autonomy of their employees, draw out their desire for work, improve their abilities, and stimulate their creativity. For this purpose, it is necessary for companies to develop the abilities of their employees, assign the right people to the right positions, fairly evaluate their performance, promote their participation in management, and stimulate their contribution to society. It is crucially important for business executives to create a corporate culture that fosters employee self-improvement. It is also necessary to empower women employees by ensuring equal treatment and to foster their capability by providing education and training and chances for promotion.
Maximizing Corporate Value

I would like to turn to the subject of the maximization of the corporate value. The best strategy for maximizing corporate value is through a combination of the three values which I have mentioned: economic value, customer value, and social value. If a company seeks economic value in disregard of customer value, it will end up losing its customers. If it ignores social values and devotes itself only to economic value, it will be criticized by society and will undoubtedly be forced to withdraw from the market. The most important business strategy for corporate executives is to determine how to strike a balance among those three values. Perhaps the optimal combination of the three values will enable a company to improve its capability for sustainable growth. An improvement in economic value will result in better investment power, and the satisfaction of customer value will lead to the expansion of business in the market, while contributions to social value will result in a higher assessment of a company in the marketplace and society, thus raising the value of its corporate brand. A company will end up losing economic value if it simply tries to push up its stock prices by speculative means while neglecting customers and social values.

Corporate Branding

Now I’d like to turn to the issue of brand strategy, which has been discussed in parallel with the issue of corporate value. In a marketplace flooded by a variety of products and services with similar functions and characteristics, consumers may rely on brand names as means of distinguishing one product or service from another. I would also point out that consumer evaluation of corporate social responsibility may have come to reflect on a company’s branding power. Branding generally consists of a product brand and a corporate brand. A brand is a message designed to enable consumers to distinguish a specific product or service, or the existence of a particular company, from others. Usually, the brand takes the form of name, a trademark, a sign, a design, or a combination of these. They are all symbols of corporate value. A brand sends a message to customers, or potential customers, which attracts their interest. Successful brands may usually result in an increase in cash flow, customer loyalty, and repeated purchases or patronage. A brand’s penetration of the market will enable the company to maintain its superiority in the marketplace, to expand its business, and to increase its earning power.

The source of brand power lies in the association of a brand with the memories, experiences, and knowledge of consumers and other related stakeholders. In case of a product or service, the source of its brand power lies in the memory that, for example, it was easy to use, we were satisfied with its quality, others praised it, we are proud of it, we feel attached to it, the service was excellent, sales clerks gave a good impression, and so forth. In other words, a company’s success in satisfying customers’ value becomes the source of its brand power. The power of a brand brings to a company a competitive edge in marketing, expansion of profit margins, expansion of market share, and increased influence on the distribution network. At the same time, it benefits customers by making it easier for them to choose the products, giving them confidence in making purchasing decisions, and bringing a sense of satisfaction in using the company’s products.

Corporate branding depends on the company’s philosophy, management vision, and business performance. A corporate brand may symbolize the sum total of the three values mentioned earlier. In many cases, one company maintains several product brands, but a corporate brand must have something over and above the total of its individual product brands. The basis for brand management lies in designing a brand value struc-
ture and improving the company’s relationship with its customers with the aim of raising the power of a brand. In other words, brand management may consist of improving the asset value of a brand and taking action to spread the brand in the market; the sum total of these activities is usually called brand activity. What is important for a company is to clearly define for major customers the characteristics that constitute the core of its brand and to work out a strategy to spread it. It is necessary for a company to constantly follow the image of its brand among consumers and to assess the way that brand is viewed by consumers.

With regard to products and services, the important factors are reliability, uniqueness, safety, and quality. With regard to the company, the important factors are credibility, innovative power, openness, and sustainability. We have seen many cases in which just one scandal or accident has brought down the value of a brand in a sudden stroke. What is important for brand activity is to maintain close communication with the market and with customers. The means of conducting brand activity have become diversified as a result of the progress in information and communications technologies. In addition to the traditional means of communication like newspapers, magazines, television, and radio, Internet advertising and the consumer use of websites have been coming into increasing use, and it is often useful to initiate an advertising and marketing campaign that targets specific individual customers and also to provide face-to-face follow-up and other services. It is also necessary for a company to constantly provide new information regarding the new asset value of a brand so that the brand value will not become obsolete. If something unfortunate occurs to harm its brand image, a company has to take urgent and appropriate action, not only toward its customers, but also toward the press and others involved, otherwise it could suffer a crippling blow to its reliability and brand names.

Corporate Value and Brand Management Strategies

Finally, I would like to touch on the management strategy to improve corporate values and brand power. First I would like to stress the development of intelligent management. Corporate value is gauged primarily by the results that a company has produced. The results are generally evaluated in terms of cash flow, but they also consist of the company’s real asset value in terms of capital investment and its intellectual capital value as an organization. The important thing is maximizing intellectual capital. Intellectual capital consists of several factors: the ability to grasp customers’ needs and develop new products and innovative technologies as well as to improve quality control, production management, timely delivery, financial health, and follow-up services. It includes so-called formal as well as tacit knowledge. In order to use such intellectual capital effectively, business leaders need to make their management strategy clear and let the strategy take root within the company as a shared consensus. It is strategically important to determine what kind of products or services to develop, what clientele to target, and how to offer the products and services most effectively.

Secondly, the strategic use of information systems should be strengthened. The information and communications revolution has dramatically expanded the area of our intellectual activities by providing a greater variety of diverse information, as well as more layers of information, and has spawned conditions that encourage the creation of new values. Today, information systems form the basis of the corporate activities. The introduction of new information systems such as CAD, CAM, DCM, and SCM, and also ERP, will make a great contribution to improving corporate management. The development of information and communication technologies may also create a wide variety of
new markets. They generate business opportunities in education, advertising, the integration of communication and broadcasting, communication businesses, virtual shopping, and public services. They also make possible the circulation of eco-money or e-money and the development of new styles of digital art. If a company wants to take advantage of any of those new business opportunities, it must change its business model and set up a system for the strategic use of various information systems.

The great resource for enhancing a company’s value is technological power. The 20th century has been called the century of technological innovation, but an even greater frontier of technology spreads out before us in the 21st century. Further leaps are expected not only in the fields of information and communications, but also in new materials, the life sciences, and environment systems.

In the end, the most important strategy for improving corporate values and brand power relies on the uplifting of human powers. The root of any attempt to craft new corporate strategies, to reform management, to provide new products or services, and to develop new technologies lies in the creative power of people. When a company seeks the best combination of economic, customer, and social values in trying to maximize its corporate value, it will find that it is essential to improve and strengthen not only the leadership of its executives, but also the overall human power that includes managers as well as mid-level staff and those in the front lines of businesses. Top leaders should constantly improve their own abilities and sensibilities; at the same time, they should develop the talents of workers, assign the right people to the right positions, conduct fair performance evaluations, and make proper wage decisions, as well as prepare circumstances and conditions so that employees can demonstrate their talents to the fullest. Top leaders should establish a corporate culture in which employers may also devote themselves to the challenge of creating new markets, new technologies, and new systems.

Lastly, I would like to touch on the execution of management responsibility, the most important step in maximizing corporate value. Executives, given the trust of shareholders, are responsible for maximizing their interests and also for attaining the sustainable development of their company with the support and confidence of society. There are different views about which is better, Japanese-style corporate management or U.S.-style corporate management. In Japan, the Japanese style of corporate management was a very strong force when the economy was in the process of recovery after World War II, but currently many business executives are trying to adopt the American style. Of course, there are two different views here in Japan. For example, Sony and Orix are now taking on the American style of corporate management, while Toyota and Canon are keeping the traditional style. We don’t have any conclusion about which is better or which is more appropriate for corporate management here in Japan, but I believe that the most important thing is that executives should be well aware of their responsibilities, maximize economic, customer, and social values as a whole, and faithfully execute their corporate and social responsibilities.

What I would like to stress is that corporate values consist of economic value, customer value, and social value, and that business executives should maximize the total of the three values; I have also stressed that a brand name is very closely related to corporate values. Brand strategies are coming to be very important business strategies; at a time when global competition characterizes the world economy, the power of a brand is nothing less than the total integration and accumulation of a corporation’s values. It is difficult to establish, but easy to destroy. I hope my presentation will be of some use for
improving the corporate values and brand values in your countries. Thank you very much.
Discussions of corporate brands are closely related to the way companies demonstrate their values as a whole, and it becomes extremely important for them to convey those values to the market correctly. A major issue here is how companies should communicate with people in the market, considering the market as a stakeholder in a broad sense, and how they should pass on information about assets that are intangible and make sure to connect them to an appropriate—not excessive—value. For these purposes, it is important for companies to consider how they should handle reports on intangibles.

Different people imagine different things when they hear the term “intangible asset.” One company may consider it an issue of intellectual property, while another may think it involves a corporate brand. Thus, the definitions and images that this one term has vary from person to person. The first thing we have to do is to sort them out. Things that are variously called intangibles, assets, or intangible assets have a variety of aspects. In this paper, I will consider what intellectual property is.

In Japan, the scope of intellectual property is defined by the Intellectual Property Basic Law. In this definition we can include not only intellectual property but also intangible assets, for instance, client lists and database information that are directly linked to a corporate value or corporate activity. Brands and know-how are not always recognized as legal rights, but it is appropriate to consider them as intellectual property. If we divide assets on the books into those on balance and those off balance, we can say that those on balance, in other words intangible assets whose values are expressed in numbers, are acquired from outside. It is difficult to determine the values of such assets as brand names, inventions, and patents that have been created within a company, and they remain off balance, unlisted on the books. This point is related to the fact that it is difficult to manage assets that are intangible. Making it more difficult is the fact that there is a considerable variety of ways to handle them depending on their legal backgrounds. But a company cannot create its corporate value solely with intellectual property rights. Only when a company has the know-how to make use of intellectual property rights, or production lines that can turn them into goods, or a system to distribute them, can it turn them into corporate value. We have to consider how the whole system works and how intellectual assets are used within it.

Next, we have to think about what a company should do in order to have the market correctly understand its corporate value. Here, we define corporate value as a value in the market, or a market value. There have been various discussions on how share prices are determined, but it is well known that shares are often valued considerably higher in the market than their book values. Where do the differences come from? Herein lies a major topic which must be considered, which also includes intangible assets like brand names. If the market values a company higher than its performance warrants, and if its share price has been changing accordingly, then the company has to show its intan-
gable parts to the market in an appropriate way in order to connect its intangibles to its appropriate corporate value and to be understood by the market correctly.

Let me show the concept behind Japan’s information disclosure system with charts.

The core in information disclosure is financial reporting, or the information shown in the so-called financial tables. At present, certified public accountants are monitoring them, giving credence to the information. Recently, the scope of reporting that is being sought has been expanding very rapidly, and companies are under pressure to list information and data on Management Discussion & Analysis (MD&A), governance, and risk management. In Japan, it became partially compulsory to report them beginning in March 2005. Companies are required to list them in their financial statements.

At issue here is the part called non-financial. The final results of a corporation’s performance are expressed in numbers in financial reporting. These are the end results of a company’s past activities. It then becomes necessary for a company to disclose appropriate information to the market on how it regards its activities as a whole or its source of sustainable growth (which is the ultimate mission of any company). Discussions are under way on this issue, but there is a growing trend to consider this non-financial part as “extra-financial” and include it within financial information. This would appear to form the foundation for more appropriate corporate communication.

A variety of research has been conducted in Japan regarding intangible, or intellectual, assets. As a result of studies initiated by the Ministry of Economy, Trade, and Industry around 2001 and by other research groups, disclosure of technical information started in January 2004, encouraging companies to make intellectual property reports. Later, as many people started questioning whether disclosure of information on technical intellectual property alone is enough to show the real picture of a company, a study to consider intangible assets broadly and to determine how intellectual property should be reported began in 2005. Already, an interim report and guidelines have been put together and made public. Following a wide range of research, an attempt to determine the proper form of disclosure is now under way. A part of the White Paper on Trade that came out in the summer of 2004 explains the developments on this to date, and I think it would be worth your while to read it, especially since it is available on the Internet.

Now let me touch on an intellectual property report which came out in January 2004, spelling out various guidelines. We will discuss its purpose first. “Made in Japan” is a major brand. Its sources of strength are the country’s high technological levels and the intellectual property or intellectual property rights that support them. They back up the strength of Japanese companies, and it is necessary for companies to demonstrate that strength in a proper way. But companies face difficulties in managing intellectual property rights since those rights are intangible and often buried within the organizations. There is also a problem in that management and research and development strategies may not have been appropriately integrated.

The survey also showed that some analysts wanted companies to disclose technical information or information on intellectual property that would be useful in assessing their future. That encouraged companies to make appropriate information disclosures. It was recommended, as a result, that reports be based on five concepts. The first was the voluntary nature of disclosure: companies themselves should determine what they want to disclose based on strategic considerations and of their own free will. Second was the necessity for reports to be put together on the premise that companies are managing their intellectual property appropriately. Third was the desire that companies not only explain
their activities but make disclosures that include quantitative information as background information. Fourth was the hope that companies report on their intellectual property, which is the foundation for creating values, on the same consolidated or segment basis on which their earnings reports are based today. I consider the fifth point very important, because it means that information disclosure should be useful for small companies or for those about to grow. Among small and medium-sized companies are those that specialize in the development of unique technologies, and some of them may find it difficult to communicate to the public what they are doing. A report on intellectual property could provide support for them. Based on those five concepts, 10 items for disclosure have been presented.

The compilation of reports on intellectual property has been encouraged since 2004, and more than 20 companies are now putting such reports together. Others are devoting some pages in their traditional IR reports—for instance, annual reports or CSR reports—to intellectual property. Regrettably, I have not been able to check all the companies, but I assume that perhaps more than 30 are making reports on intellectual property in one way or another today. Takeda Pharmaceutical Co. is especially thorough, disclosing information even while drugs are still in the production stage. Canon is also making similar disclosures, issuing reports that stress its technological strength. Most of the companies that are providing information are manufacturers. As pointed out earlier, the strength of Japan’s manufacturing industry lies in its technological superiority, and therefore the significance of information disclosure has first found its way among manufacturers.

Some unlisted companies are also compiling reports on intellectual property in order to let their clients or banks know what exactly they are doing. One drug-making venture is also issuing intellectual property reports and is receiving high acclaim. Among non-manufacturers, an Internet security company called Kabu.Com Securities Co. is making reports available, considering its own business model as an intellectual asset. Most of these reports are drawn up on the basis of guidelines laid down by the Ministry of Economy, Trade and Industry, but Hitachi Ltd. has its own policy. Recently, most companies also have foreign investors, and Kikkoman Co., Bridgestone Corp., Hitachi Chemical Co., and Ajinomoto Co., among others, are issuing reports in English and making them available on their websites.

Regrettably, however, the market did not react in any significant way to some of the reports. Companies had been expecting their corporate values to increase because of their intellectual property reports, but the reports did not have any significant influence on the market because analysts, and especially institutional investors, did not regard them highly. Nevertheless, those reports which properly dealt with the most important parts of the companies received high approval, and the market did seem to understand the details of their business.

Also, internal communication within companies may not have been adequate. I hear from companies that have drafted intellectual property reports that they put them together in their intellectual property departments. But one of the reports which was highly acclaimed was compiled in association with the Investor Relations (IR) section. Also, reports put together by intellectual property departments together with technical development or planning departments won very enthusiastic approval. Today’s situation is that there is little communication based on intellectual property. People in intellectual property departments do not meet analysts often, and analysts may not adequately
understand the technologies of certain companies. I think this is one of the reasons that intellectual property reports were not understood sufficiently.

Further, many intellectual property reports have turned into reports on intellectual property rights. In other words, even though the reports are supposed to show companies’ intellectual property management, they are often focused on intellectual property rights, providing, for instance, detailed information on how many patents companies hold in Japan and overseas but nothing much else. This, I think, is in the background of the failure of many reports to receive significant attention and approval.

While intellectual property is a source of competitiveness for a company and what distinguishes it from other companies, reporting on this part is difficult, and there often is little new information in reports, leaving investors, as a result, with the impression that those reports contain only what they already know.

From these experiences sprang the idea that companies should disclose information on intellectual property that is not confined to intellectual assets management or intellectual property rights.

Companies manage a variety of factors, including intellectual property rights themselves. For instance, in order for a company to maintain the right to its assets, it may have to defend them from other companies, map out legal responses, pay pensions properly, and do a range of other work which the possession of those rights entails. This means management of intellectual property rights as a whole, including the above-mentioned variety of tasks. Separately, there is research and development management that is designed to create intellectual property rights.

In dealing with intellectual property or intellectual capital, a system for managing personnel or brand names will become necessary. But we cannot find out about management of a company as a whole unless that company shows, in reporting on intellectual property as a whole, how management of intellectual assets is interconnected, what sort of joint-ownership relations exist, how the assets are integrated, what sort of synergy there is, and how all these are linked to the financial results. Only when various resources are put together dynamically can a corporate value be created.

These days, factors like the clients a company is dealing with, alliances it is forming, or partners it is maintaining to run its supply chain are becoming major values. In the future, companies will create their own values that will include their external relations. In other words, companies cannot present their true selves unless they show all the interconnecting relations of their operations as well as the financial figures that result from them.

The need for disclosing intangible assets as corporate values has been pointed out not only in Japan but in other countries as well, and various projects are underway. In the OECD, a project called “Value Creation & Intellectual Capital” proposed by Japan and some European countries is in progress. A symposium on the interim results of this project was held in Ferrara, Italy, in October last year. It was found at that time that leading companies in South Korea are compiling intellectual capital reports. I hear that companies in Taiwan are also taking a similar approach. These examples illustrate that discussions on how to present intangible assets in a tangible form have been taking place simultaneously in various countries today.

Here are some other instances. In the form of “operating and financial reviews,” disclosure of information on intellectual property has already been systematized in Britain. Disclosure in Japan is still voluntary, but Britain is moving a step ahead, making it mandatory. Denmark and other Scandinavian countries are also making progress in dis-
closing information on intangible assets. The example of a Swedish insurance company, Scandia, is well known. This company has been making intellectual capital reports ahead of others. In Germany, research and practice on how relatively small companies should handle reporting have been making headway because of the country’s industrial structure. Elsewhere in the world, the International Accounting Standards Board published a discussion paper on management commentary in October last year. The board is inviting comments from various countries on a plan to make disclosure of information on intangible assets a specific international standard as part of financial reporting. In the United States there has been a move toward Enhanced Business Reporting. An attempt was made early this year to form a consortium of American companies that will integrate various forms of reporting and show how disclosure and business reporting should be handled. In Canada, there is a trend toward value management and collaborative reporting, an approach that is focused on how to quantify information. Following the Canadian approach, accountants in the United States, Germany, and some other countries are considering how to express information on intangibles in numbers.

I will now explain the basis of Japan’s present intellectual property management reporting. There are two major concepts the Ministry of Economy, Trade, and Industry and others are considering. One is a request that companies properly tell their own stories of value creation and support them with appropriate amounts of information and figures. Companies have been doing business to date and will continue to do so in the future. The ministry is requesting them to report their past results as well as future plans in a comprehensive way. Also, reporting is often done on a calendar year basis in Japan, but many companies make decisions on a medium- and long-term basis, such as every three or five years. From this point also, they should write their stories properly, making clear what policies they are pursuing and what kind of investments they are making and presenting the information together with figures.

More specifically, CEOs should make their commitments clear, telling the market where they want to take their companies and what they want to do in the future, as well as what they have been doing in the past. Top managers should share their commitments with stakeholders, including their employees, so that they all understand the firm’s commitments. This is a major reason for making intellectual property reports.

For this purpose, there are four basic ways of thinking. First is that companies should tell their stories of value creation. They should also tell us how they want to be in the future. Corporate Social Responsibility (CSR) and environmental reports tend to deal mostly with past corporate activities, but companies should make it clear in their intellectual property reports how they want to use their intangible assets to connect their business to the future. Risk management is another important point. Companies should tell their stakeholders how they propose to deal with imaginable risks in an easy-to-understand way. And there should not be any discrepancy between what the reports show and the financial figures and information that result from their business activities. In other words, reports should be free of any conflict in terms of numbers. It also is important to present reliable Key Performance Indicators (KPIs). We should be able to compare reports of some companies with those of others on a time-series and consolidated basis. Japanese companies are being urged to compile their reports on the basis of these four basic ideas.

What should go into those reports? First is the business strategy. Present results and future plans, as well as the story about intellectual property and value creation, should be included, as well as how to respond to elements of uncertainty. These are four
items any report should contain. Reports should contain more than just set information and should not be presented just like a story. They should show indicators that support the information the companies are providing.

The question is what should be selected as KPIs, or which quantitative information will help a company get its story across correctly to the market. This is a strategic decision, and it should be made by top management. Managers cannot make a proper choice unless they know where the strength of their company shows itself. If different companies have different areas of strength, the KPIs in their reports are expected to be different, even if the companies belong to the same industry. The choice itself is a management decision. If a brand name is the greatest source of strength for one company, then it is very significant for that company to consider how it can make the market understand the strength of its brand name and try to show it with numbers.

In Japan, four companies have already released intellectual assets-based management reports. All About Inc. is an information company using the Internet. It has very few tangible assets. It has neither factories nor intellectual property. It is doing business relying only on business models and human resources. When asked how effective its intellectual assets-based management report is, company officials said that people now understand their business better, that the company is better known in many areas of business, and that the number of visitors to its website, its core business, has increased.

NeoChemir is a very small biotechnology-based company in the Kansai area. It is, of course, not listed on any stock exchange. But when it put an intellectual assets-based management report together, its president was able to convey his ideas to people inside the company and, as a result, to show those ideas to outside people as well.

Thus, various strategies are being developed for promoting the compilation of intellectual assets-based management reports. Yet not enough people understand what the intellectual assets-based management report is all about, and it is necessary to deepen this understanding. As has been stated earlier, this trend can be seen not only in Japan. OECD members are also holding discussions, sharing a common understanding. It is hoped that all countries will exchange and share information on a global scale in the future. Also, venues for discussions like workshops and symposiums will become necessary. There should be communication between those who provide information and who receive it on the kind of reporting that should be done. It is very important to hold an event where all the people concerned can gather together.

Next, an approach to the stock market is necessary to create a market value. Some stock exchanges are about to begin discussions on how to have companies release information about intellectual property and how to assess it in an effort to secure the reliability and transparency of information. In Japan, public trust in information disclosure has been seriously shaken. Certified public accountants as well as accounting firms recognize this as an extremely serious problem. It is necessary for all of us, including stock exchanges, to consider how disclosure of intellectual property information should be handled if we want to raise the level of trust in the disclosed information and to create new values that are properly evaluated by the market.

Small companies are finding it extremely useful to put intellectual assets-based management reports together, and there is a move to clearly demonstrate the specific advantages of making those reports available. Specifically, a move is afoot to provide some sort of preferential treatment on interest rates to small companies that are making intellectual assets-based reports public or expanding the scope of information disclosure. In many cases, small and medium-sized companies find it necessary to meet immediate
fund requirements, though they are fully aware of the importance of medium- and long-term plans. That is also prompting the efforts to make the merits of this type of disclosure clear.

At the same time, we have to improve the contents of intellectual assets-based management reports. One issue here is how to make it possible for us to compare the reports. Since companies are disclosing information on assets that are the sources of their uniqueness, it would not be strange if they come up with completely different types of reports. On the other hand, it is only natural that the need to compare reports from different companies in the same business will arise as long as the information is made available. Discussions are under way to determine what should be done. As one possibility, a three-tiered system is being explored. In this system, all companies would disclose information in common demand, while those in certain industries would make industry-specific information available. Also, some companies would disclose information that shows their uniqueness. In this way, it would be possible for investors to compare their reports while companies could advertise their uniqueness.

Next, we will discuss the reliability of information. Here, a demand that accountants ensure the reliability of information will arise. What sort of conditions should be satisfied in order to assure the market about the reliability of information? Even if a company says it is carrying out a certain research project, is it really true? If a company says it is spending such-and-such an amount of money per employee for research and development or education, can we really believe it? How effective is the company’s effort? Are the financial results accurate? It is difficult to find out. It will become important to determine what sort of monitoring system we need to make sure that the information companies provide is correct and that it will not hurt investors even if they use it. At present, the Japan Association of Certified Public Accountants, among others, is considering this.

We should understand the conflicts involved in information disclosure. First, it is wrong to assume that the more information is offered, the better. An appropriate amount of information is necessary, but at the same time, information should be provided in a way that is easy to understand. Analysts and individual investors seek different levels of information, and, therefore, the way the information is presented is also naturally different. Dealing with all this is a difficult matter. Let me reiterate that the main issue is the challenge of presenting information on assets that are a source of the uniqueness of a company but at the same time making comparisons of reports possible.

Next, investment in research and development and in human resources is part of a corporate strategy that is important for the future. There may be a part of its business that a company wants to keep highly confidential. A company may find it difficult to disclose certain information because, when made public, it might show to its rivals what its future plans are. But companies are under pressure to explain what they are doing. For example, one company may be spending a great deal of money on R&D but paying little in dividends, and it may not be providing an adequate explanation for this. Such a situation is becoming increasingly regarded as unacceptable. Companies have an obligation to explain their actions. But then there is the question of what to do with those parts of their activities which companies want to keep confidential. As intangibles increasingly create most of the market values, how should companies disclose information about them? There is no easy answer, but one solution could be strategic disclosure of information.

In conclusion, companies have been attempting to date to raise their brand values, corporate values, and business efficiency. I have been involved in knowledge manage-
ment for more than 10 years and have also been engaged in an effort to determine how to link intangibles within the organization to its value. One of the difficult points is that a system or an approach within a company does not easily lead to the creation of a value outside. However hard it may try, a company may find it difficult to see how it can turn its intangibles into real value. Intangible assets may not readily show themselves as immediately effective or valuable. I believe, nevertheless, that companies should be able to provide the market with information on what they are doing and link that information to an outside value. Japanese companies, especially those listed in the United States, are pouring their energy into an attempt to manage their internal control systems in line with the corporate reform law. This requires an enormous amount of cost and time, and managers are grappling with this issue as an extremely important one. Companies should not bottle up within themselves the results of their attempts to build up their internal systems. They should instead consider how they can present them actively to the outside world.

If a company is putting knowledge management into practice, it should then show, for example, how it is promoting the sharing of information among its employees and what specific databases it is building in order to improve its production efficiency as well as the system it plans to introduce, supporting all this with quantitative information and presenting it on a time-series basis. Then, the company can turn its attempt into an outside value. This is exactly what intellectual assets-based management is all about, and it is the biggest purpose of reporting on intellectual assets. But companies should not improve their internal systems only for the sake of reporting on them. I think they can increase their corporate value by showing various things they are doing inside in a more easy-to-understand way. If their corporate values increase as a result, then their internal reform attempts will present themselves as specific effects, and their employees’ motivation will improve. When employees of a company find that what they are doing every day is connected to a specific value outside, the company’s internal system will function faster and will prove more effective.

The approach to intellectual assets-based management and information disclosure is only a starting point for companies and their employees to improve themselves and, as a result, raise their corporate values. Companies should not compile intellectual assets-based management reports only because they are required to. The real purpose of disclosing information on intellectual assets-based management is for companies to use this disclosure as a means of raising their corporate values, and they are now on the way to achieving this goal.
New Value Creation through Dreams and Aspirations

Takeo Fukui
President and CEO
Honda Motor Co., Ltd.

About Honda
Established in 1948, Honda Motor Corporation develops, manufactures, and markets a wide variety of personal mobility products ranging from motorcycles to automobiles to general-purpose power products such as generators, tillers, lawn mowers, snow blowers, and outboard motors. Now in its 58th year of operation, Honda has also designed and developed a humanoid robot prototype and its own jet plane for future business.

The Honda philosophy is a business principle for all associates of Honda group companies. Forming the core of the philosophy is the Honda Company Principle, which states Honda’s commitment to always “maintaining a global viewpoint” and pursuing “worldwide customer satisfaction.” Underlying the Company Principle is our fundamental belief in “The Three Joys”—the joys of buying, selling, and creating. This represents our company’s belief, which is based on respect for human dignity and trust and shared happiness with everyone involved in Honda’s corporate activities.

Honda has followed its philosophy as a way to manage its business from the customers’ perspective. Today our company is one of the global companies in automotive manufacturing with 14,000 employees. We have a global network of 134 production bases in 29 countries and 31 development divisions in 15 countries to meet the needs of 20 million customers a year. Our operation is continuing to expand.

Our History of Dreams, Aspirations, and Challenging Spirit: The Roots of the Honda Brand
The essence of Honda’s brand management can be traced back through its 58-year history and the challenges of pursuing dreams, along with the company’s determination to make them come true. Our philosophy and corporate culture also has much to do with the company’s brand value. Honda is tackling two major challenges: competing in the world championships in motor and auto racing; and inventing new technologies and innovations, such as advanced, high-tech engines and humanoid robots. All of these challenges are rooted in Honda’s founder Soichiro Honda’s dreams and aspirations.

Life is often said to be determined by unique experiences—for example, a dramatic encounter in one’s childhood. Mr. Honda had such a life-changing experience when he was eight years old. In the small village where he was born, he saw the Ford Model T for the first time. He was enthralled by the look of the Ford car and even the distinct odor of its exhaust fumes. After that, he nurtured the dream that he would make an automobile some day. The young Honda used to talk passionately about his dream to his friends and neighbors.

In October 1946, Mr. Honda produced a small engine-powered bicycle, and about two years later he launched his own venture, Honda Motor Co., Ltd. This is the origin of Honda as well as the beginning of his journey toward attaining his dream.
What he had in his mind throughout his lifetime can be summed up in five points: "I want to make the dreams of people around the world come true," "I want to create and achieve what others won’t do or can’t do," "I never imitate what others do," "I want achieve results ahead of others," and "I want to win." All of them are linked to our company’s two challenges: "World’s best" and "New technologies." Our founder’s ideas have been handed down to younger employees as the Honda DNA.

"World’s Best"

Mr. Honda’s ambition “to win” evolved into the dream of becoming the world’s best. To realize this ambition, he decided to enter the racing world, a harsh arena requiring top-class technical capabilities and a high level of performance. Mr. Honda’s real challenge was about to begin.

The top motorcycle race in the world around that time was the Isle of Man Tourist Trophy (TT) Race, where riders make several circuits of mountain roads and towns in laps of about 60 kilometers. Mr. Honda announced his company’s participation in the race only six years after he started out in business. In his statement, he encouraged his associates to join forces to win by saying, “Here is a chance to fulfill our childhood dream of becoming the world champion in motor racing with a vehicle of our own.” He also insisted that Honda Motors turn its attention to the world, not being blinded by our present situation in Japan, and play a leading role in enlightening Japanese industry.

At that time, however, Honda Motors was just a start-up with no more than 2,000 associates whose average age was 24. Although the enterprise developed gradually into one of Japan’s top motorcycle manufacturers, it was a total stranger to the world of racing. After the statement, Mr. Honda visited the Isle of Man TT for the first time to see an actual TT race. He was deeply shocked to face the harsh reality that the leading racing engine produced horsepower more than three times that of Honda’s.

It took five years for Honda Motors to debut in the 1959 TT race. As their first experience, Honda’s racing team merely hoped to complete to collect data. In fact, the Honda bikes delivered better performances than the team had expected, and all four machines finished the race, placing 6th, 7th, 8th, and 10th.

Mr. Honda praised the team manager, riders, and mechanics for their remarkable achievement, but added that the top five positions had yet to be captured. His comment made it clear how determined he was to be the world’s best in motor racing.

In 1961, the third year of its challenge, the Honda team finally achieved complete victory by sweeping the first five spots. This news made Mr. Honda so emotional that he is said to have been choked with tears while expressing his joy, saying, “My dream has come true.” His dream was considered impossible at first, but this episode proves that dreams can become a reality through hard work and dedication.

The Honda racing team is still actively participating in motorbike racing. In October 2005, the team achieved 600 career championships in World Grand Prix (WPG) events. Today, Honda competes in various motorbike races such as the World Superbike Championships and many others in Japan and worldwide, including motocross, trials, downhill racing, and enduro races. Honda leads the world in most of the races.

However, Mr. Honda was not in the least satisfied with the TT titles; his ultimate dream was to conquer the auto-racing world. In 1964, Honda entered its first Formula 1 (F1) World Championship race, aiming to beat top-class European automakers and take the world championship.
In fact, Honda had just made inroads into the automobile market and had little experience in developing four-wheel vehicles. Honda’s first F1 season was miserable. Drivers were often forced out of the race because of overheated engines. In the following year, however, the racing team learned from that lesson and thoroughly improved the machine. Honda crowned its efforts with the first long-awaited victory in the season’s last F1 Mexican Grand Prix. Mr. Honda’s ultimate goal was accomplished. In those days, Honda was gearing up to develop mass production systems, while also engaging in motorbike and auto racing. Engineers at the research and development center were busy designing, testing, and analyzing racing vehicles over and over, filling the workplace with a tremendous atmosphere and enthusiasm.

After a while Honda announced a temporary withdrawal from F1 racing, but returned in 1983. The racing team in those days dominated F1, winning 15 of the 16 races in 1988, for instance. Honda established its position in the Formula 1 arena in 1991 when the team earned the Driver’s Championship for the sixth consecutive year and the Constructor’s Championship for the fifth consecutive year. After another withdrawal, Honda took on its third F1 challenge in 2000 and is aiming for its first championship.

In addition to its F1 achievements, the Honda racing team acquired the world’s Number One status in the Indy Car Series and the World Solar Challenge, a solar-powered-car race. The 1996 World Solar Challenge was won by Honda’s solar car “Dream,” breaking by two hours its own average speed record, recorded in the previous 1993 race. The Indy Car Series is referred to as the world’s fastest race on an oval track in the United States, where racing machines speed up to 400 kilometers per hour. Since Honda entered this race in 2003, it has won a total of 27 victories, including a double title—Driver’s and Manufacturer’s—last year.

Taking up the challenge of winning the world’s top races is an area where the top engineers push themselves to their limits. They want to fulfill their ambition to become the best in the world, while experiencing some successes and failures along the way. It is also an opportunity for them to test the most sophisticated technology available by using their skills and techniques under strict deadlines. This spirit of challenge is the foundation for Honda’s ability to compete at the highest level in the world.

“Most Advanced Technologies”

While becoming the world’s best is Honda’s biggest dream, our history of creating new technology is a proof of how the company has fulfilled its aspirations. Honda has embarked on several projects to develop new technology and pioneer new fields.

Honda’s ultimate mission is not only to offer top-quality and high-efficiency products but also to contribute as a corporate member of the global community to create a pleasant, safe society. For example, Honda addresses environmental issues with its vision of “keep blue skies for the children” to maintain a healthy environment for future generations.

In the late 1960s, when Honda launched its automobile business, air pollution was worsening in both Japan and the United States. In 1970, the U.S. Congress hurriedly passed the Muskie Act, the clean air law requiring automakers to reduce harmful substances in exhaust gases by 90%. The restriction was a bolt from the blue for Honda, which had just entered the U.S. automobile market, and it posed a huge challenge to the company’s future.

Before the law, however, Honda had already set up its own research laboratory to carry out a full-scale study on automobile emissions. To concentrate all its energies on
this research, Honda even decided to suspend its engrossing F1 activities at the end of the 1968 season.

When the Muskie Act was passed by Congress, the Big Three US auto manufacturers and other automakers claimed that it would be impossible to meet such strict standards. By contrast, Honda embraced the challenge of providing cleaner air for future generations. Besides, it was a golden opportunity for Honda to meet the challenge of competing with major automakers because it was standing at the same starting line. This challenge created an exultant mood around the workplace because it was similar to what racing was all about. Honda headed toward the goal with heightened momentum.

Engineers’ frantic efforts at the research center to achieve a breakthrough are still legendary in the history of Honda. When someone suggested an idea, the manager would respond quickly, saying, “Just do it!” Then the engineers were willing to work through the night to formulate a trial model the next day. The development advanced at a breathtaking pace. Honda managed to introduce the CVCC engine, a fully new model of a low-emission engine, in just a year, from 1971 to 1972, and brought the prototypes to the Environmental Protection Agency (EPA) for testing. I was actually involved in the CVCC project. I still remember vividly how overjoyed I was to hear from the EPA that the cars had met the Muskie requirements. It was not simply the motivation to top the list of automakers that could meet the standard that enabled Honda engineers to produce such results within such a short time. It would have been impossible to have accomplished the goal without all the work of all the project team members, who were driven by the aspirations to satisfy the needs of society, and not just win EPA approval.

The CVCC-equipped Honda Civic went on sale in 1973, when the first oil crisis began. High oil prices provided a tailwind for promoting fuel-efficient cars, and the Civic sold briskly from the start. This innovative car helped Honda fulfill its dream of succeeding in the automobile business and formed the foundation of its sales network in America. The Civic went on to become Honda’s core model, and today Honda has sold almost 17 million Civics in 160 countries. The development of the CVCC engine also gave Honda the opportunity to focus more and more on the needs of the public and society at large, including questions concerning the environment, safety, and energy conservation.

While the United States continued to strengthen its exhaust gas regulations, Honda stayed a step ahead by producing a series of vehicles with gas emissions well below the required levels. For example, the 2000 Honda Accord model, the first gasoline-powered vehicle to meet California’s new Super Ultra Low Emission Vehicle (SULEV) standard, reduced exhaust emissions to roughly one thousandth the 1960 levels.

However, there is no end to the challenges of addressing social needs and problems. Currently, environmental technologies for the automotive industry are at a turning point. The challenge ahead for automakers is to prevent global warming by developing a new source of power without releasing CO\textsubscript{2} as well as substituting alternative fuels for oil.

Honda has made various efforts to tackle global warming by introducing eco-friendly cars, including electric, natural gas, and hybrid vehicles. Our company is also working on the development of fuel-cell vehicles, which could be the ultimate future solution for both reducing CO\textsubscript{2} emissions and developing alternative sources of energy.

A fuel-cell car looks identical to its ordinary gasoline-powered model. However, it uses hydrogen instead of gasoline to create electricity through fuel cells. The vehicle has no engine and is powered by an electric motor.
A fuel cell converts hydrogen and oxygen into water and produces electricity in the process. This electrical generator is called a fuel-cell stack, a package of several hundred cells arranged in a series. Each cell has a membrane electrode assembly (MEA) consisting of electrodes and a polymer-electrolyzed layer sandwiched between separators. Compared with a gasoline-fueled vehicle that emits CO₂ or other harmful exhaust gas, a fuel-cell vehicle uses hydrogen as an energy source and emits only water. Furthermore, a gas-powered car wastes energy on engine friction, pumping and idling while running. A fuel-cell car suffers less energy loss, and its energy efficiency is considered to be twice as high as that of a gasoline car. All in all, fuel-cell vehicles are seen as frontrunners for the next generation of eco-friendly cars that can help fight against global warming.

Honda started basic research on fuel-cell technology in the mid-1980s. Our company upgraded its research efforts several times in the mid-1990s, and eventually the project blossomed in 2002. We obtained the approval of the U.S. government for the world’s first commercialization of fuel-cell vehicles during the summer of the same year, and the vehicles were delivered to the Japanese and U.S. government offices that December. Continuing in the tradition of the CVCC engine, this latest achievement demonstrates the Honda DNA at work again, as the company strives to be a world pioneer. At the same time, the aspirations to create a dream vehicle satisfying the needs of society was also an important factor in accelerating the pace of technical developments.

Honda currently leases 22 fuel-cell vehicles, mostly to government offices and even to a US individual last year. Our company used to purchase fuel-cell stacks from Ballard Power Systems in Canada, but we later developed our own stack, which has been incorporated into the fuel-cell models since 2003.

Honda’s fuel-cell stack technology is making steady progress. In the past, one of the problems facing fuel-cell cars was cold weather, in which the water discharged from electrical generation froze, dramatically reducing power-generating capability. However, our company’s advanced technology helped to overcome this barrier and enabled our fuel-cell vehicle to maintain high performance at temperatures as low as minus 20 degrees Celsius. In addition, Honda reduced the weight and volume of the fuel cell to almost half of the conventional type and achieved world-beating power output. On the other hand, we still have difficulty keeping down the cost of special materials required to build the fuel-cell vehicles, but some parts have been replaced by cheaper and more readily available materials. Other efforts include reducing the number of component parts.

The reality is, however, that Honda still has to clear many high hurdles before reaching the goal of commercializing fuel-cell vehicles. One of the biggest challenges is bringing down the cost of a fuel cell. Usually, mass production can substantially lower the cost of manufacturing new technologies. For example, the cost of installing airbags was reduced by about 90% over ten years as airbags became standard safety equipment in most cars and the volume of airbag production increased about 200-fold. Today, even mini vehicles are equipped with airbags. On the other hand, manufacturing a fuel-cell car costs more than 100 million yen—or about $866,000. Even reducing the cost by 90% will not be enough; a reduction of at least 95% is necessary for future commercialization. It is possible to cut the cost of producing a fuel cell stack by more than 90%, but many problems still remain. For example, it is extremely difficult to replace high-priced precious metals for catalytic applications with inexpensive ordinary materials.
Although there are different ways of generating hydrogen as an energy source, a major challenge is how to store and distribute hydrogen efficiently and safely. For one thing, if hydrogen gas is transported in high-pressure hydrogen tanks, a greater amount of energy is required to transport the tanks than the energy of the hydrogen itself. Transporting large quantities of hydrogen gas will also require a considerable number of trailers. For another, liquefied hydrogen can be carried in high volume, but a tremendous amount of energy is needed to liquefy hydrogen and then store it as a liquid. Therefore, considering the overall efficiency of a fuel-cell vehicle and the supporting infrastructure, each approach has its own disadvantages. To achieve a breakthrough, it is essential for the infrastructure and automotive industries to work together.

Honda has initiated another scheme to make efficient use of solar energy. Currently, the Honda Research and Development Center in California is conducting research on renewable energy sources. In this research, Honda succeeded in utilizing solar energy to produce hydrogen through the electrolysis of water and by providing fuel-cell vehicles with the hydrogen. Solar cell panels used for this research are also being developed using our company’s original technology.

While carrying out extensive research into renewable energy sources, we aspire to create a completely recycling-based society in the future. In such a society, products are developed not by using fossil fuels but by using energy generated from natural resources. While in use, the products do not release any CO$_2$. In the end, they return to nature as renewable resources. Honda has the image of a future where each home has its own power generator to supply household electricity through solar fuel cells. Hydrogen will be produced from water with this solar power and then kept in storage as hydrogen to be used for fueling a fuel-cell vehicle or generating electricity when necessary. If this natural energy increases the efficiency of operating the solar-powered home at full capacity, power transmission wires may no longer be necessary and will disappear from sight.

We still have many hurdles to cross on the way to commercializing fuel-cell vehicles, but we take the challenge seriously and will put all our energy into clearing them as soon as possible.

**New Technology Dimensions**

Honda is not only developing innovative technologies for motorcycles and automobiles but is also extending its interest in ways to achieve future three-dimensional mobility, such as a small-sized reciprocal engine and a turbofan engine.

Honda has also started cultivating a new dimension in mobility: the development of a robot. Our company regards it as a “four-dimensional” technology in that a robot can do activities in a remote place beyond space and time. We created the world’s first bipedal humanoid robot. It has become the new face of Honda, touring the world as our technology ambassador. To explore these kinds of new possibilities, Honda has launched research and development projects of not only two-dimensional but also three-dimensional and even four-dimensional technology. Robots and jet planes are among Honda’s areas of interest.

Creating a humanoid robot was a unique and exciting project. Twenty years ago, engineers at the Honda lab were talking about robots. One of the engineers said, “It would be great if we could make a robot that moves freely and helps people.” An executive of Honda R&D at that time immediately responded, saying, “That’s interesting. Let’s give it a try.” That was how the project started. Although the engineers were not really
sure whether building a humanoid robot was technically possible, they began with basic
research on human walking. At that time, many scientists asserted that it was impossible
to develop a bipedal humanoid robot. But Honda did not give up and continued its
efforts through repeated trial and error. The long years of effort were finally rewarded.
Ten years after the initiation of the project, Honda unveiled the world’s first bipedal
humanoid robot, “P2,” and then “P3.”

This autonomous walking robot caused a sensation around the world. The develop-
ment of robots got a lot of attention from scientists in a number of fields. Honda’s
achievement also stimulated young students’ interest in working for our company while
increasing associates’ motivation.

However, the P3 robot was 160cm (5.2 feet) tall and weighed 130kg (286 pounds). It
was obviously too heavy and dangerous to coexist with people in the community. The
robot we developed was still far from being able to provide safety and support to people
as a partner.

Honda adopted various methods and techniques to reduce the robot’s size and
weight. In November 2000, the more sophisticated ASIMO model was born. The new
robot’s height was reduced to 120cm (4 feet) and its weight to just 50kg (110 pounds).
There are good reasons for this. For example, ordinary stairs consist of steps, each of
which is approximately 18cm (7 inches) high. We calculated the minimum length of the
legs at 61cm (2 feet), so that the robot could climb up and down the stairs without diffi-
culty. Taking stairs and other factors into consideration, our company concluded that a
height of 120cm (or 4 feet, the size of an average child) would be ideal for the robot to
operate freely in the human domain.

ASIMO is attracting worldwide popularity as a cute-looking robot. Currently, the
robot plays an ambassador role not only in Japan but also Europe, the United States, and
Thailand. It also stars in its own daily show at the ASIMO Theater at the Disneyland
Resort. ASIMO has met with prime ministers, presidents, and other VIPs as well as many
children from all over the world.

ASIMO has undergone several upgrades, and in December 2005 a new version was
introduced featuring advanced physical capabilities. The upgraded robot can operate in
unison with the movement of people by recognizing the surrounding environment
through its visual sensors. In addition, the new ASIMO can give and receive an object
such as a tray holding a glass. It is also capable of pushing a cart while maintaining an
appropriate distance from the cart. Besides these improved functions, ASIMO can now
not only walk but also run freely at a speed of 6 kilometers (3.7 miles) an hour. Honda ex-
pects to apply these innovative technologies, such as posture control, visual and voice
recognition, and collision anticipation and avoidance, to car safety and other develop-
ments.

Aviation is another area of interest. Honda is planning to enter the aviation busi-
ness with its innovative HondaJet airplane. Our company has long cherished the dream
of developing an airplane and has sought active involvement in aviation activities for
more than 40 years. In 1962, our company supported an Asahi newspaper contest for light
airplane design by offering to develop an engine for the winner’s aircraft. That project
did not work out, but Honda kept striving to keep the dream alive. There was another
opportunity in 1986. Honda’s research and development center established a new re-
search facility that allowed its aviation engineers to conduct studies on reciprocal and
turbofan engines as well as aircraft bodies. HondaJet is the result of 20 years of aviation
research. Honda will continue its research, which requires a high level of quality while meeting high reliability requirements.

Compared with conventional models, HondaJet has a unique design, with its engines positioned on the upper surface of the main wing, which considerably reduces the wind drag at cruising speed. This layout also eliminates the need for a structure to support engines in the fuselage, creating over 30% more cabin space than in an ordinary aircraft. The main wing features stiffened aluminum skin panels that form a smooth surface. These drag-reducing technologies were incorporated in HondaJet along with high-efficiency engines. As a result, the jet improved fuel efficiency over traditional business jets by about 40%.

Honda’s achievements with this innovative jet prove that new technologies can still be explored by setting ambitious goals, approaching with a new perspective, seeking the essence of wisdom, and working hard without compromise. We reached an agreement with General Electric, the world’s top supplier of aircraft engines, to form a joint venture for producing jet engines.

Honda has carried out not only big projects but also innumerable small projects. There are some new technologies that have faded away. Further, when conducting pioneering research, what is important is to build a solid foundation for business first. Then, when we boldly take up challenges with aspirations, we have a base to fulfill our goals even when the goals are considered impossible in the first place. Honda’s history of challenges and successes shows this to be true.

**Improving the Value of the Honda Brand**

The history of Honda’s dreams, ambitions, and challenges has clarified that our brand management is based on our company’s philosophy and business principles. However, it is no easy task for Honda to instill the source of its brand in its 140,000 associates while expanding its business. As competition among manufacturers grows more intense, Honda considers its solid brand identity all the more important. The key lies in educating future generations about the Honda DNA and the vision of our company’s future. In 1998, when we reached our 50th anniversary, we began to re-examine our brand value to define a new concept that our group companies around the world can share.

Historically, Honda’s business activities were based on its philosophy: respect for the individual, the “three joys,” a global viewpoint, and worldwide customer satisfaction. Mr. Honda introduced five management policies in the philosophy. What he expected employees to do can be rephrased as “work for the good of society” and “value uniqueness.” In other words, Mr. Honda pursued absolute value.

To realize Mr. Honda’s ambitions, we have cultivated our corporate culture of developing a spirit of challenge while co-creating products in a free and innovative way. We encourage our employees to be free and open-minded because we believe in the possibility of individuals. Each is expected to come up with his or her own ideas by thinking outside the box. Employees are also responsible for fulfilling their assigned duties irrespective of their titles. If all associates collaborate by encouraging self-reliance, aiming high, accepting no compromise, striving without fear of failure, and pushing themselves to the limit, they can demonstrate tremendous capabilities.

Based on Honda’s core philosophy and corporate culture, we have created new values ahead of the times. Our constant efforts have helped Honda to enhance its brand
value, earn the trust of its customers, and share happiness with more people. Our business model continues to develop by following this cycle.

Facing increasingly fierce competition in the global market, we are making utmost efforts to strengthen our brand value. The existence of the universal brand identity helps all associates around the world to be aware of the “Honda” brand while working. With this in mind, we have set a new common goal—“New value creation to earn people’s appreciation”—for Honda group companies worldwide. If all associates around the world can share this goal, it will help each of them become more aware of the brand itself and consistently carry out business activities in line with the brand. For instance, an associate in charge of product development can create new values through specific products for the customer, or another associate working in public relations can come up with more effective ways of making products appealing to customers. In this way, we are aiming to raise awareness of our brand and carry out business activities under integrated management.

Honda adopted the phrase “The Power of Dreams” in January 2001 as its new global slogan for the 21st century. This slogan reflects the determination of Honda associates to pursue dreams and turn them into reality while forming the basis of their daily activities along with the brand identity. We hope to further develop Honda’s universal brand concept in the 21st century.

Achieving “Dreams and Aspirations” in Asia

As the world’s largest motorcycle manufacturer, Honda is actively expanding its business in Asian countries. With the Asian market growing rapidly, our company is playing an important role as a motorbike business leader while devoting considerable effort to providing people in Asia with comfort and convenience. Honda is also at the forefront in addressing issues of safety, environmental protection, quality control, and intellectual property.

Measured against unit sales of Honda motorcycles in different regions, Asia is an important market, accounting for approximately 70% of our company’s global motorcycle sales. In the ASEAN region, unit sales fell to around 2 million in 1998 when the Asian currency crisis hit. Afterward, however, as the markets in Indonesia, Thailand, and Vietnam expanded rapidly, unit sales skyrocketed to 9.77 million in 2005. The Indian market also exploded in the late 1990s, and Honda reported annual unit sales of around 7.3 million motorcycles, covering one-fifth of the global market. We estimate that this figure will top 10 million in three or four years, exceeding the current level in China. The world’s largest motorcycle market is China, where more than 10 million motorcycles (by all manufacturers) are sold every year, one-third of the global sales of 30 million units.

While intensifying its presence in Asia, Honda strives to meet the needs of local communities and improve lives. In India, Honda introduced the ETERNO scooter to respond to India’s unique cultural circumstances. Its engine is mounted on the right side to maintain the weight balance of the scooter and allow sari-clad women, who often sit sideways on the rear seat, to sit more comfortably. The scooter is also equipped with a “sari step,” a footrest to keep the sari from being caught in the machine. In Thailand, Honda’s motorbikes are relatively slim because that shape appeals to Thai consumers, as well as making it easier to move along crowded roads. However, the same types of motorbikes are designed to look slightly wider in Indonesia because people there prefer a round-shaped model.
Environmental and Safety Measures

As unit sales of motorcycles and automobiles are surging in Asia, air pollution caused by gas emissions has become more serious, causing an increasing number of people to suffer from respiratory diseases. As a manufacturer providing many customers with motorcycles, Honda has every reason to be responsible for facing these environmental issues.

We are committed to introducing highly efficient and environmentally friendly products in the rising Asian market to create a “blue-sky environment” for children in the future. In Thailand, Honda has started selling a motorcycle equipped with the PGM-F1 fuel injection system. This cutting-edge technology features a high-performance and less-periodical-maintenance battery with an electric starter, enhancing fuel efficiency and reducing gas emissions. The product has gained a reputation in Thai society. Some people say that Honda has helped commuting riders in Bangkok to take off their pollution masks.

Honda is tackling environmental issues not only in Thailand but also in other Asian countries. In addition to improving products, we are implementing environment conservation programs in every area of our operations, such as the Green Factory, the Green Dealer, and the Green Supplier activities. Mr. Honda used say, “Once materials are carried into the factory, nothing but products should be carried out from it.” His words truly represent our company’s concept of a zero-emission factory as well as our commitment to environmental responsibility in manufacturing operations. As part of the Green Dealer activities, Honda has introduced dealers to an environmental management system to improve their environmental performance. They also promote tree-planting campaigns and participate in community activities. Honda has also established “green purchasing” guidelines to discourage its suppliers from using items containing harmful chemical substances. To promote the green purchase of materials, we visit suppliers to explain the environmental management systems. Other green activities include the Green Logistics drive to reduce the amount of packaging waste and the Green Office promotion to enhance energy conservation in office buildings.

Safety is another important issue. Honda has taken serious steps to support safe driving programs in Asia since as early as the late 1980s. In Thailand, our company opened motorcycle training schools to educate riders about safety. Today, Honda offers a variety of programs about safety practices in India, Pakistan, Singapore, Philippines, Taiwan, and Vietnam. These programs vary depending on the different circumstances in each country. Honda has worked out various methods of promoting safe driving. The programs in Vietnam and Pakistan focus on young drivers. In India and Thailand, a driving instructor is assigned to Honda dealers to offer safe driving tips to visiting customers. Training courses in the Philippines include not only classes that teach safe driving practices but also environmental seminars on air pollution and other global warming issues so that customers can learn about the nation’s air pollution prevention law.

Honda sponsors the Eco-Run race in Thailand and Indonesia. This race, originally started in Japan, is a competition to find which vehicle can achieve the best gas mileage using a four-stroke 50cc engine and 1 liter of gasoline. This fun activity helps promote awareness of environmental conservation as well as safe driving. And what is more, it is a great opportunity for Honda to instill its corporate philosophy in participating children from an early age.

In order to establish close relationships with local communities, Honda is actively involved in social service programs—for instance, donating food and providing medical
relief. These efforts started in Thailand, and we are seeking to take similar approaches in other ASEAN countries.

**IPR Protection Measures**

Another of Honda’s concerns in Asia is intellectual property violations. Sales of fake models of Honda’s motorcycles are exploding in China, accounting for 60% to 70% of the motorcycle market. These Chinese counterfeiters sell for much lower prices because they worry about neither research and development costs nor quality standards. On the other hand, Honda, producing higher-quality and higher-priced motorcycles, suffers a considerable loss. The unauthorized copying of Honda’s trademark is also rampant in China, where motorcycles with a logo resembling Honda’s are seen in large numbers. Furthermore, these knockoffs are not only sold in China but are also exported to Vietnam, Thailand, and many countries in the Middle East, Africa, and South America.

These counterfeit practices in China have had a serious impact on Honda’s sales in the ASEAN market. In Vietnam, our motorcycle market share plunged from 70% to 12% due to the increased number of counterfeit bikes from China. To deal with these intellectual property problems, we implemented countermeasures and introduced a new model 40% cheaper than the previous one. Meanwhile, in 2003 the Vietnamese government launched a crackdown on counterfeiting. We are finally recovering from the devastating loss, but the competition continues to be severe.

Some people may use counterfeit bikes because they are cheaper, although they do not guarantee safety, let alone durability. But if a poor-quality fake Honda motorcycle causes an accident, it can give the false impression that those bikes are dangerous and thus do considerable damage to the genuine Honda brand. Therefore, we are taking a resolute stand toward the eradication of counterfeit products. We have the responsibility to protect and utilize the results of our innovations developed with tremendous amounts of capital and manpower. Honda will maintain its brand value while continuing to provide safety to customers.

A “Hongda” motorcycle, manufactured by Lifan Industry Group, a local company based in Chonqing, China, is one of the examples of how we have addressed counterfeit problems. We asked the local authority to crack down on the counterfeiter, but to no avail. We brought the issue to several provincial governments, and finally in 2000 Jiangxi Province penalized Lifan. The Vietnamese government is making progress in stamping out more than 200 counterfeiters of Honda’s motorcycles; it disposed of its 4,700 fake models between April and September last year. We are also playing an active role in public relations activities to announce that we are willing to take legal action against the infringement of intellectual property rights. However, Honda does not think that merely attacking enemies will solve the problem in the long term.

In 2001, Honda announced a new motorcycle joint venture in China. Its partner is Sundiro, a company Honda once accused of copying its motorcycles. It is an outlandish scheme for Honda to form a partnership with a company accused of infringing its patent and designs. However, Honda concluded that the joint company can best survive the competition by adopting a carrot-and-stick strategy. Our companies can take advantage of each other’s potential while maintaining discipline. We hope that our joint effort can contribute to the development of intellectual property protection as well as to the well-being of the Chinese people. Sundiro Honda produced its first 125cc M-LIVING motorcycle, which offers high quality at a price affordable to people in local towns and farm villages. Our venture produced positive results just two years after we started operating.
Sundiro dealers reported that our products created fewer customer complaints, raised our brand value, and improved employee motivation. Today, Sundiro Honda manufactures 1 million “authentic” Honda motorcycles a year and continues to grow, sharing the joy of success between the two partners.

The strong ties between the two companies were also reflected in two symbolic events. First, Sundiro took the initiative in formulating our joint venture’s principles. After heated discussions, the result turned out to be exactly the same as Honda’s principles: “respect for the individual” and “the three joys (of buying, selling, and creating).” Second, when the Moto GP took place in Shanghai on May 1, 2005, a total of 1,200 Sundiro Honda associates showed up to cheer for the Honda teams. Although the companies had been enemies at first, our collaboration turned into a win–win relationship. The Honda DNA has taken root in Chinese soil.

Conclusion

Honda’s spirit of challenge and creativity originated in Mr. Honda’s own life. Our associates are inheriting his DNA, “dreams and ambitions,” and trying to emulate his success.

In 1998, to mark the 50th anniversary of the founding of Honda, we outlined our long-term vision for the 21st century: to be recognized as the world’s most important company in the future. For the next 50 years, we will continue to pursue our dreams and aspirations to create new values for our customers, to share happiness with associates all over the world and to commit to future generations by developing safety and environmental technology. To this end, Honda will continue its challenge: to pioneer new products and services that will make people excited and satisfied. Honda’s brand value will be further enhanced by our associates’ efforts to realize their dreams and aspirations. We believe that people who have dreams will have the courage and power to make them come true without fear of failure, that there is no limit to human potential, and that a day will come when all people’s dreams come true.
The Wacoal Brand Sets Out to Expand Globally

Tadashi Yamamoto
Corporate Officer/General Manager
Wacoal Corp.

Industrial innovation progresses slowly in the textile industry, and as cases around the world show, the textile and apparel industries tend to evolve around the domestic market. Yet we have successfully carried out a global branding strategy called “Wacoal of Japanese Origin” and take pride in being an exceptionally original company. We may not match Honda Motor Co. and Matsushita Electric Industrial Co. in our scale of operation, but we have an edge in operating under our own brand name around the world, including in the developed nations.

First, I’d like to give a brief overview of the Wacoal group; second, I’ll outline the general structure of the textile and apparel industries and Wacoal’s corresponding business strategies; and third, I’ll explain our international operation.

Wacoal’s History
Since its foundation, our company has produced and sold women’s undergarments under the brand name Wacoal. Today, our products are marketed in more than 30 countries around the world, where they are regarded as medium- to high-quality items. Our brand image, described as “high-quality,” “fashionable,” and “innovative,” is also held in high esteem.

The name Wacoal is derived from the hometown of the founder. The company was founded in 1949 as Wako Shoji, a wholesaler. Wako is derived from the phrase “to harmonize” (wa-suru), combined with the Japanese name for Lake Biwa (known as ko). It was named after the founder’s native Shiga Prefecture and also after the fact that the region in the past produced notable entrepreneurs known as “Omi shonin” (merchants of Omi). With an eye on future business planning, the company changed its name to Wacoal in 1953 and has since adopted a logo featuring its name in English. This reflects the founder’s foresight in planning for a global strategy, which he envisioned as early as 1953.

In the global undergarment retail market, we are proud to rank among the top five companies in sales; if we confine the list to medium- to high-quality products, we rank virtually at the top. Although major companies from the United States have a strong presence in the industry, the larger their size, the more mass-produced items targeting supermarkets and hypermarkets they handle. Our company is different.

We are presently investing in 14 countries, where we operate under the same Wacoal brand name. This is a unique case from a global perspective. Although a variety of companies make up the textile industry in Japan, those that operate overseas under the original brand name are extremely rare.

Business Strategies
For nearly 50 years, Wacoal has been publishing a monthly in-company circular as a way to uphold the corporate tradition of respecting communication. Our business con-
cept may be represented by a number of keywords, starting with “mutual trust.” The textile industry is in general labor-intensive, with a large number of employees, so we are faced with the question of how to organize the direction of our organization. The circular is one answer. We recognize the importance of mutual trust not only between labor and management, but also between the local management at the regional offices overseas and the headquarters, and between the consumers and Wacoal. We also have a 50-year plan, which our founder mapped out in 10-year intervals based on his vision. It has turned out that we have expanded our business in a course similar to this plan. Every month, the employees recite the creed at morning assembly to reconfirm with one voice the direction of the company.

Today, the apparel industry is facing the significant challenge of how to add value to the companies. It is crucial for companies not just to sell their products but also to broaden their social and cultural involvement. For instance, for over 30 years we have been offering the Remamma product, a brassiere that helps compensate breast cancer patients for their lost breasts. In addition, we have solely set up the Kyoto Costume Institute (KCI), a foundation that collects antique costumes of the West and studies the cultural history of costumes. We are involved in the Pink Ribbon campaign advocating early detection of breast cancer in Japan, the U.S., and Asia. We also run Spiral, a cultural hub in Tokyo’s Aoyama neighborhood.

Our chairman’s 50-year plan forms the basis of our global strategy. He planned for the company to expand into Asia in the 1970s, the U.S. in the 1980s, and Europe in the 1990s. We have mostly been able to adhere to that plan. Presently, Wacoal sells about $500 million in products overseas. As mentioned earlier, our overseas operation is not about exporting products from Japan. It is characterized by investing in each market, operating a company locally, and expanding the Wacoal brand. In short, our basic format is to grant the brand license and allow reproduction.

As I’ve said, the apparel industry is labor-intensive at both the manufacturing and retail levels. The industry is liable to suffer from low productivity unless industrial innovation takes place. There are many family-run low-tech apparel operations, and it is difficult for these firms to add value to the products unless technological innovation is realized.

The garment business can be separated into daily-use garments and fashion garments with extremely high added value. Wacoal is in the undergarment, or intimate apparel, business. In the past, “apparel” generally implied outerwear.

There are a few differences between outerwear and innerwear apparel. For outerwear, it is possible to accept subtle differences in size—for instance, sleeves being slightly long—as “fashion.” But undergarments directly touch the skin, so the way they fit is a truly important factor. Here we are not only talking about how comfortable our products feel, but also the especially important fact that badly fitting bras and other items cause stiff shoulders and muscle rigidity. I shall discuss this later. Also, the fit and comfort cannot be judged without actually wearing the product. The emphasis for outerwear, on the other hand, is on the outwardly discernible fashion factor, so design becomes the selling point. One of the characteristics of intimate apparel is the fact that once a client tries on an item and recognizes its quality, she is likely to become a loyal customer.

We have expanded our operation under the Wacoal brand and offer products to the medium- and high-quality markets. We are aware that research and development are extremely significant in deciding how to add value to products. Inventory control is also a primary concern from the perspective of products as well as of management. In parti-
cular, the size of an undergarment is subdivided. The bra comes in diverse around-bust and under-bust sizes as well as in different colors. Consequently vast numbers of size-keeping units arise for one style number. Controlling these characteristics is a challenge facing the intimate apparel industry.

An innovative product that characterizes our merchandise strategy will be introduced this fall. The product, a type of girdle which helps lift up the wearer’s behind when she walks, is the fruit of research and development at our Human Science Research Center.

Our sales counters have been designed to offer an upscale atmosphere, similar to that of department stores in Paris.

Like other companies, we use mass media and advertising to reach the consumer. This, however, is a one-way approach from the manufacturer. Wacoal also employs sales personnel who sell our products directly at department stores and other shops. Since fit is an extremely intimate issue, specialized knowledge and skills are required to verify the fit and sell the item. In other words, it is essential for our sales personnel to explain the product and persuade the customer to purchase it over the counter. Meanwhile, as a manufacturer, we can collect valuable data on various market demands through these personnel. Put simply, we have set up a two-way communication channel.

Global Marketing

Turning now to global expansion, Wacoal’s starting line was the changing awareness of Japanese women during the postwar years. Prior to World War II, Japanese women wore Western-style clothes during the summer and kimono in winter. After the war, our chairman and founder witnessed women’s social advancement and general acceptance of American culture and saw the transition in women’s ideas about clothes, namely from kimono to Western-style clothes. He set his heart on creating a peaceable industry that would please women all over the world. His vision from the start was to conduct business with high added value, and he focused on this goal. Since a brand name is necessary to add value to products, the Wacoal brand was created in 1953.

What should we make of the value attached to the brand name? The first problem is how to raise the value of the product itself. In terms of production, we try to make our own products, as a matter of principle. Even when we use outside factories, we set up a production line devoted exclusively to our company products and make sure that its quality specifications meet our corporate standard. We established the Human Science Research Center in 1964 and began measuring people to establish a standard size. Until then, standard data on the measurements of the human body were almost nonexistent. When it comes to intimate apparel, even if we offer elaborate designs, we will not win loyal customers unless the product fits. Therefore, one of the values of a product is the fit. Few countries hold data on the standard size of undergarments, but at Wacoal, we have independently built up a data infrastructure by taking the measurements of more than 100,000 people, which are used to standardize size and create products that satisfy our clients.

Furthermore, we have built up strong ties with other companies. Based on information gathered by our sales personnel, we asked material manufacturers to develop material that helps us develop the products we have in mind. We also have 200 to 300 in-house designers and place immense emphasis on fostering such designers to add value to the products.
In marketing, we adopt the “full price policy,” or sales at regular prices, in order to expand as a high-quality brand name. We refrain from discounting as much as possible. The apparel industry commonly produces items in bulk, expecting good sales, only to find large stocks of unsold inventory at the end of the season, leaving no choice but to discount. This is detrimental to the brand name. So the issues here are communication as well as inventory control that will allow us to sell out at full price.

Although our industry is not as innovative as those of Honda and Matsushita, we are still able to find ways to enhance the value of our products. By building up the data infrastructure from the start, we have been successful in firmly establishing the Wacoal brand name in the Japanese market.

Abroad, we lay stress on locally based marketing and merchandising. As mentioned earlier, we have in principle expanded our business not through export but by establishing companies in each country through direct investment and by producing and selling products that fit the needs of the local market. In marketing we focus on the medium- and high-quality zone, whereas in quality—our top priority—we essentially carry out our own production. Under these policies, we have created the brand value that fits each country and market.

Since launching joint capital projects in Korea, Thailand, and Taiwan in 1970 as part of the 50-year plan, we have set up joint companies in various places. Our success in the three Asian nations is due to our ability to apply the basic strategy we use in Japan: gaining control of the market by creating comparative advantages as Western-style clothes begin to spread in society. For instance, since the markets in Taiwan and Korea were similar to that of Japan when we launched the joint ventures in 1970, we offered our fundamental business framework and know-how. Although we formed joint ventures with local partners, we showed understanding of the local culture and entrusted the staff administration and employment to the local side—and it worked.

We believed that our formula for success in Japan could more or less be applied to the Asian market. The U.S. market, however, was a different matter. Although we bought a U.S. company in 1983 and launched specific businesses, the U.S. market was quite formidable, and we recorded huge losses during the first decade. In Japan and Asia, the marketing route for medium- and high-quality products is through the department stores, so-called specialty stores, and shops under private management. In the U.S., this route was limited to department stores. Department stores constitute the top 30% of the pyramid, and the remaining 70% are supermarkets. Even though we have managed to become the leader in the department store market in sales today, there are generally few companies that succeed in the marketing route for medium- and high-quality products.

When we entered the American market during the 1980s, it was characterized by what is known as “brand mixing.” Today, department store products are usually displayed according to brands, and the clients come to purchase the brand of their choice. Back then in the U.S., however, products were displayed regardless of the brand and according to the stores’ whims: price, color, or size. Bargain and promotion sales were held often, unlike at Japanese department stores. The underwear market in the U.S. at that time was made up of American brand products that were normally priced at around $20. Imported European products, priced at around $60, occupied the top end, while products priced at around $30 and $40 formed a niche in the market. Originally, our strategy was to place Wacoal in this niche. It was a tough market to enter. Therefore we saw to it that the salesperson gave advice when selling, set up a special sales area for Wacoal products, and sold at full price as much as possible.
In short, we did the opposite of what the American manufacturers were doing at that time. Our American rivals expected that although we had entered the market and were making various costly attempts to win share, we would ultimately fail. As is the case in the U.S. market even today, the division of roles between the manufacturer, distributor, and retailer is clear. The manufacturer is responsible for selling products to department stores, which in turn sell them to end consumers. So usually the manufacturers resort to the media to appeal to consumers. In brief, since the division of roles was clear in the U.S., the American manufacturers saw our strategy of selling directly to the end consumer at the department stores, or adding value by explaining the products to them, as extremely costly and troublesome. They decided that such steps were the business of the department stores.

The bottom line is that it is essential to explain the added value to each client in the underwear business: experts help the customer choose items that fit well and explain the function of the product according to the manufacturer’s intent—in other words, they explain the added value to the client. Unlike selling outerwear, we cannot win loyal customers by simply telling them that our underwear product is the latest fashion. Since the key in the underwear business is to have the clients wear the product continuously and recognize its quality, one-way communication through the mass media will not do.

Since the marketing of textile products is marked by low productivity, profit-conscious department stores typically reduce the number of salespersons, so that a system where the clients choose the products themselves takes root. Although the brand mixing system, mentioned earlier, makes it easier for customers to choose by themselves, whether the products they choose satisfy them is debatable. Our idea was to reintroduce the notion of added value to the American undergarment business, where added value has remained low.

We created large-sized, luxurious products that would fit American body sizes, using Japanese skills and quality control as well as European materials that had not been used in American products. Marketing-wise, we aspired to sell at full price as in the Japanese market, while paying attention to inventory control. Other companies considered it unthinkable to install salespersons at counters at their own expense. Yet we regarded the undergarment business as a form of individual marketing and went against brand mixing by setting up Wacoal sections and employing our own sales personnel. By doing so we hoped to get our ideas about value across, even if it cost more.

Although we faced an uphill battle during the first 10 years, the notion of department store management also changed during that period. Until then, the accepted idea was to do anything it took, even offering bargain sales, to make the most sales. Yet as the department store business began to change, the differences between so-called medium-to high-class stores and the middle- and lower-class stores became clearer. This happened as the medium- and high-class department stores began supporting the full-price policy to maintain their position. That is to say, some department stores began to combine a full-price policy with quality of service.

The Seattle-based department store Nordstrom has chosen Wacoal as one of the three recipients of its “partner excellence” award from among more than 1,000 suppliers. We believe this award has proven that our aspirations for the American market are now understood by department store management.

We made inroads into the European market during the 1990s. Although fashion and apparel usually travel from Europe and the U.S. to Japan and Asia, we took the opposite route and came up with the following strategy. Until then, we had expanded
abroad in full gear, including product planning, production, and marketing. For Europe—namely France—however, we decided to concentrate on marketing and product planning. After designing the product in France, we carried out quality control and production refinement in Japan. The items were produced at our wholly-owned factory in China, where Japanese quality combines with Chinese low costs. We have developed our own system to respond to economic globalization, a future issue we all face. Yet our fundamental business framework remains the same, and we will continue to set up Wacoal sections in stores at our own expense and place our own staff in stores in an effort to satisfy each client.

When expanding overseas, we have set up and invested in local companies that carry out product planning, production, and management. In an increasingly globalized world, however, price disparities for parallel imports and inconsistencies in brand image in different countries pose a growing problem. Considering the nature of the undergarment market or intimate apparel business, locally based operations greatly contribute to expanding our business. Meanwhile, in view of the recent economic trend, brand management has also become an extremely significant issue for us.

From the standpoint of corporate strategy, we will broaden our operation by utilizing the management resources of our group companies, as is the case in France (Europe). From the aspect of brand management, however, I feel that it is effective to integrate the brand on a global scale and achieve consistency among regions. The value of the Wacoal brand, which we offer around the world, is above all based on quality. This is naturally derived from the headquarters in Japan, and it is something that must be shared by all companies.

There are two other factors relevant to the undergarment field. First, there is fit. As we found in the U.S., it is not easy to create well-fitting products in large sizes. One reason the Wacoal brand won recognition in the U.S. is because of its fine fit, not only in terms of size but also because we have a system that ensures products are produced according to specifications. For an apparel brand, design is the other essential value. Today, which of these three factors should be emphasized depends on the region. The fit is the most valued factor in the U.S., whereas it is quality in Japan and design in Europe. Yet such regional differences are not so prominent, and our strong point in the undergarment business is the ability to emphasize all three of these three values in an integrated way. We have been operating locally for the very reason that, from a global viewpoint, we recognize which factor should be prioritized in markets in different regions around the world. Our challenge in the future is how to become aware of the demand of each market, using the management resources within the Wacoal group, and to offer products and services under a more global operation.

To conclude: the Wacoal brand has achieved global success in the apparel industry by, first, continually trying to add value to its products in a way that fits each local market and, second, effectively carrying out the individual marketing that is an essential quality of the undergarment business—offering products that fit each customer through the use of sales personnel and other means. We believe that these two points are essential.
The Matsushita Electric Global Brand Strategy

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We at Matsushita Electric see the world as a place where, in the near future, ubiquitous networks will be an integral part of our society. The advent of such a networking society is imminent, and it is our objective to see this vision through to reality. Today I will discuss Matsushita’s global brand strategy under the slogan “Panasonic Ideas for Life,” with particular focus on branding. The four themes in my discussion will be: an introduction to Matsushita Electric, Matsushita Electric’s basic position on brand management, our global brand strategy, and our prescription for brand value enhancement.

Matsushita Electric’s History

Founder Konosuke Matsushita started the Matsushita Electric Devices Manufacturing Works in 1918, in the Kansai hub city of Osaka. The operation had a total of three employees—Matsushita, his wife, and her younger brother Toshio Iue, who would eventually found Sanyo Electric. It was what we call today a start-up enterprise. The first Matsushita Electric product was an attachment plug for lamps. This was followed by a two-way socket with a special attachment plug known widely in Japan as the double cluster socket. This product was a big hit in its day. This was also the beginning of Matsushita Electric’s undertaking as a maker of things. In 1927, when a box-shaped bicycle lamp was introduced on the market, the company for the first time in its history adopted a brand. Our founder chose the brand name “National” as an expression of his wish to be a provider of goods indispensable to households throughout Japan. This is the origin of the Matsushita Electric brand.

Konosuke Matsushita stated the “True Mission” of the corporation in 1932. At the heart of the mission is this basic management objective: “Recognizing our responsibilities as industrialists, we will devote ourselves to the progress and development of society and the well-being of people through our business activities, thereby enhancing the quality of life throughout the world.” These words express what we hold to be the purpose of our existence. Put differently, the company’s business activities should improve the quality of people’s lives and contribute to the growth of society as a whole. Throughout the decades we have always upheld this mission of enterprise; indeed, it is the very DNA that makes Matsushita Electric what we are today.

Our founder had long had a deep yearning to help bring affluence to the lives of ordinary people. On a visit to the United States in 1951, he saw firsthand the lifestyle that Americans enjoyed thanks to electronics and became convinced that if American-sized appliances were redesigned and made compact to fit the Japanese home, Japan too would become a nation filled with electronic home appliances. Based on this conviction, Matsushita Electric in the early 1950s began to place home appliances such as washing machines, television sets, and refrigerators on the market for Japanese customers. As the nation’s leading home electronic appliance provider, we continued to produce various
other home appliances for the domestic market. Then, in the late 1950s, operations expanded significantly, with the start of exports to foreign markets and the establishment of sales companies abroad. In the past, Matsushita Electric was known primarily for products marketed and purchased in sets, such as audio-visual equipment and home appliances, but today its much more diverse product range encompasses semiconductors, components and devices, products for manufacturing systems, and service solutions.

In the process of driving Japan’s post-World War II home appliance sector and greatly expanding our sphere of operations, we achieved extraordinary growth in a short period. Our postwar sales growth and the growth of Japan’s GNP followed very similar patterns. Matsushita Electric’s growth went hand in hand with the nation’s. In recent years we have heard, especially in Japan, the term “V-recovery” in reference to our business performance. This means our crisis in business year 2001—when our profitability declined, causing us to post a deficit unprecedented in corporate history—was followed by a continuing recovery on rising gross profits achieved since.

In the quarter ending in March 2005, sales totaled 81.4 billion dollars, ordinary profits were roughly 2.9 billion dollars, and net profit 550 million dollars. The R&D expenditures-to-sales ratio was 7.1%, and the number of employees stood at approximately 330,000. According to Fortune magazine’s Global 500 ranking of companies by sales performance for the year 2005, Matsushita Electric ranked 25th overall, and in the Electronics and Electrical Equipment industry, we ranked third behind Siemens and Hitachi. If we break down Matsushita Electric’s sales worldwide by region, sales in Japan make up the majority with 53%, with the Americas at 14%, Europe 13%, and Asia and other regions 20%. This is the state of our global operations. Today we have 227 offshore companies in 45 countries and regions. We expanded into Southeast Asia in 1961, with the establishment in Thailand of the first manufacturing company for so-called “white goods” such as refrigerators and washing machines. Since then, our operations in the region have grown with the changing times, to as many as 75 companies today. Among all the countries in this region, we have the most companies in Malaysia with 24, followed by Thailand with 20, Indonesia with 15, and Singapore with 12. Our regional headquarters for Southeast Asia is in Singapore.

Such are the scale, content, and characteristics of our company’s business operations. As for our goals and aspirations, we have two management objectives. One is to contribute, through proprietary cutting-edge technologies, to the realization of a ubiquitous networking society. The other is to contribute to harmonious coexistence with the global environment. By achieving these objectives, we aim to join the ranks of leading global companies in the year 2010.

Brand Management

There are five points to our basic brand view, set forth in 1997: our brand is the symbol of our accountability to our customers; our brand is the public face of our company and our products; our brand is testimony to the trust our customers place in us and to their satisfaction; our brand is an irreplaceable asset for our company; and last but not least, our brand is a source of pride for our employees.

So why the need for our company to focus on brand management today? The answer has two aspects: the social need and the internal need. Regarding the social impetus, it used to be that business enterprises were in competition to gain and grow their tangible assets. Times have changed, and we have entered an era in which the intangible
assets of a company have a direct impact on its corporate value. In particular, the brand, which has the long-term potential to be a source of profit, is fast becoming so crucial to the management of any enterprise that it is being called the fifth management resource, after human, material, financial, and informational resources.

Then there are the company’s internal reasons. As I mentioned earlier, we closed the business year 2001 in deficit for the second time in our corporate history. To get out of that serious situation, we resolved to make structural reforms and proceeded to abandon numerous outdated practices. Then, when V-recovery was achieved, the goal became “creation.” And today, we find ourselves about to embark on yet a new phase—the “Leap Ahead.” We could even say that our brand is a driving force for the great leap ahead that we are set to take.

This is the structure for brand strategy execution for all Matsushita Group companies. Directly reporting to the president is the commission for all Matsushita brands. The brand management room, which is where I am, has the role of a general secretariat. The Panasonic brand marketing commission is a committee of the business divisions and group companies that manufacture Panasonic products. It brings the product makers’ viewpoint to its mission to strengthen the brands’ allure. Likewise, the National brand marketing commission is made up of the divisions and group companies that manufacture National products. The overseas brand commission has under it all the brand commissions abroad, and it aims to heighten the brands’ appeal, in particular from an overseas marketing standpoint. Our mission at the brand management room is to strive for the enhancement of our brands’ value by promoting cross-group strategies, as the Matsushita Group’s executive and global brand producer. Our work is the promotion of a consistent brand management, from foundation-building work such as brand identity to unifying employee awareness, external communications to all contact points with our customers, brand value assessment, and monitoring.

Global Brand Strategy

As I mentioned earlier, the first Matsushita brand was “National,” a word expressing the wish to be “of, and for, the people of a nation.” This brand name had already been registered at the time we were entering the important markets of Canada and the United States, and could not be used there. So in 1955 we registered the trademark “Panasonic,” which was a name given to the audio speakers we were exporting, and began using that as a new brand. The name “Panasonic” is a compound of “pan,” meaning “universal” or “everywhere,” and “sonic,” meaning “sound,” and it represented our wish to bring the sound of Matsushita Electric everywhere around the world. Since the Panasonic brand was officially adopted for North America in 1961, it has come to be used widely around the globe. In Europe and North America all our products became Panasonic. In Asia and the Middle East, the National brand is used for such products as “white goods.”

Although National has a strong presence in Asia and the Middle East, only 9% of all Matsushita products overseas are National. The rest, 91%, are Panasonic. As the economy began growing ever more borderless and with global competition in the overseas market intensifying every year, it has become increasingly inefficient for us to divide our investments between the two brands. The need to instead concentrate our limited management resources was becoming more important. This prompted the launching, in 2000, of an in-house project to examine the subject of brand consolidation for the overseas market, and through this project we have explored and discussed the matter extensively.
There were some resolute dissenters among us, but, certain of the absolute necessity of brand consolidation, we worked hard to bring all group entities into agreement. The result was the decision in May 2003 to designate Panasonic as our sole brand for the overseas market and to position it as our main global brand. To summarize the objectives for this: first, as mentioned earlier, we were looking to stop dividing our investments and begin concentrating our management resources; second, we aimed to develop the kind of strong products that discourage imitation and position ourselves to conduct strong marketing efforts on a global scale.

Immediately following the May 2003 announcement, we conducted a series of major campaigns during the year through March 2004 in Southeast Asia, China, and the Middle East to communicate the brand change. Here I would like to give you an example of one such brand changeover campaign, conducted in the Southeast Asia region. In order to make the brand consolidation well understood in this market, we created simple and direct symbols. The key visual was a button being pushed. We called this “The Switch Is On” campaign to convey our wish that many consumers would start new lives with new Panasonic electric appliances. Even before we began planning this campaign, it seemed apparent to us that simply switching brand names would not sufficiently achieve a successful brand changeover. Therefore, the decision was made to introduce to Southeast Asia the flagship models that were already hit products in Japan. In the unified design style we call “Clean Style,” with its pale crystal-green key color scheme, are such products as a refrigerator, oxygen-supplying air conditioner, washing machine with dryer function, negative ion-generating vacuum cleaner, and steam microwave that can defrost food without cling film. The brand changeover campaign in Southeast Asia was developed around these flagship products based on Matsushita Electric’s cutting-edge technology. A flagship product advertisement featuring the refrigerator and washing machine ran in the leading newspapers in the region. Billboards and point-of-sale displays at individual sales outlets were styled in the same look.

As for my personal feeling at the time, I admit to being less than confident that attaching the Panasonic brand to our “white goods” such as refrigerators and washing machines would truly work. I wondered whether customers would want to buy them. My apprehensions proved needless, however, amid the very favorable public response. Customers told us that they liked our new image very much, and that these domestic household appliances appeared to have gone high-tech. We actually saw product sales go up in every country in which we implemented the brand change. Apparently local customers, even in countries and regions where loyalty to the National brand had always been strong, took well to the Panasonic brand, and on the whole we consider this particular managerial decision a success story.

When we designated Panasonic our global brand, we introduced as its slogan “Panasonic Ideas for Life.” This slogan is an expression of our desire to continue generating ideas that can bring certain qualities—peace of mind, safety, fondness, ease and convenience, dreams, and excitement—to the prosperous lifestyles, and lives, of all our customers around the world. Here, the meaning of “ideas” goes beyond those light bulbs that brighten in our heads or little brainstorm we have, to encompass deeper values and concepts. Likewise, “life” refers not only to our lifestyles and livelihoods but also to the lives our customers will lead—their lifetimes. Under the “Ideas for Life” concept our aspiration is to always be Panasonic, ever present around our customers throughout the world. As I mentioned earlier, the basic management objective of Matsushita Electric formulated by our founder Konosuke Matsushita is our mission and devotion to the pro-
gress of society and the well-being of people worldwide through our business activities. This is also the basis of the slogan “Panasonic Ideas for Life.” Seeking a modern-day version of this philosophy that would resonate just as persuasively with people outside Japan and be shared by all employees throughout the world, we arrived at “ideas for life.” Matsushita Electric defines “Panasonic Ideas for Life” as “the commitment of all the employees, from R&D and manufacturing to marketing and services, to supplying products and services based on valuable ideas which can enrich people’s lives and advance the society.” Our entire brand strategy revolves around the pursuit of global activities under the “Panasonic Ideas for Life” insignia. Meanwhile, for the domestic market we have a dual-brand strategy, having retained National as a Japan-only brand that we use along with the global Panasonic. For Japan, products such as audio-visual equipment and communications equipment are Panasonic, while products such as “white goods” appliances and housing equipment are National.

Allow me to clarify why the National brand was retained for Japan. In April 2004, Matsushita Electric made its sister company Matsushita Electric Works (MEW) a full subsidiary. Because MEW had also been using the National brand, in this newly reorganized Matsushita Group sales figures of National brand products rose sharply, to the extent that they were looking to exceed Panasonic’s sales. Today, as the cumulative result of various initiatives by our company, all our global marketing with the exception of the Japanese market is under the sole brand of Panasonic.

Brand Value Enhancement

The basis for these global and domestic brand strategies is an original concept we call the “Prescription for Brand Value Enhancement.” This approach to branding involves asking what elements add value to a brand. Among the myriad points of contact that exist between our brands and our customers, we have identified four elements as particularly crucial to the constitution of a brand. The first of these four is strong products. Lacking competitive products, a company cannot hope to build strong brands. The second is competitive marketing. Without an effective marketing system in place to present those strong products well, again, there can be no strong brand. The third is Corporate Social Responsibility (CSR), the obligation of an enterprise toward society at large and its activities as a corporate citizen. By consistently fulfilling its social obligations as well as demonstrating that it is a responsible generator of products under its brands, a company heightens its brand power. The last of the four elements is the company’s business results achieved through all of the above. Any brand achieving good results necessarily becomes a strong brand. The prescription for brand value enhancement, in our thinking, is “Strong Products × Competitive Marketing × Good Corporate Citizenship × Business Results.”

Let us examine each element individually, starting with Strong Products. According to a breakdown by business segment of Matsushita’s consolidated group sales for the 2005 business year, AVC Networks accounted for 41%, Home Appliances for 14%, Electronic Components for 13%, and Matsushita Electric Works and PanaHome combined for 17%. JVC, part of the Matsushita Group, accounted for 8% of the whole. AVC Equipment Networks has such products as plasma TVs, DVD players and recorders, DVCs, digital cameras, and audio equipment. Home appliances include CFC-free refrigerators, microwave ovens, air conditioners, washing machines, and vacuum cleaners. The Components and Devices segment has an enormous range of products including semiconductors, capacitors, motors, and batteries. Besides health and beauty care appli-
ances such as massage loungers, shavers, and hair dryers, Matsushita Electric Works, MEW, also has lighting equipment and housing materials. PanaHome, as the company name denotes, sells detached houses. In range of product categories we believe the Matsushita Group is virtually peerless, even compared to other global corporate groups.

Behind such strong products are three criteria that constitute Matsushita Electric’s basic approach as a maker of such a diverse product range: the use of black-box technology; consideration for the global environment; and universal design.

When we speak of black-box technologies, we are referring to those proprietary technologies that differentiate our products from those of others and that cannot be readily imitated by our competitors. Our goal is to have at least one black-box technology in each of Matsushita Electric’s business segments. One example of a product with black-box technology is the digital still camera with our “hand-shake correction” image stabilization technology, which enables clear, high-quality photos even when the user fails to hold the camera still while pressing the shutter release. Despite being a relative latecomer in this product category, we were able, with this technology, to grab a top share of the market with the FX7, which went on sale last year. Among National products, the air conditioner with an oxygen supply function and the oxygen concentrator not only improve the quality of the oxygen supply, they also utilize our oxygen enrichment membrane process. While the level of oxygen concentration in the natural environment is 21%, both the air conditioner with oxygen supply function and the oxygen concentrator can, with this technology, supply air with an oxygen level of 30%. The oxygen enrichment membrane process has enabled us to add to our products unique values that our competitors’ products do not have.

On our concern for the environment, we have excellent energy-saving capacities that we are applying in our initiatives. With our plasma TV VIERA, for instance, we have been able to reduce power consumption by up to 43% compared to our previous model. In addition, we are now directing our efforts not only toward energy-saving measures but also energy generation technologies. We developed the world’s first household fuel cell cogeneration system jointly with Tokyo Gas, and this March, the first unit was installed in the Prime Minister’s Residence in Tokyo. Because this household fuel cell is a source of very clean energy, generating power by way of chemical reactions between hydrogen and oxygen, its use could greatly reduce levels of greenhouse gases such as NOx and CO₂.

Turning next to Matsushita Electric’s Universal Design policy, we have what we call the six basic elements of universal design, or six objectives to be achieved through UD: operation should be easy to learn; indicators should be easily recognized and directions clear; users should be in relaxed positions and stress-free in motion; transport and space constraints should not present problems; products should be reliable and safe; and usage environments should be well-considered.

The second element in the Brand Value Prescription is Competitive Marketing. To make the most of your excellent products, your marketing must also be competitive. We are implementing a strategy called the “Simultaneous Worldwide Launch for Vertical Startup,” in which strong products are released at the same time in all global markets in order to achieve maximum initial sales in a concentrated offensive. This Simultaneous Worldwide Launch for Vertical Startup is an extremely precise marketing approach. The entire process is planned counting down to the goal: the new product’s market release date. The progress of activities in all divisions, from R&D to production to market placement to PR and advertising, is controlled in detail. For a long time, we had always re-
leased new products in Japan first, then in the overseas markets. Implementing simultaneous worldwide launches has been a radical reversal of this process, but while there is still some trial and error at this stage, I think we can say that the effort is beginning to pay off. In April 2005 we put a new model flat-panel television, the VIERA 37, on Simultaneous Worldwide Launch for Vertical Startup. As a result, our global shares expanded dramatically upon market release, and we are confident that the name Panasonic is fast becoming more closely associated with plasma TVs around the world. When we announced a new VIERA model on April 6, 2006, in Tokyo, a record-high 625 members of the media attended the event, and we were rewarded with excellent results for what proved a very effective PR effort.

The third element in the Brand Value Enhancement Prescription is Corporate Citizenship. Based on the idea underlying our corporate mission that a company is a public institution of society, Matsushita Electric is committed, as a global corporate citizen, to contribute to the betterment of society. This commitment is the basis of all our citizenship activities. One ongoing global corporate citizenship project is called Kid Witness News. One of numerous educational programs we support on a global scale, Kid Witness News lends cameras and other equipment for video production to elementary and middle school students all over the world. The purpose is to give the students firsthand video production experience and, in the process, to encourage development of their creativity, communication, and teamwork skills. To date, more than 70,000 children around the world have taken part since Kids Witness News started in the United States in 1988. The videos are judged at annual contests, and awards are given to outstanding works in more than ten categories, including news, documentaries, dramas, and commercials. As many as 461 schools in 18 countries took part in 2005, with Singapore, Malaysia, Thailand, Indonesia, China, and Japan being the six participating countries from Asia.

Business results, the fourth element in our Prescription for Brand Value Enhancement, should be the natural outcome of all the aforementioned. We at Matsushita Electric are mindful, in all our decisions and actions, of this Prescription for Brand Value Enhancement: “Strong Products × Competitive Marketing × Good Corporate Citizenship × Business Results = Enhanced Brand Value.”

Today I discussed four themes and our branding strategy, and I will be most gratified if those of you in the audience found my talk informative.
The Social Role of Life Insurance

Katsutoshi Saito
The Dai-ichi Mutual Life Insurance Company

It is an honor for me to have a chance to speak to this distinguished international gathering. I hope that my presentation will be of some interest and use to you.

I will start with a brief introduction of my company, Dai-ichi Mutual Life Insurance. In the second section, I’ll present the framework of our corporate brand management. Third, I’ll discuss the background to our adoption of this approach. Within this third section, I’ll describe recent changes in the operational environment for companies in the life insurance industry and the strategies that we adopted in response to these changes, specifically our Total Life Planning strategy and our activities aimed at improving management quality. In the final section, for your reference, I’ll introduce our specific approach to corporate brand management.

These are the major items of my presentation, but before I elaborate on them, I’d like to touch briefly on a more fundamental point: that the most important key to implementing corporate brand management is to form a clear vision of what we intend to accomplish. In other words, what is the ideal that we are seeking to achieve? By making this clear, we will also get a clear view of the gaps between the ideal and the reality, and this will allow us to find strategies to close these gaps. My basic thinking is that the only way to find the proper strategies for corporate brand management is for the entire organization, from senior managers to regular employees, to share a commitment to the enhancement of the corporate brand and to have a clear understanding of what needs to be done for this purpose.

By way of context, let me tell you a few things about our company. Dai-ichi Life was founded in September 1902 as Japan’s first mutual life insurance company. A mutual life insurance company is one that is owned by its policyholders. The insurance companies that were established in Japan before Dai-ichi Life were all regular joint stock corporations. Ours was founded on the basis of a different concept: the idea that the proper framework for life insurance is mutual aid, bringing people together so that by pooling their premiums, they can provide themselves and each other with coverage against various risks that they cannot cover with their individual resources alone. Dai-ichi Life was set up with the idea that a mutual company, which embodies this framework in corporate form, is the most appropriate type of business organization for a life insurance company, and we have held to this form of organization for 103 years now.

Our idea of mutual aid and our commitment to the mutual company form of corporate organization are deeply related to our understanding of the social role of life insurance. Every year Japan’s private sector life insurance companies pay out 3.3 trillion yen in benefits to survivors of deceased policyholders. In other words, every day these companies are paying almost 10 billion yen to bereaved family members and thereby helping them get by financially. This is a tremendously important role. For example, these payments have made it possible for hundreds of thousands of children to pursue higher education instead of being forced to leave school because of insufficient family
financial resources. Another good example of this social role is group credit life insurance, which is used to provide coverage for just about everybody who takes out a housing loan in Japan. This serves as a form of collateral for the loan, and the existence of this type of coverage has contributed greatly to the wide use of housing loans and thus to the spread of home ownership among the Japanese public. Our basic thinking is that the life insurance business must start from a solid understanding of this social role.

This fit is expressed in the “policyholders first” philosophy that has guided our company since its foundation. The policyholders, as the participants in the system of mutual aid, are the central actors in the company. This fundamental idea serves as the reference point for all our activities, and it is embodied in the basic management policies that we adopted in 1992 to mark our ninetieth anniversary. These policies are a statement of our corporate purpose and direction. What we are aiming for is a positive cycle powered by the daily activities of employees, imbued with a firm understanding of the social role of life insurance and with pride in this business. Through these activities, we seek to maximize the satisfaction of our customers and thereby win a high level of public trust.

As of the end of our most recent business year, Dai-ichi Life was providing life insurance and pension coverage for 8.7 million individual customers and some 23,000 corporate clients. The total volume of our business in force, as measured by the sums insured, came to about 260 trillion yen, and we have about 55,000 employees working in our company to maintain the existing policies, provide coverage to new customers, and manage our corporate operations in a sound fashion. Among the world’s top life insurance companies in terms of insurance revenues—income from policy premiums and the like—we rank seventh.

Corporate Brand Management at Dai-ichi Life

We have two types of fundamental activities: first, an emphasis on what we call Total Life Planning; and, second, the improvement of management quality. By upgrading our efforts in these two areas, we aim to enhance our corporate value, thereby bringing our company closer, step by step, to the goals of our basic management policies. I see this as the foundation of our corporate brand management, and I also believe that this is the way for us to fulfill our corporate social responsibility as a life insurance company.

I mentioned our basic management policies. These consist of ongoing efforts to improve our communication with society in general, with our customers, and with our employees. By listening carefully to what they have to say and reflecting this feedback in our management, we strive to win a high level of support from all our stakeholders. In the current fiscal year starting April 2005, we have adopted a new set of medium-to-long-term policy guidelines that incorporate our efforts to enhance our overall corporate value and corporate brand. Under these guidelines, we are working on a companywide basis to further develop our fundamental activities of enhancing management quality and emphasizing life design planning.

In the next section I will explain the background to our decision to apply corporate brand management in line with the basic thinking that I have just presented. The first point concerns the changing operational environment for companies in the life insurance industry. In Japan today, there is a lot of discussion about the need to reform the social security system because of two major problems: the demographic shift produced by our declining birthrate and aging population and the severe strain on public finances. This is a complex issue involving various considerations, but as a general trend we can say that
the need for self-reliance will increase in the years to come. Figure 1 shows the way the composition of Japan’s population is shifting. The horizontal axis shows ages and the vertical axis shows population share. Back around 1970, the baby boomers born after World War II were still in their twenties, and these people represented a large market, promising steady growth for the life insurance industry. Now, by contrast, the baby boomers are beginning to reach age 60, which in Japan is the normal retirement age. This shift in population structure has many different effects, but for the life insurance industry in particular, it represents a tremendous challenge, requiring us to develop a new business model.

Along with the shift in population structure, we have also seen great diversification in people’s lifestyles. People are marrying later or not at all, and we find growing numbers of singles at ages when in the past almost everybody was married. For the life insurance industry, the diversification of lifestyles has meant a rapid diversification of the needs that we must try to meet. We have also seen a shift in the competitive environment within the Japanese life insurance industry. During the 1980s, when the number of life insurers was relatively small, the industry enjoyed rapid growth. In 1989, there were just 25 private sector life insurance companies operating in the Japanese market. Since the 1990s, by contrast, the size of the life insurance market has been shrinking, but the number of companies has risen. The revision of the Insurance Business Law in 1996 made it possible for non-life companies to set up life insurance subsidiaries, and this contributed to a jump in the number of life insurers to 44 in 1997. In the years since then, this number has fallen slightly because of mergers and for other reasons, but there are still 39 companies serving the market, which is about a 60% increase over the number in 1989.

Meanwhile, we have also seen a major shift in the focus of regulation by Japan’s Financial Services Agency. April 2005 marked a major milestone for Japan’s financial
services sector because it brought the end of the system of unlimited deposit insurance introduced in the 1990s to allay public fears of financial institution failures. The fact that this milestone was passed without any significant disturbance showed that the financial system as a whole had regained its stability. Shortly before this, in December 2004, the government adopted a new program of financial reform. Unlike the previous program of financial revitalization, the new agenda contains no element of protection for financial institutions. Instead, it focuses on promoting competition, serving users’ needs, and providing solid protection for users. This represents a historic shift in Japan’s financial regulation, which traditionally stressed protecting the country’s existing banks and insurers.

With respect to life insurance, the regulatory focus is on: 1) easy-to-understand explanations of products to prospective customers; 2) appropriate comparative advertising; and 3) observance of the suitability rule, meaning that salespeople need to present potential customers with products that are suitable for their individual circumstances. The new regulatory stance places an even greater emphasis on the responsibility of life insurance companies to ensure that their salespeople provide full information to customers.

At Dai-ichi Life, we are doing our best to avoid the passive stance of merely responding to regulatory requirements. Our focus on corporate brand management means an emphasis on customers’ needs, so we are eager to tackle the agenda of the government’s financial reform program on a proactive basis. Faced with these changes in our business environment, we returned to our starting point—focusing on the role of life insurance; and working from there, we came up with a new set of strategies with two main pillars: 1) the introduction of what we call Total Life Planning and 2) activities to improve management quality.

**Total Life Planning**

In the past, when Japan’s population consisted largely of young people and the economy was growing fast, a customer’s main need in terms of life insurance was for products providing financial security for the family in case something happened to the breadwinner. So life insurance companies’ business models were centered on sales of regular life insurance—in other words, coverage against death. But, as I explained earlier, lifestyles changed, and this business model ceased to be sufficient to meet customers’ diversifying needs. At Dai-ichi Life, we strongly felt that we could not live up our “policyholders first” philosophy unless we came up with a new approach. This led us to the adoption of the Total Life Planning concept. Total Life Planning involves mapping each prospective customer’s concrete needs for coverage of various sorts at each stage of life and presenting products on an ongoing basis to meet these changing needs. We offer tailor-made packages of insurance, providing not just death coverage but also savings for children’s education and retirement and coverage against a variety of contingencies. The adoption of this strategy has allowed us to move considerably closer to the “policyholders first” idea.

**Improving Management Quality**

Our second core strategy was the improvement of management quality. Alongside our adoption of Total Life Planning, we moved to review all of our internal operations from a customer-centered viewpoint, and we implemented a company-wide campaign to get all of our employees to undertake ongoing reforms so that their work would win positive marks from customers. In 1998, we announced publicly that we would seek to win the Japan Quality Award by 2002, our 100th anniversary, and we launched a full-
fledged program of management quality improvement activities. In 2001, a year ahead of our target, we became the first financial institution ever to win this award. The Japan Quality Award, founded in 1995, was modeled after the Malcolm Baldrige National Quality Award in the United States. Similar awards, such as the European Quality Award, have been introduced in 60 countries and regions throughout the world.

As you may remember, the 1980s was a time when the competitiveness of American corporations was in decline. At the same time, Japanese companies were in the midst of an economic boom, and the decade saw the publication of books like Ezra Vogel’s *Japan as Number One*. The Malcolm Baldrige National Quality Award, named after a former US Secretary of Commerce, was created by an Act of Congress to encourage American companies to regain their competitive edge through the study of successful Japanese and German companies.

One point that had an especially strong impact on us as we worked to improve our management quality was the customer-centered way of thinking. In the management quality improvement program of the Japan Quality Award, one of the core values is quality from the customer’s viewpoint. This customer’s viewpoint is crucial. Even if we are working hard to satisfy our customers, in some cases our efforts may be grounded in our own corporate viewpoint rather than that of the customers. In other words, we may actually be working just to satisfy ourselves.

The terms “customer-oriented” and “customer-centered” sound very similar, but actually they are based on opposite perspectives: that of the company versus the that of the customers. This point served as an important guidepost for us in our management improvement program, allowing us to take the idea of listening to the customer as the starting point for all of our business activities. Both in our presentation of Total Life Planning and in our activities to improve management quality, a crucial point is to listen closely to our customers’ voices. In order to catch what our customers are saying and respond to their wishes on an ongoing basis, we have instituted what we call the Echo System.

The starting point for the Echo System is feedback from customers. This reaches us through a variety of interfaces, including our branches, subsidiary centers, and the Internet. It is processed using an integrated system for managing customer feedback, after which the contents are considered by the participants in monthly Echo Meetings and by a Customer Satisfaction Committee. The results are then reviewed by various organs, including our senior executive-level management council. This is used as a basis for improvement. The cycle is completed through disclosure of the results to customers through such means as our Echo Information Bulletin. The Echo System also includes a set of arrangements for gathering and responding to the voices of employees, many of whom are in direct contact with customers on a daily basis. This is a very important feature of the system. The Echo System received special recognition from the government in 1995 when Dai-ichi Life became the first life insurance company to receive the Superior Consumer Oriented Enterprise Award granted by the Ministry of Economy, Trade and Industry.

We have a variety of other arrangements for listening to customers’ voices. One of them is the annual nationwide customer survey, undertaken by each branch office. We use the results of this survey as an indicator of how customers evaluate our management, and we set targets for the results as a key element of our medium-term management plan. In order to ensure objective results, the survey is conducted by an outside organization. In addition to compiling and analyzing the results on a company-wide basis, we
also look at the breakdown among our 102 branch offices around the country. The results of this branch-level analysis are then reflected in the action plans of the home office departments and of the branch offices.

We also look at communication with customers from another angle, focusing on the annual volume of interchanges of various sorts. Making sure that this tremendous volume of communication is put to good use in our company’s management is a key role of the Echo System. At Dai-ichi Life we have communication desks in Tokyo and Osaka which provide information on products and services to customers on a regular basis. The aim is to improve our after-sales service. This system is also used to pass requests from customers to salespersons for follow-up.

I mentioned that a key feature of the Echo System is to gather input from employees. We have been working hard to make this a two-way process because we believe that it is important to have direct communication between regular employees and senior executives. One of the approaches we are using for this purpose is the network office of the president, which we set up on our intranet in the year 2000. Every month, as president, I send a message to all our employees, and the employees can use this page to freely submit their comments and questions. Our focus on this channel of interactive communication is based on the desire to share our management vision. It is physically impossible for the president to speak directly with each employee, but this network office allows me to present my ideas to them directly, in my own words. I am also doing my best to listen to what employees have to say and to respond to the points that they raise.

Another form of communication between top management and employees is the Meet the Executive gatherings that we hold whenever possible during visits by board members to our branch offices. These provide an opportunity for regular employees to talk directly with executives. The working days of board members tend to be scheduled down to the minute, but we have been implementing these gatherings on an ongoing basis since 2000 with the aim of building greater trust between top management and employees by having executives listen directly to what employees on the front lines have to say.

Next I will touch on the results we have achieved through management focused on Total Life Planning and improvement of management quality. Figure 2 shows our company’s share of total life insurance in force issued by private-sector life insurance companies. It was in 1997 that we adopted that concept of Total Life Planning and embarked on a variety of activities to improve management quality. Since then, our market share has risen steadily. The results from our annual customer surveys show part of the reason. The proportion of policyholders who declared that they were satisfied or fairly satisfied as customers of our company has continued to rise; in 2001, the year our company won the Japan Quality Award, the share was 69.2%; in 2005, it was 75.3%.

Corporate Brand Enhancement

As I mentioned earlier, in fiscal 2005 we adopted corporate brand management as a complement to our basic management policies. This represents a further step forward along the same path that we have been following by introducing Total Life Planning and improving management quality.

There are three considerations underlying our decision to move explicitly to enhance our corporate brand. The first is our desire to stop the absolute decline in the scale of our business. While our strategies have produced some good results, such as our steadily rising share of the life insurance market, at the same time the declining birthrate
Figure 2. Dai-ichi Life’s share of life insurance in force has been causing the market for death coverage to shrink. So even though we have gained ground in relative terms against our rivals, we have declined in absolute terms. This motivated us to seek some way of breaking through.

The second consideration is the so-called 2007 Problem. The year 2007 is when the members of the postwar baby boom generation will start reaching retirement age in large numbers, causing Japan’s labor force to shrink. This will also mean a major change for the life insurance market. Another development in 2007 is the scheduled privatization of the postal services, including postal life insurance. This is expected to mean even more intense competition for the life insurance industry. So the approach of 2007 motivated us to look for a new strategy.

The third motivating factor is the emergence of corporate social responsibility, or CSR, as an important consideration for management. As you know, CSR is now a major global current, and awareness of it has grown considerably in Japan in recent years. We are already putting our own form of CSR into practice through our strategies of Total Life Planning and improvement of management quality. But we felt the need to make our commitment to CSR clearer to people both inside and outside the company. It was with these three points in mind that we decided to adopt corporate brand enhancement as an explicit management guideline and to undertake vigorous efforts in this area.

At Dai-ichi Life, we see the enhancement of our corporate brand as the sum of two parts: financial value and non-financial value. We are seeking to increase both. Financial value is reflected in such things as our balance sheet; our non-financial value is reflected in elements that do not show up in the balance sheet, such as customer satisfaction and employee satisfaction. By emphasizing both, we intend to increase our overall corporate value. In terms of strategies, Total Life Planning is the key element for increasing our financial value, and improvement of management quality is the key element for increasing our non-financial value.

In undertaking corporate brand management, we believed that the first step was to establish a clear definition of what this concept means for our company. Why do we need
to enhance our corporate brand, and what do we have to do to achieve this enhancement? These were the two basic questions we had to address.

As we see it, the core element of corporate brand management is a ceaseless drive to find the gaps between customer expectations and reality, and to close these gaps through an ongoing process of self-reform. At Dai-ichi Life we have been aiming to maximize customer satisfaction and to be the life insurance company most supported by customers, but we have, perhaps, not done enough to clearly define the shape of the life insurance company that we hope to become. Our efforts to enhance our corporate brand take this as their starting point. We have asked ourselves what sort of company our customers want us to be. And having defined this objective, we have launched a company-wide campaign to achieve it. Earlier I spoke of the difference between a customer-oriented approach and a customer-centered approach. They sound similar, but there is a difference of perspective. The former is based on the company’s perspective, and the latter is based on the customer’s perspective. This relates to the gap between the value that we think we are providing and the value perceived by customers. I believe that this gap is substantial, and I believe there are similar gaps with respect to the value perceived by society and the value perceived by our employees. Our corporate brand management aim is to close these gaps—in other words, to make the two values overlap as much as possible.

**The Stages of Life Insurance Policies**

Let me talk briefly about the sort of life insurance company we want to become. For this purpose, let’s consider life insurance policies as involving three major stages: the entrance, the policy term, and the exit. In each of these stages we have a variety of contacts with our customers. First, at the entrance stage, we have the responsibility to explain our products properly to prospective customers and to make sure they truly understand and want what they are buying from us. This involves several steps: offer the best possible advice; provide simple, quick and reliable application procedures; conduct appropriate risk selection; and provide simple and clear documentation.

The second stage is the policy term. Every year we have tens of millions of communications with policyholders, including bills, notices, and changes of address. So in addition to continuing to offer the best possible advice, we need to provide simple, quick, and reliable procedures for policy maintenance and give policyholders various simple options for contacting us. We have been focusing on this as a priority area, and our specific steps include the creation of a nationwide toll-free number for our customer service desk and overhauling the system of notification and accounting.

The third stage is the exit, in which the company receives claims and pays them. Here, what is expected of us is to handle claims reliably in accordance with the policy provisions, to offer customers various access methods, and to provide simple and clear claim procedures and speedy payment. Our specific efforts in this area include simplifying and reducing the number of documents required for payment of riders and opening new windows for payment of separate claims.

In addition, we view strict compliance with legal requirements and rigorous protection of personal information as basic prerequisites for enhancing our corporate brand, and we are working hard in both these areas.

Our company-wide effort for corporate brand enhancement is directed by the Committee for Corporate Brand Enhancement, also known as the Committee for Corporate Social Responsibility Promotion. I chair this committee, and all of our senior execu-
tives are members. This organizational setup clearly expresses our commitment to this undertaking as a shared set of coordinates in an ongoing drive to achieve our basic management policies.

In order to strengthen our accountability to stakeholders and our communication with them, which are essential elements of corporate social responsibility, this fiscal year we have started to issue our own annual CSR report. This is the first such report to be issued in Japan by a mutual company, and the contents show how we have been undertaking to implement corporate social responsibility on our own initiative. I believe that the most crucial element of CSR is the cycle of feedback in which we explain our management to our stakeholders, take a hard look at how they assess us, and improve our management on the basis of their assessments.

Alongside the specific efforts I have explained, another key element is to raise the awareness of all our employees regarding the significance of corporate brand management. Customers’ views of the Dai-ichi Life corporate brand depend largely on their assessments of the Dai-ichi Life employees whom they encounter. When we launched our corporate brand management drive, I addressed a message to all our employees, urging them to adopt this as their own agenda. As I explained, they should ask themselves, “In my work today, did I enhance the value of the Dai-ichi Life brand?” Having a clear commitment to the enhancement of our corporate brand gives individual employees recognition of the programs related to their work and encourages them to think of solutions. My fundamental view is that the starting point for corporate brand management is to raise employee awareness of the corporate brand agenda.

In addition to pushing and encouraging from the top, it is also important for us to develop employees’ sense of participation in the process. One way we have been doing this is through what we call New Best Way activities, involving small groups of employees. This is actually a program that we have been implementing since 1994. These activities bring employees together in an effort to increase customer satisfaction by raising the quality of their own work. Of course, some employees work in posts where they do not deal directly with customers. Here we have adopted the tactic of defining the recipients of employees’ work as in-house customers, so that even in these jobs employees can strive to increase customer satisfaction. Some of the groups have tackled quality improvement issues, but in recent years we have identified improvement of customer satisfaction as the goal, and we have positioned the New Best Way activities as an integral part of our company’s work. All our corporate officers, including me, attend by the national convention, as well as the heads of our home office departments and the managers of our branch offices. We all get to share the results of the top New Best Way groups’ activities and their recommendations for the company. We give a Best Practice Award to the superior efforts that merit company-wide application, and we move to implement them throughout the company. I believe that this program is contributing greatly to raising employees’ sense of participation.

I have explained various aspects of our activities. Needless to say, they are part of an ongoing process. We intend to keep building on the positive legacy of our past efforts and to keep referring back to the basics of our role as a life insurance company, working to move closer, step by step, to the vision of our basic management policies.
Tokyo Disney Resort’s Brand Strategy

Yasushi Tamaru
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Opened in April 1983, Tokyo Disneyland was the first Disney theme park set up outside the United States. Now in its twenty-third year of operation, it has welcomed more than 300 million guests and marked the beginning of Tokyo Disney Resort, the generic name for an entire group of theme parks and their associated recreation facilities.

After Tokyo Disneyland began operating, five hotels were successively built around the park. They have been recognized from the start as Tokyo Disneyland official hotels, forming an essential part of Tokyo Disney Resort. In 2000, IKSPIARI and our directly managed Disney Ambassador Hotel were established in the area near Maihama Rail Station, which is linked to Tokyo Disneyland. IKSPIARI is a commercial complex consisting of retail, dining, and entertainment facilities that complement the theme park. In 2001, Disney’s first sea-themed park, Tokyo DisneySea Park, was opened, and Tokyo DisneySea Hotel MiraCosta was built inside the park. Disney Resort Line, a monorail train, was developed to seamlessly connect all these facilities.

Development of Tokyo Disney Resort

Oriental Land Company, Ltd. (OLC) purchased approximately 210 hectares (or 520 acres) of Disneyland’s original land area in 1962 in Chiba Prefecture, adjoining Tokyo, with the aim of building leisure and recreation facilities. While surveying what kind of development would be most suitable and profitable, we realized that an ordinary recreational business was not ambitious enough to launch a successful venture, and we decided to contact Disneyland. The decision was made on the basis of Disneyland’s effective strategy and its highly acclaimed business performance. At this point, however, we had no knowledge of how Disneyland captivated people until the Walt Disney Company decided to embark on a new theme park in Japan.

The Magic of Disneyland

Walt Disney’s Mickey Mouse made his screen debut in 1928. Taking advantage of technological advances in the movie industry, Disney devoted himself to producing short-story cartoons about Mickey Mouse and his friends. Later on, he expanded his film production in many directions, from animated features like Snow White and the Seven Dwarves to full-length documentaries about the dynamics of nature and live-action films. When TV became popular after World War II, Disney quickly understood its potential and poured his energy into making the best use of TV. His principle of producing television programs was to provide shows the whole family could enjoy. Disneyland, the theme park, is said to have originated in Walt Disney’s Saturday routine. One Saturday, Disney was persuaded by his children to go to a nearby amusement park. Once there, he just sat on the bench eating peanuts and watching the children ride the merry-go-round. It was then that he recognized the need to create a place where both parents and children could enjoy rides together. Disneyland was born. Disney succeeded in transforming a
traditional amusement park into a magical world where his various movie characters, including Mickey Mouse, come to life, as well as a place where the whole family can experience his fantasy world. His philosophy of providing family entertainment is a tremendous asset that we cherish in our management. The image of Disneyland as healthy and family-oriented is imprinted on the minds of not only people in the United States but also people in every other country who know about Disney.

Features of Theme Parks

First of all, Disneyland is dedicated to pursuing themes. While conventional amusement parks arrange rides and attractions randomly, Disney’s theme parks establish an organic link in each ride and show, based on a single theme. Careful planning helps amplify the sensations experienced by visitors who spend time in the parks. Secondly, Disney tries to stimulate all the senses. Ordinary amusement parks offer the mere physical sensation of rides, such as on a typical roller-coaster ride, for example, when you feel the jolt of the cars moving from side to side or up and down. However, Disney’s rides are designed to provide more than a physical sensation.

At Pooh’s Honey Hunt, Tokyo Disneyland’s attraction based on the adventures of Winnie the Pooh, the real smell of honey is released when Winnie enters a cave filled with honey. In this way, the attraction combines physical and visual sensations with smell to convince the riders that they really are entering a cave. This is an essential feature of Disney parks, where parents and children can have fun together.

In addition to designing parks and attractions, there is another important factor in creating the parks, expressed directly in the words of Walt Disney when he talked about Disneyland: “You can dream, create, design and build the most wonderful place in the world, but it requires people to make the dream a reality. You can make a wonderful facility, but it takes people to make it the most wonderful place. It is excellent service and hospitality by people that enhances the visitors’ experience.” In the 1950s, American society pioneered and achieved standardization of mass production to pursue efficiency. During the golden era of materialistic civilization, however, Walt Disney was a great man of vision who established the value of service by people.

The Brand of Tokyo Disney Resort

As I mentioned at the beginning, Tokyo Disney Resort started with Tokyo Disneyland and developed into a comprehensive resort establishment with two theme parks, its directly managed hotels, partner hotels, a commercial complex, and a monorail. We have greeted more than 380 million guests in the two theme parks in the 23 years since the opening of Tokyo Disneyland.

What explains such success? For one thing, we are licensed to use Disney property, such as Mickey Mouse and other icons. This property also includes non-material assets—for example, the know-how of theme park management. For another, the location is ideal. Tokyo Disney Resort is a 15-minute train ride from central Tokyo, within easy reach of an estimated 33 million potential customers, most of whom have high discretionary incomes.

Under these favorable conditions, we have made various attempts to retain the appeal of the parks. We have added new attractions, shows, and live entertainment programs aimed at improving customer satisfaction and motivating repeat visits. Furthermore, following the philosophy of Walt Disney quoted above, we always endeavor to support staff training as well as to create a friendly working environment so that our em-
ployees can continue to extend warm hospitality. We are strengthening our efforts to keep Disney’s magic alive in the hope of seeing our guests again.

Our products are intangible; they include customer satisfaction and expectations. In this sense, what is it that represents the brand of Tokyo Disney Resort? Simply put, it is living up to the visitors’ expectations. Our brand consists of the promises we make and the trust we build with our guests. We value customers who associate Disneyland with healthy, family-minded entertainment, and we continue to offer high-quality service without derailing our policy. It is also important to pursue outstanding service with generous hospitality to exceed people’s expectations.

Retaining Attraction

1. Quality Control and Common Theme

Walt Disney’s theme parks recreated his movies in a three-dimensional world, allowing visitors to have an extraordinary experience beyond the dimensions of a movie screen. We can say that the whole park is a huge, open-air stage, inviting the audience to share the thrills and participate in a variety of shows. We call the employees working for the shows “cast members,” as they are involved in the stage play. Ride operators are also called “cast members.” In this way, we place importance on raising awareness of each employee’s responsibility for his or her role. We teach our employees that even background roles are indispensable in making our audience-participation shows a success and that every job contributes greatly to the overall excitement of our guests. The awareness of responsibility is therefore vital in maintaining quality control and exploring common themes.

We have two slogans to achieve quality control. The first is “Every day is an opening day.” Disney theme parks have different visitors every day, while the employees go through the same day-to-day routine. We repeat the slogan to prevent our cast members from getting stuck in a rut and losing their enthusiasm. On the tenth anniversary of Disneyland in California, Walt Disney cautioned his cast members by saying, “It’s just been sort of a dress rehearsal, and we are just getting started. So if any of you start resting on your laurels, I mean just forget it, because … we are just getting started.” His words show that we must never forget the original purpose of serving our guests.

The second slogan is “Good shows and bad shows.” It is used in all kinds of aspects in the theme parks. Bad shows mean unacceptable situations that make visitors uncomfortable, such as weed-infested lawns and crowded places strewn with litter. We pay extra attention to minimizing these unfavorable conditions. Tokyo Disney Resort is a vast stage, as already mentioned, but the whole show can be spoiled by the view outside of the parks. To avoid distracting the attention of the guests inside the parks, we restrict the height of hotels in the resort area. Although high-rise buildings increase the efficiency of hotel management, we place priority on our policy of preserving the outside view for our guests. I am always prepared to pick up litter and throw it into a trashcan while I am walking around the parks. All cast members, from the employees working on the spot to senior managers, are expected to do this to keep the parks unspoiled.

2. Providing Outstanding Hospitality and Service

Intensive job training is inevitable in a business that offers top-class hospitality because the level of service affects visitors’ total experience. The delivery of exceptional service depends on systematic and efficient training methods. We do not consider a long period of training to always be effective. Setting a common goal is also crucial. We treat
all Disney employees equally. Whether their tasks are serving guests directly or working backstage without any contact with visitors, they all receive the same orientation. We educate each staff member with an emphasis on raising awareness that everybody works to inspire guests to visit the parks again. For instance, we teach an employee doing the dishes that his or her work is meant to entertain the dinner guests with beautiful plates and utensils. Tokyo Disneyland has a detailed instruction manual for the standards of professional practice, but this does not mean that we can guarantee first-class service. There are specific guidelines on the requirements for service and hospitality, but we cannot standardize these concepts because the best service and hospitality are developed through one-on-one contacts between guests and staff members.

3. Code of Conduct

Our code of conduct introduces different ways of addressing issues. We have four rules.

The first rule concerns safety. This is our top priority. We pay careful attention to safety when building a new facility or performing shows at Tokyo Disney Resort. During daily operating hours, we put safety before everything else.

The second rule is about manners. We expect our cast members to serve all guests in an equal, polite, and friendly manner by greeting, smiling, and making eye contact. When talking to small children, for example, cast members are instructed to kneel down to the child’s eye level so children will not feel intimidated.

The third rule is about “shows.” Since our live shows are main events in the parks, everything from behavior to appearance has to meet the standards we have set for good shows. We have a detailed dress code, such as prohibiting excessive makeup or long hair that gives a bad impression to our guests.

The last rule is about efficiency. One of the issues we are seriously tackling is how to reduce waiting times in order to create more opportunities for visitors to enjoy as many attractions as possible. But safety is most important, which is why it comes first on our list. We can never enhance efficiency without taking safety seriously.

Employees

Employees who have completed basic training courses on responsibility, objectives, and our code of conduct proceed with on-the-job training in their fields. The aim of this training is to foster awareness of what it means to represent the brand of Tokyo Disney Resort when serving customers. Visitors expect each staff member to provide top-quality service that will meet or exceed Disney standards. As representatives of this brand, we have to respond sincerely to the visitors’ expectations. We cannot allow any employee to think that one person’s lazy attitude will have little effect on the whole operation. One impolite response destroys everything, no matter how great our service is. That is why our customer service is evaluated on the basis of not addition but multiplication. In other words, our service falls to zero points with one single mistake. We have to stick to our rigorous standards of service as a responsible representative of Disney’s brand. Furthermore, we strive to improve working conditions to satisfy our employees’ needs. We are doing our best to create a pleasant environment where all employees can enjoy their work. Praising them for their outstanding service is part of our efforts. Employees are most motivated when their job performance is recognized by their colleagues and bosses. In America’s Disney parks, cast members use first names because a friendly atmosphere helps provide excellent hospitality service. In Japan, we add “-
san” at the end of our employees’ last names, which is polite but is more friendly than using positions or titles, as is more common in this country.

**Measuring the Effectiveness of Efforts**

Our business objective is to make our customers happy and inspire them to repeat their visits. Measuring customer satisfaction is a critical barometer of how well our company is serving its customers. To evaluate our performance, we measure the satisfaction level in various categories, such as facilities, entertainment shows, and restroom hygiene in the parks. We grade overall customer satisfaction in terms of their intention of visiting the parks again. Self-evaluation is another important index of effectiveness of our customer service. All cast members and senior executives carry out an assessment of the current service level in the theme parks and provide feedback to each workplace. Moreover, our cast members themselves visit the parks as guests; they gather information on service quality, monitor the employees’ job performance, and submit feedback on their findings.

**Conclusion**

To cultivate our brand image, we must be committed to assuring visitors complete satisfaction by achieving the quality they expect from Tokyo Disney Resort. The excitement we can offer is an intangible asset that continues to live and grow in the minds of visitors. We make a full effort every day to build up trusting relationships with our guests while continuously providing them with magical and unforgettable experiences.

Winning as many smiles as possible from our guests is what our brand management is all about.
Learning from Émile Gallé’s Art

Hiroshi Suda
Adviser
Central Japan Railway Company

An exhibit of the work of Émile Gallé was held in Tokyo in the spring of last year to coincide with Expo 2005 in Aichi, Japan. The date was chosen because of Gallé’s ties to world expositions—he exhibited his works at several world expos and received awards for them. I had an opportunity to see last year’s exhibit, and not only did I appreciate his works and style, but I gained various insights about management. I also wrote a review about the exhibit for a newspaper. That is how I came to be invited to speak to you. Although I am not an artist myself, I am familiar with art thanks to my father, who was an oil painter heavily influenced by baroque art; he studied art in Spain and was also a scholar of Western art history. So I grew up learning a lot of things about Western art history, especially European art, without realizing it. This background crossed my mind when I decided to accept this invitation, and I felt it was more than a mere coincidence that this opportunity came my way. Having said that, I am still not an artist, and I will be talking to you as an amateur, so please be patient with me if you feel I have not done enough homework.

There is another reason why I accepted this opportunity to talk to you. As I am sure you are aware, the Japan Railways Group—commonly known as JR—currently comprises six public transit companies, each covering a different region, and one freight company. JR was established in 1987, but its predecessor, Japan National Railways (JNR), used to run all the train lines in Japan as a single company. JNR, however, went bankrupt and was split into six transit operators and one freight operator. This was a major privatization of a nationally run entity into private-sector corporations. As such, JR found itself in a position to have to develop and manage a new brand of its own.

It so happened that I was a senior manager responsible for that line of work at the time, and I did a lot of studying. The company logo with the letters J and R combined, the one you see everywhere, is common to all JR companies throughout Japan. The only difference is its color: light green for Hokkaido Railway Company, or JR-Hokkaido, in the northernmost island and East Japan Railway Company, or JR-East; blue for West Japan Railway Company, or JR-West; orange for Central Japan Railway Company, or JR-Tokai; and so on. We wanted to unite all the companies under this JR brand and send out a single message so people would easily recognize us.

I still recall the time when I was selected, toward the end of February 1987, to make a presentation on this branding strategy. I had two messages I wanted to impart. One was that JR was a newly born, private-sector company, not just a modified version of its nationally owned predecessor. And I wanted to show, by using the single logo of JR for all seven companies, that we offered the same services nationwide under the same brand; and, at the same time, that, by using a different color for the logo, each company manages things differently to leverage regional differences. JR-Hokkaido, for instance, uses a light, yellowish green to indicate its aspiration to become a company like those fresh, budding leaves that come out after a long, harsh winter of the northern island. The
orange color for JR-Tokai symbolizes the warm region known for mandarin oranges. Shikoku Railway Company, or JR-Shikoku, chose light blue to suggest the ocean that surrounds the southwestern island. Red is the color of the logo for Kyushu Railway Company, or JR-Kyushu, in the southern island, also known as volcano country.

The message we wanted to convey with the JR brand is this: the JR Group comprises independent companies, each running an autonomous business with a regional color while, together under the same JR brand, offering unified services throughout the nation as Japan National Railways used to do. All in all, I think the message was a success. People began using JR-Tokai, or just JR, instead of Central Japan Railway Company. People from other countries are also getting familiar with the JR brand. I think it is generally understood that JR companies leverage regional characteristics.

There was another message for this brand, however, that was not well understood. The bar at the top of the left-most letter “J” is slanted upward to symbolize unlimited future growth. The lower right line of the letter “R” comes down firmly at an angle, as if grounded deep into the earth, to indicate that the JR Group consists of secure and sound companies with solid footing. We hoped to convey such an image with the brand logo when we made the presentation. This second and important message about “growing, well-grounded, secure companies,” however, failed to make much of an impression on the audience. I regret I was not able to do justice explaining the message, but that experience made me realize how difficult it is to create a brand image that people can relate to and to have them understand its message correctly.

When we think about modern art or art history, Western art serves as a reference point. Of course, non-Western nations such as India, China, or South Korea have their own art and their own traditions. When we try to understand art, however, we tend to compare Asian art with Western art; in Japan, for example, we tend to focus our attention on how Western art developed and how it influenced Japan. Having a good understanding of Western art history is important when studying Japanese art history. And when we think about Western art from the medieval to modern periods—whether paintings, sculptures, or arts and crafts like Gallé’s works—we notice the existence of some major trends. One is the Renaissance of the fourteenth and fifteenth centuries, which brought fresh air into the stagnant art scene in the West at the time. What the Renaissance tried to do was to revitalize the Greek and Roman traditions and develop something new. The “Renaissance” is translated in Japanese as the “revival of liberal arts.”

The next major trend we know in Western art history is the Baroque period. The Renaissance basically evolved further into a new trend, giving birth to a new rich and sublime form of art in Europe. Backed by powerful royal families of major European countries at the time, Baroque art is believed to have come into being as a reflection of their status. Baroque art is known for clear contrasts between light and dark and a sense of overwhelming power that radiates from within. The Baroque became a major trend in Western art history in the seventeenth century and influenced various countries. Among the famous painters of the baroque period are Velázquez, El Greco, and Goya in Spain and Rubens and Rembrandt in the Netherlands.

Next, in the eighteenth century, came a new genre of art called the Rococo style. Watteau and Chardin are two of the famous artists of this era. The Rococo style was an antithesis of sorts to Baroque art, emphasizing splendor and glamour. I think its style reached deep into the hearts of the beholders.

When Gallé made his debut, in the nineteenth century, there was a new trend called Art Nouveau, a French expression meaning “new art.” Many nineteenth-century
artists devoted themselves to this task and contributed to the formation of this style, which was both elegant and delicate with fine detail while having practical functionality at its core. Gallé was one of the key flag bearers of this movement.

Let me draw your attention to one of Gallé’s outstanding works [see illustration on p. 68]. Embedded in this vase is a pattern of ferns, which is visible through two layers of glass. If you were to place flowers in this vase, it would look as though they have blossomed in the grass. This attention to detail and functionality, I think, is what Art Nouveau stands for, and this work of Gallé’s is a masterpiece of this era.

After this period came Impressionism, and then other more recent trends such as Cubism and Fauvism. When you look at contemporary art, you see that it is heavily influenced by the major transition from medieval art schools like the Renaissance and Baroque to modern art trends such as Rococo and Art Nouveau. We should keep in mind that Gallé made an indelible mark as one of the artists that represented his era.

Gallé lived from 1846 to 1904 and was most active toward the end of the nineteenth century, which corresponds to the middle of the Meiji period in Japan (1868–1912), soon after the fall of the Shogunate. A man of many talents, Gallé made not only glass works but also a variety of furniture. He started with desks and chests of drawers and later worked with glass, and that is where his talent really sparkled. He then went on to further expand his artistic horizons. Born in the city of Nancy in France, he was among the artists who started the Nancy School, a new trend of art based in its namesake city. Gallé and his contemporaries, in other words, created a brand.

Gallé’s art has three characteristics from which we can also gain insight into the field of management. Art, in general, is created when artists infuse their psyche into their works in the course of trying to adjust and reconcile one, two, or even three sets of conflicting themes. I think that is what artists go through to make art works that capture viewers’ hearts. In this sense, Gallé selected three sets of conflicting themes: delicate and bold; East and West; and mass production and quality control. The last of these does not concern any artistic style per se, but what makes him stand out is that he was a rare artist who achieved both mass production and quality control.

Let me discuss these conflicting themes in more detail. The first set is delicate versus bold. Gallé depicted his objects accurately down to the finest detail. In the vase I described earlier the ferns are reproduced elaborately, leaf by leaf—so much so that you imagine real ferns are embedded within the piece. I also saw, at the Gallé exhibit, a piece with a carp designed on it, with each and every scale depicted vividly. I understand that not only was Gallé quite a biologist, he was also familiar with other fields of science such as geology. His brilliance in accurate depiction of natural objects attests to his familiarity with the sciences.

Gallé successfully combined attention to detail, which is one of the hallmarks of Art Nouveau, and his signature bold designs in his cameo glass, where patterns stand out in relief through multiple layers of glass. What Gallé achieved here is predetermined harmony: he depicted the ferns in such a way that they would look as though they belong with whatever flowers are placed in the vase; this balance with functionality, I think, is one important message Gallé wanted to convey with this piece. I remember being thoroughly impressed with Gallé’s ability to create harmony between delicate detail and boldness as well as with the functionality of the vase.
Another significance of Gallé’s style is that he tried to reconcile East and West. Gallé became friends with a Japanese man named Tokuzo Takashima, who was studying...
in Nancy at a school that specialized in agriculture and forestry. Apparently Takashima had a strong influence on Gallé in things Japanese, particularly Japanese art. Gallé created pieces in which Eastern and Western styles coexist in harmony, integrating elements of Western art with those of Japanese art, especially paintings and woodblock prints from the Edo period (1603–1867) such as *ukiyo-e*, or pictures of the floating world.

Speaking of pictures and paintings, the East and the West have walked different paths. China, especially, has a long history of art and painting, such as the Southern school of Chinese painting. South Korea is known for its pottery; India for Buddhist art, among other things. Such artistic traditions of the East were reconciled and harmonized with those of the West in the nations and cultures along the Silk Road, and they went through further development to reach the point where they are now. Gallé also deserves credit for having created a perfect harmony between Eastern and the Western styles. While totally different, Gallé’s works seem to indicate that these styles also share something in common. Some of Gallé’s pieces clearly show the influence of Japan’s *ukiyo-e*; others bear family crests from the Edo period that samurai used to wear on their formal attire. Gallé was much influenced by Japanese art from the Edo to the early Meiji periods, and he successfully incorporated its elements into his Nancy School art works. This is the second type of harmony he achieved, though it probably was not easy.

Gallé had talent not only in art but also in running a business, specifically a modern factory. Normally, artists work on their pieces, be they paintings, ceramics, or glass works, in studios or workshops. They use their hands or maybe occasionally machines, but they do not mass-produce their works. Each artist creates one piece at a time. What made Gallé a distinguished artist is that not only did he make many works himself, but he was also able to mass-produce them in a factory. It must have been unheard of at that time for artists to do such a thing. Gallé achieved this by applying unique techniques so that his own style would not be compromised, and his works can thus be found in many places. There are potters in Japan who do something similar, but Gallé was unique in that he established and managed a factory where he created not just heartless cookie-cutter copies but many impressive works without compromising his style. This is another reason why Gallé’s achievements deserve high regard. He was a rare breed of businessperson-cum-artist: he did both things extremely well and maintained harmony between them.

Having considered his achievements thus far, I think you can call Gallé “an artist of harmony.” He accomplished the rare feat of creating successful art works by reconciling opposing artistic elements—delicate and bold; East and West; mass production and product quality or artistic values—and combining them with his own philosophy and identity as an artist. Gallé’s works are appreciated in so many different places because he created his works in great numbers. Art should be enjoyed by many, or it is not really art; perhaps Gallé felt it was his mission to make his art available to as many people as possible.

Now, let us discuss Gallé from a brand management point of view. As a preliminary step in brand management, many data points are first gathered and analyzed in detail; then, based on the results of such analyses, things are actually designed and produced. As I mentioned earlier, Gallé drew very intricate pictures of ferns because he had analyzed them in detail from a biological perspective. There are many artists who do the same. For instance, those who want to paint animals in motion might first visit a zoo every day and draw hundreds of detailed sketches of how the legs of birds, deer, or lions move. Many art works are supported by such detailed data collection and analyses.
Needless to say, to manage a business, you must have corroborating data to back up your decisions, and Gallé’s art underscores the importance of that. His works tell me that good management must be built upon a sound foundation of data and detailed analyses.

A bold management policy based on a new management strategy is also important. Gallé wanted to show art to as many people as possible. To do that, he realized he needed to combine art with management. I think this is important. I manage a train transportation business. It seems totally unrelated to art, but that is not true. Trains carry people, who are the bearers of human hearts. One Shinkansen bullet train, for instance, can seat as many as 1,323 people. Every passenger on the train is in a different frame of mind: some may be feeling sad on their way to a funeral; others may be having a good time on vacation trips. Our business is to safely transport our customers, but I think we need to go one step further and offer an extra something to reach out and touch the customers’ hearts, as artists do with their works. We may not be able to offer a custom-made service to fit every passenger’s needs, but we must try to read people’s hearts when we manage our business. For instance, appliance companies may not be able to make best-selling products unless they understand what homemakers look for in appliances. They must appeal to users in order to come up with successful products. When we think about management, we can learn from Gallé that we need to develop a new philosophy and make it work with modern management—that we need to strike a chord with people and touch their hearts. That is what I think Gallé is trying to teach us through his art works.

To those who are involved in manufacturing, nothing is more important than mass production and quality control. Automakers, for instance, produce tens of thousands, or even millions, of cars; the more cars they make, the more important quality control becomes. I am sure they apply a strict quality control process to each and every car they manufacture by using detailed statistical methods, among other things. I think Gallé learned the importance of quality control through his own experience of mass-producing his works. This mindset also is something that managers can learn from.

Next, let us turn our attention to locality brands, which symbolize a city or town to attract visitors and consumers. For instance, the Nancy School made the city of Nancy famous for its art; when you hear the word “Nancy,” you immediately think of something artistic. Art helped create a locality brand in Nancy, and many people still visit the city because of that. Nancy is also well known in Japan, and many Japanese visit there in search of its artistic tradition. When it comes to opera or music, we often think of Milan or Vienna because music is the brand that symbolizes these cities. Art plays a major role in creating a brand for a locality. To develop a town and stimulate a local economy, you need a brand of some sort. Kyoto and Nara, for instance, have a well-established brand called history; for Tokyo, being Japan’s capital city is its brand. Because of these brands, people visit those areas and interact with local people. Naturally, it is very important to create a brand for a locality. Through art, Gallé created a locality brand for Nancy and sold it to the world. Managers should learn from that, too.

Let us think further about brand management in relation to Gallé’s works. Brand management, as many of you may be aware, means to manage a symbol that represents the characteristics of a company or its products and to communicate these characteristics to customers. A brand is said to work best when customers understand and can relate to the information imparted by the brand—in other words, when customers and the company’s management share the same information and their minds resonate on the same wavelength. We were able to achieve this for the first part of JR’s brand strategy, and that
is why it worked, whereas the logo failed to give customers an impression of future
growth and safety because we were not able to get them to relate to our message. I think
this connection with customers is very important. To understand what connects a com-
pany and its customers, we must first start by asking ourselves what we need to incor-
porate into a brand when we create one. And the answer is the company’s philosophy.
What does this company do? What does the company want to tell the customers? How
does the company contribute to the economy? Does the company contribute to its share-
holders? How does the company reward its employees? These are what constitute a
company’s philosophy, and they need to be incorporated into its brand. No philosophy,
no brand. Every brand is based on a company’s philosophy. For instance, many snack or
beverage manufacturers use cartoon characters for their brands, probably because they
want to bring out smiles on their customers’ faces like those of the characters’. Without
such a philosophy, you do not have a brand.

Different products have different attributes and characteristics. In order for your
products to sell, their features and values need to be represented by your brand so they
can be effectively communicated to your customers.

Each company has its own face or corporate culture, without which it cannot
establish a brand. For instance, if a company uses letters for its logo design, the selected
letters must have a message embedded in them. As I said earlier, the seven JR companies
use the same logo, and it is not difficult to see that they offer the same services as a group
across the country. At the same time, the color of the logo varies so the brand offers a
different image for each region, such as fresh leaves for Hokkaido and warm weather for
Tokai. In other words, by using the same logo with different colors, JR companies are
able to communicate their common goal of continuing with the same quality services
while offering locality-specific, value-added services, all under a single brand.

Another business entity that offers a similar example is the Sumitomo Group,
which is one of the largest corporate groups in Japan. All its group companies use the
same simple logo with two sets of parallel bars crossing each other diagonally, but each
company uses a different color. The idea behind this is that while the companies unite
under the same brand to offer excellent services to customers and society, each company
leverages its own characteristics. That simple logo contains the companies’ philosophies,
attributes, and faces.

Of course, a brand is not just a logo; it comprises all sorts of messages, mottos, and
catchphrases that a company sends out. Catchphrases commonly used in commercials
must be packed with a company’s philosophy, attributes, and culture, otherwise they
convey no identity or brand. Creating such messages and catchphrases is the starting
point for brand management. To do that, we must know the company inside and out.
Even if we have gained detailed knowledge about the company and its capabilities, we
must find ways to communicate that to customers. This is where so-called brand commu-
nication comes into the picture; unless you have a clear strategy for who does what to
communicate the company’s messages, a brand is useless.

You must use a variety of methods—such as the mass media, the Internet, and
other IT-related communication channels—and devise ways to combine them. A brand
image is created when a company’s philosophy, face, or attributes are communicated to
and shared by customers through a brand. The brand image must be a favorable one, or
the brand will hurt the company. Then you listen to your customers’ opinions of the
brand, process that feedback, and try to come up with a new brand and a new communi-
cation strategy. This way, a brand circulates through communication between the com-
pany and its customers, and you want your brand to keep circulating higher and higher in an upward spiral. In that sense, I think brand management is the foundation of running a business. This is not an easy thing to do; but, Gallé, albeit as an artist, offers a number of insights into the meaning and development of a brand.

For one thing, Gallé had a clear philosophy. As discussed earlier, he had a well-defined design policy about how to reconcile and maintain harmony between East and West, or delicate and bold. He was fortunate to have many opportunities to exhibit his work and to communicate his messages to the public. At the same time, he took a completely novel approach as an artist, mass-producing his works so he could reach out to much larger numbers of viewers and appealing to Europe and beyond it to the world. Thus, Gallé’s brand communication was a major success, and he was able to plant a brand image called Gallé in the minds of so many viewers, i.e., his customers.

Many things are said about branding. For instance, one type of brand that is gaining importance is locality brand. I would like to discuss tourism because, while it is not directly related to management, we can learn from it. I think success in tourism depends on how well a locality brand is understood. Tourism requires brand strategies similar to those in corporate management. Tourism in Japan has been stagnant probably because brand strategies have not been addressed properly.

Tourism in Japan started as standardized mass travel, with groups of hundreds of people traveling together. I understand that this looks strange to people from other nations. School trips are another unique custom in Japan. All seniors at junior high schools and high school travel in groups; Kyoto is one of the most popular destinations for school trips, and millions of students flock there every year. Hotels and other service providers can only accommodate such large groups of people by offering the same standardized services, which are bland at best, but there is no getting around that. The students visit Kyoto’s famous temples and shrines, but they go home with only a weak, incomplete impression of the old capital of Japan. Of course, that is not the real brand image of Kyoto that the local people have always had. Whatever images those students get from Kyoto are a creation of travel agencies or just a snapshot of only a small chapter of Japanese history; I do not think they bring home the kind of information that reaches the hearts of the locals. It is sad to say, but that is what tourism in Japan is like. Many Japanese visit overseas now, but wherever they go, they spend most of their time shopping, hanging around amongst themselves, and speaking only Japanese instead of talking with the locals. They come home with only the vaguest impression of the countries and cities they visited, not unlike the impressions you get from looking at postcards. Maybe that is what tourism has become in Japan: tourists just visit famous sightseeing spots and take a quick look at the scenery and a bit of history and do not think about or understand the brand of each destination. Tourism is a source of income for cities and towns that people visit, but there may not have been much competition between cities, and maybe, as a result, they do not worry about developing brands that tourists understand.

Things are changing, and the tourism industry now has no other choice but to think about brand management. The airfare for a flight to European destinations—such as the Netherlands, Switzerland, Italy, Spain, or France—is, believe it or not, sometimes not much different from the domestic airfare from Tokyo or Osaka to Nagasaki or Kagoshima. This price-slashing has put domestic tourist destinations in competition with overseas destinations. In addition, a host of amusement activities such as video games, spectator sports, and concerts now compete with tourism for people’s time and money.
Some may decide to forego a trip altogether because they just bought a television set or a video game player. Others may wonder whether they should visit Huis Ten Bosch, a “theme park” Dutch city built in Nagasaki, instead of going to Amsterdam. Still others may be trying to decide whether to go to Hawaii or to Kamakura to swim in the ocean. The collapse of airfare and the changes in people’s attitudes toward tourism have enabled competition that was unthinkable not too long ago. Only now are people beginning to realize that tourism needs brand management.

Brand in this case means locality brand. Kyoto, for instance, may have many famous temples, like the Golden and Silver Pavilions, that can be part of a brand, but there are other elements also. How have local people lived in Kyoto for hundreds of years? How have they protected the city? And what would they like to do with it in the future? All these pieces of information need to be bundled together and communicated to customers and visitors; only through this kind of communication can a Kyoto brand be formed in their minds. In a way, souvenirs and meals can be a brand for Kyoto also. Temples and shrines are but one symbol of this ancient city. What tourism needs now are all-encompassing brands.

And not just in tourism: maybe we have not given enough thought to what brand is all about in general. When we think about a brand, what we normally think of are things like the logos on products or the messages in commercials. But a brand is much more than that. Company executives think really hard about what messages and information to send to customers, and they may decide to use art—or even popular cartoon or animation characters—to communicate their ideas. What is important for a locality brand is not to depend solely on famous tourist spots. A Kyoto brand, for instance, should not be just about having tourists visit historical icons like the Golden and Silver Pavilions, but letting the visitors know how the locals live and think. A port city may have its own ambience and its people their own unique identity. For tourists, to learn about the ambience and identity of a city is to learn about the local culture. In short, interaction between people creates a culture, and that, I think, is true tourism. To make that happen, we should start with locality branding.

I discussed tourism because it is one industry that has begun to realize the importance of brand management. Companies in Japan and other countries also need to pay attention to their brands. That is why seminars like this are held where people gather to better understand what branding is about. They wish to come and listen to the opinions of others and exchange ideas, perhaps because they want to learn more about branding, or perhaps because they have tried brand management themselves but feel they do not know enough yet.

A large number of Japanese companies now realize the importance of brand management, but I think they are at a loss as to where to start. Some companies are only concerned with the superficial images of their brands, whereas others think seriously about embedding their ideas and thoughts in their brands and communicating them to their customers. It is not difficult to tell which is more respectable. The same goes with different localities that tourists visit. I do not think people in Kyoto, for instance, communicate their true thoughts and feelings to tourists. Cities and towns do need real brands.

Gallé created his own brand. He established his own style by combining and reconciling a variety of elements. This is a distinguished brand he created. He went as far as managing a company to mass-produce his art works so more people could see his art. Not only did he create his own method of communicating his ideas and messages to the world out there; his style and action ended up creating a locality brand called the Nancy
School. Gallé created a brand for his company and art and elevated it to a locality brand. I think he was able to do it because he was an artist, and we can learn a lot from his example. Branding is not just for companies, but also for different localities, or even for each one of us. We need to think about brand management as a community, as we continue to market our products and services.

Last but not least, I would like to talk about the heart of a brand. We tend to think of logos and commercial messages as a brand, but what is important is the heart in the brand—the hearts of business executives and the principles and philosophy of a company. A brand is what communicates those things to customers. On the other hand, customers also need to have a discriminating eye for a brand and the hearts to understand and enjoy it. Many people probably are not sufficiently aware of what thought processes companies put into their brands. Only an external image may be left in the minds of many, but if you know that business executives are trying to connect their hearts to customers’ hearts through their logos, maybe you will start looking at brands differently. Once that happens, the hearts of business executives and the hearts of customers will be connected through brands. It is impossible for executives to talk with tens of thousands of customers out there; only a brand allows them to do that. When consumers share the message that a particular brand communicates, they buy the art works or products. This is how customers respond to a brand. If no one agrees with the brand’s message, then the response will be negative. When we think about the future of companies, I think the only way for them to discover customers’ attitudes toward their products and services is to gauge the customers’ responses to their brands. In that sense, I would like those who look at a brand to understand its heart; and, at the same time, for the brand owners not to forget its heart when they communicate it to consumers. Whether both sides are on the same wavelength about a brand will determine the direction a company needs to take and also the direction consumers will take. The company then accepts this feedback from consumers to find a new direction. This, I think, is what brand management is about.

I think Gallé teaches us all these things. When we look at works of different artists, we should be able to notice in them something in common with managing a company or a brand. Creating a connection and common understanding between customers and companies—that, I think, is the ultimate goal of brand management.
III
Appendices
Appendix 1

Top Management Forum on Corporate Brand Management
(6–9 March 2006, Kyoto, Japan)

List of Participants and Resource Speakers

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Appendix 2

Top Management Forum on Corporate Brand Management  
(6–9 March 2006, Kyoto, Japan)

Program and Itinerary

Monday, 6 March 2006

09:00–09:30 Opening Session

10:00–11:15 Keynote Speech  
“Improving Corporate Value and Brand Power”  
by Shinji Fukukawa, Chairman, TEPIA Foundation

11:30–11:45 Short Speech  
by Hidehiko Yamachika, Director, Technical Cooperation Division,  
Ministry of Economy, Trade and Industry

11:45–12:45 Special Speech I  
by Yoshiko Shibasaka, Manager, Intellectual Property Services Office,  
KPMG AZSA & Co.

14:00–15:30 Session I  
“New Value Creation through Dreams and Aspirations”  
by Takeo Fukui, President and CEO, Honda Motor Co., Ltd.

15:45–17:15 Session II  
“The Wacoal Brand Sets Out to Expand Globally”  
by Tadashi Yamamoto, Corporate Officer/General Manager,  
International Cooperation, Wacoal Corp.

Tuesday, 7 March 2006

09:30–11:00 Session III  
“The Matsushita Electric Global Brand Strategy”  
by Shinichi Takano, General Manager, Brand Management Office,  
Matsushita Electric Industrial Co., Ltd.

11:15–12:45 Session IV  
“The Social Role of Life Insurance”  
by Katsutoshi Saito, President, The Dai-ichi Mutual Life Insurance Company
14:00–15:30  **Session V**  
“Tokyo Disney Resort’s Brand Strategy”  
by Yasushi Tamaru, Officer, Theme Park Business Supervision, Oriental Land Co., Ltd.

15:45–17:15  **Special Speech II**  
“Learning from Émile Gallé’s Art”  
by Hiroshi Suda, Adviser, Central Japan Railway Company

**Wednesday, 8 March 2006**

09:30–09:40  Explanation about “Member Country Support Program”  
by Yasuhiko Inoue, MBA, Director for Technical Cooperation,  
International Department, Japan Productivity Center for Socio-Economic Development

09:40–11:00  Presentation on “Business Performance of the Company after Participating in the Program” by representatives from Indonesia and Pakistan

13:00–14:00  Group Discussions

14:00–15:30  Presentations of Group Discussion  
Summing-up Session

15:30–16:00  Closing Session

**Thursday, 9 March 2006**

09:30–11:30  Observational visit to Kawashima Textile Manufacturers Ltd.