

## Productivity Series 33

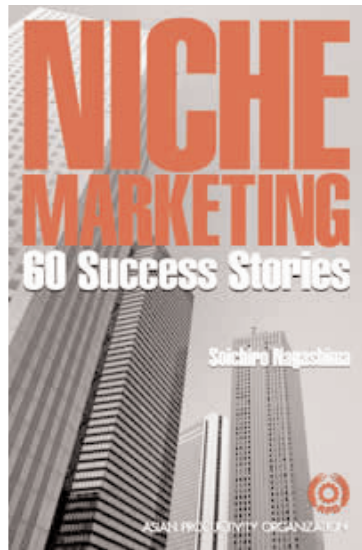
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# Niche Marketing: 60 Success Stories

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by Soichiro Nagashima



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# NICHE MARKETING

## 60 Success Stories

Soichiro Nagashima



ASIAN PRODUCTIVITY ORGANIZATION

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# CONTENTS

FOREWORD

INTRODUCTION ..... 1

## PART I. FOUR STRATEGIES FOR CREATING DEMAND THAT LEADS TO NEW PRODUCTS

**Strategy 1. Total System Configuration (Total Strategy) ..... 6**

Example 1. Sell an endoscopic room, not an endoscope

Example 2. Turnkey project based on ipron

Example 3. JALPAK

Example 4. Ichizo Kobayashi's "cactus" business method

Example 5. Overcoming a late start by creating a paper product package

Questions to ask

**Strategy 2. The Synectics Strategy ..... 11**

Example 6. President Takuma becomes the Takuma boiler

Example 7. Pilkington's float glass production technology

Example 8. Role playing at Daiichi Kangyo Bank's Shizuoka branch

Example 9. Patient-centered hospital management

Questions to ask

**Strategy 3. Singular Product - Preeminent Strategy ..... 15**

Example 10. Disco's double-dicing technique

Example 11. Tri-Wall's three-layered cardboard

Example 12.  $\alpha$ GEL: A new wonder material

Example 13. The disposable camera

Example 14. The 15-minute haircut: The barber of Shinbashi Railway Station

Questions to ask

**Strategy 4. The Final Touch: Determinants of Success and Failure ..... 21**

Example 15. A colorful chest of drawers for baby clothes

Example 16. Was the Shinkansen (Bullet Train) an innovation?

Example 17. Plus's convenient blackboard

Example 18. Cancan hair salon

Example 19. The lend-a-cat hotel

Questions to ask

## PART II. FOUR STRATEGIES FOR USING OPPONENTS' STRENGTH

**Strategy 5. Hitchhiking with a Large Company: The Remora Strategy ..... 25**

Example 20. Remora in steel wholesaling

Example 21. Selling Coca-Cola through bottle design: A chain of successful ideas

Example 22. Keeping a 6,000-seat convention hall full year-round

Questions to ask

**Strategy 6. Converging Divergent Information: Using Complaints for New Product Ideas (Spider Web Strategy) ..... 30**

Example 23. Cutting a gordian knot of ideas the Yamada way

Example 24. Kuroneko-Yamato home delivery

Example 25. Another me: Ryoichi Sakamoto

Example 26. Star-thread machine screws

Questions to ask

**Strategy 7. Emulating Success: The Number 2 Strategy ..... 34**

Example 27. Panasonic, the company that exploited Sony

Questions to ask

**Strategy 8. Extending Product Life Cycle: The Expanded Function Strategy ..... 37**

Example 28. Long-lived companies

Example 29. Changing location for different uses

Example 30. Where did the Jeep go? Strategy of a reborn automaker

Example 31. A florist with an idea in full bloom

Example 32. Heian dreams conjured by *nishijin* brocade

Example 33. Sokensha's Benibana Ichiban

Questions to ask

**PART III. PROBLEMS AS A BASIS FOR NEW BUSINESS: FOUR STRATEGIES FOR TURNING WOE INTO WEAL**

**Strategy 9. Strategies for the Solution of Problems ..... 45**

Example 34. The legend of the yubari melon

Example 35. A gadget to peel California

Questions to ask

**Strategy 10. Recycling Strategy ..... 48**

Example 36. Sliced, diced, and profitable

Example 37. A new sales channel for Tsubame-sanjo tableware

Example 38. Saleswomen become buyers

Questions to ask

**Strategy 11. Appealing to Impatient Consumers: Time-value Creation Strategy ..... 51**

Example 39. 7-Eleven's umbrella strategy

Example 40. Developing a competitive edge in temporary staffing with IT

Example 41. No-wait dentistry

Questions to ask

**Strategy 12. Excitement-inducing strategy ..... 55**

Example 42. The island of Kauai

Example 43. Body Sonic

Example 44. NKK's SSAWS

Questions to ask

## **PART IV. FOUR STRATEGIES TO EXPAND SALES**

<b>Strategy 13. Local Encroachment: The Silkworm Strategy to Dominate Local Markets .....</b>	<b>60</b>
Example 45. Banquets at a <i>dosanko</i> hotel	
Example 46. Use your mythology	
Example 47. The wisdom of Kiyoshi Matsumoto	
Example 48. Clean the client's copier	
Example 49. Link the first visit to a follow-up visit, then to string visits	
Questions to ask	
<b>Strategy 14. Equipping Yourself with an Impeller .....</b>	<b>66</b>
Example 50. Dead stock suddenly sold out: DuPont paint	
Example 51. Canned fruit sales: Solving the riddle	
Example 52. Soybean waste can be fertilizer or animal feed	
Questions to ask	
<b>Strategy 15. Surprising Strategy .....</b>	<b>68</b>
Example 53. Sir Ernest Shackleton's advertisement	
Example 54. Rat's paradise	
Example 55. Yellow curry and yellow Renault	
Example 56. Carnival Plaza: How a textile mill became a trendy restaurant	
Questions to ask	
<b>Strategy 16. The "Halo" Strategy .....</b>	<b>72</b>
Example 57. Whisky's sentimental value	
Example 58. Maintenance cost of central heating	
Example 59. "Yes, sir (or madam), with pleasure"	
Example 60. Buying shoes has an emotional component: Birth of an image product	
Questions to ask	
<b>CONCLUSION .....</b>	<b>76</b>

## FOREWORD

This book was originally written as a manual for seminars on niche marketing strategies conducted in Japan, which is why most of the 60 examples are from that country. The Japanese were once criticized for being “economic animals.” Although that was untrue, it is true that the Japanese have had to work hard to survive. Japan lacks natural resources and is dependent on foreign sources for over 80% of its food supply. The Japanese climate is harsh, and the northern regions of Hokkaido, Tohoku, and Hokuriku in particular experience severe winters.

The Second World War reduced the nation to ruins. Simply accepting starvation and death was not an option, which is why the Japanese worked desperately to brains to find a way forward from devastation of war. The result was dramatic economic growth at an unprecedented rate. Yet there is no need for other Asian nations to imitate Japan. Some countries attach greater value to religion, culture, and tradition than to economic standing. South Asian countries are blessed with natural resources, including abundant food crops, that free them from the need to lead a workaholic life like the Japanese. The economies of some countries are centered on agriculture. In those countries, unemployment has no meaning and governments do not even keep statistical records on such economic indicators like unemployment ratio.

Yet, living in easy circumstances does not mean that the population can always feel secure. The fact is that unless they coexist and cooperate with the industrialized nations, the gap between poverty and wealth will only widen. They also want access to modern infrastructure such as roads, communications, railways, water supply and sewage, ports, airports, etc. and to receive the benefits of modern life like convenient housing, home appliances, heating and air-conditioning, private automobiles, medical care, and fashion items. They also aspire to a comfortable lifestyle, with high literacy rates and a high regard for their country. It seems unfair that there should be differentials in wealth among countries in Asia.

As an APO expert for the past 40-odd years, I have conducted many management seminars in numerous countries including Bangladesh, Cambodia, the Republic of China, India, Indonesia, the Republic of Korea, Lao PDR, Malaysia, Nepal, Pakistan, and Singapore. In my career as a management consultant, I have not only taught others but also learned much in return, especially in the areas of religion, culture, tradition, and business practices. It was not my intention to expound arrogantly in this volume on success stories. Rather, the motive for writing was the desire

to report business success stories that occurred mostly in Japan, once a poor, war-torn nation, to let readers know that such success can occur. In addition, some classic success stories from the USA and other countries in niche strategies are also introduced here to provide more interesting references for readers.

In order to utilize this book for practical purposes, several questions have been provided under each strategy for your deliberation in the form of answers. I encourage readers to consume this entire book to create a new vision and destiny for their firms.

I would be more than happy if the theories and practical examples of niche marketing strategies presented in this book contribute to increasing the rate of business establishment and the level of industrial development in other countries.

September 2007  
Soichiro Nagashima



## About the author

Management Consultant Dr. Soichiro Nagashima received his doctorate in microeconomics from the Warsaw School of Economics in 1995. In the past 50 years, he has conducted numerous business management and productivity seminars for a variety of organizations in both the public and private sectors. More than 500 Japanese businesses in fields as varied as manufacturing, retailing, healthcare, and electronics have benefited from his consultancy services. In addition, the Asian Productivity Organization, Japan Productivity Center for Socio-Economic Development, Japan International Cooperation Agency, and Japan External Trade Organization have dispatched Dr. Nagashima to lecture on management- and productivity-related topics around the world.

The author of 65 books, including *100 Management Charts* and *Corporate Strategy in the Borderless World* also published by the Asian Productivity Organization in English, Dr. Nagashima continues to write and at present he conducts the President Academy in the Japan Productivity Center for Socio-Economic Development.

## INTRODUCTION

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### **Management is the art of adapting to the business environment**

Management is the art of adapting to the business environment, and the business environment is subject to a range of political, economic, technical and social influences. The art of adapting to the changing environment may sound easy, but change is not visible to the insensitive eye. People content to lead an inactive, idle life resting on previous successes cannot grasp the dramatic socioeconomic changes occurring all around them. For those who have achieved success in business and maintain an ongoing passionate commitment to further progress, however, contentment can be a form of poison. For individuals, stagnation means death; for a company, maintaining the status quo is equivalent to giving up and closing down.

The aim of this volume is to illustrate to managers of small and medium enterprises (SMEs), who are apt to be tossed by the storms of change in the market and business environment, that there are market niches waiting to be filled. The essential condition for a company to grow and be successful is not taking pride in the high level of corporate management already achieved but rather the desire to be a future leader in the field in terms of products and services offered. Moving in a different direction from others can open up opportunities. A company should recognize that the sun is already setting upon a market when everybody is in a rush to move in the same direction. In other words, a niche strategy, which exploits “blind spots” in a market, paves the way for a company with a unique product or service, superior intellectual resources, and extraordinary creativity.

### **Totally different management based on spur-of-the-moment ideas**

Discovering a blind spot is like being struck by an idea. In a period of rapid economic growth, success stories based on fluke interesting ideas may occur. For example, Tatsuzo Yokota, president of Manten, came up with the concept of perfboard when his company was in desperate straits, and the company showed extraordinary growth thereafter. Creative new ideas for unique products are vital. In a reasonable market, based on thinking rationally and reasonably, success is not founded on the fluke of an interesting idea. Decisive momentum for company growth requires much more: the determination and ability to achieve astounding technical development; or even creative attempts to cut costs as much as possible.

Tracing the growth and development of Kyocera, for example, it becomes obvious that the company was on a continuous collision course with its customers. Kyocera works with ceramics, the same raw material used to produce rice bowls. If a company sells one truckload of rice bowls for ¥1.5 million, the profit is about ¥100,000. However, if that company sells one truckload of integrated circuit (IC) packs, which are made of the same ceramic material, it can charge ¥50 billion, making a profit of ¥15 billion. The products are based on the same material, but the difference in profit is obvious. The secret of Kyocera's success was in its ongoing commitment to resolving any problems of customers while overcoming technical challenges. It also experienced constant price pressure, with customers in effect saying, "If you don't lower your prices, we won't place any more orders." In that situation, the company made all-out efforts to reduce costs, opening up the market for a fierce cost-cutting struggle.

The basic requirements for a technology-oriented company to exploit its uniqueness are: 1) Choose a core technology and then improve and upgrade it; 2) exchange technical information while positively fostering human relations; and 3) when an obstacle is encountered, start from the most difficult technical aspect to overcome it. It is also important to adopt an attitude of making every attempt cause a positive splash in the market and with customers. This was the attitude taken by Disco Corporation, an industrial whetstone manufacturer based in Shinagawa, Tokyo, with remarkable technical potential. Because the company is unique in cutting ultrathin items such as semiconductor wafers, it naturally attracted worldwide interest.

It should be stressed again that management is, first and foremost, the art of adapting to the environment. While relying on a determined mindset that can adapt to the challenges of the political, economic, technical, and social environment, it is of paramount importance to have a realistic attitude, keeping a firm foothold on the ground rather than giving in to flights of imagination.

### **The virtue of flexibility**

In the Paleozoic Era, the stegosaurus inhabited the earth. The giant species was slow on the uptake: After being bitten, the sensation of pain took eight seconds to be transmitted to the brain. They thus lacked the responsiveness to adapt to the environment, leading to the end of the age of the dinosaurs. A similar hypertrophy was seen in a declining company that had 13 tiers in its hierarchical structure of 4,000 employees. A company dies when it becomes a bureaucratic organization generating

huge amounts of waste. The attitude that is needed is one of mission awareness, like that of Matsushita Electric Industrial where all employees contribute to customers based on the recognition that the company consists of many SMEs.

### **Market segmentation for market conquest**

The strategy for seizing a market niche requires an understanding of important marketing concepts and strategies based on segmentation. In the sales strategies of the past, “the market” was regarded as a uniform whole. For more short-term, flexible sales strategies, however, it is necessary to regard the market as multiple individual segments. This approach is known as market segmentation.

If market segmentation is likened to a battle at sea, a company should not be like a large fleet advancing in formation in which the warships, aircraft carriers, cruisers, destroyers, submarines, and transport convoy are all sailing together. In the marketplace, SMEs must have the mobility to ward off the competitors’ strategic advances, like individual ships interacting in battle both to elude the enemy and deliver devastating blows. Considering the market in this sense as a segmented marketplace broken down into a host of individual elements implies a clear identification of the customers of each company.

If a company can “sell a product to anyone,” the product can be used for anything or for nothing. It is thus necessary to determine with absolute clarity who the customers are, e.g., which lifestyles they embrace, where they live, which age-group they represent, the income bracket they are in, and other specifics. After defining the target group, it is then necessary to offer products and services that match their needs perfectly. This may also require the development of optimal distribution and delivery systems. Questions like the following may be helpful in deciding on the products and services to offer:

- 1) Which “way of life” is best suited for our company?
- 2) What is our company’s sphere of operations? What do we actually sell?
- 3) Does our product/service have great potential?
- 4) Which technological elements are embodied in our product/service? Do they fit a technical niche?
- 5) Have we broken the market into segments? What does this segmented market look like? On which principle was the market been split into segments?
- 6) Are we making full use of our sales capabilities and effective value? Are we extending our product concept?

### **Nature of the niche**

The following concepts summarize the nature of a niche market and serve as an introduction to the author's objectives in this volume:

- 1) A company that can create demand will always be able to find a business area in the constantly changing socioeconomic system.
- 2) A business is born of a broad vision resulting from a change in perspective, and new ideas come from that change.
- 3) A niche creates new business opportunities.
- 4) In conjunction with changes in lifestyles, new business areas are constantly being created which large companies are unable to exploit and which cannot be conventionally classified based on past business paradigms. These business areas existed previously but their value as new areas was not generally recognized. Although the absence of these business or product areas would not be a great loss to the world, their presence does much to enhance convenience and comfort. These new business areas focus on the inconvenience of existing products or markets and target existing companies and their product niches. Seen from outside, it may appear to be a narrow niche, but an SME catering to that niche may be surprised to discover business opportunities of great depth and breadth.
- 5) Whether small or large, there is bound to be an unfilled niche. When the niche is examined, it will be seen that its scope changes constantly.
- 6) A successful niche business satisfies newly created demand or needs due to the enactment or amendment of legal regulations or, on the contrary, as a consequence of deregulation.
- 7) While the benefits generated by past markets were limited, the benefits derived from a niche business can be unlimited.

In November 1971, the Japan Productivity Center for Socio-Economic Development published a previous book by the author entitled *Niche Strategy*. A revised version was published in December 1986 under the title *Niche Strategies that Smash the Sales Barriers*. In this volume, however, the author proposes a scheme that has a totally new content as a strategy to cope with the unprecedented restructuring of the Japanese economy. The concept is therefore different from and unrelated to the previous volumes. I am confident that the experience of Japan will be useful on the broader stage, especially to Asian countries in the process of industrialization. Image 1 illustrates the structure of this book.

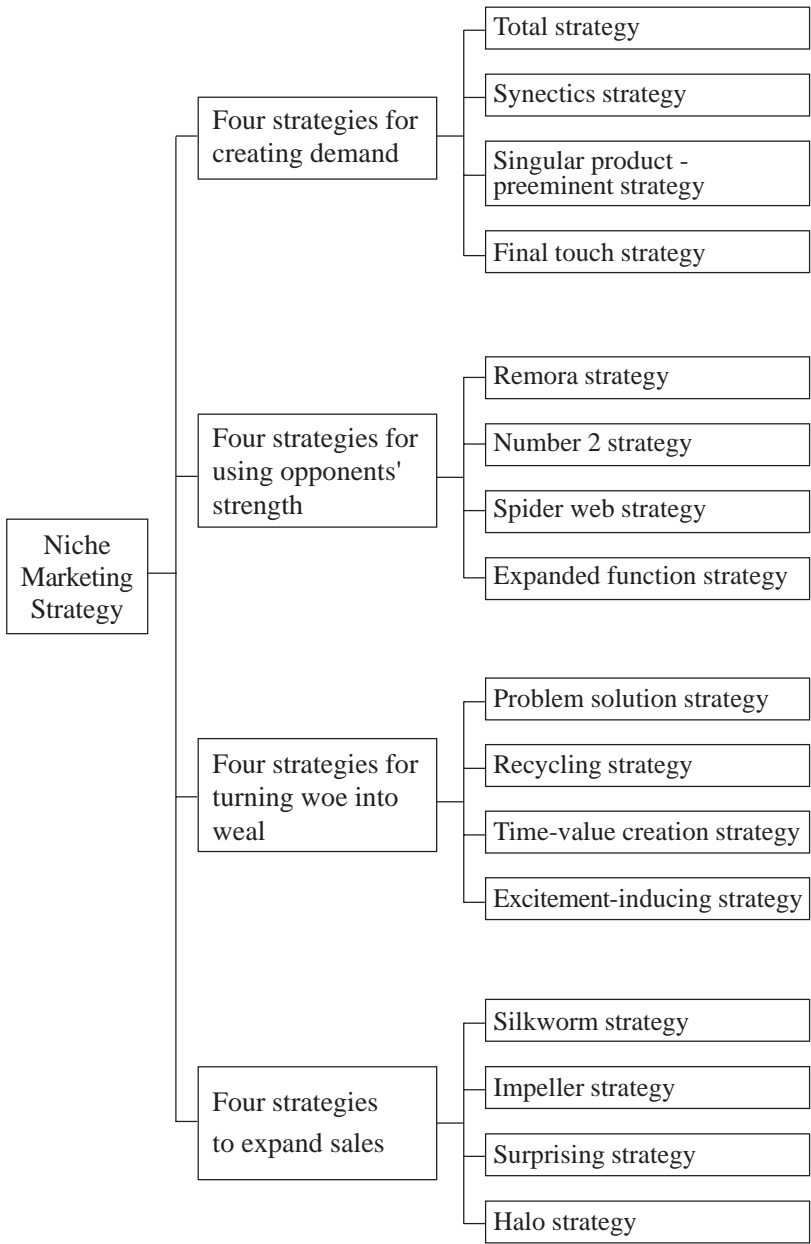


Image 1. Niche Strategy System

## **PART I. FOUR STRATEGIES FOR CREATING DEMAND LEADING TO NEW PRODUCTS**

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The American Marketing Association established the following definition of marketing in 1960: “Marketing refers to the overall activity where businesses and other organizations, adopting a global perspective, create markets along with customer satisfaction through fair competition.” In 1985, this definition was rephrased as follows: “Marketing is the process of planning and execution of conception, pricing, promotion, and distribution of ideas, goods, and services to create changes that satisfy the individual and organizational objectives.” Marketing is thus about satisfying the purposes of individuals and groups. Under the old definition, only goods and services satisfying the needs of prospective individual and corporate customers were taken into consideration, and it was not until the 1985 definition that the aspects of information and planning were included. Now the concept of marketing includes not only goods and services but also ideas, software, and technology.

What is the nature of the services offered by a bank, for example? Dai-ichi Kangyo Bank asked its employees to debate on the theme: “What are the functions of banks?” at a study meeting held when it was losing customers. They decided that the “ability to connect”(or plugability) to balance the interests of various customers by ensuring information exchange among different industries was essential. From then on, the bank changed its customer relations policy on a major scale.

The definition of marketing established in 1960 concentrated mainly on the manufacturing and construction sectors. Now, however, it also extends to the distribution and information sectors, government bodies, healthcare, education, and the service sector. Thus, how marketing is viewed has changed substantially. Marketing theory can be applied to almost every endeavor. While examining the practical realities in the surrounding environment, it is useful to spend time in defining niche strategy measures based on unique ideas. The word “niche” originally meant a recess in a wall where decorative items such as a vase, clock, or religious icon were placed. Consequently, a niche strategy means exploiting an opening in the market.

### **STRATEGY 1. Total System Configuration (Total Strategy)**

The word “turnkey” originated in US English to signify a complete package deal. An American sales manager of an international company may ask a salesperson who has concluded a presentation, “So, is that a

turnkey agreement?” Turnkey refers to a package of products or a combination of related items.

**Example 1. Sell an endoscopic room, not an endoscope**

The role that the endoscope plays in medicine is vast. In the case of kidney calculi, for example, a physician crushes the stones by positioning a camera close to the kidney through a narrow tube only a few millimeters in diameter and visualizing the stones on a computer monitor. It is possible to launch a pinpoint attack directly on the foci without using a scalpel. The endoscope is also used in cancer surgery, diagnostic procedures, and for a host of other purposes and plays an important role in medicine.

Olympus, originally a camera manufacturer, is the largest manufacturer and vendor of endoscopes in Japan. According to KS Olympus, the sales agent for endoscopes, an endoscope priced at ¥3 million per set is used to examine the interior of nuclear reactors. Because it is such a hazardous operation, an endoscope is used only once and then discarded. This is therefore a new application developed for an existing product. The motto of KS Olympus is “Sell an endoscopic room, not an endoscope.” Value is added for customers if the endoscopic package includes an ultrasound and other imaging devices, waste disposal system, water supply and removal system, a system for background music systems to relieve patient stress during procedures, and the interior of the room itself. In other words, it is not a matter of an endoscope alone but rather about designing and constructing an operating room as a whole package with the endoscope at its core.

If the physician in charge of medical services, the supplies manager as the buyer, the head of the hospital as the purchasing decisionmaker, and the administration manager as the person responsible for fund procurement consulted with each other, made plans, and undertook the necessary arrangements for setting up an endoscopic room, the time and costs involved would be prohibitive. If a company sells an endoscope alone, the transaction will net ¥3 million, but if it sells an endoscopic room, the transaction will net ¥20 million, and the customer need not become involved in complicated, tedious negotiations with each individual vendor. This is why KS Olympus had the unique idea of performing all of these tasks itself by offering a true turnkey system.

**Example 2. Turnkey project based on ipron**

Nippon Kagaku Yakin Co. is located in the Neyagawa district of Osaka. Tatsuo Matsukawa, chairman of this company and professor



emeritus of Osaka University, was a renowned pioneer of powder metallurgy in Japan. The company developed a variety of products related to powder metallurgy, including electric contactors. The company, with his son Yasuo Matsukawa as president, continued to enjoy success by producing and selling products that were developed by the father and commercialized. Therefore, even during recessions the company did not suffer thanks to its high technical level.

One of the many products that the elder Matsukawa developed was a material called ipron, a mixture of iron and epoxy resin. After being immersed in oil, it can be made into oil-containing bearings. Old-fashioned bicycle dynamo lights (which generate electricity to power the light when peddling) used oil-containing bearings for the rotary shaft. Nippon Kagaku Yakin sold several million such bearings, which marked the starting point for the company. However, since it only sold the material to produce oil-containing bearings, profits were small. The company realized that it had not answered the question “Is it a turnkey product?” in the affirmative. When Nippon Kagaku Yakin started to accept orders for the product as a component of an assembly with a bracket supporting the bearings and other parts for inclusion in tape recorders, sales trebled at a stroke.

The availability of this assembly also delighted tape recorder manufacturers, since assembly can be completed simply by inserting a couple of screws. If 10 or 15 separate parts supported the bearings, the purchasing department would have to place orders with 10 or 15 different suppliers. It is easy to imagine how much the burden on a purchasing department would be reduced if the product were available not as individual parts but as a turnkey item. For Nippon Kagaku Yakin, this also meant significantly more sales.

### **Example 3. JALPAK**

JALPAK is another type of turnkey product, consisting of a combination of air transport, accommodation, tourism, dining, and leisure services. Many Japanese feel uneasy when visiting a country where they are not conversant with the language for the first time. This is where JALPAK saw its own niche opportunity, by providing all the necessary services to put the Japanese tourist at ease: hotel reservations, information on local attractions, and introductions to restaurants serving local specialties in addition to transportation. In addition, the service includes booking tickets for events and recreational activities to make the stay even more memorable.

It is obvious that such a product would generate huge sales. JALPAK

assisted 16.83 million Japanese travelers in 2006, who felt safe and secure that their low-cost travel packages consisted of all-in-one, turnkey service and that everything was taken care of once their reservation had been made. This shows that the difference between success and failure can be in the way relevant services are connected.



Image 2. JALPAK

#### **Example 4. Ichizo Kobayashi's "cactus" method**

Ichizo Kobayashi, the founder of the Hankyu Group, was a brilliant figure in Japan's business world in the Taisho and early Showa eras. He became a manager of the Minoo-Arima Railway when it was nearly bankrupt. He established a girls' musical theatrical troupe, which was unique even by world standards and still performing, at Takarazuka Onsen station, a railway terminal. At Umeda Station, the opposite terminal, he opened Japan's first station department store, referred to as a "terminal department store." This was followed by a series of expansion and diversification ventures, including the Tokyo Takarazuka Theater and Nihon Gekijo theater in Tokyo. The business expansion was thus from railways to theaters, department stores, development projects along railway lines, and real estate services. This can be thought of as a cactus method, since it resembles the spreading branches of a typical cactus.

#### **Example 5. Overcoming a late start by creating a paper product package**

One more example of a total strategy approach is Elleair, a product of Daio Paper Corp., a paper manufacturer company based in Mishima

and Kawanoe in Ehime prefecture. When the company embarked on the manufacture and sale of its Elleair range, the management was uncertain whether it was appropriate to start selling paper tissues, since another company had already had similar products on the market for 20 years. However, Daio overtook the earlier starter by approaching supermarket merchandisers with an offer in which paper diapers, tissue paper, and sanitary items all came as a package deal. Basically, Daio proposed this: “Give us a chance to create a paper product section for you. Do away with the fuss of ordering each one of the different brands you sell from different manufacturers. If you leave it to us, you can look forward to increasing your sales on this floor by 30%.” Daio did not insist that other suppliers be excluded, but that strategy made it much easier for merchandisers to place orders.

**Questions to ask when following the total system configuration strategy:**

- 1) Are we creating product displays that suit each market segment?  
.....  
.....  
.....
- 2) Which type of total system gives our product its own market position?  
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.....
- 3) Are we educating customers and making them feel grateful for our combined product/service package instead of begging them to buy?  
.....  
.....  
.....
- 4) Could we cooperate with various types of business to meet new demand?  
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## **STRATEGY 2. The Synectics Strategy**

One way to develop individual creativity is the method known as synectics (Gordon, 1961), in which the main tool is the use of analogy or metaphor. The approach is often used by groups and can help individuals to devise creative responses to problem solving, retain new information easily, generate written reports, and investigate social and disciplinary problems. Synectics is meant to break down preexisting mindsets and help to internalize abstract concepts. It can be used by individuals of all ages, even with those who withdraw from traditional methods (Couch, 1993). Teacher-facilitators usually apply synectics in the classroom by encouraging students to: 1) describe the topic; 2) create direct analogies; 3) describe personal analogies; 4) identify compressed conflicts; 5) create a new direct analogy; and finally 6) reexamine the original topic.

This is also an equivalence conversion technique in which the “subject” becomes the “object.” In other words, it is a personification technique. When a company wants to develop a product, for example, a pencil sharpener, the synectic approach requires the product developers to “think like a pencil sharpener or a pencil.” Product developers would imagine a student gripping their bodies hard and being put head first into the opening of the pencil sharpener. Then they would visualize the student turning the handle to shave their heads. Although this synectic experience may make the product developers feel like crying “ouch,” it allows them to realize what the most important functions of a pencil sharpener are.

### **Example 6. President Takuma becomes the Takuma boiler**

Tsunekichi Takuma, developer of the Takuma boiler, stated, “At that time, I totally identified with the boiler. The internal combustion engine was my heart. My blood vessels were pipes. The engine and my heart and my blood vessels and the pipes merged identities, with the blood flowing through my body to return to the heart again. I saw myself transformed into the boiler or the boiler system. That was what I imagined when the Takuma boiler was born.”

Thus, Takuma Boiler Works Ltd. was established in 1938 in Amagasaki, Hyogo prefecture. Takuma was among the top 10 investors in Japan during the Meiji and Taisho periods (1868–1926). In 1963, the company developed the technology to build a fully continuous large-scale waste incineration facility of its own design and expanded its business scope into the design, manufacture, installation, and supervision of this environmental equipment. The company changed its name to the

current Takuma Co., Ltd., in 1972. Its main business groups for fiscal year 2005 included the environmental manufacturing group, the industrial machinery group that produces boilers and other machinery, the operations and maintenance group that operates and maintains environmental facilities, and the real estate group that rents and manages real estate.

The business lines were reorganized in 2006 into “environment and energy,” “civil energy,” “overseas operations,” and “machinery and equipment.” Employing 703 personnel, making sales of ¥51,441 million with profits of ¥1,758 million, the firm founded by Tatsukichi Takuma is presently thriving and prospering to its full extent.

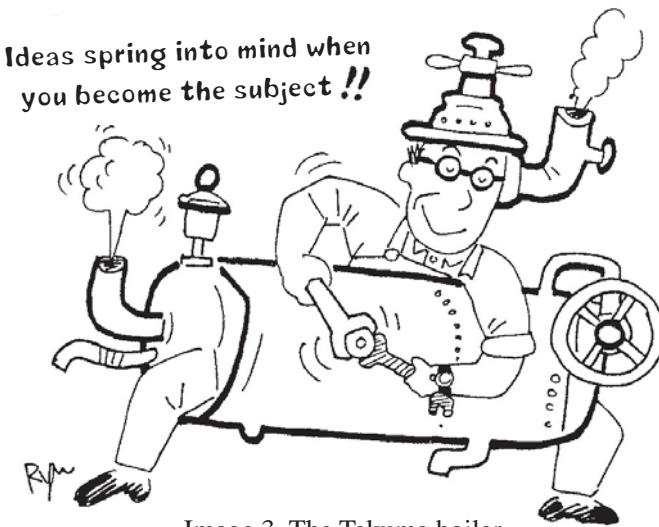


Image 3. The Takuma boiler

### **Example 7. Pilkington's float glass production technology**

The British company Pilkington is a famous sheet glass company, although it neither makes nor sells glass. Instead it sells patents on sheet glass manufacturing processes. Year after year, Pilkington receives vast sums in patent royalties from major Japanese manufacturers and continues to prosper. The company owes its spectacular success to one young engineer who cooked for himself while his wife was away. Being an engineer through and through, his mind focused on production techniques 24 hours a day. While busy in the kitchen, he happened to glance at the surface of water filling a pot to the brim and noted that the surface was perfectly flat. That moment was like Newton with his apple and Columbus with his egg. He thought to himself, “I am now murky

glass after melting at 1,500°C. I'm going to throw my body onto the flat surface of this water, spread out instantly, and become a sheet of glass of uniform thickness."

Before the young engineer had his epiphany, a large, rather costly grinder was used to polish glass, a process which broke the glass fairly often. This is where the young engineer thought, "Wait a minute! There must be a metal with a discrete melting point and high specific gravity which can give a perfectly flat surface." That metal was tin. Once the principle is understood, the only remaining question is how the gas that forms when melted glass is poured on the tin can be disposed of, and that is simply a question of production engineering, not of invention. What came next was a solution through application technology.

Previously, a thin sheet glass inched forward on a long conveyor, and a grinder with a flat surface rotated at the end of the conveyor to polish the sheet glass. Nowadays, however, this process is rarely used. Glass makers simply let the melted glass spread on tin and then remove the gas. This is the famous Pilkington float glass production process, another good example resulting from assuming the position of the "other," in this case of an engineer turning himself into the melted glass.

#### **Example 8. Role playing at Daiichi Kangyo Bank's Shizuoka branch**

Role playing was originally developed by Dr. Jacob Levy Moreno for use in the treatment of nervous disorders. The theory of the method was organized in the form of a psychodrama. But it was subsequently developed into an effective training method for fostering strong salespeople. Once it was introduced into Japanese industries, it rapidly became widespread, even in small and medium firms, nationwide. In sales training, there are two main roles: the customer who says "no" and the salesperson who must try to counter all types of refusal. The challenge is to find ways to cope with objections and rejections. The technique is now called "objection handling" in sales firms.

Dai-ichi Kangyo Ginko (now merged with Mizuho Bank in the Mizuho Financial Group) employed the role-playing training method in all its branch offices for all employees and it was incorporated in sales manuals. Annual contests were held among all the branch offices of the bank. Although bank branch employees have diversified jobs and roles inside and outside the branch, role-playing was especially fruitful training for the door-to-door sales staff. It was also effective in polishing the cordial, diplomatic, and welcoming attitudes among the counter staff.

The bank's Shizuoka branch is known nationwide for winning customer service competitions. There are some 300 branches of the bank throughout

Japan, and the Shizuoka branch has distinguished itself as foremost among them. For example, when I walked into the Shizuoka branch, a bank clerk greeted me with a smile saying: “We have been expecting you,” and led me immediately to a waiting room. When I noticed a Flag of Excellence displayed, I commented on how impressive an achievement it was, and the clerk responded, “Yes, Sir, we are very proud of it.”

### **Example 9. Patient-centered hospital management**

Many people who have been hospitalized resent the attitudes of hospital staff. The bankruptcy rate of hospitals is thus not surprising. Japanese hospitals force their patients to be patient, but US hospitals allow patients much more autonomy. In this sense, patient care at Shinonoi Hospital in Nagano prefecture was amazing. Dr. Akira Niimura, previous hospital head, was himself once hospitalized in another facility and was horrified to discover how poorly patients were really treated. When Dr. Niimura went back to work, he thought long and hard about hospital attitudes toward patients by adopting the patients’ viewpoint. Then he instated the following practices:

- 1) Weak, very ill patients should not have to stand in a long queue in the reception area. He introduced a counter-type reception area where multiple receptionists are standing, smiling, and receiving patients.
- 2) It is not possible to provide nursing care in the nurses’ station. Dr. Niimura changed the nurses’ station into a nurses’ center and instructed nurses to provide care at patient bedsides.
- 3) The evening meal was served too early. Dinner was served at 17:00 for the convenience of the staff, but the timing was changed to 18:00 to reflect the patients’ normal hunger cycle.
- 4) Dr. Niimura replaced harsh fluorescent lighting with incandescent lighting that is gentler on the eye.
- 5) The beds were too high for elderly patients and were replaced with lower models to make it easier for patients to get into and out of bed.
- 6) Food that has become cold is unappetizing, and therefore Dr. Niimura instructed food to be dished out and served at individual bedsides.
- 7) Nursing staff were encouraged to bring houseplants to the workplace, since even a little greenery can make the atmosphere more cheerful.

These measures are only a few of the 38 improvements introduced by Dr. Niimura, which are all very much appreciated by the local community. They resulted from a physician putting himself in the place of a patient and really understanding the physical pain and mental stress of a hospital stay. Nurses in the USA greet patients with, “How are we

feeling?” The use of “we” indicates a sense of solidarity with others and reinforces the nurse-patient relationship.

**Questions to ask when following the unity of subject and object strategy:**

- 1) Are you planning and developing a new business, new products, and new services from the viewpoint of the customer?

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- 2) Can the synectics approach help in your planning and development of a new business, new products, and new services?

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- 3) Have you examined various options to achieve your goals?

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- 4) Which aspects of your company, products, and services could be improved from the customers’ viewpoint?

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**STRATEGY 3. Singular Product - Preeminent Strategy**

While people who can perform many tasks are common, craftsmen or artists devoted to a specialty are admired. Some opening acts in variety shows which only involve cutting out paper silhouettes can be more popular than the main featured artists. Taro Hitofushi, a Japanese singer, had a hit with a song famous for the lyrics, “I no longer care about the wife who left me” managed to live off it for 20 years.

When I was walking in the Sakai district of Osaka one day, I noted a sign reading: “A rice merchant who knows only about rice.” When we



ask ourselves if he really does not know anything apart from rice, the answer is of course “no.” It is logical to assume that a man who can create a catchphrase like that is intelligent. Many companies also became market leaders by only “knowing” a single product, such as Kewpie Mayonnaise, Ajinomoto (food flavorings), and Jintan (breath pastilles). They honed their technology, concentrated on one product, established a position in the market, and consolidated that position so that other companies could not make inroads. Some other examples are described below.

### **Example 10. Disco’s double-dicing technique**

It is common knowledge that the production of semiconductor chips starts with the manufacture of silicon wafers. Wafers only 0.2 millimeter thick are oxidized, treated for photoresistance, covered with a digitized photo-mask, exposed to light, etched, and washed for final aluminum vapor deposition. In this process, an electronic circuit is printed on the silicon wafer. Large-scale integration circuits already had a capacity of 4 megabytes as of 1990. A chip cannot be produced unless the 200 to 400 integrated circuits printed on a single silicon wafer are separated. If 400 integrated circuits are printed on the wafer, the wafer must be cut with 20 lines in both the vertical and horizontal directions using the most economical, efficient, and rapid dicing method.

Disco Company owns this dicing technology. A single, thin blade shaped like a cherry blossom petal can cut 200,000 lines while rotating at a speed of 500 rpm. Only a few companies have this type of technology. In Japan, for example, Disco has an almost monopolistic 99% share of the semiconductor dicing market and has a dominant position in Japanese semiconductor production. This illustrates how excelling in a single area in which a company leads, controls, and supports the semiconductor industry can lead to success.

### **Example 11. Tri-Wall’s three-layered cardboard**

General-purpose cardboard has one or two layers. This type of cardboard is used to make boxes in which fruit and vegetables are shipped and plays an important role in the distribution of numerous items, components, and materials. However, a three-layered corrugated structure results in incredible strength and durability. Triple-layered cardboard does not bend or collapse even under the weight of a heavy automobile. Its development was a miracle of material engineering that ushered in a new era in the transport business.

As Japanese companies transfer production operations overseas, consumer durables such as automobiles and home appliances are

produced in knockdown systems. The increase in this form of production opened up the market for triple-layered cardboard. Tri-Wall has exclusive rights to the manufacture and sale of the triple-layered product and has a worldwide presence, with headquarters in Japan and subsidiaries in 13 locations and countries, including the UK, Australia, New Zealand, Singapore, the Republic of China, Hong Kong, and the Republic of Korea. Currently, Tri-Wall has 50 fabricators acting as its agents in Japan.

Tri-Wall President Yuji Suzuki was once a professor of theoretical mathematics at the University of Chicago. Although an academic, Professor Suzuki excelled in basic management engineering. The fortunes of Tri-Wall appear secure since it specializes in packaging for transport and has expanded successfully worldwide.



Image 4. Tri-wall's three-layered cardboard supporting an automobile

### **Example 12. $\alpha$ GEL: A new wonder material**

The Suzuki Sogyo Company (since renamed Taika Co. Ltd.) in Shizuoka was founded by my cousin Tamotsu Suzuki. This company can be described as a venture business. It manufactures mainly industrial rubber products, and its star product is  $\alpha$ GEL, the result of long years of



(Photo courtesy of Taika Co. Ltd.)

Image 5. αGEL mat cushioning the fall of a raw egg

research and experimentation. If a raw egg is dropped from a second-floor balcony, a height of about 16 meters, it is a foregone conclusion that the egg will break. But if the egg is dropped onto an αGEL mat only 2 centimeters thick, the egg will not even crack. Observers may be forgiven for thinking that they have witnessed magic.

An experiment to demonstrate the cushioning ability of αGel was performed by stacking water-filled wine glasses in a pyramid and vibrating the base on which they stood. The result was predictable: All

the wineglasses fell and were smashed to smithereens, drenching the floor with water. However, when an  $\alpha$ GEL mat was used as the base for the wineglass pyramid and vibrated, the pyramid did not collapse. Although the water in the glasses trembled slightly, the pyramid itself did not move. This amazing material has vast potential applications in industrial products, household items, shoes, sportswear, protective clothing, etc.

The management policy of Suzuki Sogyo's founder Tamotsu Suzuki is noteworthy. He insisted that nothing for which the company did not hold the patent would be manufactured or sold. Although the company has only about 300 employees, it is a group of companies divided into four to five entities. Each group company produces its own patented products, following the founder's guiding principle. As a result, no other company can make inroads into Suzuki Sogyo's product domain, giving it impressive strength since each group company is a small but world-class player.

### **Example 13. The disposable camera**

Most people have wished that they had a camera with them at one time or another, whether on holiday or in daily life. FujiFilm developed one of the hottest hit products in recent years with its Utsurundesu ("it shoots photos!" meaning that even amateurs can easily shoot pictures) disposable camera, originally sold for only ¥1,000. FujiFilm conceptualized the product more as "film with a lens" than as a full-fledged camera. This concept was one reason why disposable cameras became so popular. Although it does not shoot photos with the clarity of professional studio cameras, Utsurundesu is more than satisfactory for daily amateur use. Even in the digital camera age when people print color photos from their computers at home, analogue cameras are still popular.

### **Example 14. The 15-minute haircut: The barber of Shinbashi Railway Station**

Think about getting a regular, no-frills men's haircut at a barbershop, how much it costs, and how long it takes. Although the cost varies, it probably takes about an hour for the whole process involving multiple services: shaving; shampoo with multiple soapings and rinsings; and drying and styling. This process must be undergone even if customers say that they are going home and straight to bed. Thus, about 60% to 70% of the typical barbershop experience consists of superfluous service, for which customers must pay. For time-starved businesspeople, 60 minutes spent on a haircut is a waste.

The barbershop at the JR Shinbashi Railway Station has a different philosophy: When all men really want is a haircut, it should take no more than 15 minutes. Both the price of the haircut and the time required are generally only one-third of those in other establishments, and the level of customer satisfaction is the same. An electric sign outside the barbershop previously showed the waiting time, although the service has become even more focused on businesspeople with the simple motto: “No waiting.” From the customers’ viewpoint, that every barber should offer this type of service. This station barbershop fulfills all conditions for efficient service: location, scale, system, efficiency, specific skills, and customer service. This has enabled the barber to attract a huge number of customers. He also conducts regular, scheduled in-house training programs for barbers, thus improving the quality of services and hospitality to customers.

**Questions to ask when following the singular product - preeminent strategy:**

1) Are new useful values being created by adding and combining useful elements?

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2) Is it possible to create new useful value by simplification or deletion of some elements?

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3) Is the quality of the product too high in relation to its function or usefulness to customers?

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4) Can you be successful by starting a business based on inexpensive, unrefined goods and services? Can you turn failure into fortune?

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#### **STRATEGY 4. The Final Touch: Determinants of Success and Failure**

The phrase “the final touch” denotes the last strokes that make the whole work perfection. For example, when I visited the factory of a major manufacturer with Dr. Nissley, an American consultant, we observed a succession of refrigerators coming off the production line, Dr. Nissley remarked, “Oh, that’s a nice final touch,” in reference to the final coat of paint each received. It can be the last stroke of the brush that gives a totally different “semantics” (meaning) to a product.

In the electronic parts and electric home appliances industries, as in every other industry, people say that business is fiercely competitive. They complain all the time about the lack of professional salespersons. New employees ask questions only about their own conditions upon being hired, such as working hours, number of days of paid leave, and salary. It is sad to think that companies must employ individuals who have no sense of mission toward their work and no sense of duty. But because we live in difficult times, we should take up the challenge of doing things slightly different from others. Taking the time and making the effort to give the final touch may be the path to perfection.

#### **Example 15. A colorful chest of drawers for baby clothes**

Daikei Industry based in Kanagawa prefecture developed the concept of a chest of drawers for baby clothes based on the final touch strategy and achieved great success. Before the company started producing the small chests, the furniture industry had shown steady expansion but about a decade ago, competition intensified due to surplus production. As a result, the industry gradually stagnated.

In the case of Daikei, however, the final touch involved using five different colors for each of the drawers. Because the front of the chests were painted in bright red, orange, yellow, green, and blue, it was called the “baby chest of drawers.” Fortunately, the company registered the design to prevent imitations. Although newborn babies may not be delighted that their parents purchased a chest of drawers especially for them, the product allows the parents to express their happiness with the impending birth. Purchasing a baby chest of drawers is a means of fulfilling the parental role and a driving force in successful sales.

Example of  
the final touch



Image 6. Example of the final touch

### **Example 16. Was the Shinkansen (Bullet Train) an innovation?**

When Japan Railways debuted the Shinkansen, railway engineers came from the USA to watch. After examining the newly developed locomotive and passenger coaches carefully, they admiringly called it "a magnificent innovation." The JR officials escorting them responded with, "No, it's not an innovation but the result of many small improvements added one by one." In other words, was an adaptive response that was the sum total of many improvements in response to problems noted. The Shinkansen represented a conclusion arrived at through a "process of gradual improvements in an attempt to resolve the various shortcomings and dissatisfaction of the users." The scope of users was broad, including both passengers and neighborhoods along the railways in terms of criteria such as vibration, control, accidents, power failures, comfort, speed, noise, and power consumption.

The Japanese are not as good at large-scale development as the Americans and Indians, for example. Yet, in terms of accumulating small

improvements made one at a time, it is unsurpassed. The 350,000 to 400,000 patent applications filed each year show how innovation friendly the Japanese character is. This predisposition can best be described as incremental innovation. The Shinkansen demonstrates that outstanding products known the world over can be created not only as an innovative response in one fell swoop but also as the painstaking accumulation of adaptive responses.

### **Example 17. Plus's convenient blackboard**

For anyone who gives lectures and oversees seminars in traditional classrooms, a blackboard is an integral piece of equipment. When the coating on the blackboard is of poor quality and the chalk does not move smoothly over the surface, a whole day of lectures strikes a dismal note in the memory. The blackboards produced by Plus, on the other hand, are vastly superior to any other brand. First, the blackboard itself slides up and down, allowing the height to be adjusted for individual convenience. Although it is a portable, it rests on a solid base. The high-quality coating is smooth and thus chalk moves over it with ease. Although invisible to the audience, the blackboard is marked with clear horizontal and vertical lines, so that the handwriting on it does not “wander.” It is backed with a metal plate, allowing charts and illustrations to be attached with magnets.

When comparing the Plus blackboard with fixed-height blackboards still in use, it is difficult not to pity the lack of creative imagination exhibited by manufacturers of the latter. A manufacturer who thinks that slapping a coat of paint on a blackboard and attaching legs is sufficient is displaying slipshod attitudes and not taking the trouble to give the final touch.

### **Example 18. Cancan hair salon**

Men and women behave differently when having their hair cut. Whereas men often shut their eyes immediately, feeling perfectly at ease, women keep a close watch on what the stylist is doing every step of the way. Clearly, women have specific ideas about their hair and the message it communicates about their lives. With this psychological background, it is obvious that a hair stylist who immediately lays hands on the head of a salon client has failed an important test. Cancan in Tokyo's fashionable Harajuku district is a top-class salon, and when clients arrive each stylist spends at least 20 minutes determining their expectations and needs. Cancan is always full of clients. In this example, the final touch means no touch until the customer demand is clear.



**Example 19. The lend-a-cat hotel**

For urban dwellers living in small apartments, keeping pets is difficult. It is natural for most people to want to interact with an attractive tame animal in their vicinity. One hotel has taken note of this and lends its guests a cat if they express interest. A comfortable milieu is important on a leisure trip. People on holiday want to enjoy themselves and have fun. Additional ideas for enhancing a hotel stay could be lending bicycles, sports equipment, etc.

**Questions to ask when following the final touch strategy:**

- 1) What is the unique final touch customers want from your products and services?

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- 2) What do your customers expect and how can you expand on that with an extra touch?

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- 3) Which negatives may customers note in your products and services?

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- 4) Could thinking about packaging, containers, distribution, and special services rather than the actual product lead to more sales?

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## PART II. FOUR STRATEGIES FOR USING OPPONENTS' STRENGTH

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Judo, Japan's favorite martial art, is sometimes known as *yawara* (softness) to highlight its philosophy that "softness overcomes hardness." It is exhilarating to watch a small, lightweight person upend a giant with an *otosogari* (outward leaping throw), or *seoinage* (shoulder throw). Judo appears to represent a winning strategy for the weak. A small company with "no money, no people, no land, or no special technology" should carve out its own domain to compete against big companies. The concept of *yawara* can be utilized. For example, when Ichizo Kobayashi opened a shopping mall at the Umeda Station terminal, he recruited Shiroki-ya as a department store tenant and charged a sales-based sliding scale rent instead of a fixed amount. Thus, in this sense, an "opponent" does not necessarily mean someone who is an enemy. It could mean a parent company or even an important group of customers.

Kobayashi used this scheme to assess the performance of Shiroki-ya and developed a management plan for a future "terminal department store" based on his findings. This episode demonstrates the tactic of being number two (see Strategy 7). With this tactic, a company can take the second bite out of someone else's apple. The tactical use of the power of others is not necessarily a concept unique to the Japanese. One shining example is the case of Chapman Root, which contributed to the growth of Coca-Cola by supplying the original uniquely shaped bottles.

Part II also highlights the "spider web" strategy, in which one sits back and waits for prey to enter one's web. Information is a lucrative commodity, and this strategy describes tactics that help in business planning for higher profits: growing while helping the stronger to grow (remora strategy); building a system into which good fortune enters (spider web strategy); taking the second bite of someone else's apple (number two strategy); and turning sunset products into sunshine products (expanded product life strategy).

### STRATEGY 5. Hitchhiking with a Large Company: The Remora Strategy

A corporation should have as much of its own capital as possible. If it gathers talented people it will be successful; if it is headed by iron-willed top management, all the better; and if it has a knock-out technology that no one else can imitate, it has a formidable weapon. Sadly, most companies do not have these factors. A small company is already like a

baseball player at bat with two strikes against it. It has little capital, few talented people, and cannot compete against the overwhelming sales forces of big companies. To paraphrase Shakespeare, uneasy rests the head that wears the hat of a small company president. For all these reasons, disadvantaged management should look to the philosophy of *yawara*, since it advises using the power of a stronger opponent to win.

A quick survey of the Japanese industrial world shows that it already has a parallel system in place. Large commercial entities (e.g., supermarkets or department stores) are usually allied with small manufacturers. Small manufacturers supply household items, shoes, stationery, clothing, food, etc. to those large commercial entities. In contrast, large manufacturers are usually allied with small commercial entities. For example, Hitachi has the Hitachi Chain Store system under its wing, Toshiba has Link Stores, National has a federation of National Shops, Sanyo has the Rose Chain, and Sony has Sony Shops. This system confirms that it is inevitable for all to make use of each other to earn a livelihood. However, I advise going a bit further and using weakness to “live like a remora” (a parasitic fish with the anterior dorsal fin modified into a sucker disk with which it fastens to the body of other fish).



Image 7. The surest way to benefit yourself

Imagine a small, high-end fashion boutique next door to a large supermarket. This is a remora. The large supermarket attracts several thousand shoppers daily through massive advertising campaigns and by offering discounts to customers who buy food and household items. Then, they say to themselves: “I’ve saved quite a bit of money today by

shopping here, so I can afford a little extravagance for myself/my family.” Since the supermarket does not stock “extravagances,” the shoppers flock to the small boutique next door. If a businessperson opens several such small stores next to big supermarkets around town, business will boom. As shown in Image 7, a smart-looking Mediterranean restaurant located next to a large supermarket could play the role of a remora, reaping good profits.

### **Example 20. Remora in steel wholesaling**

Whenever one steel wholesaler hears that a large new factory will be built, it finds out what that factory will be producing, buys a modest (about 330 m<sup>2</sup>) plot of land nearby, warehouses the appropriate types of steel on that plot near the new factory location, and waits. Sooner or later, the factory will face a delay in steel delivery, a dangerous situation that every plant manager has experienced at least once or twice. When this occurs, the factory may reassess its relationship with its long-term primary supplier. Someone will propose obtaining the necessary steel from the conveniently located steel wholesaler in the vicinity. Before long, a crew of neatly uniformed workers arrive at the factory and start sweeping a designated area before unloading a delivery of the required steel, sorting scrap and raw materials, and stacking them neatly. Afterward, they sprinkle water around the area to keep the dust down, take off their caps, and say, “thank you very much,” while bowing deeply.

The manager in charge of the specific factory process is favorably impressed and thinks, “I never imagined that the neighborhood supplier would be so efficient. We’ll be buying their materials from now on.” The moral of the story is: When a small company learns that a big company is going to build a major factory, it should grab the information and run for the goal to take advantage of the strong.

An electric machinery company in Ofuna is another example. The company buys motors from Toshiba, produces noiseless fans, and then sells them through Toshiba Shoji (now Toshiba Consumer Marketing Corporation). Toshiba works hard to sell the fans because they contain Toshiba motors. This is another example of the philosophy of *yawara*. If a company is weak, it can use its weakness to take advantage of another company’s strength.

### **Example 21. Selling Coca-Cola through bottle design: A chain of successful ideas**

From its beginnings in the USA, the “black flood” of Coca Cola spread to Europe, Asia, and now can be found almost anywhere from

the remote African heartlands to the Himalayas. The amount of Coca-Cola produced in one year equals the displacement of 280 Enterprise-class aircraft carriers. What made Coca-Cola the greatest hit of the 20th century and captivated tastebuds worldwide?

The addictive nature of Coca-Cola may have been one of the secrets of its success. A clever management style that favors local autonomy may have been another. The company also devised one memorable marketing campaign after another. However, a definitive factor cannot be overlooked: the shape of the original bottle. One day in 1912, Chapman J. Root, president of Root Glass Company, visited the head offices of Coca-Cola on a mission to sell his newly designed bottle based on the then-fashionable hobble skirt. That bottle made Root a millionaire. According to American industrial designer Thomas Lamb, the shape of the bottle includes 20 “ingenuities.” He wrote, “The design increases sales and gives a sense of satisfaction to the hand that holds the bottle. The visual and tactile sensations of the bottle made all other beverage bottles boring and irrelevant.”

Root was the ultimate remora. Although most would imagine that such a commercially successful bottle would have been designed by the head office, it was in fact developed by a glass company that was not even a Coca-Cola subcontractor. Root understood one of the mysteries of life: the best and surest way to benefit yourself begins by benefiting others.

### **Example 22. Keeping a 6,000-seat convention hall full year-round**

The sheer number of skyscrapers in Singapore makes it the New York of the Orient. Towering hotels like Raffles, Ramada, and Stamford Hotel, make Singapore one of the major tourist destinations in Asia. The world-class container shipyard handles more than 300 million tons of cargo a year, making Singapore Asia’s logistics hub. However, not many know that Singapore is the main convention city of East Asia. People from all over the world gather in Singapore to attend academic meetings, commercial exhibitions, campaign launches, and presentations where they exchange ideas and share excitement. The Stamford Hotel alone has a 6,000-seat convention facility, illustrating how important the convention business is to Singapore. Moreover, that 6,000-seat facility is full every day.

According to the Stamford’s former General Manager, 100 or more convention organizers work in Singapore to fill the convention hall. Although individual organizers may be very small, perhaps with one desk, one phone, and one clerk, each plans specialized conventions,

publicizes them worldwide through direct mailing and other means, and attracts enough participants to fill 6,000 seats. These organizers have specialized personal contact lists in various organizations in fields such as education, labor, publishing, tourism, religion, food processing, the environment, retail distribution, etc., and use the Stamford convention facility as the vehicle for their business. Convention organizers in Singapore have their own business association. They organize conventions on request from various organizations around the world (e.g., academic societies, political circles, financial circles, artistic organizations, environmentalists, management associations). A good infrastructure for communication helps; everyone can speak some English in Singapore.

According to a survey, hotel guests generally spend about US\$826 per person while conventioners spend US\$1,482. Conventions bring larger economic benefits to Singapore than tourists do. Japanese hotels (especially in Tokyo) are having a difficult time attracting guests. Perhaps they should try to learn something from Singapore.

**Questions to ask when following the remora strategy:**

1) Can you locate next to a larger operation?

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2) Can you shelter under someone else's umbrella?

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3) Can you devise a secret weapon that will cement your relationship with powerful customers?

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4) Do you have a trump card for increasing your customers' sales?

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- .....
- .....
- 5) Do you have ideas and the courage to tie yourself to more powerful companies for mutual benefit?
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- .....
- .....

**STRATEGY 6. Converging Divergent Information:  
Using Complaints for New Product Ideas (Spider  
Web Strategy)**

Instinct drives spiders to spin silk and build webs. Then they simply wait for prey to become caught in the web. A business can also spin a web and wait for orders to come in. Building a web is also important in gathering intelligence for ideas for new products or services, or new properties up for sale.

**Example 23. Cutting a gordian knot of ideas the Yamada way**

A good friend of mine, Shogo Yamada, was previously the head of the Consumer Department of Toshiba Shoji (now Toshiba Consumer Marketing Corporation). Yamada is now an independent consultant full of ideas, creativity, and helpfulness and thus is an excellent developer of new products and accomplished in sales, negotiation, and persuasion. Yamada had the original ideas for the electric rice cooker and electric *kotatsu* (under-table heater). He was a savior of Toshiba and loves his nickname “Yama-san the rice cooker man.”

When Yamada headed the Consumer Department at Toshiba, he always carried a small notebook filled with the details of 200 or so complaints from customers. He collected any and all complaints about home appliances and sorted them into categories like rice cookers, heaters, refrigerators, microwave ovens, etc. Since he was the head of the Consumer Department, all customer complaints ended up on his desk. In actuality, he was more like the head of product development under the guise of consumer service, but knew that such a title on his business card would shield him from customer complaints. He therefore wore the hat of manager of the Consumer Department and jotted down customer complaints everywhere he went. When he chaired monthly



Image 8. Customer complaints are the best source for information

meetings of the Product Development Committee, composed of representatives of the technical, development, accounting, financial, and sales departments, Yamada would whip out his notebook of complaints and ask what should be done about them. That proved to be a great way to improve Toshiba's products.

Following Thomas Carlyle's dictum, "A problem well defined is a problem half-solved," if you can pinpoint where the problem is, the problem is technically half-solved. Many problems remain unsolved because they are not clearly defined. If where the problem lies is identified, technical ways to solve it will follow. In that sense, Yamada turned customer complaints into a source of ideas for new products and created a succession of bestsellers.

Take the electric *kotatsu* as an example. A traditional *kotatsu* has the heat source on the floor under a table. Traditionally, a sunken *kotatsu* was placed in a well in the floor into which people dangled their feet to keep them warm. After seemingly endless discussions as to where the heat source should be located, Yamada and other Toshiba staff concluded that it was best to attach it to the underside of the table.



Sometimes problems are solved by technical staff. Sometimes the ideas of others create a huge new market. My advice is to build an extensive network for customer surveys. Complaints are the best friend of product development. Do not avoid them; jump at them. However, salespeople are likely to hide the best information that comes into their hands because they are afraid of the anger of their bosses. When management asks them whether there are any problems, they will say no even when there may be a mountain of problems. Because the people on the front lines keep the problems under wraps, top managers may not know that company policy is obsolete. When they finally find out, they face a warehouse full of obsolete products.

#### **Example 24. Kuroneko-Yamato home delivery**

For President Masao Ogura of Yamato Transport, the straw that broke the camel's back was the order by President Shigeru Okada of Mitsukoshi Department Stores that Yamato trucks had to pay parking fees for pickups or deliveries. Yamato had been a contract carrier for Mitsukoshi's Direct Sales Department for several decades. Still, Mitsukoshi granted no business favors to its customers or contractors. Okada's order appeared unfair to its contractors, but it aroused Ogura's pride and made him decide to end the long-term business relationship.

Yamato accumulated extensive experience while working for Mitsukoshi and saw how to convert that into a service for customers nationwide. In those days, postal service in Japan was the epitome of red tape. Small parcels were especially labor intensive and yet not profitable. Ogura took note and turned postal parcels into a gold mine for Yamato. In September 2005, Yamato Transport delivered more than 83 million parcels. This translates into an estimated 1.12 billion parcels a year. In addition, Yamato delivered 230 million pieces of small cargo, and 146 million Kuroneko (black cat; the logo depicts a mother cat tenderly carrying a kitten in her mouth) business mail envelopes in the same month. Yamato uses barcode technology to track parcels and cargo. The centralized electronic system ensures the smooth flow of billions of parcels and allows customers to specify convenient delivery times. Ogura's pride and a high-tech logistics system caused a revolution in the transport business.

#### **Example 25. Another me: Ryoichi Sakamoto**

This is not an example of a corporate spider web but a personal web that could be utilized by a business wanting to reach out to its customers. Ryoichi Sakamoto is a friend who has published *Watashi-*

*no-Shinbun* (My Newspaper) for 20 years. Sakamoto is a salesman for Meiji Life Insurance who started to think, “I don’t mind working hard. Yet, no matter how hard I work, I am limited to just one body. What can I do to create another me?” The answer to that question was *Watashi-no-Shinbun*, which is sent to numerous people every month. Sakamoto says, “People think of me at least once a month when reading this newspaper.” If he sends it to 100 people, he will be on the minds of 100. If he sends it to 1,000, he will be on the minds of 1,000.

What is notable is that the newspaper contains nothing suggesting self-promotion. It teems with stories about interesting episodes and people Sakamoto encounters, books he has read, parties he attended, or popular shops. The articles embody his spirit of helpfulness. Sakamoto’s gentle humanism shines in his unpretentious writing completely free of exhibitionism.

### **Example 26. Star-thread machine screws**

Machine screws previously had either a “minus” or “plus” thread to guide the appropriately shaped screwdriver into position before tightening. A new type of screw has a star-shaped thread. Why? We now live in an automated age when robots work on assembly lines. Robots are not as nimble-fingered as humans and their hands can only move up and down or right and left and rotate. Robots are particularly poor at locating the proper position for screwdrivers.

Enter the star-thread screw. For a magnetized screwdriver tip to catch a screw properly, the screw must have a “fuzzy” thread. This screw is literally the star product of a company in Osaka that got the idea from an early Showa-era patent bulletin. This illustrates the shrewdness and true grit of Osaka merchants. A company does not need to spend a lot of energy trying to register a patent, since tens of thousands of expired patents are waiting to be utilized. Using expired patents is also an embodiment of the tactic of being number two.

### **Questions to ask when following the converging divergent information strategy:**

- 1) Can you revolutionize your sector by offering personalized service?

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2) Do you have the ability to make good use of expired patents, old information, and previous ideas?

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3) Can you develop new products/services based on customer complaints?

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4) Can you extend yourself to reach a wider customer base?

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**STRATEGY 7. Emulating Success: The Number 2 Strategy**

Although there is not that much difference between being number 1 and number 2, a company is in the limelight the instant it becomes number one. Most think that there is a big difference between Miss Universe and the first runner-up, after all. Companies usually covet the idea of occupying the top position in their own industry. It follows that as a business operator, one should want to be number one in the field, no matter how confined that field might be. It is fine to be known as the best service provider, supplier, or packager, or the best in terms of business approach and customer relations. The ideal would be top ranking in terms of market share or profit margin. As an initial goal, however, aiming to be the best at something, whatever that something may be, is acceptable. In reality, it is difficult to become and remain number one. It should not be forgotten that many could also live happily with the notion of being number two or even number three.

There is nothing unreasonable about being content with the position of number two if that is the best that you can do. Because developing new products can be a major challenge from a business perspective, it might be better to leave that task to others. Think, in other words, of the strategy that lets someone else bite the apple. Who knows? That apple

might just be poisoned. Once you are certain that the apple is safe, take the second bite. In fact, make it a big bite and chomp away with a third, fourth, and fifth bite, if you like, until nothing is left but the core.



Image 9. Effect of the second bite

### **Example 27. Panasonic, the company that exploited Sony**

“Research makes the difference” is one of Sony’s catchphrases. Research can indeed make a difference and separate corporate winners from losers in the marketplace. Tireless, ongoing research is one of the factors that has made Sony the prosperous firm it is today. A side effect of that policy is that Sony has a tendency to place more weight on its technology-focused divisions than on its marketing and sales operations. Perhaps Sony has allowed itself to be exploited by rivals who pay more attention to the sales and marketing side of the equation.

Sony’s Walkman series unquestionably combined style with cutting-edge technology. The Walkman was a major product from a company that saw a pioneering opportunity in providing individual consumers with a way to enjoy their favorite music in high-fidelity stereo wherever they were or whatever they were doing. However, within a few months after the Walkman was released, Panasonic unveiled a copycat product of its own, the Walkie. Obviously the way one bites the apple, that is, the strategy one chooses to tap into a new market, can have drawbacks, too.

At precisely that time, I was engaged in a Sony training program. One day, I took a Sony executive aside and asked, “Doesn’t this make

Sony the guinea pig?” Unshaken, the executive calmly replied, “You’re right, but Sony doesn’t mind being the guinea pig; we guinea pigs breed at a very fast rate.” With those words, the executive defined Sony’s essence, pointing out that whatever market-savvy Panasonic might do, Sony excelled in pure technology and would simply debut a steady stream of new technologies and products whether its rivals copied them or not. Even so, you have to hand it to Panasonic. It did not infringe on any patents but instead utilized its own technologies, so Sony could not complain. By relying on a different set of technologies, Panasonic simply targeted the same market segment as that for the Walkman.

If your company is not already number one in its own market niche, remember that may come from emulating others. But do not delay. If you cannot emulate a company that achieved success yesterday, then consider one who achieved success a month ago. Ask how and where the role model put its merchandise on the market. Gather information on the types of events and locations where successful products were launched and the targeted market segments that resulted in strong sales. Investing in development entails enormous risk. Although corporate giants with an established track record may be able to do this, SMEs simply cannot afford to invest as much. Adopting the number two strategy could therefore be an effective approach for smaller companies to capture niche markets by letting someone else take the first bite out of the development apple and then taking the second bite themselves. There is nothing to be ashamed of in employing this strategy as long as intellectual property rights are not infringed upon.

**Questions to ask when following the number 2 strategy:**

- 1) Can you motivate your employees to accept challenges and exploit weaker positioning in the marketplace to your company’s advantage?

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- 2) Is letting others take the first bite out of the development apple ia better strategy for your company than pursuing costly new product development?

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- 3) Are you constantly watching the marketplace for new products that you can purchase, take back to the research lab, disassemble, and analyze?

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- 4) Can you emulate ideas that have paved the way to success in other industries?

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### **STRATEGY 8. Product Life Cycle: The Expanded Function Strategy**

Another niche market strategy can be proposed: striving to exploit company strength by offering a product or service that surpasses every similar one, whether it is a new way of doing things, new product line, new sales method, new distribution strategy, or new style of doing business. Introducing a succession of new models has traditionally been the mission of large manufacturers. Replacing an older model with a new one is something of a risk for smaller firms, however. In the field of commerce, it is acceptable to use “merchandise” interchangeably with “product.” This is why retailers and other commerce-focused firms entrust model updates to suppliers and subcontractors.

Product development typically comprises four stages: 1) developing new uses for an existing product; 2) enhancing an existing product; 3) introducing a new product incorporating the previous enhancements; and 4) phasing out obsolete products out of sync with current trends. If a company handles obsolete merchandise for any length of time, it becomes a sinking ship dragged down into the abyss by that merchandise. Developing new uses of existing merchandise is thus crucial to stay afloat.

### **Example 28. Long-lived Companies**

There were 2,638,798 companies in Japan as of 2003, and the share of growing companies was 29.6%, that of stagnating companies was 47.5%, and that of companies in decline or nearly bankrupt was 22.9%.

However, more than 50,000 Japanese companies have survived for longer than 100 years. Amazingly, some have continued doing business for an entire millennium. Compare this longevity with the handful of long-lived companies in other countries.

For example, Okamoto Nabeya has been in existence for 420 years. It is known for manufacturing the bell of the famed Taishakuten Temple in Tokyo. Originally Okamoto was a casting company granted a casting license by the imperial court. The present head of the company is the 15th in succession. A unique feature is the tradition that the man who marries the president's daughter is adopted to become the heir to the company. In many cases, the sons of the rich do not turn out well, and thus a son-in-law selected from among the finest employees is far more reliable. Someone who has served as a subordinate for many years can be observed thoroughly to determine his simplicity, honesty, diligence, business acumen, perseverance, and people skills.

The most important thing is that the long-established family precepts handed down from one generation to the next are not forgotten. Those principles are:

- 1) Do not engage in politics.
- 2) Be totally devoted to your profession.
- 3) Uphold the *banto* system (under which leading employees are in charge of the family's business affairs).

With the sole exclusion of the president, all top managers are *banto* (i.e., selected from the ranks of employees). There are no titles such as managing director or executive director. All they must do is to observe the house rules and whatever else they do is their business.

Another example is 1,200-year-old Kongogumi, which has a workforce of 100 carpenters specializing in building and repairing shrines and temples. The first major shrine construction project ordered by Emperor Shotoku Taishi in the Asuka era was the Shitenoji Shrine in Osaka. At that time, the company rules were "do not work on any project except for building and repairing temples and shrines" and "everything must be made of wood." The company's techniques for joining and connecting wooden beams are the accumulation of 1,000 years of know-how.

The company has experienced many adversities in its long history. The trend for building shrines and temples of concrete nearly ruined the company: Concrete construction by large firms put traditional shrine and temple carpenters out of the race. An ever-increasing flood of complaints from owners and perpetual repairs plunged Kongogumi into deep debt. Yet not a single carpenter

resigned since pride in their trade kept them going. The company continued building solid wooden structures that are now valued as cultural assets.

Some 50,000 Japanese companies have had a history of more than 100 years, and more than 80% still exist. An unflagging commitment to the technology and experience accumulated over time is a hallmark of companies with long lives.

### **Example 29. Changing location for different uses**

This is a somewhat dated example, but the over-the-counter medication Colgen Kowa was originally developed to treat allergy symptoms. However, it posted stronger sales when marketed as a cold remedy. By shifting the targeted market and redefining the content, it is possible to transform a product with stagnant sales into a popular commodity.

Try to conceive of a new application for a product already on the market. Discovering new uses of existing products may demand a paradigm shift. For example, non-Japanese who have lived in Japan typically return to their home countries with an assortment of traditional Japanese items, ranging from the *furoshiki* cloth used for wrapping to *Tengu* masks, tea sets, traditional *kyosoku* armrests, and *sukiyaki* pan. However, they may not use those items in the traditional manner. The *furoshiki* may become a scarf, the *Tengu* mask a hat rack, the tea set pudding bowls, and the *sukiyaki* pan a holder for barbeque charcoal. Although the *kyosoku* armrest might actually be used as an armrest, it may also substitute for a pillow when lounging on the carpet. Any company should be capable of such changes in perception or ways of thinking about products. Thinking of new ways of selling or using products already on the market can open up new avenues to success.

### **Example 30. Where did the Jeep go? Strategy of a reborn automaker**

Now to give one real-world example of a strategy implemented to extend the life of an existing product line without changing the original design. I want to discuss Willys, one of American earliest motor vehicle manufacturers. The story starts as the US Army needed a newly designed vehicle that could go anywhere for reconnaissance. Several proposals were made following the Quartermaster Corps' specifications in 1940, which included among others:

- 1) A front wheel-drive axle with two-speed transmission including provisions for disengaging the front-wheel drive;
- 2) A rectangular body with a folding windshield and three bucket seats;



- 3) Superior engine power;
- 4) A tow bar;
- 5) 30-caliber machine gun mount;
- 6) Blackout lighting;
- 7) Hydraulic brakes;
- 8) Full floating axles;
- 9) Wheelbase of 80 inches, maximum height of 40 inches, and maximum weight of 1,275 pounds; and
- 10) Able to reach 50 mph on a hard surface.

In July 1941, the then War Department decided to adopt a single model: Willys was selected because its bid was lower than the others submitted. Since then Willys Overland has maintained those specifications, although with some adjustments. Willys also added some minor corrections to the original design and engineering technologies for the four-wheel drive Jeep that played an enormous role during World War II, since it could traverse the roughest roads or places where roads did not exist.

After World War II, Willys realized that its technologies were no longer of much value even in its home market. Demand was waning because road conditions in the USA were improving and paved roads were available almost everywhere.



Image 10. Revival of the Willys Jeep

The off-road technology packaged in the Jeep was still valuable in many other countries, however, and therefore Willys transplanted its manufacturing facilities to Latin America, Africa, and Israel. In taking this step and harnessing its specialized technologies for use in areas where they had economic value, Willys restored its position as a profitable enterprise. Viewed from this perspective, Willys stands out as a classic

example of a company that extended the life of its product by developing new applications for existing knowledge and technology.

### **Example 31. A florist with an idea in full bloom**

Florists content simply to tend the store will see only marginal growth in their business. Occasionally, though, one has a fantastic idea. One florist had contracts with special clients of several department stores and had the idea of delivering flowers to customers signed with the name of the department store. Under this arrangement, it began delivering flowers to the wives of important customers on birthdays and anniversaries. The notable feature was that the florist took photographs of all flower arrangements and sent them back to each department store's institutional customer service department with note stating on which occasion and to whom the flowers had been delivered. Obviously, a business that operates in this way will be successful. This florist stands out as an example of success by an enterprising soul who jumped off the corporate treadmill to run his own business from a condominium in the Aoyama district of Tokyo.

### **Example 32. Heian dreams conjured by *nishijin* brocade**

I was once the main speaker at a seminar at a luxury hotel located in Takanawa, Tokyo. The event was sponsored by a leading fabric company, and the audience of around 100 consisted almost entirely of that company's distributors, dealers, and executives. The theme of the seminar was retail marketing, and the venue was a very grand room. It may have been specifically chosen by the sponsor to provide a luxurious atmosphere for the retailers, who were usually more preoccupied with the hard realities of day-to-day business.

Although the presentation was five hours long, the audience remained attentive because it addressed serious problems encountered by all managers of retail establishments. The seminar schedule allowed a 10-minute break every 90 minutes. During one break, the master of ceremonies, who was the head of the sponsor's General Affairs Department, approached with a question: "Dr. Nagashima, have you noticed anything unusual about the room we're using today?" "Well, it is a lovely room," was the best response I could give on the spur of the moment. The man seemed disappointed and then pointed out that the walls were covered in *nishijin* brocade. He spoke as if he could not believe that a marketing specialist like myself could have been so unobservant.

All I could say was, "I'm so sorry, forgive me, that is beautiful

fabric. *Nishijin* brocade is something Japan can be proud of.” In the past, people would have been amazed that the finest-quality apparel fabric could be used as a wall covering. Frankly speaking, older men like me tend to think that such a traditional, culturally specific, artificial, and elaborate brocade should not be used for other than its originally intended use in women’s garments.

However, because of this interior design feature, the hotel named the room the Heian Chamber. The fabric complemented the carpeting and chandeliers and added value to the room as a whole. The seminar participants were impressed by the *nishijin* brocade and the high level of craftsmanship involved in its production. Such fabric lends an atmosphere of luxury to any occasion, be it a wedding reception or company banquet. This is another example of using an existing product in an innovative way.

### **Example 33. Sokensha’s Benibana Ichiban**

Cancer, stroke, and heart disease now rank as the three leading causes of death in Japan. Stroke in particular is frightening because it strikes without warning. Strokes are primarily caused by hypertension and arteriosclerosis as the blood vessels age. However, linoleic acid present in high concentrations in safflower (*benibana*) oil can prevent deterioration of the blood vessels and reduce subcutaneous fat. The safflower is the official flower and major commercial product of Yamagata prefecture. Takao Nakamura, the founder of Sokensha Co., Ltd., noted the health benefits of safflower and the company began selling Benibana Ichiban (number 1) as a health food product processed into salad oil, margarine, and mayonnaise. Its debut helped spark a health food boom in Japan.

Sokensha did not stop with Benibana Ichiban. It went on to develop growing districts nationwide for every conceivable health food source and in the process developed into an industry leader. Contributing to human health and longevity thus contributed to Sokensha’s own longevity.

### **Questions to ask when following the expanded function strategy:**

- 1) Do you know the current stage of the product life cycle of each of your products?

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- 2) If products are in the declining stage, can they reenter the growth stage by developing new applications?

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- 3) Have you avoided stereotypes about the development of new applications?

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- 4) Can you develop new applications by modifying (or improving) a product?

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- 5) Can you extend a product's life cycle by venturing into different markets?

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Think of product life-cycle stages as follows. The fate of a firm depends upon the marketing power of its products, which increases or decreases in relation to the stage of development or product life cycle. In this setting, the simplified product life-cycle diagram as depicted next page gives a fairly good perception of product power. Like human life, the products or services of firms have different stages of development.

At the stage of introduction, the product is in its infancy. As with a human baby, there is a lot of hope, but little certain knowledge about how the product will do. Of course, any product presented on the market can be expected to be supported enthusiastically by its creator, and a lot of overblown media hype frequently follows. However, the responsible creator/investor is also very much interested in the level of capital investment recovery. At the stage of growth, if it occurs, sales of the

product begin to accelerate gradually. If it becomes a hit product, a sharply ascending curve will be observed on the sales chart. In other words, the newly developed and presented product is well received and welcomed by consumers.

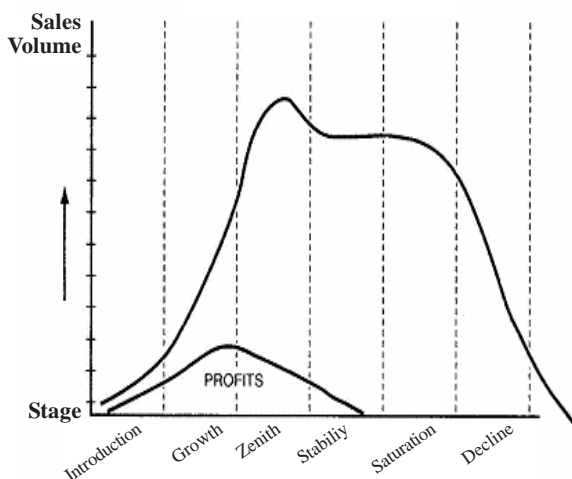


Image 11. Product life cycle

It is in this stage that the largest profits can be expected. Eventually, vigorous sales reach their zenith. In the zenith stage, the product has been fully accepted, and the speed of diffusion and propagation is maximized. A strong reputation has been achieved. As the diagram shows, the sales volume is at its highest point. Frequently, there is some downturn due to inertia or mini-cycles, as indicated by the small downturn. The next stage is the so-called stability stage, which in actuality is a fiercely competitive stage, because more competitors will have entered this clearly lucrative market. In terms of time, the length of this stage is comparatively long. The product, however, gradually approaches the saturation stage at which most of the customer base has been satiated. The degree of diffusion has reached its maximum point at this stage, and sales level off or begin to drift downward. The last stage is that of decline. Just as the sunset in winter occurs very quickly, the decline of a once-popular product and therefore its sales volume can occur rapidly. Marketing strategies differ for each stage.

### **PART III. PROBLEMS AS A BASIS FOR NEW BUSINESS: FOUR STRATEGIES FOR TURNING WOE INTO WEAL**

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A problem demands a solution. The need for a solution arises when one has desires or expectations that are unsatisfied or persistent anxieties. Life is a repeating cycle of uncertainty and contentment, risk and personal accomplishment. The romanticism of life is accentuated by times of crisis and the relief felt when solutions are found. When a person is troubled, a business opportunity presents itself for the delivery of a tangible product incorporating the solution and the technology to bring that solution about. This section explores the potential for new business of this nature. After satisfying the primary desires for food and shelter, people seek to excel, acquire, attract, express themselves, etc. To meet those secondary desires, a myriad of goods and services are available.

Part III also discusses the lack of satisfaction among customers. The introduction to strategy 9 shows how problems can be welcomed and success can hinge on their solution. The section on strategy 10 gives examples in which recycling strategies used up excess inventory. Strategy 11 recognizes the value of time for those who hate waiting. Strategy 12 involves cultivating economically friendly outlets for the enjoyment of the 984 leisure hours salaried workers in Japan have at their disposal. The world is full of difficulties and troubled people. If those are seen as an opportunity for new business, a company can have unlimited growth potential.

#### **STRATEGY 9. Strategies for the Solution of Problems**

Solutions may take the form of a tangible product or a knowledge-intensive service. A variety of methods have been packaged as cures or treatments for suffering, from drugs, medical equipment, and healthcare providers to chiropractics, acupuncture, moxibustion, and massage. Furthermore, each solution generates monetary rewards. Many companies are not conscious of this. Thomas Carlyle said, "The greatest of faults, I should say, is to be conscious of none." By the same token, of all problems one may face, the biggest is not realizing that a problem exists. It follows that if a problem is precisely defined, then it is halfway to being solved. The remaining half of the task is finding the technical solution. This explains why companies should be prepared to welcome problems.

### **Example 34. The legend of the *yubari* melon**

Footwork is a parcel delivery service, and *yubari* melons are famously sweet and flavorful. The only problem is that they are only perfect for about three days after harvest. On the one hand, many would like to eat *yubari* melons; on the other, their shelf life is short. Melon-growing districts planted a lot of land in *yubari* melons. Footwork successfully connected these dots. The standard practice among parcel delivery services is to transport and deliver merchandise after customers place orders. It was unheard of for a trucking firm to risk expansion into the merchandising business. However, because it specialized in the handling of large-volume as well as small-lot shipments, Footwork connected sellers with buyers and sold approximately 400,000 melons per season. Footwork went on to achieve the same success with salted salmon, ringing up sales of some 500,000 processed salmon during the season.

Necessity is the mother of invention, but in some cases acting after customers feel a necessity is already too late. The lesson here is to put yourself in customers' shoes and understand their needs, problems, desires, and wishes. Unless a problem is accurately defined, it will remain only half-solved. Hence, the first step involves identifying the problem when developing a new product or service. Assuming that the ability to solve the problem is in place, put priority on clearly articulating the problem. This is the approach that results in best-selling and/or long-selling products and services.

### **Example 35. A gadget to peel California**

Muro Corporation is based in Karasuyama, Tochigi prefecture. Its main business is the manufacture of automotive parts. Over the years, Japan's auto industry has been hit by a series of downturns caused by the strong yen and export ceilings, among others. Although Muro did not experience production cutbacks, it faced declining orders during downturns. Muro decided that it would lack stability if it depended exclusively on build-to-order manufacturing. When company President Narahiko Muro visited the USA, his hotel served grapefruit at breakfast. Grapefruit is not very easy to eat. Muro tried scooping out the flesh with the spoon provided on the table, but after a brief struggle, his chin and white shirt were wet with juice. Flinging away the spoon, Muro felt his machinist's intuition start to examine the problem. Returning to his room, he thought about the type of blade that could peel a thick-skinned grapefruit and eventually had a rough mental design for a gadget that could peel grapefruit and other citrus.

Muro made a prototype, which he called the California Peeler, and entered it in the World Invention Contest that year in New York, where it won the Grand Prix. Stories about the gadget were broadcast around the world, and it swept inventors' competitions. It was keeping the cost of the peeler low that helped fuel long-term demand, however. In terms of vegetable and fruit production, California is a champion, and grapefruit and oranges are the kings of citrus fruit. Muro's California Peeler was thus designed to "peel California." The gadget was a sensation on the US market.

**Questions to ask when following the solution of problems strategy:**

- 1) When planning a new product or service, do you strive to understand the problems of potential customers?

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- 2) If you have clearly identified a latent problem, do you make recommendations to your company's product development panel?

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- 3) Have you prepared logical proposals to motivate engineers to find a solution?

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- 4) Do you define problems from a marketing perspective in planning new business ventures and products?

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### STRATEGY 10. Recycling Strategy

We live in an age of abundance. In my view, whining about flat sales or profits during a slowdown is meaningless. If you cannot boost sales, cut costs. Huge cost reductions can be achieved simply by eliminating waste and inefficiency. Corporations represent a treasure chest of potential cost cuts. Management consultants have many opportunities to examine typical corporations as they attempt to find new “recipes” for improvement. One conspicuous item noted by consultants is excess inventory. In most cases, that inventory comprises mainly obsolete merchandise or dead stock. Many offices and plants suffer from extensive waste and inefficiency, even those that on the surface appear to have no problems. In many cases, an entirely new business could be started if those resources were used more effectively.

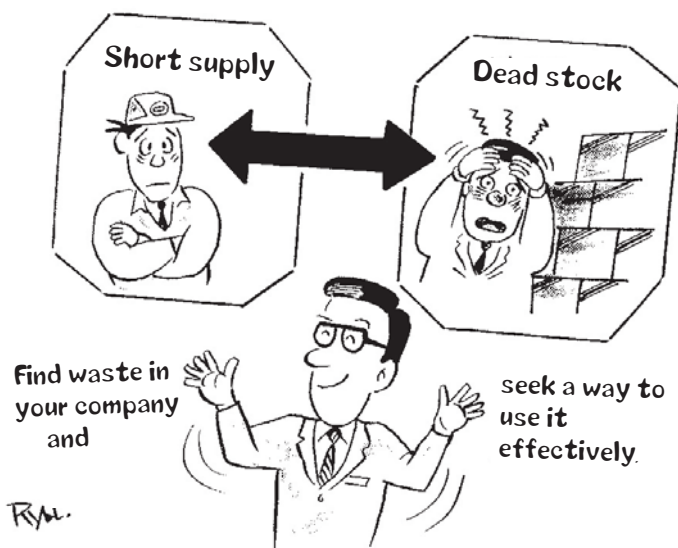


Image 12. Find waste in your company and seek a way to use it effectively

In a single city, some companies experience shortages of a specific item while others have excess inventory of the same item at the same time. Chemical factories may have hundreds of rolls of embossed vinyl sheet in their inventory, or textile companies may have several hundred rolls of in fabric with nearly undetectable flaws. Warehouses are stuffed with clothing no longer in fashion, or products that failed tolerance tests. The opportunities for recycling these items are enormous.

### **Example 36. Sliced, diced, and profitable**

Disposing of deformed produce causes more headaches for vendors of fruit and vegetables than anything else. Although thrifty end-consumers generally use every bit of the food they buy, vendors who handle huge volumes of produce daily tend to be more wasteful. The produce sold at fruit and vegetable markets is handled roughly in the first place. Crooked cucumbers, stunted carrots, wilted cabbage, and bruised eggplants do not sell. But even if disposed of, costs in time and hauling fees are incurred. Keep in mind, though, that the chopping board is the ultimate fate of most vegetables prepared for cooking, in which case it does not matter whether they retain their original shape or if they are perfect. If this initial processing step is performed, even misshapen vegetables become a valuable commodity.

Osaka-based trading house S noted this. It now buys unsold misshapen vegetables for next to nothing, washes, slices, and dices them, vacuum-packs the mixed vegetables, and sells them for institutional use. The equipment used for slicing and dicing is flexible and ultrafast, allowing the vegetables to be cut to different specifications for different customers. Buyers range from hotels and restaurants to facilities that provide hot meals for the homeless. Trading house S has annual sales revenue in the range of ¥2 billion from its precut vegetable business alone. Noticing things that others ignore can be a key to success. In addition, recycling-based operations mesh well with current social values.

### **Example 37. A new sales channel for Tsubame-sanjo tableware**

The Tsubame-sanjo district of Niigata prefecture is famed as a source for Western-style tableware. From the end of World War II through the era of rapid industrial growth, this district contributed significantly to the resurgence of Japanese merchandise exports. However, the bursting of Japan's financial bubble and the continued appreciation of the yen on foreign exchange markets had the effect of blunting international demand, burdening this district with excess capacity. Despite steps to harness domestic demand, the tableware industry found itself engaged in increasingly intense price competition. The survival of the industry was at stake, and it was doubtful that it could continue to make and sell tableware in the traditional manner.

However, one company brilliantly overcame that crisis and continues to thrive. Nagayo Corporation President Sasage Nagayo opted for a rental-based business model, replacing the traditional produce-and-sell approach. Access to the vast markets of Tokyo was one precondition for the viability of this new business strategy. In effect, Nagayo switched to

a business model driven by the rental of silverware and banquet dishes to clients in the hotel, restaurant, and catering sectors. The vast majority of small and medium-sized hotels and restaurants cannot afford to own and maintain expensive tableware, a single set of which typically costs several tens of thousands of yen. Those regularly hosting weddings, receptions, banquets, and other events view the availability of luxury tableware on a rental basis as a blessing. Nagayo effectively exploited a price barrier to penetrate a market niche.

### **Example 38. Saleswomen become buyers**

Japanese women are one of the healthiest and perhaps most discontented consumer groups. Labor-saving devices have reduced the time needed to do housework, and the low birthrate coupled with extended longevity mean that people have more free time. All television channels broadcast mid-afternoon films aimed at women with numerous commercials, literally inundating viewers with information on new products. Many women see this as a recipe for boredom and take jobs outside the home even when it is not necessary financially. In 2007, some 35 million married Japanese women were employed. Maruyama Company continues to prosper by exploiting that trend.

Maruyama has a labor force of over 6,000 saleswomen nationwide, of which 2,000 are employed full-time. They sell merchandise geared to the female market, e.g., kimonos, jewelry, apparel, handbags, and shoes. Maruyama operates through a network of around 170 retail establishments nationwide. Thousands attend its quarterly sales events in large venues. Annual business revenues total approximately ¥25 billion. Maruyama provides consumers with luxury goods at affordable prices. For example, pearls from the Shima Peninsula, Mie prefecture, are a high-end item. Maruyama, however, developed a new pearl source in Uwajima, Ehime prefecture. The quality is comparable to that of high-end pearls, but the brand name is different. Consumer values have changed, and brand loyalty now accounts for only 2% to 3% of customer motivation to buy. The value of a pearl depends on its luster, size, and shape. The city of Uwajima, supported by the local pearl growers, decided to sell pearls through Maruyama. Many Maruyama saleswomen also indulged their penchant for pearls and became buyers ready to take advantage of bargains.

### **Questions to ask when following the recycling strategy:**

- 1) Are you aware that massive inventory represents a cost and should be recycled?

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- 2) Do you know which items and parts are wasting your time, money, space, and labor?

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- 3) Are you aware that frugality makes good economic sense when developing new business ventures or products?

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- 4) Have you abandoned old ideas and opened your mind to a new future?

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### **STRATEGY 11. Appealing to Impatient Consumers: Time-value Creation Strategy**

The company Kiosk operates a wide variety of stores, ranging from pubs, florists, shoe repair shops, and bookstores to souvenir shops, restaurants, locksmiths, boutiques, and beer halls in Tokyo Station alone. Business is good for the vast majority of outlets. Kiosk is an offshoot of a mutual aid association for Japan's formerly public railways. It has prospered to the embarrassment of professional retailers. Kiosk's success illustrates the proverb, "You can catch fish with a bare hook if you cast bait where fish gather."

Many people nowadays feel that they have too little time and hate waiting. That is one reason why many are happy to shop for small items on the station platform while waiting for a train. McDonald's, MOS Burger, Kentucky Fried Chicken, and other fast-food franchises have been successful precisely because they do not make their customers wait.

In principle, they strive to deliver an order within 18 seconds. Corporate executives have traditionally viewed workers, goods, capital, and machinery as prime business resources. Space and time should be added to that list. For managers, time is the ultimate resource.

How can time be transformed into a product or service? A company that has the ability to generate time-value not only for the average consumer but also in business-to-business transactions will receive the most purchase orders. A company that can compete in a short time frame will survive and thrive. For example, a company that can deliver merchandise within three days is certain to be chosen over a rival that needs at least 10 days for delivery. Companies are better positioned to compete if they are able to conserve man-hours, cut lead times, and deliver on short notice.

### **Example 39. 7-Eleven's umbrella strategy**

The convenience store chain strategy of the Ito-Yokado group is eye-opening. The average daily sales turnover at a single convenience store is ¥620,000 yen. The chain comprises 4,300 outlets nationwide, meaning that the entire chain has annual sales of ¥973 billion. 7-Eleven's (now 7 and i Holdings) previous franchiser was Southland Corporation, which had 6,800 stores in the USA. Some 10 years ago, Ito-Yokado purchased Southland's majority share, placing the 7-Eleven stores under its own umbrella.

Retail networks, whether convenience stores or supermarkets, have thrived based on the concept that customers should not be forced to wait. 7-Eleven in particular has developed a revolutionary point-of-sales (POS) system. If 10 outlets serve a community within a 20-kilometer radius, each store stocks 3,000 to 3,500 best-selling items. The POS system records the sale of individual items on store shelves the instant they are sold and immediately transmits the data to host computers at headquarters. The system regularly reports how many units of which item on which shelf at which store have been sold or are in short supply. Thus, the flow of merchandise at all stores can be accurately monitored from headquarters at all times. Based on those data, trucks make delivery rounds to each store on a predefined route and with fresh stock. The time-saving strategy in this case relies on a logistics system serving a local network of outlets under one giant umbrella. Only companies that effectively utilize the ultimate resource of time can survive in today's markets.

#### **Example 40. Developing a competitive edge in temporary staffing with IT**

Company X in the temporary staffing subsector now has the largest share of the general office staffing market despite being a latecomer. Company X has two service platforms: putting sales supervisors at client sites within 25 minutes and selecting staff within two hours. The first platform means that a sales supervisor arrives at a client's office within 25 minutes of receiving a phoned-in staff request. Sales supervisors carry PDAs and cell phones to ensure that they are able to communicate effectively with the company and clients and enter and retrieve necessary data at any time. Although supervisor arrival within 25 minutes is easy to promise, it requires above-average effort. The second platform matches a temporary staff with a client's needs within two hours of a request.

Company X has effectively differentiated itself from the competition with these two service platforms, and it would be difficult for others to emulate this business system. Putting sales supervisors at client sites within 25 minutes of requests would require a company to increase the number of offices and shorten the length of supervisor visits to clients. Additionally, even assuming that staff could be matched with client needs within two hours, the lead time cannot be shortened unless sales supervisors can obtain client specifications for staff rapidly. The two service platforms of Company X are meaningful in terms of the company's strategic business model (specializing in general office duties, promoting sales with branch offices rather than head offices, and an emphasis on the speed of supervisor visits and staff introductions). Simply investing in hardware and software would not allow competitors to offer the same services as Company X. IT must function like the central nervous system of corporate operations to develop a business system that cannot be imitated by other firms.

#### **Example 41. No-wait dentistry**

Medical knowledge and skill are the basics expected by patients when they visit a healthcare institution. The next most important factor is no or short waiting times. Top-ranked hospitals are usually well equipped and staffed by gifted physicians. However, no matter how satisfied they may be with their treatment and care, patients regard waiting at reception, waiting to be examined, waiting for tests, waiting to have prescriptions filled, and finally waiting to pay the cashier as a form of torture. The extended waiting periods can even aggravate patients' conditions. Physicians and hospitals insensitive to this source of patient

distress are not qualified to be examining patients in the first place. Those that provide added value by not forcing patients to wait are widely respected.

At one dentist's office in the USA, patients are given pocket pagers when they arrive for their scheduled appointment. They are then informed that the pager will beep five minutes before the dentist is ready to see them. Since they have already "checked in," they are free to go to bookstores, coffee shops, department stores, or anyplace in the immediate vicinity until their pager beeps. This type of service is a perfect fit for busy people who value their time. How long it will take physicians everywhere to raise their service to this level?

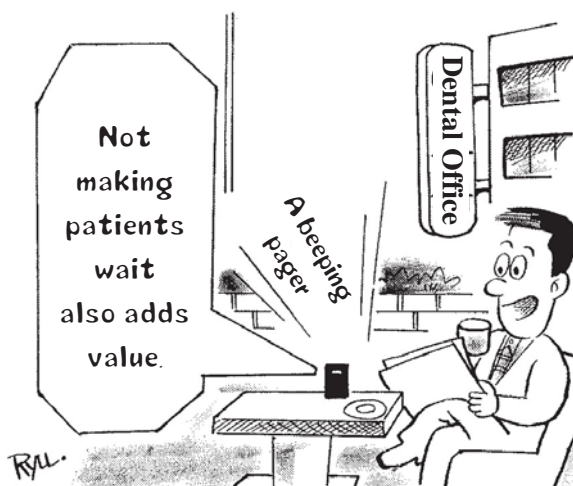


Image 13. Not making patients wait also adds value

**Questions to ask when following the time-value creation strategy:**

- 1) Can you initiate a program in your company to cut delivery times in half?

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- 2) Do you follow business reengineering principles for guidance in a rapidly changing corporate environment?

- .....
- .....
- .....
- 3) Have you promoted every type of streamlining to help customers save time?

- .....
- .....
- .....
- 4) Do you know clients who lack time and are seeking a vendor that can reduce delivery times?

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### STRATEGY 12. Excitement-inducing Strategy

Japan is enjoying a strong yen, and the USA is increasingly concerned about Japan's large trade and current account surpluses. If measured in terms of GNP alone, Japan appears to be rich. Although it accounts for only 0.3% of the world's land area and 4% of the population, Japan generates 14% of global GNP. But the realities of life for most Japanese do not seem to echo those measures of affluence. If you simply want to enjoy a day at the public beach near Kamakura, where I live, you can easily spend ¥10,000. First, the hourly fee for a parking space is ¥700. If you spend 8 hours at the beach, that works out to ¥5,600. If a family of four decides to use a changing hut, that costs another ¥2,000 yen. The same family of four will spend ¥4,800 for a plate of school lunch-style "curry" rice with the compulsory soft drink each.

If you want to enjoy a round of golf, you will face a much heftier bill at the end of the day. Golfing on a course affiliated with a hotel, will cost at least ¥20,000 per night for the hotel room, an additional ¥25,000 for course access, ¥7,000 for three meals, ¥5,000 for party fees, another ¥5,000 for golf trophy fees, ¥3,600 to have your golf clubs shipped round-trip by a parcel carrier, around ¥5,000 in round-trip train fare to get to and from the hotel, plus possibly another ¥3,000 in assorted penalty fees, totaling some ¥73,600. For a salaried mid-level manager who earns



a monthly salary of around ¥400,000, playing golf every two weeks would cost close to ¥150,000. An outlay on that scale would be bound to cause serious family disputes. The point is, people living in Japan must be prepared to pay a lot to enjoy leisure activities.

As many are aware, a day of golf in the USA may cost around US\$15, with another US\$5 to rent a golf cart. After the game, you might spend a maximum of US\$15 for a steak dinner and a drink at the clubhouse canteen. If you drive to and from the course, you probably will not pay expressway tolls. Thus, you can enjoy a full day of fun for only US\$35.

The trend is toward a shorter workweek. Although people have more leisure time at their disposal, salaried workers seem to be growing more discontented because it costs too much to enjoy that free time. In the years ahead, demand can be expected to balloon for companies that can provide workers with opportunities for the inexpensive enjoyment of their ever-expanding free time.

#### **Example 42. The island of Kauai**

Of all the islands of Hawaii, most Japanese seem to visit only Maui. However, Kauai is a good choice for tourists. The island of Kauai is about the same size as the 23-ward area of metropolitan Tokyo and has a chain of mountains with peaks about half the height of Mount Fuji. Since it has ample rainfall, Kauai almost never experiences water shortages. Whereas Maui has a population of some 2 million, Kauai has only 48,000. It has not yet been overdeveloped and seems perfect for a fun-filled holiday. The local hotels shuttle visitors to and from the airport by limousine, and the drivers sing as they drive. At mealtimes, boats ferry diners to scenic cliffs lined with restaurants. Although the people of Kauai, including hotel employees, avoid formality, everyone exudes wit and charm. The tip system is an incentive for providing the best possible service, and all employees in the hospitality industry appear sensitive to customer needs and interested in their work.

Restaurant portions are very generous. Large pool-side restaurants offer a relaxing atmosphere with panoramic ocean views. Golfers having breakfast before heading for the course will be greeted by hundreds of beautiful red-crested birds in the open-air restaurants, reminding them that they are in the tropics. When they arrive at the course via golf cart, they are met by a friendly clerk, and during the round of golf, sightseeing helicopters pass overhead frequently. Shopping malls offer a wide selection of local souvenirs. The entire island is part of a project aimed at providing visitors with an escape from the corporate and industrial

world. The local government has endorsed projects that bundle the amenities of tourism, lodging, dining, and recreation into a total package. Kauai could provide Japan's tourism industry and government administrators with appealing ideas.

#### **Example 43. Body Sonic**

I once attended a dinner at the home of Nozomu Matsumoto, the founder of Pioneer and considered by many to be a hero of Japan's electronics industry. Pioneer was the first corporate client that I assisted as a management consultant. After dinner, Matsumoto asked me down to the basement and asked me to take a seat on what appeared to be a shabby sofa. He then told me to press a button on the armrest, and to my surprise, music began to play. I was not only hearing it, but also feeling it through my entire body. The sofa was functioning as a single large speaker. When a march played, I felt like stepping along; when a Gregorian chant played, the sensation was mystical.

Shortly thereafter, Matsumoto died, but his successor Kyota Yamada subsequently established Body Sonic and served as its first president. The rest is history. Body Sonic eventually rose to the top of the Nikkei venture stock listings, and was acclaimed for the ingenuity, comfort, freshness, and widespread appeal of its products. Today, Body Sonic products are sold to spas and health centers nationwide to improve mental health through relaxation.

#### **Example 44. NKK's SSAWS**

Companies are likely to pursue ventures outside their core business when suffering a slump. NKK (now merged with Kawasaki Iron & Steel Co. Ltd. Under the name JFE) has involved itself in numerous venture businesses and startups. Unfortunately, they turned out to be exercises in futility, since other companies had already staked their survival on the same lines of business despite being smaller in scale. When NKK decided to review all the business ventures it had participated in, it was recalled that an assortment of technologies were left over from an Antarctic exploration project. Using the experience with extreme cold-weather environments, NKK experimented by creating a cold indoor climate with a constant temperature of  $-5^{\circ}\text{C}$ . Water droplets from ceiling sprinklers created a mist that froze and fell, covering the floor with fine, powdery snow. This artificial snow was ideal for skiing and therefore NKK built a 100-meter indoor ski slope and facility in Funabashi, Chiba prefecture for year-round use. Two hours of skiing cost only ¥5,900. If more easily accessible facilities were built, they

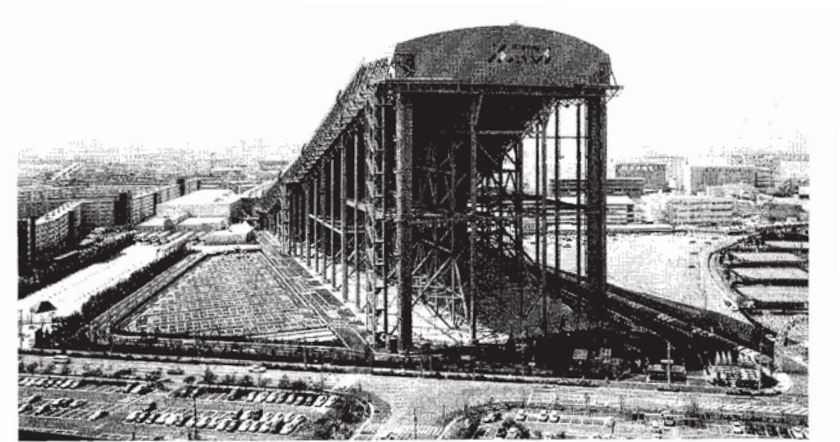


Image 14. The indoor ski facility SSAWS

would be welcomed by those seeking to enjoy their increasing leisure time.

**Questions to ask when following the excitement-inducing strategy:**

1) Since people of all ages want to have more fun, have you explored measures that can satisfy their hopes and expectations?

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2) Can you imagine toys, games, sports, and other leisure activities that will make people happier?

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3) Is your company planning forms of recreation, sightseeing, or sports that will excite people in all age-groups?

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- 4) Does your firm have exciting plans with mass-market appeal to entertain people at dramatically reduced prices?

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## PART IV. FOUR STRATEGIES TO EXPAND SALES

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Strategies 1 through 4 represent ways to create demand for new goods. Strategies 5 through 8 involve continued coexistence utilizing the resources of rivals. Strategies 9 through 16 deal primarily with marketing and the presentation of appealing merchandise. But no matter how a manager attempts to motivate sales teams, burned-out sales personnel are likely unless the overall strategy is based on fundamental marketing principles. This section specifically addresses that issue. The objective is to devise smarter sales strategies by getting back to the basics and using the most effective promotions and advertising. It also involves applying knowledge and perfecting the model of a corporation with true sales power. To that end, the core approach is to harness every modality available, capitalize on halo effects, cultivate consumer desire, and launch aggressive sales drives aimed at the general public.

Strategy 13 discusses the “silkworm” strategy. Silkworms devour mulberry leaves. The word *sanshoku*, which translates as “encroachment,” describes the way silkworms eat. In a business context, it is analogous to a company encroaching upon its own territory or customer base to dominate a local market. Strategy 14 discusses the “impeller” strategy whereby outdated or slow-moving merchandise is attached to another, more desirable item to increase sales. The word impeller may be used interchangeably with “propeller,” and the strategy involves giving renewed vitality to merchandise, recasting it in a way that alters its image in the marketplace.

Strategy 15 discusses the “surprising” strategy, which portrays the appeal of a product in ways that surpass the expectations of consumers and customers. Promotional events with a festive atmosphere are essential. Unless a product has topical value, it will not attract public interest. Strategy 15 involves methods to develop topicality. However, one must be careful not to allow promotional events to deteriorate into self-serving exercises. Strategy 16 focuses on the “halo” effect, which borrows from outside influences. The halo strategy may utilize endorsements from famous individuals to boost a product’s image. Licensing that capitalizes on fashion brands such as Dior or Cardin fall into this category.

### **STRATEGY 13. Local Encroachment: Silkworm Strategy to Dominate Local Markets**

When considering ways to increase sales of existing merchandise, we need to ask whether a company already dominates a specific local

market. A famous poem by the German writer Carl Hermann Busse describes the despair of a man who believes that happiness can only be found over the distant mountains, but returns from his quest to find it “with a tear-stained face.”

Over the mountains,  
far to travel, people say,  
Happiness dwells.  
Alas, and I went,  
in the crowd of the others,  
and returned with a tear-stained face.  
Over the mountains,  
far to travel, people say,  
Happiness dwells.

\*Translation from German to English  
Copyright (c) by Jakob Kellner

Many have had a similar experience. Therefore, I propose dropping the notion that good things can only be found in faraway places, not setting sight set on the uphill path, and walking along the easier downhill path. The point is to utilize fully things that are within easy grasp.

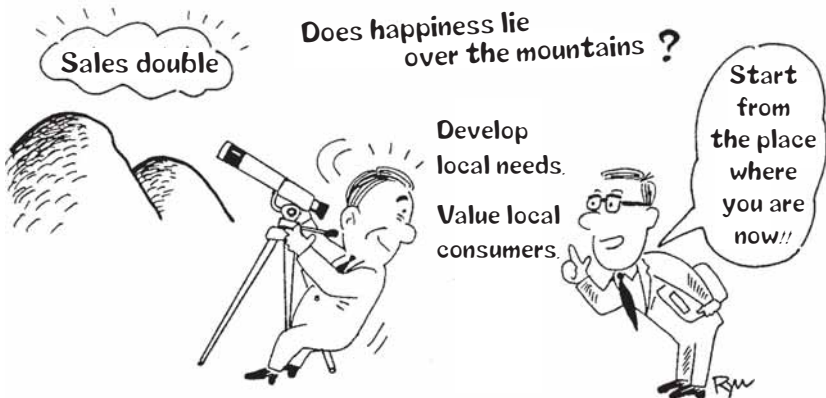


Image 15. Does happiness lie over the mountains?

#### **Example 45. Banquets at a *dosanko* hotel**

The hotel district of Sapporo, the main city of Hokkaido, has a wide variety of hotels. When examining why the Century Royal has succeeded while others failed, it is apparent that the main reason is that

it solely targeted the local market. Whereas its rivals catered mainly to tourists and businesspeople who fly in from Japan's main island of Honshu, the Century Royal catered exclusively to local customers. After frequent stays at the hotel, I became friends with its President Shigeo Sugino, who explained, "I wanted to create a *dosanko* (native Hokkaido) hotel. Since all the other hotels are catering to guests from the mainland, I wanted to create a hotel that exclusively targets local clientele."

For that purpose, Sugino created a team of 50 monitors. If news of a betrothal ceremony or an engagement anywhere in Hokkaido reached his ears, he immediately sent a monitor off to get details. Families were approached with a sales presentation, explaining how lavish, enjoyable, and yet inexpensive a wedding or other celebration at the hotel could be. That approach proved successful. Sugino also had the idea of installing a large, multicolored, musical fountain in the lobby. Guests and visitors never fail to be impressed by the colors and music. The Century Royal stands more than 20 stories high in front of Sapporo Railway Station. The hotel became successful by working hard to cultivate the local market and hosting local family events.

#### **Example 46. Use your mythology**

Creating a lasting legend can be of enormous benefit to a company's sales. Konosuke Matsushita, Soichiro Honda, and the Sony duo of Masaru Ibuka and Akio Morita, are all examples of legendary figures in their fields. As detailed in my publications, *Japan's Mid-Tier Corporations* and *Corporate Contenders with a Difference*, other legendary corporate leaders include Yoneo Kawakami of Chofu Seisakusho, Yutaka Katayama of Maruman, Kenzo Mizushima of Hoxan, Keiichiro Takahara of Unicharm, Shinzo Yokota of Manten, Nozomu Matsumoto of Pioneer, Isekichi Ikawa of Dai-O Paper, and Seiichi Suzuki of Duskin. Their histories of personal struggle have entered popular mythology and continue to influence the business world to this day. Products and brands have become enmeshed in these myths, lending them additional appeal.

The legendary story of ATOM started right after the Tokyo Olympic Games in 1964. A review and analysis conference was held in the headquarters of Sharp. There was a gigantic amount of dead stock of black and white TV sets. Mr. Yanagi, then head of the production planning section, was the target of blame and accusations for his optimistic production forecasting, expecting a major tide of sales of TV sets to Olympic viewers all over Japan. The betrayal of his expectations had endangered the existence of Sharp in the market. There was neither

escape nor excuse for Yanagi, who was the focus of many reproachful eyes. He apologetically stood up among the review and analysis conference participants and declared that he would take the responsibility of selling out all the dead stock. As the condition for this, he asked the managing director to recruit 50 salespeople from all available sections and departments of the firm. The proposal was approved. But those dispatched were somewhat outlaw types with whom the other departments were having difficulties. Yanagi did not care about that but with his willpower and courage started an unprecedented Spartan-type training regimen.

Based on Yanagi's strong sense of mission and humane treatment of all people, the members of that outlaw group developed into top-class salespeople. The group took the boastful name "ATOM," standing for "Attack Team of the Market." The members of ATOM were mostly bachelors living in a dormitory attached to the Tenri Training Center. At six o'clock in the morning, clanging bells summoned the ATOM members to assemble in front of the dormitory for roll call, the singing of special ATOM songs, and reciting a pledge of achievement. Then they boarded a bus bound for Namba, the southern center of Osaka. The leader command, "Don't return to this bus unless you achieve today's target: one TV set, two washers, three cleaners. If you fail, no bus transportation will available and you'll have to wait until tomorrow evening." These crazy commands were mostly obeyed. ATOM was trained and strengthened in this manner. ATOM become the stars of Sharp, and admired targets of marriage for women employees. Yanagi is now viewed as the legendary hero of Sharp.

Company A in Nagoya saw its sales revenues increase by 40% in only one year with the help of the Atom Team. As a consumer electronics retailer, Company A boasted annual sales of ¥60 billion annually in its Nagoya market. Although the Atom Team's achievements are impressive, Company A also deserves credit for harnessing the Atom Team's ability to its advantage. The key point in this case is that Company A achieved success by developing an exhaustive human network in its home market of Nagoya.

### **Example 47. The wisdom of Kiyoshi Matsumoto**

Although Kiyoshi Matsumoto now has a network of stores all over Japan, the story of his company's founding is one of repeated struggle. Matsumoto initially opened a drugstore in Osaka. He was constantly thinking of ways to increase sales. One day he came up with the idea of keeping a pet monkey in his store. Word quickly got out about the



monkey, and in no time the store had a reputation. It was especially popular among elementary school pupils, who often formed long lines in front of the store. However, Matsumoto soon realized that sales turnover and a reputation were completely unrelated. Then Matsumoto sought a meeting with the headmaster of the neighborhood elementary school. During their chat, Matsumoto said, "I don't mind if the children from your school come to my store to see the monkey, but please keep in mind that monkeys are wild animals. It would be terrible if there were an accident of some kind. I was wondering if you would tell the children that they should visit the store only if accompanied by their parents." The headmaster agreed and at morning assembly instructed all the schoolchildren to take a parent with them when visiting the store. Customer purchases naturally increased, since adults visiting a drugstore can always find an item or two that they need. Although Matsumoto is now a successful retailer, early in his career he was forced to demonstrate resourcefulness.

#### **Example 48. Clean the client's copier**

Territories are assigned to salespeople along with sales quotas. The sales operations of the photocopy machine maker Company X use the territory approach. Each salesperson is expected to know the names of the buildings on each street and the names of the business tenants on each floor, their line of business, names of their presidents, how many employees they have, and who their purchasing officers are. This strategy of information gathering is one feature that distinguishes Company X. It also instructs its salespeople to clean the photocopiers of corporate clients.

While performing the free cleaning service, salespeople attempt to learn as much as they can: the make, model, and serial number of the photocopy machine; date of purchase; and average number of copies made each month. The clients are naturally grateful for this service. With the information gathered, Company X is well positioned to negotiate sales when clients upgrade their photocopiers, especially if a salesperson has chatted with the purchasing officer while performing free cleaning. The powers of persuasion with this approach prevent rival photocopy machine makers from getting a foot in the door.

#### **Example 49. Link the first visit to a follow-up visit, then to string visits**

To the typical salesperson, nothing is more difficult than making a repeat visit to a prospective client who previously said "no." Although

there is a saying that “a sale begins with being turned down,” many veteran salespeople do not look forward to that repeat visit. However, some companies manage that seemingly difficult task with ease by relying on a strategy that ties the first visit to a follow-up visit and then to an endless string of visits. In the process, salespeople develop camaraderie with clients and eventually move smoothly into productive sales negotiations.

For example, a healthcare company instructs its sales staff to distribute a 50-point diagnostic interview card to family members at home that will allow them to judge the household breadwinner’s health. When leaving the interview card, the salesperson makes an appointment to collect the card the following week. That appointment is tantamount to the customer’s acceptance of a repeat visit. After collecting the diagnostic card, the salesperson enters the data into his computer and prints out the responses, giving a reason for a third visit. By opening a new dialogue based on the results, the stage is set for further discussion. It is obvious why these are called string visits.

**Questions to ask when following the silkworm strategy:**

- 1) Would the encroachment strategy be effective in your locale? In terms of competition with your rivals, what would that strategy entail?

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- 2) Are you doing business close to and prospering together with your local community?

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- 3) Are you following models for an endless chain (string) of development?

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### **STRATEGY 14. Equipping Yourself with an Impeller**

Is a crisis really an opportunity in disguise? Sometimes it is only when we are truly in a tough situation that we come up with a good idea. In the case of a sumo wrestler, when he is driven to the edge of the ring and struggling to stay inside, he is in a crisis. But it is also an excellent opportunity to use the *ucchhari* move, leaning back to flip his opponent out of the ring. If he had not been pushed to the edge, he would not have the opportunity to use that effective throw.

### **Example 50. Dead stock suddenly sold out: DuPont paint**

DuPont is a leading conglomerate in the global chemical industry. But even such an outstanding corporation has experienced misfortunes. After World War II, DuPont had a terrible time when its paint division could not move its inventory. Repeated brainstorming sessions only resulted in suggestions to increase the number of salespeople and give them more cars to make client calls, broadcast more commercials on television, or put more pressure on sales agencies. Then, one of the disappointed executives at yet another meeting blurted out: “What are we trying to sell?” Everyone was startled by this question and realized that they had to rethink their approach completely, starting from the functions of paint. The primary function is to protect, and the secondary one is to provide color.

Around that time, chromatology was a hot topic in the American Psychological Association and was beginning to attract public attention. Chromatology states that people have specific psychological reactions to colors. It was also shown that colors affect productivity in factories. DuPont decided that the way to sell paint was to popularize chromatology. The first step was renaming chromatology “color dynamics.” The next was developing mandatory one-hour seminars on color dynamics for all sales personnel in the paint division. Once these preparations had been completed, flyers were sent to as many factories as possible stating that a revolutionary new technology called color dynamics to boost worker productivity had been developed, and DuPont would be happy to send an instructor to explain it. Because Americans love anything new, innovative, or related to productivity, inquiries poured in from all over the country.

After DuPont salespeople had given an interesting hour-long presentation on color dynamics, they were invariably asked to advise on that particular workplace’s color scheme. They would confidently open the DuPont color code manual and say something like, “In your case, I think that SR 3b would be appropriate, and you could probably do the job with 30 gallons.” The huge inventory backlog was sold in no time.

Arguing back and forth happens when a company is focused exclusively on selling. Arguing back and forth does not result in sales. A product that does not sell must be equipped with an impeller; the only question is what the appropriate impeller might be.

**Change the way you sell an existing product.**  
(for example, DuPont paint).

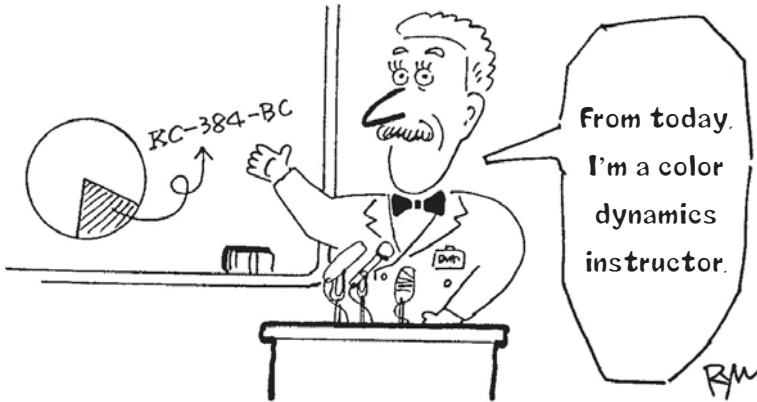


Image 16. Change the way of selling an existing product

### **Example 51. Canned fruit sales: Solving the riddle**

One US fruit canner went through a period of slack sales. It had mountains of delicious canned fruit that children should be happy to devour. What was the secret to selling the fruit? At a meeting of the board of directors, it was determined that while mothers bought the products, it was children who ate them. Children like to eat and play, and therefore riddles printed on the cans would allow children to do both. The answers to the riddles were printed on the insides of the cans at the bottom, visible only when the fruit had been eaten. The canned fruit sold extremely well thereafter.

When a product does not sell, something is obviously lacking. That lack may be effort, number of sales calls made, or interesting presentations. Or it may be a novel idea that comes only when facing a crisis.

### **Example 52. Soybean waste can be fertilizer or animal feed**

Soybean waste products were the mainstay of a fertilizer manufacturer in the USA. Gradually, however, chemical fertilizers began

to eat into natural fertilizer sales. An emergency board of directors meeting was held, at which one director pointed out that soybean waste could be used not only to fertilize plants but also to feed animals. From then on, the company's sales force became instructors in nationwide pig-breeding seminars. At the end of the seminars, pairs of piglets were given to all participants, a significant gift for farmers. Sales of soybean refuse took off, and before long the company was thriving not as a fertilizer manufacturer but as a producer of animal feed.

**Questions to ask when following the impeller strategy:**

- 1) Have you considered impellers/propellers to increase the sales of your products?

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- 2) What could promote the sales of your product or service and how?

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- 3) Which main factor motivates customers to purchase your product or use your service?

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**STRATEGY 15. Surprising Strategy**

Turning a concept on its head can stimulate demand. If pushing does not work, try pulling. And if pulling does not work, try pushing. Osborn's checklist may also be useful, which consists of the following nine questions:

- 1) Can it be put to another use (substitution)?
- 2) Can it be made smaller (miniaturized)?
- 3) Can it be made bigger (magnified)?
- 4) Can the color be changed?
- 5) Change the shape be changed?

- 6) Can it be reversed?
- 7) Are people buying a cheaper version?
- 8) Can it be combined with something else?
- 9) Can it be separated into different elements?

During brainstorming sessions, seek to blast away preconceptions, create, and then refine. Be sure to follow the four rules of brainstorming:

- 1) Criticism is absolutely taboo. Ideas have free rein. Constantly nitpicking and criticizing suggestions and ideas stifle expression. Never criticize people by belittling what they say.
- 2) Absolute freedom and unrestrained ideas should be allowed.
- 3) The quality of ideas depends on the volume of ideas. In the dialectic process, changes in quantity lead to changes in quality. The main thing is to get as many ideas out in the open as possible.
- 4) Hitchhike. Take a free ride on other people's ideas by expanding or improving upon them.

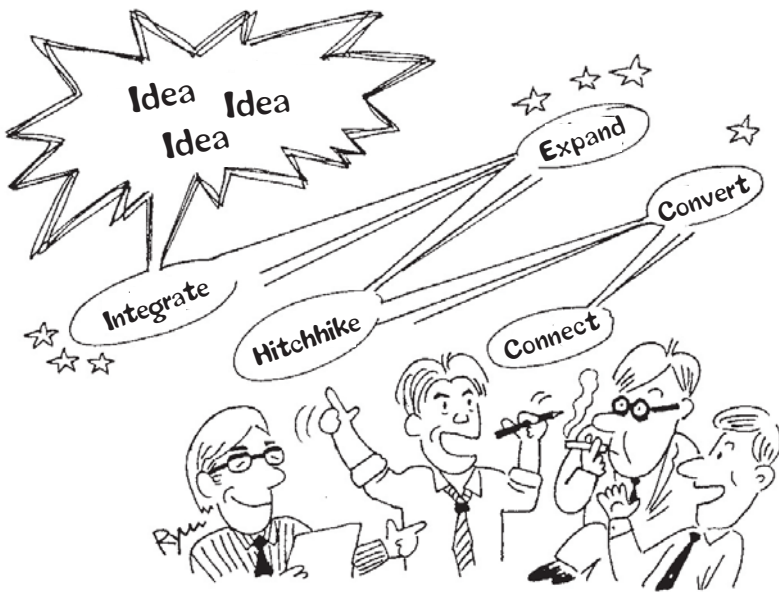


Image 17. Brainstorming and the Osborn checklist

### Example 53. Sir Ernest Shackleton's advertisement

A method that took people by surprise is the now-classic advertisement placed by Sir Ernest Shackleton in the *Times* of London in 1900, seeking participants in an Antarctic expedition. It read:

“Men wanted for hazardous journey. Small wages. Bitter cold. Long months of complete darkness. Constant danger. Safe return doubtful. Honor and recognition in case of success.

Signed: Sir Ernest Shackleton.”

In conventional terms, it would be hard to imagine a more off-putting advertisement. However, Sir Ernest recalled that there were so many responses to the ad that he felt as if all the men in the British Empire were marching behind him. That is how strongly the ad appealed to the masculine spirit of adventure.

#### **Example 54. Rat’s paradise**

This example involves selling used cars in a regional city in the USA. The owner, who was frustrated by slow sales, dotted the car lot with lots of ramshackle signs, reading: “It’s a rat’s paradise! We are going to sell off everything while the tightwad boss is on summer vacation in Florida.” The boss was actually sitting upstairs in his office since he could not afford a vacation in Florida. But the signs were a big hit. Psychologically, people feel that if something is selling for rock-bottom prices, they cannot afford not to take advantage of the opportunity to acquire it. Sales at the used car lot boomed, and the phrase “rat’s paradise” became hugely popular.

Here is a Japanese example of a slogan to move used cars off the lot. In Gifu prefecture, a conspicuous sign was seen. A big tower in the shape of a goldfish was lettered with the words “The down payment is a mere three goldfish!!!” (goldfish are very inexpensive in Japan, especially in the summer).

#### **Example 55. Yellow curry powder and a yellow Renault**

S&B Foods is famous for its curry powder. The hard work to make that name famous in Japan began in the late 1950s, when the brainstorming method was just becoming known. During one S&B session, a participant made an amazing proposal: “On a winter morning when Mt. Fuji is covered in snow, we should fly a helicopter loaded with curry powder to the peak, scatter the curry powder over it, and turn Mt. Fuji yellow. People passing in trains won’t be able to stop talking about it. By evening, everyone in the world will be talking about how Mt. Fuji has turned yellow. Then we identify ourselves and take credit for the feat. Our brand of curry powder will instantly be known throughout the country.”

Then this proposal was evaluated based on the Osborn checklist, and it was concluded that the idea had two fatal flaws. First, the peak of

Mt. Fuji is regarded as a sacred representation of the heart and soul of the Japanese. If a company used it for self-promotion, most Japanese would react negatively. Second, if S&B had used enough curry powder to turn Mt. Fuji yellow, it would have gone bankrupt. Therefore, S&B decided to see whether those two fatal flaws could be made smaller (miniaturized). It was decided that focusing attention on yellow, the color of its curry powder, was still a good idea and the company placed a large newspaper ad saying, “We need 100 people with a driver’s license but no car. We’ll let you drive a Renault free for a year.” Fifty years ago, being able to drive a yellow Renault, a very popular car at the time, for a whole year free of charge was a sensational offer. S&B’s curry powder was already fairly well known, but that ad was the company’s first step toward distinguishing itself on the world stage. This is what the reversal of ideas can achieve.

People who only think about what is on the ground in front of them are ordinary. But people who can use their imaginations to soar high and then land safely are geniuses, because they experience both the world of imagination and the world of reality. If you talk about nothing but “reality,” you are tied down by what everyone takes for granted. If you do not have the courage to be ridiculed for your imagination, you will never think like a genius.

### **Example 56. Carnival Plaza: How a textile mill site became a trendy restaurant**

It is hard to pinpoint what makes a company like Duskin successful. The founder, Seiichi Suzuki, had a reputation for being an “idea” president, but the dynamic management style of his successor, Shigeharu Komai, also deserves recognition. After his huge success in the chemical mop rental business, he successfully opened Mr. Donut stores all over Japan. He followed this with United Rental, Japan’s first business to offer electric appliances, fixtures, equipment, and home furnishings on a rental basis. He went on to open a restaurant in a former textile mill in Esaka, Osaka. It seats 725, but what people find fresh and attractive is the retro feeling evoked by the factory atmosphere. It appeals to a modern sensibility. A musical brass band plays, walking in a random zig-zag course among the tables. It sometimes stops in front of newlyweds or beside a little girl celebrating her birthday. This brass band and numerous other pleasurable entertainments generate the feeling of a merry festival.

### **Questions to ask when following the larger-than-life strategy:**

- 1) Do you have any amazing ideas that could showcase your company’s corporate image?



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2) Could you succeed by turning common sense on its head?

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3) Could Osborn's checklist be useful to you?

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### **STRATEGY 16. The "Halo" Strategy**

The most straightforward example of the halo strategy at work is in the sale of cosmetics. A cosmetic product priced at ¥200 will not sell. The ingredients cannot be that different from those in a high-end product selling for ¥5,000. If the ¥200 product contains 20 ingredients, the ¥5,000 one cannot contain more than 30. But when people buy cosmetics, they are buying a dream. Cosmetic makers are selling emotions.

### **Example 57. Whisky's sentimental value**

It is extremely important to create sentimental value in a society where most basic needs are easily met. This also applies to the marketing of alcoholic drinks. Suntory, a top Japanese whisky maker, started using the catchphrase "drink Tory's and you're in Hawaii." Then the vogue changed and with each new product line introduced, the price rose. There may be slight differences in ingredients, taste, and age, but they all have an alcohol content of 43%. The bottles, packaging, and presentation of the high-end whiskies are very luxurious. People who receive an expensive gift like this take a completely different type of satisfaction in it than they would in a bottle purchased for themselves.

### **Example 58. Maintenance cost of central heating**

About 10 years ago, I installed a boiler for central heating in my home. The original boiler cost ¥100,000, and each time it has been

replaced the price increases slightly. The most recent cost around ¥200,000. But maintenance charges must be considered as well. Once, two repairmen charged ¥15,000 just to change the packing. Compared with the purchase price, that sum is negligible. But this shows how the service sector has become indispensable.

One president of a service business told me, “There is no way that the service industry is going to disappear. I’ve been in this business a long time, going from door to door replacing mats. Once I’ve signed up a restaurant or coffeeshop, it almost never cancels the contract. Person-to-person service like this is a permanent fixture in our society. And those of us who provide it are never going to know a downturn in business.” He was absolutely right.

**Example 59. “Yes, sir (or madam), with pleasure”**

The halo effect can have another meaning in famously down-to-earth Osaka, where people may nonetheless waste money on expensive food. The Osaka restaurant called Ganko Tei is a middle-class establishment; a large sign with the chef’s handsome face makes it stand out in the district. The waiters and chefs all say, “*hai, yorokonde!*” when taking orders, the equivalent of “yes, with pleasure.” However, there is enough difference in the nuance to make most Japanese feel slightly embarrassed to say or hear “*hai, yorokonde,*” although the embarrassment disappears if said often enough. When the restaurant is full of customers and numerous cheerful voices are repeating “*hai, yorokonde,*” it brims with excitement and energy. The more fun customers have and the more energy they absorb, the more they order. Taste is both physical and psychological. The physical element may be stubbornly uncompromising; psychologically, the response of “*hai, yorokonde*” underscores the restaurant owner’s desire to satisfy both.

**Example 60. Buying shoes has an emotional component: Birth of an image product**

The Melville Shoe Corporation was a major US shoe manufacturer and retail chain operator. After working as a regional manager for many years, Francis C. Rooney, Jr., became its president. When he took office, he revolutionized the industry by marketing shoes as a consumable item. Producing 50,000 pairs of shoes a day at 21 factories and buying even more from other makers, the company became huge, selling around 15,000 pairs of shoes a day through its 1,400 outlets. It should be remembered that in the USA teenagers buy four to five times more shoes than adults. President Rooney also made shoes into a fashion leader

with emotional cachet. He increased the number of styles from 30 to 300 and gave them each a name like “The Twist,” “Possum,” or “Tears.” This marked the birth of the “image” product.



Image 18. Shoes from the “Ivy League-look” period

Psychology plays a huge role in fashion sales. People in consumer societies no longer buy shoes to protect their feet from the elements, but for specific occasions and to express themselves. People may buy a pair of shoes because they make them feel masculine, feminine, wild, individual, refined, young, or elegant. The act of purchasing shoes is an emotional experience. “Our company doesn’t sell shoes. We sell excitement,” noted Rooney. The US shoe industry now has more than US\$6 billion in annual sales.

**Questions to ask when following the halo strategy:**

- 1) Which halo should spread its glow over your company and products?  
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- 2) What corresponds to this halo in relation to your product/service?

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3) Have you ensured that all company employees are aware of the halo?

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4) Are you creating excitement about the products themselves?

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5) Have you examined the elements that excite each group of customers?

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6) Are you making the most of the halo without alienating any customers?

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## CONCLUSION

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Image 19 shows some of the service businesses launched in Japan after World War II. None existed before 1950, when there was still a caste system of warriors, farmers, artisans, and merchants. The mainstay of the manufacturing industry, for example, was iron and steel, shipbuilding, textiles, pharmaceuticals, paper and pulp, and light metals, with only a few light industries. Service-sector enterprises were developed as entrepreneurs searched for potential needs to fill. They appear to be completely legitimate businesses from today's perspective, but they were viewed askance, sometimes with contempt, when they were first trying to establish themselves. Once they become successful, however, people begin to praise the entrepreneurs who conceived them for their foresight.

Work is something that people create. Often entrepreneurs either create needs themselves or are the first to discover a latent need. Productive, competitive enterprises can utilize the niche market strategy to contribute to the wealth of the entire nation. It is hoped that the examples presented in this volume will contribute to the creation of new, profitable, entrepreneurial businesses and motivate readers to plan their own new niche market businesses and products or services.

Regardless of how thoroughly entrepreneurs study and plan for new business and product creation, they must still rely on their pioneering spirit and tenacity to achieve success. In the age of information technology, nationality, ethnicity, and geography do not really matter. What is important is sufficient ambition and a sense of mission to create and fulfill demand in the society and the nation by making the most of one's knowledge. Determine what most people are dissatisfied with, what is inconvenient for them, and what they continue to feel latent frustration with.

In member countries of the Asian Productivity Organization, niche businesses similar to those listed in Image 19 could be created tomorrow. Providing jobs by fulfilling the wants and needs of consumers, such businesses make it possible to realize one's own business dreams while giving employment to others. I hope that the readers will go on to develop niche products, services, and businesses that suit their unique local circumstances.

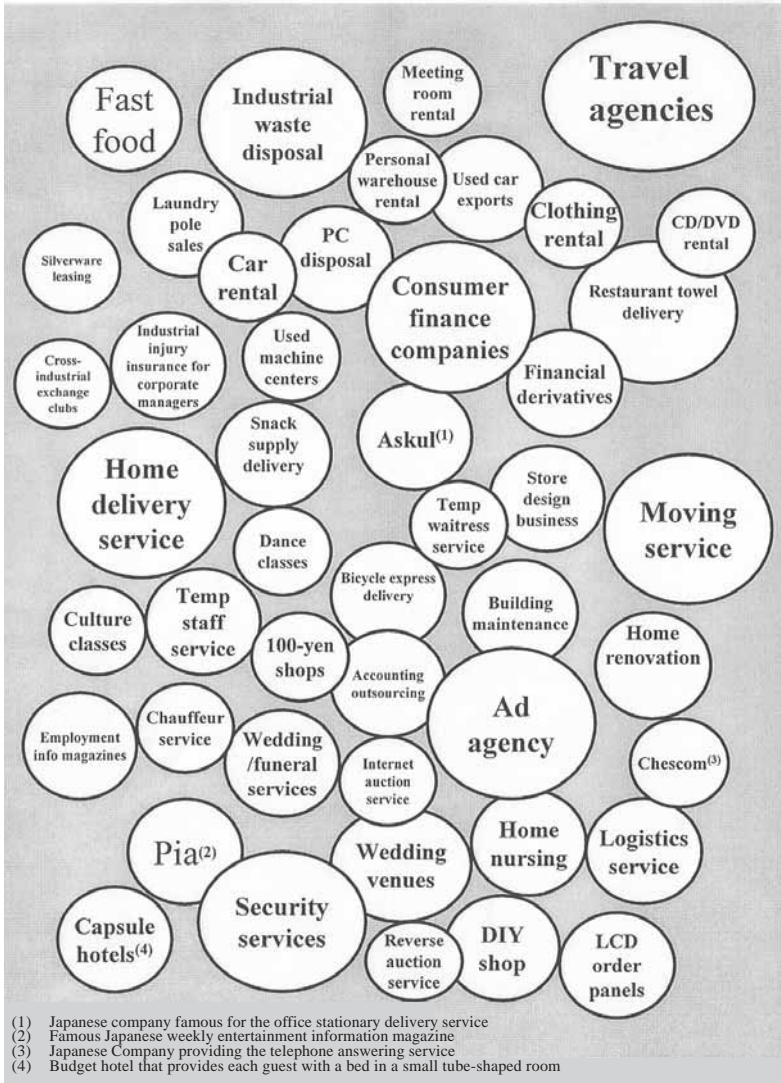


Image 19. Service businesses created after WWII

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