Global Marketing of National Products: Kikkoman and Coca-Cola

25th Anniversary Symposium

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Left to right: Hugh Patrick, Yuzaburo Mogi, Masahiko Uotani, David Rogers

Yuzaburo Mogi, MBA '61, Honorary CEO and Chairman of the Board of Directors for Kikkoman Corporation, and Masahiko Uotani MBA '83, Chairman of Coca-Cola Japan Co., discussed the marketing of their respective products in this symposium organized by the Center on Japanese Economy and Business (CJEB) at Columbia Business School (CBS). David Rogers, Executive Director of BRITE at CBS, served as a discussant, and David E. Weinstein, CJEB's associate director for research and Carl S. Shoup Professor of the Japanese Economy, gave closing remarks. Hugh Patrick, Director of CJEB and R.D. Calkins Professor of International Business Emeritus, moderated the symposium and David E. Weinstein, CJEB's associate director for research and Carl S. Shoup Professor of the Japanese Economy at Columbia University, provided closing remarks.

Before introducing Mr. Mogi, Professor Patrick read aloud a letter from Lee C. Bollinger, President of Columbia University, congratulating the Center as "an outstanding academic resource on the Columbia campus for the past 25 years." The letter is accessible here.

Mr. Mogi, who is both a member of the CBS Board of Overseers and a Trustee Emeritus of Columbia University, opened his presentation by noting that he was the first Japanese recipient of a CBS MBA. He said that while Kikkoman products can be found everywhere in the United States today, only exotic grocery stores carried soy sauce when he lived in New York in the late 1950s. He remembered thinking that soy sauce would be a natural fit for the U.S. market because it was a perfect accompaniment for meat, and America is a meat-eating culture.

Yuzaburo Mogi

Soon thereafter, Kikkoman set up demonstrations at grocery stores and served meat marinated in soy sauce in order to get more Americans to taste the product. The company also set up a test kitchen to create U.S.-friendly recipes using soy sauce and then sold the product with miniature recipe booklets attached. These techniques, as well as the fact that many Americans visited Japan after World War II, led to successful sales in the United States.

According to Mr. Mogi, a localized marketing strategy and dedication to quality have been critical factors in Kikkoman's global success. He recalled that, early on, two soy sauce brands were ahead of Kikkoman in the U.S. market, but they used chemicals. In contrast, Kikkoman had a natural, higher quality product and thus charged more. In the 1970s, Kikkoman was the number two soy sauce in the United States, but it moved to number one in the 1980s; it currently has a 60 percent market share. Kikkoman opened its first U.S. factory in Wisconsin in 1973, and has since opened one more in California. He emphasized the company's policy of hiring local employees and being a good corporate citizen.

Mr. Mogi then turned his attention to Kikkoman's non-U.S. globalization strategy, listing Europe, Australia, and other parts of Asia as significant areas of expansion. The company established a sales and marketing office in Germany in 1979 and built factories in Singapore and the Netherlands in 1984 and 1997, respectively. It used a similar strategy in Europe as in the United States by distributing specialized recipes that used soy sauce in local fare. Kikkoman is now focusing on the Eastern European and Russian markets, having established a strong presence in Western Europe. He believes South America is a great potential market due to its consumption of meat, and mentioned India as a special challenge given its unique food. Regarding China, Mr. Mogi said that Kikkoman's price point was three to five times higher than locally-made alternatives. However, he believes that China will be a strong market over the next ten to fifteen years as local incomes rise.

Hugh Patrick

Masahiko Uotani

Mr. Mogi concluded by describing Kikkoman as a promoter of the international exchange of “food culture” and that it desires to be a responsible world citizen dedicated to high quality products. Overall, Kikkoman’s marketing strategy has been to prioritize targets for expansion, develop those markets, and then move to new markets. In closing, Mr. Mogi said he hoped he made the audience “feel like eating something with Kikkoman soy sauce tonight.”

In contrast with Mr. Mogi’s challenge in marketing Japanese products to a foreign market, Mr. Uotani then presented his own challenge – marketing a foreign product to Japanese consumers. He began by noting Japan’s innovative culture and explaining that Coca-Cola has become one of Japan’s most successful companies, with 25,000 employees and a 30 percent share of the beverage market. In terms of soft drinks, he said that Coca-Cola enjoys an eighty to twenty percent advantage over Pepsi.

Mr. Uotani then listed some interesting facts involving Japanese consumer trends, including that Japanese people consume 4 billion cans of canned coffee per year, that Japan has 2.6 million beverage vending machines (980,000 of which sell Coca-Cola), and that 20 million people visit a Coca-Cola vending machine every day in Japan. Mr. Uotani described Japan’s innovation in the beverage market over the past 50 years as a series of waves. He explained that many Japanese beverage brands are now going global and that Japan has the world’s largest variety of beverages.

Transitioning to the topic of corporate structure, Mr. Uotani described Coca-Cola Japan’s unique franchise model, explaining that it has twelve bottling companies that are owned by other Japanese companies, including Kikkoman. He explained the company’s marketing approach as three-layered, beginning with the global (out of the Atlanta headquarters), then the national (Japan-specific), and finally the local (bottlers and community service initiatives). He referred to the strategy as a hybrid model, a synergy of global and local efforts bonded by Coca-Cola’s brand and culture.

Mr. Uotani closed his presentation by expressing that the consumer was king; customers must be understood and offered a value proposition. He explained that he draws inspiration from the marketing genius of Steve Jobs, recalling Mr. Jobs famously asking then-Pepsi CEO John Sculley if he preferred to sell sugar water for the rest his life or change the world. Mr. Uotani said he would have replied, “A soft drink can also change the world.”

David Rogers

Hiroshi Hoshino,
CJEB Visiting Fellow

Mr. Rogers began the question-and-answer session by asking how Kikkoman and Coca-Cola were dealing with four trends in contemporary global marketing: the balance between global and local strategies, the growing global middle class led by emerging markets, the increasing global competition of branding expertise, and digital media's impact on brands.

Mr. Mogi explained that Kikkoman offers the same products to all consumers, but adjusts its marketing based on local consumers' varied uses. Soy sauce is a daily use product in Japan, and he strives for similar use patterns in other countries. He believes that Kikkoman has established its brand name in the United States, and must now expand in other countries; meanwhile China poses a challenge due to counterfeit products. Finally, Mr. Mogi acknowledged that there must be a two-way dialogue between consumer and company.

Mr. Uotani responded to Mr. Rogers by saying that Coca-Cola has a global brand framework, while in Japan the company focuses on local consumers. He said that similar consumer needs emerge globally, such as the trend towards healthier beverages in the United States, Australia, and elsewhere. Furthermore, Coca-Cola Japan has created a smart phone application to make cashless transactions at vending machines, through which the company can collect better consumer data.

Professor Patrick joined the conversation to say that he had heard that some problems existed between Coca-Cola Japan and their local bottlers, and asked what those might be.

Mr. Uotani acknowledged that there is some conflict between the marketing strategy of Coca-Cola Japan and the implementation of the strategy by local bottlers. He explained that the total market does not grow much and that prices decline 2-3 percent each year, forcing the company to lower distribution costs. Mr. Mogi said that the two issues for the bottlers were the uncertain level of autonomy and uncertain profitability, but that there had not been serious problems so far.

An audience member asked why Coca-Cola had such a hard time developing the bottled tea market outside of Japan.

Mr. Uotani said that he thought tea

David E. Weinstein

should be a huge global market given that tea fits well with the trend of consumer health-consciousness. The lack of progress, he said, was due to the technological difficulties of producing high quality tea in local markets.

A student asked about Kikkoman's strategy in China, and also asked what a young person who speaks Chinese, English, and Japanese should do with his or her career.

Mr. Mogi said that Kikkoman has entered into two joint ventures with a Taiwanese company to enter the Chinese market, but that sales are low due to the extremely high price of Kikkoman's soy sauce compared to Chinese alternatives. He feels, however, that Chinese people like Kikkoman's high quality soy sauce and that the country presents a long-term opportunity. Regarding the second question, Mr. Uotani suggested the student be a facilitator between Japan and China, creating two-way learning between their different business cultures.

An audience member wondered how Coca-Cola learns about its consumers if independent bottlers are the company's interface at the local level.

Mr. Uotani said that, in Japan, products can go through up to three levels of wholesalers before they reach the consumer, so Coca-Cola's relationship with the bottlers was relatively direct. He said the company observes consumer behavior, conducts extensive market research, and monitor's brand health on a monthly basis to spot trends. With the advent of computerized

Left to right: Hugh Patrick, Yuzaburo Mogi, Masahiko Uotani, David Rogers vending machines, these have become a new platform to collect information on behavior; this is very helpful since 80 percent of Japanese consumers show patterned behavior. Professor Patrick interjected that he had just learned from Mr. Mogi that, once opened, soy sauce should be refrigerated and wondered if a new bottle could be invented to avoid that. Mr. Mogi responded that refrigeration is needed to avoid oxidization and that Kikkoman was experimenting with new containers to deal with this issue.

A CBS alumnus asked how important the "cool" factor was for Kikkoman's and Coca-Cola's marketing strategy.

Mr. Uotani said that coolness sold Coca-Cola in Japan in the 1960s because consumers wanted to mimic U.S. behavior. He added that this has changed and that young consumers may not even know that Coca-Cola is a U.S. brand.

Professor Weinstein closed the symposium by highlighting how globalization has blurred the lines between what makes a company "Japanese" or "American." He expressed gratitude that CJEB was able to celebrate its 25th year by welcoming back two distinguished alumni of Columbia Business School, and invited the audience to a reception.

This event was co-presented by the Center on Global Brand Leadership at Columbia Business School. Japan Society acted as an outreach partner.

Left to right: David E. Weinstein, Hugh Patrick, Yuzaburo Mogi, Masahiko Uotani, David Rogers