

Marketing Norms

Marketing is a process to persuade everyone to use something in the most effective and efficient manner.

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Preface

As one passes the 50 year point in life, one comes to feel experienced, knowledgeable, and sensible. I, myself am a member of this generation. I am also an employee at a foreign company, earning a salary. Throughout my 30 year career in the sales and marketing department at consumer goods manufacturers, I have had various managerial experiences.

I started off as a salesman, then progressed from being a product manager, group brand manager, advertisement manager, promotion manager, marketing administration manager, marketing manager, regional sales manager, and marketing research analyst, to planning manager, which is my current position.

I sweated the way through my 20s learning about the trade, and buried myself in books, absorbing knowledge whilst developing products and advertisements in my 30s. I furthered my knowledge and experience in my 40s, and have been focusing my effort on helping my subordinates and juniors develop their careers since entering my 50s. The goal of this booklet is to provide information and insight on marketing that remains untouched in other marketing-related publications, for individuals who are new to marketing and are seeking knowledge. Furthermore, I have attempted to summarize complicated theories as simply and clearly as possible. There may be information that at first glance may seem unrelated to marketing, and that is a reflection of my attempt to make this booklet approachable and easy to understand even for college students. Through this booklet, I hope to share my knowledge and experience with those who have worked with me in the past, and with those who currently work with me. Since I am an employee earning a salary, I have focused on summarizing general theories and concepts, instead of on verifying or examining real business cases.

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1. Sense of Values

One of the most critical processes in marketing is to convince and satisfy consumers. In order to achieve this goal, it is necessary to understand the target consumer's sense of value. In general, the Japanese people are considered as having a homogeneous way of thinking; however, gender, age, surroundings, education, vocation, and income influence their sense of value.

- ① Gain and loss: This sense of value is the one most popular among typical employees in society. One places oneself at the center, and considers gain and loss as the basis of decisions. Women, compared to men, tend to prefer this rational sense of value. However, this sense of value is essential for businessmen.**
- ② Good and bad: People who prefer discussion and debate possess this sense of value. It is often seen in individuals with a high level of education, such as teachers and specialists.**
- ③ Right and wrong: Traditional Japanese people who prefer poetic justice possess this sense of value that forms the foundation of Confucianism and has emerged since the Edo era. This sense of value is seen in the justice court, police, and the government office**
- ④ Like and dislike: This sense of value is possessed by selfish, egoistic individuals, and is often seen in the young generation, women, very aged generation, or in individuals with a high status within organizations. Evidently, these individuals are considered a burden.**
- ⑤ Line of hierarchy: This sense of value is necessary for individuals who are part of an organization. Unless one is aware of vertical relationships, one will stick out of the organization.**
- ⑥ Disinterest: There are also individuals in this world who are unconcerned with the above mentioned sense of values, though such people are rare. I have touched upon the most representative sense of values, which are often combined with time, place, and occasion for differentiation purposes.**

2. Organization (Those who use, and those who are used)

It is said that at Keio University, “sensei,” or “teacher,” is a term used to address Yukichi Fukuzawa with respect. His famous proverb, “God hasn’t made a human being above or below another human being,” is far from reality. According to Darwin’s *Theory of Evolution*, the ancestors of human beings are apes. The animalistic side of man appears most evidently in their creation of organizations (or territorialization). Wherever they are, organizations are created, and hierarchies emerge. The vast number of individuals striving to become the “chief ape” of a territory is surprising. Organizations within companies are fundamentally a congregation of apes, and thus the hierarchical dynamics between those who manage and instruct, and those who are managed and instructed, are born. From this perspective, it makes perfect sense that major companies that place importance on the hierarchical relationships between juniors and seniors prefer hiring those who show traditional respect for elders. Furthermore, this phenomenon acts as a remote cause for the creation of factions and academic cliques, not only in Japan, but worldwide. Hierarchical relationships and class serve as an important organizational operations guideline, even within foreign companies in which foreigners fill manager positions. Within companies, this operation slightly differs for the marketing department. This difference is particularly true for brand managers and product managers, since they have complete authority over the product, service development, introduction, and sales promotion, and have responsibility for sales, financial management, and profit; thus, they are in a “position to use” from the outset. Since they differ from the sales force in this sense, brand managers and product managers may be considered the junior chief of a unique crowd of apes. This position is the basic reason for the conflict existing between them and the sales force.

3. Organization (Using well, and being used well)

I think I have made it clear that marketing individuals are in the position to use others; however, we must not forget that it is also their duty to report to their boss. Here, I would like to explain how to use others well, and how to be used well. First of all, the task for individuals in management level positions should be to help subordinates develop, and to accomplish tasks through them. Therefore, it is desirable for the interests of subordinates and their bosses to coincide. Surprisingly, many individuals involved in this relationship are not aware of this reality. I will make the assumption that individuals are aware of this reality in this section.

Navy admiral Isoroku Yamamoto's method of training and raising individuals is as follows:

- ① Tell and have them listen**
- ② Show them**
- ③ Let them try**
- ④ Compliment them**

15 years ago, I was given the opportunity to learn about this process in a workshop while employed at my previous company. However, it took me 10 years to actually master this process, revealing how difficult it is to manage people and their emotions. Everything should go smoothly for both those who use and those who are used if they understand this process. For those being used, following this process will help them maintain the hierarchical relationship without ruining human relationships.

- ① Listen**
- ② Have them show you**
- ③ Have a try**
- ④ Receive their evaluation**

These steps are for those who are used. However, if a person has a boss who is preoccupied with his/ her own promotion, and therefore is not willing to put effort into helping the individual develop and learn, then the individual's own efforts and words may be futile. In such cases, patience and persistence may be the only solution. Some day, the organization will resolve the problem.

4. Qualities Necessary in a Marketing Individual

Marketing staff within companies, particularly brand managers and product managers, have to give instructions to those who are not part of the same hierarchical relationship. In other words, they are frequently put in a situation that is not dissimilar to a section manager giving instructions to a department manager from another division. Therefore, developing abilities for negotiating, coordinating, and for maintaining harmony becomes essential for such individuals. However, merely possessing these abilities will not lead to the creation of hit products. Often, those who create such products are not “part of an organization” in terms of mindset. These individuals hold a different perspective from ordinary people, are insightful, persistent, and active, and have a tendency not to listen to the ordinary people within their organization. Even when a product is expected to become a hit, it will not see the light of day if an ordinary person is in charge. This phenomenon occurs because ordinary people place much importance on harmony, and thus blindly welcome their boss’ and others’ opinions. Within any organization, a significant number of people will oppose new concepts and ideas. However, rest assured; typical marketing individuals are ordinary people, and in many cases, they become the marketing director. Especially in the case for foreign companies, individuals with experience in the marketing department often climb their way up to ultimately become president. Please aim for your ideal position only after you examine what you truly want to do. There is a perfect occupation within the marketing department even for those with more introverted personalities, and that is to become a marketing research analyst. However, the ability to verify hypotheses with numbers is essential for analysts. Moreover, the ability to convince the concerned parties by presenting analyses results is also necessary. In that sense, there is some human interaction; but basically, analysts are able to objectively argue by using facts. If the decision maker is subjective, however, frustration may arise. There is no need to worry, however, since solely subjective decisions do not lead to successful marketing in the long-run.

5. Basic Ways to Formulate Marketing Ideas

Mathematics textbooks explain the processes of induction and deduction. Mathematically speaking, both processes are correct, but in strategy planning (and project planning), the process of deduction is used. To explain these two processes briefly, induction is the process of building logic and principles from particular facts or instances, while deduction is the process of building a hypothesis first, and then verifying it through facts and instances. In marketing, the process often used is deduction, since deductive analysis is less time consuming and less costly. For example, when developing a new product, various kinds of consumer research are conducted. Research design is restricted by two major factors. First, it is impossible to bombard research subjects with countless questions. Secondly, the number of research subjects is limited by cost. Therefore, by formulating several hypotheses, useless questions can be omitted, and focusing on what truly needs to be investigated becomes possible. Furthermore, cutting costs also becomes possible. However, the induction process is also used in marketing from time to time. In the field of marketing research in particular, such as consumer panel research and retailer sales research conducted to continuously track the market and product trend, induction is the main process used to find and understand a general trend or rule from facts. Therefore, there is a need to determine which process to use, depending on the function within the marketing department. An example of how to use deduction will be explained in further detail in the next section.

6. How to Practice Deduction

When engaging in general brand marketing, suppose we try using the formula below:

Brand sales = Product Strength X Distribution Strength X Advertisement Strength

The target variable becomes how to increase sales. Taking measures of 3 independent variables while using a formula (such as the one mentioned above) as a hypothesis is the basic thinking process in marketing. The first task for the deduction process is to decide whether or not to devise one fixed formula per proposal. Next, it becomes necessary to verify the formula by actually changing the independent variables. Limiting sales to an area or region, increasing distribution, or increasing the amount of advertisement are a few example measures used for verification. National expansion will be based on these results. Of course, conducting quantitative marketing research to verify the results is also possible. Marketing research is often used to measure product strength.

In summary:

- ① Develop a hypothesis (prepare a fixed formula for the proposal; identify the target variable).
- ② Verify whether the formula can be generalized or not by changing the independent variables.
- ③ Make necessary improvements during the verification process, and then run through it again.
- ④ Based on the final results, prove that the formula can be generalized and applied to the market.

This technique is generalized for marketing activities.

7. Having a Clear Proposition (Effectiveness and Efficiency)

In the previous section, my explanations were based on the premise that the goal is to increase sales; however, in actuality, increasing sales is not the only proposal or goal. Clarifying the ultimate goal is the first step to building a plan. For example, seeking effectiveness and seeking efficiency is obviously different.

OUTPUT

INPUT

Increasing effectiveness means striving to increase output, and thus increase sales by any means possible, even if it entails considerable cost. On the other hand, increasing efficiency means striving to increase sales to a certain point while lowering input and thus cost as much as possible. To strive for a goal both effectively and efficiently means to maximize sales while spending rationally. This goal is often part of marketing plans, but is difficult to actualize. The brand managers' task is to maximize sales of the brand he/she is in charge of, while minimizing expenses for the sake of profit management for the marketing department. In effect, many brand managers constantly feel the pressure of the monthly profit-loss statement issued by the finance department while on the job. Many sales forces are in the position to manage and keep track of sales and a small amount of competitive expenses. In contrast, brand managers are responsible for using a large sum of money for advertising expenses, and thus are in a similar position as the president of a small company. Of course, brand managers at companies where there is more division of labor have slightly less responsibility, but the fact that they are in an important position within the company remains the same.

8. Problems and Issues

When the proposition becomes clear, situational analysis becomes necessary. Of course, it would be easy if a hypothetical formula can be prepared, but that takes experience and skill. On the other hand, there is a technique whereby a task that directly influences clarification of a proposition can be derived by conducting situational analysis by the book and listing various kinds of issues. Planning a solution and thus strategy will be the final process stemming from a proposition. An analysis technique often used in the marketing department of foreign companies is the SWOT analysis:

- ① Strengths (internal factor)
- ② Weaknesses (internal factor)
- ③ Opportunities (external factor)
- ④ Threats (external factor)

Strengths and Weaknesses are described based on a company's internal issues and traits, while Opportunities and Threats are described based on changes in the external environment. This analysis is mainly applied when planning competitive strategies. For instance, the amount of competitive resources and technology development abilities may be given as the company's internal strengths or weaknesses. External factors may include competitors' market entry, new competitive products, or the change in general market trend. By conducting such analysis and taking advantage of the company's strengths while improving its weaknesses, a strategy to successfully fulfill the proposition can be devised. This analysis is also effective when building marketing strategies, brand strategies, and sales channel strategies for the company as a whole. Extra attention should be given to the changes in external factors. For every product, there is always a chance that a substitute product will enter the market. Thus, predicting changes in the market must be considered the most important matter. For example, in the world of media, the market is changing more rapidly than expected, from film to TV, from TV to video, and from video to the internet.

9. Priority Order

With the proposition clear, the tasks that need to be accomplished identified, and the strategies that correspond to each task planned, the next process becomes prioritizing the strategies. The reason priority order is important is because it is linked to investment. Obviously for a business, the amount of profit return is what influences the priority order. Though it may be slightly off-topic, let me explain former U.S. President Eisenhower's simple way to form a priority order matrix. Especially for marketing members who have subordinates, this matrix may provide hints on how to effectively and efficiently do their work.

Work is divided by their urgency and importance by 2 axes into 4 categories.

- ① High urgency, high importance: do yourself**
- ② High urgency, low importance: delegate to juniors**
- ③ Low urgency, high importance: depends on juniors' abilities, but accomplish by instructing your juniors**
- ④ Low urgency, low importance: do nothing**

As I have already mentioned at the beginning, marketing members are basically in positions to use others. Moreover, since the boss accomplishes his/her work with the help of juniors while helping them in their development, priority order is also necessary from the perspective of the development of subordinates. Subordinates often prioritize their work by the degree of its difficulty. This prioritization most likely will not lead to positive results, since there will be a possibility that a highly important matter may be neglected if it is also of high difficulty. Therefore, it becomes necessary to pay attention to one's subordinate's decisions, and give instructions as needed. Regardless of the issues, I would like to emphasize the importance of ordering strategies and tasks by priority in business.

10. Basic Ways of Thinking about Product Development (N-P-D-A-U-L)

From this section onwards, I will explain practical marketing activities. First of all, the process when developing new products is the following:

N-Process (Is it necessary or not?)

The first question is whether the product that is being developed or is entering the market is necessary for target consumers. Functional products make their effectiveness and convenience clear. Taste is also something that must be taken into consideration for food products. For luxury goods, design is also an issue.

P-Process (How is the price?)

The balance between convenience and price that a product offers is examined. This examination is extremely important for consumer goods.

D-Process (Can it be placed? Distribution rate)

For a product that a consumer needs that is priced right, the issue becomes how the consumer and the retailer come in contact. The selection of distribution channels is examined in this process.

A-Process (How do we raise awareness?)

From here, we enter the world of advertising. Naming is what needs to be examined first. Next, the task is to develop the catchphrase and the package. The CM is then developed, based on those two.

U-Process (How do we raise understanding?)

Continuing from the A-process, the contents of a CM are examined. The challenge is to produce a CM that convinces consumers. The positioning theory mentioned in the next section is also an important technique for this development.

L-Process (How do we make the product attractive to consumers?

Likeability)

The ultimate expectation in a consumer is to have them continuously buy and use one's company's products. The key task here is to make the product attractive to consumers. To achieve this attractiveness, constant advertising becomes the issue.

11. Positioning Theory

Positioning, written by Al Ries and Jack Trout, who were part of an advertising agency in the U.S., is one of the first books that new employees at advertising agencies read. However, the source often used at operational management research institutes in the U.S. is the positioning theory developed by General Foods. It is impossible to fit the entire source onto one page, so I will try to summarize the theory as simply as possible.

First of all, positioning intends to strongly impress the brand within target consumers' minds. Therefore, the contents must express the brand simply. For example, Kao, the top company for toiletry and detergent goods, has this printed on the back of all of their products. The contents of positioning include the following 4 elements:

- ① To whom (determining the target consumers who are in need of the product)
- ② What (the needs of the target consumers that the product fulfills)
- ③ How it is satisfied (the convenience, effect, and effectiveness of the product)
- ④ The difference between the product and its substitute products (the points of difference)

What is not mentioned in the positioning theory is how to make use of this theory. It is vital for the number 1 brand in the market to advertise the 3rd element of convenience and effectiveness of the product to increase consumer needs as well as sales. Brands that are number 2 or below in the market should emphasize the 4th element, or the points of difference of their product to expand sales. Another option is to focus on the 2nd element which is consumer needs, and explore a new market segment. It is a great hassle to change the brand positioning of a product that has already been entered into the market. The reason for this difficulty is because the contents of the consumers' mind regarding the brand need to be changed. This change is called repositioning.

12. Seeds and Needs (Product Innovation or Concept Development?)

When developing a new product in a general consumer goods company, the marketing department and the R&D department work intimately together. There are 2 general reasons why a new product is developed: one is when a new product is developed by R&D through new technology, or seeds development; the other is when a new product is developed from consumer research and idea generations of product concepts to fulfill unmet needs. In post-war Japan, companies often copied consumer goods companies and industrial goods companies of developed countries and entered the products into the market at an inexpensive price. At a foreign consumer goods company that I previously worked at, new products tended to be based on the company's own successful overseas products or on competitors' products with improvements added. However, recently the technology level of Japanese consumer goods companies has risen to being the top in the world. Therefore, Japanese technology has matured to the point of being frequently exported overseas. To the extent of my knowledge, hit products are always accompanied by technological innovations. For functional consumer products in particular, new technology will uplift its consumer benefits. Moreover, a product that makes use of technology that cannot be imitated by competitors, results in its definite, advantageous position within the market. However, not all manufacturers develop and launch new products with innovative technology. Numerous products that enter the market are so-called imitation products. Yet, these products do have some differentiation points. Matsushita Electronics, a corporate giant with a large budget for competition known for manufacturing home electronics products, is famous for incorporating this technique. On the other hand, Sony consistently launches new products with technological innovations, with much success even in the global market. From a Utopian point of view, manufacturers with a R&D department capable of innovation should have an advantage. However, in reality, it is often the case for a marketing department to develop the concept, and the innovation to fulfill the need follow.

13. Concept Development

For a marketing department, concept development is one of its most important job functions. For that reason, it is critical for brand managers and product managers to constantly be observant of the changing market, consumers, and social trends. Furthermore, they should pay especially keen attention to the category they are in charge of. With regards to new product launch activities by competitors within the same category, collecting information with help from the sales force, as well as from consumer research companies and advertisement agencies, become crucial. Additionally, information acquisition from the R&D department and factories is also vital. In many cases, advertisement agencies are considered key partners for brand managers and product managers to fulfill their role. However, advertisement agencies are not all one and the same. Division of labor is advanced in foreign companies. Advertising agencies are branched off to match the needs of the manufacturers or the advertisement owner, such as a brand support advertisement agency in charge of brand strategy and CM production, a media advertisement agency specializing in media, and a PR advertisement agency specializing in PR. On the other hand, the typical Japanese general advertisement agency possesses all of the above functions. The definitive difference between foreign and Japanese advertisement companies is that the main source of income for Japanese general advertisement agencies does not come from the manufacturers or advertisement owners, but from the back margin that media companies obtain by selling media (TV, radio, newspapers, magazines, etc) to the manufacturers and advertisement owners. With regards to buying and selling media, general advertisement agencies should basically be considered as representing not the manufacturers or the advertisement owner, but the media company. Therefore, the understanding should be that they rarely consider the profit for manufacturers and advertisement owners as top priority. When purchasing media, it is risky to use a single advertisement agency. When that cannot be avoided, I recommend using AOR rule (Agency Of Record).

14. Advertisement Development (CM Development)

The other important function of the marketing department is advertisement development. As I previously mentioned, the first step to developing an advertisement is developing a name. However, many of the names that are thought of have already been registered as a trademark. The legal department of consumer goods and durable consumer goods manufacturers often deal with the registration of trademarks. Nevertheless, it is possible to develop a suitable name that has not yet been registered. In this case, it should be one that clearly expresses the value and function of the product or brand. I recommend that the advertisement agency be involved in this development process. For manufacturing companies that do not have a legal department, advertisement agencies will be useful when going through the trademark registration procedures. Furthermore, naming is the first step in creating an advertisement, which then leads to catchphrase development, package development, television commercial development, paper media development, and finally to promotion development. The ABCs of advertisement is, "one look, one word." Exactly because of its simplicity and impact, advertisements reach target consumers with "one look, one word." However, creating a mountain out of a molehill is the norm in the world of advertisement; thus, to achieve this phenomenon, various techniques are used by imaginative CM creators. Whether the result of these techniques will be interpreted as creativity or not depends on the product or brand value. The product or brand should fulfill what it promised through CM. Brands or products that cannot fulfill their promise will be tried once, but if they cannot satisfy consumers, they will never be purchased again. In that sense, hit products are born in the order of a good product followed by a good advertisement. Moreover, there are countless cases in which the advertisement is a hit, but the product or brand does not sell well. For example, most people in their middle ages or older know the CM with frilled lizards, but rarely know which product that CM was for. When selecting a creator from an advertisement agency, it should be an individual who views the product or brand as top priority.

15. Advertisement Development (CM Development)

I explained at the beginning that the basic formula for boosting sales is: $\text{Brand Sales} = \text{Product Strength} \times \text{Distribution Strength} \times \text{Advertisement Strength}$. There is also a fixed formula for advertisement effectiveness. This formula is: $\text{Advertisement Strength} = \text{Quality} \times \text{Quantity} \times \text{Period}$. First of all, one of the critical factors when creating a media plan is how many distribution points the brand can touch upon. Consumers tend to give up on purchasing a product if they experience the same situation twice, in which they are aware of and want to purchase a certain product, but the retailer does not sell the product. The sales force insists that prior advertisement is necessary to gain distribution at numerous points of sales. This prior advertisement is possible when the budget is abundant, but in many cases, advertising campaigns are usually launched after a certain level of distribution is gained. Now, I will explain what is critical to heighten advertising strength and effectiveness:

- ① **The quality of advertisement:** Before the launch of the advertisement, it is necessary to quantitatively research its impact. This research cannot be achieved by targeting a small portion of concerned parties, or by conducting group interviews involving a minimal number of people. Since a vast amount of investment is being made, sparing a meager amount of researching fee is nonsensical.
- ② **The quantity of advertisement:** There is a term in physics, boiling point, which describes the temperature when water turns to vapor. No matter how high the quality of an advertisement is, if a certain amount of quantity cannot be printed, then the effectiveness will be limited.
- ③ **The period of advertisement:** As I have mentioned before, this element is related to the progress of distribution. Moreover, it is essential to consider the consumption behavior of consumers. The foundation should be the period between the time of first purchase and the time of repeated purchase.

Lastly, I recommend consulting the media planner of the advertisement agency in charge of the project when creating a media plan. When considering those in charge of sales as the base, their profit becomes the top priority task.

16. Promotion Mix (Media Mix)

In the previous section, I gave a summarized explanation of advertisement effectiveness, and I would like to expand further on the topic in this section. The promotion mix for launching a new product is considered the premise. I have already explained the development process of N-P-D-A-U-L, but the A-U-L-T process points to the advertisement penetration process. Ultimately, the proposition for advertisement effectiveness is to increase the trial rate.

- ① A: Awareness Rate (How many people/households can the message be conveyed to)**
- ② U: Rate of Understanding (How many people/households will understand the brand)**
- ③ L: Rate of Likeability (How many people/households will alter their behavior)**
- ④ T: Trial Rate (How many people/households will purchase and try the product)**

The first task of this process is to increase awareness. It is critical to research and examine the routes through which target consumers become aware of the brand or product. General consumer products manufacturers are able to use television as a channel. Television is the most effective, most efficient means of communication out of the top 4 major media, which are TV, radio, newspapers, and magazines. The listening rate for radio is low overall, and the perusal rate for newspapers is high among housewives and businessmen. Publication of magazines is limited, with the exception of weekly manga. When the target of an advertisement is the mass, advertisement agencies suggest using a media mix besides TV. The true reason for this suggestion seems to be that the back margin for using media besides television is high. If the advertisement budget is small, launching sales in a limited area is recommended. In that case, TV should be considered the main means of advertisement. Consumer promotions that are launched at the same time as advertising campaigns are also important. According to general consumer research, the channel that is as important as television for gaining consumer awareness is the storefront. Consumer promotions are also effective for gaining storefront space. Furthermore, if confidence level in a product is high, consumer sampling is recommended; the transition from awareness to trial can be achieved in one go. Thus, consumer promotion should be considered part of the advertisement strategy.

17. Merchandising

Media is not the only means of heightening product and brand awareness. In fact, there are many categories that have various opportunities for contact with target consumers at storefronts. However, when products are placed at storefronts without creativity of any kind, not much effect can be expected. In general, when target consumers stand facing a self-fixture, the line at eye level is called the "golden line," and is where target consumers tend to look at storefronts; the reason for this explanation is very simple. The premise is that people are interested in people. When a man looks at a woman he is interested in, he will look at her face first, and then at her chest. Thus, the way products and brands are placed will be in this line of order. It is the same when the target consumer is female, since the line at eye level remains to be the most important placement position. The other element that determines placement is the prediction of which competitive product or brand trial consumers will switch from. It is rudimentary to secure a product space directly next to that of a competitive product or brand. However, only salesmen with ample experience and honed negotiation skills will be able to achieve this placement from the initial sales launch. Twice a year in the spring and in the fall, chain stores create and put in effect plan-o-grams for each category. In that sense, to launch a new product or brand at those timings would be effective, but it is difficult to secure a standard space in the storefront fixture. However, every consumer goods manufacturer takes measures to maximize storefront brand exposure for new products and brands by using techniques such as promotions, displays, and special sales. Needless to say, it is vital for such measures to be linked with advertisement campaigns and that they progress together. Thus, from that perspective, the introduction plan for each measure must be unified.

18. Gain and Loss Analysis (Profit and Loss Statement)

I have touched upon the process of development through the introduction of new products, but the most important task is gain and loss analysis. The ultimate proposition for marketing is “how to continuously increase profit.” An immense amount of investment is required for the development and introduction of general consumer goods. The advertisement fee used to increase awareness surpasses the imagination of an ordinary individual. By the way, for new toiletry products, the amount used for a national television advertisement in the first 3 months after introduction is 750 million yen for 5,000 GRP. To promote repeat purchase, 3,000 GRP is necessary, and the cost amounts to approximately 450 million yen. Therefore, 1.2 billion yen is the amount of investment necessary solely for television advertisements in the first year. Furthermore, in order to maintain awareness in the next year and onwards, when considering that a minimum of 3,000 GRP (approximately 450 million yen) is required annually for television advertisements, it is deemed impossible to generate profit starting from the first year. Of course, this generation of profit would be possible for great hit products, but such products are rare. In consequence, it is vital to think about the balance between the sales forecast and investment amount over several years. For that sake, it is necessary to understand the sales forecast quantitatively through consumer research. There are numerous research techniques, but ideally, purchase intentions and repeat use intentions of 2,000 target consumers/households should be measured by having them actually use the product. Taking the results into consideration, the quantity of demand for say, 5 years, should be calculated. First, the reach rate of the advertisement message to the target consumers/households, the trial purchase rate previously mentioned, repeat purchase rate, and use frequency should be calculated to figure out the total quantity of demand. Depending on the company, the standard for payout time differs, but a minimum of 5 years is probably necessary. This task is jointly carried out between the marketing research division and the marketing finance division. From the next section on, I will explain how to turn new products into long sellers.

19. Product Life Cycle

This topic never fails to appear in marketing textbooks. The contents illustrate that as a person has a life, a brand also has a life. However, when considering the issue of how to have target consumers use the product over a long period, there are facts that are not mentioned in the textbooks. First, I will explain the basic product life cycle:

- ① Introduction Stage: awareness, distribution, trial rate increase**
- ② Growth Stage: trial rate increase, repeat purchase encouragement**
- ③ Maturity Stage: product improvement, line extension**
- ④ Decline Stage: profit exploitation**

The basic theory of Product Life Cycle is composed of these 4 stages. However, in mature societies such as current ones, it is deemed difficult for companies to continuously launch new products. The reason is that the majority of needs are fulfilled in developed societies. Moreover, products that have intrinsically been accepted by target consumers should sell continuously, provided that there are no changes in external factors or launches of substitute products through technology innovation. Therefore, the task for brand managers is to discover how to prolong the maturity stage. Consequently, a rejuvenation stage should occur between the maturity stage and the decline stage. One of the activities during the rejuvenation stage is repositioning. Repositioning is also mentioned in marketing textbooks, but its success rate is limited. There is only limited success because this process changes at least 1 of the 4 brand elements ingrained in the target consumers' minds. However, even if repositioning cannot be achieved, there are many issues that can be addressed during the rejuvenation stage, such as changing advertisements, improving product effectiveness, functions, and designs. Accordingly, the shortcut to turning a product into a long seller is to continuously send new messages to target consumers every year. I sincerely wish all brand managers to not give up, and to persistently dedicate their efforts to strengthen the brand.

20. Competitive Strategy

From this section onwards is a message to those group brand managers and marketing managers who are in charge of multiple brands. Needless to say, Professor Michael Porter's *Competitive Strategy* is highly noted. Simply put, there are 3 elements that make up the conditions of competitive advantage:

- ① Cost leadership (how to decrease production costs)
- ② Differentiation (how to strengthen differentiation between own product and competitors' products)
- ③ Expertise (how to exploit fields that competitors have not yet entered)

The claim is that when these elements are combined, the number of competitive strategies is limitless. Essentially, this strategy is a proposal for the number 1 manufacturer in the market. However, it also implies that there is a possibility for even small manufacturers to become number 1 in the market. This possibility stems from the number 3 strategy of expertise. There are infinitely many consumer goods markets and categories, and niche marketing refers to the marketing strategy of subdividing categories, and exploring and exploiting those small spaces. This process is also known as market segmentation. As I have already explained in the positioning section, being number 1 in the market comes with great responsibility towards the total market demand. Additionally, the number 1 manufacturer in the market also gains social reputation. In effect, the number 1 manufacturer in the market also is guaranteed its continued existence as a company. However, when the market is sizeable, there is also significance for the number 2 and number 3 manufacturers to continue to exist in the market. In this case, it becomes necessary to find a unique position within the market and within the target consumers' minds by combining the 2nd element of differentiation and the 3rd element of expertise. Marketing managers should develop competitive advantage strategies by analyzing the strengths and weaknesses of their respective companies.

21. Business Portfolio

It becomes necessary for group brand managers and marketing managers who are in charge of multiple brands to overlook the entire business. An effective analysis technique for this purpose is the business portfolio. The most commonly used analysis technique is the one created by the Boston Consulting Group. First, each brand is considered as separate business units. Then, a bubble graph is created, with the horizontal axis illustrating the brand share within the market (or the relative share compared to the number 1 brand), the vertical axis illustrating the market growth rate for brands, and the size of each circle illustrating the brand's sales within its respective category. In general, the 2 axes create 4 quadrants. These quadrants are:

- ① Dog (Bottom-right quadrant: losing in the market)**
- ② Cash Cow (Bottom-left quadrant: generating profit)**
- ③ Problem Child (Top-right quadrant: growing at a high rate, but share is low)**
- ④ Star (Top-left quadrant: growing at a high rate with high share, and is generating profit)**

What is not mentioned in textbooks is how to use this analysis. That is:

- ① Dog (exit market, decrease investment, or improve profit rate)**
- ② Cash Cow (maintain or decrease investment, or maximize profit rate)**
- ③ Problem Child (increase investment, or improve product or advertisement)**
- ④ Star (maintain investment)**

This analysis is not only applicable to brands, but also to sales channels and customers, for example. The proposition of this analysis is to decide how to use competitive resources effectively and efficiently. Furthermore, the results of this analysis can also be used to convince group brand managers and marketing managers. Logical arguments can be understood even by those brand managers in charge of brands in the Dog quadrant.

22.80/20 Rule

This 80/20 rule is always incorporated into new employee training sessions for company-owned retail chains. It is also referred to as Pareto analysis or ABC analysis. Basically, the rule states that 20% of all products create 80% of sales. The retailer side uses this analysis to maximize sales by differentiating between products that are selling well with those that are not. The manufacturer side generally uses this analysis to select the 20% of outlets that create 80% of sales. As a rule, though the meaning is slightly different, 80% of the population in Japan reside on 22% of the land. However, this phenomenon occurs because 70% of Japan is mountainous. Though I diverged from the topic, I would like to introduce how the 80/20 rule is used with 2 axes. For instance, clients can be classified by sales and profit from the standpoint of wholesale dealers. The horizontal axis classifies sales by the 80/20 rule. The vertical axis classifies profit by the 80/20 rule. As a result, 4 quadrants appear on the graph. That is:

- ① Top-right quadrant (clients with both sales and profit in the top 80%)
- ② Bottom-right quadrant (clients with sales within 80%, and profit within 20%)
- ③ Top-left quadrant (clients with sales within 20%, and profit within 80%)
- ④ Bottom-left quadrant (clients with both sales and profit within 20%)

From this analysis, wholesale dealers can create client rankings. The proposition for wholesale dealers is to increase profit, so the priority order becomes 1→3→2→4. In reality, there are clients who are not generating any profit, resulting in 3 classifications—80%, 20%, no profit—on the vertical axis, thus creating 6 quadrants on the graph. Various classifications are possible with this analysis if the axis is selected. However, if this 80/20 rule is pursued too far, it creates a situation in which it becomes impossible to adapt to the convenience product market. The reason is that the usage rate for convenience products is high, and thus the proposition here is to promote consumption on a national scale.

23. Area Marketing

Regional strategies form the bedrock of the market penetration strategy, and brand managers, group brand managers, and marketing managers strive to divide regions in order to use the provided competitive resources efficiently and to increase effectiveness to fulfil their proposition. However, the division of competitive resources should not be arbitrary, but should be based on facts. For that sake, continuous analysis of various sales data and market research data becomes necessary. BDI/CDI analysis is representative of this analysis technique. BDI (Brand Development Index) indicates the consumption quantity of the brand per 1,000 people in the R1 district, and CDI (Category Development Index) indicates the consumption quantity of the category per 1,000 people in the R1 district. Thus, this analysis illustrates the maturity of the consumption quantity of the brand category. Both numeric values are indexed with the national average set at 100. Moreover, with CDI as the vertical axis, and BDI as the horizontal axis with 3 classifications (high, middle low), 9 quadrants are created. Each quadrant will include the name of the section, region, and city. How these 9 quadrants are used depends on the brand's positioning in the market. Usage will also depend on the total competitive strength of the company in general. Typically, companies focus on the regions with both the CDI and BDI in the middle quadrant. By using this approach, they can attain market share while retrenching competitive expenses. At the same time, the amount of return relative to the amount of invested expenses predicted is low for sections with high CDI and high BDI, since this market is already matured. For sections with low BDI and low CDI, it should be presumed that a massive amount of capital investment will be required. Top manufacturers generally conduct marketing in all quadrants, but are faced with deciding priority order. The basic idea is to begin developments in sections where investment effects can most easily be achieved.

24. Business Case

The first task for brand managers, group brand managers, and marketing managers is to prepare annual strategy plans. Of course, the ultimate proposition is how to maximize profit, since one of their functions is to operate as a profit center. In terms of profit, a simple formula exists: $\text{Total Profit} = \text{Gross Profit} - \text{Total Expenses}$. The 2 variables that should be managed are the gross profit rate and total expenses. At least 3 plans need to be created for the beginning of the year:

- ① **Aggressive Plan: aggressive investment and high growth**
- ② **Realistic Plan: realistic level investment and growth**
- ③ **Contingency Plan: maintaining profit even with an inevitable change in sales caused by external factors**

The proposition for typical companies is to increase profit. For this purpose, sales, expenses, and profit are reviewed every quarter. However, depending on the company, proactive investment is implemented when considering the balance between yearly profit and long-term growth. In previous times, it was considered virtuous to have a long-term vision for Japanese companies, and the booming economy that continued for a long time backed this policy; however, today, with the growth in maturity and globalization of the Japanese economy, the proposition now is to fulfill profit targets on a single-year basis. Even in such an environment, brand managers in charge of new products should defend the introduction strategy of making advance investments. Settling for an easy alternative will only result in causing a negative impact on the company. This frank opinion of mine stems from an experience I had while I was a marketing administration manager. As I have previously mentioned, introduction of new products results in an enormous amount of initial investment (mostly for advertisement). I have also explained the conditions and quantity required to turn new products into a success. Please, do not settle for an easier alternative.

25. Marketing

Fundamentally, the topic that should be explained at the beginning is marketing. In a former business practice describing regulations for merchants, there is a phrase, “to do business.” This phrase does not exclusively point to sales reps selling products or services to clients. In terms of wholesalers, the phrase implies a series of practices from purchasing products, displaying them at the storefront, or visiting off-site locations and making an entry of the customers’ accounts in their ledger. Therefore, marketing does not solely indicate the practices that the marketing department is in charge of. Marketing points to all bodies of organizations that carry out all processes considered necessary to fulfill the proposition. However, the fact remains that the marketing department is at the center of this activity. If the focus of the circle is misaligned, the trajectory will be greatly askew. In that sense, what marketing members must be conscious of is their responsibility. Finally, I would like to end this booklet by sharing what I learned when I attended a short-term training session at a graduate school in the U.S. This learning is regarding the Driving Force, or the 5 strengths that propels companies forward.

- ① Resources (Major Oil Companies)**
- ② Technology (Gillette)**
- ③ Productivity (Federal Express)**
- ④ Relationship (Avon)**
- ⑤ Pure Marketing (Proctor & Gamble)**

As far as I know, regardless of the scale of the company, companies that are oriented towards marketing will ultimately survive. Unfortunately, however, many companies do not possess this awareness, and believe that marketing is a process operated within the marketing department. Marketing members, please overturn this belief, and disseminate the true meaning of marketing within your company.

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