

Japanese Sales: Not just about sales but also about conducting business.

Hosoi, Kenichi
Faculty of Management
Hiroshima University of Economics
5-37-1 Gion, Asaminami-ku
#731-0192 Hiroshima, Japan
Tel: 81-82-871-1000
Fax: 81-82-871-0005
E-mail: kn-hosoi@hue.ac.jp

Hara, Yoritoshi
School of Commerce
Meiji University

Takemura, Masaaki
School of Commerce
Meiji University

Abstract:

Japanese sales departments are sometimes called Eigyo-bu (Eigyo department). Eigyo means sales. But, Eigyo does not mean sales only, rather Eigyo refers to conducting business. Due to this, Eigyo personnel play a bigger role than sales personnel. We will introduce the concept of Eigyo and what roles an Eigyo department plays. Eigyo departments sometimes incorporate functions implemented by the other departments in their company. We will conclude that marketing functions can be integrated not only by a marketing manager but also by people in other positions, such as sales managers.

Keywords: Eigyo, integrated operation, flexible resource mobilization, customer adaptation.

Introduction

This paper will discuss Japanese sales organizations and how their practices can seem strange to foreign firms. Compared to standard marketing text books like Kotler's, sales organizations in Japanese companies do not follow normal theories. According to marketing textbooks, sales functions are posited as a tool of promotion. Especially compared to mass media communication methods, sales are sometimes defined as personal selling. Personal selling is direct communication between a sales representative and one or more prospective buyers in an attempt to influence each other in a purchase situation.

Sales functions in a Japanese company are not the same as standard. There are of course sales functions in Japanese companies but they are called Eigyo instead. Sales functions are included in Eigyo. Rather eigyo is more than sales as if it includes integrated marketing activities. For example Eigyo personnel often search through market information, discuss product development with engineers, take part in decision-making regarding advertising and negotiate with buyers about pricing and delivery conditions. These actions are considered to be integrated to negotiation procedures.

In standard marketing textbooks, this kind of activity is regarded as a marketing function and also as the marketing manager's job. Marketing managers, in their true sense, are rarely seen in Japanese companies. In Japanese companies sales personnel at the bottom of the organizational hierarchy perform the marketing manager's role.

This fact presents us with an interesting question. Why are Japanese sales functions generally not separated from other functions in the company? What are the effects of employing Eigyo operations? The purpose of this paper is to introduce some analytical explanations about Eigyo. We will introduce a case which is a typical example of Japanese Eigyo. Suntory is one of the biggest alcoholic beverage companies, as well as the pioneer that brought whisky to Japan. In this paper, we will reveal that Eigyo operations were appropriate when this kind of product was introduced to the new market.

The Case: The Sales Strategy of Suntory

Although Suntory started brewing whisky in 1924, whisky was not so popular in the Japanese market before the Second World War. After the war, a bar chain named Torys Bar, owned by Suntory, played an important part in the spread of the popularity of whisky. Torys Bars began appearing in downtown areas around 1955. A new custom at the bar was started. This custom was called as "bottle keep". The bottle keep was like a bank, the bar sold a bottle of whisky to a customer. And the customer asked to deposit it as his/her own

whisky.

However, only a limited number of people consumed whisky, in a limited number of places such as Torys Bars. Some issues had to be resolved for whisky to further penetrate the market in Japan. Whisky was not accepted easily by Japanese people for a number of reasons. Firstly the alcohol content of whisky was high. The percentage of alcohol in whisky is generally three times higher than Japanese sake. Secondly, Japanese people believed that whisky did not match Japanese food. Furthermore, Japanese people were not familiar with whisky's smoky flavor. For the above reasons, whisky was still not widespread even after more than 50 years had passed since Suntory started brewing whisky in Japan.

It was around 1965 that a turning point occurred. Suntory started a strategy to promote whisky not only to bars, but also to Japanese-style restaurants. This strategy was named the "Nihonbashi" strategy. Nihonbashi not only means two Chopsticks indispensable for Japanese food but also the name of the place where the Tokyo branch of Suntory was located. This strange name implied the company's intention to spread its whisky to Japanese restaurants.

However, it was difficult for the Japanese restaurants to serve whisky. The company first suggested drinking whisky mixed with water on the rocks. This made the percentage of alcohol the same as that of sake and match Japanese food. However, Japanese restaurants did not agree with this suggestion. Sushi chefs complained that the flavor of whisky permeated raw fish when they mixed whisky with water at their counters. Most sushi bars also did not have enough space to keep customers' private bottles. In order to resolve these problems, Suntory started providing whisky in mini-sized bottles that enabled customers to mix whisky with water by themselves. Suntory's sales personnel also made an effort to introduce not only the mini-sized whisky bottles but also sales promotion items to Japanese restaurants. As a result, the restaurants gradually tried to serve whisky.

Suntory's sales personnel played an important role in the development of product packages and sales promotion items in the company. They listened to the prospective customers' needs and communicated them to the departments of product development, production and marketing. As a result, the above package and sales promotion items were developed.

The more people consumed whisky at Japanese restaurants, the less it was thought whisky did not match Japanese food. As a consequence, the number of Japanese restaurants that served whisky increased. Furthermore, Japanese restaurants began to stock regular-sized bottles instead of mini-sized bottles.

A full-page advertisement taken out in major newspapers in 1970 served to spur an increase in the amount of restaurants selling Suntory's whisky. The picture on the advertisement showed a sushi chef unwinding after work over a glass of the whisky named "Suntory Old". Suntory Old became a symbolic brand of whisky in Japan. The sales volume of Suntory Old in 1980 increased by twelve times compared to sales volume in 1970. The amount of sales of whisky in Japan reached their peak, 12.4 million units, in 1980.

An important point is that the sales department had controlled the entire process of developing and implementing the Nihonbashi strategy. They had coordinated the functions of the other departments in the company. The strategy had affected the Japanese food culture. At last whisky had become popular in Japan.

In a quarter-century, however, the whisky sales in Japan decreased to 510 thousand units in 2005. One of the cogent reasons why the sales decreased to about a twenty-fifth of their previous value was that a variety of alcoholic drinks rushed into the Japanese market. This gave people many alternatives to whisky. This variety of alcoholic drinks made drinking whisky in Japanese restaurants obsolescent. To cope with this obsolescence, Suntory attempted a strategy that could vitalize the consumption of whisky. This strategy aimed at improving the experience of drinking whisky. The sales department researched the market by itself. They gained the cooperation of their accounts, composed of some restaurants and liquor shops and the other departments of the company including the advertising and production departments. They then coordinated and integrated the functions of the other departments. The strategy resulted in success. The sales department also integrated the marketing functions of the company as it played their role in the Nihonbashi strategy.

Analysis

Diffusing highly innovative goods is difficult. Beverages and food are especially difficult because of the inertia of consumption. It had taken almost 50 years from the beginning of Suntory's whisky brewing to real diffusion. Suntory whisky was known as a high quality whisky among some Japanese people who had lived in foreign countries. Despite the high quality, Suntory whisky was not accepted easily.

The cornerstone for the success of Suntory whisky was not quality but the organizational structure of Suntory. As you can see diffusion of whisky sales in Japan occurred after sales promotions to Japanese restaurants. The strategy of promoting the sales to Japanese restaurants was due to an idea of the sales department. Even the

employees of Suntory had a fixed idea that drinking whisky with Japanese food was unimaginable. However, by chance a salesperson saw an old gentleman drinking whisky in a Japanese restaurant. The idea that whisky might sell to Japanese restaurants came out at this time. Strategic decision making, such as targeting, had also been handled by the sales department. In marketing textbooks this is supposed to be the job of the marketing manager.

A variety of sales promotion goods were developed, this could not be done in the sales department. The sales department coordinated the whole enterprise in order to aid sales. Eigyo is not merely sales but "activity flow management to ensure successful sales". It can be said that Eigyo is an activity that enables flexible resource mobilization corresponding to events happening in the market. To keep the flexibility of resource mobilization, Eigyo is the core of the Japanese firm.

Implications

Theoretical implications

Early sales management studies contained all of the marketing mix issues. For example, Hoyt's (1913) first book titled "sales management", mentioned direct mail. Following works contained further various issues, such as advertising, credit terms, price, and so on (e.g. Lyon 1926). "[These] factors in recent years have been called elements of marketing mix (Bartels 1988, p.82)". The domain of sales management is expanded to almost all factors of the marketing mix.

Due to these expansions of research domain, the boundary between sales management and marketing management had become blurred. It caused an identity crisis in sales management studies. Then sales management studies limit their domain to the management of sales forces. This limitation set the role of sales management clearly as a promotional tool and having recovered the identity as a part of managerial marketing. An influential book was written on this topic by Stanton and Buskirk (1959) titled "Management of the Sales Force". From this time, sales management studies have researched management issues of sales force and/or sales personnel such as motivation (Walker, Churchill, and Ford 1977), cognitive skills (Weitz, Sujan, and Sujan 1986), and so on.

On the other hand, the KAM (key account management) issue is drawing attention (Shapiro and Moriaety 1980; Homburg, Workman, and Jensen 2002; Richards and Jones 2009). A key account manager is defined as a salesperson or manager who "is responsible for maintaining and developing direct relationships with a few customer

accounts that cut across product and geographic boundaries (Sengupta, Krapfel, and Pusaeri 2000, p.253).” In our case, Suntory’s sales had much in common with KAM, but it is different from KAM in that Suntory’s sales department has authority to do everything not only for key accounts but also for ordinary customers.

Interestingly, this can mean that the marketing function can be divided and integrated not only by a marketing manager but also other positions such as a sales manager. The marketing functions are the same, but the integration style can be varying among different countries and/or cultures.

Managerial implications

The old view of sales management “reappeared in later years as the concept of marketing manager, in a position above sales management, consumer oriented, and having a sense of social responsibility” (Bartels 1988, p.82). It is believed that integrating marketing function is the job of a marketing manager.

However, the case with Suntory shows that the marketing functions need not necessarily be integrated by the marketing manager. Rather they can be integrated by the sales manager or Eigy manager. It leads to a quick response to the market as an Eigy manager can decide almost everything. If a market is uncertain, this style of management can be more suitable than the traditional way.

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