

Strategic Inconsistency:

Meandering toward Turnaround at Asahi Beer in the 1980s–90s

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Abstract

This paper discusses the strategic inconsistency at Asahi Beer in the 1980s and 1990s, when the company achieved outstanding success in turning its business around. Deployment of the company's well-known *selection and concentration* strategy is often credited with Asahi Beer's striking success, illustrated by widespread popularity and prodigious sales of Asahi Super Dry. However, as this paper describes, inconsistent decision-making processes existed within Asahi Beer, casting doubt on consistency of strategy as the company moved toward success. The theoretical validity by which the selection and concentration strategy was pursued during the two-decade period at Asahi Beer is explored and contrasted with the strategic activities of competitors during the same period. This paper concludes that Asahi Beer's success was not the result of an established selection and concentration strategy.

Keywords: Strategic Inconsistency, Asahi Beer, Kirin Beer, Hindsight, Asahi Super Dry, Kirin Lager, Unearned Run, Selection and Concentration.

Introduction

This paper addresses the remarkable success of Asahi Beer during the 1980s and 1990s, with special reference to its dynamic shift in crucial phases of strategy, described as strategic inconsistency.⁽¹⁾ Extant literature on the historic success of Asahi Beer concludes that the main reason for the company's rapid recovery and stunning growth when it was teetering on the verge of bankruptcy stems from a strategy that was planned, executed, and pursued consistently with consensus involving all company employees. However, this paper casts doubt on this premise, suggesting instead that Asahi Beer's success was realized amid disparate tactical maneuvering and operational shifts brought about through inconsistent decision-making processes.

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Deconstructing the Myth of Strategic Intent

Victory in Hindsight

Fifteen years have passed since Asahi Beer held the dominant share of the market for beer in Japan, for which it beat out its rival—Kirin Beer—which had long dominated the industry. Since then, many publications have extolled the tremendous success of Asahi Beer.⁽²⁾ Case studies praised Asahi Beer as an example of irrefutable excellence in management, and cited executives and managers of Asahi Beer who spoke proudly of their contributions to their company's triumph over its competitors. In this same vein, it goes too far to say that each and every employee played a valuable role in contributing to Asahi Beer's success through their ardent efforts.⁽³⁾

As convincing as these remarks were intended to be, they are difficult to accept. To be sure, it is fantastic to see that unstinting cooperation among the collective whole of employees who share an equal and unquestioned devotion to their company can be a quintessential determinant to decisive success. In 1987, one decade before Asahi Beer released its Asahi Super Dry brand, the company was in turmoil, with a disorganized organizational structure and chaotic management structures. Even as much as a few years after Asahi Super Dry was being hailed as a historic blockbuster, the top and middle management of Asahi Beer wavered in its decisions about how to beat their formidable rival, Kirin Beer, and how to break away from two other main competitors, Suntory and Sapporo.⁽⁴⁾ For these reasons, we must scrutinize Asahi Beer's factors for success beyond the claims of management.

Oversimplification of Strategic Concepts

Often a tendency in business is to attribute past successes to one or a number of planned strategies. These strategies in themselves tend to morph into 'success stories.'⁽⁵⁾ In the case of Asahi Beer, the successes are attributed to strategic management theory, which speculates that achievements are an outcome of essentially one factor: 'success stories' resulting from a "selection and concentration" strategy. Such reasoning, however, may be flawed in the sense that its conclusions are drawn without giving adequate evaluation to the already existing interplay of inherent relationships within the company and its management environment.⁽⁶⁾

Following this line of reasoning, every observable tactical process can be subsumed into an immaculate strategy. That is, people tend to fall into a trap of strategic frame, or

what we call the “Procrustean approach,” which proves postulation in a far-fetched way, excluding other variables, and which may contribute to countering an unblemished formulation of theoretical edifice. ⁽⁷⁾ It would not be going too far to say that historic strategic success is a theoretical abstraction induced from multi-faceted causal relationships, in this regard.

Intricacies of Management

When IBM had a historic triumph after the remarkable sales of its 360 computer machine in the 1960s, the CEO, T. Watson Jr., stated, “It was a text book example of the precision management style for which IBM was famous. Yet, I ran those meetings in a way that surprised most business school professors, because it was anything but scientific.” ⁽⁸⁾ His observation denotes that decision making may invariably be irrational, no matter how cerebral and lucid deliberations may be, much as Herbert Simon expressed in his theory of “bounded rationality.” ⁽⁹⁾ Such success is not the result of constant and strenuous efforts, in that it is not a predestined trail leading to inevitable business success.

Does a well-marshaled strategic plan always exist before it is deployed? Can such success be realized under entrenched and well-aligned evolutionary dynamic organizational integration? Can the interpretation of crucial moments of decision making processes be distorted in light of a victory in hindsight, no matter how well piecemeal episodes are piled up on the success story?

Before the Dawn

Unpropitious Brand: Asahi Gold

When Asahi Beer was re-established in 1948, it had a single brand, due to the Anti-monopoly Law. The brand name was the same as the company name—Asahi Beer. The Asahi Beer brand developed and marketed an additional brand in “Asahi Gold” in 1957, under the leadership of Tamesaburo Yamamoto, the first CEO of Asahi Beer, and German brewing engineer Willy Kleber. It may be inferred that Japanese engineers of Asahi Beer were extremely dependent on and influenced by the German-born expertise of Willy Kleber. The beer had a certain distinctive bouquet, similar to that of German beer. They couldn’t adapt the taste of Asahi Gold to the Japanese preference for bitterness and tartness of beer, despite their marketing campaign. The popularity of

Asahi Gold was high at the time when it was marketed. Afterwards, however, its popularity gradually decreased among customers because of the awkward logistical system. The stagnant sales negatively affected employees of Asahi Beer. ⁽¹⁰⁾ Yamamoto's influence was so overwhelming that successive CEOs could not abandon the brand. Although the higher echelons of management implemented aggressive sales campaigns many times with the strong belief that Asahi Gold would sell well in due time, failure ensued.

The following episode exemplifies the bad reputation of Asahi Gold. The owner of an expensive restaurant blatantly told Seto, a promising sales person who was later appointed as the CEO of Asahi Beer, "We can't serve this brand to the customers because it smells rotten." ⁽¹¹⁾ In fact, the company was involved in the trouble in disposing of an excess stock of Asahi Gold due to the slump of sales. Management curtailed the production costs and pared down the expenses of the sales campaign. The reduction in cost increased the deterioration of the beer's taste.

In 1969, Asahi Beer marketed Asahi Hon Nama. This beer did not contribute to an increase in the market share. As a result, the atmosphere of the sales department became sluggish, as the budget of the sales campaign became stringently retrenched. The company thus entered a vicious cycle of low sales and low morale, which led to missed business opportunities, curtailment of expansion, and ground lost to other competitors.

Change in the Market in the 1960s–1970s

Before the 1960s, liquor shops could sell any brands to their customers at their own discretion, in Japan. In the 1960s, however, Japan entered a period of rapid economic growth. The 1960s saw the sales ratio of the beer industry continuously expanding by two digits annually. As family income increased, lifestyles and patterns of consumption changed correspondingly. Electric domestic appliances rapidly became popular in Japanese households. Consumers could choose the brand of beer they favored at nearby liquor shops and purchase as much as they liked, now that refrigerators were prevalent. ⁽¹²⁾ Asahi Beer continued to target bulk scale sales to restaurants and nightclubs, rather than to consumers. Despite laborious efforts to sell their product, Asahi Beer was left behind in the new burgeoning beer market.

The department of sales at Asahi Beer had made a strenuous effort to sell their brand, but without a robust marketing strategy their efforts were no more than stopgap sales tactics. The inventory piled up and the clearance sale proportionately increased,

because desperate sales persons solicited major clients to purchase Asahi Gold in order to temporarily meet their targeted sales goals. These tactics backfired, as the freshness of taste was so downgraded that Asahi Beer was given an incessant reputation as a bad-tasting beer. Thus, Asahi Beer continued to lose patronage from many customers. In particular, Asahi Beer continued to lose its market share as wholesales and special agents changed orders from Asahi Beer to Kirin Beer. Asahi continued to be trapped in a vicious cycle of sales slump. ⁽¹³⁾

The Heyday of Kirin Beer

From the early 1970s to the middle of the 1980s, the market share of Kirin Beer surged to more than 60 percent, whereas the share of Sapporo Beer was 20%, Asahi was 15%, and Suntory was 10%. In 1973, the market share of Kirin Beer achieved 61.4 percent. ⁽¹⁴⁾ The overwhelming popularity of Kirin Beer was typified in the following commercial message, which was televised in 1970: “We don’t know why, but we have no choice other than Kirin Beer.” ⁽¹⁵⁾

However, an expected shock hit Kirin Beer in 1973. It was purportedly inferred that the JFTC (Japan Fair Trade Commission) had threatened to intervene in the extraordinary market dominance of Kirin Beer and divide the gigantic company in two. This inference was not groundless in light of the history of the Japanese beer industry; in 1949, Dai-Nihon-Beer, which enjoyed a large market share of the beer industry, was divided by the law into two companies: Asahi Beer and Nihon Beer. For that reason, it was allegedly said that Kirin Beer did not make a strong effort to expand its market share past 60%, and restrained from conducting a major sales campaign.

Stalemate

In contrast to Kirin’s prosperity, Asahi Beer was completely outmaneuvered and trapped in a difficult situation. The company was deeply ingrained in its historical marketing and sales traditions. The nature of its strategy involved a kind of nostalgia for its brilliant past. The use of such established strategies tended to encourage organizational traits that prevented management from creating a new strategy, even when the company approached the verge of bankruptcy. The third CEO, Takahashi, and the successive Enmei, reinforced the existing sales campaign and strategy of cost reduction. In 1978, Asahi Beer was involved in scandal, and was accused of being a corporate racketeer as a result of their poor business performance. ⁽¹⁶⁾ In 1981, Enmei

embarked on a reform of Asahi Beer, under the advice of the famous management consulting company, McKinsey & Company. However, his reform policies did not work well, in large part because they required management to relinquish any possibility of cashing in on business opportunities. As a last resort, Asahi Beer had to lay-off staff because of financial difficulties.

Yawning Downturn

Asahi Beer was floundering on the verge of bankruptcy for a few years before Asahi Super Dry was marketed in March 1987. In 1949, Asahi Beer had accounted for 36.5% of the total market share of the beer industry, but by 1986 its share had fallen to 9.6%. The downswing was likened to Niagara Falls, in that the line graph of the market share drawn in the sales chart showed a vertical plummet. The sales staff had become despondent. As a pun on the name Asahi, which refers to the sun rising, people began to disparagingly call Asahi Beer “Yuhi Beer,” which meant “Sunset,” referring to the company’s decline.⁽¹⁷⁾ It dawned upon the employees that the company had made a last-ditch effort to survive, and that the effort had not paid off. A plausible rumor began to circulate: that the company would be taken over by another brewing company or would soon file for bankruptcy.

Organizational Reforms

Organizational Reforms

In March of 1982, Tsutomu Murai was appointed as the fifth CEO of Asahi Beer. Like the former two consecutive CEOs, he was sent from Sumitomo Bank in order to rehabilitate the company. His major experience was in the department of administration.

Table 1: Successive CEOs of Asahi Beer

Tamesaburo Yamamoto (1949–1966)
Masayoshi Nakajima (1966–1971)
Yoshitaka Takahashi (1971–1976)
Naomatsu Enmei (1976–1982)

Tsutomu Murai (1982–1986)
Koutaro Higuchi (1986–1992)
Yuzo Seto (1992–1999)
Shigeo Fukuchi (1999–2002)
Koichi Ikeda (2002–2006)
Go Ogita (2006–2010)
Naoki Izumiya (2010–present)

Tsutomu Murai had a reputation for his skillful revamping of an automobile manufacturer, MAZUDA, which had slid financially downhill in the second half of the 1970s. Soon after Murai assumed the position of CEO at Asahi, his inceptive tactical approach was directed at organizational reforms.⁽¹⁸⁾ He set up an in-house reading book circle comprised of middle management. He also introduced a plan for CI (Corporate Identity), a renewal of management philosophy, and quality control circles activities (AQC) in the company. These organizational reforms were called the “New Century Project.” It should be particularly noted that the company logo on the bottle of beer was changed for the first time in the history of the company, despite strong opposition from inside the company. Murai’s approach resembled the management leadership method put forward by Kotter.⁽¹⁹⁾ He took advantage of the sense of crisis and the problems that faced the company. His contribution to Asahi was organizational chaos.

Shift to “Product Out”

Changing Eating Habits

Kirin Beer did not respond proactively to the social trends in the 1980s, when rapid changes in lifestyles led to changing eating habits for Japan’s younger generation. In the last quarter of the 1980s, Kirin Beer focused on the introduction of information technology by renovating its logistics systems, advancing its overseas business, and conducting organizational expansion into the beverage industry. Meanwhile, the company did not produce any new brands of beer, being satisfied with the overwhelming popularity of Kirin Beer.⁽²⁰⁾

As far as the beer industry was concerned, the primary market for sales were beer gardens, restaurants, *izakaya* (Japanese style pubs), and *ryoutei* (Japanese style luxury restaurants). For household use, and for occasions such as *ochugen*⁽²¹⁾ and *oseibo*⁽²²⁾, beer

was bought from neighborhood liquor shops, department stores, or supermarkets. In the 1980s, purchases for non-household use allowed for 75% of total beer consumption. In the case of Asahi Beer, however the percentage of beer sold to businesses such as restaurants was over 90%. Asahi Beer thus depended almost completely on bulk purchases from businesses.

However, in the 1980s, a favorable business opportunity for Asahi Beer occurred. Younger generations were becoming fonder of eating meats and greasy dishes as their disposable income increased. Their eating habits were totally different from those of the older generations, who were accustomed to taking frugal meals. At the same time, the circumstances for consumers had changed. Convenience stores were rapidly spreading across Japan, and established a firm foothold for maintaining the daily needs of local people.

Another change was that young people often went to category killers for the discounted liquors that appeared in the 1980s in urban areas; these sorts of shops rapidly prevailed in Japan from then on. As the penetration rate of refrigerators per household was almost saturated and almost everyone could buy beer in bulk and store it for later, beer was purchased in greater numbers from nearby convenience stores or category killers at discounted prices. Furthermore, the younger generations, regardless of gender, were more inclined to prefer beer to whisky or Japanese sake, while older generations had preferred the latter. Consequently, the proportion of business use of beer to household use of beer gradually increased, until the two achieved an even balance.

Seeking New Positioning

Under the leadership of Murai, a new brand had to be introduced to cope with the consecutive decline of the share, which would have led to bankruptcy unless the company improved the adverse situation. The company carried out some market research in order to develop a new brand of beer. As early as autumn 1985, research into taste and sensory tests were conducted to reconsider consumer acceptance of Asahi Gold in comparison with other leading brands. The research was conducted in Tokyo and Osaka, and included about 5,000 participants.⁽²³⁾ The research found that the consumers could appreciate a difference in tastes among the brands, and preferences for different tastes varied according to the generations. Following the research results, the executive committee of management approved the development of a new brand in September of 1985.

Reactionary Skepticism

However, changing the taste of Asahi Gold was so large a change that many managers were opposed to it. The opposition pointed to how Coca-Cola had faced a huge setback after changing the taste of its leading product in 1985. Management did not intend to run the risk of producing this kind of brand new beer which was against the traditional marketing style of beer industry, taking into consideration the ongoing marketing project of Asahi Beer would go the same way as historical strategic failure of Coca Cola.

The new marketing initiative was sought so vigorously that the marketing general manager, Yasuo Matsui, made strenuous efforts to launch the new brand of beer while confronting interdepartmental resistance and recalcitrance. His attitude sometimes overstepped the limit of his authority and annoyed the R&D Department, because R&D had traditionally been responsible for deciding what new product lines would be produced. Matsui defied the antipathy to his proposal and took the brunt of the inner conflict over whether the new marketing operation he proposed should take precedence over the R&D decisions. He was confident that younger generations must be targeted on the grounds that they preferred Western foods to Japanese traditional foods, due to the changes in the eating patterns of the Japanese.⁽²⁴⁾

The next marketing strategy of Asahi Beer was embodied in an informal inter-departmental meeting in September 1985, at the time when other beer companies were preoccupied with beer container designs. Each beer company was absorbed in producing a shape of container that would be popular among customers. The taste of beer was a secondary matter. It can be stated that the Japanese beer industry reached a fallacy of composition to the critical point at which the industry could be transformed into a new competitive age. The second half of the 1980s was a fortunate period for Asahi Beer.

Innovative Effort and New Brand

In January of 1986, the New Century Project was implemented and, while exploiting the new taste, Matsui suggested that Asahi Gold was not popular in the market because the taste didn't meet the expectations of the new generation, which had been born after the war. The prototype of the new taste was pursued through the leadership of Hisahi Usuba, the general manager of the manufacturing department. The new yeast, which was called "508 yeast" in the department of R&D, was applied to product development for the new brand.⁽²⁵⁾ The main tenet was a creation of a brand having both *kire* (crisp or

briskness) and *kokū* (body, richness, or robust flavor). The task was challenging but innovative. The new brand was named “Asahi Nama Beer,” and was launched in February, 1986. Correspondingly, a fresh rotation system was introduced. The system involved collecting old beer three months after it was produced in order to maintain its freshness.

The Asahi Nama brand contributed to a moderate increase in the market share of Asahi Beer, which changed from 9.6% to 10.1%. However, the series of reforms didn’t go well for the embattled CEO. He could not achieve a remarkable expansion of the market share.

Notwithstanding, there was a cardinal moment when Usuba and Matsui agreed on the taste of the new brand. In fact, Matsui let some air into the staunchly conservative organization in terms of authorizing the taste of beer. Matsui admitted in his publication, “Whenever I reflect on the success of Asahi Beer, I can’t stop feeling petrified even now. The reason is that the company couldn’t have won the victory without Usuba’s approval. Otherwise, the production department would have stuck to its stance in terms of the existing taste and the accompanying conventional quality.”⁽²⁶⁾ The interdepartmental cooperation was re-organized into something substantially more close-knit, and the newly renovated organizational structure became a driving force of the business process. Matsui took heavy responsibility for the sales campaign, but he was given the following words of comfort by his colleagues: “If the market share almost remains unchanged after the sale, you will not be liable for this project.”⁽²⁷⁾

New Leadership

Replacement of the CEO

On April 1986, Murai was replaced by Koutaro Higuchi as the CEO of Asahi Beer. It was purportedly said that the CEO of Sumitomo Bank, Isoda, decided on this change, taking into consideration that Murai did not meet the expectations of leading shareholders of Asahi Beer. During the 1980s, Isoda was called the “king” of Sumitomo Bank; he had an absolute power that no one in the organization could defy.

Higuchi had been regarded as an ambitious man throughout his career. He was a most successful go-getter in Sumitomo Bank, to which he belonged. He had almost been promised the position of CEO for the leading Japanese bank. He must have felt disappointed that he was appointed as the CEO of Asahi Beer, instead. Higuchi had no specific plans to rev up the debilitating company except for his ardent motivation, which

was endorsed by his brilliant career at Sumitomo Bank. Like Murai, he took the brunt of the crisis, which was now at the point of forcing the company to go bankrupt. It is conceivable that he was also preoccupied with handling the problem of inescapable and imminent insolvency while he inspired employees to work in an optimistic way. Nonetheless, he contributed to a turnaround of the doomed company in no small measure. ⁽²⁸⁾

Abolishing TQC & CI

The major reforms that were conducted by Murai were all abolished by the swift judgment of Higuchi, only a few months before the new brand, Asahi Super Dry, became a blockbuster in the beer industry. Higuchi judged that CI did not function as an enlightened vision that motivated employees to effectively integrate the organization beyond the individual departments, and that its role was finished because CI did not substantially contribute to good sales performance. CI was abolished on June 1987, only one year and two months after it had been introduced. Similarly, Higuchi regarded TQC, which Murai had introduced, as a waste of time and money; he did not use TQC as the centripetal force of the company. ⁽²⁹⁾

Higuchi understood that the reform of organizational culture through middle and lower management was not an ultimate panacea when the company was in a serious financial situation. Organizational cohesiveness may be a prerequisite driving force to implement strategy, but it does not necessarily endorse success on its own. This is not to say that the strenuous efforts of workers did not contribute to Asahi's turnaround, but strong motivation was only a part of the many factors contributing to the success.

In 1986, Asahi Beer was attempting to pass through a formidable ordeal. Even if Higuchi had known the product portfolio matrix being put forward by Boston Consulting or the strategic five forces formulation proposed by Michael Porter, he could not have applied them to Asahi Beer if he thought that building management strategy was meant to be contingent upon capricious probability.

FX Operation

The development of a new brand of beer started on June 1986, four months after Asahi Nama Beer rolled out. Yeast 508 was applied to the next new brand. ⁽³⁰⁾ The project was implemented under a code named "FX." There was again strong opposition to the new project from the department of manufacturing, which opposed the project for three

strong reasons. The first reason was that the department of manufacturing presumed that the new beer (FX) undermined the demand for Asahi Nama Beer. The second reason was that it was assumed that the image of the new brand proposed was too similar to that of Asahi Nama Beer. The third reason was that the department of manufacturing was not capable of producing the new brand (FX) that the department of marketing was striving to propose, as it was a bitter beer and the department had no experience with that flavor profile. The project almost miscarried. Nonetheless, CEO Higuchi granted the request from Matsui to move forward on the new beer on condition that his request should be defined as a tentative product development. Meanwhile, Matsui was left to persuade the head of the manufacturing department.⁽³¹⁾

The product (FX) was carried out on an experimental basis, and the taste was successfully accepted among the higher echelon of management. The FX campaign was reluctantly but finally endorsed by the CEO in August of 1986.⁽³²⁾ However, Higuchi asserted that this project would fail when it was presented to the management committee.⁽³³⁾ In spite of this tortuous course of production, Asahi Super Dry was launched on March, 1987.

Launch of Asahi Super Dry

Higuchi approved the sale of Asahi Super Dry on the condition that it should roll out only one million cases.⁽³⁴⁾ Moreover, he limited the sales area to the Tokyo metropolitan area. This was a cautious start to the sales campaign. Higuchi considered preparing for a strategic retreat, as he was not confident in their chances of success. When Asahi Super Dry was marketed in 1987, Japan had begun to enjoy the “bubble economy,” in which people were apt to squander money in an extravagant way and on an unprecedented scale.

This was a key moment with regard to considering the consumers’ preferences from “the product out” to “the product in.” Asahi Nama Beer and Asahi Super Dry were products derived from the concept of “product out.” Asahi Beer discarded the maxim that the taste of the long-established brand should remain the same. Asahi Super Dry was suggestive of an unprecedentedly unique product, comparable to the Walkman, the iPod, the iPad, and the iPhone. Like these products, Asahi Super Dry changed the existing market trend in its industry.

According to Matsui, Asahi Super Dry was developed based on the marketing concept of “want.” Unlike “need,” which can be assessed from questionnaires and interviews directed toward respondents, “want” may be defined to be a desire that consumers have

never experienced. It was unimaginable and intangible for them until it was presented to them. ⁽³⁵⁾

Financial Maneuverability

Asahi Super Dry had an impressive sales record as soon as it was marketed. Asahi Beer was immediately required to build additional factories in order to increase output of the new brand. Financial difficulties had prevented Asahi Beer from running intensive advertising campaigns over the past two decades, but Higuchi's assumption of the position of CEO in 1986 turned the financial situation of the money-strapped company around. Issued corporate bonds totaled more than 480 billion yen from 1988 to 1992, ⁽³⁶⁾ and Higuchi capitalized on Japan's financial trends from indirect financing to direct financing at a time when Japan was beginning to enjoy the "bubble-economy," which typified excessive liquidity. Thanks to the ample fund created by Higuchi, Asahi Beer could concentrate on running exuberant commercial campaigns for Asahi Super Dry while expanding the number of factories, which enabled the company to meet the incessantly increasing demand.

Cashing in on the success of Asahi Super Dry, Higuchi thereby invested 30 billion yen in a foreign resort in 1990. He also invested about 80 billion yen in the leading Australian brewery company, Foster, in 1991. However, these investments were not successful. The interest-bearing debts in the consolidated financial statement amounted to about 1.4 trillion yen, which was 1.5 times as much as Asahi's total sales. The successive CEO, Seto, was hard-pressed to solve this financial problem until 1999. ⁽³⁷⁾

Turnaround

Dry Beer War

In 1988, Kirin Beer, Suntory Beer, and Sapporo Beer started to produce their own dry beer in order to make sharp inroads into the success of Asahi Super Dry. The aggressive counterattack was retrospectively called the "Dry Beer War." The competitors attempted to nullify the brand of Asahi Super Dry, trying to take the lion's share in the dry beer market by creating calculated chaos. However, their plans went awry, as there was no room in the market for a follow-up hit. The strategies used by Kirin Beer, Suntory Beer, and Sapporo Beer were quite different from that of Asahi Beer. These three companies considered dry beer to be one of their brands, while Asahi Beer made

Asahi Super Dry the most important product in their portfolio, since it was a last resort for the survival of the company. Asahi Beer swept the board. As early as 1989, the retreat of the three competitors from the dry beer market put an end to the Dry Beer War.

Focusing on Asahi Super Dry

The market share of Kirin Beer fell from 61 percent to 48 percent between 1987 and 1990 as shown in Figure 1. Kirin did not make any proactive moves in response to the downturn. Instead, Kirin Beer watched calmly to see what was happening in the burgeoning dry beer market, and then attempted to market a dry beer in 1988. Over the next year, the brand name of Kirin Beer was changed to the brand name of “Kirin Lager,” in order to make the brand clearly identifiable by customers. Subsequently, “Kirin Ichiban Shibori” was marketed on March 1990, when full line marketing was implemented. Throughout the 1990s, Kirin Beer was involved in a hard-fought competition to improve its market share. However, the company had no premonition that the number of Kirin Beer’s brands was so overextended that each brand was not instantly recognizable to the consumers except for Kirin Lager and Kirin Ichiban Shibori.

In 1989, in swift response to the changes in Kirin Beer’s strategy, Asahi Beer stopped producing the traditional brand Asahi Beer, which was the same as the company name. In 1991, the company also put an end to production of the Asahi Nama Beer, largely because of the staggering sales achievement of Asahi Super Dry. Asahi Beer was determined to concentrate on selling Asahi Super Dry above all else, whereas Kirin Beer reinforced a full line marketing strategy, positioning Kirin Lager as a brand among many.

Setback

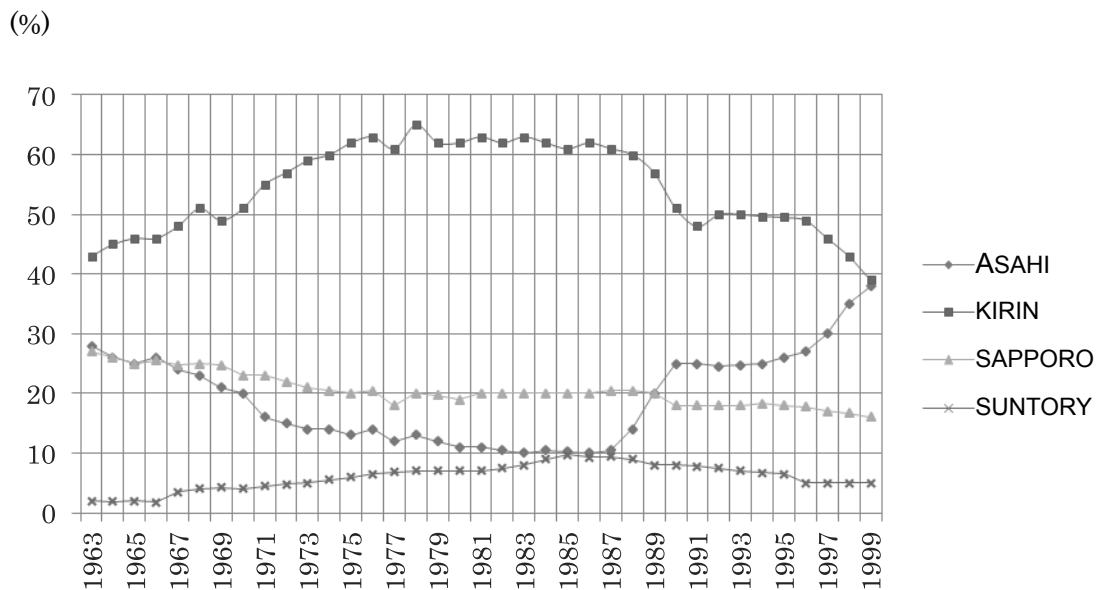
At a glance, Asahi Beer appears to have steered the management strategy towards a selection and concentration strategy, but Higuchi actually adopted a full-line operation, to prepare for a counterattack from Kirin Beer. A few promising brands were released alongside Asahi Super Dry. In 1987, Coors was launched, based on a licensing contract with Adolph Coors Company. Asahi Beer put an end to the sales of Coors when the licensing was terminated on May 1995.

In March, 1989, Asahi Super Yeast was marketed with technological cooperation from

Bass, which was an old, England-based brewing company. Asahi Super Yeast was popular among beer connoisseurs. This brand came second best to Asahi Super Dry in terms of sales performance of Asahi Beer. However, as Asahi Beer bore the brunt of the counterattack from Kirin Beer, Suntory Beer, and Sapporo Beer, production of this brand was stopped in August 1990.⁽³⁸⁾

On March 1991, Higuchi introduced a new brand named “Asahi Nama Beer Z” in response to the slowing increase in sales of Asahi Super Dry. While this new brand made a good start of selling, the strong momentum did not last. Asahi Beer faced a problem with tradeoff (what we call cannibalism) in sales between Asahi Super Dry and Asahi Nama Beer Z, and so did not increase sales for Asahi Beer overall. Higuchi demanded that management abandon the brand, even though it was supported by the customers, unless it could meet his high expectations for sales targets.⁽³⁹⁾

Figure1: Chronological Shift in the Market Share of the Japanese Beer Industry



Sources: Official Company History Edition of Kirin Beer, 1999, and Official Company Edition on History of Asahi Beer, 2010.

Higuchi's Successful Successor

Koutaro Higuchi was an aggressive and intuitive CEO, although he made many tactical mistakes. He was elastic enough to cash in successfully on several business opportunities. His famous remark, “A chance cannot be saved” typifies his inconsistent tactical behavior.⁽⁴⁰⁾ His biggest contribution was to show employees that Asahi Beer

could beat Kirin Beer. He was replaced by Yuzo Seto in 1992.

Seto was the first CEO of Asahi Beer who had worked for the company since the start of his career. He was immune to the nimbus of the former CEO, Higuchi. Taking into consideration that cross-organizational SCM was needed, Seto introduced “Fresh Management” as an in-house campaign immediately upon assuming the CEO position. The mandatory goal was to establish a new SCM system to provide customers with the highest degree of freshness of beer, but the latent objective was to give workers a challenge to strengthen organizational cohesiveness.

Seto contributed to a further development of Asahi Beer. He was determined to zero in on sales of Asahi Super Dry, fending off the multi-brand counter-attack strategy from Kirin Beer. He also aimed to alleviate any financial liability that might curb positive operations in dealing with investment and sales campaigns. Seto intended to establish a sustainable strategic consistency while doing away with the backlogs of his influential predecessor, Higuchi. ⁽⁴¹⁾

Unearned Run

The Experience Curve Effect and its Traps

The Japanese beer industry can be categorized as an oligopoly. More than ninety percent of the market share is provided by only four companies. The theory of the experience curve effect states that the more product is produced, the more decreases there are in the cost of production. The experience curve effect indicates the expansion of both the market share and an increase in profitability.

The industry enjoyed stable profits from the experience curve effect. In the 1980s–1990s, however, the experience curve effect did not work. Kirin Beer was trapped in a self-complacency of the experience curve effect. It can be stated that the selection and concentration approach was virtually realized in Kirin Beer in the 1970s and 1980s because the market share of the company exceeded 50 percent for two decades when Kirin Beer readily concentrated on an unmatched brand. According to the matrix of the BCG’s product portfolio management (PPM) scheme, the Kirin Beer brand could be classified as a star in the matrix of PPM strategy. Kirin Beer stuck to the star brand, which brought prosperity to the company in spite of changing market circumstances. In 1989, Kirin Beer implemented a new marketing operation called a “full line marketing operation.” ⁽⁴²⁾ Kirin Beer put four products onto the market in addition to Kirin Lager, using their abundant financial resources, under the assumption that the blockbuster of

Asahi Super Dry was only a temporal phenomenon. Kirin Beer's decision makers believed that the economies of scale would be shown based on the theory of the experience curve effect, although Kirin Lager was downgraded to one of many brands under the full line marketing operation. However, this operation was unsuccessful despite the strong initiative of Hideo Motoyama who held the CEO position of Kirin Beer from 1984 till 1992.

Table 2: Successive CEOs in the Turbulent Years of Kirin Beer

Hideyo Motoyama(1984-1992)
Keisaku Manabe (1992-1996)
Yasuhiro Sato (1996-2001)

Changing Business Circumstances

From the beginning of the 1980s, supermarkets, conveniences stores, and discount stores began making inroads into the liquor business. This caused the destruction of an existing price mechanism that maintained price leadership on the manufacturers' side. In these stores, sales restrictions were lifted and they were able to deal with every brand of beer. This new trend in the marketing system also led to a deterioration in the exclusive agent system, which had until then totally controlled wholesalers and self-employed stores. These stores tried to cash in on the brands that sold well in the market. After 1987, Kirin Beer could not fend off unprecedented chaos in the market, and had to face declining sales of Kirin Lager because of the rapid surge of Asahi Beer. While the full line marketing operation was implemented at the turn of the 1980s, Kirin Beer underwent two unfavorable changes in the market. The first was that the production of canned beer overtook that of the bottled beer. Correspondingly, the ordering of beer was seldom made through liquor shops, on the grounds that canned beer was easily available in the supermarkets, the discount shops, and the vending machines that were installed on the streets and in hotels. The second was that sales of draft beer increased, while heat treated beer came to be perceived by consumers as being more preferable as well as desirable.

Vacillating Kirin

By the end of the 1980s, Asahi Beer, Sapporo Beer, and Suntory Beer sold draft beer, and their market share was becoming dominant in the beer market. Only Kirin Beer had not launched its own draft beer yet. There were two reasons for not embarking on this business trend. First, Kirin Beer considered the draft beer market to be limited to only the summer period. The company presupposed that the total capacity for factory production would be exceeded if the draft beer was produced throughout the year. Secondly, it can be inferred that there was an organizational conflict between the interdepartmental decision making processes regarding Kirin Beer, because Kirin Beer had two strong brands: Kirin Lager, which was considered to be a gold mine, and Kirin Ichiban Shibori, which was launched in 1990 and was positioned as a large-scale item in Kirin Beer. Kirin Ichiban Shibori succeeded in undermining the market share of Asahi Beer. However, the brand incurred factionalism within the organization of Kirin Beer.

The production adjustment relating to the supply and demand in relation to these leading brands was an imminent task. However, management could not settle on a tactically balanced proportion of Kirin Lager to Kirin Ichiban Shibori. In addition to the problem of production imbalance between these two main beer brands, Kirin Beer faced the problem of deciding when to launch the sales of canned Kirin Lager. Kirin Beer decided to sell canned Kirin Lager in 1993. It is conceivable that an intra-company organizational conflict was brought out on the grounds that both brands were being produced under the two different sections in the same department of Kirin Beer. The strategic outline of Kirin Beer was beginning to blur because of the recurrent inter-organizational conflicts and the ensuing disarrangement in top management. However, the organizational chaos ruined the potential of Kirin's strategic solution to outmaneuver Asahi Beer.⁽⁴³⁾

Unearned Run

In the 1990s, Kirin Beer faced a turbulence that it had never before experienced. In 1993, the company was involved in the case of a corporate racketeer. The prosecution alleged that Kirin Beer had accepted a bribe from the racketeer in return for the fixing of a general meeting of shareholders. Kirin Beer's corporate brand lost its long-standing credibility due to this scandal, which caused its top management to resign.

In 1994, weighing the traditional brand strength of Kirin Lager in comparison with the brand-new product, Kirin Ichiban Shibori, the CEO of Kirin Beer, Keisaku Manabe

deemed that Kirin Lager should be sold more. The company concentrated on a hard-hitting advertising campaign for Kirin Lager. However, it turned out that Kirin Ichiban Shibori outsold Kirin Lager, contrary to his expectations.

In 1995, another scandal followed, when one of the brands of Kirin Beer was found to be contaminated with microbes. These two scandals created a bad reputation that disrupted the brand image of Kirin Beer. In January 1996, when yasuihiro Sato held the CEO position, Kirin Beer changed the manufacturing process of Kirin Lager from the heat treatment of yeast to the filtration of yeast due to the increasing popularity of draft beer.⁽⁴⁴⁾ However, the change in the taste that resulted from this change backfired on Kirin. Kirin Beer lost the patronage of customers who had long favored the Kirin Lager brand. This fiasco triggered a substantial decrease in Kirin Beer's market share. Moreover, Kirin Beer desperately put Kirin Lager in the core position of its full line marketing operation.

Repeated Failure

However, supermarkets, liquor shops, and category killers didn't comply with the request from Kirin Beer that all the brands should be placed on the sales floor area, because there was not enough space to provide all the brands produced by Kirin Beer. The tables never turned for Kirin Beer. Over the next year, the market share of Asahi Beer climbed until it had almost reached that of Kirin Beer.

Leading Japanese newspapers reported that Asahi was now in second place in the beer industry for the first time in forty-four years. This had a considerable effect on Asahi Beer in terms of recognition of successful branding. The reputation of Kirin Beer was unceasingly undermined.

At this critical juncture, Kirin Beer refuted these articles. The company did not present any official announcements to the media about the change in the market share in the beer industry. Instead, preoccupied with profitability, Kirin Beer announced a diversified strategy and embarked on a multi-brand marketing operation, denying on January 1997 that they would have a full line marketing operation. A multi-brand marketing operation was implemented based on the idea that Kirin Lager and Kirin Ichiban Shibori sales campaigns should be changed to the ratio of fifty to fifty, when the previous ratio had been seventy to thirty. This marketing operation resulted in failure again, and recovery was not achieved. On the contrary, Kirin Beer continued to lose its market share.

Consequence of Information Technology

In the last quarter of the 1980s, many Japanese leading companies introduced supply chain management systems to make logistics more efficient and effective, in order to shorten the lead time from material procurement to the retailer sites. This was the case with the beer industry, as well. Kirin Beer facilitated an IT system named “FIT” in 1988, which tracked the product from the manufacturing department through the sales department to the supermarkets and liquor shops. The system made it possible to instantaneously bring sales information to the head office, and was much admired in the media.

In spite of Kirin Beer’s state-of-the-art SCM system, they could not change the competitive business circumstances in the beer industry enough to counteract the rapid growth of Asahi Beer. Five years after Kirin Beer introduced this system, Asahi Beer also adopted information technology to effectively implement the system of “Fresh Management,” which was designed to supply fresh beer immediately after Asahi Super Dry was produced in the factories. The logistical-based on-line system created an increasingly fast flow of distribution from the upstream market to the downstream market, thus avoiding the bull-whip effect. It may be said that the disruptive power of the marketing strategy overwhelmed the tactics related to the innovation of information technology.

Entrenching Asahi Beer’s Position

Offence is the Best Defense

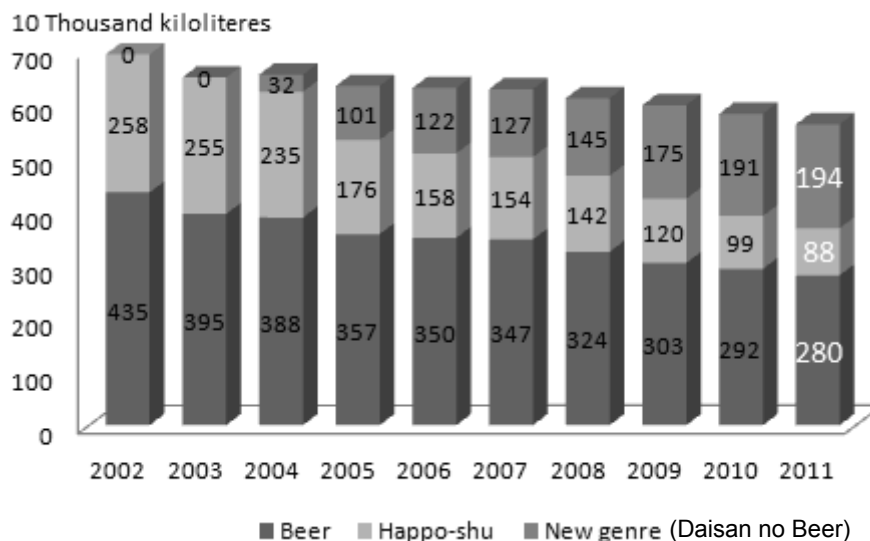
As previously mentioned, CEO Seto advocated “Fresh Management” in 1993 to facilitate sales of Asahi Super Dry. He considered that freshness was equivalent to good taste. Asahi Beer laid out a system that enabled the company to ship the popular brand within ten days after it had been produced in the factory. A horizontal-oriented organizational structure was required to implement the system. In 1993, Asahi Beer embarked on a campaign called, “Our draft, Sales No. 1.” In 1996, the shipping time was shortened to only five days. In 1997, a freshness campaign was subsequently undertaken. In 1998, it took only five days from production through the shipping yard to arrival at retailers. Seto made a strategic breakthrough, by narrowing down the management resource to the proactive improvement of SCM system. Asahi Super Dry was thereby positioned as a kernel of the selection and concentration strategy. ⁽⁴⁵⁾ It can

be said that he was a prominent contributor to Asahi Beer's rise, along with Higuchi and Matsui in this respect.

Toward the Interminable Competition of the Next Decade

After the Dry Beer War, Suntory Beer rolled out “Happoshu” (quashi-beer containing low malt) in 1994. In the same year, Sapporo Beer produced “Daisan no Beer,” which literally means the third beer in English. Daisan no Beer was a quashi-beer with less malt than Happoshu. These projects occurred in the same year partly because the companies were both feeling the pressures of production costs, and these low malt pseudo-beers were cheaper to manufacture and had lower taxes than traditional beers. Three other companies followed suit. In the 2000s, Kirin Beer developed a non-alcoholic beer called “Kirin Free.” Three competitors also launched similar brands. Concurrently, the Japanese beer industry made an alliance with overseas beer companies, partly because the Japanese beer market continued to grow, and partly because the markets in China and South East Asian countries were strong, and the industry took advantage of the highly appreciated yen by aggressively deploying its M&A strategy. The proportion of sales of happoshu and the third beer continuously expanded as shown in Figure 2, although Asahi Super Dry remains the highest selling traditional beer.

Figure2: Taxed Shipments of combined Beer,Happo-shu, and New genre(totals of 5 major companies)



★Taxation figures are the total of five companies which cover Kirin, Asahi, Sapporo, Suntory and Orion.

★Results for new genre in 2003 have not been included in the graph since that total was only 3,000kl.

Source: Kirin Date Book 2012.

Discussion

A Devious Path to a Successful Strategy

The marvelous success of Asahi Beer in the 1980s and 1990s has been construed as an implementation of a selection and concentration strategy in the academics as well as by Asahi Beer's management practitioners. However, this paper has demonstrated that attributing the success to the sole conceptual coverage of this strategy is a sweeping generalization. It should be noted that Asahi Beer did not regard Asahi Super Dry as a key brand for the turnaround when the brand was initially rolled out in the market.

It is misleading to depict strategic maneuvers of management in a well-arranged and pre-established chronological order as provided for by the cogency of the argument, by utilizing *a priori* surmised assumptions. It seems farfetched to apply a selection and concentration strategy to the success of Asahi Beer.

Energizing Middle Management

As R. A. Gurgleman put it, "The lack of opportunity for middle management to develop a general management perspective for a new business impedes the strategic building activities necessary for integrating related initiatives that are dispersed throughout the company."⁽⁴⁶⁾ In this respect, Asahi Beer CEO Murai contributed to setting up a robust organizational climate that integrated top and middle management. Matsui played the role of the significant contributor who disrupted the organization ingrained in the traditional managerial culture; bridged sales, marketing, and manufacturing departments; and influenced the management of the higher echelons, including the CEO. The management culture of Asahi Beer was magnanimous enough to permit Matsui's attitude, which seemed arrogant to superiors. Furthermore, Higuchi best utilized the competence of a group of general managers, in spite of his autocratic leadership. This communicative milieu of middle management thus made it possible to create an elastic strategy.

Contingency Factors

The paper has demonstrated that the success of Asahi Super Dry was comprised of the complexity interfacing the exterior with the interior determinants constituting the strategy. This success was brought out by multifaceted planes of causal relationships.

This convolution is the case with the conflicting aspects of strategy in terms of Kirin Beer after the release of Asahi Super Dry. The strategy may be called a calculated projection for commanding future heights. It may be stated that this strategy is congruent with the sort of speculation that is imbued with an indefinite risk. This is why the strategy is constantly contingent on the amorphous circumstances that tend to be immune to management. This involves an ever-changing market environment, which makes the process of crucial decision making dubious and complicated. If the successful deployment of the strategy is expounded in the academic field of management, it may be that the success of the strategy must be sought from behind the scenes. Any clear-cut explanations for success would be inadvertently marshaled into a causal relationship with the use of hindsight.

Strategic Inconsistency

The management strategy is vulnerable to the exterior circumstances—the conditions of the market influencing the sales performance. A strategy must be coordinated, modified, and accommodated to the ever-changing market condition, taking into consideration the maneuvering of the competitors, in order to be a success. Correspondingly, the foundation of strategy is prone to be fragile and uncertain to the unpredictable fluctuations of the market. Successfully maneuvering through a treacherous market requires an experienced intuition as well as resourcefulness. As Mintzberg put it, “Strategic processes cannot be impeccably formulated and the outcome cannot also be consummated accordingly.”⁽⁴⁷⁾ Any beer manufacturer’s strategy may be said to be inherently inconsistent in that it must operate under changing industrial circumstances.

Theoretical Implications

It may be concluded that the management strategy is imbued with the characteristics of inconsistent behavior as far as the analysis of Asahi Beer’s success is concerned. The paper found that the strategy varied according to changes in the social surroundings, industrial circumstances, and the accompanying competitors’ strategies. It is misleading to apply the sole concept of strategy to explain the success of the company without discontinuous variation that can be observed from a strategic viewpoint over time. For this reason, the overarching approach is tenuous to explicate the success and failure of an individual company when it comes to investigating a causal relationship.

Put differently, the success of a strategy may be a one-time only occurrence whose analysis must be conducted in the theoretical realm of bounded rationality. Otherwise, the strategy would tend to become a grand theory stemming from a theoretical deduction.

It is evident that the tentative conclusion of this paper remains to be verified. Nonetheless, the scrutiny of bounded rationality is a clue to be amenable to establishing the configuration of strategy, which is a stepping stone to constituting the middle range theory of management strategy. Further empirical and scientific scrutiny is needed to clarify the particularities of management strategy.

Notes

- (1) The author coined the term “strategic inconsistency” in order to reconsider a mechanical view on strategy in analyzing the success and failure of management.
- (2) Jyunya Ishikawa, “Challenge of Asahi Beer,” Nihon Nouritsu Kyokai, 1987. The book became a best seller; it inoculated readers with the success of Asahi Beer as an incontrovertible truth.
- (3) The CEO, Yuzo Seto, liked to use the following expression: “We need no heroes in the company.” This is a special reference to the Japanese personality trait that occurs when someone wins a great achievement and he/she tends to attribute his/her success to the unstinting support of the group to which he/she belongs, rather than to his/her own credit. This humble attitude is regarded as an admirable virtue in Japanese culture. See Mayako Fujisawa, “Asahi Bi-ru Daigyakuten,” NESCO, 1999, pp. 194–195.
- (4) Yasuo Matsui, “Takaga Bi-ru, Saredo, Bi-ru,” Nikkan Kougyou Shinbun, 2005.
- (5) Oversimplification is cogent when the main determinant of success is succinctly explained, excluding the possibility of other strategies. However, there is a strong possibility that the oversimplified approach makes it impossible to unearth other causes of success.
- (6) The selection and concentration strategy may be defined as a focus on gold mine product lines that yield a very large of profit, while disregarding other product lines as having relatively bad prospects.
- (7) In the Procrustean method, given factors are excluded from investigations on the grounds that they are self-evident.
- (8) Thomas J. Watson Jr. Peter Petre, “Father Son & Co,” Bantom Books, 1990, p. 363.
- (9) Bounded rationality may be defined as “a model of management strategy that constitutes a series of tactical decision making that must be made with constraints on

restricted information availability.” Management strategy is constructed on the limited information available for decision makers, no matter how infinite the useful parameter for judging success may seem to be. See Herbert Simon, “American Economic Review,” Vol. 69, No.4, 1979, pp. 493–513.

(10) Official Company Edition on the History of Asahi Beer, 2010, pp. 69–70.

(11) Yozo Seto, “Gyakkyo ha Kowakunai,” Toyo-Keizai Shinpo-Sha, 2003, p. 110.

(12) In Japan, the penetration ratio of refrigerators per household exceeded 95 percent in 1980.

(13) Ditto, Mayako Fujisawa, 1999, pp. 74–88.

(14) Official Company History Edition on Kirin Beer, 1999, pp. 93–98.

(15) This commercial film was broadcast in 1970.

(16) Official Company Edition on the History of Asahi Beer, 2010, p. 90.

(17) Ditto, Yuzo Seto, 2003, p. 15., and Kotaro Higuchi, “Waga Keiei to Jinsei,” Nihon Keizai Shinbun-sha, 2003, p. 10.

(18) Official Company Edition on the History of Asahi Beer, 2010, pp. 100–105.

(19) P. Kotter espoused the eight-step change process in order to make a debilitating organization successfully transform into a robust organization. The steps are: establishing a sense of urgency, creating the guiding coalition, developing a vision and strategy, communicating the vision of change, empowering a broad base of people to take action, generating short-term wins, consolidating gains and producing even more change, and institutionalizing new approaches within the culture. Kotter’s tactical bottom line is that a shared sense of crisis inspires employees to strengthen an organizational cohesiveness that will lead up to the success of strategy. See John Kotter, “Leading Change,” 1996, pp. 21–22.

(20) Official Company History Edition on Kirin Beer, 1999, pp. 209–212.

(21) A gift sent to relatives and patronage to express long standing gratitude during a period in June.

(22) A gift sent to relatives and patronage to express long standing gratitude during a period in December.

(23) Official Company Edition on the History of Asahi Beer, 2010, p. 113.

(24) Ditto, Matsui, pp. 138–151.

(25) Official Company Edition on the History of Asahi Beer, 2010, p. 113 and p. 116.

(26) Ditto, Matsui, p. 160.

(27) Ditto, Matsui, p. 176.

(28) Kazuhiro Hayakawa, “Supa Keieijyutsu,” Sekai Bunkasha, 1989, pp. 134–179.

(29) Ditto, Matsui, pp. 132–133.

- (30) Official Company Edition on the History of Asahi Beer, 2010, pp. 130–131.
- (31) Ditto, Matsui, p. 216 and p. 228.
- (32) Ditto, Matsui, p. 229.
- (33) Ditto, Matsui, p. 230.
- (34) One case contains twenty bottles of beer.
- (35) Ditto, Matsui, pp. 210–211.
- (36) Official Company Edition on the History of Asahi Beer, 2010, pp. 156–157.
- (37) See Mikiko Yoshida, “The Change in Financial Behavior in the High Growth Period of Asahi Beer,” University Bulletin of Osaka City University, Vol. 51. No. 1, 2000.
- (38) Ditto, Matsui, pp. 312–328.
- (39) Ditto, Matsui, pp. 350–356.
- (40) Ditto, Kotarou Higuchi, 2003, pp. 94–101.
- (41) In 1992, the total amount of interest-bearing debts exceeded 740 billion yen because of capital investment for the rapid increase in production. This financial problem was a big burden that curbed further development of the company.
- (42) Official Company History Edition of Kirin Beer, 1999, pp. 272–274.
- (43) See, Kazuomi Yamaguchi, “A Warning against the Japanese Beer Industry” (only Japanese version) Seijyo University Bulletin of Economics, No. 189, 2010. The inter-departmental organizational chaos of Kirin Beer in 1990s is detailed by the author.
- (44) Official Company History Edition of Kirin Beer, 1999, pp. 343–347.
- (45) Official Company Edition on the History of Asahi Beer, 2010, pp. 171–175.
- (46) Robert A. Burgelman, “Strategy is Destiny,” The Free Press, 2002, p. 295.
- (47) Michael Mintzberg, “Mintzberg on Strategy,” Free Press, 2007, p. 125.