A Case Study of a New Model of Corporate Growth Strategies for Small Manufacturers in Japan

Chen-Chin Chuan *

Abstract

In general, “marketing strategy” is a long-term and synthetic marketing measures to achieve a goal of a company. The term “marketing” means to sell products after organizing all necessary conditions for the product to sell best with enough sound profit. The term “all necessary conditions” means planning and implementing marketing 4Ps decently organized in accordance with the data collected through marketing research.

Planning and implementing decent marketing strategy is indispensable to enterprises if they are to survive and keep growing in the market. A growth strategy is one of the two major sub-strategies comprising a marketing strategy. The other one is a competition strategy.

Now, the most popular concept of corporate growth strategy is the one introduced by H. I. Ansoff. (1996) It comprises 4 grids or matrices (2x2) and has been used as a worldwide standard model for a corporate growth strategy. However, it does not suit modern companies which are in the midst of severe global competition in the 21st century. In other words, Ansoff model needs sophistication, if we are to plan more effective and efficient marketing strategies. This is especially true of small manufacturers who lack ample managerial resources.

The objective of this paper is to introduce a sophisticated model for a corporate growth strategy 1), and also how this model can be applied to small manufacturers

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* Assistant Professor, Department of Marketing and Logistics Management, Yu Da University
This new model was developed by the author through investigating precedent studies concerning the matter including Ansoff model and analyzing actual marketing strategies developed by hundreds of corporations. It is found to be useful for present-day small manufacturers to develop decent growth strategies of their own.

Keywords: Model, Corporate Growth Strategy, Small Manufacturers
日本小型製造商公司成長策略的新模型案例-研究

陳金泉 *

摘要

整體而言，行銷策略是一家公司為達到營業目標的一種長期和展現綜合效益的手段。所謂“行銷”為品組織必要條件，就是最好有足夠的，最當的利潤來進行銷售。“一切必要的條件”是指透過市場調查蒐集的數據，來規劃和實行銷售4Ps。

企業需要生存和成長，計劃和執行市場行銷策略是不可或缺的。一個成長的策略是兩個主要策略，包括營銷策略及另一個競爭策略。

目前，公司成長策略中最普遍的概念是Ansoff.(1996)模型。它包括4個基盤象限或矩陣(2x2)，並在企業成長策略中，已被用來作為世界性的標準模型。但是，它並不適合應用於21世紀，現代公司激烈的全球性競爭現況。換言之Ansoff模型要修正更成熟完美，如果我們要更有效的計劃且高效率的行銷策略。此一修正，對缺乏豐富的管理資源的小型製造商而言，尤為重要。

本研究的目的，是介紹一個比較成熟的公司成長策略模型，以及要如何被應用於小型製造商。

本研究透過實例調，發展這個新的模型，包括Ansoff模型，並且透過分析數百家公司的實際行銷策略，它被發現對現代的小型製造商，開發自身的成長策略是有用的。

關鍵字：模型、公司成長策略、小型製造商

* 育達商業科技大學行銷與流通管理系助理教授
1. The New Model of Corporate Growth Strategies

The new model of growth strategies comprises 9 grids (or business domains) with three different categories of markets multiplied by three different categories of products (see TABLE 1). Each domain can be called the way shown in the table.

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<th>Market Product</th>
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<td>semi-market development</td>
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<td>Extended Product</td>
<td>semi-product development</td>
<td>⑤ semi-diversification</td>
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<td>New</td>
<td>⑦ product development</td>
<td>⑧ product-developmental diversification</td>
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The following is explanation some ideas of this concept. Let’s begin with the Market (Here in this paper, market means a target market).

(1) Market

1) Present Market: a market that the company is currently targeting
2) Present & New Market: a market comprising both present and new market at the same time. In a complicated industrial world of today’s severe competition we sometimes find some companies targeting both present and new markets simultaneously with the same product, when they try to do something new.
3) New Market: a market the company has never targeted so far. There are four types of the new market.
different place: different cities, regions, and even foreign countries

different generations: different age groups

opposite sex: from female use to male use and vice versa

different uses: from industrial goods to consumer goods.

(2) Product

Here in this paper, a product means a product line, not a product item.

1) Present Product: a product the company is currently handling.

2) Extended Product: a product having a relationship with the Present Product concerning one or two of the four aspects listed below so that it has both cost advantage and product differentiation at the same time when it is produced.

The same technology as the Present Product can be applied.

When the technology being used for the production of the present product is excellent, the quality of the extended product must be excellent, as the same or nearly the same technology is applied to it. Moreover, the company does not have to pay the license fee for that technology, nor has to employ extra employees with the technology. This leads to cost advantage.

The same material as the Present Product is used.

When the same material is used for producing the Extended Product, while producing the Present Product, the material has to be purchased in larger amount, which leads to decrease the material cost. Moreover, when the Present Product is produced with high quality material, the quality of the Extended Product using the same material will be excellent as well.

The Present Product can be an important part of a different product

Suppose the Present Product is in high quality, then the New Product installed with the Present Product as an important part must be in good quality all the more. Besides, the company does not have to purchase the part from other companies, which leads to decrease the production cost.

The waste of the Present Product is utilized for a new product.

When the waste that comes out when producing the Present Product can be used
as material or resource to produce a different product, the company can save the material cost all the more. In addition, when the good quality of the Present Product is more or less due to the high quality material, its waste can be in good quality, which leads to product differentiation.

To develop an Extended Product, it is natural that the company has to be rich in technology, and also it should have established an efficient and effective R&D organization.

3) New Product: a product line which the company has never produced before.

To develop a New Product, the company must acquire all necessary technologies for producing it, either through purchasing license from other companies or developing them by itself. And also, the company must have a more sophisticated department of R&D than in developing an Extended Product.

These requires that the company is provided with far more managerial resources including technology and R&D than in developing an extended product. This means that developing a New Product does not fit small manufacturers who are tend to lack enough managerial resources. In other words, Extended Products are the very ones suitable for them when they try to develop different products.

(3) The Concept of Each Domain

The concept of each domain is as follows:

1) Market Penetration

This is to market the Present Product in the Present Market and increase its market share. In order to do so, the company has to establish a sophisticated competitive strategy which is overwhelmingly stronger than that of competitors. How to do it is shown later.

2) Semi-Market Development

This is to market the same product in both the Present Market and a New Market together at the same time. For example, when a manufacturer relocates its factory to a developing country where the labor cost is very low in producing the Present Product, it is able to acquire the local market in the developing
country (New Market) as well as the market in the home country (Present Market) at the same time.

3) Market Development
In this domain, the company market maker its Present Product to a New Market that the company has never targeted before. The target market is new in terms of either different place, different gender, different age group, and different use. The company may have to more or less adjust its marketing 4Ps for the Present Product so that they (4Ps) fit the new market best.

4) Semi-Product Development
is to introduce an Extended Product to the Present Market.

5) Semi-Diversification
is to introduce an Extended Product to both the Present market and the New market together at the same time.

6) Market Developmental Diversification
is to introduce an Extended Product to a New Market.

7) Product Development
is to introduce a New Product to the current Present Market.

8) Product Developmental Diversification
is to introduce a New Product to both the Present Market and the New Market together at the same time.

9) Diversification
is to introduce a completely New Product to a completely New Market.
2. How to Use this Model

The important thing about this model is that it can be a good guide for small manufacturers to make use of it as a guide to develop an effective marketing strategy in such a highly competitive industrial world of today. Let me explain how this model can be used as follows:

(1) Secure the top Market Share in the Domain of “Market Penetration”

The company should do its utmost best to acquire the top market share in domain, or the domain of “market penetration.” It helps the company to establish a brand equity leading to secure and hold a larger market share. The larger the market share, the easier for the company to embark on whichever domain afterward.

(2) Establish the Overwhelmingly Competitive Advantages

In order to gain the top market share, an overwhelmingly strong competitive advantage has to be established. It can be established by sophisticating one or two of the following competitive strategies:

- product differentiation strategy
- market segmentation strategy
- new product strategy
- pricing strategy
- promotion strategy
- channel strategy
- physical distribution strategy

Among these, product differentiation strategy and market segmentation strategy are empirically found to be the most effective, especially when they are implemented at the same time.

(3) Intensify and Sophisticate Technology and R&D

Product differentiation strategy and new product strategy are carried out most effectively with sophisticated technology and R&D. Thus, technology should be kept sophisticated and accumulated, and also R&D department has to be intensified.

(4) Extended Products Should be Developed
Manufacturers may be good at producing the Present Product, using their own R&D facilities as well as production facilities, technology, and craftsmanship, etc. However, it would be extremely hard for them to develop a “New Product” shown in Table 1. This is because they hold so little of these managerial resources for producing it that it is too risky for them to handle it. Much riskier for small manufacturers.

On the other hand, extended products are easier for small manufacturers to produce and acquire competitive advantages strong enough to compete in the market. In other words, the domains for them to enter should be 1, 2, 3, 4, 5, and 6. They should avoid embarking on such domains as 7, 8, and 9.

(5) Manufacturers holding Brand Equity are Exception

However, if the manufacturer has already established brand equity in the Present Market, it can successfully embark on the domain of “Product Development,” or “Product Developmental Diversification,” by utilizing OEM system.

(6) Stay away from “Diversification”

This is the riskiest domain for small manufacturers to embark on. It is advisable for them to stay as much away from this domain as possible.

3. Actual Cases of Growth Strategy

To facilitate reader’s understanding of this model, let me show an actual case for each domain except the domain, “Diversification,” as the actual cases of small manufacturers for this domain can hardly be found.

(1) Market Penetration

As already pointed out, this is the policy of increasing sales and market share of the Present Product the company is currently handling. Actual means for Market Penetration is to develop and implement an overwhelmingly effective competitive strategy.
The following is one of the cases for this domain developed in terms of product differentiation strategy, one of the most effective competitive strategies.

(1) Market Penetration

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★ Note 3) pp.78-79: Showa-Note (maker of notebooks for school children, Tokyo)

When developing new notebooks, this company researches school teachers’ opinions as they often designate or recommend notebooks to their school children. In another case this company plans ten designs and has school children choose their favorite ones before deciding on the best design.

Its brand was named “Japonica” after one of the leading encyclopedias in Japan. As there were increasingly many mothers who were education minded. On the cover, pictures of rare insects and plants were used, as the company wanted children to be aware of the importance of a natural environment. It also employs pictures of characters which are shown on popular TV animation programs, such as “Doraemon” and “Pocket Monster.”

Now, the company enjoys the top market share of 40% in the area of notebooks for school children in Japan.
(2) Semi-Market Development

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★ Note 4) pp.54-55. Taiyo-Kagaku (maker of mahjong goods, Gobo City, Wakayama pref.)

This company has been producing mahjong tiles and fully automatic mahjong tables in Japan and selling the former to consumers and mahjong houses in Japan, and the latter to only mahjong houses in Japan, for the latter was pretty expensive.

Recently, the company relocated its factory to Shanghai to produce both goods. Since they can be produced at very low cost, it is now selling its mahjong tiles in China (New Market) as well as in Japan (Present Market), and fully automatic mahjong tables to consumers in Japan (New Market) as well as to mahjong houses in Japan (Present Market).

(3) Market Development

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★ Note 5) pp.40-41. Avanty (maker of stuffed toys)

In addition to stuffed dolls for children, this company developed and marketed “Ogrikun” a stuffed doll of a well known racehorse called “Ogricap,” for adults. It sold a million of “Ogrikun.” Afterwards, it marketed “Golby Ningyo,” a stuffed doll
with the image of former Russian President Gorbachev, which achieved sales of 20,000 dolls.

In both cases, the company succeeded in developing an adult market (New Market in terms of different generation).

(4) Semi-Product Development

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★ Note 6) pp.74-75. Anzai-Seisakusho (maker of an electronic color sorter, Chiba City)

This is a manufacturer of an ultra performance electronic color sorter for rice, which is to sort rice in different colors The market share is approximately 40%. Its Present Market comprises Japan Agricultural Cooperatives, rice merchants and food manufacturers. Recently, it developed a machine branded “Super Checker FMC Series” which recognizes any foreign substances to be eliminated from rice.

This is an Extended Product in that it is a mixture of technology used to make the present color sorter with new technology. And the target market is the same. Thus, this domain is classified as “Semi-Product Development.”

(5) Semi-Divercification

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★ Note 7) p.74. Ishimuramanseido (maker of confectionary, Fukuoka City)
This company used to produce only traditional Japanese sweets. The actual customers were found to be only the elderly.

Thus, the company developed Western confectionary, such as cakes and cookies (Extended Product) to attract both the younger generation (New Market) and older generation (Present Market) at the same time. The Western confectionary is an Extended Product in that the present technology can be applied, and the material is mostly the same.

(6) Market-Developmental Diversification

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★ Note 8) pp.66-67. Unkai-Shuzo (producer of liquor, Miyazaki City)

This company, a top maker of “sobajochu” or distilled liquor of buckwheat, used the waste fluid made in the production of sobajochu to produce a very nutritious feed material for livestock by processing the waste fluid in a solid liquid separation system and adding straw, etc.

The animal feed is the Extended Product, and since the target market is farmers with livestock (New Market), this strategy is that of Market Developmental Diversification.
(7) Product Development

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★ Note  ⑨ pp.76-77 Saera (maker of children’s wear, Okayama Prefecture)

This company, having specialized in the production and sale of children’s wear, additionally developed perfume and “odeur toilette” for girls aged 8 to 15 as its target.

As the company had no production facilities nor know-how for producing perfume and “odeur toilette,” despite an immediate and eager needs of the girls and their mothers, it had them produced by a cosmetic company utilizing the Original Equipment Manufacturing or “OEM” system.

Amid the increase of “accomplishment” lessons for children due to their decreasing population, these children tend to show up in a high fashion dress at an increasing number of formal parties, like performance occasions and birthday parties, and their sense of fashion is increasing. This social phenomenon brought about their needs for cosmetics.

Since the product, is completely a New Product, in this case, the target is the Present Market, which this domain belongs to the Product Development. The major reason for the success of this strategy by “Saera” lies in the fact that the company has already established a brand equity in the local market of Okayama, and also, the they were related to the fashion dress.
(8) Product - Developmental Diversification

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★ Note 10) pp.68-69 OH-Kogyo (maker of hammers, Higashi Osaka City)

This company has made different types of hammers for special and various uses so far. This is to avoid direct competition with Chinese hammers for general use having a low price. This strategy turned out well and the company enjoys good sales with the top share in this niche market. The target markets for these special hammers have been mainly manufacturers.

As it is not a good policy to stick only to one product line because of the “product life cycle,” the company developed two new products, a “rope tightner for truck loading” and “casters.” These two lines of products can be classified as New Products for the company, in that the “rope tightening” has little to do with the Present Product “hammer” in terms of technology, and material, and the “caster” is produced and offered through OEM, as OH-Kogyo has no production lines and the product has nothing to do with the present product “hammer” at all, as the president remarks.

These two lines of products are often used in physical distribution companies. And so, it is natural that the target market markets are truck companies (New Market), as well as manufacturers and contractors owning trucks and warehouses (Present Market).

Accordingly, the growth strategy for the company to embark on this business domain is naturally considered “Product-Developmental Diversification.”
Conclusion

The above growth vectors of enterprise within the “9x9” matrix are based on a new paradigm that precisely covers both the subtleties of growth strategies followed by modern enterprises and the business domains suitable for manufacturers which are not large in scale. This makes it possible for us to understand growth strategies in detail, expecting relative perfection from the matrices.

Accordingly, top management or staff of small manufacturers in charge of marketing strategy can fully comprehend the distortions of various growth strategies developed for their businesses, and the dimensions of the segments in which they are weak, through analyses of these matrices, and they can use the indices in the construction of their growth strategy.

Moreover, if people keep analyzing, using these matrices, the growth strategies enterprises of various industries follow, and make judgment about which of the nine strategies corresponds to these companies’ growth strategies, the ability to construct the most appropriate growth strategy for your company will be developed. This is an important feature of this model and this is why this model is superior to the traditional one.
Note


2) They include the following three different kinds of models:


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