Transcending conventional wisdom: Changing local pride into flavor through creative initiatives implemented in co-creation with consumers

Kirin Brewery launched the 47 Todofuken no Ichiban Shibori Project in May 2016. Until then, the conventional wisdom in the beer industry had been that beer tasted the same no matter where in Japan it was made, but this project proved that was not the case.

The scale of the domestic beer market has declined by approximately 1.8 million kiloliters over 20 years, and the reason is thought to be that beer has started to lose its appeal for consumers. Accordingly, we started this project with the slogan of “changing local pride into flavor.” We aimed for beer that enables consumers to enjoy a more diverse range of flavor, individuality, and regional characteristics as well as different ideas from brewers. Brewmasters from nine plants and salespeople from around the country worked together with people from the local regions to develop recipes by region with a focus on ingredients and brewing methods. In this way, we created 47 kinds of beer, representing the 47 prefectures of Japan. Each plant produced an average of five to six varieties of beer, and we were able to achieve the desired flavors with no test brewing and just a single brewing.

This product concept earned support in the marketplace, and we sold 2.7 million cases (large bottle equivalents), about two times the initial target. Reflecting this success, 47 Todofuken no Ichiban Shibori received the fiscal 2016 Japan Marketing Award.
Strengths of Value Creation Foundation That Led to the Success of 47 Todofuken no Ichiban Shibori

Involving Local Regions from the Concept Formation Stage
The development of 47 Todofuken no Ichiban Shibori started with three ideas—Popular in Daily Lifestyles, Communicating the Appeal and Interest of Beer to Younger Consumers, and Regional Revitalization. First, to extend the brand concept of Ichiban Shibori—Beer that is Popular in Daily Life—and to closely connect it to the lifestyles, spirit, culture, and local appeal of each region in Japan, we held co-creation workshops with consumers in regions around the country. At these workshops, our branch offices leveraged their networks and invited people well-versed in each prefecture’s communities. In this way, we worked together with the local community to develop each concept. In Hiroshima, for example, workshop participants included employees from the Chugoku Shim bun, a local newspaper publishing company, managers from OTAFUKU SAUCE CO., LTD., and a group of female fans of the Hiroshima Carp professional baseball team. In this way, we were able to incorporate the pride of the local region into the beer.

Our branch managers and other employees throughout the country worked together with members of local communities to consider the appeal of each region and develop concepts based on that appeal. These concepts generated favorable responses. Kirin’s assets include strong bonds with local regions, and our co-creation capability, which leverages these bonds in accordance with the idea of revitalizing local regions, is one of our strengths.

Achieving 47 Varieties of Flavor with Advanced Brewing Technologies
The number of beers offered by beer companies in Japan each year currently ranges from just a few to about a dozen. In this environment, it was a major challenge for Kirin to develop 47 varieties of beer in one year. The concepts that were created in cooperation with local people at the co-creation workshops in each region gave shape to the pride of each community, and accordingly they were highly individualistic. It was not a simple matter for us to give priority to each of those individual characteristics while creating products that were accepted by regional consumers.

Kirin Company operates the Research Laboratories for Alcoholic Beverage Technologies. This facility, which conducts development and evaluation related to beer products and RTD products, has a large stockpile of brewing technologies related to ingredients and yeast as well as brewing and fermentation conditions. Making full use of this technology stockpile, the brewers at each plant worked in cooperation with the Research Laboratories for Alcoholic Beverage Technologies to turn the concept for each region into a product.

As a result, we were able to make 47 unique Ichiban Shibori products with different colors, aromas, and alcohol content. Kirin’s strengths are seen in the Company’s brewing technologies, the commitment and sensibilities of the technicians, and the product development capabilities that bring these elements together. These strengths enabled us to create a variety of products.

Effective Collaboration That Fosters Close Communications
The 47 Todofuken no Ichiban Shibori Project effectively leveraged day-to-day collaboration among procurement, production, and logistics departments.

First, in procurement, with a short period of time for preparations, wide-ranging procurement networks were leveraged and a variety of ingredients were secured in a timely manner, including local ingredients that enable consumers to experience the pride of their local region and are used only for their region’s product.

Production at plants is typically commenced after the recipe is confirmed through test brewing at a testing plant. However, this project involved small-lot production, and accordingly we made full use of our accumulated knowledge to turn the concepts into products with no test brewing and just a single brewing. In addition, our nine plants in Japan are a major strength that enabled us to implement flexible production in a short period of time. In logistics, we conducted optimal demand-supply management based on market information. With everyone involved maintaining close communications, we were able to deliver products to consumers with no out-of-stock problems.

No matter how good an idea is, we cannot create value if we do not manufacture the products and deliver them to consumers in a timely manner. Our supply chain foundation, which supports seamless, close collaboration from raw material distribution through to production and logistics, is one of the Company’s strengths.
Advantages of the Foundation as Demonstrated by Examples of Value Creation

CASE

02 A Better Green Tea
Renewing *Nama-cha* to Restore Its Popularity

We want to change Japanese green tea.
Creating new value by combining the latest technologies with traditional production methods

This project started in 2016 with the launch of a product intended to revitalize the *Nama-cha* brand. *Nama-cha* became a major hit after its introduction in 2000, with sales of more than 35 million cases in 2003. Subsequently, however, sales started to gradually decline, and by 2014 sales had fallen to about half of the peak level. It is difficult to revitalize a product that has lost its strength, and we even considered launching a new brand.

After deliberating, however, we decided on a new concept—to realize the traditional flavor and vitality of green tea, with the objective of creating an entirely new image while making the very most of the *Nama-cha* brand.

The renewed *Nama-cha* showcased our attention to detail, not only in the flavor, which was achieved through leading-edge technology and original production methods, but also in the container, which was based on the image of a glass bottle.

We had to overcome a number of challenges in order to commercialize this concept, but new *Nama-cha*, with a new taste and a refined design, created new value for green tea in PET bottles, and achieved sales of 26.2 million cases, more than the 22.5 million cases that were sold when *Nama-cha* was launched in 2000.
Strengths of Value Creation Foundation That Led to the Success of Nama-cha

Leveraging Insight about Consumers to Improve Products
We decided to rebrand Nama-cha by starting from the viewpoint of creating a new green tea beverage culture. Rather than developing a new product, we took on the challenge of revitalizing the brand by maintaining the name Nama-cha, which had reached 15 years since its launch, while enhancing all of the other elements of the brand.

Green tea has always been a beverage for satisfying personal preferences. As a manufacturer, we had not provided a product that satisfied consumers, and accordingly we aimed to leverage our own advanced technology to create the product content as well as to offer a stylish bottle design so that consumers would be pleased to carry it around at any time. In addition, we thought that the finely powdered tea leaves that collect at the bottom offer flavor, and consumers could also enjoy the process of shaking the bottle when they drink it. Kirin’s marketing strengths include our continued commitment to carefully nurturing our brands, cultivating insight so that consumers are always satisfied, and enhancing our products.

Creating New Value with Both Content and Packaging
To revitalize Nama-cha, we implemented development activities including both content and packaging, starting with the idea of creating a new green tea beverage culture. In regard to the content, rather than focus on tea leaves and tea dealers, we aimed to use our original technologies to make a tea that could not be brewed with small teapots at home. As a result, we decided to use the latest technologies (whole powdered tea leaves: finely powdering whole tea leaves with a ceramic ball mill) combined with traditional production methods (enhancing the tea brewing method through such means as using low-temperature extraction to draw out sweetness). In this way, we developed a taste that has a good balance between umami and bitter flavors and that consumers do not grow tired of, even if they drink it every day.

In addition, one of the Company’s strengths is the Research Laboratories for Packaging Technologies, which has technologies and equipment enabling the in-house development of containers.

Kirin Pride in Striving for Zero Out-of-Stock Problems, Even with Demand Increasing
One strength of our supply chain is the ability to consistently enable consumers to make a purchase when they decide they want a product. We made full use of this strength during the renewal of Nama-cha. We anticipated issues during the packaging process due to such factors as the addition of finely powdered tea leaves and a stylish bottle design that poses a high degree of difficulty in conveyance processes. Nonetheless, we were able to enhance production lines and establish a stable production system for Nama-cha in just a short development period. In addition, typically there is said to be a risk of out-of-stock issues when shipments exceed 120% of planned levels. This product became a hit immediately after it was launched, and as a result shipments reached 170% of initial plans. Nonetheless, related departments—procurement, production, logistics, and marketing—worked together to implement a flexible response. Consequently, there was not a single out-of-stock problem, and we were able to continue to make deliveries to stores. This involves more than just the use of a system that facilitates the visualization of demand and supply. The detailed operational skills of our managers, which were cultivated in accordance with our commitment to sustaining the trust of consumers, are one of our important strengths.

Kirin’s Foundation for Value Creation

Marketing Foundation

R&D Foundation

Supply Chain Foundation
CASE 03
Next Step to Capture Overseas Market Growth
Myanmar Brewery Limited

Focusing the Group’s comprehensive strengths
Achieving further growth with a robust system

Myanmar is known as the final frontier in Asia. Myanmar Brewery has established a leading position in the market, with a dominant share of about 80%. The business environment is changing on a daily basis, however, due to rapid economic growth, competition, consumer needs, and other factors.

Following the acquisition of Myanmar Brewery in August 2015, we took steps to reinforce the company’s position as the market leader. To that end, we executed holistic initiatives for post-merger integration in a short period of time and introduced the know-how that we have cultivated through our operations in Japan as well as overseas M&A activities. Through these initiatives, critical issues have been resolved.

In particular, we quickly addressed not only the establishment of a stronger brand portfolio but also the expansion of production capacity, which had been an issue for many years. Our relationship with Myanmar Brewery has gotten off to a favorable start with a high operating profit margin* of 39% in the first year of consolidation.

Moving forward, to accommodate further growth in demand, we will leverage the Kirin Group’s value creation foundation by addressing medium- to long-term issues, such as securing and developing human resources. In February 2017, we decided to invest in Mandalay Brewery, which is located in Mandalay, Myanmar’s second-largest city. Going forward, we will steadily capture market growth and expand our business in Myanmar as the core of our beer businesses in Southeast Asia.

* Based on operating income before amortization of goodwill, etc.

Details on Myanmar Brewery can be found on the following website.

Myanmar Brewery Limited
http://myanmarbeer.com/
Strengths of Value Creation Foundation That Led to the Success of Myanmar Brewery

Leveraging Original Research Methods to Formulate Brand Strategies for New Markets
Global competitors have entered the attractive Myanmar beer market, where mainstream products account for the majority of the market. For Myanmar Brewery, the most important strategic issue is to further reinforce Myanmar Beer, the core product in this price range. What are consumers’ latent needs? And what value can we provide to satisfy those needs with this product? To thoroughly analyze these issues, we utilized Kirin’s unique research method, which is a part of the Group’s shared marketing framework. Moving forward, the results of this analysis will be reflected in the fundamental concept of the Myanmar Beer brand. In addition, Myanmar Brewery has an extremely strong sales network, and channel diversification is anticipated as the economy grows. In anticipation of a shift toward mass retailer channels in Yangon and other urban areas, we will transfer the know-how that we have cultivated in other markets, including the implementation of store-level branding and the establishment of relationships with retail chains.

Achieving New Product Development in a Short Period of Time
Accompanying improvement in economic conditions in Myanmar, the beer market is expecting record growth in demand for premium products. Moreover, competitors have already started to boost their efforts in the premium sector. When Kirin made this investment in August 2015, the premium sector was a weak point in the Myanmar Brewery brand portfolio. Therefore, by fully utilizing the pilot plants and evaluation technologies of the Research & Development Division of Kirin Company, we developed and launched Myanmar Premium and KIRIN ICHIBAN. In this way, we have built a brand portfolio with a full lineup that can compete with those of other companies. To achieve the desired beer flavor while having to work within a tight time frame, it is necessary to determine in advance the best ingredients and brewing conditions, with a high degree of accuracy. Our success with Myanmar Brewery benefited from our ability to fully leverage our know-how, which systematically incorporates the results of multiple, large-scale brewing tests that we have conducted in the past.

Kirin’s Know-How That Facilitates the Achievement of High Quality and Low Cost
To meet rapidly rising beer demand, it is important to increase production capacity in a timely manner. However, in designing production facilities, we need to meet high targets in areas as diverse as quality, cost, safety, and environmental protection. To achieve these targets, we made full use of technologies in operation and engineering that Kirin Brewery has cultivated. In 2016, we introduced new technologies in the brewing process and improved operation efficiency in the packaging process. In this way, we increased annual production capacity by more than 10%. Currently, we are implementing a large-scale expansion of brewing and packaging facilities, with a target of commencing operations in 2017. As a result, we expect to achieve a substantial increase in production capacity. Furthermore, by utilizing Kirin’s advanced analytical technologies in quality control, we have been able to further boost quality, which was already highly regarded, and to increase consumers’ satisfaction. In procurement, by participating in the joint procurement scheme of the Kirin Group, Myanmar Brewery has been able to reduce costs and increase its capacity for business investment targeting future growth.