

Success in Japan? Yes Coke Yes!

Interview with Weldon Johnson,
 president of Coca-Cola (Japan)
 Co., Ltd.
 by George Faas

With his deep voice and Southern accent, Weldon Johnson, president of Coca-Cola (Japan), fits the image of a top-level executive from the Atlanta-based soft drinks leader. He's a big, soft-spoken gentleman, who also fits comfortably into his very visible role in Japan.

Question: *Mr. Johnson, Coca-Cola started marketing its product in the Tokyo market more than 20 years ago. Would you recommend that foreign companies who want to enter the Japanese market today also begin by test marketing their products in Tokyo?*

Johnson: Tokyo, or the Kanto Area, with 30 million people is a sizable test market. If you use the electronic media, you are basically coming into the Kanto Area, and you have made a strong commitment to Japan. Many companies are not prepared to make that kind of commitment initially. It depends on what kind of business you're entering. I can think of some local Japanese businesses that started in Fukuoka, for example, and have spread upward, and have done very well. You can come into the Japanese market in almost any location you choose, providing you do it for strategic reasons.

Q: *How did Coca-Cola find its 17 regional bottling partners? Did they come to you?*

Johnson: We were very fortunate. The first bottler in Japan was Nisaburo Takanashi, who has the franchise for the Tokyo market. We did not find Takanashi-san... he found us. He is one of the great entrepreneurial spirits I have known in my lifetime. Takanashi-san thought the potential of Coca-Cola in Japan was significant, and approached us for a franchise of all Japan, which obviously we felt was too large for one person to finance and merchandise properly. His initial success in the Tokyo market caused many major corporations as well as entrepreneurs around Japan to come to us and say: "We would like to be Coca-Cola bottlers." We were extremely fortunate in



Weldon Johnson, president of Coca-Cola (Japan)

having great families and great companies, such as Kikkoman, Mitsui, Mitsubishi, Kirin, and Dai Nippon Printing, come to us and ask for franchises, which we granted.

Q: *How long did it take Coca-Cola to become profitable here?*

Johnson: For our first 10 to 12 years in Japan, there was virtually no profit generated. However, as we moved into the expansion period, we began to make a profit. But a great amount of it was reinvested into the marketplace. If you drive around Japan and see the great number of Coca-Cola signs and electronic spectaculars, you will see that there has been tremendous investment. Today, we are profitable, and our bottlers are highly profitable. And that is as it should be. We have gone through some very difficult periods, but today we are enjoying the fruits of the reinvestment that has been made. That does not mean we are slowing down that reinvestment. We are continu-

ing every year to reinvest in vending equipment and electronic media and many other ways.

Q: *In a speech at the International Advertising Association conference last autumn you talked of the advantages Coca-Cola has in Japan because you distribute by yourself. These include a completely dedicated salesforce and a truck fleet that calls directly on the end outlets, as well as significant sales and merchandising advantages. There are obviously disadvantages of distributing by yourself too. Would you tell us what these disadvantages are?*

Johnson: Certainly. It's capital intensive. You have to purchase the fleet, and you have to employ large numbers of people. There are cost disadvantages, especially in the start-up period, when your cases per truck are not (at the appropriate level). But we have not regretted our decision to go into a direct distribution system. We are refining that system al-

most on a day-to-day basis. When we started 28 years ago, our salesman drove his truck from outlet to outlet with one size of Coca-Cola and Fanta. He delivered the product and took the next order simultaneously. Today the product and package mix has proliferated tremendously. We have gone to a more efficient system where an advance salesman, whose sole job it is to sell and merchandise the products, calls on each outlet, and in 24 to 48 hours a truck will deliver. We also use a telephone system where specially trained young ladies call the outlet, ask how the stocks of various products are, and again within 24 or 48 hours, a truck will deliver.

"There are too many successful foreign companies in Japan to indicate the market is closed."

Q: Mr. Johnson, how long have you been in Japan?

Johnson: Yesterday (January 28) was my eighth anniversary. It has become increasingly common that foreign executives stay for longer periods of time. I would like to be here for a number of more years. I enjoy Japan very much, and my family does too.

Q: In recent magazine articles, at least two veteran foreign-company presidents in Japan showed their anger that other foreign firms might try to enter the Japanese market without really first getting to know Japan. What specific advice would you have for a foreign company interested in entering the Japanese market?

Johnson: Japan is the No. 2 economic market in the free world today. When you come to Japan, you are playing in the big leagues. And in the big leagues, whether it's baseball or business, you must make a substantial commitment to develop the skills to play the game. You don't go to the big leagues to play baseball without having developed those skills over a period of years. You don't come to Japan without doing your homework. That does not in any way mean Japan is closed to foreign companies. I do not accept that philosophy. There are too many successful foreign companies in Japan to indicate the market is closed. In the food business, you only have to look as far as Nestles to see the market is not closed. IBM has been successful in the electronics business, which Japan prides itself on. It's possible to do a good job here. But the bigger the market, the more homework you must do.

The Japanese market must be considered one of the great opportunities certainly

of this decade, and possibly through the remainder of this century. It is a market that I anticipate will continue to grow both in terms of gross national product and disposable income. It is not an easy market to enter, but it is a market that makes your homework worthwhile once you get into the market.

Q: What are the major differences between the Japanese and U.S. markets?

Johnson: You have to remember that in 1986, Coca-Cola will be celebrating its 100th birthday. Coca-Cola has been marketed in the United States for 99 years now, and here for 28 years. In Japan, we came into a culture that was green-tea oriented, if you will. We have worked hard to make Coca-Cola a part of the everyday life of the Japanese, and we are beginning to see some glimmer of success. But you don't start that success with people in their forties; you start it with the younger generation and let them grow up accepting Coca-Cola as part of their everyday life-style. In the U.S., we've been through many generations, whereas in Japan we've had a much shorter history.

Q: In Hokkaido you sell 350ml cans of Coca-Cola, but in Tokyo and elsewhere you sell 250ml cans. What does this tell us about the people in Hokkaido, and elsewhere?

Johnson: Other than Okinawa (which is hot), Hokkaido has the highest per capita consumption of Coca-Cola. I can give you some philosophy why this is so, but I'm not sure I can explain it totally. Hokkaido is very cold, and the people have better heating in their homes in the winter than the people in most of the other areas. Therefore, there is a tendency to consume colder beverages. In other areas where the homes are not as well heated, there is a propensity to consume warm beverages in the winter. Coke sales are less seasonal in Hokkaido, but in the summer, sales peak much higher in Tokyo.

Q: Could you tell us other interesting examples of Coca-Cola's marketing in Japan?

Johnson: Other than Coca-Cola and Coca-Cola Light, no product we sell in Japan is identical to the product sold in the United States, because each has been subtly adapted to the taste of the Japanese consumer. Sprite, the No. 1 selling clear drink in Japan, initially had some difficulties. We did quite a bit of market research, and we found Japanese consumers did not care for the lemon-lime taste as much as they did the lemon taste. So we took some of the lime flavoring out of Sprite and the product began to grow. The percentage of lemon or cider beverages in the soft drinks market is much higher in Japan than in the United States.

One other interesting example of Coca-Cola's marketing here is our Georgia Coffee—a product that was developed in Japan, and is not sold in the States. It's a highly successful product. The coffee segment (of the canned beverage market) is extremely large in Japan, and it is one that does not exist in most other countries of the world.

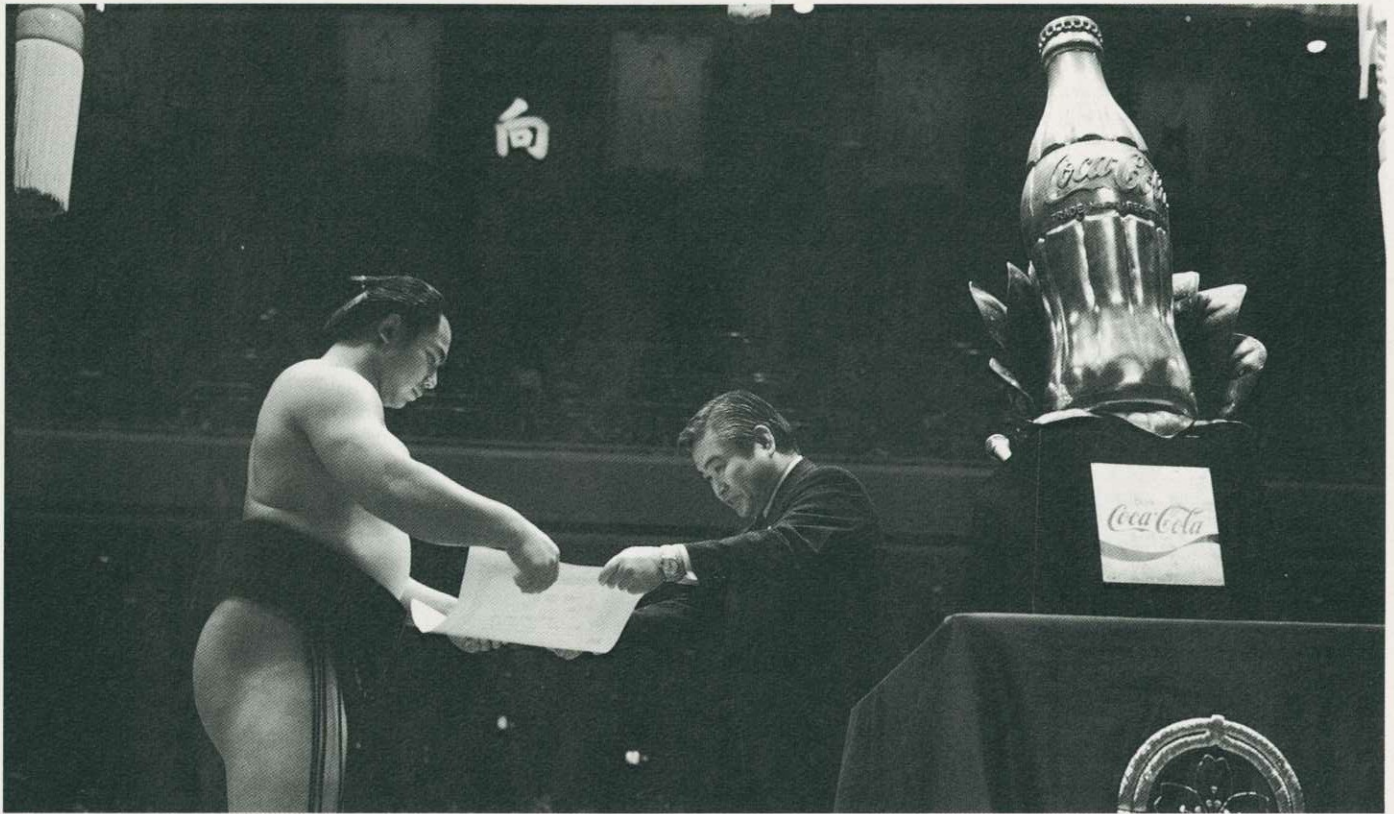
Q: Could you tell us about the advertising and public relations efforts of Coca-Cola in Japan?

Johnson: We think we have basically helped to move the advertising industry forward. We have been honored on several occasions with awards for having produced outstanding commercials in Japan. Our current slogan, "Yes Coke Yes," was a very well researched copy line. We've used it now for three years, and we think it has been highly successful. Our research indicates an increasing percentage of the Japanese population is consuming Coca-Cola on a broader use scale (e.g., during meals and in cold weather).

"In our advertising, Coca-Cola's visual presence in Japan is much, much greater than in the United States."

In our advertising, Coca-Cola's visual presence in Japan is much, much greater than in the United States. Here we have over 500,000 vending machines, the majority of which are located outside. That's because Japan is virtually a crime-free country, and vending machines are not vandalized. This gives us a tremendous advantage to have those machines positioned so the general public can see them as they walk and drive up and down the streets. We have also been active in the field of public relations. For example, many years ago the Coca-Cola Bottlers' Association and Coca-Cola Japan established a scholarship program that awards 50 scholarships per year in which basically each prefecture of Japan is represented. While the amount of the scholarship is not great (¥120,000—approx. \$480—per student per year for four years), there is no repayment of the four-year scholarships and there is no obligation on the part of the recipient to work for either Coca-Cola or our affiliated companies. Therefore, we have at any time 200 students in Japan on scholarships from Coca-Cola. The total number of students with Coca-Cola scholarships who have graduated from college is 594.

Q: You're selling a 50% orange juice in Japan. In the U.S., 100% products are



Coca-Cola award for the sumo wrestling championship. Johnson: "We make every effort to become part of the Japanese community."

very popular. Why haven't you developed a 100% juice for Japan?

Johnson: The 100% market here, primarily *mikan* juice, is dominated by the farmers' cooperative (Nokyo) and there is very little brand identity associated with these products. Also, *mikan* juice does not have the taste that we want to market as a 100% juice. We would want a superior tasting product. We have been hesitant to import juice into Japan. When a shortage occurs, such as the extremely limited apple crop this year, we will ask the government to consider import quotas. But our juice business is built around the local economy, and we do not use imported juice at all when we can source it locally. We have found the Japanese government to be very cooperative in granting emergency import quotas in times of substantial juice shortages. As in any country, the Japanese bureaucracy grinds at an exceedingly slow pace, so at times you become a bit frustrated. But we've had no great problems, and we've been treated very fairly. Sales of 100% juices are growing in Japan. They represent about 10% to 12% of the total juice market. Going into the 100% market with a branded, advertised and trademarked product would require a substantial premium over the price of the local cooperative product, and I don't think we can compete at that premium. Until we can develop a significant advantage, we are not prepared to enter that market. Coca-Cola, however, innovated

and developed the 50% juice market in Japan, and has pioneered the non-nutritive, sweet market with Coca-Cola Light.

Q: *Are you diversifying into other fields?*

Johnson: We have (entered into) the RCA-Columbia video business, which is selling video tapes of Columbia movies to a wide number of retail outlets in Japan. Yesterday, it was announced that the Coca-Cola Company through our Columbia subsidiary will be a minor stockholder in a corporation to distribute software to cable television here.

Q: *Coca-Cola was the first foreign member of both the very powerful Keidanren (Federation of Economic Organizations) and Nikkeiren (Japan Federation of Employers' Associations). What has been Coke's role and participation in these groups and what benefits has Coke gained?*

Johnson: We make every effort to become part of the Japanese community because we are, in fact, a Japanese company. We joined these organizations to become familiar with the business and labor practices of Japan. We have not asked for, nor received, any special favors other than to sit in on those meetings and learn from the leaders there.

Q: *What does Coca-Cola do regarding the problem of litter in Japan?*

Johnson: For the last ten years, we have spent large amounts of money on a program called "Keep Japan Beautiful." We also participate with our bottlers in a

"Small Kindness" campaign. Both of these programs are designed to overcome the litter problem. Many of our bottlers have set up redemption centers for aluminum cans, and we have placed 100,000 trash receptacles throughout Japan for the convenient discarding of waste.

Q: *I understand your hobby is golf. Do executives really do as much business on the golf course in Japan as we always hear about, and would you please describe a typical outing?*

Johnson: There is a tremendous emphasis in Japan placed on human relations. And until you really get to know someone it is extremely difficult to do business. One of the easiest ways to get to know someone is to spend five hours with him on a golf course. If business is to be done, it will always be done after the bath, if you will, when you sit down for a snack—and hopefully a Coca-Cola.

Q: *How often do you play golf here, and what's your handicap?*

Johnson: I play golf 60 to 70 times a year in Japan, and 70% of the time it's on business. In the summer I usually play on Saturday and Sunday, but I rarely play during the week unless it is with one of our bottlers or in a tournament. I try to avoid playing during the week, first, because the workload won't allow it, and second, because I don't like to set that example for our employees or our bottlers. My score? It's very much like corporate profits—I don't talk about it. ●