

# Parker Pen: Underlining Prestige Image

By Nagami Kishi

**P**arker fountain pens have been well-known in Japan since the end of World War II, but not the name of Parker Pen Japan, says Toshio Hayashi, the managing director of the company. In the past four years, however, since Hayashi took over as chief executive of the Japanese subsidiary of Parker Pen PLC, one of the largest and longest-established manufacturers of writing instruments in the world, there has been an amazing transformation. Parker Pen Japan is beefing up its presence as Parker pens pose a formidable challenge to the Japanese market leader, Mont Blanc.

Parker Pen Japan was established just 10 years ago, although there had also been a subsidiary in Japan in the 1960s. Before that, Parker pens had been sold through agents, which were granted dealerships. During this time sales increased steadily.

The sales performance rapidly became sluggish, however. Among reasons for this, according to Hayashi, was a shrinkage in demand for fountain pens due to the growing popularity of ballpoint pens for office use, together with the computerization of offices. Another reason was a deterioration in the image of Parker Pen's products.

Parker Pen was established in 1892 by George S. Parker, who innovated the original mechanism of fountain pens when he was a teacher of telegraphic engineering. The fountain pens manufactured by the firm dominated the market in the United States, and their prestigious brand name as the "world's most wanted pen" became widely known also in the Japanese market.

From the beginning of the 1980s, everything changed for Parker Pen. In the previous decade, Parker Pen had purchased Manpower Inc. The rapidly growing manpower business enthralled the Parker family, owner of the company, gradually sapping their enthusiasm for the fountain pen business.

The family decided to drop the image of high-quality pens which the firm had built up through many years, and began to expand the ratio of products at the lower end of the market to their total production. They increased emphasis on these products in an effort to win bulk orders from client companies at promotional events. This strategy turned out to be a total failure, which deprived Parker of both profits and its quality image.

When the Parker family began to consider selling Parker Pen itself, separating it from the Manpower business, six members of the management who had sensed a crisis in the firm decided to act. They formed a group, applied to a bank for a loan and tendered for the firm.

## Restoring reputation

The LBO by the management group succeeded, defeating many competitors, including Japan's Mitsubishi Pencil Co. Ltd., for the ownership of Parker Pen. Partly because two out of the six members were British, the group moved the head office from the United States to Southern England.

Jack G. Margry, the new president of Parker Pen PLC, who started his career as a salesman with Parker Pen U.K. more than 40 years earlier, knew all there was to know about the fountain pen business and his firm. On inauguration of the new company, Margry launched an upgrading strategy, actively committing himself in an effort extending throughout the company for the recovery of the ruined image of Parker pens.

The move of the head office to Britain and the drastic change in the top management had a great influence on the business of Parker Pen Japan. The Japanese subsidiary, one of the keenest followers of the policy of concentrating on the lower end of the market promoted by the management when the firm had been in the U.S., had been suffering from the serious deterioration of the company's image.

The head office in Britain wanted to replace the management of the Japanese subsidiary to promote the new strategy.

The Parker head office looked for candidates for the office using personal connections, and at the same time placed an advertisement in newspapers to invite applications for the presidency. Hayashi was recommended by a friend of the former head of the Japanese subsidiary. He faced stiff competition for the job, however, as the advertisement placed by the company attracted 50 replies, of which 20 were from Japanese.

The management made a shortlist of 13 candidates based on their written applications, and the then head of the subsidiary interviewed each of them. Based on the president's overriding principle that a Japanese would be better for the top job than a foreigner who was not completely familiar with the Japanese business world, the management narrowed the choices down to two Japanese candidates. Thus, Hayashi was selected as the subsidiary's top executive in 1987, with the title of managing director. Hayashi agreed to take the job on one condition: "The head office will not make decisions regarding the operation of the Japanese subsidiary without discussions with me." Through long experience, he knew that lack of smooth communication between the head office and a subsidiary can very often cause problems.

After graduating from Kyoto University, Hayashi had joined Toyo Engineering Corp., a newly founded plant engineering company which was rapidly growing. He worked in the accounting field, accumulating knowledge of business practices, procedures for contracts in foreign currencies, problems involved in foreign exchange transactions and other matters relevant to plant export. In due course, he began to face some of the procedural and other complications that go with working in a large organization, his company being a subsidiary of Mitsui & Co. and Mitsui Toatsu Chemicals, Inc.

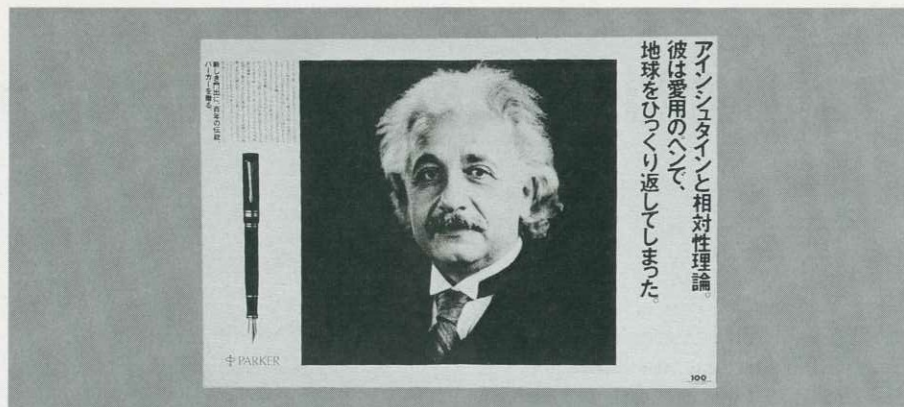
He wanted a fresh challenge, and took a post at Wella Japan, a subsidiary of a German manufacturer of shampoos and other products. During his years working as the manager of that company's accounting, sales and purchasing departments, he was often struck by problems that can arise due to language difficulties and lack of knowledge of each other's management methods and ways of thinking.

After taking over as chief executive of Parker Pen Japan, Hayashi concentrated on upgrading the product image. His belief that Japanese consumers will not buy a product unless it has an established image and offers real value led him to emphasize the prestigious image of the company's pens. The Japanese subsidiary focused on the long history of Parker pens and the fact that many famous people had been users of them. It ran ads using photographs of Thomas Edison, Albert Einstein, Sir Arthur Conan Doyle and Giacomo Puccini. Through these ads, it sought to appeal to Japanese consumers on the basis that Parker pens had been used by these famous people. It also stressed that Parker pens are not produced by molding plastic, but by boring a hole in an acrylic bar.

## Improving morale

Along with this campaign, Parker Pen Japan, in cooperation with the parent company, introduced into the Japanese market reproductions of the Duofold, a large orange luxury pen which had recorded explosive sales in the United States during the 1920s. With this pen, Parker challenged Mont Blanc, which occupied the dominant position at the top end of the fountain pen market in Japan. It opened a showroom in Tokyo's Ginza district to support its image-improvement strategy.

Parker Pen Japan also had problems in communication within its own organization, with limited mutual understanding between the top management—mostly non-Japanese—and the other employees, as well as poor unity among the employees themselves. Hayashi worked very hard on these problems to create a united



Ads like this one featuring Albert Einstein were used to promote the image of Parker pens in Japan.

atmosphere in the firm. The measures he took included revising the wage system, which had been unfair for some employees considering the amount of work they were doing, the establishment of a retirement benefit system, and offering free trips for employees. He also held a morning meeting once a week to convey the intentions of the head office and opinions and strategies of his own as the leader of the Japanese management. He hired a systems engineer to computerize the operation and establish a system which allows the staff to grasp sales and inventories on a real-time basis.

Unlike the former management members of Parker Pen Japan, who had not attended various meetings and parties held in the industry because of their not being Japanese, Hayashi eagerly participated in such gatherings and other activities involving the staff. In sales activities, he invited people working for the company's agents to meet him and sought their opinions as well as conveying his own firm's concepts and plans.

Hayashi says, "Compared to four years ago, the atmosphere in the offices has become cheerful and active. The gulf between Mont Blanc and Parker has narrowed: department stores and specialty shops do us the courtesy of setting aside a display area for our products."

At one of the annual meetings of managers held at the head office, in Britain, Hayashi emphasized the special features of the Japanese market and the fastidiousness of Japanese consumers. The members of the top management responded to his statement with enthusiastic questions and opinions. In-depth discussions followed, covering marketing strategies and other issues.

These discussions resulted in Japanese ideas and concepts being reflected in Par-

ker's global product strategies. One improvement made at the initiative of the Japanese subsidiary was to increase the size of the gold ring provided on the body of the company's fountain pens into a semicylindrical form. Another Japanese idea that was accepted was making the nib slightly curve inwards to prevent scratching on the paper when writing. Now the head office even asks the Japanese management for opinions before deciding the design of each new product.

When he became the top executive of the subsidiary, Hayashi asked the head office to leave an item in his contract concerning the length of his tenure of the job as a blank space, saying, "If the time ever comes when I think I am not good enough for the top job, I will quit. If I can keep going without thinking that day has arrived, I am determined to serve until I reach retirement age." The top management complied with his request.

Parker Pen Japan has achieved a remarkable revival under the guiding hand of Hayashi, a man who on the one hand has a very Japanese mentality but also appears to have a keen insight into the way of thinking of non-Japanese.

Hayashi says, "During the first several years when a foreign firm is doing its groundwork in the Japanese market, it may as well have a Western president for smooth communication with the head office at home. Once the firm is ready for full-scale business, however, I believe it is wiser to replace the Western chief executive with a Japanese." That is exactly what the management of Parker Pen PLC did.

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