

Pigeon: Targeting Baby Care

By Hideyuki Mitsuhashi

Say "Pigeon" to most Japanese mothers, and the chances are that rather than thinking of birds they will think of Pigeon Corp., Japan's most successful baby care goods manufacturer. Rare indeed is the Japanese mother who has nursed and raised her children without using Pigeon products.

Pigeon, explains Ken'ichi Matsu-shima, one of its directors, handles the full spectrum of baby products except for food and clothing. More than 250 Pigeon commodities, from baby powder to baby bottles and diapers, are to be found in stores across the country. The market share statistics are equally impressive: 33% for infant soaps, 35% for diaper detergents, and an overwhelming 72% for bottles.

Pigeon's success owes much to targeting a narrow, demanding, but constant market. The company's products are designed for use by children aged up to two and a half, and all its efforts go into meeting their special needs. "Our target is very limited, and our basic business strategy is to have infants within that bracket using as many of our products as possible," says the company's president, Yoichi Nakata. "To do that, we have to develop commodities with high value-added, and diligently cultivate our market."

That is exactly what Pigeon has done. Take the example of "Chibion," one of the products that has made Pigeon a household name in Japan.

Chibion is an electronic thermometer for taking children's temperatures. There are numerous thermometers on the market, but Chibion is selling like hotcakes, even without any extensive advertising. It was released on the market in April 1987, and 400,000 were sold in the first year alone, giving it more than half of a market estimated at between 700,000 and 800,000 a year. By last January, after two and a half years, Chibion sales had already topped 1 million.

Hikaru Ishikawa, manager of Pigeon's Basic Research and Development De-

partment, attributes Chibion's success to his staff's ceaseless pursuit of user convenience. "Only mothers know how hard it is to take a baby's temperature, and how scared children are of thermometers," says Ishikawa. "When we started developing the Chibion, we took full account of mothers' feelings."

The result is an easy-to-read digital thermometer, molded to comfortably fit an infant's armpit. Most important of all, Chibion takes only a minute to measure a child's temperature, while mercury thermometers on the market take as long as five minutes. That can make all the difference with a squirming, fretting baby.

Critical difference

This critical difference is achieved by a special device which accurately "projects" the baby's temperature based on data collected by the thermometer in the first minute. The Chibion project team began by collecting data on infant temperatures with the cooperation of hospitals and Pigeon employees with babies of their own. A graph of temperature readings from 900 infants generated a temperature curve that provided a valuable clue to projecting final temperatures based on initial readings.

After repeated trial and error, Pigeon researchers were able to project final temperature readings on the basis of just 44 seconds of data, and with a margin of error of only 0.2 degrees Celsius. Chibion's size and shape were also finalized based on careful measurement of infants' arms. The design team developed a special rounded tip to prevent the thermometer from slipping out of position.

The company's commitment to data-based development appears as well in the nipples for its nursing bottles. The company cooperated with doctors in a series of experiments to develop the best possible nipple, including a microscopic study of babies' tongue and throat movements when nursing to gauge their reac-



Yoichi Nakata, president of Pigeon Corp.

tion to variations in the flow of milk. At the same time, the babies' expressions were videotaped to give researchers a clue to their comfort and satisfaction while nursing.

Yet company leaders know full well that it takes more than cold data to develop hit products. One of its secret weapons is a monitor group of 200 mothers with small infants up to two years of age. All new Pigeon products, on average some 30 a year, are evaluated by the group, dubbed the "P Staff," before finding their way onto the market. It is a rare product that leaves the P Staff without modification. In fact, the P Staff rejected the initial version of the Chibion, criticizing the thermometer point for being too sharp and unsafe for babies.

While Pigeon products are developed for the Japanese market, they have proved virtually universal in appeal. Since the company first began exporting its goods in 1966, it has expanded its reach to 40 countries, with annual overseas sales of ¥1.6 billion (\$10.7 million at the rate of ¥150/\$). In 1976 the company moved to bring overseas marketing directly under its control, replacing the previous network of sales agents with its own Overseas Department.

The Pigeon brand is so well known in the Asian NIEs that it must contend with a spate of counterfeits in many markets. The answer so far has been to strengthen Pigeon's own presence in local markets. Pigeon Singapore, for instance, established in 1978, has already become one of the city-state's largest baby goods companies

Japan's Childbirths and Pigeon's Sales

(million births)

(¥ billion)



Source: Childbirth figures from Ministry of Health and Welfare

with 1989 sales up 30% over the previous year at ¥270 million.

The company is also launching local production throughout the region, where low labor costs make it more economical to produce relatively simple labor-intensive goods, such as the plastic warmers for baby bottles. Two years ago Pigeon concluded technical tie-ups with companies in Thailand and Indonesia for local production.

As the company becomes better established in the region, it has begun modifying its products to better meet local conditions. Pigeon Singapore has been cutting back on its imports from its parent company in Japan, and is increasing its local production of baby lotion, powder and other products to local companies, selling them under the Pigeon brand name. Half of Pigeon Singapore's products are locally produced. And this July the company will start producing silicon nipples for the Thai market through a local joint venture.

Painful lesson

These developments do not mark as great a change in policy as one might think. In fact, Pigeon produces only about 10% of its products in its own plants even in Japan. For the remainder, the company takes care of development and experimental production, but entrusts actual output to subcontractors or materials makers. "We want to concentrate on developing and upgrading marketable commodities," says Nakata. "That way we can maintain efficient management."

Not all these lessons have come easily. In 1978, Pigeon suffered a drubbing at the hands of foreign competitors that it has never forgotten.

The battleground was disposable diapers. Pigeon began marketing Japan's first disposable paper diapers in 1968. For years it easily controlled the market. But then Procter & Gamble of the U.S. moved in, and in no time Pigeon had been booted out.

In a sense, Pigeon deserved a spanking. At the time its paper diaper was just that, a paper version of the traditional rectangular cotton diaper. The only difference

was that mothers could throw the paper away, instead of spending hours at the washing machine. In contrast, Procter & Gamble's product was a real innovation. It required no cover, and was far more absorbent than Japanese products.

Pigeon tried hard to recover lost ground, even marketing an improved paper diaper of its own. But it soon surrendered the field entirely after such top Japanese toiletry makers as Uni-Charm Corp. and Kao Corp. jumped in with products of their own. Geared to concentrate on research and development with only limited manufacturing capabilities of its own, Pigeon was simply unable to match such giant manufacturers' overwhelming economies of scale.

The debacle was painful, but instructive. Ever since, Pigeon has focused on high value-added products, elaborately conceived and targeted on small niche markets ignored by the industry giants. The approach has amply proved itself in growing sales.

Demographics and economic trends signal new opportunities for Pigeon in the future. Childbirths in Japan, on the decline for years, are now expected to bottom out and turn upward again in the next few years. Moreover, with Japanese marrying later and more couples working, newlyweds in this new baby boom will enjoy higher disposable incomes than did their parents.

Seeing a golden opportunity for growth, Pigeon is now moving to restructure its distribution system. Traditionally the company relied on medical and sundry goods wholesalers to distribute its goods, but now it is going the direct sales route, with a special emphasis on mail order. Last fiscal year, Pigeon Will, the

company's subsidiary for mail-order business, turned a profit for the first time, underscoring the company's rapid progress toward direct sales.

Direct sales should have a big impact on company planning. For one thing, they will give Pigeon an even better handle on consumer needs. The P Staff monitors have helped the company reflect the needs of its customers in its products, but a direct sales network will bring in information from an even wider spectrum. At the same time, direct sales pave the way to diversification. "There is a limit to our present business," says Nakata. "Our products so far have only been targeted on infants, but they no longer need our products by the time they're two and a half or so."

For a decade at least, Pigeon has been looking for ways to apply its extensive know-how in baby care products to the development of commodities for pregnant women, elderly men and women, and older children. The absence of a direct sales network put a brake on the project, but this no longer applies. Direct mail order, for instance, has brought the company an enormous list of prospective customers, not only for baby goods but for new products as well.

"So far we've marketed commodities targeted on babies," says Nakata. "Babies are frail, and constantly need their mother's care. In the years ahead we intend to provide goods and services for people throughout society—from pregnant women to the elderly—who need special care."

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