

# Grassroots Japanese Sales Management: Implications for Salesperson-driven Strategy Formation

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## Abstract

Japanese sales sections are usually called Eigyo-bu (Eigyo department). Eigyo literally means sales. But, Eigyo does not mean sales only, rather Eigyo refers to conducting business. Because of this, Eigyo personnel play a bigger role than regularly titled sales personnel. We will introduce the concept of Eigyo and what roles and implications of a typical Eigyo department plays within a firm. Eigyo departments sometimes incorporate functions implemented by the other departments within their company. We will conclude that marketing functions can be integrated not only by a marketing manager but also by people in other positions, such as sales managers. Managerially speaking, this may deem more efficient and effective in turbulent, unpredictable marketplaces.

*Key words:* Eigyo, integrated operation, flexible resource mobilisation, customer adaptation

## 1. Introduction

This paper will discuss Japanese sales organizations and how their practices might be considered strange to firms outside of Japan. Compared to standard marketing text books like Kotler's, sales organisations in Japanese companies do not follow normal theories. According to marketing textbooks, sales functions are positioned as a function of promotion. Especially compared to mainstream media communication methods, sales is sometimes defined as personal selling. Personal selling is the direct communication between a sales representative and one or more prospective buyers in an attempt to influence each other in a purchase situation.

Sales functions in a Japanese company are not the same as standard. There are of course

sales functions in Japanese companies but they are called Eigyo instead. Sales functions are included in Eigyo. Rather Eigyo is more than sales as it also includes integrated marketing activities. For example Eigyo personnel often search through market information, discuss product development with engineers, take part in decision-making regarding advertising and negotiate with buyers about pricing and delivery conditions. These actions are considered to be integrated into negotiation procedures.

In standard marketing textbooks, this kind of activity is regarded as a marketing function and also as the marketing manager's job. Marketing managers, in their "pristine" sense, are rarely seen in Japanese companies. In Japanese companies sales personnel at the bottom of the organisational hierarchy perform the marketing manager's role.

This fact presents us with an interesting question. Why are Japanese sales functions gen-

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erally not separated from other functions in the firm? What are the implications and results of employing Eigyo operations? The purpose of this paper is to introduce some analytical explanations concerning Eigyo. We will introduce a case which can be considered a typical example of Japanese Eigyo. Suntory is one of the biggest alcoholic beverage producing companies, as well as the pioneer that introduced European whisky, as we know it, to Japan. In this paper, we will attempt to show that Eigyo operations are appropriate when this kind of product was introduced to a new market.

## 2. The Case: The Sales Strategy of Suntory

Although Suntory started brewing whisky in 1924, whisky could not be considered a popular libation in the Japanese market or before the Second World War. After the WWII, a bar chain named Torys Bar, owned and operated by Suntory, played an key part in the proliferation and popularity of whisky. Torys Bars began appearing in Japanese inner-city areas around 1955. A novel custom was introduced at said bars. This custom was called as “bottle keep.” In other words, the bottle was kept in the establishment like a bank, the bar selling a whole bottle of whisky to each customer. As the customer requested to deposit it and was registered in his/her name. At that time, only a limited number of people consumed whisky, in a limited number of places, which included Torys Bars.

Some issues had to be resolved for whisky to further penetrate the Japanese market. Whisky was not accepted easily by Japanese consumer for a number of reasons. First of all, the alcohol content of whisky is high compared to traditional

alcoholic beverages. The percentage of alcohol in whisky is generally three times higher than Japanese sake. Secondly, Japanese people assumed that whisky did not complement Japanese food. Furthermore, Japanese consumers were not familiar with whisky’s smoky woody flavour. For the above reasons, whisky was still not widespread even after more than 50 years after Suntory initiated brewing whisky in Japan.

It was around 1965 that a turning point occurred. Suntory started a strategy to promote whisky not only to bars, but also to Japanese-style restaurants. This strategy was named the “Nihonbashi” strategy. Nihonbashi not only means two Chopsticks indispensable for Japanese food but also the name of the historical location where the Tokyo branch of Suntory was established. This strange name implied the company’s commitment to spread whisky to Japanese restaurants.

However, it was met with great difficulty for Japanese restaurants to offer whisky. The company first suggested drinking whisky mixed with water on the rocks. This made the percentage of alcohol the same as that of sake and match Japanese food. However, Japanese restaurants did not agree with this suggestion. Sushi chefs complained that the flavour of whisky permeated into raw fish dishes when they mixed whisky with water at tables and counters. Moreover, most sushi bars also did not have enough restaurant space to keep customer’s private bottles. In order to resolve these problems, Suntory started providing whisky in mini-sized or markedly smaller bottles that enabled customers to mix whisky with water by themselves. Suntory’s sales personnel also made an effort to introduce not only the mini-sized whisky bottles but also sales promo-

tion items to Japanese restaurants. As a result, the restaurants gradually were coddled to serve more whisky.

Suntory's sales personnel played an important role in the development of product packages and sales promotion items within the company. They listened to prospective customers' needs and relayed them to the departments of product development, production and marketing. As a result, the above package and sales promotion items were developed and implemented.

As more people consumed whisky at Japanese restaurants, the consensus developed that whisky was more of a match for Japanese food. As a consequence, the number of Japanese restaurants that served whisky multiplied. Furthermore, Japanese restaurants began to stock regular-sized bottles instead of the previously mentioned mini-bottles.

A full-page advertisement taken out in major newspapers in 1970 served to spur an increase in the amount of restaurants menus offering Suntory's whisky. The picture on the advertisement showed a sushi chef unwinding after work over a glass of the whisky named "Suntory Old". Suntory Old could be considered a symbolic brand of whisky for Japan. The sales volume of Suntory Old in 1980 increased by twelve times compared to sales volume in 1970. The amount of sales of whisky in Japan reached their peak, 12.4 million units, in 1980.

An important point is that the sales department had controlled the entire process of developing and implementing the Nihonbashi strategy. They had coordinated the functions of other departments/sections within the firm. This strategy had profoundly impacted Japanese food and beverage culture. At last, whisky had become

mainstream in Japan.

Proceeding a quarter-century later, whisky sales in Japan decreased to 510,000 units in 2005. One of the striking reasons why sales had decreased to about a twenty-fifth of their previous value, was that a variety of other alcoholic drinks had subsequently penetrated into the Japanese market. This gave people a multitude of alternatives to whisky. This variety of alcoholic drinks made drinking whisky in Japanese restaurants somewhat obsolescent. To cope with this obsolescence, Suntory attempted a strategy that could might revitalize the consumption of whisky. This strategy aimed at improving the total experience of drinking whisky. The sales department took it upon itself to research the market by itself. They proceeded to cooperate with their current accounts, composed of key restaurants and liquor shops and the other departments of the company including the advertising and production departments. They then coordinated and integrated those functions of other departments. The strategy resulted in success. The sales department also implemented and integrated the marketing functions of the company as it played its role in Nihonbashi strategy.

### **3. Analysis**

The task of diffusing highly innovative products and/or services is difficult at best. Beverages and food are especially difficult because of the inertia of consumption. It had taken almost 50 years from the beginning of Suntory's whisky brewing to substantial diffusion of product to market. It should be noted that Suntory whisky was generally considered a high quality whisky among some Japanese people who had lived abroad. Despite this premium quality, Suntory

whisky was not diffused easily.

The cornerstone for success of Suntory whisky was not quality but the organisational structure of Suntory's strategy. As you can see diffusion of whisky sales in Japan occurred after sales promotions to Japanese restaurants. The strategy of promoting the sales to Japanese restaurants should be credited to the sales department. Even among employees of Suntory had a pre-notioned idea that drinking whisky with Japanese food was unimaginable. However, by chance, a salesperson observed an older gentleman drinking whisky in a Japanese restaurant. The idea that whisky might sell to Japanese restaurants was born from that single observation. Strategic decision-making, such as targeting, was also handled by the sales department. In traditional marketing textbooks, this is supposed to be the job of the marketing manager.

A variety of sales promotion goods were developed, this could not be done in the sales department alone. The sales department coordinated the whole enterprise in order to aid sales. Eigyo is not merely sales but utilises "activity flow management" to ensure successful sales results. It can be said that Eigyo is an activity that enables flexible resource mobilisation corresponding to key events occurring in the market. To keep the flexibility of resource mobilisation, Eigyo is the core of many Japanese firms.

## 4. Implications

### 4.1 Theoretical Background

Early sales management studies encompassed a majority of the marketing mix issues. For example, Hoyt's (1913) first book titled "sales management," mentioned direct mail. Following works added further components, such as adver-

tising, credit terms, price, etc (e.g. Lyon 1926). "These factors in recent years have been called elements of the marketing mix (Bartels 1988, p.82)." The domain of sales management has been expanded to encompass almost all components of the marketing mix.

Due to the expansion of the fore-mentioned research domain, the boundary between sales management and marketing management has become blurred. It has caused an identity crisis in sales management studies. Sales management studies limit their domain to the management of sales forces. This limitation sets the role of sales management clearly as a promotional tool and recovering or rediscovering the identity of portion of managerial marketing. An influential book was written on this topic by Stanton and Buskirk (1959) titled "Management of the Sales Force." From that time, sales management studies have researched management issues of sales force and/or sales personnel as related to motivation (Walker, Churchill, and Ford 1977), cognitive skills (Weitz, Sujun, and Sujun 1986), and so on.

On the other hand, the issue of KAM (key account management) had drawn the attention of (Shapiro and Moriaety 1980; Homburg, Workman, and Jensen 2002; Richards and Jones 2009). Key account managers are defined as a salespeople or managers who "are responsible for maintaining and developing direct relationships with a select few of customer accounts that cut across product and geographic boundaries (Sengupta, Krapfel, and Pusaeri 2000, p. 253)."

KAM studies reveal that the marketing function can be integrated not only by marketing managers but by KAM managers. However, in Western firms it is common only in KAM. Usual sales departments don't have initiative over other

marketing functions. But in Japan, even ordinary sales departments sometime implement strong initiatives over other marketing functions.

These decision making processes are quite different from traditional sales management textbooks. If traditional viewpoints are not a “fit” in Japanese sales management customs, sales management discipline(s) has to be amended.

#### 4.2 Theoretical implications

As we mentioned in the theoretical background section, Sales management studies limit their domain to the management of sales forces. In our case, however, Suntory’s sales department applied themselves within a wide variety of work functions. Moreover, they form the company strategy. Nihonbashi Strategy is created based on the idea and initiative of the sales department. These kind of decision making authority is quite different compared to the practices assumed by traditional sales management textbooks-like views.

It also contrasts itself from KAM studies. In our particular case, Suntory’s sales had much in common with KAM, but it differentiates itself from KAM in that Suntory’s sales department had authority to do everything not only for key accounts but also to include ordinary main stream customers.

Interestingly enough, this can mean that the marketing function can be divided and integrated not only by a marketing manager but by also other positions such as those of the sales manager(s). The marketing functions remain the same, but the integration style can be varying among different countries and their respective socio-cultural grounding.

#### 4.3 Managerial implications

An older interpretation of sales management “reappeared years later as the concept defining the marketing manager, in a position above sales management, consumer oriented, and possessing a sense of social responsibility” (Bartels 1988, p. 82). It is believed that the integrating marketing function is the job of a marketing manager.

However, in case with Suntory it was shown that the marketing functions need not be necessarily integrated and/or implemented by the marketing manager. Rather they can be integrated by the sales manager or Eigyo manager. This results in a quick response to market needs as an Eigyo manager can decide almost everything. If a firm is confronted with a market shrouded in uncertainty, this style of management could be deemed more suitable for implementation than a more traditional approach.

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