

## Yayoi Seiki Co. , Ltd.

In spring of 1973, the management of Yayoi Seiki Co. , Ltd. , a manufacturer of metal cutting tools, were concerned about the problems in meeting deliveries and declining market share.

### Outline of the Company and its Sales Activities

Yayoi Seiki Co. , Ltd. was a specialized manufacturer of cutting tools like metal cutting tools, blades for saws, slitters, etc. The company's products were delivered to precision manufacturers of cameras, watches, telescopes, microscopes and their parts subcontractors in Kanto, Chubu and Kansai areas. The products were distributed through its several dozen agents (dealers) and the company had a good reputation for its stable quality among its users. In 1973, there were over 1,000 kinds of product models, counting minor differences in their specifications, and the variety was gradually increasing. The prices also varied according to type, size and other specifications, ranging from several hundred yen to over 10,000 yen a piece.

The sales turnover and profit before tax in 1972 was ¥2,619 million and ¥253 million respectively and the company had been one of the five biggest in this line of industry. From around 1955, the company's annual growth took off to the level of 20-25% in accordance with the growth of camera and watch industries. In recent years the company maintained 20% level growth per annum because of additional demand from telescope and microscope manufacturers. (See Exhibit 1 for the past 3 year sales record.) However, the management was concerned at the slight downward trend in market share that the company had experienced for the past two years. The market share of individual product type seemed to range from 5 to 20%. Aoyama Seiki Co. , Ltd. , the top manufacturer in this industry was by far bigger than other companies of same trade in sales and profit (the sales turnover of Aoyama in 1972 was approximately ¥5 billion). And Aoyama's product line was quite different from others. Other major companies including Yayoi produced and sold mainly JIS (Japan Industrial Standard) specification products, whereas nearly 90% of Aoyama's product line was non-JIS specification products and it was by far the strongest in this field.

Yayoi Seiki was selling most of its products to its customers -- precision machinery manufacturers and their subcontractors -- through

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This case was developed as basis for class discussion by Keinosuke Ono, then lecturer of Graduate School of Business Administration, Keio University. Figures and names used are all disguised (March, 1974).