Keio University

CALAMVS GLADIO FORTIOR 1858

慶應義塾大学ビジネス・スクール

Kataoka & Co. Ltd. (A)

One autumn, Kataoka & Co. Ltd., a leading company in sales of black tea, aimed at creating stable growth for the company by entering the bottled instant coffee market for the first time. This market was practically controlled by Nestlé and AGF.

At the time Kataoka entered the instant coffee market, the company had the largest manufacturing and sales position on the black tea market, outcompeting Lipton and Nittoh Black Tea with a large market share of about 40%. The company's Twining brand had a very strong brand image among consumers because of sophisticated advertisements and the image of the British royal family. As a result, Kataoka had well-established sales routes in major department stores, and almost any product handled by the company would be treated favorably on these routes, which was an advantage for Kataoka. This department store channel was particularly well-suited for the gift market and was a factor in securing a large market share, along with the fact that black tea itself makes a suitable gift. In recent years, however, the black tea market had shown virtually no growth. Clearly, signs of a maturing market had started appearing.

Kataoka had several motives for entering the instant coffee market. The main reasons were the following:

(1) Black tea and coffee were both similar luxury beverages. Besides the characteristics of the products, their advertisements, promotions, and distribution routes were almost the same. In addition, the company could use its distribution power, advertising power, and other marketing know-how that had been accumulated through black tea sales.

(2) The instant coffee market was about 10 times as large as the black tea market. While the black tea market was worth a little more than 30 billion yen, the instant coffee market was worth about 300 billion yen. This meant that Kataoka's sales in the black tea market, where it had a 40% share, would be roughly equivalent to sales in the instant coffee market with a 4% share, which was thought to be a sufficiently achievable figure based on the company's strengths.

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* The original case in Japanese was prepared by Emeritus Professor Mitsuaki Shimaguchi based on publicly available materials, as the basis for a class discussion, rather than to illustrate effective or ineffective handling of an administrative situation. The translation was proofread by Emeritus Professor Mitsuaki Shimaguchi and Professor Akihiro Inoue.