Expansion of Japanese Cast Iron Cookware into Taiwan: A Case Study

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ABSTRACT

Genjuro is a representative cast iron company in the north east region of Japan. This case study considers the company’s decision to expand its cookware presence in Taiwan. After a period of stagnation, the Taiwan economy shows signs of growth, with homewares being a segment predicted to have strong positive trends. In preliminary market research, potential customers indicated a favorable impression of cast iron, of products made in Japan, and said they would likely consider buying cast iron products in the future.

To take advantage of these favorable conditions, Genjuro must overcome its major challenges and use its core competencies in order to build and sustain competitive advantage. The major challenges are low brand awareness, low market penetration with inconsistent pricing, and low product knowledge by potential customers. The company’s strengths are that the products themselves are very high quality and beautiful, and are positioned to tap into existing trends among Taiwanese for healthy eating and more cooking at home. Plus, Taiwanese people have a favorable view of products made in Japan, and while brand awareness of Genjuro is low, it’s also low among competitors.

The strategies in the 4-P model, starting with replacing the distributor in Taiwan, will help the company meet these challenges and leverage its strengths. Opening a dedicated retail location and increasing the brand presence in department stores will both raise brand awareness and provide multiple opportunities for customer education. Outreach via cooking demonstrations, marketing collateral, social media, and magazines are the interconnected strategies that will introduce customers to these products. Widely sharing the Genjuro story with consumers will ultimately be the key to leveraging core competencies to sustain lasting competitive advantage.

Keywords: cookware, cast iron, Japan, Taiwan, Iwate, case study
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Chapter 1: Introduction and Industry Analysis

Introduction:

The challenges and opportunities of one representative cast iron company in the north east region of Japan are considered in the following case study. The company produces cast iron cookware, tea pots, kettles and a small line of home décor items. They have made some small steps to internationalize, and have made an executive decision to attempt to gain more market share and increase revenues by further expanding their cookware presence in the Taiwan market. The research and analysis below examine the homewares market in Taiwan as compared to Japan, and the particular company’s core competencies and competitive advantages within the competitive landscape. The analysis is based on competitive research, market data, and multiple interviews with executive leadership and onsite research at the foundry in Iwate. The study concludes with recommendations on how the company can best leverage strengths and overcome challenges to succeed in this growing market.

Note on privacy: The company name has been redacted at their request for anonymity and because of the sensitive nature of the information shared within. The company will be referred to by the alias of “Genjuro” for the purposes of this research.

Taiwan market overview

Taiwan, a small island nation 180km east of China, has a population of 23.5 million people spread out over a land area of 36,000 km². This includes 3.2 million children ages 0-14, 17.4 million adults ages 15-64, and 2.9 million people age 65 or older. In 2017, the GDP is $535,543 billion USD. The GDP per capita PPP is $47,790. The GDP per capita PPP rank for Taiwan is 22 internationally, higher than Japan which is ranked at 30. Although the population is aging, spending power is high with a relatively wealthy, well-educated citizenry.

Analysts predict that consumer purchasing power will increase in 2017 compared to 2016, thanks to low and stable inflation. Business Monitor International forecasts that inflation will increase slightly to 1.6% year-over-year by the end of 2017, from 1.4% year-over-year recorded in 2016. Consumer outlook is showing improvement after a decline in 2014-2015, with year-over-year growth expected to be at 2.5% by 2018 (BMI Research 2017).
Low unemployment will also support consumption for the remainder of 2017. The unemployment rate is forecast to be 4.0% over 2017, which is below Taiwan’s average rate of 4.4% between 2000 and 2014. According to data from Taiwan Directorate General of Budget Accounting & Statistics, monthly unemployment rates have been declining marginally since April 2016, averaging at just below 4.0%. Favorable labor market conditions will boost wage growth which will then have positive spill-over effects on consumption. According to forecasts, the average annual real wage growth for the whole economy will return to positive territory over 2017 at 1.5% up from a decline of 0.3% in 2016 and well above the country's average annual rate of -0.1% between 2000 and 2014. Rising real wages help to increase non-essential spending. This spending is forecast to grow by 3.8% over 2017 (BMI Research 2017).
Real household spending in Taiwan contracted by 4.4% in 2016 after holding stable at around 2.5% growth from 2013 to 2015. However, analysts anticipate a recovery in 2017 to 1.8% growth, with the trend towards improvement accelerating in 2018. A stronger Taiwanese dollar and improved economic growth are the main factors predicted to support the recovery in real household spending growth. BMI forecasts growth to increase to 2.0% over 2017, up from 1.4% over 2016. The Taiwan dollar has appreciated more than 7 percent against the U.S. dollar so far this year as Taiwan's central bank scaled back its foreign exchange interventions so that Taiwan would be removed from a U.S. watch list for currency manipulation (Kao 2017).
Figure 1.3: Household spending is expected to recover in 2017 after a contraction in 2016. Source: BMI Research (2017, April) Taiwan Consumer & Retail Report Q3 2017

By regional standards, Taiwan has high disposable incomes and a strong demand for premium products, factors which support an increase in consumer spending. Total household spending actually declined from 2015 to 2016 from $203.74 to $194.64 billion USD, largely due to a 5% devaluation of NTD against the USD in August 2016. However, a stabilizing exchange rate will likely lead to increase in growth from 2017 onwards. Household spending is predicted to rise from $206.2 in 2017 to $265.3 billion USD in 2021, as household spending (in USD terms) is projected to grow by a compound annual growth rate (CAGR) of 6.4% over 2016-2021. Combined with low inflation, this will drive spending per capita from NTD 277,474 in 2017 to NTD 334,750 in 2021 (BMI Research 2017).

As a sub-sector, spending on household goods declined from NTD 190.13 billion in 2015 to NTD 183.08 billion in 2016. However, home and garden tools are expected to see among the strongest growth in the sub-sector, increasing from NTD 6.02 billion in 2016 to NTD 7.49 billion in 2021. Greater dynamism in the real estate market will be a key driver for this growth, as the government is under pressure to make houses more affordable for younger generations. As more young people are able to afford homes, greater spending is expected in this segment (BMI Research 2017).
Homewares market in Taiwan

The homewares market in Taiwan saw annual retail value growth of 1% to reach NTD18.8 billion in 2016. By contrast, Japan, though a larger market, saw a decline of 0.4% in 2015, the most recent year for which statistics are available (Euromonitor 2017). The category of homewares includes cooking utensils, dishes, tableware, cutlery, drinkware, pots and pans, and other small articles used in a home. Items must be new when sold to the consumer. A spate of food safety scandals in recent years (Wall Street Journal 2014) prompted consumers to purchase more new homewares made from better materials or to replace older products.

Within the category of homewares, stove top cookware recorded retail value growth of 1% in 2016, a recovery from 8% value decline in 2015. The slow economy restrained consumers from greater investments in general in the category of home and garden, but stove top cookware benefited due to its low outlay costs while also helping consumers see an improvement in their daily life. Although many consumers already replaced their cookware after food safety scandals in 2012-2014, manufacturers, especially of international imported brands have continued to promote products aimed at a healthy lifestyle.

In 2016, some producers of high-end cookware brands including Le Creuset and Staub expanded into Carrefour with only 400 to 500 units across the country. Each year Le Creuset has had its own brand days in Taipei, Taichung and Kaosiung with deeper discounts of up to 70% off, and this kind of promotion attracted many consumers from other cities. However, market share of Le Creuset has remained essentially flat at 1.9% since 2012 (Euromonitor 2017). Overall, according to analyst reports, cookware which is made of materials that consumers trust and which is perceived to be healthy will be an increasingly important factor in customers’ purchasing decisions.

International Industry Analysis

The homewares market in Taiwan may have opportunities for new entrants, especially those that are focused on healthy cooking. But how challenging is it for a foreign entrant to internationalize in the industry? Michael Porter’s Five Forces framework provides a useful tool to analyze the international industry potential. This model helps clarify the profit potential of the industry as a whole and aids firms in considering how to position themselves to gain and sustain competitive advantage (Porter 1980). The stronger the five forces, the
lower the industry’s profit potential —making the industry less attractive for competitors. The reverse is also true: the weaker the five forces, the greater the industry’s profit potential —making the industry more attractive. For an existing firm competing for advantage in an established industry, the company should be positioned in a way that relaxes the constraints of strong forces and leverages weak forces (Rothaermel 2014).

The five competitive forces in Porter’s model are:

1. Threat of entry: The risk that potential competitors will enter the industry.
2. Threat of substitutes: Substitutes meet the same basic needs as the industry’s product but in a different way. Firms must consider products or services available from outside the given industry that may come close to meeting the needs of current customers.
3. Power of suppliers: How much pressure that industry suppliers can exert on an industry’s profit potential
4. Power of buyers: The inverse of supplier power, the power of buyers concerns the pressure an industry’s customers can put on the producer’s margins by demanding a lower price or higher product quality.
5. Rivalry among existing competitors: The intensity with which companies within the same industry compete for market share and profitability. The other four forces all exert pressure on this rivalry, as seen in the figure below.

Five Forces Model Applied to Japanese Cast Iron Cookware in Taiwan

Threats of New Entrants (Barriers to Entry):

How likely is it that potential new competitors will enter the market? Capital requirements in this industry are low, in that only a relatively small factory would be needed to start operations. Raw materials are fairly easy to obtain, in terms of iron ore imported from Australia. Industry-related knowledge is high in the particular region of northern Japan known for cast iron. Around Iwate it would be possible to hire employees familiar with the process of cast iron making. An additional factor is that currently brand recognition among Japanese cookware companies is low in Taiwan.

These factors would suggest that the strength of this force is weak, and a new competitor could emerge from Japan. However, the most significant barrier to entry is history. There is a more than 900-year-old legacy of making cast iron in the Iwate region, and every company has been making cast iron cookware (and other cast iron items) for many generations. It’s very unlikely that a new entrant would emerge; any threat of new entrants in Taiwan would come from existing cast iron cookware companies in the region.

Force strength: Moderate.

Substitutes:

Can cast iron cookware be replaced by substitutes? In almost all cases, yes. The quality of the cookware would likely be lower, and there would be other drawbacks to using cheaper materials such as health concerns and poor heat conductivity. However, low-cost kitchenware is readily available from numerous other foreign and domestic brands in materials such as copper, aluminum, stainless steel, and those with a non-stick or Teflon coating. The cost of switching is low, and for some customers a cheaper substitute may offer an attractive price-performance trade off.

Force strength: High.
Buyer Power:

Buyers for cookware are very diffuse. Individual consumers have low buyer power. Even restaurants would likely only buy a dozen pots and pans at most, making their buyer power similarly low. Department stores in Taiwan have higher buyer power, taking 20-30% of revenue in Taiwan, however there are multiple channels in addition to department stores for brands to pursue.

Force strength: Low

Supplier Power:

The primary supply for cast iron cookware is iron, imported from Australia. As a commodity item, the suppliers in this case would have almost no power.

Force strength: Low

Rivalry Among Existing Competitors:

Among competitors from Japan, the main source of competition is Yanagi, a cast iron brand with exquisite design and a recognizable aesthetic. Iwachu is another Japanese competitor, with very low brand recognition and a focus more on teaware than cooking items. Among international competitors, there are several established brands that compete in the cast iron space including Le Creuset, a well-known French company, and Staub, which is distributed by Zwilling, a German partner with a strong local network. The American company Lodge is also available in Taiwan through a local distributor. Taku is a Taiwanese cast iron brand with its own distribution through its exclusive retail outlet and department stores. Substitute products in different materials, as mentioned above, are also widely available.

Although there are several established competitors, overall brand recognition is low. Some brands are not even identified on store shelves, and are just grouped under a general heading of Nambu Tekki. This force is also weakened by the low cost of exit. By using a local distributor and keeping production located elsewhere, a firm can fairly easily stop selling in Taiwan which helps to mitigate its risk.

Force strength: Moderate
To assess the overall internationalization potential of the industry, a numerical value is assigned to each of the five forces:

<table>
<thead>
<tr>
<th>Force Strength</th>
<th>Value Assigned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>1</td>
</tr>
<tr>
<td>Moderate</td>
<td>2</td>
</tr>
<tr>
<td>High</td>
<td>3</td>
</tr>
</tbody>
</table>

*Figure 1.5: Values assigned to force strengths*

The following figure applies the rubric above to the industry internationalization potential of cast iron cookware in Taiwan:

<table>
<thead>
<tr>
<th>Force</th>
<th>Strength</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threat of entry</td>
<td>Moderate</td>
<td>2</td>
</tr>
<tr>
<td>Substitutes</td>
<td>High</td>
<td>3</td>
</tr>
<tr>
<td>Buyer power</td>
<td>Low</td>
<td>1</td>
</tr>
<tr>
<td>Supplier power</td>
<td>Low</td>
<td>1</td>
</tr>
<tr>
<td>Rivalry among existing competitors</td>
<td>Moderate</td>
<td>2</td>
</tr>
</tbody>
</table>

*Average*: Low-Moderate 1.8

*Figure 1.6: Industry internationalization potential of cookware in Taiwan through the Five Forces framework.*

As can be seen in the figure above, the combined strength of the five forces is Low-Moderate. The strongest force against the internationalization potential of the industry here is substitution, as cast iron cookware products can be replaced with other, similar pots and pans made of different materials. Overall, the industry has some challenges, not just from substitution but from existing competitors and the potential for new entrants into the space. However, for a small-sized firm the profit potential is still high while the risk is mitigated by the low cost of exit, and the fact that brand recognition is so low overall for cast iron cookware that no major competitor currently dominates the fractured Taiwan market.
Chapter 2: Company Analysis

History of Company and Industry in the Region

The Iwate region in northern Japan has produced ironware for 900 years. Nambu cast ironware originated in the towns of Morioka, a castle town with an appreciation for tea, and Mizusawa, which produced farming tools and equipment for Buddhist ceremonies like temple bells (Genjuro 2017). The precursor to the current style of cast iron kettles and cookware was developed during the Edo period (1603-1868) and is called nambu tekki, which literally translates as “southern iron,” referring to the Edo-era name for the area, Nambu. (Singleton Hachisu 2016). One theory suggests that the slow, methodical way of producing cast iron originated in part because of the bitterly cold, snowy winters in the northern Tohoju region. At the time, people spent many hours indoors and developed slow, steady work patterns to keep themselves occupied and warm during the long, cold months (Lidell 2014). In 1659, Nambu Shigenao, the head of the Nambu Domain, invited an artisan from Kyoto named Koizumi Nizaemon to move to Nambu in order to foster iron casting in the region. That was the start of the creation of the iron pots, known as nambu-kama. The iron kettles, nambu tekki, began around a century later in about 1750, when a descendent of Koizumi developed an iron kettle with a pouring spout and handle (Kazuyoshi 2013).

Figure 2.1: The towns of Morioka and Mizusawa, where Nambu cast ironware originated in the Iwate region of Japan.

Over the centuries that followed, the reputation of nambu products increased in Japan and later spread to other countries. However, during World War II, the government banned all
cast-iron production with the exception of military supplies. This meant that of the 150 cast-iron craftsman in the area, only 16 continued to be employed in this sector. Cast iron production resumed after the war, however faced another slump in the 1960s. Many people switched to the use of propane gas, which, combined with the rise of aluminum products caused fewer people to use cast iron kettles in their homes. Recent trends suggest that an interest in cast iron kettles, pots, and cookware has been revived, not only for traditional tea ceremonies but also for practical use in the kitchen (Kazuyoshi 2013).

The Genjuro company was founded in Iwate in 1852. At age 12, the founder became a pupil of the master metal caster in the area. He first earned money by raising silkworms and army horses, then used the funds to start Genjuro. In its earliest incarnation, the company produced cast iron pots, pans and other household items, with iron sourced from the nearby mountains. Products were sold in the Tohoku area, and the company also played a role of wholesaler with goods from other nearby manufacturers. The company began exporting ironware to Europe in 1962, and later to Australia, Taiwan and the United States. In the 1970s, Genjuro started to work with designers such as Makoto Hirose to create a unique style and differentiate the product line from other cast iron brands. The company, and industries throughout the region, faced a setback as a result of the Great East Japan Earthquake in 2011. Production was halted for months due to damage to the foundry, and was eventually restarted with financial support from foreign donors, particularly from Taiwan and the United states (Genjuro 2017).

Today, Genjuro’s president is the fifth generation descendant of its founder, with active involvement in firm operations by the president’s daughter, who plans to one day assume control of the company.

**Company Overview**

Genjuro produces and sells a line of more than 50 pots, pans, and other items of kitchenware, as well as about a dozen kettles and pots. They also produce and sell a small line of
homeware accessories such as bells, ornaments, vases and other home décor items. In Japan, products are sold online through the company website, at the company outlet store in Iwate, in department stores throughout Japan as well as in smaller lifestyle stores. In Taiwan, products are sold through a single distributor who provides merchandise to multiple retailers in Taipei and throughout the country.

Figure 2.3: Cast iron tea pots and kettles and kitchenware from Genjuro. Images courtesy of Genjuro.

Company Sales and Revenue Data

Sales and revenue data available for the company is limited to the information below. The following are the figures made available by Genjuro for the 1-year period April 2016-March 2017.

<table>
<thead>
<tr>
<th>Location</th>
<th>Amount (¥)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>¥17,700,000</td>
</tr>
<tr>
<td>Europe</td>
<td>¥38,700,000</td>
</tr>
<tr>
<td>US</td>
<td>¥4,040,000</td>
</tr>
<tr>
<td>Australia</td>
<td>¥1,090,000</td>
</tr>
<tr>
<td>Japan</td>
<td>¥593,470,000</td>
</tr>
</tbody>
</table>

Gross Sales Amount ¥655,000,000

Sales by Region (¥)

- Taiwan 2.7%
- Europe 9%
- Japan 90.6%
- Australia 0.2%
- US 0.6%

Figure 2.4: Sales by region (¥)
Figure 2.5: Sales by region % April 2016-March 2017
As can be seen by the data above, Genjuro derives more than 90% of its sales by revenue from within Japan. Taiwan and Europe constitute the next tier of sales, with 2.7% and 5.9% of sales, respectively. The company has just dipped a toe into markets in Australia and the United States, with less than 1% of sales coming from each of those countries. Merchandise sales in Europe are constituted mostly of tea pots, whereas sales in Taiwan are mainly cookware. See below for additional detail on product categories by country.

<table>
<thead>
<tr>
<th>Location</th>
<th>Cookware</th>
<th>Kettle</th>
<th>Tea Pot</th>
<th>Homeware</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>5,082</td>
<td>289</td>
<td>161</td>
<td>160</td>
</tr>
<tr>
<td>Europe</td>
<td>71</td>
<td>717</td>
<td>9,525</td>
<td>800</td>
</tr>
<tr>
<td>US</td>
<td>563</td>
<td>18</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Australia</td>
<td>290</td>
<td>0</td>
<td>0</td>
<td>60</td>
</tr>
<tr>
<td>Japan</td>
<td>78,211</td>
<td>28,479</td>
<td>24,251</td>
<td>68,705</td>
</tr>
</tbody>
</table>

**Sales Quantity Totals**

|                      | 84,217   | 29,503  | 33,937  | 69,725   |

**Figure 2.6: Quantity of sales for Genjuro. Courtesy of Genjuro**

Although historical data is not available from the company, it is possible to extrapolate sales data by region based on historical year-on-year growth in the regions targeted by Genjuro. The chart below uses statistics from Euromonitor International to present homewares data on the target regions. Growth in Japan, from which the majority of sales are derived, was nearly flat, at only .2% average growth from 2011 to 2016. Europe actually saw an average decline in the size of its homewares market of -4.4%. Taiwan and the US showed the strongest, although still fairly slow, growth at 1.7% and 1.8% respectively. Australia was also nearly flat at less than 1% growth over five years.

**Homewares Market Size Year-On-Year Growth Percentage (by region)**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>-2.4%</td>
<td>7.8%</td>
<td>3.8%</td>
<td>-1.7%</td>
<td>0.9%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Europe</td>
<td>-6.8%</td>
<td>1.4%</td>
<td>0.2%</td>
<td>-14.2%</td>
<td>-2.8%</td>
<td>-4.4%</td>
</tr>
<tr>
<td>USA</td>
<td>0.3%</td>
<td>1.6%</td>
<td>1.7%</td>
<td>2.8%</td>
<td>2.6%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Australia</td>
<td>-1.4%</td>
<td>-0.5%</td>
<td>2.2%</td>
<td>1.5%</td>
<td>1.3%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Japan</td>
<td>-0.7%</td>
<td>0.2%</td>
<td>-1.3%</td>
<td>1.4%</td>
<td>1.2%</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

**Figure 2.7: Homewares Market Size Year-On-Year Growth Percentage (by region).**

Source: Euromonitor International 2017. Euromonitor from trade sources/national statistics
Using the data above on market size by region, it is possible to extrapolate Genjuro sales from 2011 to 2017 assuming that the percentage of sales by region has stayed consistent. Based largely on stagnant growth in its largest market, Japan, along with losses in market size in Europe, Genjuro would actually have seen a slight decline in sales from 2011 to 2016, as is expressed in the chart below. Based on market size by region, sales would have declined by .6% from ¥659,004,403 in 2011 to ¥655,000,000 in 2017.

Looking ahead, analyst projections on market size for homewares can be used to predict future trends for Genjuro sales. As seen in the chart below, the highest growth is anticipated in the US, with an average forecasted growth of 1.1% over the next five years. Japan is looking towards the slowest growth, tied with Europe at .5%. Whereas growth in Europe is predicted to remain steady, growth in Japan will slow from .9% in 2016-2017 to .2% over 2020-2021. Taiwan is predicted to have slow but increasing growth, from .6% in 2016-2017 to .8% over 2020-2021, with an average growth over the period of .7%. Projections are based on fixed 2016 exchange rates (US dollars), at constant 2016 prices.
Using the year-on-year growth projections above, it’s possible to predict future sales for Genjuro for 2017-2021. As can be seen in the chart below, if the company maintains its current balance of sales in the five regions in which it operates, it can expect to see sales increase by 2.5% from ¥655,000,000 in 2016 to ¥671,237,996 in 2021, or ¥16,237,996. The bulk of the growth will be due to modest increases in Japan, its largest market, supported by additional increases in Taiwan and Europe.
(net income/sales) for the company is ¥35,900,000 / ¥655,000,000 = 5.5%. This ratio measures what percentage of sales is made up of net income.

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<table>
<thead>
<tr>
<th>Genjuro Company</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consolidated Income Statement</strong></td>
</tr>
<tr>
<td><strong>For the period April 2016-March 2017</strong></td>
</tr>
</tbody>
</table>

**Revenues**
- Merchandise sales: ¥655,000,000
- Total revenue: ¥655,000,000

**Expenses**
- Manufacturing cost: ¥360,700,000
- General and administrative: ¥170,100,000
- Other expenses: ¥88,300,000
- Total expenses: ¥619,100,000

**Net Income**
- ¥35,900,000

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Figure 2.11: Consolidated Income Statement for Genjuro. Data courtesy of Genjuro

Genjuro’s very thin margin of 5.5% compares unfavorably with profit margins of 10.5% for personal goods in Japan as a whole (Euromonitor 2017). Profit margin data for Genjuro competitors is limited as the industry is dominated by privately held firms which do not release this information. However, Le Creuset had a reported profit margin ratio of 31.6% in 2015, the most recent year for which data are available (Thomson Reuters 2017). Staub had a reported profit margin of -11.5%, however the most recent available data is from 2009.

Genjuro’s thin margins are a weakness and may potentially limit its tolerance for risk or capacity for investment in needed marketing initiatives, as discussed below.

**Analysis of Genjuro Core Competencies**

What sets Genjuro apart from its competitors, and gives it an advantage in the market place? In other words, what are the core competencies of Genjuro? Core competencies are defined
as the resources and capabilities that are not possessed by competitors currently and not easily imitated in the near future. They serve as the source of what the firm does well or better than its competitors, allowing it to generate competitive advantage (Rothaermel 2014). The following analyses are based on multiple interviews with executive leadership and employees, a multi-day site visit to the foundry in Iwate in April 2017, internal company documents, and additional ongoing market research consulting work with the company.

To evaluate core competencies and their connection to competitive advantage, consider the following framework:


Resources may fall broadly into the categories of tangible and intangible resources. Tangible resources for Genjuro include the land in Iwate, the foundry, other associated buildings, equipment, supplies and labor. Intangible resources are the more than 160 years and five generations of expertise in making cast iron goods. The institutional memory and knowledge of the cast iron making process have significant, though hard to quantify value. In addition, the reputation of the region for making this type of cookware is very high. Particularly in Taiwan, goods labeled as “Made in Japan” are also perceived as being of higher quality.

Under the heading of capabilities, the firm’s greatest capability is technical, as the goods are extremely high quality at an accessible price point. Another important capability is in the artistry of the cookware and tea pots and kettles, which has been a point of differentiation for the firm since the 1970s. In preliminary market research, discussed in more detail in
following chapters, the artistry and high quality are consistently cited by consumers as strong assets of the products.

In terms of international expansion into Taiwan, capabilities have several growth areas. The company struggles to manage its relationship with its Taiwanese distributor. The distributor either does not know, or will not share, information with management about the retail outlets where the products are ultimately sold. Pricing in Taiwan is inconsistent, with prices as much as double in some retail outlets as compared to others. The company does not have a fluent speaker of Mandarin on staff, and its only fluent English speaker is a consultant who is physically located in Europe, although who works closely with the company president.

As can be seen in the chart above, the resources and capabilities reinforce the core competencies. In this case, the core competencies are the exquisite design and high technical competency from generations of experience, available to consumers at an accessible price point. The core competencies are then leveraged in the firm activities.

Activities for the firm start with the import of iron ore, predominantly from Australia, and modifying the composition of the raw materials. Cast iron cookware is produced on site in the foundry in Iwate. Products are sent to the distributor in Taiwan. Genjuro sets the price for its products, but the distributor currently controls all downstream channels. At this time, there is basically no marketing being done in Taiwan, either by the company or its distributor.

In spite of some challenges, particularly as they relate to management and marketing, the company has several competitive advantages. The main competitive advantages are:

1. *Exquisite design*: The artistry and physical beauty of the products are a major asset and point of differentiation.
2. *Made in Japan*: Consumers in Taiwan regard items made in Japan as being of high quality with a close attention to detail.
4. *Conducts heat well*: The cast iron conducts and retains heat more effectively as compared with other materials.
5. *Perceived health benefits*: Cast iron is believed to have a “ferrous iron effect” in which the iron seeps into food adding health benefits. Some preliminary nutrition research supports this theory (Geerligs 2003), however the perception of the health benefit is the true competitive advantage. Also, the non-stick coating used on some
competing cookware products is perceived as having potentially negative health implications.

By leveraging these competitive advantages, and overcoming some of the challenges particularly around management capabilities and marketing, Genjuro has the potential to achieve superior firm performance. Resources and capabilities must be continuously reinvested, honed, and upgraded in order to sustain superior performance.

**VRIO Analysis**

When considering future performance, it is critical to evaluate the degree to which the resources and capabilities described above can sustain competitive advantage. Under the VRIO framework, for a resource to be the basis of a competitive advantage, it must be valuable (V), rare (R), costly to imitate (I), and the firm must organize (O) to capture the value of the resource (Barney 2009). According to this model, a firm can sustain a competitive advantage only when it has resources that satisfy all of the VRIO criteria. Resources in the VRIO framework are broadly defined to include any assets as well as any capabilities and competencies that a firm can draw upon when implementing strategy.

![VRIO Framework](image)


When considering aspects of competitive advantage, a resource is valuable if it helps a firm increase the perceived value of its product or service in the eyes of consumers, either by adding features or by lowering price. It’s rare if only a few firms possess it. A resource is costly to imitate if firms that do not possess the resource are unable to develop or buy the resource at a reasonable price. If the resource in question is valuable, rare, and costly to imitate, then it is an internal strength and a core competency. If the firm’s competitors fail to duplicate the strategy based on the valuable, rare, and costly-to-imitate resource, then the firm
can achieve a temporary competitive advantage. However, to achieve lasting competitive advantage the firm must be able to fully exploit its competitive potential, meaning it must be organized to capture value—that is, it must have in place an effective structure and systems so that it can realize its full potential. The chart below examines Genjuro’s competitive advantage for cookware in Taiwan within the VRIO framework.

<table>
<thead>
<tr>
<th></th>
<th>Valuable</th>
<th>Rare</th>
<th>Costly to Imitate</th>
<th>Organized to Capture Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Beautiful Design</td>
<td>YES</td>
<td>YES</td>
<td>MODERATE Other firms could hire designers</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>Highly valued by consumers</td>
<td>Few other firms can compare</td>
<td>High quality, difficult to replicate</td>
<td>Highly sought after aspect of the merchandise</td>
</tr>
<tr>
<td>2) Made in Japan</td>
<td>YES</td>
<td>MODERATE</td>
<td>YES Make in Japan</td>
<td>MODERATE</td>
</tr>
<tr>
<td></td>
<td>Taiwanese have a high opinion of items made in Japan</td>
<td>There are other cast iron cookware makers who export to Taiwan</td>
<td>Customers value this, but with no marketing in Taiwan it is not emphasized</td>
<td></td>
</tr>
<tr>
<td>3) Tightly controlled production</td>
<td>YES</td>
<td>MODERATE</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>Infrastructure and know-how are very valuable</td>
<td>Only other JP manufacturers have similar attention to detail</td>
<td>The company is highly expert at production</td>
<td></td>
</tr>
<tr>
<td>4) Conducts heat well</td>
<td>YES</td>
<td>MODERATE</td>
<td>MODERATE Easy for other cast iron to imitate, hard for other materials</td>
<td>MODERATE</td>
</tr>
<tr>
<td></td>
<td>Customers value this aspect of cast iron cookware</td>
<td>Other cast iron cookware shares this quality</td>
<td>Customers value this, but with no marketing it is not emphasized</td>
<td></td>
</tr>
<tr>
<td>5) Perceived health benefits</td>
<td>YES</td>
<td>MODERATE</td>
<td>MODERATE Easy for other cast iron to imitate, hard for other materials</td>
<td>NO</td>
</tr>
<tr>
<td></td>
<td>Especially in Taiwan customers are increasingly health conscious</td>
<td>Other cast iron cookware shares this quality</td>
<td>Customers need marketing and education to better understand this value</td>
<td></td>
</tr>
</tbody>
</table>

*Figure 2.14: VRIO analysis of competitive advantage for Genjuro in Taiwan*

As can be seen in the chart above, there is no aspect of competitive advantage which currently succeeds on all measures of the VRIO framework. The beautiful design of the items
and the tightly controlled production come closest, achieving three out of four measures, and moderate status on the fourth measure. For design, the company’s products are remarkably beautiful, however it is possible that in the future another firm could hire skilled ironware designers, making it conceivable to imitate. For the measure of tightly controlled production, it is valuable, costly to imitate, and currently organized to capture value. However, other Japanese firms around Iwate also keep close control on their onsite production, meaning that while it is rare outside of Japan, within Japan there are other similar companies (competitive landscape discussed below in greater detail). The advantage that the products conduct heat well and their perceived health benefits are shared by other cast iron cookware manufacturers, meaning that while they are valuable they are not unique to Genjuro.

In order to sustain lasting competitive advantage, the company must seek to improve those aspects of the VRIO framework that are currently inhibiting its ability to take full advantage of its core competencies. The full discussion of marketing and management challenges and the possibilities of sustaining lasting competitive advantage are discussed below in Chapter 3.

**Strengths-Weaknesses-Opportunities Threats (SWOT)**

The SWOT analysis allows for the synthesis of the company’s internal strengths and weaknesses with an external analysis of opportunities and threats. A SWOT analysis evaluates a firm’s current situation and future prospects by simultaneously considering internal and external factors. The focus is on internal and external factors that can affect—in a positive or negative way—the firm’s ability to gain and sustain a competitive advantage.

**Strengths:**

- Genjuro has their own factory, which can ensure they can produce high quality products and achieve monthly and annual production targets.
- Good technical and design abilities.
- Overseas distribution currently in place in several regions in addition to Taiwan (Europe, Australia, United States).
- Management is open-minded towards new cultures and willing to consider external voices.
- Genjuro brand itself has history, story and identity that could be used for marketing expansion overseas.
- Items are very beautiful and frequently cited by customers for their exquisite artistry.

**Weaknesses:**
• Management does not currently have sufficient knowledge and business experience in the Taiwan market.
• Current relationship with the Taiwan distributor is characterized by information asymmetry and poor communication.
• Once Taiwan market sales boosts, the production capacity of the factory might not afford enough output.
• The company does not have employees who can speak Mandarin fluently.
• Information on products needs to be translated into Chinese.
• Some potential customers perceive cast iron cookware as heavy and hard to maintain.
• Extremely slim profit margins. Currently only 5.5%. Very little room for error.

Opportunities:

• High levels of human capital in Taiwan. Possible to find highly skilled employees for future positions, for example for a retail store.
• Taiwan market has space for new product lines of cast iron cookware.
• Japanese brands possess a positive image in Taiwan.
• Few core competitors in Taiwan market—大古(TAKU), 柳宗理(YANAGI)
• Taiwanese care about eating healthier and appreciate artistry.
• For target customers, most of them can afford relatively high prices.

Threats:

• Lack of brand awareness. Even if people can afford high prices, they may not buy Genjuro without brand awareness.
• It is hard to change people’s cooking behaviors. Cast iron requires different maintenance than other kinds of cookware.
• Shipping merchandise from Japan takes time and money.
• Iron cookware competition from secondary and tertiary competitors.
• Taiwanese customers need to be educated regarding the cooking uses and health benefits of cast iron cookware.

Possible SWOT Matrix Scenarios

In some cases, Genjuro’s strengths may align with its opportunities. The Taiwan market has space for new product lines of cast iron cookware, and people in Taiwan have a positive view
of products made in Japan. This aligns with Genjuro’s brand story, as well as the openness of its management team to international expansion. On the negative side, Taiwanese customers have low brand awareness and would require education on the product’s advantages and uses. This is problematic in light of Genjuro’s limited expertise in the Taiwan market and very slim profit margins, which could limit the capital available for large scale marketing and outreach.

Competitive Landscape

Genjuro faces a competitive landscape with several local and international competitors in the cast iron cookware space. In addition to the named competitors, substitute cookware which is not cast iron is also easily available. Typically lower quality and much lower cost, stainless steel and non-stick pots and pans are readily available in Taiwan from Chinese importers and local distributors in stores and online at sites like PChome. The main competitors are described below. Average cookware prices are converted to USD for ease of comparison.

Japanese Competitors:

- Yanagi: Distinctive style, easily recognizable. Known for beautiful design. Yanagi has a single distributor that currently uses three channels: SOGO department store, IUSE lifestyle shop, and online via PChome. Average cookware prices in Taiwan: US$ 58-235
- Iwachu: Focus on teapots and kettles, also makes cookware. Foundry located in the same region in Japan. Average cookware prices in Taiwan: US$ 83-195

Taiwanese Competitors:

- Taku: Taiwanese company which also has manufacturing in the US. Taku handles their own distribution in Taiwan with an official store and sales in department stores: MegaCity, Sogo, and Dream Mall. Average cookware prices in Taiwan: US$ 75-375

International Competitors (Cast iron):

- Staub: Originally a French company, now owned by the Zwillings J.A. Henckel Group, a German partner with a strong Taiwanese network. Large variety of pots,
however all are enamel coated.

**Average cookware prices in Taiwan: US$ 75-250**

- **Le Creuset**: French company with distinctive, colorful style and high brand recognition. Widely known and available in Taiwan.
  
  **Average cookware prices in Taiwan: US$110-610**

- **Lodge**: Long established American company with large number of products and wide international distribution. Currently using a local Taiwanese distributor.
  
  **Average cookware prices in Taiwan: US$24-150**

**International Competitors (Other materials):**

- **Solida**: Italian made non-stick pots and pans. Low cost, widely available in Taiwan especially online at PCHome.
  
  **Average cookware prices in Taiwan: US$110-610**

- **Riess**: Austrian company making porcelain enamel cookware with iron pan core.
  
  **Average cookware prices in Taiwan: US$38-87**

- **Zwilling**: German multinational with a full line of stainless steel cookware, also cutlery, glassware and kitchen tools. Promoted heavily in Taiwan grocery stores.
  
  **Average cookware prices in Taiwan: US$33-840**

*Figure 2.15: Competitive landscape: Brand awareness vs price*
When considering the competition, customer perceived value is an important measure of brand success. This is the difference between a customer’s opinion of the costs and benefits of one product as compared to others (Doyle 2008). Expensive items, such as cookware from Le Creuset, may have high customer perceived value if potential consumers feel that the benefits of the merchandise significantly outweigh the cost. By contrast, companies with very low brand awareness, such as Genjuro, face difficulties achieving high customer perceived value because customers are not familiar with the brand story. Without knowledge of the product features, craftsmanship, health benefits, or attention to detail involved in creating the products, customers are left to rely only on their initial perceptions and the item price. In the case of Genjuro, the physical beauty of the items adds to the customer perceived value. However, in the absence of any marketing in Taiwan by either the company or its distributor, the customer perceived value is still relatively low compared to competitors.
Chapter 3: Marketing Analysis: Opportunities and Challenges

Preliminary Market Research

Following its decision to expand its cookware business in Taiwan, Genjuro management contracted with a team of university-based students and researchers. The research team was part of the College of Management at National Taiwan Normal University in Taipei. The goal of the market research was to discover more information about Taiwanese cooking and lifestyle habits, including their perceptions if any of the brand and of cast iron cookware in general. At the time of this writing, the research was still ongoing, however some preliminary conclusions could be reached.

Research methods

The research team planned to conduct 40-50 in-person, one-on-one interviews in and around Taipei from April to July 2017. Each interview lasted for approximately 30 minutes. Interview subjects were given a small token of appreciation in the form of coffee or tea and a trivet from Genjuro, with a retail value of approximately 500 NTD. See Appendix A for full list of interview questions.

The subjects were divided into four groups based on preliminary research as to who would be the mostly likely potential customers for Genjuro.

**EMBA students** (7 subjects): These students from NTNU had traveled from Taiwan to Iwate to visit the foundry and shop at the Genjuro factory store two years prior. As past customers they had a unique perspective on the products and could describe the way the products were actually used and displayed in the home.

**Department store shoppers** (15 subjects): Researchers interviewed shoppers at the Mega City department store in Banqiao. Department stores such as this one were among the most likely places that potential customers reported looking to buy cast iron cookware.

**Steakhouse customer**: (13 subjects): Customers at the Noble Family Steak House in Taipei were interviewed. Preliminary research found that people used cast iron cookware to prepare large meats such as steak, so people who enjoy eating steak were considered likely customers.

**Organic supermarket** (# TBD): This stage of the interview process was still underway at the time of this writing. As cast iron is perceived to have positive health benefits, shoppers at an
organic super market, who were more likely to cook and to be interested in healthy eating, were considered a strong potential customer base.

Preliminary Results:

Although interviews, coding and analysis were still ongoing at the time of this writing, consistent themes emerged from preliminary reviews of the interview records:

- **Brand awareness**: Almost zero subjects had heard of Genjuro. Even those subjects who had been to Japan to the factory struggled to remember the name of the company. They were familiar with cast iron in general, but not with this company. Brand awareness of cast iron companies overall was very low, with Le Creuset and Zwilling being the two brands most mentioned by subjects.

- **Positive aspects of cast iron**: Subjects consistently mentioned that cast iron cookware conducted heat efficiently, was heavy, made the food taste better, and was healthier to cook with.

- **Negative aspects of cast iron**: The heavy weight was considered both a positive and negative aspect of the cookware, as it was a signifier of quality but also made the cookware more difficult to handle. Respondents also mentioned that the cast iron had special requirements for care and maintenance, and was typically more expensive than other kinds of cookware.

- **Made in Japan**: Respondents were likely to have a favorable view of items made in Japan and view them as being higher quality.

- **Intention to purchase**: At least half of interview subjects would consider purchasing cast iron cookware in the future. Most intended to purchase the cookware for personal use rather than as a gift.

- **Prior purchasers**: People who had previously purchased Genjuro cookware were more likely to mention the beautiful design as a factor in their buying decision.

- **Likeliest usage**: Respondents said they would be most likely to use the cast iron cookware for traditional Taiwanese dishes such as stews, soups, meats, and frying food. No subjects so far said that they planned to use the cookware for European or Western-style dishes.

- **Overall positive impression**: Those respondents who had used cast iron cookware overall had a favorable impression of it and said they would consider recommending it to their friends.
• **Information sources:** Respondents were likely to seek information online or from sales associates in department stores. They also relied on friends and family for recommendations.

• **Buying channels:** The majority of respondents said they would be likeliest to purchase cast iron cookware in person in a store, probably a department store. They would seek information and do research online, but wanted to see and feel the items in person before making a purchase.

**Marketing Strategy and Opportunities:**

Based on the preliminary market research, an analysis of the competitive landscape and prior research on the homewares market in Taiwan, the following are the major marketing challenges faced by Genjuro:

• **Very low brand awareness:** Although the products are currently available in Taiwan, there is almost zero name recognition or awareness of the brand among potential customers.

• **Low market penetration:** Products are not available in a large number of stores, and pricing is inconsistent among stores where the merchandise is sold.

• **Low product knowledge:** Potential customers are not familiar with how to most effectively use the products, how to handle the product weight, and ways to make the cleaning and care of the products easy and efficient.

In light of the above challenges, the marketing goals for Genjuro in Taiwan are:

• Increase market share and revenue in Taiwan

• Ensure stable and consistent product pricing

• Raise brand awareness

• Increase customer knowledge about the use and care of Genjuro cast iron products

The marketing mix, or 4-P model, can be used to address these challenges and meet the above goals. The 4-Ps are defined as “the marketing tools that the firm uses to pursue its marketing objectives in the target market” (Kotler and Keller 2011). The 4-Ps, which constitute the broadest levels of marketing decision making, are product, price, promotion, and place. Product refers to the item that satisfies a customer’s needs or wants. Price is the amount the customer pays for the product. Place involves the strategies or locations for the customer to
access the product. Finally, promotion is the marketing communications or messaging to reach the target audience.

**Product**
The existing line of Genjuro kitchenware is suitable for the Taiwan market. There are enough similarities between Japanese and Taiwanese cooking and eating that the products the company currently produces will be suitable for sale in Taiwan. Creating a new product line is expensive and time consuming, and in this case the return would likely be insufficient to justify the cost.

As a future strategy, the company should consider promoting its line of tea kettles and pots in Taiwan, in addition to cookware. Most customers will purchase a few items of cookware and keep them for many years without replacing them, due to high quality and durability. However, customers may purchase multiple pots and kettles for different occasions, and also purchase tea pots and kettles as gifts. Taiwan has a strong existing tea culture which would be well suited for the Genjuro tea pots and kettles as a future expansion strategy.

**Price**
Genjuro cookware is currently priced from $75-250 USD per piece, which is competitive with other cast iron cookware in Taiwan (see above for more detail on the competitive landscape). The most important aspect of the pricing strategy in Taiwan is not to change the price but to make it consistent. Prices can be nearly twice as much for the same items in some stores vs others. In order for customers to trust and value a brand, they must have confidence in clear, consistent pricing across retail channels. Implementing consistent pricing will likely require a change in distribution strategies, as discussed below.

**Place**
To ensure consistent pricing and to make products more widely and easily accessible to consumers, Genjuro should consider adopting the three-pronged placement strategy below. In order to make any of these strategies successful, step one will be to replace the existing distributor. Ongoing communication asymmetry, uneven pricing, and a total lack of marketing have been characteristic of the relationship with the existing distributor, according to interviews with Genjuro executive management. Replacing the distributor with one or more new distribution partners is a critical first step in executing the placement strategy below.
1. **Official store in Taipei**: Opening a dedicated retail outlet in Taiwan’s capital city will confer numerous advantages for the brand. It adds prestige, as customers are introduced to the particular beauty and refined aesthetic of Genjuro. In addition, employees of the retail outlet can be directly trained by the company to be experts on the products and provide the highest level of service and customer education in terms of product use, care and maintenance. Taipei offers numerous potential high-end retail shopping centers that would be potential locations, and has a highly educated population to supply the human capital necessary for the store employees. A dedicated retail outlet could also afford the company new insights on its customers as it builds relationships and deepens local connection with the brand.

2. **Distribution and branding in department stores**: Department stores were repeatedly cited in the preliminary market research as the place potential customers were most likely to look for cookware. Although Genjuro products are currently available in some department stores, there is almost no branding and customers would have a very difficult time finding the products. The company should consider negotiating with department stores such as Mega City, Sogo and Shin Kong Mitsukoshi to provide special, dedicated shelving and sections with Genjuro branding. Genjuro should also consider providing training to department store staff if possible to make them familiar with the product lines as well as cleaning and care requirements. Interview subjects cited department store staff as a potential knowledge base, so educating staff to the degree possible is a valuable opportunity to ultimately reach customers. Chinese-language explanatory material, recipes, and other marketing collateral should also be available in all department stores where Genjuro products are sold.

*Figure 3.1: Department store shelf dedicated to Le Creuset, a Genjuro competitor.  
Source: April 2017 research visit*
3. **Online retail:** Although most potential customers in the preliminary market research said they would be more likely to buy in person than online, a branded web presence is an important complement to the in-person strategy. Potential customers look for product information online and a Chinese-language website dedicated to Taiwanese customers would be an important source of information, customer education, and potential sales. The official online store could also be supplemented by sales through other online retail outlets such as popular shopping site PCHome.com.

**Promotion**
The final piece of the marketing mix is particularly important, as promotion is an area in which Genjuro has considerable low-hanging fruit. Since there has been virtually no promotion in Taiwan at all so far, the company has an opportunity to make a highly positive first impression and initial efforts are likely to see encouraging results. The company should consider a coordinated effort using the following promotional strategies to make a high-impact impression on potential customers.

- **Cooking classes:** Cooking classes and demonstrations would give Genjuro an opportunity to demonstrate how its Japanese products are highly adaptable to Taiwanese cooking styles and recipes. Classes can be held in the Genjuro retail space, or in partner locations such as cooking stores. Even the bookstore in Eslite, a high-end department store with multiple locations, holds occasional cooking demonstrations. Potential customers may be introduced to the recipes that are conducive to using the cookware, and shown that the cleaning and maintenance is actually not burdensome or time-consuming with a minimal amount of instruction.

- **Bloggers:** Influential bloggers such as 矮谷美味人妻 (KT) of How Living (http://kthu1031.pixnet.net/blog) are an important source of information for home cooks. How Living, for example, has more than half a million Facebook followers, with an accompanying YouTube channel, LINE, and dedicated website. Providing products and training to selected online personalities can help the company expand brand awareness, build credibility, and reach new targeted customers who have an interest in cooking at home and healthy eating.

- **Recipes:** Genjuro has an existing recipe book, however at present it is only available in Japanese. Creating recipes geared toward the Taiwan market and making the book
available in Chinese will be an important complement to the other promotional strategies. The recipe book can be sold at the company store, in department stores and online. Recipes can be used in each of the promotion strategies, including in cooking classes, distributing samples to bloggers, and in social media and other kinds of outreach.

- **Magazines**: Magazines and other publications are another important channel to build brand awareness and increase credibility among potential customers. The company can take a two-fold approach of both buying advertising as well as providing products and story pitches to editors to encourage them to write articles about the products. As noted earlier, the Genjuro products are well-aligned with current trends towards an increase in home cooking and healthy eating in Taiwan, and many people in Taiwan have a favorable opinion about products made in Japan. Pitching editors through this lens can be a potential source of valuable exposure for the brand.

- **Social media**: Coordinating social media will leverage the power and reach of each of the promotional strategies. Facebook and YouTube will be instrumental to this approach. Every new recipe, magazine story, blog post, and cooking class event is another opportunity to share the brand story and highlight key product features. In this way the company can have a viral reach that would far exceed an individual strategy taken in isolation.

Each of the promotional strategies is interconnected with the others. For example, when the company holds a cooking class in its store, it can also debut a new recipe, invite bloggers to the store in person, issue a press release to magazines and lifestyle publications, post a YouTube video, and create a Facebook event. Similarly, when the company receives a positive article in a magazine, it can invite bloggers to share and comment on it and post the article to its social media pages. A coordinated approach, which combines all elements of the 4-Ps—product, price, place and promotion—will be key to achieving the company’s marketing goals.

**Conclusion on sustaining competitive advantage**

The potential for Genjuro to increase its revenue and market share in Taiwan is high. The economy shows signs of growth, with homewares being a segment predicted to have strong positive trends. In preliminary market research, potential customers indicated a favorable
impression of cast iron, of products made in Japan, and said they would likely consider buying cast iron products in the future. Although there are several competing brands already, brand awareness is low overall for all competitors and space exists in the market for Genjuro to grow.

However, to take advantage of these favorable conditions, Genjuro must overcome its major challenges and use its core competencies in order to build and sustain competitive advantage. The major challenges are low brand awareness, low market penetration with inconsistent pricing, and low product knowledge by potential customers. Fortunately, the products themselves are very high quality and beautiful, and are positioned to tap into existing trends among Taiwanese for healthy eating and more cooking at home. Plus, Taiwanese people have a favorable view of products made in Japan, and while brand awareness of Genjuro is low, it’s also low among competitors.

The strategies in the 4-P model, starting with replacing the distributor, will help the company meet these challenges and leverage its strengths. Opening a dedicated retail location and increasing the brand presence in department stores will both raise brand awareness and provide multiple opportunities for customer education. Outreach via cooking demonstrations, marketing collateral such as brochures, social media, and magazines are the interconnected strategies that will introduce customers to these exquisite, quality products. Customers will learn to use and care for the products effectively, and develop an understanding that features such as a heavy weight and premium price are indicative of high quality merchandise. Widely sharing the Genjuro story with consumers will ultimately be the key to leveraging core competencies to sustain lasting competitive advantage.
References


## Appendix A: Research Instrument

### Market Research Interview Questions

<table>
<thead>
<tr>
<th>Construct</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product Knowledge/ Brand Awareness</strong></td>
<td>1.1 Have you ever heard about cast iron cookware, pots or pans?</td>
</tr>
<tr>
<td></td>
<td>1.2 Have you or your family ever bought cast iron cookware, such as pots or pans? Why?</td>
</tr>
<tr>
<td></td>
<td>1.3 Could you list three obvious differences between cast iron cookware and non-cast iron cookware?</td>
</tr>
<tr>
<td></td>
<td>1.4 Could you list three brands of the cast iron cookware?</td>
</tr>
<tr>
<td></td>
<td>1.5 Have you ever heard about [redacted]'s cast iron cookware?</td>
</tr>
<tr>
<td><strong>Purpose of Purchase</strong></td>
<td>2.1 What is your motivation for taking this course? (Only for cooking class students)</td>
</tr>
<tr>
<td></td>
<td>2.2 Are you planning to buy cast iron cookware? If not, why?</td>
</tr>
<tr>
<td></td>
<td>2.3 What is the purpose of buying cast iron cookware, for personal use, gift or another reason?</td>
</tr>
<tr>
<td><strong>Criteria of Purchase Decision</strong></td>
<td><em>(The following questions apply to personal-users)</em></td>
</tr>
<tr>
<td></td>
<td>3.1 If cast iron cookware was purchased for personal use, can you recall the reason why you decided to make the purchase? What factors influenced your decision?</td>
</tr>
<tr>
<td></td>
<td>3.2 Among your reason/s for purchase, what were the most influential factors?</td>
</tr>
<tr>
<td></td>
<td>3.3 If the iron cookware was purchased as a gift, can you recall the reason why you decided to make the purchase? What factors influenced your decision?</td>
</tr>
<tr>
<td></td>
<td>3.4 Among your reason/s for purchase, what were the most influential factors?</td>
</tr>
</tbody>
</table>

*(The following questions apply to people who made a purchase as a gift)*

|                            | 3.1 If the iron cookware was purchased as a gift, can you recall the reason why you decided to make the purchase? What factors influenced your decision? |
|                            | 3.2 Among your reason/s for purchase, what were the most influential factors? |
|                            | 3.3 If the iron cookware was purchased for personal use, can you recall the reason why you decided to make the purchase? What factors influenced your decision? |
|                            | 3.4 Among your reason/s for purchase, what were the most influential factors? |

*(other)*
<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>3.1 If the cast iron cookware was purchased for xxx, can you recall the reason why you decided to make the purchase? What factors influenced your decision?</td>
<td></td>
</tr>
<tr>
<td>3.2 Among your reason/s for purchase, what were the most influential factors?</td>
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</tr>
<tr>
<td>3.3 If the iron cookware was purchased for personal use, can you recall the reason why you decided to make the purchase? What factors influenced your decision?</td>
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<tr>
<td>3.4 Among your reason/s for purchase, what were the most influential factors?</td>
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<tr>
<td>3.5 If the cast iron pot was purchased as a gift, can you recall the reason why you decided to make the purchase? What factors influenced your decision?</td>
<td></td>
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<tr>
<td>3.6 Among your reason/s for purchase, what were the most influential factors?</td>
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</tr>
<tr>
<td><strong>Usage Pattern</strong></td>
<td>(The following questions apply to people who have ever used a cast iron pot)</td>
</tr>
<tr>
<td>4.1 Which cast iron cookware brands are you using currently?</td>
<td></td>
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<tr>
<td>4.2 How long have you used xxx?</td>
<td></td>
</tr>
<tr>
<td>4.3 How many times do you use the cast iron cookware per month?</td>
<td></td>
</tr>
<tr>
<td>4.3 What kind of food do you usually cook with the cast iron pot? Please list in order of most cooked.</td>
<td></td>
</tr>
<tr>
<td><strong>Product Evaluation</strong></td>
<td>(The following questions apply to people who have ever used cast iron cookware)</td>
</tr>
<tr>
<td>5.1 After using xxx, what is your overall evaluation?</td>
<td></td>
</tr>
<tr>
<td>5.2 In your opinion, please give three advantages of it.</td>
<td></td>
</tr>
<tr>
<td>5.3 In your opinion, please give three disadvantages of it.</td>
<td></td>
</tr>
<tr>
<td>5.4 Is the quality of xxx better or worse than other cast iron pots you have used?</td>
<td></td>
</tr>
<tr>
<td><strong>Postpurchase Response</strong></td>
<td>(The following questions apply to person who have ever used cast iron pot)</td>
</tr>
<tr>
<td>6.1 What is your overall satisfaction with xxx cast iron pots?</td>
<td></td>
</tr>
<tr>
<td>6.3 Do you have any other concerns that affect your satisfaction with [redacted] cast iron cookware? (In addition to the evaluation of the function or attribute mentioned earlier?) If there are, what are the concerns?</td>
<td></td>
</tr>
<tr>
<td>6.4 In one sentence how would you express your overall impression of xxx cast iron cookware?</td>
<td></td>
</tr>
<tr>
<td>6.5 Would you choose [redacted] if you need a cast iron cookware next time? Why?</td>
<td></td>
</tr>
<tr>
<td>6.6 Would you recommend your friends or family choose [redacted] if they need cast iron cookware?</td>
<td></td>
</tr>
<tr>
<td>6.7 Would you share the experience of using [redacted] cast iron cookware with your friends and family? Why?</td>
<td></td>
</tr>
<tr>
<td>Information Type/Channel</td>
<td>Questions</td>
</tr>
<tr>
<td>--------------------------</td>
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<tr>
<td>6.8 How would you share your experience using [redacted]? (Would you mention the brand name, provide pictures etc.)</td>
<td></td>
</tr>
<tr>
<td>7.1 What information do you look for when searching for cast iron cookware?</td>
<td></td>
</tr>
<tr>
<td>7.2 What do you use to find information about cast iron cookware? What are the three most commonly used ways? (e.g., internet, in-store.)</td>
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<tr>
<td>7.3 Which stores would you shop in for cast iron cookware?</td>
<td></td>
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<tr>
<td>7.4 What are the specific websites and magazines that you read to get information about cooking and cookware?</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Purchase Channel</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1 When buying cast iron cookware, do you prefer to purchase online or in-store? Why?</td>
<td></td>
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