

# THE BRAND MANAGEMENT SYSTEM OF NISSIN FOOD PRODUCTS

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## 1. Introduction

Recently, brands are becoming more and more a subject of active study and research. In the latter half of the 80's, the term "brand equity" was introduced and the value of brands as an asset drew people's attention. Lively discussions ensued, regarding issues such as methods of measuring their value, and involving researchers and businessmen among others. In the latter half of the 90's, the focal point of these discussions shifted to the issue of how to develop a strong brand in order to strengthen the competitiveness of the enterprise. The core concept of the discussions have also shifted from that of "brand equity" to "brand identity" as a requirement for developing a brand<sup>(1)</sup>.

However, the analysis of a system or an organization required to develop and maintain brands effectively is not complete, either in theory or in practice. Aoki (1999) offers us some insights on building an organization for brand management, shown in chart 1. He admits that there are only budding developments and no concrete example with regards to the department of Brand Management. On the other hand, with regards to the system of brand management as a structure to manage individual brands, Aoki says that this is "a system whereby one manager manages a certain brand and is responsible for a whole range of processes involved in bringing it to the consumer, from its design and initial development to its production and marketing, at the same time that the manager is responsible for the sales of that product. The earliest concrete example of this would be the

Procter & Gamble Co.(hereafter P&G) brand management system introduced in 1931.”(Aoki and Dentsu Brand Project Team, 1999, pp.42-44).

Chart 1.

**BUILDING AN ORGANIZATIONAL STRUCTURE FOR BRAND MANAGEMENT**

<p><b>The Brand Management system</b>  <b>A structure for the management of individual brands</b></p>
<p><b>OBJECTIVE:</b>          To maintain and strengthen brand identity          To assess and utilize brand equity</p>
<p><b>FUNCTION:</b>          To coordinate production, marketing and sale          To integrate developing the product and communicating about it within the company.          Etc.</p>

<p><b>The Brand Management Department:</b>  <b>A structure for the management of a system of brands</b></p>
<p><b>OBJECTIVE:</b>          Unitary management of a brand asset from the point of view of the company as a whole</p>
<p><b>FUNCTION:</b>          To coordinate and integrate the business strategy, the brand system and the organizational structure</p>

(Source : Aoki and Dentsu Brand Project Team, 1999)

The author has done comparative studies of individual brand management systems of P&G and of Kao Corporation (hereafter Kao), and found that these two companies have adopted quite a contrasting system regarding brand management<sup>(2)</sup>. In other words, P&G has adopted a system based on a thorough separation of functions as well as centralized coordination by brand managers. In comparison, Kao has adopted a system based on a harmonization of functions, using job rotations and other methods, as well as decentralized coordination. Due to these contrasting organizational theories, many differences may be noted between the duties, job responsibilities, authority, career paths and other aspects of the brand managers of these companies. To start with, the definition of a brand and ideas about brand identities are not necessarily identical among companies. As a result, they achieve different effects in competition with

each other.

This document takes the above situation into consideration, and will take a close look at the case of Nissin Food Products (hereafter Nissin) that, in 1990, shifted from a system based on product managers to that of brand managers.

Nissin was founded in 1958 by Ando Momofuku, who developed instant noodles packed in plastic bags containing one serving each, for the first time in the world. These instant noodles sold by the brand name of “chikin ramen (chicken noodles)” is even today counted among one of the top brands in the Japanese market, and is certainly the brand which formed the company base upon which Nissin made its progress. Nissin continued to make one technological innovation after another, developing instant noodles packed in individual disposable cups as well as fresh-type instant noodles. Furthermore, Nissin expanded its target of developments from ramen (Chinese style noodles) to udon (Japanese style noodles), spaghetti and others. Through such efforts, Nissin has continued to show leadership in the noodle market.

In Section 2 below, a definition of brands and its four categorical types will be introduced, and we will take a look at Nissin and P&G as to how their brands fit in. In section 3, we will look at the process of introducing a brand management system into Nissin as well as a closer look at the system itself. In section 4, the brand management systems of Nissin and P&G will be compared.

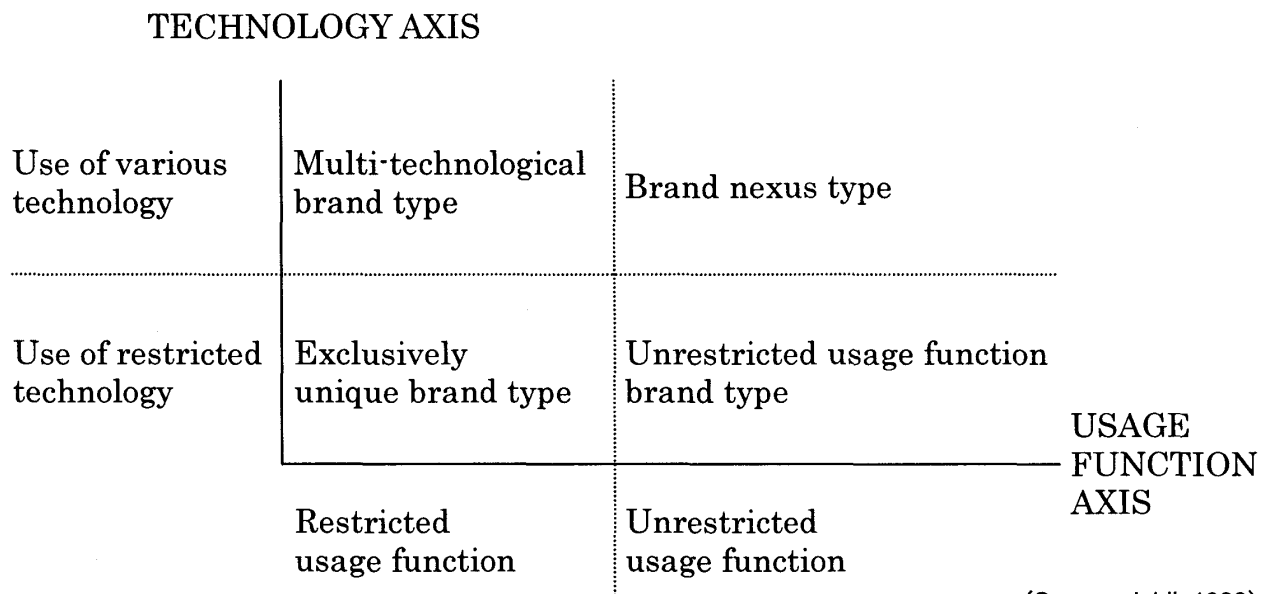
## **2. Brands of Nissin Food Products and P&G**

First we take up a general definition of a brand and its functions. “Brand” is defined as “a name, word, design, symbol or other characteristic which is used to distinguish between the product or service of one company from another.” As fundamental function of a brand, Aoki mentions three, namely, that of “identifying and stimulating purchase function” “quality guaranteeing function” and “symbolic function” (Aoki and Dentsu Brand Project Team, 1999, pp.14-15). “Brand identity” is drawing company attention as a core concept that will help the brands to carry out these functions. As such, re-organizing itself in order to define and develop as

well as to maintain brand identities is becoming an urgent issue for companies.

Before we go further, let us clarify the difference in nature of the brands of Nissin and P&G, while referring to Ishii (1999, pp.38-65). Ishii uses two axes, the technical axis and the usage function axis, in order to categorize brands into four different types, as seen below in Chart 2.

Chart 2.  
BRAND TYPES IN RELATION TO TECHNOLOGY AXIS AND USAGE FUNCTION AXIS



(Source : Ishii, 1999)

The first brand type, “exclusively unique brand type,” is a brand that is dependant on the use of a certain restricted technology, and its usage function for the consumer is also quite restricted. An example of this would be soft drinks, where any change in its ingredients, product concept or its target consumer necessitates the need for a new brand name for the product. This type of brand is very popular with Japanese companies, and there are cases where this type of brand is also found in electrical appliances for home use. Brand turnover is very high, and it creates a market where new products come and go very rapidly.

The second brand type, “multi-technological brand type,” is a type that uses various technologies to support a range of products which offers a certain restricted usage function. Ishii says that “Shokubutu-monogatari” of Lion Corporation (hereafter Lion) is an example of this brand type, where various

technologies are utilized to develop products including soap, shampoo and conditioner, in order to fulfill the restricted usage function of body care <sup>(3)</sup>. Paper diapers and detergents also continue to use the same brand name in spite of technological improvements. Also in the case of automobiles, Toyota offers a number of brands such as “Crown” “Mark II” “Corona” and “Carolla” all with a restricted usage function of cars for private/family use. Ishii maintains that the brand management types of detergents and automobiles are of the same type.

The third brand type, “unrestricted usage function brand type,” is represented by for example SONY’s personal computer series “VAIO,” where an identical computer technology is the basis for the development of various products where packaging differs in order to accommodate use to fulfill different functions, such as desk top or laptop.

Finally the fourth brand type, “brand nexus type” refers to a brand name used to cover a whole range of products using completely different technologies and offering completely different functions. “Mujirushi-ryohin (MUJI),” “Dunhill,” and “Benz” are good examples of this brand type <sup>(4)</sup>.

When seen in the light of above categorical breakdown, both Nissin and P&G offers brands which are of multi-technological brand type, but the two companies have different approaches to brand development and marketing. In the case of Nissin, one brand expands to various products at the same time. An example of this is the brand “Nissin no ramen-ya-san” which originally started as a product offered in small plastic packets, but as of February 2002, the same brand name is used for instant yakisoba noodles, instant cup noodles and frozen noodles. Furthermore, for each of these types of noodles there exists a variety of taste and size variations so that Nissin home page offers a list of 36 products under the brand name of “Nissin no ramen-ya-san.”

On the other hand, for the same multi-technological brand type, the units of expansion are very different for P&G products. As Ishii points out (1999, p.52), the characteristic of P&G marketing is “to have multiple brands within the same usage function category” and at the same time “it is rare for these brands to expand out of the original usage function category to become a brand of another category.” “Ariel,” for example, is a brand name for a detergent to wash clothing,

and as such P&G will not use this brand name for detergents for general household use or for car wash. The expansion is limited and based on different technologies, so that P&G offers “Ariel” in powder form, gel form, or tablet form. Such differences in the characteristics of the brands can well be expected to influence the organizational structures of brand management in each company.

### 3. The Brand Management System of Nissin Food Products

Nissin’s progress and development as a company is a result of innovative product development lead by Ando Momofuku, Nissin’s founder and the developer of the world’s first instant noodles in individual packs. One of the reasons behind Nissin being able to develop one innovative products after another and to maintain the position of leadership in the noodle market was that Ando pushed the project forward by being involved and showing leadership at each step of product development and marketing, from the initial brainstorming and idea generation to merchandizing, developing a marketing strategy to making meaningful product improvements later on. Taking this into consideration, Nissin officially incorporated as company policy this system of one person becoming involved and leading the whole process of product development and marketing, resulting in the Nissin style of brand management (Kijima 1999, p.161). The following is an outline of the characteristics of Nissin’s brand management, based mainly on *Shokusou-Isei* (Creating A Culture of Food for the People): *Commemorating the 40th Anniversary of the Founding of Nissin Food Products* (1998) as well as Kijima (1999, pp.164-167).

#### Introduction of the System:

The initial step, in 1976, was to form a Marketing Department. As of the year 1990, there exist two product managers within the Marketing Department, being responsible, respectively, of cup noodles and bag-packed noodles. Product managers have a tendency to become very conservative toward the introduction of new products where their success is highly uncertain. This is because the product

managers were: a) heavily reliant on either highly profitable or popular products currently successful in the market, and b) worried about their own company products, which were leading the market category, being cannibalized by new products from their own company.

On the other hand, whereas about 400 new brands are introduced annually into the Japanese instant noodle market, most of them disappear quickly from the market (*Weekly Diamond*, Nov.6, 1999, p.62-63). In the food products market, the consumers are offered a wide range of choices and stimulation from new products. The retailers and wholesalers deal with the high turnover of products aided by POS and other data.

In such a market, current President of Nissin, Ando Kouki, recognized that the speed with which new products were introduced into the market was a very important factor in the determination of the competitiveness of the products. He was therefore painfully aware of the necessity to set up a system to ensure speedy and sustainable new product developments within Nissin.

In March 1990, Nissin introduced the brand management system. Its two main objectives were: 1) to activate new product developments, and 2) to manage and develop products currently in the market as well as to manage their profit and loss.

However, due to the above background of why this system was introduced, the emphasis was on the first objective of swift and sustainable new product development. For this reason, the top officers made clear of two points in relation to the introduction of the brand management system, namely, 1) promotion of competition among company brands, and 2) positive acknowledgement of cannibalization occurring.

### Organizational Theory

The basic organizational structure of the new brand management system is organized by function, but Nissin practices mandatory job rotation whereby its employees in their 20's and 30's experience being part of at least three different departments from among sales, marketing, research and development, production and management. Through the experience of various job functions, a certain

level of the company's functional knowledge is shared by all the employees and harmonized within each employee.

At Nissin, the brand manager position belongs to the Marketing Department in terms of organizational structure, but in fact it is a special position under direct supervision of the President (*Forbes* (Japanese version), September 1996, p.157). Within the company, the brand manager is called "the brand president," and is responsible for every aspect of the brand in charge, and negotiates and coordinates with all the related and relevant departments with regard to his/her brand. Theoretically, the brand manager is expected to be involved with and to coordinate every step of the process of bringing a new product into the market. However, as we can see below, the organizational structure in reality allows for the related departments to take on certain responsibility in carrying out relevant parts of the process, by adhering to the brand identity and concepts defined by the brand manager as well as making use of the Matrix organization and the ATR model.

#### Career Path:

Normally, each brand group consists of a brand manager and three or four others. If there are three in a group in addition to a brand manager, for example, one would be an expert on sales, another would have a good knowledge of research and development related hardware, and the third would be either someone with a good experience of advertising or sales planning. In this way, those with good experience in the major departments will be chosen to form the group (*Shokusou-Isei*, p.61).

Nissin practices job rotation of its employees, so that those who are in their 20's and 30's of age must experience being part of at least three different departments. The same can be said of the brand managers. There is no specific pattern of career path exclusive to the brand managers. Furthermore, the ranks of brand managers are not identical, so that there may be those who have been in or have held posts equivalent to the positions of department managers and assistant managers in other departments. The age of brand managers varies greatly, ranging from the thirties to the fifties. However, there are no differences in their



authority as brand managers. Those who are considered to be capable as a brand manager are handpicked for promotion to that position (Miura, Koezuka, 1997, pp.138-139).

The brand management system at Nissin is expected to be an on-the-job training ground for would-be executive officers. Brand managers are called “brand presidents” at Nissin, and are in a position to experience all that is considered necessary in order to become an executive officer. One of the most important aspects of this experience is to be able to make one’s own decision based on one’s own assessment of the situation, rather than to make passive decisions related to one’s work based on decisions being made by higher officers.

President Ando Kouki, promoter of the introduction of the brand management system at Nissin, has publicly announced his positive expectation of this brand management system to be an on-the-job training ground for would-be executive officers. This creates a positive echoing effect on those brand managers who were handpicked for the positions, to take recognition that such is expected of them. Recently, those who have experienced the position of brand managers are offered the job to manage a subsidiary or become responsible for other independent operation divisions. There are also more and more cases of former brand managers being sent abroad to manage the overseas divisions.

#### Job Responsibility:

As we have seen, the two main objectives for the introduction of the brand management system were: 1) to activate new product developments, and 2) to manage and develop products currently in the market as well as to manage their profit and loss. Based on these objectives, a brand manager is basically considered to be a coordinator of all matters relating to other departments as well as being responsible for making profits for the brand in charge <sup>(6)</sup>.

The job responsibility of the brand manager is described in *Shokusou-Isei* (p.61) as being “in charge of everything, including the procurement of basic materials and supplies necessary for production, placing a request to the research department for the development of improvements to the product, selection of sales branches as a channel for marketing, sales promotion and

planning advertising, and all this based on one's own accountability." All necessary activities in order to establish the brand identity of instant noodles are within the limits of brand manager duty. This includes placement of market research and studying the results, promotion of basic marketing strategy, development of new tastes for noodle soup, development of new packages, investigating brand names and searching for appropriate methods of advertising.

In order for the brand manager to be able to follow through with his/her accountability to make profits, the power endowed on the brand manager is also quite substantial. The research department, for example, cannot refuse any request of the brand manager for procurement of basic materials or supplies, or to develop a sample, or any fixed deadline for such requests.

Since competition among brands is encouraged, detailed information about the development of new products are only reported to three people in the whole company, namely the President, the Head of the Research Department, and the Head of Marketing Department. This may result in research requests for similar products at the same time, but there is absolutely no attempt to coordinate among brands prior to the meeting of the New Products Committee, held once a month, which will review all new products in line for sales and marketing. This New Products Committee is chaired by President Ando Kouki himself, and is attended by brand managers, executive officers responsible for sales, and staff members of the research department.

Due to the characteristic of the instant noodle market, Nissin has decided that the cost of future loss of a competing edge, by not being aggressive with new product development and introduction, to be much more expensive than the loss resulting from duplication of investment in product development. It is therefore considered inevitable that such duplication occurs (Kijima, 1999, p.164).

In terms of profit management, Nissin has adopted a matrix organization with the Sales Department and Brand Groups as the two axes. All the eight branch executive officers of the eight Sales divisions of Japan as well as the brand managers are held accountable for the profit of the brand in charge. Which brand and product will be sold and how much in each of the sales divisions, are recommended in principle by the brand manager and the final decisions are said to

be made by the eight branch executive officers.

Nissin also uses the ATR model in defining the job responsibility of its departments. “A” stands for “awareness” and is the responsibility of the Advertising Department, “T” stands for “trial purchase” and is the responsibility of the Sales Department, and “R” stands for “repeat purchase” and is considered to be the responsibility of the Marketing Department.

#### The Process from Brainstorming to Market Introduction:

We have now reviewed the organizational principle and brand manager responsibility of Nissin. Let us now turn to a real life example of the instant noodle market’s first fresh-type instant noodle “Nissin Raoh,” in order to see how the above theories are being reflected at each step of the process of product development at Nissin, from brainstorming and idea generation to the introduction into the marketplace.

In 1998, Shimadaya-Honten entered the market for the first time with fresh-type instant noodles marketed as Japanese style instant udon noodles. In response, Nissin entered the fresh-type instant noodle market in 1990 when the then Head of the Marketing Department of the Osaka Headquarters lead the development and marketing of “Hon-nama (real fresh) udon.”

Following the introduction of the brand management system at Nissin in the same year, this Head of Marketing Department was appointed to be a brand manager and decided to target the development of fresh-type ramen, rather than udon. This meant that research and product development would have to start from scratch. With the brand manager as the leader, a special project team of 13, consisting of those from 4 different departments, namely the Research Department, Technical Development Department, Materials and Supplies Department and Frozen Food Operations, was formed. The development of “super network manufacturing method” and the introduction of “triple layered noodle manufacturing method” lead Nissin to give birth to “Nissin Raoh” as a fresh-type instant ramen product (Kijima, 1999, pp.168-169).

While a special project team was formed for the development of “Nissin Raoh,” usually the development of a new product concept into a marketable

product is a shared responsibility of and cooperation between the Brand Group and the Research Department. When a product is ready for presentation, they are recommended to the New Products Committee whose meetings are held once a month.

When the Committee, after its deliberations, decides to market the new product, the Advertising Department, Sales Department, and the Marketing Department get to work according to the ATR model. The Advertising Department reviews the brand manager's recommendation of an advertising concept and a definition of the target consumer from the point of view of advertising experts, and draws up a concrete media schedule and develops a storyboard to base the commercials on. For this reason, while media and advertising budget is divided among the brands, the actual spending and management of funds are performed by the Advertising Department. The Sales Department, in turn, develops and executes a sales promotion plan to promote a trial purchase of this new product (Aoki and Dentsu Brand Project Team, 1999, p.204).

Which brand and product will be sold and how much in each of the sales divisions, are recommended in principle by the brand manager and the final decisions are said to be made by the eight branch executive officers, but these final decisions are dependent not only on the consideration of product type popularity in the past and which products seem promising, but also on the eagerness of the brand manager (*Weekly Diamond*, November 6,1999, p62-63). At the same time, the branch executive officers may sometimes approach the brand manager in order to negotiate higher sales targets at their branches <sup>(7)</sup>.

It may be said that the final screening of the new products are done in the market. Retailers make full use of the POS data in order to stock only very popular products that make maximum use of the limited shelf space. None of the new products are tested on a small scale. The full-scale introduction of new products or the sales of improved "renewal" products directly into the marketplace to also serve the purpose of a real life market research is a style of product marketing characteristic to the Japanese instant noodle market.

### Effect on Competitiveness:

Increasing the pace of new product introduction into the market was the biggest objective of introducing the brand management system. Whereas only 10 new products were marketed under the project management system, 60 to 70 items are being marketed as new products every year since the brand management system went into operation (Kijima, 1999, p.166). According to the Nissin internet homepage, as of February 2002, the number of new product introduction in the past three months amounts to 24, which means that an average of 8 new products were being introduced into the market every month <sup>(8)</sup>.

Credit is given to the introduction of the brand management system as the factor that brought about the increase in the pace of new product introduction into the market. This system allowed for the promotion of several brands as a “range” of brands, enabling an efficient funding of advertising, sales promotion and other activities, leading it to success. However, it should not be forgotten that the precondition for this success was the existence of the brands already in the market with strong brand identities and an established position of market leadership <sup>(9)</sup>.

## **4. In Comparison with P&G**

### Introduction of the Brand Management System:

At P&G, “Ivory” was originally the only brand of soap, but in order to counter a new product introduction by its competitor, decision was made to market the “Camay” brand of soap. In order to manage these two brands independently, a one-man-one-brand system was officially introduced in 1931. In making the decision to market a number of products with the same usage function, the main objective of the introduction of this system was to ensure that each brand was completely independently managed and would be able to compete with each other as brands.

### Organizational Principle:

P&G is based on a functional organization, and its employees are all specialists of a certain function. There is no job rotation, and the employees are expected to polish their professional expertise of a particular function. A brand manager, whose job is to coordinate among departments, is in a position to utilize such expertise available within the company for the maximum benefit of his/her own brand. In relation to the profit management of his/her own brand, a brand manager is uniquely responsible for this within the company.

### Career Path:

All CEO's in the past history of P&G are former brand managers, and the brand group consists of elites within the company. A member of the brand group starts his/her career as a marketing specialist from the moment she/he joins the company. Each brand team consists of three to four people, and a newcomer is assigned to a particular brand group as a brand assistant. The job of the brand assistant consists mainly of brand promotion and packaging. Following a half year training in the Sales Department, the brand assistant is promoted to an assistant brand manager. The job of an assistant brand manager mainly consists of assisting the brand manager, including assistance in the production of a television commercial. The assistant brand manager is usually promoted to a brand manager in about three to five years, but it is often the case that promotion is accompanied by an assignment to a different brand.

In both Nissin and P&G, former brand managers have a good chance of being promoted to the top executive positions. However, it must be noted that the career paths of these brand managers are very different, and is a reflection on the difference in the factors and conditions considered necessary for top executives in each company. At P&G, brand group members are the elites within the company, and are so considered from the time of recruitment. A brand manager is expected to demonstrate leadership at all times and in all situations, and this is considered to be a prerequisite in fulfilling the coordinating role. In addition, qualities of individual disposition such as planning abilities and creativity are also expected of a brand manager.

At Nissin, however, a much wider general knowledge is expected of a brand manager, so that job rotation is mandatory. Promotion to the brand group occurs only after the newcomer has had a chance to show a record of performance within a certain period of time. To have such a record of performance as well as a network of acquaintance within the company are considered to be an important prerequisite to fulfill the coordinating role at Nissin.

#### Job Responsibility:

The most important job responsibility of a P&G brand manager is the longevity of the brand responsible, and the brand itself is the only instrument to work with. The brand manager is responsible for all and any matters relating to the handling of the brand identity, including the development of a product concept for renewal of the product, production of the TV commercials, designing the package, determining the price, conducting test sales, distribution of samples and promotion of consumer campaigns. As a profit manager, the brand manager is also responsible for planning and budgeting for the coming year, and is expected to provide a profit/loss forecast. It is also the responsibility of a brand manager to train the other members of the brand group according to the well-defined outline of job responsibility and basic knowledge requirements for each position.

As seen above in section 2, brand development at P&G is limited to a particular usage function within a particular product group. Therefore, there is a limitation to brand development and expansion by changing the form or shape of a product. For this reason, brand development tends to concentrate in the area of building up and strengthening the brand identity, through activities including the production of TV commercials, distribution of samples and determining the pricing strategy.

Next, let us consider the differences between the two companies with regards to cannibalization of own company products. A one-man-one-brand management system was introduced at P&G in order to minimize such cannibalization. On the other hand, Nissin's objective in setting up a brand management system within itself was to break through a conservative attitude of not marketing new products for fear of cannibalization of own company products.

Based on P&G objectives, each of the many brands with the same usage functions is expected to have an individual brand identity that clearly discriminates it from other brands. It is important for the brand to be independent, rather than existing under the company umbrella. This is why there is no advertisement placed for a “company brand” in the U.S. market which is the home ground for P&G. Individual brands are absolute, and a company is often seen as an aggregate of individual brands. Such thinking makes it clear why a brand manager at P&G is indeed assigned the authority and accountability commensurate to the importance of each individual brand.

In considering Nissin, we need to remember that, as a characteristic of the food market, numerous new products are introduced and marketed, including those of the competitors, and many, in turn, disappear from the market. There is a chance for a hit product somewhere along these cycles of introduction and disappearance. Since the situation is such that the competitors will introduce new products if not by Nissin, there is no point in worrying too much about consumer interest shifting within the brands of one’s own company. Nissin already has a number of top brands, so that the introduction of variations to these brands will make possible the absorption of potential cannibalization between brands as simply a shift within the variations of a particular brand. In this way, Nissin as a whole, can prevent a decrease in the total market share.

#### The Process from Brainstorming to Market Introduction

At P&G, one of the most effective ways of assuring the longevity of a brand is considered to be a successful renewal of the brand already in the market. Of utmost concern in this process of renewal is how to deal with the existing brand identity. Consumer researches are conducted, and based on these results, a product concept will be developed which maintains the continuity of the current brand identity while giving an impression of a product renewal to the consumers. Once the product concept is defined, the next step is to develop a TV commercial that communicates this most effectively to the consumers. Such processes are within the job responsibility of the brand manager and the assistant brand manager, and work progresses in cooperation with the agents in charge of the



brand at an advertising agency outside of the company. Once concrete results are available, the brand group starts to coordinate with the relevant departments.

The Research Department deals with and considers the aspect of technological feasibility. For those renewal concepts that are feasible, consumer tests are conducted. At the same time, the ideas are checked and reviewed for marketing feasibility at a meeting of the staff in charge of the brand in each of the relevant departments, including Purchase, Manufacturing and Sales in addition to Research. Together they consider all the aspects related to marketing including cost and dates of delivery, and make a list of various problems. The departments suggest solutions to the problems as they make compromises with the brand group recommendations.

When all the potential problems are dealt with, the brand manager makes a recommendation to top management. Once approval is given, the brand manager issues a memo indicating the beginning of a process and a list of concrete steps to be taken by the relevant departments. The final step in this process is to conduct test marketing in a limited area for a certain period of time, and the results of this testing may lead to a decision by top management to expand the sales area.

There are several differences between Nissin and P&G in carrying out these processes leading up to the product's introduction into the market. First, the role of the advertising agency in idea generation is very different. The development of brand identity at P&G is considered to require a highly professional expertise. For this reason, P&G makes maximum use of specialist resources from outside the company. In contrast, while Nissin also takes the development of brand identity seriously, or precisely because it does, it makes all related decisions internally.

Secondly, at P&G, brand managers are appointed only when a product feasibility is established, at which point the brand managers get to work on drawing up a marketing plan for the introduction of that product into the market. At Nissin, in contrast, a brand manager is involved at a very early stage of the process, even for a product like "Nissin Raoh" which requires the development of new technological innovations.

Thirdly, there is no opportunity at P&G for the Sales Department to

negotiate on the same level with the Brand Group, which makes all relevant decisions relating to the choice of sales area. At Nissin, the matrix organization allows for the voice of the Sales Department to have a lot of weight in relation to the actual sales of the products. At the same time, the adoption of an ATR model at Nissin leads to the division of the role and responsibility among Advertising, Sales and Marketing departments.

Finally, P&G considers the results of test sales in a limited area to be a reflection of consumer reaction to new products, and accepts it as a final screening process. The food market, as opposed to the detergent market, demands a whole variety of choices. Retailers make full use of the POS data in order to stock only very popular products that make maximum use of the limited shelf space. Many new products are placed on the shelves within a short period of time, and only popular products remain on the shelf. For this reason, placing new products on the market becomes a screening process in itself.

#### Effect on Competitiveness:

The most important effect resulting from the one-man-one-brand system of P&G is to minimize cannibalization among own company brands by clearly defining brand identity of individual brands and discriminating among them. The longevity of brands at P&G is assured by the independence of individual brands, without need for relying on company brands. In contrast, increasing the pace of new product introduction is of utmost importance for Nissin, and in effect, the new products face screening once in the marketplace.

Secondly, differences in the external circumstances should be pointed out. In the case of P&G, the use of M&A has been considered a powerful policy taken for the acquisition of new technology and for entry into a whole new field of products. Compared to Japanese companies, it has been relatively easy for P&G to purchase a certain brand of other companies without the need for purchasing the whole company. One reason why a brand manager at P&G can concentrate only on his/her own brand's renewal, is that there is such a high level company brand strategy to complement individual brand strategies. In the case of Nissin, where it was consistently leading the market's technological advances, and conducting

M&A is not as easy as for P&G, top management of Nissin have had to put priority on their own company development, and in this regard the contribution of the brand managers in new product development is quite substantial indeed.

Finally, Nissin has adopted the use of matrix organization using Sales Department and Brand Group as the two axes, and has also clarified the division of labor among departments in adopting the ATR model, so that while it may be said that a brand manager holds authority, Nissin has avoided a situation where the brand manager stands out. At P&G, in comparison, brand managers are considered elites within the company, and considering that “standing out” is the fountainhead of leadership, it works as an incentive to the brand managers.

## 5. Conclusion

We do not get bored washing clothing with the same detergent every day, but we will certainly get tired of eating same food everyday. The food market demands a variety of choices, and to fill this demand, companies introduce as many new products as possible into this market. The result is that only those products that were chosen by the consumers can remain on the shelves. In comparison, too much variety in the market of household sundries will only confuse the consumers.

Taking these market characteristics into consideration, brand management system at Nissin concentrates on the development of new products and their introduction into the market. The efficiency of new product introduction is heightened by the use of current brands as a “range brand” rather than an individual one. On the other hand, brand management system at P&G demands its brand manager to conduct a successful renewal of his/her brand every two to three years.

The role of a brand manager also differs in the two companies. At Nissin, the main job responsibility of the brand manager, in collaboration with the Research and Development Department, is to bring a new product out into the market as fast as possible. As to the job responsibilities other than product

development, Nissin has incorporated a system of support for the brand manager, including the use of a matrix organization and the ATR model. In the case of P&G, the members of the Brand Group are considered marketing specialists, so that even newcomers are part of the elite group within the company. The brand manager is responsible for the coordination of all related functional departments within the company, and is required to demonstrate leadership in fulfilling his/her job responsibilities.

As we have seen above, various elements such as the characteristic of the market, the characteristic of the brand concerned, history of the individual company concerned have a great influence on the development of the brand management system in any given company. While it is true that a brand manager is involved with all the relevant process related to the development of the brand, there is a great variation in the level and quality of involvement.

#### Notes:

1. Aaker, one of the most representative researcher of brands, have written arguments about brand equity in *Managing Brand Equity* (1991). Since then, he has shifted his arguments to place an emphasis on practical methods of building up a brand and strengthening its maintenance, in *Building Strong Brands* (1996).
2. As to the details of brand management system at Kao and P&G, refer to Hasegawa (1999) as well as Hasegawa (2002).
3. Aoki, in making arguments for the existence of different types of brands, such as individual brands and company brands, gives “shokubutu-monogatari” of Lion as a typical example of a “range brand”, where the brand expands into a different product area, as represented here by shampoo, conditioner and body gel (Aoki and Dentsu Brand Project Team, 1999, p.22).
4. Ishii(1999), indicates which type of organization would be most effective for the building up and development of brands in relation to the four types of brands listed above. For the first, “exclusively unique brand type,”

organization based on product management such as can be found in a soft drink manufacturer or product project management such as washing machine department would be appropriate. For the second, “multi-technological brand type,” Ishii raises the brand management system and usage functional project management system. For the third, “unrestricted usage function brand type,” Ishii indicates that brand management system as well as product/technology project management system would be appropriate, although there is a need to position the brand manager under direct supervision of a higher level technological research manager. Finally, for the “brand nexus type,” Ishii recommends the adoption of a brand project management system.

5. Prior to the Marketing Department being set up in 1976, there was a Development Department dealing with developments in noodles, soup, ingredients for soup, and packaging. A Product Marketing Division, dealing with developments of new products, packaging and containers, was part of the above Development Department. This Product Marketing division was combined together with three other departments to form the Marketing Department, namely, Sales Marketing Division of the Sales Department, Publicity and Advertising Division of the General Affairs Department, and New Product division. At that time, product management system was introduced, and the Marketing Department consisted of four product managers (the four areas of product responsibility being new products, instant noodles, snack noodles and instant rice) together with a staff responsible for publicity and advertising, as well as a staff responsible for research (Miura, Koezuka, 1997, p.38).
6. Employees of Nissin take action based on Ten Rules for Nissin employees. In addition, there are the following five rules for brand managers. All of these points take into consideration Nissin’s achievements so far, and are designed to strengthen its strength and improve its weaknesses.
  - (1) Have brand ownership (Manage your brand completely, from development to sales, from advertising to merchandizing)
  - (2) Be proud of first entry (Develop new products and target founder profits and achieve a top brand position)

- (3) Consistently aim to be at the top (The retailers and wholesalers will exclude us if we are only the second or the third)
  - (4) Do not fear cannibalism (New products will never be born if fear of battling against own company brands exists)
  - (5) Challenge the impossible and make a breakthrough (With a vision of a goal, impossible becomes possible)
7. Ishii (1999) points out, “in the end, the success of a brand manager depends on the amount of own company resources that he/she can gather for his/her own brand.”
  8. As an indication of success, the total market share of both the packed instant noodles and cup noodles, increased from 34% in 1989 to 44% in 1998 (*Weekly Diamond*, November 6, 1999, p.62-63).
  9. There was a case of even the competitors trying to use Nissin brands as part of their range brands. In 1992, Morinaga Seika introduced “Ot-tot-to, chicken ramen flavor” into the market. Eventually a peaceful settlement was reached when Morinaga agreed to stop the production (*Shokusou-Isei* pp.118-119).

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