

Executive Summary

Garrard Japan intended to improve its profitability and because of the inelastic nature of packaged food goods, due to tougher competition the only viable option for them is to improve their company's perception in the eyes of Japanese people to increase their sales volume, because of geopolitical dynamics and shifts in demographics, local market demands, and consumer preferences are different, which Garrard Japan is yet lacking to adapt. Tanaka, as a leader within Garrard Japan, can drive transformative change by implementing a comprehensive strategic plan. This plan encompasses both corporate-level strategic reforms and business-level strategic actions to address underlying issues and capitalize on growth opportunities.

Corporate-level reforms include engaging Garrard Japan's leadership, seeking autonomy and support from headquarters, and addressing regulatory requirements. These actions will enable Garrard Japan to tailor its offerings to local preferences and enhance its competitiveness in the Japanese market. Business-level strategic actions involve setting clear targets, implementing organizational frameworks like the McKinsey 7-S model, and reallocating resources strategically. By focusing on product development, marketing, and distribution aligned with Japanese culture and preferences, Garrard Japan can strengthen its brand image and market position. Furthermore, strategic alliances with government initiatives and optimization of the product portfolio will further enhance Garrard Japan's competitive edge and contribute to its long-term success.

Situation Analysis

Every time when the situation between Israel & Palestine becomes severe, the sales of McDonald's, KFC, Pepsi, and Coca-Cola drop drastically in Muslim countries, the same thing happens in the West when the conflict between the US & China picks momentum and the US banned Huawei, a massive number of people switched their mobile phones to Android or Apple. This is an unavoidable phenomenon and happens because nations' power always superseded organisational strengths because end consumers are always highly motivated by their domestic culture and trends which could potentially impact the big businesses in their territories. The given case is somewhat related to a similar context where subsidiaries are vulnerable to similar sorts of threats. Garrard Japan more than 80 years old, a subsidiary organization is not able to improve its profitability due to lower margins than expected by its parent company. Garrard S.A being the parent organization has established its subsidiaries in nearly 100 countries by following the sprinkler approach and, it is lacking some essential adaptation in its Japanese division, as the precedence of global integration is low, while the industry pressure for local responsiveness is high due to the nature of their offerings i.e. consumer packaged food (CPG) [Appendix 1.1](#). It is worth mentioning here that CPG is a high-volume low-margin industry, and the situation can get worse if no action is taken.

Cause

In the context of the conducted survey [Appendix 1.2](#), Although the hopes and expectations from MNEs among Japanese people are very high but the public perception of MNEs is not very positive and Garrard JP being part of the same club bears the same reputation as their counterpart resulting in average Glocal rating. Although a high-level cause of this average rating can be seen in the Ishikawa chart [Appendix 1.3](#), another reason behind this is that the Japanese approach food with reverence, emphasizing aesthetics, tradition, and mindful consumption [Appendix 1.4](#). In a nutshell, we can infer that Garrard Japan has not completely succeeded in delivering the Japanese wants. The following are key factors that are responsible for these gaps,

- The Purpose & values of the parent company have a lesser focus on community wellbeing.
- The world is a global village, where events such as Brexit are impactful on every nation.
- Millennials nowadays want fresh & locally sourced food which is lacking here.
- Japan is #1 in the aged population with negative population growth and thus needs a decentralised approach.
- Japanese love seasonal products which Garrard Japan is not offering.
- 60% of Garrard Japan products were imported, while others are producing 90% on their own.
- The market is highly competitive; consumers can easily switch if their needs are not fulfilled.
- Lack of balance between local and global strategy.
- Lack of product development within Japan for Japan.
- Lack of financial funding for local brand marketing and local strategy execution.

To succeed, Tanaka is required to address and eliminate the impact of these causes as much as he can to ensure fruitful outcomes.

Recommendations

Ideally, the successful outcome of Garrard's actions should result in the following scenario where “Garrard Japan's Global rating is improved, the host organisation is relying on locally sourced and produced products, production from Garrard Japan has a comparative advantage over other subsidiaries, proportion of their products in the global portfolio is raised and finally, Garrard Japan emerged as a reputable Japanese brand which the Japanese nation can feel proud of, just like Nestle for Swiss, Unilever for Dutch and English people and Kellogg's for US citizens and this consequently will not only raise their local profitability but will also increase the Global revenue and reputation for parent organisation”.

Though his host organisation in Japan has its weaknesses and is surrounded by various threats, there is a wide window of opportunity that he can capitalize on as shown in the high-level SWOT analysis [Appendix 2.1](#).

The proposed local strategy that Tanaka has approved has its challenges which he needs to tackle but there are some additional steps that he must consider consolidating his approach towards his objectives. First, he needs to approach up-wind towards the Parent company and seek some assistance in terms of financial aid and structural reform to have more autonomy to exercise local strategy, and secondly, he must focus on the ground.

Upward action points (Corporate level strategic reform)

1. Engage Garrard SA and address the issue he is trying to resolve, also he must address that the current company's purpose has been unchanged since the beginning and perhaps it's time for revision, maybe “Ensuring quality of community through healthy food” is the right choice, for emerging market conditions.
2. He should seek assistance from HQ to gain more autonomy in product development, selection, and revision within the Japanese market.
3. He does need financial backing from HQ to co-fund his initiative, and it would be challenging to convince HQ to invest in Japan with the highest debt to GDP and negative population growth rate as compared to neighbouring Indonesia, however, he does have a plausible case, where his host organisation is contributing 4% towards entire organisation revenue, that is proportionally above average among 100 subsidiaries [Appendix 2.2](#), and success of his strategy will be a win for Garrard SA as well.
4. To overcome label printing in Japanese language regulatory requirement Tanaka must request the supplier subsidiary to assist to avoid re-packaging costs.

Downward action points (Business level strategic reform)

1. He should set his strategic targets and revise them periodically throughout the strategy implementation, this can be done via maintaining a balanced scorecard as well, as shown in the sample [Appendix 2.3](#).
2. With additional autonomy, he can also make good use of McKinsey 7-S framework [Appendix 2.4](#), where from Hard-S he needs to revise the structure of the Local organisation and add needed departments for R&D, Product development and Promotion and communicate the enhanced values with the wider team in contrast with refined local strategy, from Soft-S he must focus on style to establish the desired culture within the organisation to achieve the objectives.
3. In the context of the same framework, he should encourage a learning culture to acquire and develop skills that are needed to achieve the wider objectives.
4. He must ensure to hire or allocate resources into new key areas, i.e. Product development, R&D, Marketing, and distribution, which could potentially act as separate functions of the organisation following the matrix hierarchy.
5. The purpose of Product development and R&D would be, to develop products using the concentration approach [Appendix 2.5](#), which is in alignment with Japanese culture and needs, and could be exported too, where R&D should focus on health aspects of these products, additionally, the R&D should also focus on the sourcing of raw material at much nominal cost from Japan and ultimately these new products would replace the less performing imported products from Garrard Japan's portfolio, for marketing mix they should also work in conjunction with marketing division, exploration of new products and market is very important here and ANSOFF framework could potentially be used here [Appendix 2.6](#).
6. For the marketing and distribution side, Tanaka can play a very helpful role as he too comes from a marketing background, the purpose of the marketing division should include carrying out STP (segmentation, targeting and positioning) tasks, keeping in mind that there is an international segment as well to be considered in later stages.
7. Garrard Japan should consider the BCG Matrix, where investments are made in Star and cash cows only and non-performing imported products should be treated as dogs for where divestment must follow.
8. According to the demography of Japan aging population is on the rise, this is an opportunity because those people are experienced and have a more in-depth understanding of Japanese culture, hiring such a workforce will not only enable the organisation to make the right choices but will also improve the image of the organisation among Japanese community, programs like “Garrard Foot in Door” can also be used here.

9. The distribution team, apart from selecting the right convenience store for the target audience can also leverage revenues by using Amazon which was launched in Japan.
10. Garrard Japan should launch seasonal products during Japanese festivals and occasions to raise the soft image of the organisation.
11. IBA “International Business Achievement” can play an important role here in determining the best and most nominal raw material that can be used to manufacture made in Japan food products, the same tool will now have more information on locally sourced products from Japan that are of more value as compared to others, this will increase Japanese export as well which will apparently be in the wider interest of Japanese economy.
12. And since Japanese food demand is very much present in all major countries, these additional products from Garrard's JP portfolio can be exported to other countries as well following the process defined by HQ.
13. Garrard Japan can also seek some additional funding and support from Japanese govt initiatives such as JETRO, Verse or SME, they can even seek tax incentives as well, since their strategic actions are in the interest of Japan and its people.

Conclusion

In conclusion, the analysis of Garrard Japan's current situation reveals significant challenges stemming from a lack of adaptation to local market dynamics and consumer preferences. However, amidst these challenges lie ample opportunities for strategic reform and revitalization. Tanaka, as a leader within the organization, is poised to spearhead transformative initiatives that can enhance Garrard Japan's profitability and reputation.

Through a combination of corporate-level strategic reforms and business-level strategic actions, Tanaka can address the root causes of underperformance and position Garrard Japan as a reputable Japanese brand. By engaging with Garrard Japan's leadership and seeking support from headquarters, Tanaka can secure the necessary autonomy, resources, and structural reforms to execute a tailored local strategy effectively.

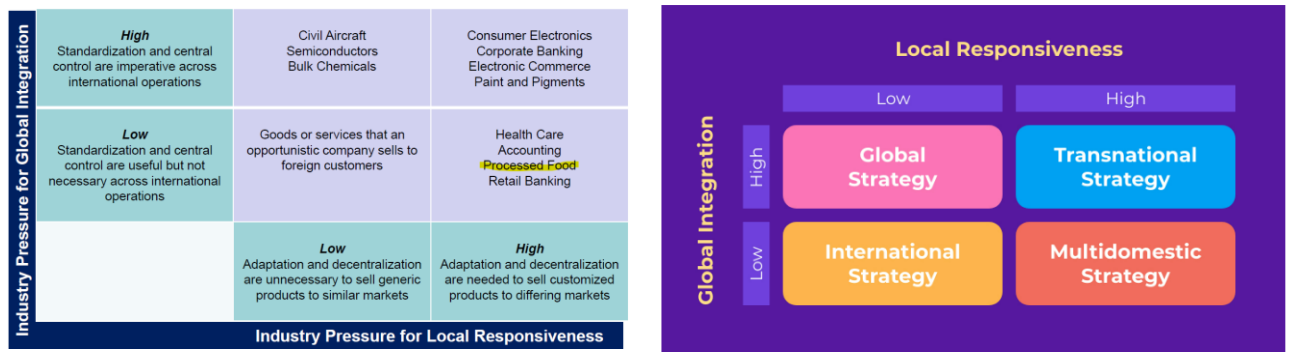
Key recommendations include prioritizing product development aligned with Japanese culture, leveraging online platforms for distribution, and fostering a learning culture within the organization. Additionally, strategic alliances with government initiatives and optimizing the product portfolio through tools like the BCG Matrix will further bolster Garrard Japan's competitive edge.

By implementing these recommendations, Garrard Japan can enhance its Glocal rating, increase reliance on locally sourced products, and emerge as a trusted brand that resonates with Japanese consumers. This transformation will not only drive local profitability but also contribute to the overall revenue and reputation of the parent organization, Garrard S.A.

In essence, Garrard Japan stands at a pivotal juncture where proactive strategic reforms can pave the way for sustained success in the dynamic Japanese market. With Tanaka's leadership and a clear roadmap for action, Garrard Japan is well-positioned to navigate challenges, capitalize on opportunities, and achieve its strategic objectives.

Appendices

Appendix 1.1 – Industry pressure on global integration vs local responsiveness



<https://www.smartling.com/resources/101/the-4-most-common-international-business-strategies-pros-and-cons/>

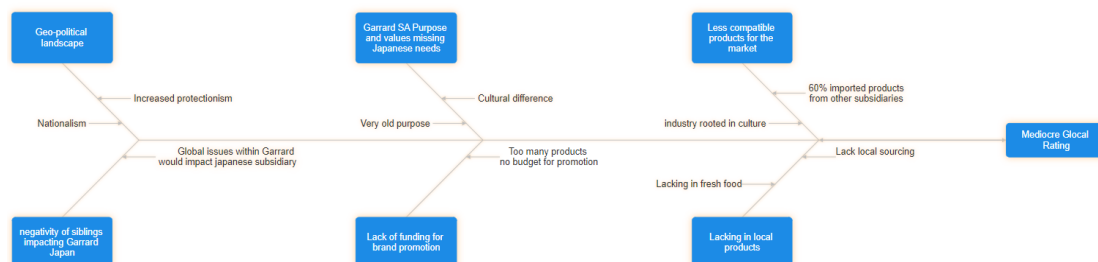
Appendix 1.2 – Garrard Glocal survey

EXHIBIT 1: GARRARD JAPAN, GLOCAL SURVEY HIGHLIGHTS, AUGUST 2017

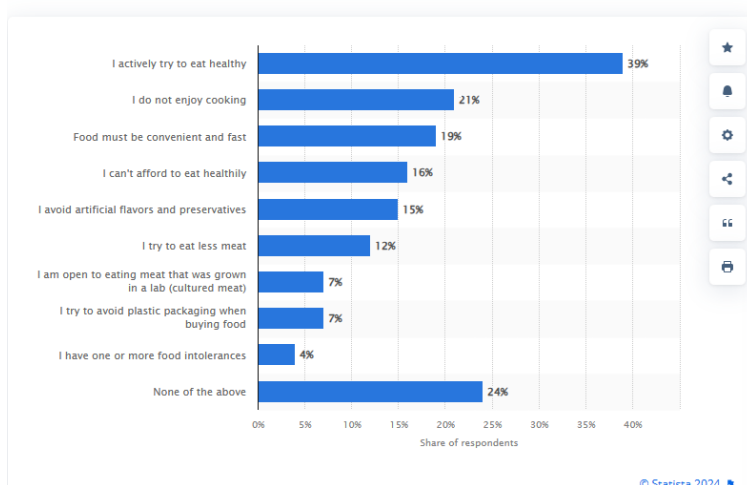
64%	...of respondents perceived MNEs as being more concerned with profit than anything else.
50%	...of respondents thought that MNEs were impersonal.
41%	...of respondents thought that MNEs were bureaucratic.
94%	...of respondents believed that it was possible for a global company to act in local interests.
67%	...of respondents thought that MNEs provided better, higher quality products at more competitive prices than smaller, local firms.
70%	...of respondents believed that MNEs championed research and development.
57%	...of respondents agreed that MNEs had initiatives designed to benefit the environment of their region.

Note: MNEs = multinational enterprises.
Source: Company records.

Appendix 1.3 – Ishikawa diagram (Fishbone Analysis)



Appendix 1.4 Japanese Attitude toward food Attitudes towards food in Japan as of December 2023



<https://www.statista.com/forecasts/1001075/attitudes-towards-food-in-japan>

Appendix 2.1 – SWOT Analysis of Garrard Japan

Strengths <ul style="list-style-type: none"> • Backing of Garrard SA with 100+ subsidiaries • Subsidiaries in 100+ countries • International business achievement program • 20 manufacturing, sales, and distribution sites • Various top selling brands in portfolio • Workforce of 6000 people • \$4 Billion sale i.e. 4% within group • Structure of organisation 	Weakness <ul style="list-style-type: none"> • Regulatory requirement for Japanese translation • Low profitability • Less funding for promotion and product development • Lack of locally sourced products • Lack of products to offer in global market. • Products lacking Japanese identity.
Opportunities <ul style="list-style-type: none"> • Availability of aged population with more experience and cultural knowhow supported by community. • Availability of Amazon as distribution channel • Availability of Japanese products with absolute advantage • People's inclination towards community wellbeing and environmental sustainability • Demand of Japanese food worldwide 	Threats <ul style="list-style-type: none"> • 60% products are imported from other subsidiaries. • Shrinking population growth in Japan • MNE's perception in people's eye is not exceptionally good. • Changing global trends such as growing protectionism, rising nationalism, and scepticism towards globalization.

Appendix 2.2 – Market revenues

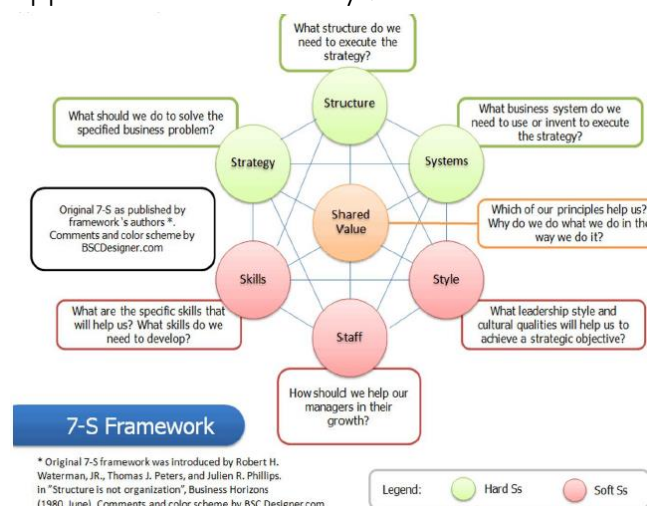
Revenues & COGS OF Garrard Japan				
Global Industry	Top 5 Share	Garrard SA	Garrard Japan	COGS JPN
\$2.11 Trillion	\$211 Billion	\$100 Billion	\$4 Billion	\$1.4 Billion
100%	10%	47%	4%	35%

Appendix 2.3 – Balanced scorecard

Strategic targets

Priority	Goal	Target	Current Measure
1	Global rating of	4.0	3.5
2	Locally sourced produced Products	90%	40%
3	Develop capability to produce with comparative advantage	10%	1%
4	Develop capability to produce and launch seasonal products	100%	0%
5	Carryout R&D to improve health rating of existing products within Japan	100%	0%
6	Develop aspiration products based on Japanese taste and culture that can be exported too	80%	0%
7	Increase local brand recognition and promote its positive image	10	2

Appendix 2.4 – McKinsey 7-S framework



<https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/enduring-ideas-the-7-s-framework>

Appendix 2.5 – Concentration vs diversification

Product / Market Decision

- Diversification
 - Go to many fast and build up slowly
- Concentration
 - Go to one or a few and build up fast before going to others

Product or Market Factor	Prefer Diversification if:	Prefer Concentration if:
1. Growth rate of each market	Low	High
2. Sales of each market (current)	Low	High
3. Competition (now and expected)	Low	High
4. Spillover effects (eg to HQ / other markets)	High	Low
5. Need of 4P adaptation	Low	High
6. Control Requirements	Low	High

Appendix 2.6 – Ansoff Analysis

Garrard Japan ANSOFF Analysis				
ANSOFF	Existing products		New Products	
Existing Markets	<i>Market Penetration</i>	<i>favorability</i>	<i>Market Penetration</i>	<i>favorability</i>
	Fast moving	++	Sushi & Sashimi	++
	Slow moving	-	Matcha Green Tea	++
	Japanese sourced	+++	Wagyu Beef	+++
	Un healthy	-	Ramen Noodles	+
			Miso Paste	-
	Low risk		Medium Risk	
New Markets	South Korea	+++	Not applicable	
	Malaysia	++		
	Thailand	+		
	Taiwan	--		
	China	+++		
	Medium Risk		High Risk	

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