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Innovation in the Japanese tea industry, 1970–2020

Abstract

This paper studies the technological innovation and new marketing strategies that enabled firms from traditional industries to pursue their existence in a disruptive environment. As a case study, we follow an approach from classical business history and industry studies, focusing on the Japanese tea industry to analyse how it has innovated to survive in a fast-changing environment over the last five decades. Based on various resources (official data from Tea Industry Association, patents and trademark data, reports, interviews, etc.), this paper emphasises three marketing strategies that supported its survival: product development based on technological innovation (transformation of the true nature of green tea from a commodity to a branded good), brand management (repositioning of some specific teas in the growing luxury market) and internationalisation (expansion in foreign markets through exports). This research also emphasises the major role played by large corporations to support industrial transformation.

Keywords: Marketing strategy; innovation; traditional industries; Japan; tea industry; IPR

Innovación en la industria japonesa del té, 1970-2020

Resumen

Este artículo estudia la innovación tecnológica y las nuevas estrategias de marketing que han permitido a las empresas de industrias tradicionales continuar su existencia en un entorno disruptivo. Como estudio de caso, seguimos un enfoque desde la historia empresarial clásica y los estudios de la industria, centrándonos en la industria japonesa del té para analizar cómo ha innovado para sobrevivir en un entorno que ha cambiado rápidamente durante las últimas cinco décadas. Basado en varios recursos (datos oficiales de la Asociación de la Industria del Té, datos de patentes y marcas registradas, informes, entrevistas, etc.), este artículo enfatiza tres estrategias de marketing que respaldaron su supervivencia: desarrollo de productos basado en la innovación tecnológica (transformación de la verdadera naturaleza del té verde de un producto básico a un producto de marca), gestión de marca (reposicionamiento de algunos té específicos en el creciente mercado de lujo) e internacionalización (expansión en mercados extranjeros a través de exportaciones). Esta investigación también enfatiza el papel principal que juegan las grandes compañías para apoyar la transformación industrial.

Palabras clave: Estrategia de marketing, innovación, industrias tradicionales, Japón, industria del té, IPR

Innovació a la indústria japonesa del te, 1970-2020

Resum

Aquest article estudia la innovació tecnològica i les noves estratègies de màrqueting que han permès les empreses d'indústries tradicionals continuar la seva existència en un entorn disruptiu. Com a estudi de cas, seguim un enfocament des de la història empresarial clàssica i els estudis de la indústria, centrant-nos en la indústria japonesa del te per analitzar com ha innovat per sobreviure en un entorn que ha canviat ràpidament durant les darreres cinc dècades. Basat en diversos recursos (dades oficials de l'Associació de la Indústria del Te, dades de patents i marques registrades, informes, entrevistes, etc.), aquest article emfatitza tres estratègies de màrqueting que van donar suport a la seva supervivència: desenvolupament de productes basat en la innovació tecnològica (transformació de la veritable naturalesa del te verd d'un producte bàsic a un producte de marca), gestió de marca (reposicionament d'alguns tes específics al creixent mercat de luxe) i internacionalització (expansió en mercats estrangers a través d'exportacions). Aquesta investigació també emfatitza el paper principal que juguen les grans companyies per donar suport a la transformació industrial.

Paraules clau: Estratègia de màrqueting, innovació, indústries tradicionals, Japó, indústria del te, IPR

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1. Introduction

Traditional industries provide unique cultural merchandise, contributing to the cultural diversity and intangible spiritual heritages of modern society (Burenhult 1994). By "traditional industry" we mean those economic sectors that developed before industrialisation and integration into the world economy. This dual change has had a considerable impact on industries with a strong cultural identity, particularly in Asia (Miyamoto and Kasuya 2009). In Japan, there is a special term for traditional industries that existed before the opening up of the country: "zairai sangyo". Today, traditional industries are still important, not only because they provide job opportunities but also because they define and represent the identities of the people who take pride in the traditions and cultures passed down from their ancestors (Islam and Burmester 2020). However, the transformation of the world economy over the last five decades has had a profound impact on traditional industries in numerous countries (Bird and Stevens 2003). Companies in traditional sectors were challenged by both a new generation of firms that offered innovative goods and the changing habits of consumers who turned to branded goods manufactured by global corporations (Ritzer and Malone 2000). Consequently, a broad range of traditional industries declined with the rise of fully-fledged, mass-marketed goods and changing lifestyles (Robertson 2018).

In Japan, the westernisation of lifestyles since the 1960s, combined with the decline of domestic consumption since 2000, has had a major impact on the survival of numerous traditional industries (ōhoku Sangyō Kassei-ka Sentā 2004). The production and consumption of clothing (such as kimonos and geta sandals), necessities (Japanese paper and towels), handicrafts (wood/stone sculptures and handwoven rugs) and drinks (sake and tea) were significantly influenced (Hashino 2018; Teikoku Data Bank Historical Museum 2018). However, instead of being trapped in this long-term decline, a few companies in traditional industries were able to

transform their businesses and usher in a new period of growth through various innovations. These changes have not yet received much attention in international literature as scholarly works have mostly focused on the product, market and organisational innovations of single firms (Kaneko and Maruyama 2017; Xia and Donzé 2021). Such an approach contributes to theories on firm survival, but limits discussions regarding the ability of a whole industry to adapt. However, industries evolve based on sequences of innovation as firms compete with each other and seek new opportunities, resulting in the diffusion of such innovations (Reinganum 1985). Hence, our objective is to analyse innovation at the industry level and discuss how it led to the structural transformation of an individual sector. By “innovation”, we mean broadly new technologies developed to improve the production process and create new products. However, as our discussion focuses on the various uses of these innovations by firms, we use the term “marketing strategy” when focusing on the way companies implement innovations into new businesses. As a case study, we focus on the Japanese tea industry with the main narrative on green tea, which was the most produced (97%) and consumed (76%) form in that country in 2016 (Cha Kankei Shiryo 2020, 9–48).

Tea was introduced to Japan from China as early as the Heian era (794–1185). Like other traditional industries, the tea industry has long contributed to spiritual and aesthetic heritages through a wide range of ceremonies. Nevertheless, Japan was the first country to experience the challenge posed by global competition from other drinks in the 1970s. Despite its previous popularity, tea consumption began to decline severely in this decade due to pressure from new types of drinks, such as carbonated drinks (Coca-Cola became fully operational in Japan in 1960; see Mason 1992, 161–173). However, unlike most traditional Japanese industries, which fell into long-term decline, the tea industry was able to enter a new period of growth in the 1990s. Xia and Donzé (2022) demonstrated that the development of bottled green tea by the

wholesaler ITO EN not only transformed this firm into a big modern beverage company but also played an important role in revitalising the entire industry. However, this work only explored the innovation of one big player, highlighting the shortcomings of a single-firm approach mentioned above. On the other hand, Pilapitiya, De Silva and Miyazaki (2020) showed that the Japanese tea industry was highly innovative, creating a high additional value when compared to the tea industry in Sri Lanka and other major tea-producing countries. For example, in 2019, the per-unit export value for Japan was \$26.4 per kilogram, compared to \$5.8 for China, \$4.2 for Sri Lanka, \$3.2 for India and \$2.3 for Kenya (FAOSTA 2021). Pilapitiya, De Silva and Miyazaki (2020) argued that the innovation capabilities of tea companies in Japan relied on a large number of small- and medium-sized enterprises (SMEs), tea-processing factories and supporting services. However, they did not offer any quantitative data to support their argument. Some questions that were not explored include who the major innovators were and what conditions enabled these innovations. Our study addresses these literature gaps, focusing in particular on various innovations from numerous players in the Japanese tea industry to answer our main research question: How did the Japanese tea industry innovate to survive in a fast-changing environment over the last five decades? The secondary questions are as follows: Who were the main players that innovated this industry over the last 50 years? Were these companies inside or outside the industry? What were their innovations? What were the conditions that enabled these innovations and how did they change dynamically over time?

2. Methodology

To address these questions and understand the conditions that allowed innovation to occur in the Japanese tea industry, we follow an approach from classical business history and industry studies.

The classical business history approach mainly focuses on the largest companies in an industry, analysing the sources of their competitiveness (Chandler and Hikino 1990; Scranton and Fridenson 2013). One of the major aims of our research is to shed light on the way these firms adapt to social and technological changes to maintain or lose their dominant position. The industry studies approach argues that each industry has its respective specificities in terms of products, technology, economic function and market, each of which impact the dynamics of competition between companies (Kurosawa 2017). Therefore, the contextualisation of industry specificities is important to make sense of innovations. To examine innovation changes among firms in the general evolution of industry-specific determinants of competitiveness, we thus adopt a mixed methods approach combining industry studies and business history (Bouwens, Donzé and Kurosawa 2017).

First, we identified the specificities of the tea industry. This process involved using statistics published by the Tea Industry Association and the Ministry of Agriculture, Forestry and Fisheries; publications by Nikkei group, the largest business news media in Japan since 1975 (<https://t21.nikkei.co.jp>); and company market shares published by Nikkan Keizai Tsushin (1974–2019). These various sources provided the information necessary to analyse the evolution of the environment in the tea industry, the conditions of innovations and the evolution of these conditions over time.

Second, we conducted a quantitative data analysis of industry innovators and their innovations. We used the official registration of patents to quantitatively assess technology innovations in the tea industry over time. Patent data offers a detailed and consistent chronology of how firms solve problems and search for solutions. This source is frequently used in economics and economic history to estimate a firm or country's level of innovation (Fontana et al. 2013). Only

2.5% of the patent applications in our database are joint applications, the overwhelming majority of which are from a large company conducting joint research with a university or research institution. We have attributed these applications to the company (see Table 2) and focused the discussion only on firms in Section 4. Similarly, firms use trademarks to signal to consumers that a product is of a certain, consistent quality to differentiate it from competitors, shape consumers' interests and tastes and develop loyalty. Trademarks act as important weapons in the arsenal of competition (Da Silva Lopes and Duguid 2010). Although trademarks were only partially associated with firms' new offerings in the marketplace, they reflect the outcome of a firm's marketing efforts and competencies (Fosfuri and Giarratana 2009). Therefore, we used trademark registration as a quantitative benchmark for marketing strategy.

Finally, to overcome the limitations of the quantitative patent and trademark data analysis, we qualitatively analysed different strategies adopted by firms, showing how they used innovations to implement new marketing strategies and expand into new markets. We conducted interviews and fieldwork to collect data on how the research and development (R&D) and marketing strategy were implemented by various actors in this industry. As information disclosed by listed companies enables the understanding of their branding, product development strategies and organization changes, our interviews and fieldwork mainly focused on unlisted small- and medium-sized firms. Hence, we selected five SMEs among those with the most patents and trademarks (see Table 1). We conducted interviews with their chief executive officers (CEOs) and visited their headquarters, retailing stores, factories and tea plantations. Information published in trade journals and business newspapers complemented data gathered during interviews.

TABLE 1. List of interviews

No.	Occupation	Place and date
1	CEO of Sasaki Seicha, Shizuoka	Online, 22 October 2021
2	Chairman of Fukujuen, Kyoto	Kyoto, 8 November 2021
3	CEO of Uogashi Meicha, Kakegawa	Kakegawa, 10 November 2021
4	Manager of Ippodo, Kyoto	Online, 14 January 2022
5	CEO of Sugimoto Seicha, Shizuoka	Online, 28 January 2022

Source: own elaboration.

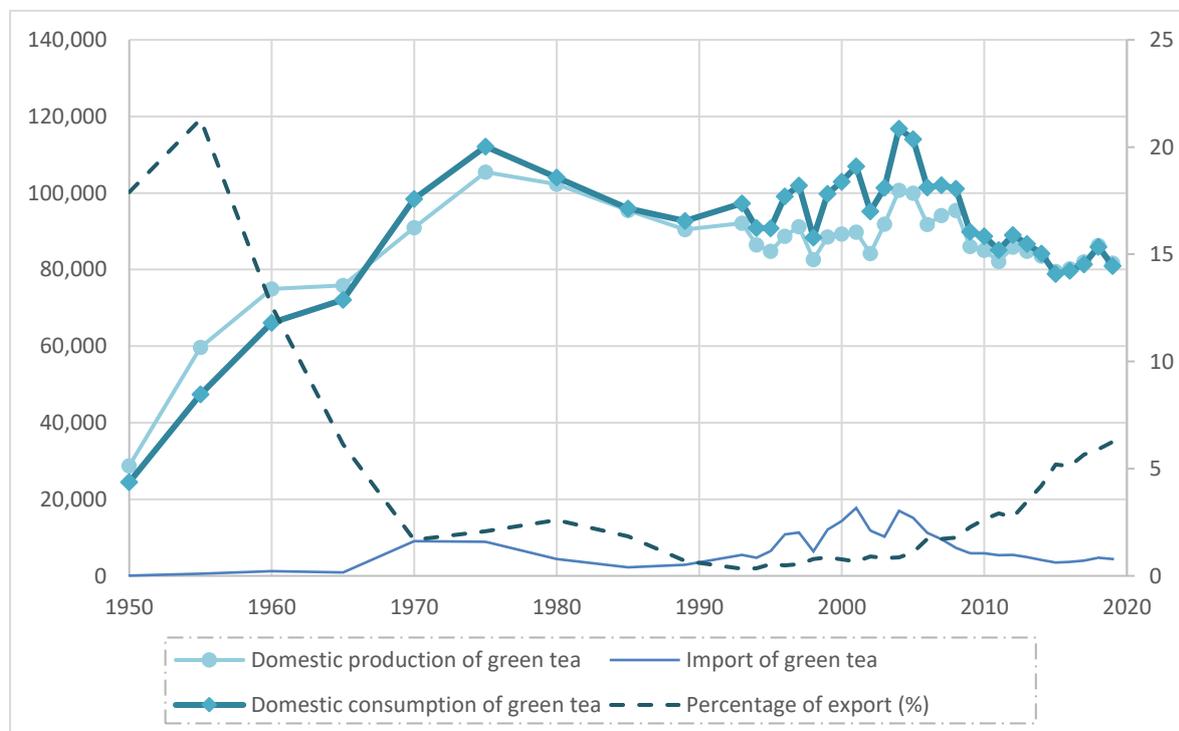
This article comprises six sections, including the introduction and methodology. Section three provides an overview of the evolution of the Japanese tea industry from the 1950s. Section four introduces the quantitative analysis of patents and trademarks. Section five presents different marketing strategies adopted by firms, while the final section provides some concluding remarks.

3. Long-term structural changes in the Japanese tea industry

After World War II, the Japanese tea industry achieved substantial development as a result of expanding domestic consumption, which became the driving force of growth in the context of a rapidly expanding mass-consumption society. Domestic consumption increased from 24,455 tons in 1950 to 112,108 tons in 1975 (see Figure 1). Simultaneously, the share of exports decreased gradually from 21.3% in 1955 to 1.7% by 1970. To meet the challenges of low production capabilities and growing demand, industrial production and distribution embarked on major shifts, with the Tea Agricultural Association leading the way in popularizing chemical fertilisers, pesticides and agricultural machinery. First, innovations such as the development of the vegetative propagated tea “yabukita” shortened the harvest lifecycle of the previous seedling propagation, with the mechanisation of picking and processing improving productivity (Takeda 2020). Second, tea-related firms organised the tea market as a middle institution to allow new entrants and speed up distribution (Masuda 1986, 78). Tea packagers (large-scale tea traders who manufacture packaged tea and distribute it to supermarkets, grocery shops, etc.) emerged

as a new type of distributor during this period. As a result of the fast-growing segment of self-service stores, tea sales delivered through package makers to self-service stores increased from 11.6% in 1965 to 27.3% in 1977 (Masuda 1986, 92). From 1966 to 1979, the number of tea wholesalers (including wholesalers of tea, coffee, cocoa, herbs, etc.) increased from 1,910 to 2,934, while the number of tea speciality retailers (tea stores selling mainly tea) grew from 10,488 to 14,487 (Cha Kankei Shiryo 2020, 93–94).

FIGURE 1. Production, consumption and foreign trade of tea in Japan (volume in tons), 1950–2019



Note: Figures for years prior to 1960 are averages of the previous 5 years (e.g. data for 1955 represents the average from 1950–1955); figures for years after 1960 are the annual numbers (Ōishi 1983, 279; Cha Kankei Shiryo 2020, 39). The most consumed and produced form of tea in Japan is green tea (Tea Producer Association 2020; Cha Kankei Shiryo 2020, 9).

Source: Ōishi (1983) for 1950–1960 and Cha Kankei Shiryo (2020) for 1960–2019.

However, the domestic boom in tea consumption did not last forever (see Figure 1). The popularisation of fast food, convenience stores and vending machines impacted young people's consumption habits severely, particularly from the 1970s onwards. The consumption of tea

leaves per household dropped from 2,024 g in 1973 to 1,540 g in 1984 (Yanagawa 1994). Masuda (1984) also showed that tea leaves were mainly consumed by Japanese people over 60 years of age in the 1970s. By contrast, the consumption of modern bottled beverages (mostly carbonated drinks in the 1970s and coffee drinks in the 1980s and 1990s) was growing tremendously in both volume and breadth of categories annually, increasing from 477,324 kl in 1960 to 16,241,134 kl in 2000. The latter figure is 34 times the consumption of bottled beverages 40 years ago (Murayama 2006).

After 15 years of decline, tea consumption entered a new phase of growth after 1990 that lasted until its historical peak of 116,823 tons in 2004. This boom relied on the disruptive innovation of bottled green tea, which was developed in 1985 and first marketed by ITO EN in 1989. Fierce competition from later entrants who possessed organisational capabilities, such as Coca-Cola and the large beer manufacturers Asahi, Kirin and Suntory, further propelled bottled green tea consumption (Murayama 2006). The volume of tea leaves consumed as bottled green tea increased from only 2,660 tons in 1993 to 31,266 tons by 2019, equivalent to 39% of the total tea-leaf consumption that year (Cha Kankei Shiryo 2020, 50). In less than three decades, over half of the tea wholesalers and special retailers vanished. The number of wholesalers dropped from 3,519 in 1991 to 1,607 in 2014, while the number of special retailers decreased from 14,282 in 1985 to 6,381 in 2014 (Cha Kankei Shiryo 2020, 93–94). Some tea companies that lost their shares of the domestic market searched for foreign markets to counterbalance these shrinking sales, targeting customers who could afford higher prices. The export of Japanese tea increased, rising from 1,096 tons in 2005 to 5,108 tons by 2019. These figures represent 1.1% and 6.3% of national production, respectively (Figure 1).



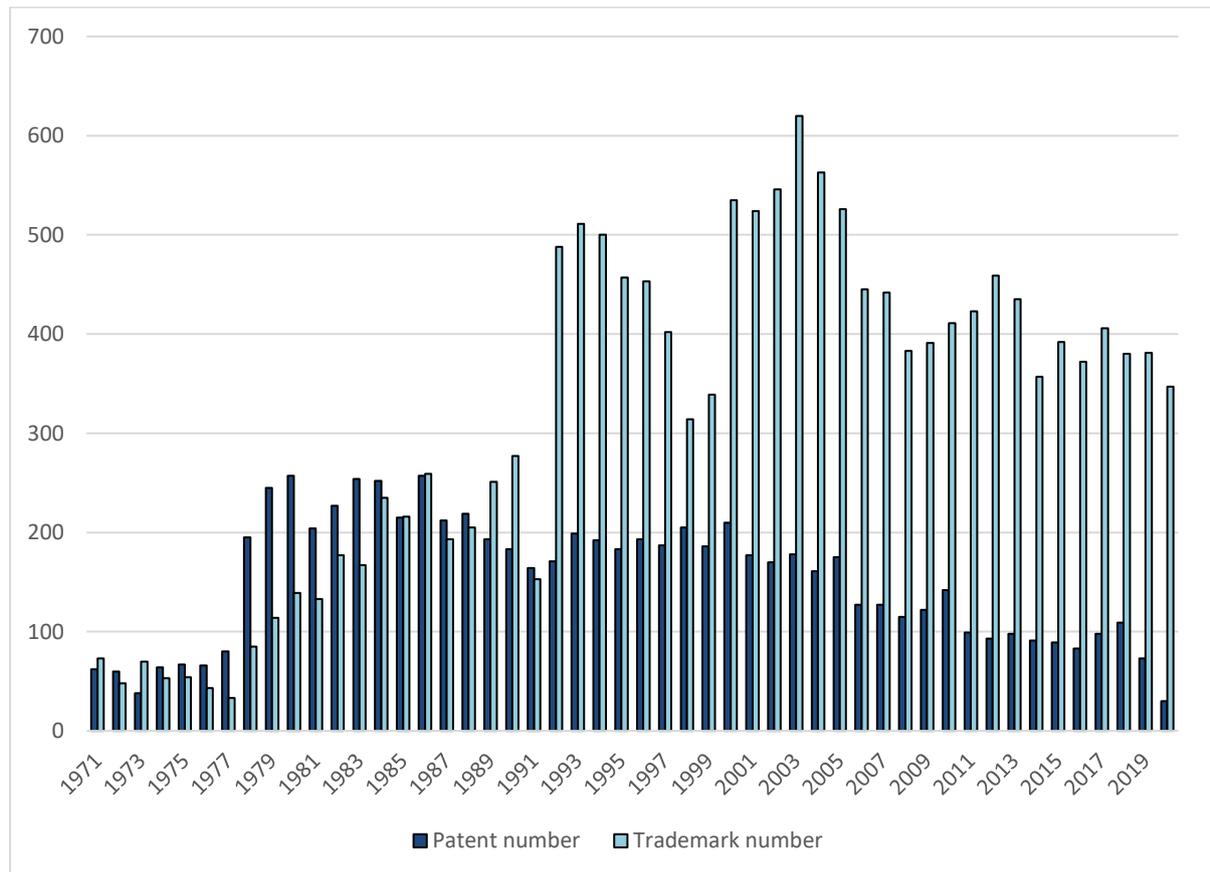
ITO EN was the largest firm in this business in 2019, with over 25% of Japan's total volume of crude tea production (ITO EN 2019). Thus, the industry was reorganised from numerous SMEs to the coexistence of both big companies with financial and distributing resources and a large number of SMEs. The evolution of their innovation strategy is explored in the next section.

4. Quantitative data analysis of tea patents and trademarks

We extracted tea patents and trademarks from the official Japanese database J-PlatPat (<https://www.j-platpat.inpit.go.jp>). As the domestic market has been the primary market of the Japanese tea industry since the 1970s, we mainly focused on domestic data. However, we also double-checked trademarks from the global brand database of the World Intellectual Property Organization (WIPO) (<https://www3.wipo.int/branddb/en/>) to understand the trends of internationalisation regarding Japanese tea brands. J-PlatPat provides information on patents and trademarks issued by the Japan Patent Office since the Meiji Era (1868–1912). It includes 52 classification codes with “tea” as a keyword, varying from tea planting and processing to packaging techniques. Many codes represent not only tea but also other types of goods, such as coffee. To focus our data on tea, we selected patents with the keyword “tea” in their title to collect the most relevant examples. In terms of trademarks, requiring the keyword “tea” in the title is not reliable as, for example, a trademark could be “harmony, respect, purity or tranquillity” without the keyword “tea”. Consequently, we had to rely on the class codes that include “tea” as a keyword. As a drink, tea was specifically contained in class code number 30, subcategory number 29A01. As trademarks are generally shared in different types of goods, codes are automatically and broadly related to each other in the system. We used the exclusion function to exclude trademarks that were shared with other products and retained only the trademarks applied for class code number 30. This criterion enabled us to focus on the core to present a general trend regarding the major innovators and innovations in tea over time.

However, our data has a limitation and variation to represent the tea patents and trademark applications over the past 50 years.

FIGURE 2. Patent and trademark applications for tea, number of cases, 1971–2020



Source: J-PlatPat.

We identified a total of 7,595 patent applications and 15,778 trademark applications from 1971 to 2020 (see Figure 2), with both showing different dynamics over time. Patent applications increased dramatically during the 1970s. The objective of innovation was mainly to improve productivity through mechanisation to meet the rapid expansion of domestic consumption at that time. However, from the late 1970s onwards, patent applications declined severely due to manufacturing capacity exceeding demand. Companies consequently turned to product development to fight for a larger market share of a declining domestic market. While the number of trademark applications was once smaller than that of patent applications, the former

overtook the latter in the mid-1980s and has remained higher to this day. In 2020, the number of trademark applications was approximately 11 times larger than for patent applications. Hence, we can observe a dramatic shift in innovation from technology to marketing.

Next, observing the nature of the applicants clearly emphasises the domination of firms over individuals. Of the 7,595 patent applications, 5,157 were made by firms (67.9%) compared to 32.1% by individuals. Similarly, of the 15,781 trademark applications, 12,529 were made by firms (79.4%) and 20.6% by individuals. Unfortunately, databases do not provide any details about individuals. As such, their background, and notably their relationships with private companies, is unknown. Therefore, we focus our discussion on the main actors: firms.

We identified 1,355 applicants for patents and 3,675 for trademarks. Among them, only 250 applied for both patents and trademarks (5% of the total number of firms). Hence, specialisation is a major feature of their strategy. Moreover, most of these firms had a low number of applications. For patents, 94.4% of firms had five or fewer applications and only 0.8% had more than 50. For trademarks, these proportions were 90.4% and 0.7%, respectively. This demonstrates that patent and trademark applications in the Japanese tea industry were extremely polarised, characterised by only a few firms holding a strong marketing or R&D ability. It also shows that most of the firms specialise in either manufacturing (both tea machinery and tea production) or retailing. In the following subsections, we analyse the evolution of the characteristics of the dominant firms in technological innovation and marketing over the years.

4.1. Changing leaders in technological innovation (patents)

Table 2 shows the top 10 tea patent applicants by decade. Although tea-related patent applications decreased in the long run (see Figure 2), we can observe a dramatic transformation in both the profile of the main innovators and the nature of their innovations. Over the past 50

years, the top 10 innovators include approximately half or over half of all applications. During the 1970s, the major innovators were all manufacturers of machinery for tea plantations, such as Kawasaki Kiko and Terada. Although their share declined in the following decades, they held a strong position and continued to be ranked among the top 10 applicants during the 2010s. However, since the 1980s, a new type of innovator emerged; namely, companies from the beverage industry with modern mass-marketing and mass-production capabilities, such as Asahi, Sapporo, Suntory and ITO EN. Most of these firms were dominant players in the beer market that then diversified into the fast-growing non-alcoholic beverage market after 1990 following a decline in beer consumption. These firms applied for patents related to product development (tea-concentrated liquid and new beverages). Hence, technological innovation, as seen through patents, became increasingly related to marketing strategy. These firms were also major trademark applicants (see section 4.2).

TABLE 2. Main innovators in tea manufacturing, number of patent applications (N) and share (%), 1971–2020

1971-1980	N	%	1981-1990	N	%	1991-2000	N	%	2001-2010	N	%	2011-2020	N	%
Kawasaki Kiko	156	26.1	Kawasaki Kiko	237	17.6	Terada Seisakusho	248	17.4	Terada Seisakusho	124	11.2	Suntory	77	11.3
Terada Seisakusho	77	12.9	Terada Seisakusho	190	14.1	Kawasaki Kiko	244	17.2	Kao	122	11.1	Terada Seisakusho	76	11.1
Ochiai Hamono	35	5.9	Ochiai Hamono	49	3.6	Ochiai Hamono	87	6.1	ITO EN	76	6.9	ITO EN	72	10.5
Suzuki Tekkōjo	17	2.8	Suzuki Tekkōjo	40	3.0	Miyamura Tekkōjo	38	2.7	Kawasaki Kiko	74	6.7	Kao	47	6.9
Toshiba Denki	13	2.2	Panasonic	24	1.8	Hoshizaki Denki	35	2.5	Ochiai Hamono Kōgyō	34	3.1	Asahi	43	6.3
Uchida Hamono Kōgyō	11	1.8	Miyamura Tekkōjo	22	1.6	ITO EN	32	2.3	Suntory	34	3.1	Kirin	39	5.7

1971-1980	N	%	1981-1990	N	%	1991-2000	N	%	2001-2010	N	%	2011-2020	N	%
Hoshizaki Denki	10	1.7	Ken-ki Kōgyō	17	1.3	Sapporo	31	2.2	Mitsui Norin	31	2.8	Mitsui Norin	19	2.8
Sanyo Denki	10	1.7	Hoshizaki Denki	16	1.2	Asahi	16	1.1	Asahi	28	2.5	Sapporo	17	2.5
Toyo Denki	9	1.5	Suntory	14	1.0	Panasonic	14	1.0	Kirin	21	1.9	Kawasaki Kiko	11	1.6
Miyamura Tekkōjō	9	1.5	ITO EN	14	1.0	Fuji Denki	13	0.9	Hasegawa Kōryō	20	1.8	Fukujuen	10	1.5
Top 10	347	58	Top 10	623	46.1	Top 10	758	53.3	Top 10	564	51.1	Top 10	411	60.2

Note: Grey cells represent applicants outside tea machinery.

Source: J-PlatPat.

Finally, in the 2000s and 2010s, a few well-established tea SMEs, such as Fukujuen and Mitsui Norin, also emerged as new major innovators by investing in technology to transform their businesses. Fukujuen launched the “CHA” (meaning “tea” in the Japanese language) Research Centre in the 1990s in response to radical changes in consumption and lifestyles. It extended its product line by applying for patents ranging from innovative tea powder and bags to liquid beverages (Takehara 2010). On the other hand, Mitsui Norin focused on developing the nutritional functions of various types of tea extracts for broad usages, including beverages, cosmetics and medicines. Its R&D is not only for its brands but also for other makers (Mitsui Norin 2021).

4.2. Changing leaders in marketing (trademarks)

In contrast to patents, where the top 10 innovators had approximately half of all patent applications, the top 10 applicants for trademarks hold a much lower share of about 20% (see Table 3). This suggests there are significantly more small players engaged in trademark applications in addition to the big beverage makers. These small players include regional tea wholesalers, retailers, agriculture associations and small producers, as well as a broad number of small firms from other industries and countries. Beyond this general trend, important changes

have occurred over time. During the 1970s, almost all of the top 10 applicants were traditional tea wholesalers and retailers, such as Kanbayashi Shunsho Honten, Harada and Ippodo. However, since the 1980s, much like with patent applicants, a small number of modern beverage companies have emerged as the main players. These firms, such as UCC and Asahi, gained growing importance and became dominant in the 1990s. These modern companies not only applied for trademarks but also massively invested in branding and advertising, targeting mass consumers. Further, since 2000, we can observe a divergence between these modern firms. While some reduced their number of applications (e.g., Sapporo), others increased them dramatically (e.g., ITO EN). With the business of bottled beverages becoming increasingly concentrated in the hands of a few makers, companies with weaker marketing and distributing resources faced challenges to achieve growth. One of the largest and most successful applicants, ITO EN, is a former tea wholesaler that transformed into a beverage maker (Xia and Donz e 2022). It increased from only 17 trademark applications in the 1970s to 308 in the 2010s. This firm developed bottled green tea in the late 1980s and became the largest tea maker in Japan. It holds 10.5% of all trademark applications in the tea industry in the 2010s, a share that has never been achieved by any applicant over the previous decades.

In contrast, 90.4% of trademark applicants were not active at all: 60.4% have registered only one trademark, while 30% have registered between two and five trademarks over the past five decades. In addition, most of these small companies have abandoned tea production despite the registration of trademarks. Indeed, statistics on the number of companies active in this industry show that more than half of tea wholesalers and retailers have disappeared over the last thirty years (see Section 3). This suggests that these small, uncompetitive companies have registered trademarks in an attempt to survive, imitating the strategy of larger companies. However, this has not prevented their decline.

Finally, a review of tea trademarks in the WIPO global brand database reveals that applications by global tea brands from Japan increased significantly. The overall total domestic consumption of tea began to decline in 2005 due to increased competition from other types of drink (Takeda 2020). Therefore, internationalisation was a strategy employed by tea companies to compensate for their declining domestic sales. While these amounted to only 16 in 1992–1999, this number grew to 114 in the 2000s and 252 in the 2020s. The major applicants were the modern beverage firms, small tea firms and tea associations.

TABLE 3. The main actors in tea marketing, number of trademarks (No.) and shares (%), 1971–2020

1971-1980	No.	%	1981-1990	No.	%	1991-2000	No.	%	2001-2010	No.	%	2011-2020	No.	%
Kanbayashi Shunsho Honten	38	6.8	ITO EN	49	2.9	UCC	149	4.1	ITO EN	204	5.4	ITO EN	308	10.5
Harada	26	4.7	Shohokuen	41	2.4	Sapporo	88	2.4	Asahi	83	2.2	Asahi	68	2.3
Ippodo	23	4.1	Ippodo	31	1.8	Asahi	76	2.1	Mitsui Norin	58	1.5	Mitsui Norin	56	1.9
Maruyama En	21	3.8	Maruyama En	25	1.5	Mitsui Norin	62	1.7	Meiko Chagyo	56	1.5	Sasaki Seicha	39	1.3
Marukyū Koyamaen	18	3.2	Aavan	25	1.5	Meiko Chagyo	57	1.6	Sasaki Seicha	45	1.2	Yoshimura	30	1.0
Hi-shidai Seicha	17	3.0	UCC	23	1.3	Nihon Tobacco	54	1.5	UCC	44	1.2	Key Coffee	28	1.0
ITO EN	14	2.5	Asahi	21	1.2	Shanson Keshōhin	49	1.4	Key Coffee	43	1.1	Kodani Kokufun	28	1.0
Kawasaki Kiko	9	1.6	Yasunaga Shōkai	15	0.9	ITO EN	41	1.1	Sapporo	41	1.1	Meiko Chagyo	24	0.8
Mitsui Norin	8	1.4	Marukyū Koyamaen	14	0.8	Shirataki Seicha	39	1.1	Osawa Sinise	34	0.9	Nihon Shiko	24	0.8
Osawa Sinise	8	1.4	Mitsui Norin	13	0.8	Sasaki Seicha	35	1.0	Fukujuen	32	0.8	Showa Seiyaku	22	0.8
Top 10	182	32.6	Top 10	257	15.1	Top 10	650	18.1	Top 10	640	17	Top 10	627	21.5

Note: Grey cells represent applicants outside traditional tea wholesaling.

Source: J-PlatPat.

In conclusion, the Japanese tea industry has experienced deep changes in innovation over the past 50 years. This transformation has entailed three major characteristics. First, large modern beverage makers have become the dominant actors after establishing themselves as major applicants for tea patents and trademarks. Second, a large number of small- and medium-sized tea retailers have engaged in Japanese green tea branding. Although no single firm has pursued the same volume of applications as the big beverage companies, such firms collectively are the main applicants for trademarks. Third, large modern beverage makers, small- and medium-sized tea retailers and tea associations have actively explored foreign markets, resulting in a significant increase in global tea trademark applications from Japan.

This quantitative analysis of patent and trademark applications in the Japanese tea industry shows the growing importance of marketing strategies as technological innovation shifted from production technology to product development after the 1980s. Significant growth in trademark applications followed this change. In the next section, we adopt a more qualitative approach to discuss the nature of the major marketing strategies adopted since the 1980s.

5. Marketing Strategies

In this section, we analyse various strategies adopted by tea companies. The objective is to examine their impact on the development of firms. We have identified three major strategies: product development, luxury branding and internationalisation. The discussion is based on data from business news databases and interviews.

5.1. Product development: from green tea leaf to branded bottles

The growing number of patents and trademarks related to bottled green tea suggests the increasing importance of such a product. Bottled green tea was developed in 1985 by the small tea wholesaler ITO EN in response to the crisis posed by the declining consumption of green

tea leaf (Xia and Donzé 2022). This product was sold until 1989 as “Sencha”, which means “green tea” in the Japanese language, without receiving much customer interest. In 1989, ITO EN changed the name to “O-i Ocha”, which means “Hey! Tea, please!”, and initiated mass advertisement campaigns to build a brand with a natural and healthy image (Kajiwara 2012). ITO EN was then listed on the Tokyo stock exchange in 1996 and transformed into a large beverage company (ITO EN 2020). In 2000, to bring marketing and R&D—including its central research laboratory, product research section, agriculture section and agricultural technology section—closer together, it merged the two departments to synchronise innovations in value-chain activities with marketing (ITO EN 2001). Hence, as expressed in our quantitative data, ITO EN was keen to develop new products and accordingly applied for a large number of patents and trademarks.

The successful development of ITO EN attracted large companies from the beverage industry, particularly beer makers and Coca-Cola, to develop their products and brands. For example, the brewer Kirin targeted younger consumers than ITO EN by launching specific brands and advertisements (Itoku and Shibuya 2018). A major issue for companies from outside the tea industry was to acquire knowledge and legitimacy to develop tea products, even as bottled drinks. Small traditional tea firms that had a long history in the Japanese tea business became their targeted business partners in this context. Simultaneously, the shift in daily necessity drinks from Japanese green tea leaf to bottled beverages threatened the survival of the small traditional tea firms. Although many such firms had accumulated know-how and heritage in Japanese green tea production over centuries, they lacked the financial resources, distribution channels and mass marketing knowledge needed to diversify into green tea beverage drinks. This dilemma finally resulted in the co-building of competitive tea brands between beverage makers and traditional tea firms. For example, Suntory collaborated with Fukujuen (a tea

retailer with more than 200 years of history) to develop the green tea brand “Iemon” in 2004. Its brand addressed the functional value of “high-quality taste and aroma”, with an emotional value that was “comfortable and premium” to differentiate it from old green tea brands. Both companies extended their cooperation and extended their number of joint brands from two in 2004 to 21 in 2015 (Itoku 2016). As for Coca-Cola, it collaborated with Kanbayashi Shunsho Honten (a tea retailer with 450 years of history) to develop a new product (bottled non-filtered tea) and a specific brand (Ayakata) in 2007 (Kajiwara 2012). These types of cooperation between large beverage businesses and specialised small tea companies led to the application of a large number of trademarks and patents. The mass distribution and easy availability of bottled green tea have made it a big success since the 1990s.

5.2. Small tea companies: from commodity to luxury

The co-development of products and brands with large beverage companies was a strategy that supported the development of a handful of specialised tea companies. However, this was insufficient to support the entire industry. In the 1990s, rather than selling high quantities at low prices, some small tea companies adopted a luxury strategy to improve their profitability. In this context, trademark applications were made largely to protect this marketing creativity from small specialised tea firms. The small scale of production and inability to meet the growing demand for new bottled beverage drinks were viewed as disadvantages in the mass market. However, some companies were able to turn this weakness into a competitive advantage by following the marketing principles of luxury branding to create a sense of rarity and uniqueness that popular tea brands lacked (Kapferer and Bastien 2012).

The long-established tea wholesaler Uogashi Meicha, which was founded in 1931, changed its image in this context (Fujimori 2001). It planted tea in the high mountains to ensure a traditional

taste and high quality (Interview No. 3). Since the 1990s, it has applied for tea brands such as “Tote shan” (Super beauty), “Unubore” (Self-esteem), “Haikara” (Stylish) and “Osekkai” (Nosy) to promote the uniqueness and high-end image of its tea (J-PlatPat 2021). In 1993, it launched a fashionable and stylish Japanese tea-drinking room with the brand name “Chanomikurabu” (Tea Fruits Club) for customers to socialise and hold tea parties. In 2002, an artistic and elegant store “Cha Ginza” was built based on the following concept: “A tea shop provides tea that seems everywhere but actually is nowhere else except in Ginza” (Uogashi 2021). They collaborated with tea farmers, designers and young staff to interact with customers online and offline in co-creating small quantity but high-quality tea brands.

Sasaki Seicha, a former tea manufacturer founded in 1921, participated in various competitions to present itself to the public as a high-quality tea maker. It increased its number of trademark applications from only 13 in the 1980s to 46 in the 1990s and 52 in the 2000s (J-PlatPat 2021), while mostly hiring female employees to its marketing team to adapt to the market shifting from males to females over recent decades. Thus, several brands and product ideas came from female employees (Interview No. 1). The “Chanoniwa” (Tea garden) brand (J-PlatPat 2021) established in 2020 is a good example. All the products and menus in the tea garden, located at its headquarters in Shizuoka, are designed by its female staff members for female consumers. This includes, among others, mixed teas with fruits and herbs, tea cakes, tea puddings and tea chocolates.

Ippodo, founded in 1717, responded to the declining demand for tea leaves by paying attention to tea users’ experiences (Interview No. 4). For example, in 1993 it established a tea room called “Kaboku” (meaning the most precious tea tree from an ancient Chinese tea book) at its Kyoto headquarters, where customers could taste various types of tea and traditional confectioneries.

The trademark “Tekiro” (Drop of dew), applied in 1996, represents a light taste of gyokuro green tea. It was possible to extend its brand’s product line based on taste preferences from strong to light. Outside of the traditional tea leaves, it also developed “Ippodo Tea”, a fresh takeout premium green tea (Ippodo 2012).

Fukujuen, located in Kyoto and founded in 1790, appeals to the heritage, crafts and culture of former imperial capital Kyoto to build the “unusual consumption” of luxury tea beyond the reach of mass consumers (Takehara 2010). To support the growth of its luxury tea brands, it hired professional designers and marketing personnel from department stores. In 2008, it opened a nine-storey headquarters in downtown Kyoto that embodies the luxury and elegant lifestyle of the emperor’s Kyoto palace (Interview No. 2). Each floor has a different tea theme, such as “Kyō no chazen” (Tea meal of Kyoto) on the third floor and “Kyō no chaan” (Traditional tea room of Kyoto) on the fourth floor.

In addition to the various types of well-established tea firms, many new companies were created based on innovative ideas. For example, Royal Blue Tea, founded in 2007, developed a wine glass-bottled handmade green tea designed to be consumed with special desserts and dishes in luxury restaurants and on first-class flights. It is sold at a much higher price than the mass-consumed pet-bottled green tea (Nikkei MJ 2017). In Tokyo, it also opened the “T Bar” (Tea Bar) to offer different tastes of wine-bottled luxury teas (Yoshimoto 2015).

Apart from the luxury strategy adopted by individual firms, one can observe the development of regional brands in tea districts, such as “Shizuoka Cha” and “Uji Cha”. These districts include numerous cities, villages and streets that developed common brands, such as “Yame Cha”, “Sayama Cha”, “Ureshino Cha” and “Yamato Cha” (Kajiwara 2012). These were the result of cooperation between multiple local stakeholders, including small-scale producers,

Japan Agricultural Co-operative (JA), retailers, regional administrative agencies, research institutions, design firms, food companies and universities. These actors collaborate, from product development to promotion campaigns, to raise awareness and increase the value of their regional brands. Some examples of joint activity include the development of beverages and other goods using tea, the organisation of fairs at hotels and guided tours (Gotō 2015). Numerous districts have united their local tea resources to compete with each other and have branded their district to add more value to their tea.

5.3. Internationalisation of markets

The various marketing strategies described above are strongly linked to the domestic market. However, foreign trade statistics also show an increase in the export of Japanese green tea since the 2000s (see Figure 1). Macha powder accounts for a significant share of these exports. For example, in the United States, which is the largest export market for Japanese green tea, 70% of Macha powder imports come from Japan. It is mainly distributed by the major coffee chains (Mizuno 2015; Japan Tea Export Promotion Council 2017). Although numerous tea companies have explored overseas markets, the small quantity of exports, which accounted for only 6.3% of national production in 2019 (FAOSTA 2021), indicates the difficulties Japanese tea companies face to expand abroad. A look at the overseas sales from ITO EN (\$350 million) in comparison with the overall export value of tea from Japan (\$142 million) in 2018 (Comtrade 2021) suggests overwhelming domination by multinational firms, although this figure for ITO EN includes products other than green tea and goods manufactured outside Japan.

ITO EN, the leading tea company in Japan, is a good example of the process of internationalisation in marketing capabilities. Much like in its domestic market, ITO EN applied the fabless method and focused mainly on marketing and product development in overseas

markets, where the manufacturing of beverages was outsourced to local partners (Nobukawa, Suzuki and Chō 2018). It launched a market research office in New York in 2000, which became ITO EN (North America) in 2001. The marketing objective in the United States was to build a healthy and luxurious image of Japanese tea by promoting Japanese tea culture, ceremonies and different ways of enjoying Japanese tea. It registered various trademarks and developed a line of products, such as “Teas’ Tea” and “Matcha Green Tea”, to suit the tastes of local consumers (Kitabata 2014). To expand its distribution routes in North America, it acquired Distant Lands Trading Co., a company that specialises in the manufacturing and distribution of coffee and other beverages, in 2015 (Kitabata 2014). It also opened five “Matcha Love” speciality stores catering to the Japanese green tea healthy boom in the United States (Nikkei Sokuhō 2017). In addition to its main overseas market of North America (87.5% of its overseas sales), ITO EN has expanded its business to China, Southeast Asia and Australia by establishing local corporations or joint ventures (Nobukawa, Suzuki and Chō 2018; ITO EN 2018).

SMEs expanded into foreign markets either through trading companies or by establishing their own sales subsidiaries, which manage mono-brand outlets, to control retail and brand image (Sugita 2006). These mono-brand stores enable Japanese tea makers to diffuse their message to foreign consumers, mostly emphasising tea ceremony, philosophy, craft, traditional design and healthy functions. Fukujuen has established three overseas shops in department stores since 2000 (Kirishima 2015), assigning salespeople from Japan to overseas markets to interact with local consumers and market its brand. Public relations activities not only include visiting consumers, retailers and dealers but also holding Japanese tea seminars (Kirishima 2015). Sugimoto Seicha launched Sugimoto Tea company in the suburbs of Seattle, the United States, in 2007 and continued steady promotion activities, such as introducing traditional tea ceremonies and recipes using matcha to increase brand awareness (Nihon Keizai Shimbun

2020; Interview No. 5). Tsujiri, meanwhile, opened stores in 15 countries through franchises with local partners (Tsuji and Uda 2017).

In addition to the marketing efforts of individual firms, the Ministry of Agriculture, Forestry and Fisheries (MAFF), the Japanese Tea Export Association and the JETRO (Japan External Trade Organisation) have also played an important role in promoting and marketing Japanese tea in the overseas market. These institutions hold trade exhibitions, conduct marketing research and provide training and seminars for foreign trade practices and branding techniques (Sugita 2006). Moreover, they promote Japanese traditional food and culture to overseas consumers, importers and restaurants to improve the general brand value of Japanese food (Mizuno 2015).

6. Conclusion

The objective of this research was to understand the conditions that enabled the revitalisation of the traditional Japanese tea industry in the context of globalisation. This transformation was not only propelled by the innovators in this industry, but also by players through marketing capabilities that diversified towards tea business from other sectors. In addition to the major beverage firms analysed by Xia and Donzé (2022), our quantitative and qualitative data also show the important role played by SMEs and supporting institutions. We have demonstrated three successive marketing strategies that supported the survival of the tea industry: the transformation of green tea from an agricultural commodity to a branded consumer good; the building of luxury tea brands based on user experience, heritage and creativity management; and the expansion to overseas niche markets. Our research provides the following implications.

First, this study contributes to the academic debate on the ability of traditional industries to survive in the context of globalisation. While most previous studies on this topic have highlighted the importance of innovation for single firms to survive in declining traditional

industries, few, if any, have researched innovations and their implementation in new marketing strategies at the industry level. Our case study shows that the renaissance of the Japanese tea industry has been through a profound transformation from a onefold traditional tea leaf industry, part of the primary sector, to a composite industry which is in fact a non-traditional industry in itself. This includes not only the old traditional tea leaf manufacturers but also modern beverage companies and newly created food ingredient companies (green tea powder). As a result, the renewed green tea industry has completely different specificities in terms of product, technology, market and value chain structure. While the consumption of traditional tea leaves alone continued to decline, the total consumption of green tea was revitalised (see Figure 1). By contrast, Japanese sake consumption fell to a third of its 1975 peak in 2019 and clearly lacks the capacity to achieve a similar structural change to green tea (Xia and Donzé 2021).

Second, the significant attention paid to marketing strategy in our research does not mean that Japanese tea companies abandoned technological innovation as a base for growth. The dramatic shift from technology to marketing highlights the importance of marketing in revitalising both the Japanese tea industry and other consumer goods industries. However, despite the general overall declining trend of patent applications, as shown in Figure 2, patent applications from large beverage firms show a clear growth trend. For example, patents with the keyword “tea” applied for by ITO EN have increased significantly since the 1990s: from only 14 in the 1980s to 32 in the 1990s and 77 in the 2000s (J-PlatPat 2021). Unlike most smaller tea firms that did not apply for any tea patents, innovation by the big beverage firms demonstrates a distinguished pattern. Technological innovation (patents) is closely related to marketing strategy (trademarks) and serves as a basis for branding and product development. This new pattern requires heavy investment, meaning only a few resourceful large firms can pursue such a strategy. Thus, most small companies continue with the traditional production method.

Third, the emergence of big firms is a key factor in the resurgence of the Japanese tea industry. The fast-growing demand for beverages since the 1970s has impacted the consumption of tea leaves. ITO EN, which invested heavily in farming, R&D, marketing and vending machines, built a competitive bottled green tea brand in response to the growing demand for bottled beverages. The success of this branding strategy attracted large beverage firms to join the Japanese tea industry. These large firms demonstrated a new paradigm of integrating value chain activities to achieve competitiveness, therefore providing a new model for smaller players to survive in this industry. Some specialised tea firms control both the supply of raw materials and tea quality to stay relevant in this new environment. The presence of big business with advanced marketing capabilities is thus important to regain industrial competitiveness (Donzé 2017). A major contribution of this paper to the academic debate is the impact of the relationship between large and small firms on the ability of traditional industries to survive. This is in line with the evidence of some European business historians, who have demonstrated the importance of the presence of large firms with globalised resources in industrial districts (Miranda and Montaña 2017; Catalan 2017). However, the Japanese green tea industry differs from these cases in that it is not organised like European industrial districts. Large companies are based in the Tokyo metropolis, while small tea manufacturers are located in various productive regions throughout the country. There is no geographical proximity between large and small companies. Moreover, many traditional industries in Japan that are trapped in a long-term decline have only small firms, such as the sake and kimono industries (Hashino 2018; Xia and Donzé 2021). The role of large companies, notably multinational enterprises, in revitalising traditional industries is an issue that should attract the attention of scholars for further research. Finally, although tea is present everywhere in Asia, our case study on the Japanese green tea industry is not transposable to other Asia countries. This is because the tea industry in each of

these countries has its own specificities (Bouwens, Donzé and Kurosawa 2017), notably due to historical experience, the importance of the domestic market and traditional export markets. For example, India and China have followed very different development paths, with the former developing specific products for UK consumers while the latter focuses on ever-expanding domestic demand. The culture of tea consumption and the development of various national tea industries over the past five decades has therefore been very different from that of Japan. The purpose of this article was not to discuss the transformations of the global tea industry but to explain how the industry in Japan has been able to transform itself to survive in the context of a sharp decline in domestic demand.

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