

“The many issues facing SBF amount to simply business as usual for the beverage industry.”

—In spring 2019, SBF entered a new era with Saburo Kogo becoming Chairman of the Board and Kazuhiro Saito becoming President and CEO. To start, please share your thoughts about the beverage industry’s current environment.

Kogo: It would be no exaggeration to say that our business environment is currently under pressure from many directions. In addition to abnormal weather patterns, falling birthrates, demographic aging, and a deflationary trend, the industry also needs to respond to the anti-sugar trend

and address the problem of plastic waste in the ocean. Manufacturers face further pressure from labor shortages, soaring production and logistics costs, the limited scope of traditional cost reduction strategies, deteriorating returns from vending machines, escalating competition, and changes in the situations in which people buy beverages and drink them. We will adapt to these changes by implementing new management reforms, but based on past experience, I think we can say this is not an unusual business environment.

Saito: Mr. Kogo and I first began to work together as junior and senior colleagues in 1981, when SBF’s beverage business was still newly formed. As a team, we worked to

capture new markets through a process of trial and error. At that time, the food business accounted for a loss of ¥5 billion on sales of ¥50 billion. Our product line-up, sales channels, and production and distribution structures were all undeveloped, and there were numerous competitors. Even the weather added to our difficulties, with record low summer temperatures.

Kogo: Our approach in that environment was to focus on the availability of our products so that consumers could enjoy drinks anywhere and anytime at affordable prices, and to develop a product portfolio to meet a wide range of needs. We supported the availability and choice of our portfolio by working to enhance our manufacturing capabilities

and supply chains. What we need to focus on going forward is the fact that the strategies we have implemented on a small scale in the past will also be the source of growth for SBF in the future.

Saito: We started to build our vending machine business from a market share of just a few percent. We also saw the potential of water and launched *Suntory Mineral Water* at a time when drinking plain water had not yet become popular in Japan. This product was followed by the introduction of a health-oriented beverage, *Suntory Oolong Tea*, as well as *BOSS* brand coffee drinks, which we developed by essentially adding extra value to water, and *Suntory Tennensui*, which is today Japan’s top-selling beverage brand.

Kogo: Our philosophy expressed in the phrase *Mizu To Ikiru*, which literally means “living with water,” actually has its roots in the Suntory Group’s efforts to obtain pure-tasting, high-quality water for use in the production of whisky. Our efforts to offer new value through continual trial and error have resulted in *Suntory Tennensui* becoming the number one brand* in the Japanese mineral water market for 23 straight years, and the bestselling soft drink brand in 2018. Also, sales of *BOSS* coffee exceeded 100 million cases. I am confident that these two products will emerge as the two top-selling products in the Japanese beverage market in the near future.

Saito: Since that time, nearly 40 years ago, when every aspect of our business

was undeveloped, continual innovation has driven our growth as a company that can enrich customers’ everyday drinking experiences. It just so happens that a number of difficulties have arisen at the same time, but as veterans in this long struggle, we see the many issues facing SBF amount to simply business as usual for the beverage industry. We know what to do and we can see a way forward to new innovation.

Kogo: We will use our extensive resources of knowledge and technology to expand worldwide and implement growth strategies through global management.

*Source: Japan beverage research institute Inryou Souken

TOP INTERVIEW

Mizu To Ikiru and Embarking on the Second Stage of Global Management

“ SBF has built Japan’s top brands by creating new value through trial and error. This experience will be the driving force for our global expansion. ”



Saburo Kogo

Representative Director
Chairman of the Board
Suntory Beverage & Food Limited



Kazuhiro Saito

Representative Director
President & Chief Executive Officer
Suntory Beverage & Food Limited

“ We have been able to develop new markets by continually taking up challenges in the face of difficulty. Looking ahead, we now have a clear vision of what needs to be done and the direction of future innovation. ”

SABURO KOGO

KAZUHIRO SAITO

Growth strategies must combine global best practices with a focus on front-line operations.

—What are your views on the outlook for your global growth strategies?

Kogo: Currently SBF is active in around 50 countries, but there is still plenty of blank space on the map. While taking care to control risks, we will be proactive about moving into high potential markets.

Saito: As in Japan, we will pursue both the “natural & healthy” development theme represented in Suntory’s health-oriented water and tea products, and also a “unique & premium” product theme that is designed to build our products into category leaders. Health-consciousness is on the rise, including in the Asian markets.

This is a major opportunity for us, since we already have a strong portfolio of health-focused products.

Kogo: *TEA+*, an oolong tea product that we launched in Vietnam, has already grown into a strong brand with sales in excess of 10 million cases. Since its initial launch, in Indonesia, we have expanded our *goodmood* range of pioneering flavored water products into markets throughout Asia. In Europe, our *MayTea* brand has become the second-biggest brand in the French bottled tea market only two years after its launch. We plan to introduce it throughout Europe.

Saito: As someone with experience in developing overseas markets, I am very excited about the current situation. I believe that trends in Japan will be echoed in Southeast Asia. However, we also need

/ SABURO KOGO /

We will build the “One Suntory” culture in all regions through greater understanding of *Mizu To Ikiru* and initiatives based on that philosophy.

to be aware of the extremely rapid pace of technological progress and social change in Asia. There is much that we can learn on the Japan side about IT-based information networks, cashless retailing, the rapid dissemination of information, and high-speed product distribution.

Kogo: SBF already has its own intellectual assets, such as proprietary technology and knowledge. However, we also need to actively pursue cutting-edge technologies, such as digital systems, AI, robotics, and the IoT. As high-quality ready-to-drink (RTD) products become increasingly commonplace, we will need to move into non-RTD categories, while also expanding our BtoC business to get closer to consumers.

Saito: The combination of our intellectual assets with new technologies will also be the key to success in European markets,

which are becoming more health-focused. By working in close partnership with local distributors, we aim to ensure that our products are always available to enjoy whenever people want.

Kogo: The beverage business could also be considered part of the infrastructure business because of its essential nature. After all, water makes up 60% of the human body. As a manufacturer, we have a responsibility to dependably supply our products, and a mission to support good health by providing safe, high-quality beverages. We will search for unique ways in which SBF can support health in what some call the era of 100-year life spans.

—You have identified a focus on empowering local employees as another key requirement for growth. How will this focus be reflected in future initiatives?

Kogo: Our consumers live in many different regions, all of which are continually changing. To succeed in this environment, we need to monitor front-line changes and respond with quick decisions and actions. Our management team and head office exist to support front-line operations, and ultimately to carry the burden of risk-taking.

Saito: I became aware of the importance of going out into the front lines through my experience in the development of the Asian market. There are national and regional differences in the situations in

which people consume our products. For example, in Indonesia, RTD cup drinks with straws are common. We want people working in our head office to see this for themselves. That sort of experience is the source of our ability to respond quickly to demand for new value around the world.

One of SBF’s strengths is the fact that we have turned the traditional top-down style relationship among management, the front line, and markets into an inverse pyramid. We respond to consumer needs by creating products based on front-line ideas and decisions, with support from management.

Kogo: The expansion of our operations in Asia can be seen as the start of a second phase of globalization for SBF, but we have already created brands that span multiple countries. Our companies in each

/ KAZUHIRO SAITO /

SBF combines knowledge and insights with cutting-edge technology. We will create new value on a global scale by ensuring that all employees possess and share knowledge of the front-line operations.

region deliberately use “Suntory” in their corporate names and promote themselves with pride as members of One Suntory.

Kogo: The SBF Group companies also share our value of giving back to society. We have implemented *Suntory Mizuiku* environmental education programs in multiple countries. As a beverage company that relies on the blessings of nature, providing value-added products while conserving the environment is one of our most important missions. Today, global society faces challenges such as climate change and a shortage of water resources. By actively contributing to the SDGs*, we hope to raise the value of the Suntory brand worldwide.

Saito: Our beverage business is closely linked to people’s lifestyles and exists only

because individual consumers choose to buy our products. The cumulative result of all those individual purchases is net sales totaling ¥1.3 trillion, as well as the potential for further growth.

Kogo: There is a Japanese proverb stating that one should always be open to both positive and negative experiences as part of living life to the fullest. I want each of our employees to take that message to heart and take an interest in everything around them, while continuing to embrace new challenges in the spirit of *Yatte Minahare*. Our goal now is to maximize our front-line strength and open up a new growth phase under the leadership of President Saito.

*Sustainable Development Goals (SDGs) are targets that should be reached globally by 2030 that were adopted at the UN Sustainable Development Summit held in September 2015