

LES HENOKIENS CASE COLLECTION

June 20, 2020

TETSUYA OHARA



Sharing the finest green tea with the world

YAMAMOTOYAMA motto

“Can you draw illustrations?” asked Kahei Yamamoto as he gently broke the silence. He was the 6th owner of Yamamotoyama, a green tea company founded in 1690. In the early spring of 1854, as cherry blossoms were blooming outside, the conversation happened at the Yamamotoyama headquarters in Nihonbashi of Edo. The person, whom the owner spoke to, was Hiroshige Utagawa in his later years, and Kahei was making a cup of spring tea for him. Hiroshige is one of the best woodblock print (ukiyo-e) artists from the Edo period, and has often been admired alongside Katsushika Hokusai. Their drawing techniques are said to have had a great influence on the painters of impressionism, such as Van Gogh and Monet, from the late 19th century. Kahei told Hiroshige that the spring tea he just made for him was *gyokuro*, which was a new kind of tea that he had invented himself. After finishing the general greetings, he told Hiroshige that he had a plan to publish a book, "Kyoka Chakizai Syu (Tea Ceremony Utensils, a Kyoka collection)". It was a collection of Japanese poems related to tea, and throughout the book he wanted to introduce tea to the world as a representative culture of Japan. He passionately talked about the idea of creating a masterpiece collection that could be handed down to future generations. For that reason, Kahei told Hiroshige that he would like to put his illustrations in the book. These two people, who were proud of creating a Japanese culture in different fields of tea and *ukiyo-e*, were tied together in a solid relationship of trust. Hiroshige willingly accepted Kahei's request. Hiroshige had created his ukiyo-e masterpiece called "Fifty-three Stations of the Tokaido" in 1833. Considering that he was one of the best ukiyo-e artists at the time, one can see

the significance of Hiroshige's acceptance of Kahei's request, the wide range of Kahei's perspective, and the strong relationship between Hiroshige and Kahei.

For a long time, Nihonbashi had been well known as the starting checkpoint of the largest road, Tokaido, which connected Edo and Kyoto, the Japanese capital at that time. Nihonbashi also had often become a starting place for new culture as it was developed with full and free open minds.¹ In order to discuss the history and the corporate culture of Yamamotoyama, one cannot miss the fact that the main store had been in the center of Nihonbashi since its establishment.

The total domestic production of green tea, which has been a core product since the establishment of Yamamotoyama, was more than 80,000 tons in 2001, but in 2003, it increased to 100,000 tons due to the demand for green tea beverages in PET bottles and cans. Although it temporarily increased, it has maintained its production of 90,000 tons since then. The number of tea farmers in Japan had decreased from 53,000 in 2000 to 20,000 in 2015. While the number of tea farmers have decreased, the cultivated acreage per farmer has increased. The total annual expenditure of green tea leaves and green tea beverages per household has been around 10,000 yen, but the consumption ratio of green tea leaves and green tea beverages has been reversed, and the consumption has been shifted to the convenient beverages. In the meantime, demand from overseas shows that the exports have tripled in 10 years due to the Japanese food boom in foreign countries. The US accounts for about 40% of total amount of the exports. According to FAO (United Nations Food and Agriculture Organization), the amount of the worldwide green tea trade is expected to increase further.

The business environment in Japan has been tough. Originally, Yamamotoyama's main product was the green tea leaves, but due to a change of the way of drinking tea, from putting tea leaves into a pot to using tea bags, the sales of its main product, green tea leaves, have declined. Although they also sell tea bags, the competition with other low-priced products is fierce, and the challenge continues. Yamamotoyama has been selling most of their high-quality green tea leaves and nori (dried seaweed) for gifts at department stores, but the gift market shrank and diversified. In addition, the slump in the department store itself is giving a big impact on Yamamotoyama's performance in Japan.² In addition, the decrease of young people's consumption of green tea and nori has also spurred a poor performance rate. Meanwhile, in the US market, business sales of

green tea and nori (B to B) are expanding due to the Japanese food boom. The subsidiary, Stash Tea, is also expanding its B to C business with gaining popularity of herbal teas and is being boosted by people's consideration on their health and environment.

The 10th generation owner, President and CEO of Yamamotoyama, Kaichiro Yamamoto is dealing with the circumstances in Yamamotoyama Japan by himself, while he appointed his daughter, EVP Nami Yamamoto, as CEO of Yamamotoyama U.S.A. to steer the US market, which is expected to grow significantly in the future.

History of Yamamotoyama

Yamamotoyama was founded in the year 1690. The first generation, Kahei Yamamoto, left Uji Yamamoto, a village in Kyoto, to move to Edo, and set up a tea store in Nihonbashi. In 1738, Soichirou Nagatani (the ancestor of the founder of Nagatanien) succeeded in refining green tea into *sencha* that has a high-quality in characteristics including aroma, taste and its beautiful yellow green color, which was different from the traditional brown tea, *dancha*. The second generation of Kahei, who paid attention to the taste of the sencha tea, started selling the tea naming it "Tenkaichi (world number one)". It gained popularity and became widespread throughout Edo. The 6th generation Kahei was respected as a restorer of the tea business by inventing *gyokuro* (high-grade green tea) in 1835. The mellow flavor of gyokuro attracted great popularity from Hatamoto (direct retainers of the Tokugawa Shougun) and Daimyo (regional military loads).

In 1947, the current chairman, the 9th generation Kahei, started producing and selling nori by applying the technology of Japanese paper manufacturing, which has been a side business since the Edo period. Until then, they had had sold only tea in the spring, but had added seaweed products in the winter, and the business model was changed. His achievement on securing sales throughout the year was significant. The sales of nori increased during the period of high economic growth in Japan (1960s to 1970s), mainly as gifts at department stores, and it made Yamamotoyama take a big leap forward. The 9th generation Kahei also actively invested overseas. He established a subsidiary company in the state of San Paulo, Brazil in 1970, and

established a subsidiary company in the suburbs of Los Angeles in the United States in 1975. He created a base for expansion into North and South America. In 1993, they acquired Stash Tea, which is a herbal tea company headquartered in Oregon, USA.

In 2008, Kaichiro Yamamoto was appointed as President and CEO of Yamamotoyama, and became the 10th owner. Kaichiro has been adapting a management method of delegating the authority, which is unique for the head of long-lived companies in Japan. He has been trying to incorporate creative ideas to stimulate young employee's potential. In 2018, he carried out a package renewal in order to deliver a unified message of the Yamamotoyama brand. The project's team were employees, mainly young people who were authorized by Kaichiro, collaborating with NOSIGNER, a prominent young industrial designer. They completely redesigned the product package, which showed the Japanese spirit linked with a westernized sense. This new product packaging design had been well received and won the prestigious Red Dot Design Award. In 2018, a modern Japanese style café, "Yamamotoyama Fuji-e Tea House" was opened at the site in Nihonbashi where the company was originally founded, and provides the best green tea, nori, and original Japanese sweets.

Yamamotoyama Management Philosophy

Yamamotoyama was founded and based on the thought of "This finest Uji green tea is so delicious that it must be shared with everyone". Its management philosophy is based on "altruistic mind (compassion)" in Buddhism, in other words, to give priority to others' benefits. Yamamotoyama has been saying that they want to contribute to people's health through tea and nori and share the Japanese culture with foreign countries. This "altruistic mind" can be seen at its approach where they distinguish between management and business. Kaichiro clarifies this by saying, "Thinking about sales and profits belongs to "management" not to "business", and on the other hand, a store is not a place for "management" but a place for "business". Therefore, the mission of the store is to raise the customer's satisfaction and to see their smile. Without chasing sales directly, if the customer's satisfaction can be raised and if the number of Yamamotoyama's loyal customers increases, the sales will automatically follow. The most important thing for the

staff in the “management” department of the head office, manufacturing, and people in charge of logistics is to help the stores do the “business”. ”³

While at the forefront of the era in all retail industries, the movement to pursue efficiency such as an automatic cash register is becoming remarkable, Yamamotoyama is pursuing and implementing an ‘altruistic mind’ and putting values on trust and credibility, which is a unique idea for a long-established company. According to the Buddhist interpretation, the two Chinese characters “經營” (management) means ‘to keep pursuing philosophy and truth throughout life’, and Yamamotoyama has been practicing it for over three centuries.

Yamamotoyama’s Management Strategy

“Providing new value that has never existed” is one of management strategies that has been and will remain unchanged. For more than three centuries the company has focused on “innovation” of its tangible products and properties. Innovating products such as sencha, gyokuro, and nori, and building new manufacturing and sales bases overseas for globalization, and acquiring a company, Stash Tea, were linked directly to financial statements, and those were tangible.

On the other hand, as strategies for the future, the company put its effort into ‘intangible innovation’ such as human resources development, wellness and sustainability, and provision of experience. It is the balancing of tangible and intangible elements.

<Human Resource Development>

In addition to the problems of green tea sales in Japan, which is described earlier, Yamamotoyama Japan is currently at a major crossroads because of the awareness of employees. Since the nori for gifts had been flying off the shelves during its high growth period and the company had grown larger, “the common people’s sense and the customer-first principle among the employees are fading, and the employees are becoming bureaucratic,” the 10th generation Kaichiro was worried, and sent a message to them;

“Do you have a perception of ‘*noren* (goodwill) of Yamamotoyama’, and think instantly ‘Yamamotoyama’ equals ‘a long-established luxury store’? We do not have such ‘noren’. Being obsessed with that kind of perception would have no benefits and only cause a lot of problems.”

Due to such concerns, as one of its management strategies, the company is striving on developing their employee’s talents by giving them some practical education. Their goal is for everyone to have well balanced skills of thinking, being able to speak out independently, listening to and cooperating with others, practicing sincerity, and communicating with each other. This approach comes from the thought that strong individuals form a strong team. The project of renewing the packages that many young employees have done is an example of this. Another prominent example is a group called ‘guerrilla team’ directly under the president, and the team members are young employees who are selected from the sales department, manufacturing department, marketing department, and management department. The team creates new products through a deep understanding of the history and management philosophy of Yamamotoyama and analyzes the customer’s tastes and market trends. They consider new products without being bound within the old framework. This is a human resource development project with the president’s sponsorship, and at the same time the members are assigned to practical duties.

<Wellness and Sustainability>

There is a great trend towards health and environment, and especially in the United States there is a rapidly increasing demand for unconventional foods that are healthy and environmentally friendly such as organic foods, vegan foods, and super foods. Since ancient times in Japan it has been said that “if you enjoy seasonal foods, you will live longer.” As Yamamotoyama has been providing spring tea in the spring and fresh nori in winter, there is an opportunity to bring them out to the world as seasonal super foods. Especially in the case of spring tea, it only takes one week from the time the green tea leaves are picked until the packages of green tea are displayed in stores, allowing people to freshly enjoy the season. As a health and environment-oriented strategic product, the company is also working on organic and non-GMO teas. Furthermore, there is a great deal of attention from overseas regarding the tea and nori, as Japanese people with the longest life expectancy in the world have eaten them for

many years. These aspects are clearly pointing out the direction of the company. Providing scientific proof of the relationship between health / longevity and foods is also an issue to the study.

As the CEO of Yamamotoyama U.S.A., Nami Yamamoto currently is selling the Yamamotoyama brand tea and nori in the United States and Europe, at the same time she is managing Stash Tea, which was acquired in 1993. It is noteworthy that Stash Tea is a member of Certified B Corporations. Certified B Corporations is a certification system operated by B Lab, a non-profit organization based in Pennsylvania, USA, and promotes the organization's social and environmental performances. B Certification is a private certification given to companies that meet the standards set by B Lab such as accountability and transparency. "B" stands for "Benefit" and refers to the benefit to stakeholders such as the environment, community, employees, and customers. The purpose of Certified B Corporations is to "redefine success in business." As the whole world has many social problems and the government and NPOs are no longer capable to deal with the problems, social expectations for business companies has been gradually changing. It is expected that companies will generate profits to other stakeholders through business activities, rather than focusing the sole purpose of maximizing the shareholders' profits. Certified B Corporations is attempting to transform the social role of business companies by enhancing the companies' capability to solve social problems and defining the success of the companies as equally beneficial to stakeholders as well as shareholders. Today, the numbers of Certified B Corporations are over 3,000 companies in 150 industries in 71 countries and becoming a member is one of the major trends in the world. Patagonia, a major US outdoor sportswear company, and Ben & Jerry's, a major US ice cream company, are among the earliest members. Nami Yamamoto, who found a common factor between the mission of Certified B Corporations and the direction of Yamamotoyama Global, considers Stash Tea as a strategic position of Yamamotoyama Global with the consensus of Kaichiro. They are trying to make Stash Tea a major pillar of Yamamotoyama in this century.

On the other hand, Yamamotoyama Japan is still in a difficult situation. It has not entered the green tea beverage business using PET bottles. The use of antioxidants is essential for maintaining the quality of PET bottle green tea beverages. However, that would entail that they

would no longer be able to provide authentic and delicious green tea, thus going against Yamamotoyama's philosophy of strictly committing to quality. In addition, the problem of ocean bound plastics caused by discarded plastic bottles has become a major concern worldwide, and from the perspective of sustainability, this is the one of the reasons of hesitation to start manufacturing green tea beverages.⁴

<Providing experience>

Nami Yamamoto says, “I’m in the midst of the millennial generation, and the people of the generation often spend money on experiences rather than things. I am deeply understanding of their sense on valuing the story and originality rather than the brand. It seems that Yamamotoyama is only selling products, but we are playing our role to provide the best experience of enjoying tea and nori. It is my duty to create a platform to continue implementing our traditional missions by making the missions fit to the next generation. Not only selling the products, I want to express the excitement that could be obtained from these things in various ways.”⁵

Whereas many of other herbal tea brands are fully committed to health benefits and environmental concerns, Stash Tea additionally introduces totally new flavors that are made mixing several leaves from around the world. By introducing those new flavors, we are also able to be a catalyst that connects different cultures and be a community where people can share new experiences together. This is an interesting trial that takes millennials into consideration of marketing, and the results are sent to Yamamotoyama Japan.

Some new plans to experience innovative products are also in progress. A new category of drinks called nitro beverages is emerging in the beverage industry, and Stash Tea is exploring a prospect of developing nitro tea beverages and entering the packaged drink business in the future.⁶ It will be a great opportunity to provide a new experience.

Nami Yamamoto was appointed as the CEO of Yamamotoyama USA for preparatory step before becoming the owner of Yamamotoyama. It appears she is taking advantage of this opportunity to explore a redefinition of success that does not appear in their financial statements.

She may be creating a compass (management strategy) for the Yamamotoyama Global Group to utilize in the future.

At Yamamotoyama Japan, "Yamamotoyama Fuji-e Tea House" is offering an 'exciting experience' in the historical town, Nihonbashi, where customers can enjoy delicious and innovative foods, for instance nori for dessert and matcha shaved ice with nori syrup. In the future, it will be possible to use the tea house as a place to examine the new expertise gained from Yamamotoyama USA.

Innovation every 100 years

Overviewing the 330-year history of Yamamotoyama, one can see the large-scale products with great innovation were launched every 100 years. After its founding in 1690, it launched sencha under the name of "Tenkaichi" in 1738, invented gyokuro in 1835, released nori in 1947, and entered the herb tea market acquiring Stash Tea in 1993. The company has products that have continued existing in the market even after 100 years, such as sencha and gyokuro, that has led to the customers' trust, and has created a strong Yamamotoyama-brand loyalty.

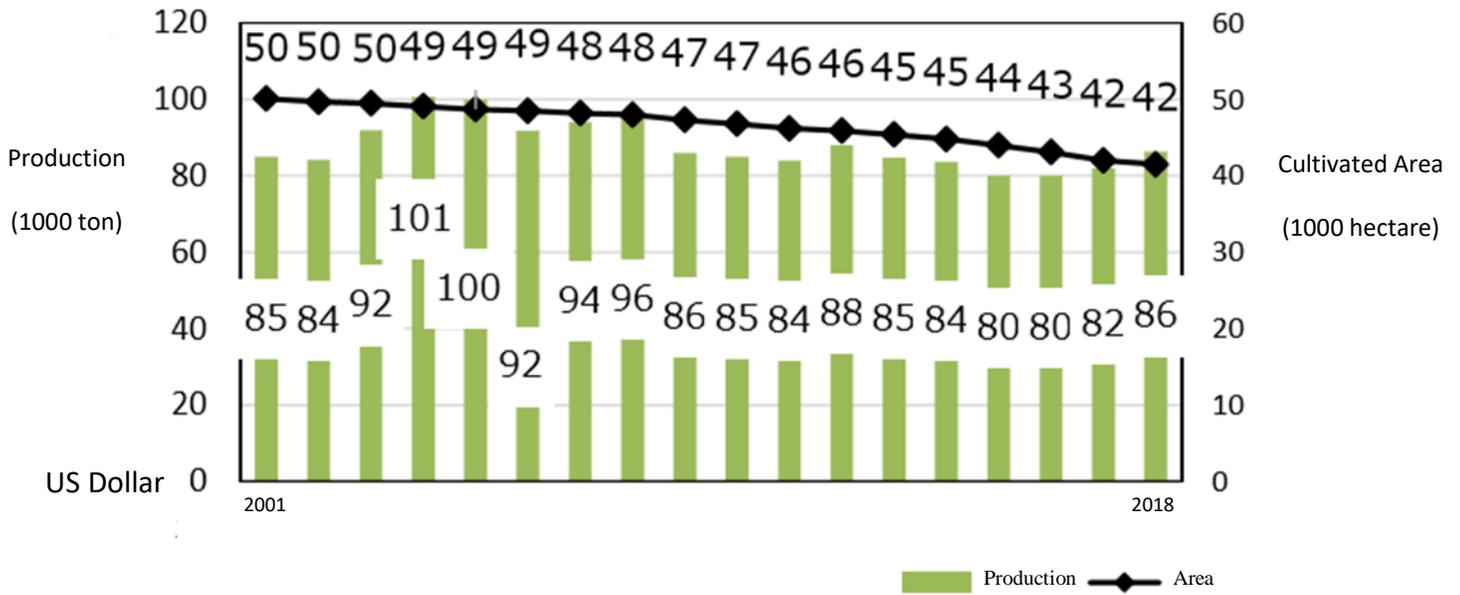
Kaichiro Yamamoto, the 10th generation owner says, "Stash tea business might be the key for the next 100 years. It takes time to be a "milestone" product, and it is said that it will take three generations for the thoughts to take shape. I think all I can do is entrusting the thoughts to the younger generation."⁷

Kaichiro's hobby is to interact with new technologies. They can be tools that make us understand the present time that is constantly changing by increasing acceleration. One of his hobbies is taking photos with the latest iPhone model. Kaichiro, who does not forget the sense of the common people, often walks around the Nihonbashi neighborhood with sandals and wooden clogs, greets his neighbors, and enjoys the changing seasons. One Friday evening, remembering the busy week's events, and looking at the beautiful sunset that Utagawa Hiroshige would have been seen from here, he could not help feeling how fast the times changes. He happened to find an airplane and its contrails in sunset sky on the photos that he took with his iPhone. Kaichiro,

who constantly asks himself questions about tradition and innovation, felt that the contrail is like a tradition. “Contrails are only visible to people looking up at the sky. They cannot be seen from inside of the airplane. An airplane (innovations) just moves forward. In other words, it is a tradition that is born only as a result of dedication to innovation.”⁸

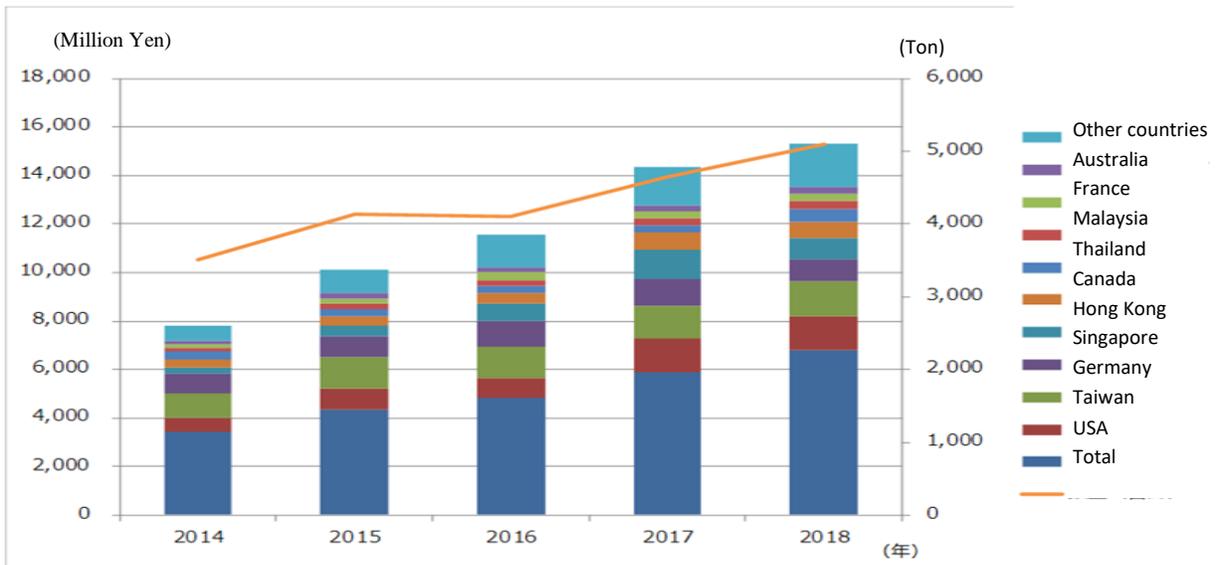
Kaichiro Yamamoto says, “Yamamotoyama started with the idea of wanting to share Uji tea with other people because it is so delicious. I want to give this delicious tea to people around the world. I want many people around the world to like and enjoy tea through Japanese food culture.”⁹ For Kaichiro Yamamoto, the succession of the family business is to pass the intention (dream) to the next era, and to keep innovating to "provide unconventional values." In order to reflect the new demand of tea, which is increasing due to the awareness on health and environmental issues, in business results and to make Kaichiro’s vision happen, Nami Yamamoto, the current CEO of Yamamotoyama USA, who will be the eleventh generation owner in the future, has begun drawing blueprints for Yamamotoyama for the next 100 years with the full support of Kaichiro.

Exhibit 1 Green Tea Production and Cultivated Area in Japan



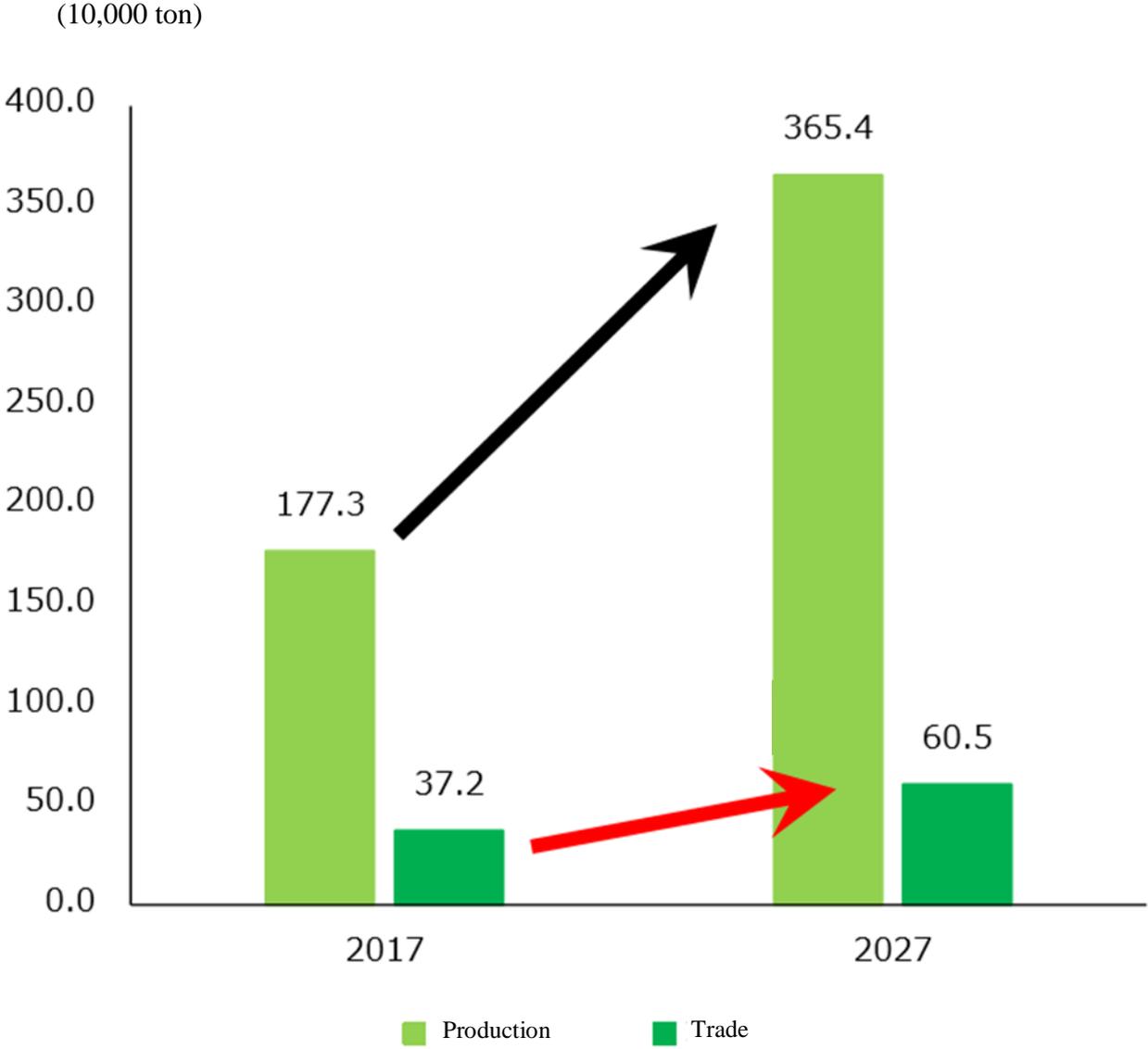
Source: Ministry of Agriculture, Forestry and Fisheries *Crop Statistics*

Exhibit 2 Green Tea Export from Japan



Source: Japan External Trade Organization, August 2019

Exhibit 3 Forecast of Green Tea Trade and Production in the World



Source: Food and Agriculture Organization of the United Nations

Exhibit 4 Yamamotoyama Official Photos

10th Generation Owner and President
Kaichiro Yamamoto



11th Generation and Executive Vice President
Nami Yamamoto



Headquarters in Tokyo, Japan



Yamamotoyama Fuji-e Teahouse in Tokyo, Japan



US Headquarters in California, USA



Tea Farm in Sao Paulo, Brazil



Source: Yamamotoyama internal company documents

Exhibit 5 Yamamotoyama product package

New Package launched in 2018



Old Package used in 1961



Source: Yamamotoyama internal company documents

Exhibit 6 Yamamotoyama New Logo



Y A M A

M O T O

Y A M A

Source: Yamamotoyama internal company documents

Exhibit 7 Yamamotoyama Historical Photos

6th Generation
Kahei Yamamoto



Kyoka Chakizai Syu (Hiroshige illustrated)
Published in 1855



Yamamotoyama
Main Store
Nihonbashi, Tokyo

in 1887



in 1940



Source: Yamamotoyama internal company documents

Exhibit 8 Tea Production Process

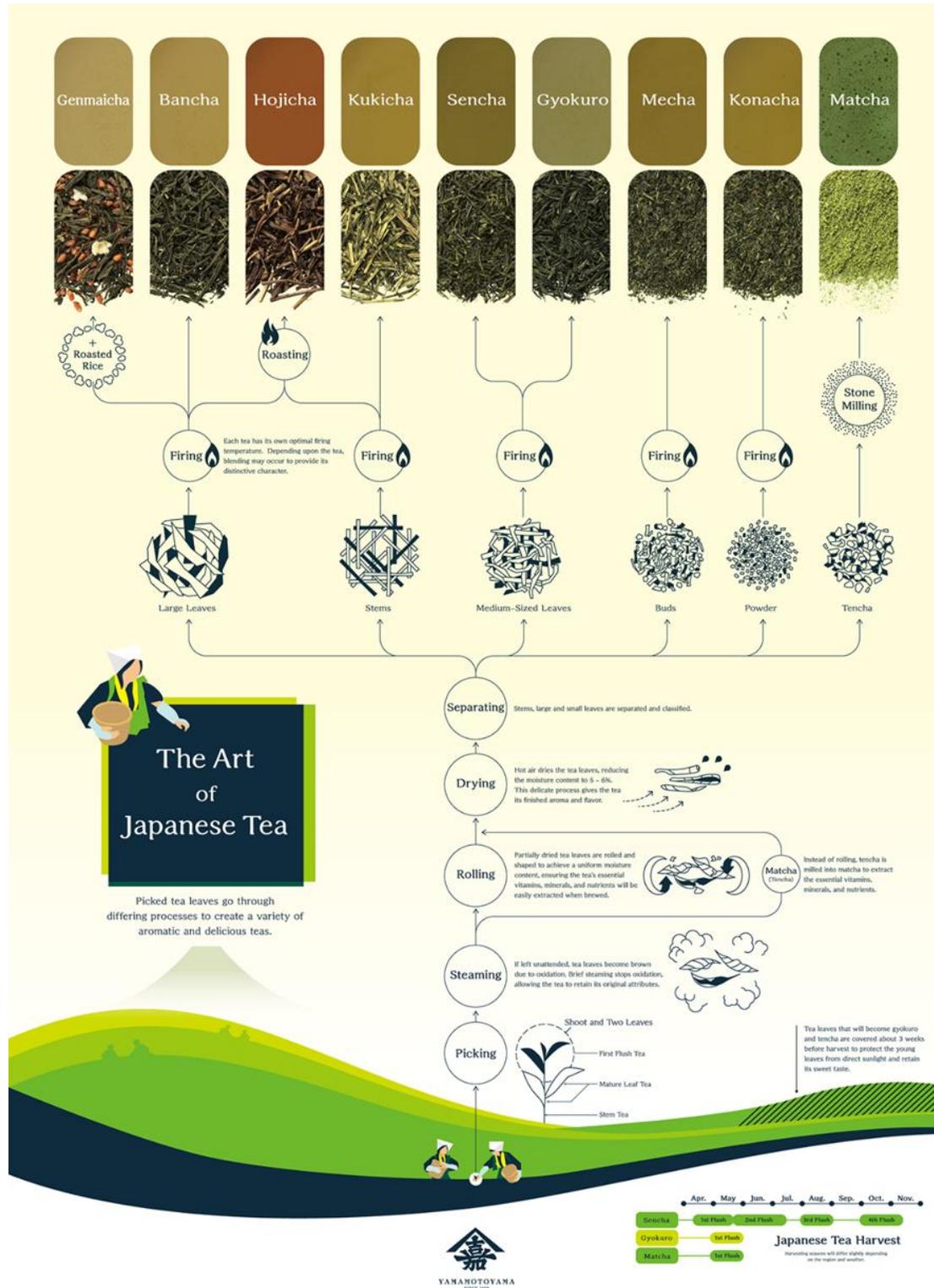
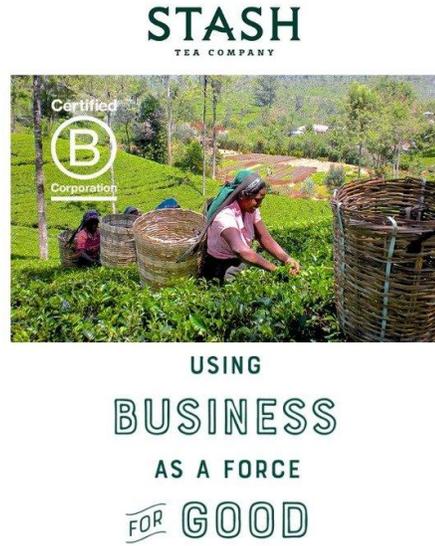


Exhibit 9 Stash Tea Products



GMO Free



Stash Tea is celebrating one year as a Certified B Corporation! We're grateful to be part of a global community of companies that are leading with purpose to build a better world. B Corp certification

Certified B Corporation



Organic



Cross Cultural Flavour

Source: Yamamotoyama internal company documents

Appendix

About Certified B Corporations

Certified B Corporations are businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. B Corps are accelerating a global culture shift to redefine success in business and build a more inclusive and sustainable economy.

Society's most challenging problems cannot be solved by government and nonprofits alone. The B Corp community works toward reduced inequality, lower levels of poverty, a healthier environment, stronger communities, and the creation of more high quality jobs with dignity and purpose. By harnessing the power of business, B Corps use profits and growth as a means to a greater end: positive impact for their employees, communities, and the environment.

B Corps form a community of leaders and drive a global movement of people using business as a force for good. The values and aspirations of the B Corp community are embedded in the B Corp Declaration of Interdependence.

B Corp Certification

B Corp Certification doesn't just evaluate a product or service; it assesses the overall positive impact of the company that stands behind it. And increasingly that's what people care most about.

Certified B Corporations achieve a minimum verified score on the B Impact Assessment—a rigorous assessment of a company's impact on its workers, customers, community, and environment—and make their B Impact Report transparent on bcorporation.net. Certified B Corporations also amend their legal governing documents to require their board of directors to balance profit and purpose.

The combination of third-party validation, public transparency, and legal accountability help Certified B Corps build trust and value. B Corp Certification is administered by the non-profit B Lab.

Source: <https://bcorporation.net/about-b-corps>

Endnotes

- ¹ Kaichiro Yamamoto, President, interview, April 27, 2020
- ² Kaichiro Yamamoto, President, interview, April 27, 2020
- ³ Kaichiro Yamamoto, President, interview, April 27, 2020
- ⁴ Kaichiro Yamamoto, President, interview, April 27, 2020
- ⁵ Nami Yamamoto, Executive Vice President, interview, April 27, 2020
- ⁶ Nami Yamamoto, Executive Vice President, interview, April 27, 2020
- ⁷ Kaichiro Yamamoto, President, interview, April 27, 2020
- ⁸ Kaichiro Yamamoto, President, interview, April 27, 2020
- ⁹ Kaichiro Yamamoto, President, interview, April 27, 2020

Bibliography

- Yamamotoyama Corporate Website <https://www.yamamotoyama.co.jp/index.html>
- Yamamotoyama USA Corporate Website <https://yamamotoyama.com/>
- Stash Tea Corporate Website <https://www.stashtea.com/>
- Nihonbashi Journal <https://www.nihonbashi-tokyo.jp/enjoy/people/201412/>
- Bridgine <https://www.bridgine.com/2019/12/25/yamamotoyama/>
- Certified B Corporations <https://bcorporation.net/about-b-corps>