Innovation Platform-based Silver Market Development in Japan

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Today's Agenda

1. **Case Studies**

   1.1 *Case1) Yamaha* ; Instrument-Related Business for the Baby Boomer Generation

   1.2 *Case2) Calpis* ; Creation of the Beverage/Food Business for the Silver Market

2. **Innovation Platform and the Silver Market**

   2.1 Concept of Innovation Platform

   2.2 Innovation Platform of Yamaha and Calpis
So-called “baby-boomers” are shifting to the “silver generation”, and it is expected that the retirement of a large number of “baby-boomers” will have a significant impact on corporate society.

※The population is omitted at the age or more of 90 because the population by age cannot be understood.

Source: Ministry of Internal Affairs and Communications
“Music lessons for 50 year-olds or older” as a service business is earning additional revenue along with selling instruments as a manufacturer. These two business models are creating a virtuous cycle.

**What is Background?**

Retirement of a large number of “baby-boomers”, loved pop music when they were young
- They have a relatively large amount of money and free time, and are the “Beatles Generation”

**Who is YAMAHA?**

A general instrument manufacturer covering everything, managing music schools with approximately 700,000 students around the world at the same time
- Yamaha music schools started in 1954 and 5 mil. children have taken the courses in the past 50 years

**Yamaha’s Competencies**

• Capability to operate music classes oriented to students of different ages
• A broad ability to develop musical instruments, from grand pianos and wind instruments to digital electronic instruments

**What they Achieved?**

Opened a music course; “Music lessons for 50 year-olds or older”, designed for the senior who have not played any instruments and are beginners
- You can take lessons without owning an instrument, not being so intensive and inexpensive

Beginning to Create a new market for the silver generation
- 30 to 40% of the students have purchased their instruments, in particular, from the area of products where a high profit can be expected
1.1 Case 1) Yamaha; Instrument-Related Business for the Baby Boomer Generation

The requirements for innovation in the silver market learned from YAMAHA

◆ Consider the silver market as a “Revival market”

◆ A technological breakthrough is not necessarily needed to create innovation

◆ Comprehensively utilize the unique management resources and skills of the company

◆ Establish product/service quality and a brand that satisfies the silver generation’s “desire to have real things”
The market for Preventing Lifestyle-Related Diseases was created by innovative products and grew drastically past several years.

Trends in the Market for Preventing Lifestyle-Related Diseases

“Calpis Cultured Milk/Ameal S” was released by Calpis

Source: H&B Foods Marketing Report 2005 by Fuji Keizai
1.2 Case2) Calpis; Creation of the Beverage/Food Business for the Silver Market

With their corporate philosophy to serve the world with “delicious and healthy” food, Calpis has innovated a functional drink market for silver generation.

**What is Background?**

Growing of the consciousness of silver generation’s “Nutrition Intake”
- It's from their “positive” desire to maintain the QOL (Quality of Life) as much as possible

**Who is Calpis?**

A pioneer in the current functional beverage/food boom who has been devoted to developing and supplying “delicious and healthy” products
- Started the business developing “Calpis”, a lactic acid beverage inspired by horse milk wine

**Calpis’s Technology Platform**

- Starting with “Calpis Cultured Milk,” development technologies in beverages/food products, as well as technologies in using fermentation and enzymes, technologies in utilizing microorganisms, and technologies in evaluating nutrition & functionality

**What they Achieved?**

Released the world’s first lactic acid drink suitable for people with high blood pressure, applying the effect of Lacto-Tri-Peptide (LTP)
- It received the “The Food Ingredient Research Award” which is given to an innovative technology/concept by the Food Ingredients Europe (FIE)

Has maintained a certain level in the food-related drink market that is seeking to mitigate adult diseases
- They released a lower-calorie version of AMEAL S, and “Interbalance L-92” for various sinus conditions including hay fever, or so
The requirements for innovation in the silver market learned from CALPIS

- Apply the technologies that were cultivated over the years to the silver market
- Re-appeal for a brand that the silver generation used to like (in the past)
- Appeal for needs specific to the growing silver generation
Today's Agenda

1 Case Studies

1.1 Case1) Yamaha; Instrument-Related Business for the Baby Boomer Generation

1.2 Case2) Calpis; Creation of the Beverage/Food Business for the Silver Market

2 Innovation Platform and the Silver Market

2.1 Concept of Innovation Platform

2.2 Innovation Platform of Yamaha and Calpis
We identified a new corporate management model for innovation by carefully looking into the “Origin of the Innovation”, i.e., Innovation Platform.

**Realized Layer (Created Innovation)**

- Products
- Components
- Services
- Business Models

**Technology Platform**

- Technical development capability
- Product integration development capability
- Production capability

**Capability Layer**

- Organizational management capability
- Organizational learning capability
- Intellectual creativity
- Ability to integrate external competencies
- Leadership capability

**Resource Layer**

- Human resources
- Relational resources
  - Customer base
  - Supplier networks
  - Channels
  - Brands

**Value Layer**

- Corporate culture
- Founder's philosophy
- Shared values

- Facility and site resources
- Intellectual assets
  - Technological, expertise
- Intellectual property
  - Patents

- Organizational behavior & guidelines

**Strengths Brought to the Surface**

- Organizational management capability
- Organizational learning capability
- Intellectual creativity
- Ability to integrate external competencies
- Leadership capability

- Technical development capability
- Product integration development capability
- Production capability

- Facility and site resources
- Intellectual assets
  - Technological, expertise
- Intellectual property
  - Patents

- Organizational behavior & guidelines
2.2 Innovation Platform of Yamaha and Calpis

Yamaha

• Capability to operate music classes oriented to students of different ages
• A broad ability to develop musical instruments, from grand pianos and wind instruments to digital electronic instruments
• A corporate philosophy of creating a touching inspiration and culture through the technology and sensitivity that it has accumulated in the world of audio and music
• A corporate culture of refining unique skills within an agile organization for each musical instrument product
• Music schools that are far more ubiquitous than others, in their number of classrooms and teachers, with approximately 700,000 students worldwide
• Technology and skill in designing and manufacturing pianos, wind instruments, string instruments and percussion instruments accumulated over a history of 100 years
• The Yamaha brand in popular music, which is supported by the Beatles generation

Calpis

• Starting with “Calpis Cultured Milk,” development technologies in beverages and food products, as well as technologies in using fermentation and enzymes, technologies in utilizing microorganisms, and technologies in evaluating nutrition and functionality
• Ability to foresee trends in the times and to continue to launch products onto the market
• Knowledge in connection with probiotics and biogenics
• The Calpis brand which evokes a feeling of nostalgia in the first postwar baby boom generation (with the slogan “The Taste of First Love,” which has become familiar over several generations)
• A corporate philosophy of providing to society beverages and food products that are good tasting and “good for you.”
• A pioneer in lactobacillus research and technology in microorganism fermentation

Source: Various Public Documents