Why and How localized products from Japanese MNCs failed in the global market: Case studies of Ajinomoto and Nissin from the perspective of subsidiary autonomy

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Abstract

In the food industry, according to conventional wisdom, product localization with high local responsiveness is considered the lifeblood of establishing global competitiveness among food multinational corporations (MNCs) (FAO, 2006). However, local product development has been a crisis for a number of food MNCs since their localized products could survive in international markets no longer than a year after launching the products or have not made a good market performances for several years. The purpose of this research is to gain an in-depth understanding about development of localized products from the perspective of subsidiary decision making autonomy. Unexpectedly, there are few existing clinical studies directly focusing on whether the localized products of MNCs actually reflected local people’s tastes and perspectives. This research tried to answer three main research questions accordingly: ① For local product development, does every function in a food MNC need to be localized? What level of subsidiary autonomy is needed in deciding for each function? ② What is the gap between MNCs localized products and actual local needs/preferences? Why and How is the gap occurred? ③ Why and How localized products from Japanese MNCs failed in the global market?

This study adopts a mixed methodology approach in combining quantitative hypotheses testing and qualitative theory building within a three-staged case studies research. The first stage conducted an exploratory comparative case study of a western and Japanese MNCs entitled Why and How Ajinomoto Defeats Nestlé in the canned coffee market in Thailand: from the perspective of subsidiary autonomy in
An analytical framework that presents seven levels of decision making autonomy was created in order to systematically investigate the critical factors in subsidiary functions. Semi-structured interviews were conducted several times on both executives and in-charged staffs in Thai subsidiaries. The result suggests that NOT every function in a food MNCs should be localized. Product development (except for nutrition requirement process), marketing and sales functions need a very high level of subsidiary autonomy. In the contrary, the quality control function, decision making can be more effectively managed by headquarters. Different subsidiary autonomy resulted in incredibly difference market performances in the two food MNCs.

Considering specific results and limitations in the first case study, the second stage of this research was even more deliberately designed. The second stage involved carrying out a pilot test on 30 Thai college students living in Thailand and Japan, as well as a large-scale questionnaire on 413 Thai respondents in order to test the hypothesizes whether MNCs’ localized products respond actual local preferences or not. The questionnaire were analyzed using the Statistical Package for Social Sciences (SPSS). Data analysis for semi-structured interviews and questionnaires were repeated several times to ensure the reliability and validity of the results proving that the hypothesis was correct.

Next, a detailed case study research named *Discover local taste is not only about adding flavors to global brand: Case study of NISSIN product localization failure in Thailand from perspective of subsidiary autonomy* was conducted as the third stage. The case study tried to provide strong and clear evidences to answer the main research questions, as well as make an entirely new contribution about food MNCs product localization. It brings notions together from triangular data analysis, namely a quantitative data set from local consumers point of views, multiple semi-structured interviews data from Thai subsidiary and secondary data derived
from NISSIN headquarter. Unfortunately, primary data from NISSIN headquater were not allowed to collect which is main limitation of this research. The result of this study suggested that NISSIN localized product does not meet actual local preferences because of its failure for local taste adaptation during the process of design product prototype, product detailed development and allocating marketing resource. At the final decision making, all critical decisions (taste, product characteristic, campaigns) were made by headquarter and `sell/recommend` solely to expatriates at Thai subsidiary in Bangkok office. In addition, from quality-frequency of communication analytical flow, there was not an opportunity for Thai product manager to make mutual decision about product concept with headquarter. The Thai manager has a clearly separate acting only for production and some suggestion but not to make a critical decision leading misinterpretation in the development processes.

This empirical evidence in this clinical study proved the significant contribution of subsidiary autonomy to performance of localized products for both for the international business literature and MNCs organizational management.

**Keywords:** Subsidiary autonomy, Localized product, Local product development, Food industry