Case Study Shimano: Market Creation Through Component Integration*

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Clerk: Hi. How can I help you?
Customer: My kid wants a mountain bike. Which one is good?
Clerk: Well, right now I recommend one of these. This one is made in Japan, and this one is made in Taiwan.
Customer: Made in Taiwan?
Clerk: Well, it IS a Shimano.

Introduction

We sometimes observe that while an entire industry may be in recession, some companies continue to perform well. Shimano, a bicycle parts manufacturer, is such a company.

The bicycle manufacturing industry has recently been in a structural recession. Imports accounted for 30% of the domestic market in 1997 and 67% in 2001, with over 7 million of the 11 million bicycles sold in Japan being imported (Figure 1). The average price of bicycles commonly seen around town and often called

* The main information sources of this case include: Interviews with Masahiro Tsuzaki, Manager of Marketing Department, Engineering Division, Shimano Inc., and Masahiko Jimbo, Manager of the same department (January 25, 2001, October 25, 2001, and March 5, 2001). Interview with Hiroshi Nakamura, Cycle Development Center (January 25, 2001). Speech delivered by Yoshizo Shimano, CEO of Shimano Inc. at a seminar held by the Ministry for Economics, Trade and Industry (June 27, 2001). Shimano Inc. 80-Year -History-Editing Committee, "80 Years of Shimano 1921-2000: Toward a New Future," March 2001. Shimano Product Catalog. “Shimano Machikoujouteki na Jiyuu ga Katsuryoku, Jitensha Buhin de Sekaiseiha (Shimano’s Active Power like Small Workshops: World Domination in Bicycle Parts)” (In Japanese) Nikkei Business, November 2, 1998, pp. 54-56. “Shimano Koukyyuu Jitensha buhin de Toppu, Puro mo Aiyou shi Kouuseikei Renpatsu (Shimano is Top in Quality Bicycle Parts, Continued Success as Professionals become Regular Users)” (in Japanese) Nikkei Business February 21, 1998, pp. 39-41. We would particularly like to extend our gratitude to Mr. Tsuzaki and Mr. Jimbo, who cooperated with three interviews and explained everything from the basics, in addition to providing a variety of materials. This case was originally written in Japanese in 2002 and appeared on Hitotsubashi Business Review, 50 (1), 2002, pp. 158-177. English translation was financially supported by “The 21st Century COE Program on Knowledge, Corporate System, and Innovation” at Hitotsubashi University. All responsibility for the content of this case lies with the authors.
“granny bikes” is around 20,000 Yen for domestically manufactured models and around 10,000 Yen for imported bikes from South East Asia and China. The difference is clear. Domestic production of bicycles has continued to decline and there has remained no vestige that Japan once shined as the production base for the world bicycle market. Yet, Shimano has managed to maintain an overwhelming share in the world market for bicycle parts, such as derailleurs, shift levers, and brakes. Shimano’s brand value is ranked high among Japanese firms. According to the Nihon Keizai Shimbun’s brand score, Shimano is ranked 20th in Japan (2001). Companies with the same rank include large firms like Hitachi, Sharp, Denso, Fanuc, and HOYA.¹

Bicycle fans proudly say “I have Dura-Ace”. Dura-Ace is the brand name of the series of parts Shimano sells for sporting bicycles. As previously mentioned, the use of Shimano parts matters more for customers than who assembled the bicycle. Major bicycle manufacturers cannot even start product development before Shimano announces a new product plan. Intel’s former CEO Andrew Grove was reportedly amused to hear that Shimano was called “the Intel of the bicycle industry.”

The recent performance of Shimano has suffered somewhat due to setbacks in American and European sales, but its financial performance is far better than oth-

¹ Nihon Sangyo Shimbun, February 14, 2001