

## Abstract

To date, various products of alcoholic beverage can be found in the Japanese liquor market, for instance, Beer, Brandy, Whisky, and Wine. However, *Sake*, the traditional Japanese fermented liquor, and *Shochu*, the traditional Japanese distilled liquor, are still popular among Japanese consumers. I therefore decided to research the factors that continue to make traditional liquor popular in Japan. In order to do this I studied the Japanese liquor industry from the 1960s to the present, due to the fact that the market leader shifted from traditional liquor to beer in 1960s. For this, I required information of the relevant factors which led to the continuing preference for *Sake* and *Shochu* consumption in that period. According to an analysis based on the marketing environment analysis approach and related previous research, three significant factors are raised, namely: support from the government, the adjustment of traditional liquor manufacturers and the Japanese alcoholic beverage drinking culture. These factors are focused upon and discussed in this paper.

The result of the study shows that support from the government plays the most important role among these three factors. The Japanese government has continuously supported the traditional liquor industry. During the 1960s-1970s, the government focused on the protection of the traditional liquor industry through taxation laws and regulations for granting liquor manufacturers licenses and liquor retailers licenses so as to control competition in the Japanese liquor market. Moreover, since the 1980s the Japanese government has focused on the development of the traditional liquor industry by offering support in terms of finance, manufacturing, management, and marketing implemented by means of Laws in favour of the small and medium enterprises. These include the SME Modernization Promotion Law, the Law on Supporting Business Innovation of Small and Medium Enterprises and the One Village, One Product Campaign. These supports improved competitiveness for traditional liquor manufacturers and helped them to produce the kind of traditional liquor needed in the Japanese liquor market.

The adjustment of the traditional liquor manufacturers is the second priority factor ranked behind government support. Although the large traditional liquor manufacturers, without support from the government, were able to cope with the adjustment by revising their images to extend to the new market, and by using product differentiation and enhancement in the channel distribution to retain the existing market, small and medium manufacturers, on the other hand, still needed help from the government, including the strategy of using unique raw materials and production processes inherited from their local ancestors to add value to their products. In addition the brewers' cooperating organizations, the Japan *Sake* Brewers Association and the Brewing Society of Japan, played an influential part in the creation of innovative new ideas and product varieties which led to the strengthening of the traditional liquor manufacturers and the continuing consumption of traditional Japanese liquor until today.

Japanese alcoholic beverage drinking culture is another factor, though less important than the other two, because it has lent support to the two factors mentioned above in terms of strategy implementation. The contemporary culture for alcoholic beverage consumption promotes the coexistence of traditional liquor and other alcoholic beverage in terms of the drinking occasion, drinking place, style of drinking, and food consumed with alcoholic beverage. Traditional liquor has been included in the Japanese alcoholic beverage drinking culture in recent years. The participation of traditional liquor in the contemporary Japanese alcoholic beverage consumption culture is divided into two parts which are the inherited traditional liquor drinking culture related to Japanese life style and the new style of traditional liquor drinking culture which suits the social change nowadays, resulting in the continuing popularity of traditional liquor in the Japanese liquor market to the present.