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THE WINNING MARKETING STRATEGY OF A JAPANESE COMPANY IN A TOUGH ENVIRONMENT

by

Shôji Murata

SUMMARY

Following a brief history of marketing in Japan, the market environment and the strategy of Japanese companies in 1983 is discussed, as the first subject of the presentation. Japanese marketers believe that innovative product development is the most essential for their growth and survival. An unique method of product development in Japan — total staff participation — is also discussed.

As the second subject, the importance of market research and management attitude toward it is discussed. Total responsibility system in the Japanese management culture is emphasized.

Thirdly, factors affecting Japanese management culture is delineated and described in some detail. Transferability of Japanese management systems to Western society is also discussed.

Finally, the necessity of re-introduction of marketing concept and marketing culture is stressed, with a few key words to world marketers.

It is my privilege and great pleasure to have this opportunity to speak to such a distinguished gathering of top world marketers.

I. Introduction

I would like to discuss management in general and marketing in particular, of Japanese companies in today's tough environment from marketing academician's viewpoint. Specifically, I would like to explore the subject on how effectively and creatively Japanese companies are adapting themselves to the changes of market environment and consumer behavior and his & her life style.

II. Brief History of Japanese Marketing and Environmental Change

As you may already know, Japanese marketing from managerial side has a relatively short history. It was introduced to Japan from the United States in the decade of the 1950, starting with marketing research and quality control. It was only twenty years ago that we university professors took a pioneering role in opening the first marketing class in Japanese business school utilizing a Harvard style case method by inviting guest speakers from business circles and professors from this country.

For roughly two decades since mid 1950s, marketing's major role in Japan was to forecast market demand and to facilitate the production and distribution of mass-produced merchandise. It was through this period that the Japanese domestic economy experienced unusually sharp growth.

The first oil crisis in 1973, however, changed the whole picture of the market. The growth rate was slowed down to one digit. Many of the products has already reached a saturation level. The values system of Japanese consumers began showing a tremendous variety and after acquiring an equivalent standard of living with other developed countries, they tended to enjoy diversified lifestyle.

Recent developments of the world economy in recession started adding a heavy influence on the Japanese economy, as it has been incorporated into the world economy.

III. Strategy of Japanese Company in 1983

Thus 1983, although oil price cut may have a favorable long term effect on world economy, could be again one of the toughest year which we have ever experienced. This year will be a very difficult one in organizing marketing activities for the development of a company growth strategy. Here, I would like to describe some of the typical scenes of marketing and management of major Japanese companies these days from strategic viewpoint.

1. Innovative product department

The subject that Japanese marketers believe most important care of management strategy for manufacturer's growth, at this moment, is, without question, innovative product development.

Most business executives believe that new technology will be the savior of this stagnation and can revitalize the economy. This is also true for Japanese firms. Japanese companies now hold a very positive attitude in investing management resources for new product development.

One of the fast growing industries in Japan is the office automation (OA) industry. Computer and telecommunication are combined to form a core of system which can process voice, data, text and video information.

The same technology will soon be applied to the automated living system for consumer. We call it home automation (HA). This concept can be materialized in the 'home

work station' with which people can work in the residence, 'home information system' which enables consumers to obtain necessary information for their life or shopping and 'home operating system' which controls as programmed various machines working in the residence.

Factory automation (FA) concept is also emerging as one of the most promising areas. Although robotics is the well-known terminology, highly advanced computer and telecommunication technique is fully utilized in this system.

Cores of the technology which generates all these new concepts are semiconductor such as LSI and optical fiber which transmit hundreds of thousands of bits of digital information in one second.

Even apart from these companies of most advanced technology, we can find many other firms which are incorporating such new technologies into their product development.

For example, a Japanese leading watch manufacturer, which used to produce only mechanical watches, introduced quartz electronic watch to the market and achieved a sharp growth in 1970s.

Adding to this success, this firm has been diversifying its product line, utilizing two kind of techniques; one evolving out of watch-manufacturing technology and the other not directly from watch-manufacturing but from its neighborhood.

The first category includes precision machine tools, automatic assembly systems, robotics as well as ICs, special batteries, quartz crystal oscillators, liquid crystal indicator panels and micro-motors as watch components to be sold outside.

The second group products include scientific gauges, audio equipments, graphic displays, processing systems and automatic drafting machines.

You can easily understand that such diversification strategy utilizing new technology would sustain the growth of a company even in an extremely tough market environment.

2. How they develop new products – total staff participation

A unique aspect in Japan, however, is the fact that members working for new product development are not limited to the qualified specialist in this field but everyone in the company is invited to participate in new product development. They will positively participate in such an activity, because they believe that their company should be the best in the industry and that they are responsible for achieving such a result.

For example, a very successful food processing company set up a product development project team within the company and its members were called upon from both the R&D department and the marketing department. R&D people are "seeds oriented" and marketing people are "needs oriented". These people with two different backgrounds open meetings which they call "opinion concerts" twice a week for six hours altogether and discuss new product ideas based on various research data.

Formally they hold the meeting twice a week for six hours, but informally they might spend time every day even after office hours or as late as midnight. They do so, because they believe that they are the indispensable components of the company and

that they are operating their own company.

Some marketing staff will make use of their marketing capability by having research data from monitoring survey and some marketing staff will suggest some idea by using the delphi method about new products. Some marketing staff may discuss something about new product ideas by reviewing the unsatisfactory points of their own products as well as competitors.' Because they know that dissatisfaction points of marketed products often provide an easy window through which we can find out new valuable product idea.

Market researchers frequently join the meeting by bringing in a life style survey. Taking their own marketing and management resources into account, they discuss which market segment is left unapproached for them and where the life style "pocket" or vacuum exists for their company.

Corporate planning staff will also join the meeting and may suggest the possible positioning of new products or its overall strategy such as a leader's strategy, a challenger's strategy or a nicher's strategy.

Occasionally, they will also ask all members of the company, including salesmen, advertising staff, production engineers and even direct workers, to offer the new product ideas.

The purpose of a product development project team such as this "opinion concert" is to find unidentified consumer needs. Method identifying such needs include monitoring surveys, delphi surveys and traditional market surveys such as life-style cluster analysis or dealer surveys.

IV. Marketing Research and Management Responsibility

1. Necessity of marketing research

We are undoubtedly in a tough environment. The research activity is vital for company survival. Although I mentioned a unique Japanese aspect, marketing research is definitely essential even in Japan for new product development.

Methods utilized in marketing research is also equivalent to those in the United States or in Europe. In order to identify consumer needs depth interview or group discussion methods are utilized. Focusing on a possible market segment of a particular products, people representing the segment are invited to discuss their problems. The result is an expectation to disclose or identify certain consumer needs.

Large scale quantitative research is also frequently conducted. Sample survey with a questionnaire is a familiar procedure. Quantitative understanding of the needs qualitatively identified by the group interview is expected to be obtained in this process.

Test marketing, however, has some difference in Japan. The significance of a test market in the United States is well understood by Japanese marketers. But in Japan they usually do not conduct a test market and introduce new products nationally from the very beginning.

Advertising testing is performed to some extent. More often case is that company executives of the client would evaluate the advertising and decide whether or not they

should proceed. Thanks to homogeneous character in Japanese society, their evaluation is more or less equivalent to the possible outcome of consumer advertising testing.

Monitoring the result of new product launching is often carried out in Japan. Adding to this monitoring survey, sales forces are also utilized to collect information in this regard.

Results of various survey are analysed using quantification theories and multivariate analysis. Life-style survey is frequently carried out in Japan.

For marketing research, Japanese companies utilize outside research agencies but also equally make use of internal research forces.

2. Attitude towards research results

It is not the purpose of my speech today to further pursue the details of research methodology.

What I would like to stress here is the attitude of Japanese management towards the results of research.

It is very rare for Japanese companies to rely a hundred percent on an outside research institute. Even if they get a report from a reliable research company, they don't use these research data "as it is". Of course, a major part of the data is utilized, but they usually obtain some additional data through either internal or third sources.

The point is that they want to responsibly confirm the result of the research and digest it as their own understanding with confidence. The reason for this is that in Japan they can not use research data as an excuse at any time.

3. Japanese characteristics in strategy and implementation

(1) Japanese strategy

When most Japanese companies may be said to have a relative weakness and less experience in strategy formulation level, it does not mean that the Japanese company has no form of strategy. Its characteristics follow.

(a) Characteristics of its strategy

A unique characteristic of Japanese strategy, as compared with that of possibly European counterpart, is that strategy in Japan is not always explicitly stated in written form, but is implicitly understood and firmly supported among people concerned.

Japanese strategies are longer-range oriented, compared to the strategies of the average European firm, and at the same time exhibit flexibility towards changing local conditions in pursuing shortrange goals.

Thanks to the Japanese stockholders and financial institutions who do not urge for short-range profitability, Japanese companies can continue their efforts either in the entry to the new product markets or to the new geographical areas. This positive investment policy for long period has generated a large return both domestic and international market, thus contributed to growth of Japanese economy.

(b) Decision making process of its strategy

The process of decision making in Japan might typically be described as follows:

- * Before a proposal is made, everyone involved is assumed to have all relevant information and to be aware of the problem.
- * Proposals come from all levels, including both top management and ordinary workers.
- * Top management plays largely a guidance role.
- * Decision making is based on the following process:
 - All parties effected by the proposal are consulted.
 - A major portion of consensus building is done in informal, face-to-face meetings.
- * When the formal proposal is formulated and is presented for official discussion or approval, the decision making process comes to be in the final stage and everybody concerned is expected to approve it because he has already had the opportunity to express his opinion and influence the proposal.

(2) Japanese implementation

(a) Action is quick and firm, though slow in decision

Although it takes a longer time to make decisions in Japan, once it reaches the implementation stage the result is secured very quickly.

One reason for this is that all persons concerned have been either directly or indirectly consulted during the process of decision making and everybody has come psychologically ready to cooperate in carrying out the decision when the strategy reaches its implementation phase. In another expression, managements patiently persuade their members until members conceive as though management idea is their own idea.

(b) Intuitive identification of and flexible approach to goals

The Japanese have a capability of intuitively identifying the final goal very quickly, eliminating the process to confirm logical in-between steps.

This tendency often avoids explicit statement in strategy formulation and provide people with flexibility in implementing the strategy. Once people understand the final goal, they can select the most efficient way to accomplish it. During the course they maintain close contact with other members who also understand the same implicit goal and its relevant situation. Nevertheless, this approach can be criticized to be possible only in a closed society where all members know each other and have the same level of capability and information.

(c) All member participation

In some cases, but not unusual, even a president or board members of a large corporation participate sales promotion campaign with all other members.

In other examples, all sales force members are encouraged to collect information on market needs and feed them back to the top management. Although the quality of each piece of information may be far less than

the one collected by the market research expertise, the total value of information of this quantity may exceed the value of well qualified but quantitatively limited information.

Although the degree of marketing qualification may be less than that of the Western world, the member of person participating in marketing, at least as a part of their work, can be much larger than their counterparts in the Western world. Like the case of production control or QC circle activities in Japan, where all direct workers are invited to participate in productivity and reliability improvement, the same practice of all members participation is seen in the marketing field.

(d) Company's true owner is company members in Japan

In fact, in Japan, the true owner of the company is not regarded to be the stockholders but the company members. Literally, we have no direct Japanese translation of "employer" and employee" in Japanese dictionary. We have only "shain" which means the member of the company or "jugyoin" which means the members engaging in the business. We have no such concept of "owner" and "ownee" of the company. Collective concept of the company members are regarded to own their own company. To prove this description, company members call their company "wagasha" which means my or our company.

4. Management responsibility based on life time employment

The least advisable thing for Japanese management is to use outside data as an excuse. This is virtually prohibitive in Japan. If a wrong decision is made based on these data, it is we or our department who made the mistake. This is the concept they have. They can not transfer the responsibility to the outside agency whatever the agency is, such as research or advertising.

Because they stay in the same company for life, they can not escape from what they have done. What they will do in this situation is to avoid making a mistake. They can not help being responsible for the result of their own decision.

This is what I call the "long range responsibility system for life-time employment". We must pose a question as to whether or not this system can be transferable to the Western business society, where the business culture may be different.

It is true, however, that this system considerably contributes to Japanese companies in strengthening their position in the market. It is this total responsibility system which forms the basis of corporate culture and value system in the Japanese business organizations.

V. Some of the Factors Affecting Japanese Management Culture

I would like to continue to discuss some of the factors affecting the culture of Japanese management.

1. Personnel management system-rotation within the company

I know there are companies in the West, especially well established large corporations, which have some similarities in having a type of life time employment system. But the rotation system we have in Japan as a part of the life time employment may be unique.

It is unique because staff members are rotated among different functions within a company, as compared with the American system where they may be rotated within the same function.

Let me illustrate one example. A very capable young university graduate joined the Suntory Whisky Corporation. His first assignment was to work in the whisky sales department in Tokyo area.

He worked there for three years. He was then transferred to the marketing research section, where his responsibility was to organize a research project or to plan research designs. He worked with research agencies as well as company staffs and learned how he should coordinate with those people.

After five years, he changed his position to the personnel department. He learned there how he can employ people, how he should interview and evaluate young people and how he would motivate them. After a three year assignment in the personnel department, he moved to the production department.

Next time, he may be assigned to the finance department, where he can see how vital finance is for the growth of the company. He could be appointed to a position in the R & D department in some other occasion, where he will learn what sophisticated technologies his company has developed.

This kind of rotation system easily makes him a generalist. He can have an unbiased, overall view on his company. This system also makes it easier to get marketing work done. Because there are many people in a company who understand marketing, although degree of specialization in marketing may be less sophisticated. This would also be helpful in organizing such activities as "opinion concerts" system in Japanese companies.

2. All member participation

This system offers another unique aspect of Japanese marketing. Although the degree of marketing qualification may be less than that of the United States, the numbers of persons participating in marketing, at least as part of their work, can be much larger than their counterparts in the United States.

Like the case of total quality control (TQC) activities in Japan, where all direct workers are invited to participate in productivity and reliability improvement, the same practice of widespread participation is seen in the marketing field. In some not unusual cases, board members or even a president of a large corporation participate in a sales promotion campaign with all other staff.

In other examples, all sales force members are encouraged to collect information on market needs and feed them back to the top management. Although the quality of each piece of information may be far less than the one collected by the market research expertise, the total value of information of this quantity may exceed the value

of well qualified but quantitatively limited information.

3. Employee's self training

Japanese people have a weakness in speaking foreign languages but they are anxious for being international. They are trying hard to learn foreign languages, so that they can speak to the customers from all over the world.

Companies often open a language class after office hours. Language classes can have a large variety such as English, Spanish, Chinese and so on.

The subject of training is, of course, not limited to language. The company is assisting these activities to be expanded to include many subjects such as data processing system, management information system or marketing theory. Many people pay a tuition fee out of their own pocket. They attend such self training activities in order to enhance their ability and to build up individual identity within the company. Although the generalist's perspective is required, a deep specialization in a particular field is also recommended in Japan.

4. Internal communication

As a homogeneous society, Japanese people can communicate relatively easily among ourselves. But, at the same time, the company pays intentional efforts to enhance the level of internal communication so that company employees can establish smooth human relations among themselves. This will also support the efficient implementation of the decisions made by consensus.

Communication can be facilitated through various in-house events such as athletic meetings, group tours, family events, or birthday celebrations. Many of them are informal and their atmosphere may be very "free" regardless of the hierarchical positions in the company. These events enhance employees' amenity within the company.

5. Background for consensus decision making

In order to make decisions on a consensus basis, the Japanese company must have some common basis to make it possible. When I carefully watch fast growing Japanese companies, I find that they have succeeded in developing a corporate culture or corporate value system.

6. Top management personality

The most prominent and common factors affecting Japanese management system can be the group orientation, as compared with individual orientation in Western society. However, there is one exception in Japan.

This is the role of top management, especially that of the founder or the owner of a company. In the company with the active founder as C.E.O., we usually see that the management is topdown and top management is playing a vital role in formulating strategy as well as its implementation. We also have a type of the founder C.E.O. who plays a role of corporate philosophy leader, rather than strategy leader.

They are ambitious. They have a mission. They are persons who care. Their personalities are very attractive. They show kind consideration to lower rank employees.

Top management personality influences the character of the company. If the person is marketing oriented, the company can also be marketing oriented.

VI. Reintroduction of Marketing Concept and Marketing Culture

1983 is the tough year for many companies. But there are companies still succeeding in the market.

It seems to me that these companies are re-introducing the marketing concept. For example, look at cars like Toyota, Datsun or Honda. I don't think they are Toyota car, Datsun car or Honda car. They are all marketing cars, because they fit the needs of American or European consumers.

They want economical and compact cars with integrated, rather than option, accessories. These cars must be perfect in reliability and free from mechanical troubles.

These car manufacturers offer a wide range of products with a beautiful finish in design and strong advertising support to them. Of course, I know there are American or European automotive manufacturers which are marketing extremely attractive cars in the world market.

But American or European car manufacturers which have not so far succeeded in penetrating the Japanese market might claim that there are still some trade barriers, tangible or intangible.

Originally, however, Japanese consumers respect and adore Western brands. You will understand this by the fact that they realized the quality of Japanese products after their reputation was established in the Western market.

Therefore, Japanese marketers' perception is that Westerners still pay insufficient effort in this regard. They have not yet tried to identify the Japanese consumer's tastes. Therefore, according to my definition, they can not be called a "marketing car" yet.

Even apart from car manufacturer, I would like to strongly invite all Western manufacturers to participate in marketing their products in Japan by designing their products incorporating Japanese life-style into them. They should deliver marketing culture in the form of a product.

VII. Key Words for Marketers Today

In concluding my remarks, I would like to say a few key words to the marketers. We marketers should always open the window to the outside market. I love the words by Mr. Joseph Basil, a futurologist in Belgium, who said twenty years ago that all we needed are people who love, but today, we need people to create new idea.

Creativity and creation deriving from inter-cultural, interdisciplinary basis on a global scale is essential. Heterogeneous social relations is vital to this creativity.

Finally, we should forget our nationality. The world is one. We live in a marketing continent. My nationality is not Japanese. My nationality is marketing. I came here

from a marketing country to see marketing people. Marketing is how to be kind to the human being and how to be interested in a life style system. Marketing is how to contribute to a life style designing process. When I studied at Harvard Business School almost twenty five years ago, I heard and never forgot the words: "Wisdom can't be taught in management". Today I made a presentation but I could not give you any wisdom. If you learn something, it is you who learned it. Wisdom can't be taught. Wisdom must be created by your own brain.

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