

The Two Consumers: What's Happening to Japanese Marketing in the '90s ?

By Katahira Hotaka

GAP found no cultural gap in Japan

"We felt no barriers in entering the Japanese market," said Mr. D.G. Fisher, CEO of GAP, a San Francisco-based apparel specialty chain that entered Japan last year with an enthralling starting performance [*Nihon Keizai Shimbun*, October 22, 1995]. The sales figures for the two Tokyo boutiques they opened in August 1995, are suddenly among the highest of their shops around the world. "We emphasize a unique style from merchandising to store design throughout the world," says Mr. Fisher.

The Body Shop, a London-based toiletry boutique chain with a strong "green" orientation, is another case of a foreign-based brand which has experienced soaring growth both in sales and in the number of stores since entering Japan in 1991. Their expected sales for 1995 is almost 10 times that of 1991 and the number of shops has quadrupled. The Body Shop's claims of being environment-friendly appeals to environmentally conscious young women looking for value, distinct style and ecological considerations.

"Our sales weren't hurt at all when McDonald's ran a ¥100 burger campaign next door," said Mr. Shimizu, CEO of Mos Burger, a successful Japanese burger chain. The number of their stores well exceeds that of McDonald's and their sales have experienced a remarkable growth over years despite the slow economy. Their poor locations, small store size and long waiting lines are favorably accepted and more than offset by the fact that their burgers have a superb taste thanks to their "cooked to order" style.

Overseas mail order companies, Land's End and L.L. Bean, Subaru Motor Company, a sports wagon spe-

cialist, Sofina, a cosmetics brand emphasizing 'science,' are among those with advantages based on their truly unique selling propositions.

This is what is happening at the cutting-edge frontier of the Japanese consumer market. This short essay tries to crystallize recent changes in the market, on the assumption that the Japanese consumer society is just in the midst of a series of long-term structural changes. Such changes are not simply accounted for by such factors as the burst of the bubble economy and the strong yen, which forced marketers not only to strategically adapt to, but also to actively act on these changes.

After reviewing what Japanese marketing has been like in the past, models of two stereotypical Japanese consumers, Mrs. Old and Miss New, are introduced and their behavioral characteristics elaborated on. Noting that Japanese consumers are in a transition from Mrs. Old to Miss New, both at individual and aggregate levels, implications for the players in the markets are discussed.

Japanese companies have been notoriously poor marketers

This is a line from Stalk and Webber's H.B.R. paper in 1993 on Japanese marketing. Mr. Stalk is the co-author of "Time-The Next Source of Competitive Advantage" of the 1988 edition of the same journal and is the very person who imported the Japanese concept of time-based competition into the U.S. business world. In their paper, the authors correctly made two points. First, the Japanese focus on time-based competition was on R&D-production and material-production-distribution relations and the Japanese companies completely ignored customer perspectives. Secondly, they failed to use their time advantages to produce a unique product, resulting in the production of "uniform variety."

Evidence abounds to support these points. Table 1 shows that six of the top 10 shampoo brands of 1987 had dropped out of the list by 1991. According to Katahira, Mizuno and

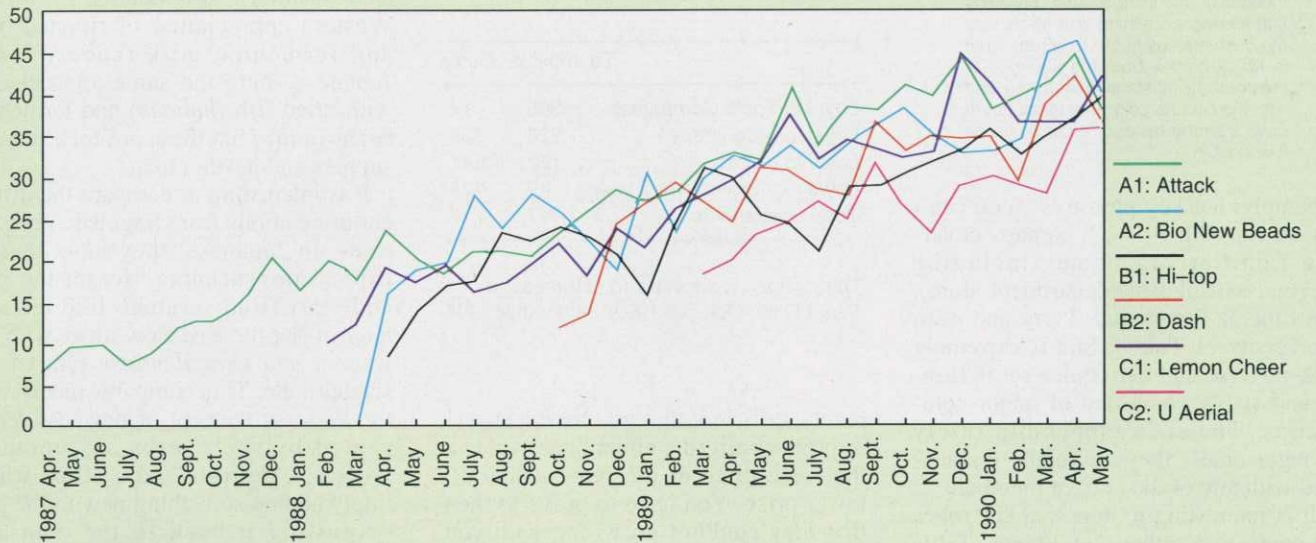
Table 1. Changes in Market Positions: Shampoo

1987 Apr. - Sept.		1991 Apr. - Sept.	
Brand (manufacturer)	Share	Brand (manufacturer)	Share
1. Merit (Kao)	16.3%	1. Merit (Kao)	13.2%
2. Timotei (Lever)	11.9	2. Super Mild (Shiseido)*	9.3
3. Tonic (Sunstar)	7.5	3. Rejoy (P&G)*	7.7
4. Hair Cologne (Shiseido)	6.4	4. Soft in One (Lion)*	6.4
5. Essential (Kao)	6.3	5. Tonic (Sunstar)	4.4
6. Pure (Kao)	6.2	6. Rinse-in Merit (Kao)*	4.4
7. Aquame (Lion)	4.3	7. Salon Selectives (Helen Curtis)*	4.1
8. Hairist (Lion)	3.3	8. Essential (Kao)	3.9
9. Showeran (Gyonyu Sekken)	2.4	9. Aquame (Lion)	3.6
10. Morning Fresh (Shiseido)	2.0	10. Lux Super-Rich (Lever)*	3.3

*denotes those not in the 1987 list.

Source: Video Research Ltd., HomeScan System

Table 2. Price Discount Rate: Detergent



Wind (1993), only less than 10% of the new brand launches in 1988–1990 resulted in a market share of over 5% after 12 months.

Interviews with the managers in charge of brands including these revealed that they are rarely conscious of creating a unique commodity, but simply count on the mere newness of the brand for success and hope in vain that they might come across a big hit some day. Elaborate and integrated efforts for creating a unique product are rarely made by these companies.

Table 2, in showing the monthly averages of the actual discount (price-off) rates of detergent brands over a three-year period, indirectly illustrates the lack of differentiation among most Japanese brands. It starts in April 1987 when the first compact (concentrated) detergent, Attack, was introduced. As other brands of similar technology entered the market, the price discount of all the participating brands started to inflate equally, demonstrating a typical case of “price war.” The war extended beyond the exhibit and the average percentage discount of these nation-wide brands in 1994 is said to be over 60, thanks to the

additional attack of large retailer’s store brands selling at approximately 35% of suggested retail prices. One need not consult an economics textbook to understand that this is caused by the lack of differentiation among brands. Unfortunately, brands are almost completely substitutable from the view of consumers.

Nobody is to blame, insofar as this is an equilibrium resulting from “rational” behavior of both consumers and firms. The author’s view is that both consumers and firms had behaved “rationally” in a traditional Japanese style until very recently. Specifically, the firms are perfectly right in producing a flood of new products with no character and no physical newness, given that their customers behave like Mrs. Old, described in detail below.

Two consumers (1): Mrs. Old and the “big and ambiguous” syndrome

There are two consumers in today’s Japanese market; Mrs. Old and Miss New. Any Japanese consumers might be thought of as being a combination of

these extreme models. Prevailing changes and confusion in the consumer markets might be reduced, to a large extent, to the rise of Miss New, a phenomenon which the major marketers in the markets failed and/or refused to recognize. The author believes that this increasing presence of Miss New is the major driving force for what’s happening in current Japanese consumer markets—namely, *kakaku hakai* (price busting), stagnant traditional retailing (e.g., department stores), the rise of “small and smart” brands, and the increasing popularity of overseas mail-ordering, etc. The behavior patterns of Mrs. Old are examined in detail here and those of Miss New are in the next subsection.

Mrs. Old is the very model of a consumer on which traditional Japanese marketers have made their market-related decisions. The following example of an auto purchase gives a straightforward impression of what she is like:

Mrs. Old has a strong and long-standing “relationship” with Mr. K, a sales person at a car (Toyota, for example) dealership. Mr. K recommends a new model, prepares a complete deal including a trade-in deal,

registration and other paper work and takes care of anything associated with the car after the sale. She never thought of shopping around, believing that leaving everything with Mr. K was the best strategy in the long run. Trust in Mr. K comes from the absence of previous dissatisfaction with him and with the cars he sold. She tends not to have a strong taste for a car so far as it works OK.

Simply, her key phrase is "You can't go wrong with '.....,'" perhaps covering familiar big names including Toyota, Mitsukoshi (department store), the Liberal Democratic Party and even University of Tokyo. She is extremely risk-averse and her choice set is firmly and stably composed of major companies. The set membership rarely changes unless they are totally dissatisfied with any of the current members.

It is interesting to note that she relies on companies rather than brands. Table 3 partially illustrates this point. Even in 1993-94, more than half of the 717 households in the Video Research HomeScan Panel were "60% loyal" to the top three companies in toothpaste and curry categories. This "60% loyal to the top three companies" means more than 60% of total household purchases are in the top three companies category. However, only 122 and 247 households, respectively, are 60% loyal to a specific brand in toothpaste and curry categories. Furthermore, their brand loyalty is not stable over time. Only approximately half of the brand-loyal households remain loyal to the same brand over two-year periods.

Mrs. Old firmly believes that the different brands from major companies make little difference in terms of benefits and that buying a new brand from an unknown company is likely to result in dissatisfaction. If this is the case, it is perfectly rational not to search outside her choice set. The Japanese are said to be shy with unknown people culturally and, interestingly enough, they are also shy with products from unknown companies.

Their tight choice set explains the difficulty a newcomer, foreign or domestic, with a definite and visible advantage faces in entering the market. It's

Table 3. Brand Loyalty in Toothpaste and Curry Categories

	Toothpaste	Curry
Loyal to Top 3 Companies	368	412
Loyal to a Company	226	386
Loyal to a Brand	122	247
Loyal to a Brand over 2 years	49	125
Total Households	717	717

Data: Video Research Ltd., HomeScan Panel Data, October 1993-September 1994

barely sufficient that you have a superior product offering either better value at the same price or the same value at a lower price. You have to prove to them that they couldn't go wrong with you, which takes enormous time and energy.

Additionally, culture brings in some further differences. Mrs. Old might be characterized as being more of a "freshoholic" than her western counterparts. Here we have only the following anecdotal evidence.

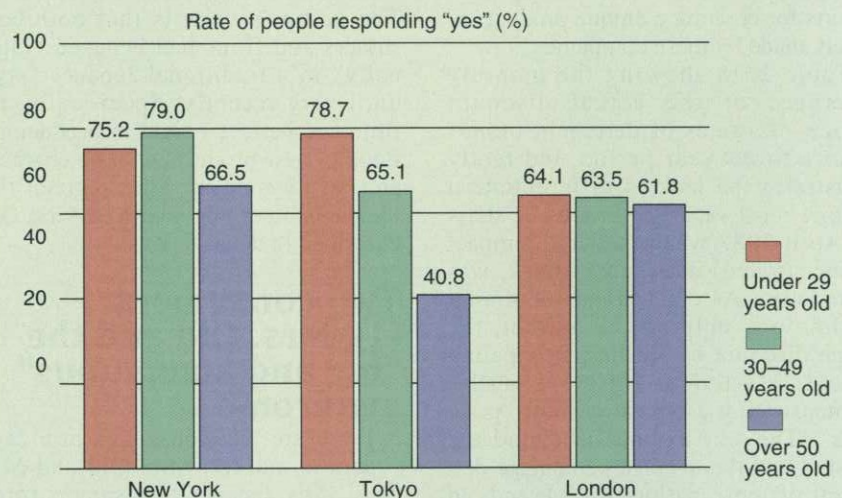
As is well-known, the Japanese consider fresh *sashimi* (sliced raw fish) as a

favorite treat. The fresher the sashimi, the better, the ultimate being *ikizukuri* (live sashimi). This contrasts with the Western appreciation of ripened beef and fermented milk (cheese). The Japanese share the same appreciation with dried fish (*himono*) and fermented beans (*natto*) but these are for everyday suppers and never a treat.

It is interesting to compare the different orientations from linguistic perspectives. In Japanese, they have tens of expressions meaning "forget the past and start from scratch" like *mizu ni nagasu* (let the past flow away with the water), *ichi kara denaosu* (start from scratch), etc. This compares nicely with the Western concept of newness represented by such verbs as "update," "renew," "refresh," etc., all of which imply adding something new to the past or putting it back to the original, emphasizing the continuity with the past.

The worship of purity and perfection might also be related to this "freshoholic-ness." A dented tissue box on the shelf is simply out, regardless of how much the price is discounted. The appreciation for a brand new car is higher, which is reflected in a higher

Table 4. When you want to buy a color TV set, do you shop around for a better deal?



depreciation rate of used car prices. The trade-in value of some models is said to drop to nil in fewer than four years.

Consequently, Mrs. Old is likely to appreciate: a new product (freshoholic) from a well-known company (risk adverse) with the air of "newness" and little actual improvement.

Given these characteristics, the picture of Japanese marketing depicted by Stalk and Webber was a perfect match to Mrs. Old. Mrs. Old's favorite company must (1) regularly say hello to her, (2) tell her that they completely changed the model and (3) do not make those changes physically drastic. To sum it up, the rule in the Mrs. Old generation was "Be big and ambiguous."

Two consumers (2): Miss New goes West

Miss New is a completely different being and more like a typical Western consumer. She is also illustrated with an auto purchase example:

She tends to have a strong and non-compromising taste in cars, including safety and "green" aspects and she collects as much information as possible. She shops around for the best deal for a specific model and is willing to trade off good intentions for yen, never expecting a good "relationship" with the dealer. She has an independent repair shop take care of the maintenance.

She is less culturally bound and has more globally compatible consumption techniques. She searches extensively for better values regardless of who offers it and often beyond the national border. She is aware of what she wants and what she doesn't and she is capable of judging quality on her own. She is proud of her highly advanced consumption techniques, by which is meant an efficient way of producing benefits out of limited resources, e.g. time and money. Table 4 illustrates that consumers in Tokyo under 49 years old as of 1995 are as information-seeking as those in London and New York, while those in Tokyo over 50 are clearly less so than their Western counterparts.

As a natural consequence of their

advanced consumption techniques, they are price conscious. Using U.S. data, Blattberg, et.al. (1978) identified price-sensitive households as upper-middle class households with higher education living in the suburbs, rather than low income households. The author examined this on Japanese scanner panel data in six food and household goods categories including detergent, cooking oil and margarine [Katahira (1993)]. The sample consisted of 540 households living in northern Tokyo suburbs. He identified 33 households that were found to be significantly price sensitive in brand choice across all six categories. Interestingly, the results confirmed the Blattberg, et.al., conclusion that the price-sensitive households are wealthier. He then compared the demographic, lifestyle and behavioral characteristics between them and the others. Table 5 lists the characteristics of the price sensitives that are found significantly different from those of the price insensitives.

Those that are price sensitive in the exhibit appear quite advanced in consumption techniques and seem to represent a real-world example of Miss New. Since they are information sensitive, confident in quality judgment and have unambiguous tastes, they no longer stay with a fixed choice set but are willing to explore and try unknown products if they are likely to offer better value. They are uncompromising in that they forego a purchase when they find the offering not perfectly suited to their taste.

Longitudinally, the analysis of the

Table 5. Profile of Price-sensitive Households

Information sensitive
High commitment to health and food consumption
Confident in quality judgement
Higher consumption expenditures
Early adaptor of CD player, BS tuner, etc.
Keen on TV sports programs

Table 6. Increasing Price-sensitive Consumers (% of price-sensitive consumers)

Year	Detergent	Year	Margarine
1988	63.1	1989	61.84
1991	78.6	1992	80.43

Source: Logic Analysis on Individual Brand Choice Data

same data in detergent and margarine across two time periods revealed that the percentage of price-sensitive households had increased by approximately 15 points in detergent from 1988 to 1991 and by approximately 20 points in margarine from 1989 to 1992.

The rise of "green" Miss New is partially illustrated by Table 7. It shows that those supporting the tax increase for the purposes of environmental protection increased by 15% points from 1990 to 1995.

This evidence suggests that a transition from Mrs. Old to Miss New is certainly taking place.

What gave rise to Miss New?

What are the driving forces behind the rise of Miss New in the Japanese consumer market? Some might argue that consumers changed after the burst of the bubble economy or that they are forced to change by sluggish economic prospects. While it is absolutely true that these factors did contribute to the changes, the author's understanding is that it is a long-term phenomenon deeply rooted in generational transition. The social dominance of the post-war generation, the rise of working women and the accumulated experience of traveling and living abroad, particularly by younger women, are jointly accountable for the birth of Miss New.

From generational perspectives, it is not fair to say that only today's youth are new and of different genesis. When the baby boomers made a debut some 40 years ago, they were seen by the

older generation then as being as different a being as today's young generation and were labeled *gendaiko* (contemporary kids). Since then, we have seen a continuous flow of "new and different" under various labels like *shinjinrui* (new mankind) and the "Me Generation." Now these new genes account for over 70% of the total population. The increase in this percentage came on gradually but is suddenly visible as it exceeded a threshold. This is exactly what's happening now.

The additional driving forces are the increasing number of women working at offices and traveling abroad. Work experiences provided women with increasing exposure to a variety of information via media and word of mouth and proved to be a good training field to improve their consumption techniques. Their rich experience abroad added the final touch. There is no better case of "seeing is believing." Their exposure to "right" prices of various branded items, different ways of enjoying life, etc., contributed greatly to brushing up their techniques.

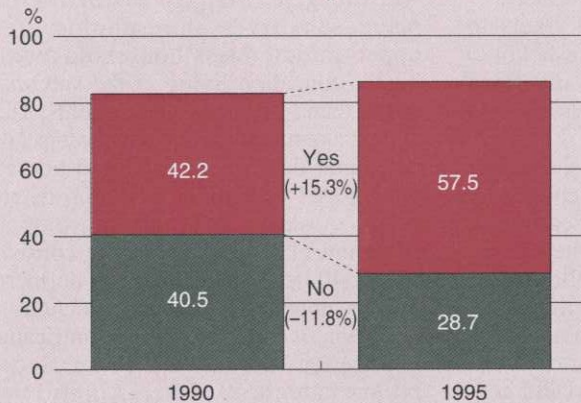
Toward "the age of marketing"

The old rules of the market are almost gone. The new rules are finding their way to establishing themselves. Some of these rising rules follow:

From "big and ambiguous" to "small and smart"

The old rule was to sell the customers "risk-free" and "fresh" products. For the former, marketers sold the customers their companies rather than individual products under the umbrella of company brands. For the latter, they offered an enormous variety of different "brands" that were more or less the same under the skin. Moreover, the turnover of these brands over time was unbelievably high, satisfying "freshoholic" needs in longitudinal as well as cross-sectional terms. Individual brands "must" be similar physically, since they can't afford a status of enthusing one out of 10 while disappointing nine.

Table 7. Do you support a tax increase for environmental protection?



Simply being a big company or a big brand means little to Miss New. Value rather than peace of mind is the rule of the game. The test is not whether you are reliable but whether you could offer a unique benefit to a specific segment of consumers you chose to focus on. Given the variety of different values that a different Miss New is looking after, you can't limit the target too much. "Good for everyone" is good for nobody. Most successful brands explicitly states their core benefits that are designed to appeal to their specified targets. Mercedes' "Engineering," Volvo's "Safety," GAP's "Dressing down in style," Bodyshop's "Green" etc. are just some examples.

Give consumers information, not just greetings

The typical style of advertising in the days of "big and ambiguous" was to sell a company name together with a specific brand with little reference to the details of the product. Saying "Hello, we are here" to existing and potential customers was the major role. It contributed greatly to the peace of mind of Mrs. Old, enhancing her loyalty to the company.

Confident in her own quality judgment, Miss New is intrinsically information hungry. She extensively searches for information that helps her solve the problems. Even though she is satisfied with the status quo, her idea is that

an additional search might bring forth an even better world. Her consideration set in each purchase decision context consists of those products that she expects are likely to meet her needs best, not necessarily those from the companies she was loyal to.

From a marketer's point of view, having a unique and superior product is not sufficient. You need an aggressive, consistent and integrated communication strategy to show your strength. A nice thing about Miss New is that you do not have to be big nor familiar. The barrier to entry to her chain of thought is low, as far as satisfying her high expectation.

The books and magazines specializing in supplying information on products and services have been increasingly popular among young people. The diffusion of the Internet seems to accelerate this trend. What seems to be missing and should be expected is the availability of objective data on product performance and consumer satisfaction from credible sources. J.D. Power's customer satisfaction data and IIA's data on U.S. accident rates by auto model are, for example, among the most urgently needed in Japan.

Be borderless and "green"

As introduced at the outset, many of the recent winners are from across the Pacific. Furthermore, increasingly large number of consumers are buying things from abroad either by mail order or by local purchase on their own or by their friends. Their perspectives and tastes are already borderless. Strong competitors are not those of yesterday, but from different industry and/or country. Maruzen, a market leader in the foreign book business, is severely threatened not by another foreign book dealer but by Daiichi, a Hiroshima-based appli-

