

'Service' in Japan

By Robert J. Ballon

It is noteworthy that in present-day Japan while hotels and restaurants add a service charge to the bill, waiters and the like do not demand nor expect a tip; neither does the taxi driver. They are paid for being of service, not tipped! In stores, the individual proprietor and the temporary employee at a large retailer greet customers over and over again. Companies run special training for employees in the use of "polite Japanese" (*keigo*) when addressing customers and visitors. Personalized service remains to this day an imperative in Japanese society for no other reason than one and all have a mutual stake in the use of the service or product.

Japanese companies are known for their incessant concern about market share. This is more than a marketing objective (a *result* to be obtained from the market); it is the essence of Japanese marketing strategy (a *process* of survival in the market).

The user-producer interaction is less concerned with the product being *sold* and much more with the product being *bought*, or more practically *used*. Strategically, this makes a difference: selling starts from the producer: what he produces should be digested by the market; to the contrary, being bought starts from the user, industrial or individual, whose needs have to be satisfied by the producer, not once but repeatedly.

Such interaction is not concluded by a sales transaction; it is only started. It is through repeated purchases that the firm will survive in the market. Continuity of interaction depends on constant monitoring of product reliability, corporate performance, and information sharing, in order to stay ahead of competitors in bringing the desirable product to a customer finicky about service and product quality. "Buyer convenience" is the slogan, but also the challenge. In Japan's market, producers, salespeople, distributors, if not also customers, are not abstract concepts; they all have a "human face" to be attended. Let's look

at two examples in the distribution sector: door-to-door sales of automobiles and the so-called distribution *keiretsu*.

Automobile manufacturers depend on their dealers to sell cars, but what if their strategy is to get cars bought? Most Japanese makers use highly personalized door-to-door sales with the apparent goal that the new car buyer need never go near a dealership! Each sales agent is intensively trained to provide one-stop service to the buyer. A profile on every household within the geographic area around the dealership is regularly updated. Purchasing a new car typically includes a complete financing package, insurance and trade-in of the old car; registration formalities are arranged and the car is serviced and seen through government inspection. In case of an accident claim the salesperson will battle with the insurance company on the customer's behalf and lend a car while the damaged one is being repaired. With very few defects in Japanese cars and intense competition in the market, it is clearly understood that the sales agent will get fixed any problems the owner encounters with the car even after the end of the formal warranty. Responsibility for warranty claims is accepted without haggling.

Sales personnel

Throughout the economy salespersons count about 10 million (3.7 million female). Selling in Japan is not a one-shot transaction; it aims at building a relationship between provider and user. Sales representatives have a desk in an office to which they report at the beginning and the end of each day, where they share information and review moves by competitors. To customers, services are offered in great abundance that go far beyond product information. Salespersons are not expected, neither by their principals nor by their clients, to drive a hard bargain about price and close the deal; they are expected to be on the spot, frequently and repeatedly,

in order to get familiar with the user's needs, see by themselves what the product is used for, provide and gather all information required and more, and as much as possible to be there ahead of the competitor. That much is only possible, of course, if the salesperson has similar intense contacts upstream with production and design that, in turn, look at the user as an indispensable development partner. In large firms, very few core members, in particular researchers, will not have spent some time during their career in the field.

With regard to capital goods, the contact is not much with the procurement office, where purchase is only processed; it is with who uses or could use the equipment. Industrial users, on their part, are reluctant to purchase "general-purpose" equipment. Notwithstanding identical performance promised by goods in the open market, the purchase *relationship* is reflected not only in the conditions of the transaction but also in tailor-made specifications of the equipment. Frequent mutual on-site visits are thus expected in order to develop a "feel" for the equipment: how it is made and used, now and later. Hence, concern is less with the product as some end-result, and much more with the process of manufacturing/using the product. It is not only immediate satisfaction but long-term interaction that determines repeated purchase.

Channels

With regard to distribution, Japanese manufacturers treat trade intermediaries as business partners, in that they are relied upon to corral customers. Long-term relationships are established which integrate distributors into the manufacturer's corporate community, by offering management and/or financial assistance and incentives in exchange for handling his products in a preferential way. Often, greater importance is given to in-channel promotion than to advertising (resulting in the customer

"pulling" the product through channels). In fact, wholesalers assume much of the risks of credit and inventory that in other countries would be assumed by retailers themselves.

In the retail trade, 1.6 million establishments provide livelihood to about 8 million persons; over 70% of these establishments are staffed with one to four people. (The safety of downtown areas is also credited to small shops' ubiquity.) What the small retailers expect from their wholesalers are generous trade credit consisting of rebates and premiums, as well as advertising, and a heavy burden of physical distribution, such as frequent deliveries and division of supplies into smaller lots to accommodate their own shortage of space. Small retailers, on their part, form associations, registered as cooperatives that get governmental support.

Such is the case, for example, of the commercial districts located around local train stations, a traditional feature of the Japanese landscape. Since the early 1980s, however, the closing of small independent shops has multiplied with growing numbers of younger owners preferring to join a chain or become franchises. These new forms of retailing are spreading rapidly. Shopping centers, where individual-oriented services are also concentrated, have multiplied.

Voluntary chains of retailers are formed by some wholesalers assuming the role of chain headquarters, and all member stores remaining independent business entities. Convenience stores mushroom either under franchise or as chain-members, and discount stores multiply as well.

Users

"Consumer preferences" are carefully calibrated, since the strategy is less to *sell* goods than to have them *bought*. They are at the core of product innovation. (In recent economics of technological change, a key role is assigned to the user-producer interaction in creating continuous innovation.) However, though the competitive environment of product innovation promotes the exploration of new frontiers, it also nurtures an excessive shortening of product life

cycle and reliance on cosmetic changes.

Such approach to innovation is especially evident in the industrial goods market where for a long time imported technology provided a major incentive to buy industrial goods. Not so anymore; Japanese industry is rapidly coming into its own for product innovation.

The key, here, is use, namely a learning process at both ends of the business transaction. Use is not a result; it is a process with the competitive advantage that the closer the innovator and the user, the shorter the development cycle. It has a number of advantages. User participation allows manufacturers to reduce the gap between needs (the user of technology) and seeds (the provider of technology). Providers of technology present its application in the widest possible context, and the users consider multiple new technology options; joint R&D and technology fusion are thus incorporated in use.

As stated in a recent MITI report, "The requests for products are high at all stages of business activities: the end users, the manufacturers of final products using intermediate products and parts, and the users of materials." Early-on participation of those involved in the downstream stages allows projects to be completed fairly quickly; mass production begins with fewer delays and with the expected quality; large numbers of new items appear in quick succession. Interaction for innovation is also key to the Japanese system of subcontracting intermediate products as in the "design-in" phase of the development of automobile parts.

Service industry

Diversification of household consumption patterns increases the demand for services. Increased income, aging of the population, smaller families, single-person households, and the surge in female employment are all contributing factors. Currently, about 1.6 million service establishments provide work to 12 million persons of whom over 60% are engaged in firms with fewer than 50 regular employees. Many female temporary workers find here more flexible work conditions: type of job, work


schedule, and convenient location. In the service industry, as in distribution, the corporate form of operation rapidly supplants traditional individual proprietorship; in several instances, foreign companies are involved on a major scale. For example:

- Spending on "eating-out" is steadily increasing; 250,000 eating and drinking places engage over 1 million people in establishments with fewer than five employees. They remain characterized by labor-intensive small-scale operations where food is prepared to order and consumed on the premises. Fast-food chains and suburban family restaurant chains are mushrooming.

- Direct marketing is a convenience more and more appreciated by female consumers, especially working women who do not want to spend precious non-working hours on shopping.

- Over 6 million vending machines are in operation nationwide and account for some 3% of total retail sales. They are found on the outdoor storefront of small retailers or in unattended stopover locations along the road (a practice condoned by the general low crime rate); 40% are installed in offices. Some of these machines transmit point-of-sales system information by radio.

- A service that exploded in the 1980s is the home delivery system (*takyuhai-bin*), now handling over 1 billion parcels (10 per person) annually and illustrating a successful version of just-in-time delivery for individual convenience. The service handles everything, from subsistence to leisure.

Throughout the Japanese system competitive strategies and cooperative structures prevail. This implies service that some criticize as expensive and inefficient, but it certainly contributes a pleasant side to living in Japan. It may not be the most efficient system, but it appears to be quite effective! 

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