

Advertising in Japan

By David Kilburn

The year 1988 was a good one for the advertising industry in Japan. Total advertising expenditures grew 12% to ¥4,418 billion and are expected to grow another 8% to ¥4,793 billion in 1989, to more than double the amount spent in 1980.

Only in the United States is more spent on advertising. But while U.S. advertising works out at 2.7% of GNP, Japan's is only 1.2%, also less than in Britain, Spain, Canada and Australia.

There are about 4,034 advertising agencies in Japan. Dentsu Inc., the largest, is also the world's biggest agency. About 95% of its business is in the domestic market, where it accounts for around 25% of all advertising expenditure. By comparison, Young & Rubicam, the largest agency in the U.S., has a market share of about 2.3%. All told, the top 10 agencies in Japan account for just over 50% of all advertising, while the top 10 in the U.S. hold an aggregate 16% share of national advertising expenditure.

It used to be unique for any agency to buy the large share of media space and time that Dentsu does. But times have changed. In France, the media buying specialist Carat now buys almost 29% of French TV time.

Conflicting accounts

"One of the reasons for concentration in the advertising industry in Japan, and a key difference from the U.S.," says Koji Oshita, president of McCann-Erickson Hakuhodo, the largest foreign agency in Japan, "is that it is possible for agencies to handle conflicting accounts. Without this, it would have been impossible for the top Japanese agencies to become the size they are."

Nowhere is this more clearly demonstrated than at Dentsu. Toyota, Nissan, Honda, Mazda and Subaru are all clients. So too are all the major brewers—Kirin, Asahi, Sapporo and Suntory. Matsushita, Hitachi, Toshiba, Sanyo, Sharp and Sony

Table 1 Japan's Top 20 Agencies in 1988

(\$ 1,000)

| Rank | Name | Gross income | Turnover |
|------|-------------------------------|--------------|-----------|
| 1 | Dentsu Inc. | 1,229,446 | 9,449,857 |
| 2 | Hakuhodo Inc. | 522,193 | 3,939,137 |
| 3 | Dai-Ichi Kikaku | 141,867 | 977,669 |
| 4 | Daiko Advertising | 139,666 | 1,126,731 |
| 5 | Tokyu Agency | 134,636 | 1,115,241 |
| 6 | Asatsu Inc. | 104,992 | 755,312 |
| 7 | I&S Corp. | 96,745 | 691,039 |
| 8 | Yomiko Advertising | 89,970 | 660,332 |
| 9 | McCann-Erickson Hakuhodo Inc. | 87,567 | 584,071 |
| 10 | Asahi Advertising | 71,100 | 44,870 |
| 11 | Nihon Keizaiisha Advertising | 47,071 | 283,038 |
| 12 | Chuo Senko Advertising | 47,024 | 345,789 |
| 13 | Orikomi Advertising | 40,831 | 419,856 |
| 14 | Mannensha Inc. | 36,366 | 492,876 |
| 15 | Kyodo Advertising | 35,374 | 269,150 |
| 16 | HDM | 33,209 | 251,030 |
| 17 | J. Walter Thompson | 33,134 | 221,005 |
| 18 | Meitsu Inc. | 30,960 | 193,519 |
| 19 | Nihon Keizai Advertising | 29,614 | 211,537 |
| 20 | Tokyu Agency International | 29,542 | 232,300 |

Source: Advertising Age

are among Dentsu's electronics clients, while Kao, Uni-charm, Lion and P&G all give Dentsu assignments in the personal care markets. Size makes it easy to separate and handle competing accounts. In Tokyo, Dentsu has 31 account service divisions, six creative divisions and several buildings.

Many of the major advertising agencies are members of one of Japan's large commercial groups in a pattern that is found in other industries. Dai-Ichi Kikaku is related to the Mitsubishi group of companies; Tokyu Agency and I&S Corp. are members of the Tokyu and Saison retailing groups respectively. Daiko, Yomiko, Asahi, Nihon Keizaiisha are each linked

with a leading newspaper—the *Mainichi Shimbun*, the *Yomiuri Shimbun*, the *Asahi Shimbun* and the *Nihon Keizai Shimbun*. Group membership is an entrenched feature of the business scene in Japan in all industries and seldom has much bearing on the selection of an advertising agency.

Dentsu and Hakuhodo, the two largest agencies, are both independent of Japan's commercial groups and, like all agencies, with the exception of Asatsu Inc., are privately held companies.

All the major foreign agency groups are represented in Japan, either through partnership with a Japanese agency or a wholly owned subsidiary. McCann-Erickson Hakuhodo, a joint venture between

McCann-Erickson and Hakuhodo Inc. is the only foreign agency to reach Japan's top 10. Other foreign agencies, together with their 1988 rankings, according to *Advertising Age*, include: HDM (16th) a tripartite joint venture between Dentsu, Young & Rubicam and the French agency Eurocom; J. Walter Thompson (17th); Leo Burnett-Kyodo (24th); Grey Daiko (25th); Hakuhodo Lintas (26th); Saatchi & Saatchi (28th); Bates Japan (31st); Ketchum Japan (33rd) and Daiko FCB Impact (38th).

Relationships between the major Japanese agencies and their Japanese clients tend to be permanent. The leading advertisers each use a number of agencies, and although assignments may move around and fees may fluctuate, the ties are more enduring than is the norm elsewhere. The bonds are not usually based on a written contract but on custom and precedent. When problems arise, both sides try to solve them in the context of the relationship. One will look in vain in the trade press in Japan for a banner headline announcing a major advertiser has pulled all its business out of one agency and awarded it to another. While Western clients very often have contracts with their agencies and switch from time to time, it is still true to say that account moves are rarer in Japan than elsewhere.

Media brokers

In working with their agencies, Japanese clients often separate media and creative assignments for a particular product. Sometimes one agency will be used to buy magazine space, another to buy slots in national newspapers, a third for spot TV, and so on. This pattern reflects the historical role of the agencies as media brokers. Sometimes a campaign might include creative work from two or more agencies, with several handling

specific media assignments. In 1988, Suntory's campaign for its dry beer featured posters with Mike Tyson, by Dentsu, and with the Australian footballer Jacko, by Hakuhodo.

Suntory, like Kao, Shiseido and a number of other large advertisers, maintains a large in-house advertising department that very often will do all the basic creative work and media planning. Sometimes these companies' agencies may be called on to do no more than produce the commercials or buy the media. Often the relationship is that of a client and a supplier rather than the kind of intimate partnership that is common in the U.S. and Europe between clients and agencies.

Major agencies in Japan aim to provide a total communications service which includes not only advertising, public relations, research and direct marketing but also organising trade fairs and exhibitions, cultural events, sports sponsorship, producing feature films, design, urban redevelopment and piloting the development of new media. Elsewhere, these wider-ranging services would be provided by specialist companies, but in Japan the major agencies keep much more of it in-house.

Even so, a number of specialist direct marketing agencies have been established over recent years—Dentsu Wunderman Direct, Dai-Ichi Kikaku Rapp & Collins and McCann Direct. The introduction of bulk mailing rates in 1987 and the increasing availability of computerized lists is helping the growth of direct marketing.

Once upon a time, the first hurdle for a foreign advertiser in Japan was to find an advertising agency that could understand English. Things have changed: speaking English is no longer a problem. For a small but increasing number of foreign advertisers, fielding foreign managers fluent in Japanese is no longer a problem ei-



Japan's advertising agencies not only deal with ad production but also handle various events such as EXPOs and sporting events.

ther. But for the majority of foreigners in Japan, English is still their main language for communication with the Japanese.

This can lead to problems. "Don't judge the abilities or the intelligence of the Japanese on the basis of their English language skills," says J. Mitchell Reed, a group management director at Dai-Ichi Kikaku, and the only American to hold a top position in a major Japanese agency. "Look for depth and substance in their marketing, media, creative and sales promotion skills," says Norman McMaster, chairman of J. Walter Thompson Japan, "these are the abilities you really need."

Corporate culture

Many of the factors involved in choosing an advertising agency in Japan are the same as in other countries. "One that is especially important is to choose an agency that can understand your own corporate culture," says Oshita.

It is still true to say that the international agencies in Japan work mainly for Western clients while the Japanese agencies work mainly for Japanese clients. The major Japanese agencies, however, all have significant assignments from Western clients. At Dai-Ichi Kikaku, for instance, these accounts amount to over \$120 million and include advertisers like Warner Lambert, Bristol Myers, Heinz, Hershey, Citicorp and Pepsico.

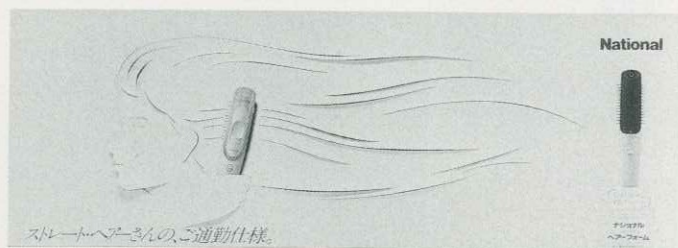
Agencies in Japan do not usually set a lower billing limit in accepting new clients. The potential for growth is often more important than immediate billings. But where the work load now is heavy and the reward distant, it is common to negotiate a fee to supplement or take the place of commission income.

But what is a large budget in Japan? In 1987, Kao Corp., Japan's biggest advertiser, spent ¥35 billion (\$250 million at the rate of ¥140/\$) on advertising. Sony, which ranked 10th, spent ¥22 billion. No

Table 2 International Comparisons

| | Japan | U.S. | Britain | W. Germany |
|---|-------|---------------------|--------------------|--------------------|
| Total advertising expenditure (\$ billion) | 27.4 | 113.2 ¹⁾ | 12.4 ¹⁾ | 10.5 ¹⁾ |
| Advertising as percentage of GNP (%) | 1.2 | 2.7 ²⁾ | 1.7 ²⁾ | 0.9 ²⁾ |
| Advertising spend per capita ³⁾ (\$) | 223.3 | 450.5 | 180.6 | 164.2 |

Sources: 1) WPP Group, 1988; 2), 3) Starch Inra Hooper, 1987



An unusual characteristic of Japan's advertising agencies is that they handle conflicting accounts.



Western company makes the top 10 spenders' list in Japan. Trade sources reckon Nestlé was the top foreign spender in 1987, getting through ¥13 billion, followed by Coca-Cola, which spent an estimated ¥9 billion, and Procter & Gamble with about ¥8.8 billion. Tenth was Kentucky Fried Chicken with ¥3.1 billion.

With so much concentration, advertisers new to Japan are sometimes worried whether any but the top few Japanese agencies have enough clout to negotiate and buy media competitively. This is not a problem: both McCann-Erickson Hakuhodo and J. Walter Thompson are among the top buyers for some categories of media. In the current boom conditions, however, advertisers that wish to implement or change plans at short notice may indeed find it hard to get good media space or time, as those who plan ahead will have got there first. Some major advertisers, like Kao and Nestlé, have been making certain buys for over a decade.

There are few restrictions on advertising in Japan. Both cigarettes and liquor

are allowed to be advertised on television. Comparative advertising is permissible, under guidelines of the Fair Trade Commission, and has been used successfully by both Philip Morris and All Nippon Airways. In some industries there are codes of self-regulation that restrict the amount of advertising. Banking is one example. The restrictions do not apply to foreign banks, however, and in any case are being relaxed.

The most striking difference between advertising in Japan and in Western countries lies in the different attitudes Japanese have about how advertising works and the way these beliefs are reflected in creative work. Western advertising is often characterized as being "hard sell" and focused on a product's benefits and the relevance of these to people's lives.

The Japanese approach is more indirect, more of a "soft sell." In Japan, as elsewhere, advertising works on both rational and emotional levels, but in Japan the emotional dimension is relatively more important than in many other

countries. Of course, there are examples of Japanese advertising that is very benefit-oriented, just as there are many U.S. campaigns that are strong on emotional bonding. The differences are those of nuance and degree rather than absolutes.

The frame of reference for creating advertising in Japan is of course Japanese language and culture, so the manifestation of both the rational and the emotional may be very different from those in a Western culture. This too is a reason for choosing an agency based on its advertising and marketing skills and not simply because key members are good at English. It is also a further reason for working with an agency that appreciates your own "corporate culture" and can therefore help to make this a part of Japanese life.

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