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# STRATEGIC GLOBAL MARKETING: LESSONS FROM THE JAPANESE

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There is no need to argue any longer for the case that Japanese exporting companies have been singularly successful in penetrating foreign markes. Before 1960, the word "cheap, low quality product". Today, the Japanese have emerged as the quintessential global marketers whose products are sold throughout the world. With the excellent designing and execution of marketing strategies, the Japanese have managed to achieve global market dominance in almost every industry they entered such as automobile, motorcyclu, watch, radio, TV,video, calculator etc. Market after market, country after country, have fallen victims to the Japanese invasion.

Impressed with the Japanese successes, business firms in some Asian countries such as South Korea, Taiwan and Singapore are following the Japanese marketing approach in penetating the world markets. Several firms in korea and Taiwan already are Japanese-like in style and have experienced tremendous success in the word markets today. On the contrary, although exporting is of key importance to the success of Thai business firms, the great majority of them still concentrate on domestic selling and ignored foreign market opportunities. The resources and marketing efforts committed to foreign markets are relatively weak and lack marketing depth when compared to other Asian countries like Korea, Taiwan, or Singapore which are the major competitors of Thai industrial products in the world markets. As a result, the capability to penetrate into the world markets of Thai business firms are still limited. It is time for Thai businessmen to learn the marketing lessons from the Japanese on how to strategically enter, penetrate and expand their markets into the world marketplaces. The purpose of this article is to draw some lessons on successful international marketing by examining Japan's patterns of global marketing. Two major strategic elements are examined, and the strategic global market expansion path and the development of international markering networks.

## THE JAPANESE MARKET EXPANSION PATH

The order in which foreign narkets are entered has to be thought through carefully. In general, Japanese firms followed one of three global expansion paths:

### Global Market Expansion Path: Type I

The most prevalent expansion path among Japanese firms consisted of moving from Japan to developing countries to developed countries. This occurred in steel, autos,

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petrochemicals, consumer electronics, home appliances, watches, and cameras.

Initially, most Japanese firms rely on building up their home market first by seeking to name products that will replace the ones inported from the West. By expanding their domestic market share, they manage to gain economies of scale. These firms were assisted and protected by the Japanese government through such means as import restrictions, import duties, and foreign investment restrictions. Because foreign firms faced barriers to entry and did not devote enough resources to the Japanese market, one after the other lost theiur market position while the Japanese took over control of almost the whole domestic market. The increased market share helped bring down manufacturing costs and created a competitive advantage permitting Japanese firms to turn their eyes to overseas markets.

The major target aimed for by most Japanmese companies was the developing countries, especially Southeast Asia and Latin America, Since these countries had less competition and could be used as a ground for building volume and sharpening marketing capabilities before moving into highly developed nations like the U.S.,Japan used the developing countries to get rid of any surplus production andas a base for product and marketing experiments. Although Japanese consumer electronics, electric appliances, motorcycles, automobiles, and watches that were exported to developing countries were not up to Western standards, their prices were lower and consequently were more in line with the lower purchasing power of these nations. Japanese firms used these countries as a proving ground before moving into more advanced markets.

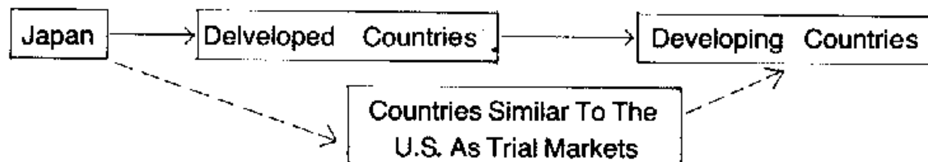
With the marketing experience gained in overseas markets and the cost improvement from volume sold to less developed countries as well as the continuous improvement of product quality, Japan's penetration to markets in advanced countries was ready to take place. Beginning in the 1960s, targeted countries for Japanese exports began to shift from less developed countries to the highly developed countries, especially the U. S. which attracted the Japanese countries because of its size. In addition, once Japan's products were accepted in the U. S., the reputa tion and experience gained made it easier to achieve acceptance in other Western countries. The Japanese focused on specific geographical areas and market segments ignored by U. S. producers in order to gain product and customer knowledge from which to build acceptance and capture market share. Once they gained a foothold, they began to add new products and enter new channels.[1] By the 1970s, nearly 60% of Japanese exports were directed to developed countries, of which more than 30% were sent to the U.S.

The Japanese's invasion spread into Western European countries such as the United Kingdom, West Germany, Italy, France, etc. Between 1960 and 1979, Japanese exports to European countries increased from 13% to nearly 20%. A flood of imported cars, motorcycles, televisions, watches, cameras, and office equipments entered these countries. A decade ago, Europe imported very few Japanese automo biles. Today, Japanese automobiles enjoy a 10 to 12% market share in the United Kingdom and West Germany; a 20% market share in Switzerland, Austria, Belgium,

and the Netherlands; and a 30% share in Denmark, Ireland, and Norway. In motorcycles, the Japanese brands dominate the European continent. In watches, Japanese brands such as Seiko and Citizen outsell the Swiss brands. In fine cameras, Germany was supreme two decades ago. But the Japanese took patient steps to improve their products and adapt them to European tastes and expectations. Today, German camera makers survive mainly in the very small expensive market segment while the Japanese dominate the rest of the market.[2]

Although the most prevalent Japanese market expansion path is the movement from home market to less-developed countries, to the U. S. and finally to European countries, the expansion path from the U. S. to European countries is reversed in some Japanese industries. The global expansion path of the Japanese construction machinery and farm machinery industry is a good example.[3] It started in less-developed countries, especially in Asian and African countries. After winning market shares in these markets, developed countries were focussed on as the next target. Instead of exporting products to the U.S., the Japan ese first entered European markets and saved the U.S. markets for the last to avoid head-on competition with strong U.S. producers like Caterpillar in its home market.

## Global Market Expansion Path: Type II




This Japanese expansion path is found in high-tecnological-content industries such as computuers and semi-conductors. After the Japanese had secured their home market for these products, their next targets were developed countries such as the U.S., etc. Developing countries, on the other hand, had market demands which were too small or nonexistent for these products. Later, when developing countries' demand started to grow, the Japanese did not hesitate to make strong inroads into these markets. Let's take a look at the Japanese computer industry as an example.

Computer production in Japan was begun in 1958 by six major companies: NEC, Fujitsu, Hitachi, Toshiba, Mitsubishi Electric, and Oki Electric industry. Japan allowed IBM to establish a wholly-owned subsidiary in Japan in exchange for IBM granting patent rights to Japanese makers. Once technology was acquired, the Japanese started producing the products. To gain market share in their home market, the Japanese companies aimed their guns at IBM. They fought IBM with a vigorous price-cutting policy. They were also assisted by the Japanese government in several ways, including a "buy Japan" policy, and the requirement that Japanese government agencies, universities, and industrial monopolies place their computer order with Japanese companies. IBM was not simply competing against Japanese computer manufacturers but against a powerful partnership that include

government and banking interests. As a result, Japanese companies' home market share grew rapidly.

As their home market shares grew, the Japanese turned their eyes to overseas markets. They started an aggressive selling campaign in Australia. The Australian market bore many similarities to the U.S. and they could be used as testing ground. If the company failed, it would not hurt its chances in other markets; if it succeeded, it would be ready to compete in the U.S. In the U.S., however, the Japanese product couldn't compare to IBM's in terms of technology. But the Japanese relied on the key strategies of price and distribution to penetrate the U.S. marketplace. Prices were set 10 to 20% lower than comparable IBM machine prices. The Japanese relied on American manufacturers or distributors to move their products: Fujitsu sold their products through Amdahl's network: Hitachi through Intel, etc. These same strategies were employed to penetrate into European markets as well. Fujitsu, for example, made an agreement with Germany's Siemena HG and sold their computer under the Siemena brand in eleven European countries.[7]

As the Japanese penetrated the developed countries, computer demand started to grow in developing countries, particularly Hong Kong, Brazil, Taiwan, etc. In these countries, Japan used price cuts as the key strategy. In Hong Kong, for example, Hitachi offered discounts from 50 to 60% below IBM's list price to banks and government agencies. This marketing approach also worked well in Brazil.[4] In Southeast Asia, each Japanese computer firm targeted a different country. In Thailand, only NEC worked hard to chip away the 80% market share by selling through Datamat Ltd., the sole distributor in Thailand. Hitachi and NEC concentrated on Singapore and Hong Kong while Fujitsu targeted the Philippines market by selling through Facom Computers Philippines[5]. The Japanese sought to build up a strong market position in these developing countries so they would be there to take advantage of the high rate of economic development expected in these countries.

## Global Market Expansion Path: Type III

Although most Japanese exports went through the previous expansion sequence, there were exceptions. Japan developed some products to sell in developed countries instead of the home market. These were products for which home market demand was still not developed or too small to serve. The products included video tape recorders (VTRs), color TVs, and sewing machines.

VTRs, for example, represented a technological breakthrough. They were exported to the U.S. and to other developed countries instead of being sold in Japan because of the

huge size of the foreign market. VTRs were later supplied to the Japanese market once the demand began growing.

In the case of the color TV, it became very popular in the U.S. by 1964 whereas there was inadequate demand in Japan. The Japanese makers decided to produce color TVs for the U.S. market and almost five years passed before the Japanese market would demand it.

Sewing machines are another example. The Japanese makers produced the zigzag sewing machine and exported it to the U.S. almost four years before the Japanese market began to demand the zigzag model[6].

## DEVELOPMENT OF A GLOBAL MARKETING NETWORK

The Japanese ascendancy in global markets could not have been achieved without a highly developed global market network. It took the Japanese almost three decades to develop a strong and efficient global marketing network. Japanese firms passed through several stages in the process of becoming internationalized. Let's take a closer look at the development process these companies passed through.

### Stage I : Relying on Outsiders

Most Japanese firms started their export activities by utilizing the large Japanese trading companies which were familiar with the social atmosphere, business customs, legal procedures, and language of the host countries. More important, the trading companies were able to effect economies through their scale of operation and experience that helped reduce Japanese firms' distribution cost.

Some Japanese firms started their export activities by directly searching out and signing up local distributors, instead of using trading companies. For example, Seiko sold its watches in the U.S. by signing up exclusive regional distributors that mostly were already in the wholesale jewelry business and able to provide immediate access to jewelers as well as capital sources[7]

Still other Japanese firms entered the U.S. market through using producers that had well established sales channels and market expertise. In copying machines, for example, Ricoh first sold its machines in the U.S. through the Savin Corporation. After attaining competitiveness and marketing know-how, Ricoh began to sell on its own.

### Stage II : Establishing Local Sales Companies

As Japanese compaines gained a foothold in the U.S., many of them started to replace their current arrangements with trading companies or local distributors or local companies with their own overseas sales branches and distribution networks. By this approach they were able to gain managerial experience and to strengthen their brand reputation through directly controlling local advertising, promotion, and after-sales service in

each market/country.

For example, Toyota and Nissan have established their overseas sales companies and successfully developed their dealer networks in local markets around the world. Nihon Gakki, a highly diversified Japanese manufacturer selling under the Yamaha brand, has established Yamaha International Company in the U.S. since 1959, then successfully developed a dealer network.

## Stage III : Local Production in Less Developed Countries

In the late 1960s, the Japanese began establishing local manufacturing firms in less developed countries to exploit the local cheap labor and raw material used in production as well as a means to calm down the increasing protectionism in these regions. By 1971, the number of manufacturing subsidiaries of large Japanese firms in Asia and Latin America were around 42% of the total[8].

In consumer electronics, for example, the Japanese began establishing local manufacturing firms in Asian countries such as Korea, Taiwan and Singapore. Once their products sold well in Asian countries, the next stage was to export to Latin America and the Middle East. In these regions the Japanese also expanded their manufacturing plants in several countries. The products produced in these countries not only served the local demand but were also exported to other countries. Hitachi, for example, exported from its plant in Taiwan to the U.S.; Matsushita exported from Malaysia to nearby countries and the Middle East; and Nippon Electric exported from its plants in Mexico to Panama.

## Stage IV : Local Production in Developed Countries

After completing the previous stages, the Japanese firms began to consider establishing local production in developed countries, especially in the U.S., which was viewed as the most attractive market for volume creation due to its size and high standard of living.

The Japanese began to establish local production either by acquiring companies or starting factories from scratch. In consumer electronics, for example, by 1980 the Japanese operated 70 plants in machinery manufacturing, 44 plants in electronic products (radio, TV, semiconductors, etc.), and 8 plants in precision instruments in the U.S.

In automobiles, Nissan undertook a huge feasibility study and afterwards established an auto plant in Tennessee, followed by Honda opening an auto plant in Ohio. In Europe Nissan is contemplating opening a 200,000 cars-a-year assembly plant in Britain.

## Stage V : Toward a Global Market[9]

To become a global marketer, one further step is required. The company must establish plants around the world and decide which plants should manufacture which products for which markets to obtain the lowest costs of production and distribution. Today,

a number of Japanese firms, especially in automobiles and consumer electronics, have already reached this stage. They are able to distinguish between those production functions that are best left in Japan and those that are advantageously located abroad.

Initially, each overseas subsidiary served only its local market and had no direct tie with subsidiaries in other countries. Beginning in the 1970s, the forging of close multinational links in production began to take place. It was realized that multinational production planning would enable each subsidiary to benefit from economies of scale and capitalize on factor cost differences in various countries.

Generally, subsidiary manufacturing firms in particular countries produce products to serve local demand and export the surplus to other countries as well as to Japan. Subsidiary manufacturing firms located in low production cost countries also produce and export components to its subsidiaries in high production cost countries. The role of the manufacturing firms in Japan is to produce high technology components and products and export them to subsidiaries in developing countries and in some developed countries and send management staffs to subsidiaries all over the world for managerial training, planning, and control (see exhibit 1)

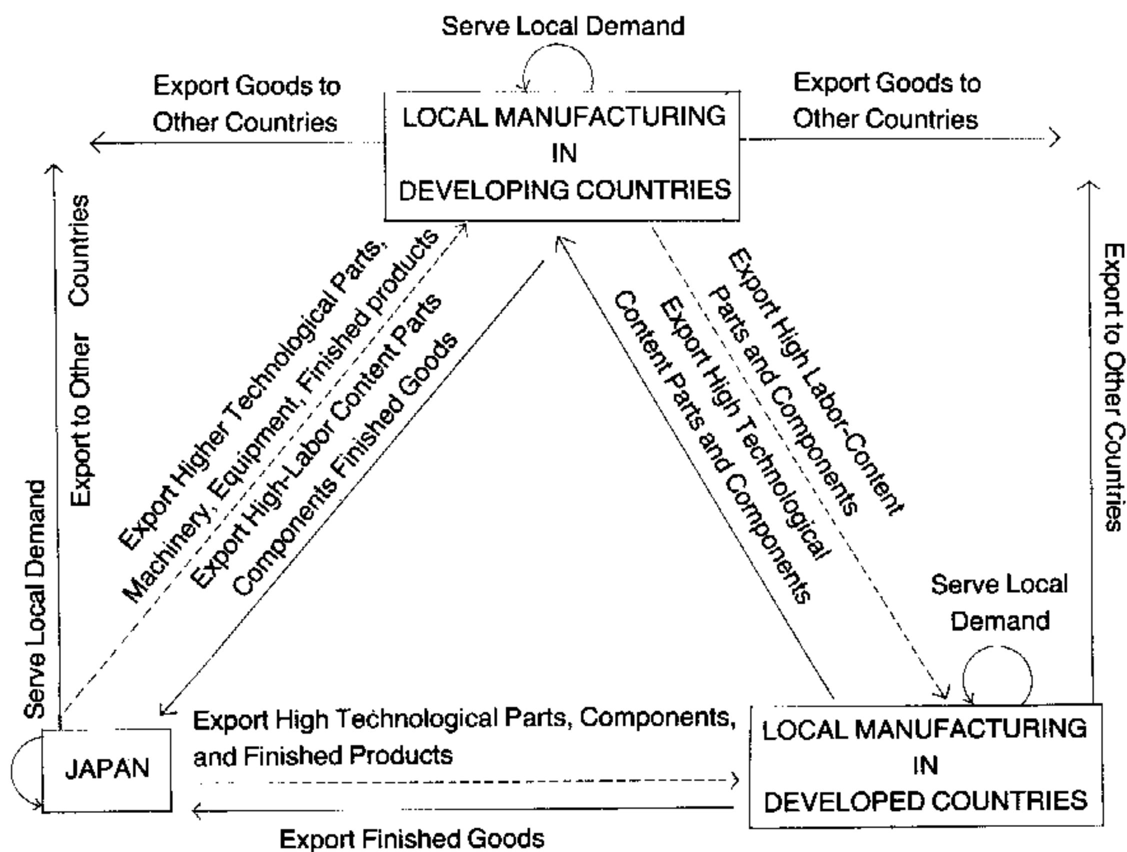





Exhibit 1
GLOBAL MARKETING NETWORK

In summary, Japanese firms today are no longer merely exporting firms but are multinational firms playing for high stakes in the global game of international businesses. This global marketing has greatly benefits Japan and is the key to its trade success nowadays. Through global marketing, it has enabled Japanese firms to reduce their prices through economie of scale from large volume of production. Besides, the dispersion of their markets, plants, and facilities throughout the world has enabled Japan to achieve the lowest production costs because many of these countries have cheaper labor or lower cost raw material. This global marketing has helped Japanese firms maintain their competitiveness in the world markets even in the face of increasing competition and trade protectionism.

If Thai business firms want to be highly successful in the world markets, they should learn or modify these marketing lessons from the Japanese and apply them in their foreign market entries as the ways many business firms in other countries have done. Reluctance to undertake serious international marketing not only hurts their firms but might also ruin the nation's economy as a whole.

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