

〈論 説〉

# JAPANESE MARKETING STRATEGY & BUSINESS

Shoko Okamoto

## CONTENTS

- 1 Introduction
- 2 Information revolution with market change
- 3 An effectiveness given by information revolution for trade practice
- 4 Conclusion

## 1 Introduction

Since approximately 2000BC, the international business activity in the Mediterranean had performed the major stream of international business with a long history of trade<sup>(1)</sup>. The trade (i.e. export/import transaction) was regarded as the basis of international business. It can be regarded as a drawing of the curtain to internationalization of enterprises.

In the past, marketing with trade had been done in various ways of transactions. In order to promote profitable trade, obtaining information regarding the market in advance was required. Such activity has been done by market research.. They collected information without having a definite object.

With the change of market environment, an international market research has been required in order to decide a target market for import and export. The international market research is conducted more extensively and uses scientific methods in addition to the conventional research method. Research fields are advertisement, product, sales and

marketing. For example, in a market research for an enterprise starting to export products or invest overseas, the research will be centralized on the field of observation of market specificity, consumer behavior and distribution research.

In Japan, in the 1970s, dollar shock had brought a change in the international business activity especially of those concentrating on exporting. Direct investment in overseas markets was one of the orientated solutions for yen appreciation and trade friction (table 1). In the 1950s, there was a sign of the beginning of a resource oriented pattern which secures the stabilized import of raw materials and resources led by oil, mineral and lumber. After the oil crisis, however, the pattern has changed to that oriented on the foreign invasion of Japanese market/production. Eventually, the production base is transferred to Korea, Taiwan, Thailand and Malaysia for low labor cost. It is because the enterprise regards the locale production as more profitable than direct investment. In order to avoid import barrier for tariff and non tariff against Japan, there is an increase in the enterprise, pertaining to the trade friction by a rapid increase of export for automobiles and high technology products.

The reason why the direct investment increased seriously, is the invasion of financial and insurance companies going with these manufacturers.

Market oriented pattern is a strategy of active movement. These are the augmentation of market share and the growth of enterprise. Taking those into consideration, you cannot ignore merger and acquisition and the activity of multinational companies.

Because of the internationalization and multi-nationalization of management, not only has trade substitution effect but trade creation also has effect. Thus the importance of trade body in trade will not be changed

when trade and investment have merged in the various international business strategies, the form has to be changed. For example in a commodity trade the new shape of trade such as multinational trade, OEM dealings and technology trading will be increased.

Technology advancement is divided into two; a product innovation, which produces new product and a process innovation which improves process of production of the existing product. Somehow, trading forms have been changed by the technology revolution<sup>(2)</sup> in a high growth period, and a concept of trading and marketing is changing largely by the information revolution<sup>(3)</sup>.

## **2 Information Revolution With Market Change**

The main stream was led by a concept of the economies of scale with a logic by figures of supply side. The market environment had changed largely from the environment in which profit obtained by economies of scale by mass production jointly owned during each process of demand was redistributed fairly to those who attached the most importance to the information or time values individually and comparatively advantageously.

The largest factor of the environment change is a rapid development of computer technology. The speed of market change is almost same as the speed of the progress of computer technology. How do we consider the international marketing in view of the fact of computer technology change from a high speed calculating machine to a data processing equipment? An era of time and information has come. The management principle by a large quantity assumes the cost privileges as marketing competing power, but it requires standardizing of products and expects standardizing of market where the product is situated<sup>(4)</sup>.

Generally, the standardized market is situated in a mature period . In order to establish new enterprise successfully in the market, you have to make a substituting demand market, or break the market by discriminated superiority. The market break by the new enterprise makes the new market and at the same time, it urges augmentation of the market potential. In some cases, it jumps over the mature period and directly enters into the second growth pattern <sup>(5)</sup> (chart 1).

A quality superiority is the example of success of the discriminated superiority. A quality improvement policy in the manufacturer will result in the cost superiority. The automobile industry, electrical appliance industry and semiconductor industry in the Japan are good examples.

On the other hand, if product discrimination was done in the quality superiority market, the enterprise profit obtained as a result of marketing cannot be evaluated only from the accounting principle as economies of scale concerned with product and market.

A value added as a benefit will be produced to both demand and supply sides. It means, if the infrastructure of the demand side is prepared, the benefit of both demand and supply sides will be increased remarkably. This phase is similar to the relation of spreading automobiles and furnishing highway systems. The extent of economy of scale can be used up to the management concept of this discriminated predominance. In the strategic management often seen in SIS or business process reengineering the marketing by economies of scale is hardly effected by the strengthening of the competitive advantage inhered in the process of each progress made during the process of value chain existing in the enterprise. <sup>(6)</sup> <sup>(7)</sup>

In the past, giving information required timed and a lapse of time had produced values. But at the present, the value produced by the lapse of time has changed its form completely by a joint receiving of information

or simultaneous information. Moreover, it is even used as a tool for marketing strategy. One of the examples is the appearance of new marketing by multimedia. Eventually, time, information and network will have more effect on business than economies of scale.

The industrial revolution made a target change from personal to mass. Every field of industry carried out a reform. In the same manner, the information revolution just started at present is to change industry aiming at personal from mass by the information network called mass media. On-Schedule production, former logic to the supplier's side is under pressure of change to On-Demand production.<sup>(8)</sup>

Time owned by manufacturers has been shifted to the user's side. The value produced by lapse of time came to be owned jointly by the manufacturer and the user. A paradigm is transfiguring with an axis of time and information from the society led by suppliers to the society led by users.

Could the new marketing grope for something in the transition of the former marketing to the new marketing?

Simultaneity, commonness and community of each information on LAN environment will inform the result of past and daily information, customer's daily life and the forecast information of momentary change of future needs to all stages of management process of enterprise. It attempts to promote development cycle of products, adaptability of services and repeatability.

In the world of term administration, a production method of sharing risks of joint value by user and suppliers, a concept of On-Demand production method can be mentioned. The interment proves its merit as a measurement for effective evaluation of the value of information in short terms.

As for the new enterprise born by simultaneity of time and informa-

tion and joint value of time and information and joint value of time and information has created a need for new marketing.

### **3 An Effectiveness Given By The Information Revolution For Trade Practice**

The information revolution influence by computers in many fields brought on a change on the traditional form of trade. In this thesis, I would like to consider one of the influence, Electronic Bill of Lading, after reviewing the historical stream of the traditional form of transportation.

Carriage by sea became a specialty approximately in the last half of the nineteenth century. Business in those days was a combination of foreign trade and shipping industry. The reasons were as follows : Firstly, the individual carrier was able to fill one vessel with his own merchandise because vessels in those days were normally small. Secondly, an overseas voyage was not an attractive occupation because of under-development of shipbuilding engineering, unsafe sea lanes, low-level knowledge of seamen, and so on. Thirdly, it was not necessary for a shipping agent to periodically assign a vessel for the underdeveloped overseas merchandise market, and an individual trader could own a vessel, navigate it, and carry goods on his own vessel, or have someone he could trust carry the goods for him.

Since a single merchant could not till the bottom periodically with his own goods alone due to advancement of navigation technique and shipbuilding engineering—that is, the transition from the sailing ship to the steamer and from the wooden vessel to a steel ship—and the remarkable increase in the bottom tonnage, and that even a layman could join the shipping business without risking an enormous amount of loss because the overseas markets had progressed and the risk of voyage had dis-

appeared, the shipping industry and foreign trade were gradually separated.

It was at that point when the shipping industry started to progress toward modernization, and the progress form called Industrial Carrier that seemingly indicated the direction opposite to the progress form called "separation" appeared.

Vessels are generally owned by individual owners, captains, partnerships, corporations, and so on. Shipping enterprises were mainly those owned by rich capitalists and those founded under a king's charter. As large-scale vessels appeared, the ownership changed to the modern form, that is, the vessels are owned by corporations. In England, in particular, the entire legislation concerning corporations was completed with the Commercial Company Law of 1834, the Chartered Company Law of 1837, the Registration Law of 1844, the Limited Company Law of 1855, the Joint-stock Corporation Law of 1856, the Corporation Law of 1862, and so on, with which England made remarkable advances as a world-wide shipping nation.

On the other hand, although the bottoms of the United States in those days were second only to England, they carried only ten percent of the international trade, and the vessel owners meant just the owners as corporations. However, World War I changed the situation. The Shipping Act was enacted in 1916, and the United States Shipping Board was established with a fund of 50 million dollars with the intent of placing the entire shipping industry under government control, including the purchase and building of ships and navigation. The shipping industry was under state control. However, due to an increase in bottoms, the rise of the shipbuilding industry, progress of the associated industries, etc., the American shipping industry occupied an important position of all industries

and showed the tide to surpass the English shipping industry.

The phenomenon of surplus bottoms for the decreased amount of trade as a result of the world-wide economic panic in 1929 had brought about the very root of the subsequent shipping recession.

Significant changes were seen in the marine freight movement, type, direction, and so on after the World War II. That is, it was a structural fluctuation of the world shipping industry. Firstly, the energy source was switched to petroleum and more than half of the total marine cargo was carried by ships running on petroleum. Secondly, new markets of raw materials were born in the Central-South American countries and in Africa after the war, and the new form of carriage by sea using the large-sized carriers was employed between these markets and the developed countries. Thirdly, as industrialization of the developing countries and development of the underdeveloped areas have progressed, the quantitative structure of trade merchandise has changed, and the world's marine trade has become more diversified and more equalized.

Especially, remarkable changes have been seen, such as advancement in shipbuilding techniques, increase in vessel size and speed, increase in long-term contracts, increase in tankers, carriers appearing in oil transportation, appearance of container ships and nuclear powered ships, and so on.

The container ship appeared on the scene for the first time during the transition of the shipping industry. The liner business is said to have been modernized last of all shipping industries because of its characteristic as a semi-monopolistic system derived from the existence of the Shipping Conference. In reality, however, it seemed that the container could not help appearing because of the delay in modernization of the liner business.

General cargo had been the major cargo of liners from the beginning,



but it had always been difficult to transport it in a more positive form. Then the container appeared. Transporting general cargo in containers loaded in good order on a container ship leads to saving of the packaging cost, prevention of damage and loss of cargo, reduction in the broken space, reduction in the cargo handling time through automation of port cargo, saving of the cargo handling expenses, and enables cargo handling on rainy days, all of which combined aims at improvement of the operation rate of liners as well as realization of the door-to-door land bridge system.<sup>(9)</sup>

Ten percent of merchandise value is spent for the processing of trade documents and procedures. The process is slow, uncertain and complicated. Moreover, the volume of paperwork keeps on increasing. With recent dissemination of computers, a movement of use of the electronic mail for this paperwork is being increased. The movements match those of the industrial revolution. And also it speeds up various services and reduces, and reduces the cost.

In the future, anybody who deals with trade and transportation could come to use EDI through open systems as using telephone network, it can be predicted that the effect will be worldwide.<sup>(10)</sup><sup>(11)</sup>

Usually, Straight Bill of Lading is a Document of Title which has three specific characters; Receipt of Cargo, Certificate of Contract of Marine Transportation and Right of Delivery Action. It carries out transmission of information and certification of right. On the other hand, EDI is no more than Straight Sea Waybill which only transmits information.<sup>(12)</sup> But when a vessel arrives the port of destination delivering of goods to the consignee will be done without delay with EDI. Thus time-associated risk of Bill of Lading will be avoided.<sup>(13)</sup>

I have covered EDI concerning with Bill of Lading in this thesis. How does it influence or effect the document that is the core of trading business. Although it still requires some adjustments as for the cost and credibility but the effectiveness for information and time is tremendous. When EDI is completed to cover the role for Bill of Lading (which acts as a cargo certificate) and Letter of Credit (which acts as guarantee of payment) the traditional trading will be forced to change.<sup>(14)</sup>

#### 4 Conclusion

Before the 1970s, we were satisfied with the seashore export having no concern about the exporting goods and distribution and consumption in the other market. However, it resulted in trade friction with excessive competition caused by over competition of export, and it also left some problems as decline of proper interest rate or unstable growth of export.

Therefore, after the 1970s, the international marketing started to be required strongly order to exert orderly marketing.

The international market with this recognition differs from the conventional exporting activity as it has distinctive feature of putting start and goal points on the consumer oriented market. For example, the conventional amount of sales is changed to market share and profit rate, and merchandise schedule for sale of goods in stock is planned in consideration of the demand. The other enterprises use it as a standard of construction with other strategies.

A merchandise schedule is the core of international marketing. It has to decide whether to develop diversified marketing strategy by performing market segmentation in accordance with the analysis of market specificity for each countries and areas, or contrarily to develop standardized marketing strategy which brings in the same type and quality of

merchandise as much as possible to make the most use of economies of scale.<sup>(15)</sup>

Joint ownership of value by enterprises is performed by On-Demand production. Simultaneity of information and time by introduction of Inter Network is made up by virtual cooperation.<sup>(16)</sup> Computer made a revolution in the field of traditional trading. This is the first step for consideration of international business in 21 century.

### Reference

- (1) Asao Ohtsuka "Taikei Boeki Shomuron" seibido 1993 p.1
- (2) "Economic White Paper" The Economic Planning Agency 1995 p.343
- (3) Innovation resulted from a process of good design.  
M. Hammer & Champy "Reengineering Manifest for Business Revolution"  
(Ikujiro Nomura) Nihon Keizai Sha 1994 p.301
- (4) Until present, Technology Superiority in Japan is a hard technology which closely sticks to the production site, producing high quality product and supplying with low cost in large quantity.  
The mass production hard technology is now pushed by the Asian countries.
- (5) Mataichiro Katayama "Ryutsu Gendai-shi" Nihon Keizai Shinbun-Sha 1996 p. 6
- (6) Definition : To reconsider and redesign business process fundamentally and radically for achievement of dramatic improvement in the scale of importance and modern performance, such as cost, quality, service and speed.
- (7) M. Hammer & Champy Ibid. p.75
- (8) Kunio Hatanaka "Economies of Scale" 1995, as data for research.
- (9) S. Okamoto "Some studies on the Documentary Bill of Exchange Bill of Exchange with L/C" Shokei Ronso No. 3 & 4 Kanagawa Univ. 1985 pp.205-208
- (10) Method : Instead of issuing B/L, shipping company inputs data into a computer, the company and consignor (seller) or transferor (buyer or retailer) transmit EDI mail each other by using secret numbers for management of goods, transferring the right of deposition and delivery of goods. Commit Maritime International Rules for Electric Bill of Lading 1990
- (11) Construction of new business relations, for example, Jasco and Kao Co., Ltd. It is also an axis in the distribution field. Nihon Keizai Shinbun Sha "Logistic

Management” Nikkei BP Sha 1995 p.201

- (12) Incoterms 1990 edition as an additional remarks for transportation documents
- (13) Satoshi Nibori “Boeki Baibai” Dobunsha Shuppan Co., Ltd. 1990 p.324
- (14) Satoshi Nibori “The New Trade Business Practice Theory” I & R 1991 pp.12-17
- (15) Asao Ohtsuka Ibid., p.12
- (16) Takanori Matsuura “Expranation of Management Terms” Jiyu kokumin Sha 1994 p.492

## RESEARCH MATERIALS

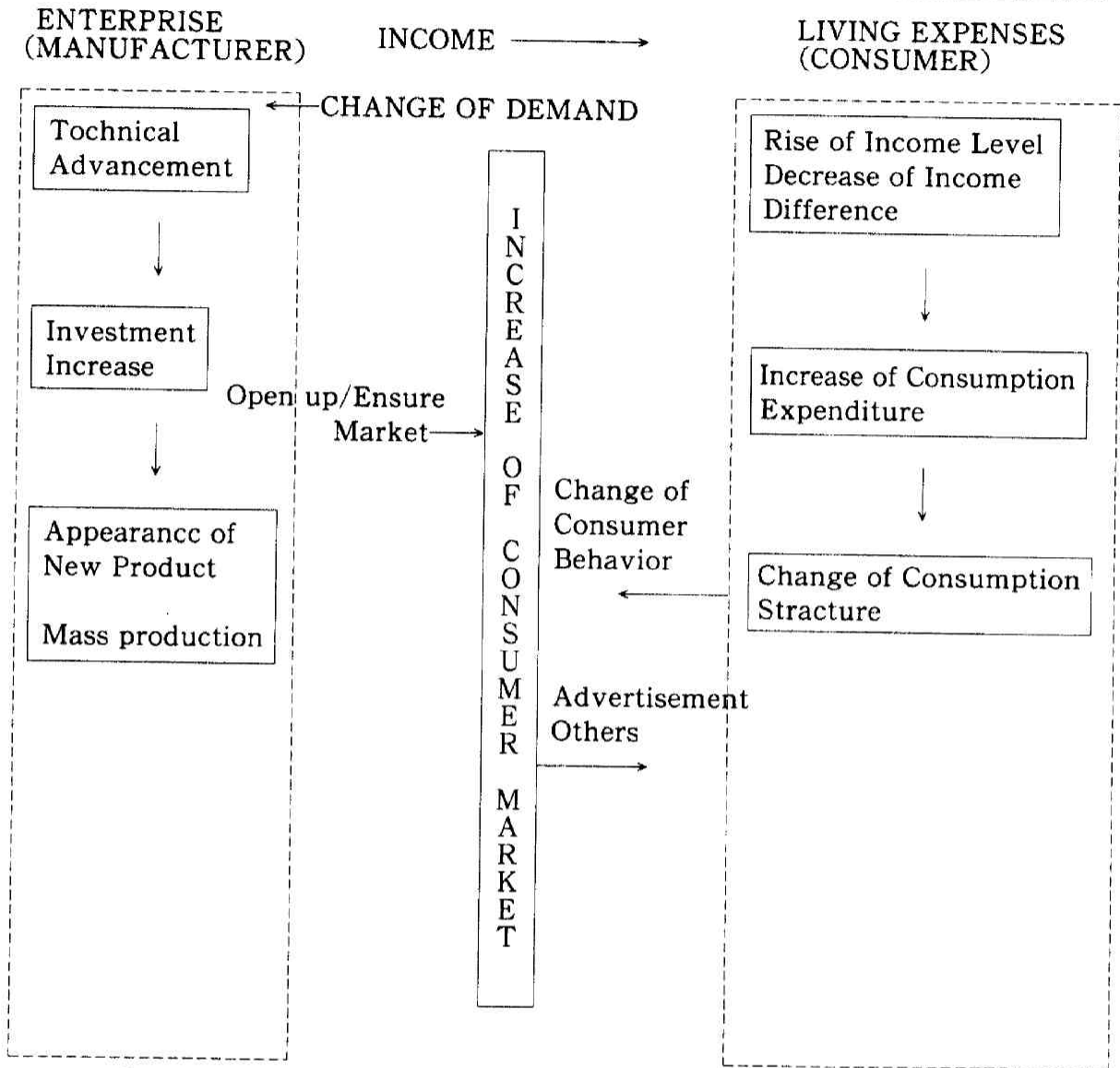
(TABLE 1)

## BALANCE OF PAYMENT

YEAR	ORDINARY BALANCE		LONG TERM	SHORT TERM	TOTAL	FOREIGN CURRENCY	OVERSEAS FUND NET
	\$ 1 MIL	NOMINAL GOP RAT10% TO THE OTHER COUNTRIES	INVESTMENT BALANCE * \$ 1 MIL	INVESTMENT BALANCE * \$ 1 MIL	BALANCE * \$ 1 MIL	RESERVE FUND \$ 1 MIL	BALANCE \$ 1 MIL
1955	227	1.0	839	- 25	103	285	—
1956	- 34	- 0.2	738	24	2	1	—
1957	- 620	- 2.2	629	38	77	- 503	—
1958	- 264	- 0.8	574	96	- 4	393	—
1959	361	0.9	1,361	- 214	- 60	143	—
1960	- 14	- 0.0	1,997	- 87	12	- 30	—
1961	- 1,015	- 1.8	1,561	54	53	- 855	—
1962	- 16	- 0.0	1,863	203	89	281	—
1963	- 1,071	- 1.5	1,996	459	260	- 380	—
1964	29	0.0	2,053	17	54	107	—
1965	1,049	1.1	2,109	- 553	- 40	429	—
1966	996	0.9	2,077	- 835	55	59	—
1967	- 311	- 0.2	1,963	- 740	489	- 534	- 916
1968	1,473	1.0	3,213	- 80	88	1,627	270
1969	2,044	1.1	3,868	- 642	370	1,898	1,714
1970	2,349	1.1	5,453	- 1,347	670	1,999	4,674
1971	8,321	2.6	16,663	- 1,847	3,131	8,043	9,713
1972	6,150	1.9	18,125	- 5,959	2,135	- 2,962	13,857
1973	- 3,918	- 1.0	12,426	- 9,110	2,283	- 13,407	13,015
1974	- 2,330	- 0.5	14,152	- 2,083	901	- 3,392	8,943
1975	134	0.0	14,182	- 260	- 1,376	- 1,772	7,018
1976	4,682	0.6	16,997	- 1,008	402	3,252	9,574
1977	13,996	1.9	29,208	- 2,441	- 457	12,145	21,980
1978	11,852	1.2	23,813	- 15,293	1,563	- 2,297	26,814
1979	- 13,853	- 1.4	18,543	- 10,323	4,888	- 18,951	28,777
1980	- 7,012	- 0.6	27,020	2,698	4,763	- 380	11,534
1981	5,934	0.5	27,231	- 14,934	- 909	- 7,859	10,918
1982	9,135	0.8	24,015	- 11,876	- 3,158	- 1,988	24,682
1983	24,232	2.0	25,109	- 20,797	- 1,339	2,415	37,250
1984	37,015	3.0	26,538	- 54,197	- 2,799	- 14,544	74,316
1985	55,019	3.7	27,917	- 73,177	- 1,475	- 15,599	129,821
1986	94,139	4.4	53,388	- 144,580	899	- 43,944	160,351
1987	84,474	3.3	84,857	- 119,465	20,502	- 15,979	240,744
1988	77,274	2.6	99,353	- 121,400	31,126	- 13,722	291,746
1989	53,398	1.9	73,495	- 99,720	19,335	- 57,306	293,215
1990	33,718	1.1	69,894	- 16,703	1,333	961	328,059
1991	90,222	2.6	68,230	39,756	- 15,676	114,773	383,072
1992	125,900	3.4	70,045	- 47,567	- 9,728	51,592	513,619
1993	130,491	3.0	101,737	- 25,548	- 9,970	96,836	610,817
1994	125,011	2.8	141,523	- 128,899	22,475	6,690	683,974
94 APR-JUN	33,224	3.0	111,464	- 38,180	- 5,336	- 18,890	—
JUL-SEP	31,742	2.3	117,538	- 51,219	2,430	- 29,341	—
OCT-DEC	30,094	2.6	122,845	- 39,724	- 4,665	- 19,374	—
95 JAN-MAR	29,546	2.4	141,523	424	30,906	74,295	—

Source : 「Economic White Paper」 (1995 Edition)

(CHART 1) TECHNICAL INNOVATION AND EXPANSION OF CONSUMER MARKET



Source : 「National Living White Paper」 (1963 Edition)