

The Evolution of Japanese Marketing in the Age of Globalization

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A. INTRODUCTION

The purpose of this paper is to share with you the recent achievements of our analyses on how Japanese marketing techniques have evolved over the past 50 years, and reaching the current level of globalization through the continued efforts of Japanese and non-Japanese corporations in various industries.

Japanese marketing techniques have developed and evolved, since the end of WW II, through the transfer of the then advanced marketing techniques in each respective age primarily from the USA. We are going to present, firstly, a transfer model between Japan and the USA (and European countries to some extent) so that the evolution of Japanese marketing techniques will be categorically and chronologically analyzed. Secondly, transfer hypotheses will be put forward followed by a series of case examples supporting the hypotheses.

The transfer model is constructed with five different conceptual frameworks as below.

① AI Transfer and SAL Transfer

This explains three development steps of marketing techniques for each channel of transfer. AI Transfer at the receiver's initiative includes ①"Adoption and Imitation", ②"Adaptation and Innovation", and ③"Adeption and Invention (Creation)"⁽¹⁾. SAL Transfer at the originator's initiative covers, ①"Standardization", ②"Local Adaptation", and ③"Localization"⁽²⁾.

② Micro Transfer and Macro Transfer⁽³⁾

Transfer has been made in two layers. Micro Transfer entails specific marketing decision-making areas in the company, while Macro Transfer includes general marketing knowledge, experience and education.

③ Internal Globalization and External Globalization

Globalization is like two sides of a coin. One side without the other can never exist. Internal

Globalization is related to how the Japanese market is comparative with others at the global level of evolution and openness to anyone from all over the world. External Globalization explains how Japanese marketing is globally disseminated by Japanese companies, and non-Japanese companies that AI-transferred Japanese marketing techniques.

④ The Four (4) P's of the Marketing Transfer Mix

The four P's include Product, Process, Program and People.

⑤ Marketing Infrastructure⁽⁴⁾

The level of similarities and the acceptance of various facets of culture such as socio-spiritual culture, economic-materialistic culture, marketing culture, and brand marketing culture (the development of brand marketing) will affect the speed and the ease of the marketing transfer between different countries. The four tiers of culture comprise Marketing Infrastructure.

The transfer model should help explain comprehensively why the current globalization level of Japanese marketing techniques shows us five distinctive features as briefly explained below.

- (1) We regard TOYOTA, HONDA, MATSUSHITA, SONY, AJINOMOTO (Foods), KAO (Toiletries), SHISEIDO (Cosmetics), etc. as companies of marketing excellence, each representing a success of the Japanese business. They have reached the highest level of internal globalization through the development and evolution process of AI Transfer of marketing techniques. They also pioneered and played roles in the development of marketing techniques in their respective industries.
- (2) Multinationals of non-durables categories such as COCA-COLA, P&G, UNILEVER, NESTLÉ, etc. have achieved marketing success in Japan through SAL Transfer of their marketing techniques while helping and encouraging their respective Japanese competitors to further speed up the AI development process. This is also defined as Internal Globalization by multinationals.
- (3) The extent and the depth of External Globalization by the Japanese corporations demonstrate quite clearly observable differences from industry to industry. The corporations manufacturing consumer durables such as passenger cars and home electronics devices, offering functional and performance (FP) benefits, are both internally and externally globalized through both AI Transfer and SAL Transfer far and wide in every corner of the globe as well as Japan. Being "made-in-Japan" or "originated-in-Japan" automatically means "first and best" with those products. On the other hand, quite a few consumer non-durables categories including processed foods, cosmetics, toiletries, household

products, etc., while having extensively and successfully globalized in the developing countries of NIES and ASEAN, have achieved only a limited level of success in developed countries such as the USA and EU.

- (4) An increasing number of corporations originating in the USA and Europe have recently AI-transferred Japanese marketing techniques. This is another avenue of External Globalization of Japanese marketing by non-Japanese corporations. A case in point is that the BIG THREE of the US have successfully AI-transferred the compact car concept from Japanese corporations together with the introduction of the lean production systems in the US and Europe. Another case is that P&G and COCA-COLA AI-transferred some product categories (paper products, Japanese tea drinks, etc.) from their respective local competitors in the Japanese marketplace. They are now SAL-transferring these successful products elsewhere from Japan.
- (5) Japan's economic relationship with East Asian countries in particular (in terms of transaction value of products and services) has come to have a greater weight than that with the USA or Europe. Of particular significance in those countries is the increasing presence of marketing activities by Japanese corporations through SAL Transfer. Those local corporations in ROK, Taiwan, Thailand, Indonesia, etc. also vigorously and preemptively AI-transferred Japanese marketing techniques into their respective countries and established their own marketing leadership over their local competitors.

The above two channels are also defined as External Globalization of Japanese marketing techniques.

Our transfer model attempts to clarify reasons underlining the five features, integrate them and shed light on a total picture of the development and evolution process of Japanese marketing techniques.

B. THREE STEPS OF TRANSFER

1. AI Transfer of Marketing Techniques

The Japanese side (the receiver's side) took the initiative to transfer marketing techniques from the USA (corporations, schools, and people). The transfer comprises the three steps: Adoption & Imitation, Adaptation & Innovation, Adeption & Invention (Creation).

The concept of AI Transfer has its origin in what we learned in the history of Japan, especially in her "historically repetitive" practices of having imported civilization and culture from

outside and eventually Japanized them into one of the most sophisticated in the world at any moment in her entire history. Japan has historically accumulated excellent skills of AI Transfer of civilization and culture in the four major phases as below⁽⁵⁾.

- * Until the 15th century from China and Korea
- * Until the 19th century from Korea, Portugal and Holland
- * Until the end of WW II from the UK, France, Germany and the USA
- * After 1945 from the USA and Europe

AI Transfer is, therefore, a historical pattern of Japan's culture borrowing from the then most advanced nations. Cateora (1993) pointed out in his book as follows. *"Culture borrowing is common to all cultures. Culture borrowing is a responsible effort to borrow those cultural ways seen as helpful in the quest for better solutions to a society's particular problems. If what it does adopt is adapted to local needs, once the adaptation becomes commonplace, it is passed on as culture heritage."*⁽⁶⁾ Japan is a typical example of excellent culture borrower. The marketing techniques of Japan have been developed and culminated into cultural assets over the period of 50 years since 1945.

2. SAL Transfer of Marketing Techniques

The American (European) side (the originator's side) took the initiative, bringing into Japan its marketing techniques to achieve business objectives. Multinationals implemented their marketing activities in the three steps: Standardization, Local Adaptation and Localization. Localization was de facto AI Transfer.

The naming of SAL Transfer was taken from the external globalization of marketing operations by multinationals, which is international marketing. SAL Transfer of multinationals from the USA and Europe disseminated marketing techniques in Japan by training and educating Japanese people, and by presenting roles for new business developments thus inviting new Japanese competitors to their respective categories. SAL Transfer, therefore, offered another avenue of culture transfer, contributing to the development of Japanese marketing techniques.

3. Transfer Model (1)

This part of the transfer model is illustrative of the internal globalization side of marketing development.

Internal Globalization

<Exhibit 1-1>

From the USA (Europe) to Japan	
Japanese Initiative	<AI Transfer>
	1. Step of Adoption and Imitation
	2. Step of Adaptation and Innovation
American Initiative	3. Step of Adeption and Invention (Creation)
	<SAL Transfer>
	1. Step of Standardization
2. Step of Local Adaptation	
3. Step of Localization	

《AI Transfer》⁽⁷⁾

AI Transfer will be further explained with the two representative examples as below.

- * Home Electric / Electronics Devices (HED's)
- * Passenger Vehicles (PV's)

(1) Adoption and Imitation

The above two industries were adopted and imitated in the 1950's and 1960's. The marketing concept of mass production and mass sales with mass advertising support was also taken from the USA's respective industries.

MATSUSHITA was the leader and SONY the nicher in the area of HED's. While in the PV's industry, TOYOTA was the leader and HONDA the nicher.

(2) Adaptation and Innovation

"Downsizing", "Higher Quality and Performance", "More Economization" are the three major features of adaptation and innovation the Japanese achieved. This was applicable to not only HED's and PV's, but watches, cameras, semi conductors, etc.

The first wave of adaptation and innovation took place in the 1960's and the early 1970's. Japanese products were then positioned in the USA as "second-and-cheaper" for the low-end segment of the respective markets. However, they quickly became "second-but-better" products after the two waves of the oil crisis (1973 and 1978) when Japanese corporations pioneered new innovations that were applauded all over the world. In the late 1970's and the early 1980's, "Saving Energy" and "Protecting the Environment" were the much-wanted consumer benefits, that the made-in-Japan products (PV's and HED's) could offer far over their counterparts made in the USA and Europe.

External Globalization of Japanese marketing techniques advanced in the 1980's far and

wide, and TOYOTA, SONY, HONDA, etc. turned out to be topics of the town in every corner of the world. This is an example of SAL Transfer by Japanese corporations.

(3) Adeption and Invention (Creation)

Various "first-and-best" products were created and put on the market, thus contributing to the successive creations of new life style cultures all over the world. The "first-and-best" products including the following, appeared on the market and helped develop a global image of "high-tech Japan".

- ① Watches (1960's to 1970's): auto winding, ultra-slim, quartz, electronics, battery-operated, etc.
- ② Cameras (1960's to 1970's): built-in flash, auto-focus, etc.
- ③ PV's (1970's to 1980's) with CVCC and turbo engines, etc.
- ④ HED's (1980's to 1990's) such as headphone stereos, VTR's, CD's, Video Cameras, TV games, MD's, LCD TV's, etc.

Thus Japan has become a motherland of quite a few global brands which give joy to daily life in the world. Some examples of global brands are as below.

SEIKO, CITIZEN for watches
NIKON, CANON for cameras
PANASONIC, SONY for HED's
TOYOTA, HONDA for PV's

《SAL Transfer》

(1) Standardization

The 4P's of the marketing mix, successfully implemented in the home country or elsewhere, were transferred and applied to the Japanese market as they were. Quite a few American corporations hastily employed this mode of transfer in the 1960's, much to their disappointment in business performance. A typical success is COCA-COLA. The brand itself and direct route sales to the retail market by the bottler (distributor) were a perfect example of a standardized transfer and accomplished a huge success after a while.

(2) Local Adaptation

Local adaptations and modifications were made to the 4P's in line with Japanese needs and

wants, and business customs and practices. Most dominant were local adaptations of advertising executions and products under global brands. These were much observed general practices by multinationals in the 1970's and the 1980's.

(3) Localization

An increasing number of multinationals have employed localized 4P's of the marketing mix apart from those in their home countries and elsewhere. But they still keep using a standardized process of developing localized marketing programs of 4P's. The process covers product development, ad execution development, and the marketing mix management of existing brands. COCA-COLA, UNILEVER, P&G, MACDONALD'S, KGF, PHILIP MORRIS are some of these examples.

C. TWO TIERS OF TRANSFER

1. Micro Transfer of Marketing Techniques

An individual corporation transferred marketing techniques necessary for making decisions on the 4P's (product, promotion, price and place) of marketing management specific to the company in the particular industry. This transfer mode is defined as Micro Transfer. Marketing techniques to be transferred include products and services, their concepts, manufacturing and production technologies and know-how, approaches and methods of advertising and promotion campaigns, selling activities, marketing research steps and techniques relevant to marketing issues.

Some examples of Micro Transfer by Japanese corporations are summarized in Exhibit 1-2.

Micro Transfer

〈Exhibit 1-2〉

Corporations	Year	What was transferred
Toyota and Ford / GM	1950,etc.	Marketing know-how and technical info
Nissan and Austin	1952	Technology transfer of PV's
Matsushita and Philips	1952	Technology transfer of the semi-conductor area
Sony and Western Electric	1952	Transistor technology
Lion and Bristol Myers	1962	Vitalis and Bufferin and marketing know-how
Ajinomoto and CPC	1963	Knorr and marketing know-how
Kao and Colgate Palmolive	1978	Colgate Gel and marketing know-how

2. Macro Transfer of Marketing Techniques

General knowledge, techniques, know-how, etc. of marketing principles were transferred through research and studies. When society as a whole or marketing expert hopefuls in particular share fundamental marketing principles through Macro Transfer, corporations in the society employing these hopefuls can enjoy the advantages of Macro Transfer. Then, Micro Transfer is much more efficiently accomplished, and its applications to the market are more effective. Macro transfer was implemented in the five major channels as in Exhibit 1-3.

Macro Transfer

<Exhibit 1-3>

1. Overseas studies in the USA and Europe in the MBA and DBA programs.
2. Overseas trips for on-the-spot observations of marketing practices in the USA and Europe.
3. Invitation of scholars and experts from the USA and Europe.
4. Studies through papers and cases written in English.

Macro Transfer was and is a main source of gaining new information and knowledge of marketing techniques and practices for most Japanese corporations, business schools and marketing professionals.

D. 4P'S OF TRANSFER

The 4P's comprise Product, Program, Process and People. What kinds of marketing techniques were transferred is examined in this section.

1. Products and Services

The core of marketing transfer was products and services. The transfer of products and services tended to come first and the other elements of transfer mix arrived later. The transfer of businesses, products categories, retailers, restaurants, etc. are also included in the transfer of products and services.

2. Program

Concrete marketing programs and their implementation know-how were transferred. Programs of advertising, promotion, personal selling, distribution, pricing, etc. were simply dubbed into Japanese, and put into operation by multinationals in Japan. Japanese corporations also used advertisements of American origin by just translating them into Japanese in the 1960's.

3. Process⁽⁸⁾

Methodologies and know-how to plan, develop and implement product development activities and marketing programs are defined as the marketing process. Japanese corporations were more keen on AI-transfer processes rather than programs. With AI Transfer of marketing processes, Japanese corporations understood that developing their own brands and marketing programs according to the transferred processes had a higher rate of success than otherwise.

4. People

The transfer of products, programs and processes in both AI Transfer and SAL Transfer avenues took place from people to people.

E. TWO-WAY AND CIRCULATIVE NATURE OF MARKETING GLOBALIZATION

1. Internal Globalization

AI Transfer by Japanese corporations and SAL Transfer by American and European corporations have both contributed to enhancing the level of Japanese marketing techniques to one of the world's most sophisticated levels on the domestic front.

2. External Globalization: Transfer Model (2)

The speed of External Globalization of Japanese marketing accelerated as Internal Globalization progressed up to comparable level of sophistication as seen in the USA and Western Europe. In reality, Japanese corporations such as TOYOTA and MATSUSHITA (PANASONIC) extensively pursued their external globalization strategies when they were on the verge of adaptation and innovation of marketing techniques in the 1970's.

Another avenue of External Globalization of Japanese marketing by non-Japanese companies was also observed. Numerous corporations in NIES and ASEAN countries AI-transferred Japanese marketing techniques and built their competitive edge in their respective countries in the 1970's and the 1980's.

The third avenue was AI Transfer of Japanese marketing techniques by American and European corporations. The BIG THREE in the USA, P&G, COCA-COLA, etc. are good examples of having transferred "Japanese-originated" products and services into the USA and elsewhere.

External Globalization

<Exhibit 1-4>

From Japan to the World	
Japanese Initiative	<ol style="list-style-type: none"> 1. Step of Standardization 2. Step of Local Adaptation 3. Step of Localization
American and Asian Initiative	<ol style="list-style-type: none"> 1. Step of Adoption and Imitation 2. Step of Adaptation and Innovation 3. Step of Adeption and Invention (Creation)

3. Two Ways and Circulation of Marketing Globalization

The development of Internal Globalization in Japan prompted the expansion of External Globalization. And the higher level of External Globalization, in turn, further encouraged the better and higher development of marketing techniques back home.

F. FOUR LAYERS OF MARKETING INFRASTRUCTURE

1. Marketing Infrastructure

The concept of marketing infrastructure is proposed here. The infrastructure in four layers influences the magnitude and content of the transfer of marketing techniques, as well as the speed of transfer. The infrastructure is made up of four different dimensions of culture as in Exhibit 1-5.

We would like to propose the concept of marketing infrastructure in four layers rather than the one of marketing environment encircling transfer phenomena⁽⁹⁾.

Marketing Infrastructure

<Exhibit 1-5>

The level of development of brand marketing culture (BMC): commonalties and differences
The level of development of marketing culture (MC): commonalties and differences
The level of development of economic-materialistic culture (EMC): commonalties and differences
The level of development of socio-spiritual culture (SSC): commonalties and differences

We assume that the level of development of each layer of culture in the infrastructure between the originating country and the receiving country is crucial for the transferability of marketing techniques. American marketing techniques have been both AI-transferred and SAL-transferred to every corner of the world, but each receiving country shows a different level

and profile of development and evolution. The transfer is influenced first by SSC, second by EMC, third by MC, and fourth by BMC.

2. Socio-Spiritual Culture (SSC)

The culture covers so many aspects of people's socio-spiritual lives in a country: the systems of education, politics, family as the basis of society; the systems of value, law, morality that influence people to people relationships and people to the society-nation relationships; religion and philosophy relating to the level of humanity and intelligence of the people in the country. These elements, while integrated between each country's unique and peculiar history and the globally-accepted standardization of political-economic-social systems of today, affect people's motivations, behavior, life styles, etc. in the country. Whether or not contemporary marketing practices are possible, and how efficiently and effectively they are possible, are dependent on the most fundamental structure of SSC of the country.

3. Economic-Materialistic Culture (EMC)

The level of development of economy, science and technology, etc. in the country plays a decisive role to the degree of development of marketing techniques. Science and technology determine the physical quality standard of products and services to be produced in the country. The economic performance of the country is an end result of corporations' selling and marketing activities of products and services, that are produced by integrating human skills, materials, money, information and technologies.

A higher level of income and resulting consumption is observable in the country with stronger economic performance and higher science-technology skills. Quite naturally, the most contemporary marketing techniques of a high level are commonly in use in that country.

EMC develops on top of SSC. In other words, the active and dynamic evolution of economic activities is performed by those who are well-versed in the areas of not only social science and natural science, but humanities, which are essential elements of a high standard of SSC.

4. Marketing Culture (MC)

Marketing culture defines how various social institutions supporting marketing activities of corporations are well structured and easily available for daily access. Media, ad agencies, research houses, retail business, physical distribution, etc. are among these elements constituting MC. Also defined as such are marketing education and its achievement including the number of well-educated and well-experienced marketing people, the level of marketing techniques available

for use, etc.

MC is a direct off-spring of EMC, primarily the scale of consumption economy and its speed of growth and structural changes over time. In addition, MC is also influenced by SSC injecting a peculiar and unique flavor of each country into MC.

5. Brand Marketing Culture (BMC)

Marketing globalization in our definition envisages a world where various brands originating from one country are accepted in life styles everywhere.

G. MARKETING TRANSFER MODEL

The five conceptual frameworks of marketing transfer thus far explained are put together and integrated to produce a market transfer model as viewed from the Japanese angle in Exhibit 1-6.

Transfer Model of Marketing Techniques

〈Exhibit 1-6〉

		Internal Globalization (from the USA to Japan)				Marketing Infrastructure	External Globalization (from Japan to the World)				
WHO TRANSFERS	Japanese cos	Micro Transfer	<AI Transfer> 1. Adoption & Imitation 2. Adaptation & Innovation 3. Adeption & Invention (Creation)				Brand Marketing Culture ----- Marketing Culture	<SAL Transfer> 1. Standardization 2. Local Adaptation 3. Localization			
		Macro Transfer									
	Non- Japanese cos	Micro Transfer	<SAL Transfer> 1. Standardization 2. Local Adaptation 3. Localization				----- Economic- Materialistic Culture ----- Socio- Spiritual Culture	<AI Transfer> 1. Adoption & Imitation 2. Adaptation & Innovation 3. Adeption & Invention (Creation)			
		Macro Transfer									
		Product	Program	Process	People						
		4P's of Transfer Mix				4P's of Transfer Mix					

H. TRANSFER MATRIX

How were the four P's of marketing transfer mix transferred, and what specific elements of the 4P's were transferred and not transferred? To address to the above questions, we have developed a transfer matrix as in Exhibit 2-1. The matrix aims to propose a new view of the country-of-origin effect. In the area of international marketing many researchers have agreed that

marketing transfer tends to take place from a country with a higher level of economic development, and that it goes for the similarity of culture between the originating country and the receiving country. We would like to add two more dimensions to the issue. The strength and degree of acceptance of different culture, and the typology of products and services also influence the ease and speed of marketing transfer from one country to another.

For this we will use socio-spiritual culture (SSC) and economic-materialistic culture (EMC) as the two discerning dimensions, and then commonalties of SSC and EMC and mutual acceptance of SSC between the originating country and the receiving country of relevant marketing techniques are combined to produce the transfer mix. We would like to hypothesize in the end that the commonalties and the mutual acceptance of the two layers of culture between the two countries are the key driving forces explaining how and which of the four P's of transfer mix were transferred from the USA to Japan, and then from Japan to the world. Exhibit 2-1 illustrates in each quadrant the direction of transfer among countries as viewed from the Japanese angle in the 1990's.

Transfer Matrix in the 1990's

<Exhibit 2-1>

Acceptance of SSC of Originating Country

Commonalties of SSC between the originating country and the receiving country		Strong	Weak
	Many	<A> Many commonalties of EMC (1) the USA and EU countries (2) Among EU countries (I)	Few commonalties of EMC (1) Japan and ROK* (III)
	Few	<A> Many commonalties of EMC (1) the USA and Europe to Japan Few commonalties of EMC (1) Japan to NIES and ASEAN (II)	<A> Many commonalties of EMC (1) Japan to the USA and Europe Few commonalties of EMC (1) NIES and ASEAN to Japan (IV)

* Korea (ROK) is not included in NIES.

I. TRANSFER HYPOTHESIS OF PRODUCTS AND SERVICES

1. Typology of Products and Services and Their Transferability

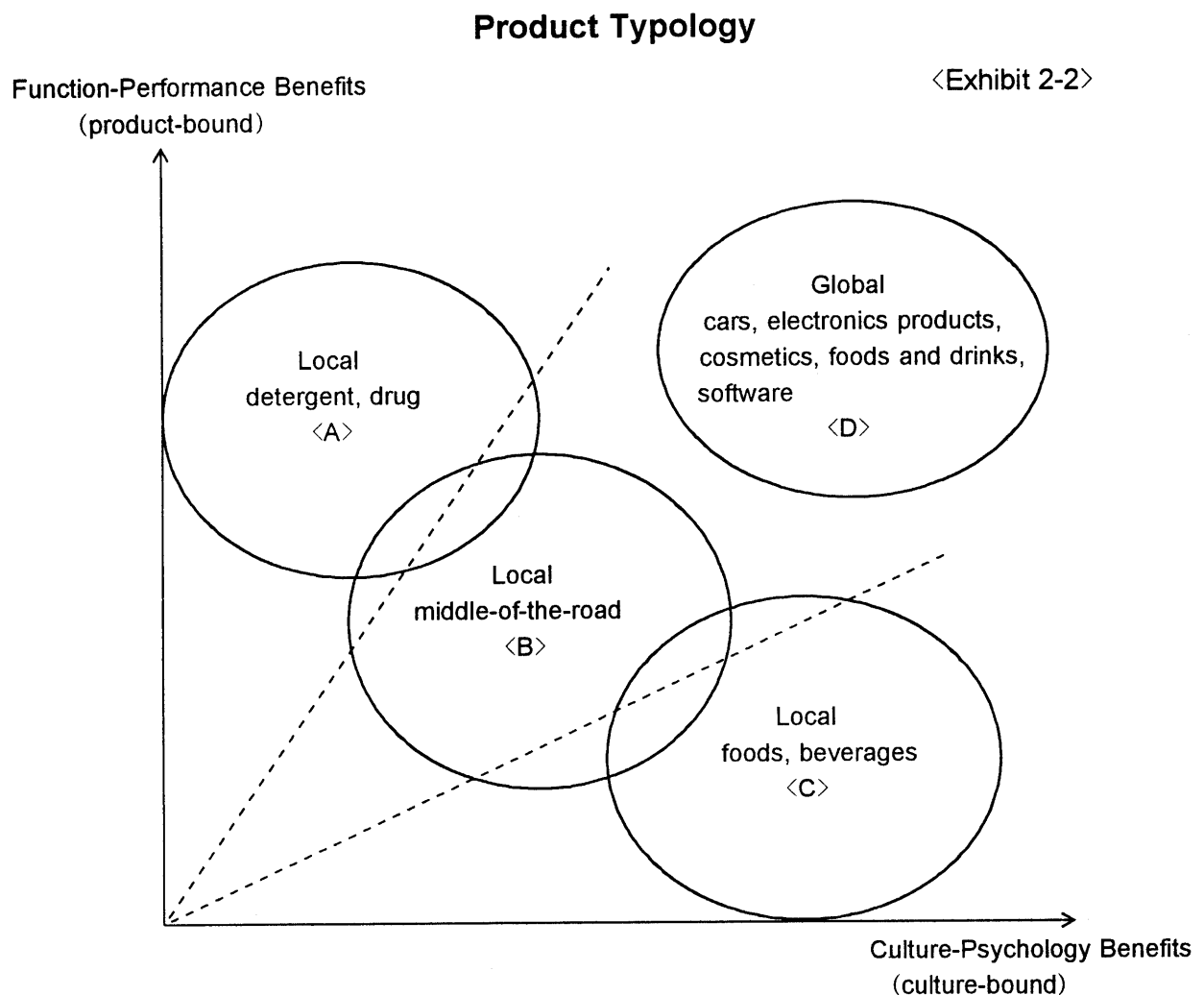
In the world of today, where a new product lifecycle tends to take place almost simultaneously in most parts of the globe, it is common that products and services are easily transferred across national boundaries from an originating country with global competitiveness in the respective categories.

It is also true that in many cases products and services with global competitiveness come

out of economically-advanced nations. On the other hand, nobody denies that the increasing number of corporations from NIES and ASEAN countries offer very competitive products and services across the globe. Japan, having used to belonging to the status of developing nations, successfully offered "second-but-better" products in the 1970's and "first-and-best" products in the 1980's, and has become one of the most sophisticated marketing power houses.

We would like to argue that the relative competitiveness of products and services should be considered from an angle of a product typology. Firstly, we introduce the two axes along which products and services are typologized. The one axis is labeled as Function-Performance Benefit (FP benefit), and the other axis as Culture-Psychology Benefit (CP benefit).

For a clearer understanding of the ease of transfer from one country to another, we would like to propose the typology of products and services along these two axes as in Exhibit 2-2.



- ① Products and services in Type <A> are easily transferable as long as they are functional and perform better and are differentiated (and recognized as such). Otherwise they tend to stay as local products and brands. In the end, their functions and performances are

objectively assessed across countries.

- ② Products and services in Type <C> are usually not easily transferable because they tend to bear benefits specific to local culture and its peculiarities. In the end, their benefits tended to be subjectively assessed.
- ③ Most products and services are in Type , and with more or less either functional or cultural benefits depending upon in which part of the world they are available. Shampoo, for example, is more functional in ASEAN countries and more cosmetic in Japan. The car in Korea is more prestige and luxury, but in the USA more just a tool for moving around.
- ④ Global products and brands, belonging to Type <D>, tend to have one element in common. They enjoy global acceptance of their competitive strength, either in terms of function and performance or cultural and psychological satisfaction.

2. Transfer Hypothesis of Products and Services

《Transfer Hypothesis 1》

<Exhibit 2-3>

Products and services mainly with FP and/or price benefits, less prone to be influenced by similarities and differences of SSC between the originating country and the receiving country, tend to be transferred with relative smoothness and ease from the country with international competitive advantages of FP and price benefits.

This hypothesis is applied in all the four quadrants of Exhibit 2-1. The above products and services will be transferred from one country to another, regardless of development, as long as they offer competitively better FP and price benefits to the consumers of the receiving country. The products and services with the benefits help corporations from the originating country to lessen the constraint of the country-of-origin effect vis-à-vis consumer nationalism.

《Supplementary Hypothesis》

<Exhibit 2-4>

(1-1) Products and services mainly with CP benefits, when many similarities in and strong mutual acceptance of SSC are observable between the two countries, tend to be transferred with relative smoothness and ease. Brands of these products and services are also easily transferred.

This hypothesis seems to be supported between the USA and EU in Quadrant I, and among most EU countries where countless number of products and services are mutually

transferred.

《Supplementary Hypothesis》

〈Exhibit 2-5〉

(1-2) The transfer of products and services mainly with CP benefits, when not many similarities in SSC are observable between the two countries, and the receiving country shows strong acceptance of the culture of the originating country, tends to take place from the originating country to the receiving country. But not vice versa.

This hypothesis fits those products and services including cosmetics, fashion products, foods, beverages, fast food restaurants from the USA and Europe to Japan, and from Japan to ASEAN countries, etc. in Quadrant II.

《Supplementary Hypothesis》

〈Exhibit 2-6〉

(1-3) When the receiving country is aware of many similarities in SSC of the originating country, but shows less acceptance of the latter's culture, the former country tends to transfer products and services from the latter while masking the latter's corporate names and brand names. Products and services with both FP benefits and CP benefits are transferred in countless numbers.

The hypothesis is particularly applicable to the ROK's transfer of products and services from Japan in Quadrant III⁽¹⁰⁾.

《Supplementary Hypothesis》

〈Exhibit 2-7〉

(1-4) When between the originating country and the receiving country there are few similarities in and less mutual acceptance of SSC in Quadrant IV, the former's goods and services mainly with CP benefits tend not to be easily transferred to the latter.

Japanese products and services mainly with local CP benefits, or Asian products and services at large mainly with Asiatic CP benefits, are faced with substantial difficulties in making inroads into the USA and Europe and finding room to be established there as daily household products.

The transfer of products and services is to be examined in detail in PART THREE.

J. TRANSFER HYPOTHESIS OF PROGRAMS, PROCESS AND PEOPLE

This section will cover Programs, Process and People.

1. Transfer Hypothesis of Programs

《Transfer Hypothesis 2》

〈Exhibit 2-8〉

The transfer of marketing programs, where the level of development of the marketing infrastructure has a lot of similarities and is acceptable between the originating country and receiving country, tend to be made with relative ease and smoothness in the form of standardization or minimum adaptation.

This hypothesis was already empirically accepted between the USA and EU (Quadrant I of Exhibit 2-1), and among the EU countries by Sorenson and Wiechmann (1975), Quelch and Hoff (1986), etc⁽¹¹⁾.

Between the USA and Japan, nearly all marketing programs SAL-transferred from the USA in the 1950's and 1960's failed with a few exceptions such as the franchise system, and the route sales and direct distribution to the retail market both by Coca-Cola. Although Japan showed a strong acceptance of SSC of the USA, she had little similarity with it (Quadrant II). This seems to have explained the difficulty in transferring marketing programs from the USA to Japan.

2. Transfer Hypothesis of Process

《Transfer Hypothesis 3》

〈Exhibit 2-9〉

The transfer of marketing process, least influenced by the differences of the marketing infrastructure between the originating country and the receiving country, tends to be made from the marketing-advanced country to the marketing-advancing country.

This hypothesis is applied in all the four quadrants of Exhibit 2-1. Keegan supported this in his book (1986)⁽¹²⁾. Japanese experiences during the past 50 years show that most successful marketing companies made the most of AI-transferred marketing processes from the USA and Europe. MNC's in Japan that had earlier switched from program transfers to process transfers experienced many more successes. P&G, UNILEVER, NESTLÉ, etc. used and are using their own standardized marketing processes (marketing management manuals) to develop localized

marketing programs.

3. Transfer Hypothesis by People

《Transfer Hypothesis 4》

〈Exhibit 2-10〉

The transfer of marketing techniques is made by people to people.

This hypothesis is applied in all the four quadrants. AI Transfer of marketing techniques by numerous Japanese corporations was made possible and turned out to be successful when the top management, the founder and/or the owner took the initiative and had deep involvement in AI Transfer activities. Mr. Kohnosuke Matsushita for MATSUSHITA (PANASONIC/NATIONAL), Messrs. Masaru Ibuka and Akio Morita for SONY, Mr. Kiichiro Toyota for TOYOTA, Mr. Sohichiro Honda for HONDA, Mr. Kyoji Suzuki for AJINOMOTO, Mr. Atsushi Kobayashi for LION were just a few out of so many who pioneered AI Transfer of products and services of the USA and Europe in the early age of economic reconstruction in the 1950's and the early 1960's.

Those pioneers had "three" distinctive features in their nature in common.

- ① Strong aspiration and determination for success (*Kokorozashi no Takasa*).
- ② Sharing a dream with others and encouraging them to achieve innovation and invention (creation) (*Yume no Kyokyu*).
- ③ Having few selfish motives (*Shishin no Nasa*) .

On so many AI Transfer occasions, Japanese marketing people learned marketing techniques from American and European counterparts in the USA and Europe. Also, so many American and European marketing people visited Japanese corporations to teach them.

SAL Transfer has been characterized by expatriate marketing VP's and directors coming to Japan and training junior Japanese marketing people.

Then in turn, over the past 50 years, those trained marketing people disseminated newly acquired marketing techniques (AI-transferred by individuals) to the marketing society in Japan.

K. TRANSFER OF PRODUCTS AND SERVICES OVER THE 50 YEARS

In this section we would like to review in the framework of the transfer matrix how Japan has developed and evolved her products and services over the past 50 years through both AI

Transfer and SAL Transfer. The remaining elements of the transfer mix are not covered here.

1. Japan Transferred Marketing Techniques Mainly from the USA

Japan transferred, mainly from the USA, the four 4P's of marketing techniques including products and services with both FP benefits and CP benefits. Exhibit 3-1 summarizes the historical evolution of Japanese marketing through AI Transfer and SAL Transfer.

Japan's Transfer Over the Past 50 years <Exhibit 3-1>

Acceptance of SSC between Japan and the USA

		Strong acceptance of US's SSC by Japan	Weak acceptance of Japan's SSC by the USA
Commonalities of SSC between Japan and the USA	Many	N/A	N/A
	Few	(I) (II) <A> Few commonalities of EMC (1950's-1960's) • Adoption and Imitation by Japan. • Standardization and Local Adaptation by the USA Many commonalities of EMC (1970's - 1990's) • Adaptation and Innovation to Adeption and Invention by Japan. • Local Adaptation and Localization by the USA	(III) (IV) <A> Few commonalities of EMC (1950's - 1960's) "Second-and-Cheaper" products. Many commonalities of EMC (1970's -1990's) Export to Overseas Production in the USA "Second-but-Better" products "First-and-Best" products
		In Japanese Market Internal Globalization	To the US Market External Globalization

In the 1950's, when Japan started transferring modern marketing techniques, the level of Japanese EMC was far behind that of the USA (Quadrant II <A>). Japan's GDP of 1955, for example, was 1/20 of the US's or her GDP per capita was 1/10. American economic activities in every aspect looked so enormous that Japan could never catch up with the USA.

It was apparent that there were huge differences between Japan and the USA in the area of SSC including people's life styles and value system, but the Japanese adored almost

unconditionally the American SSC and EMC and were eager to transfer them. Japan, in the 1950's, already had the historical accumulation of modernization for at least 80 years. The hermit Japan opened its doors to the outside world in 1868. Therefore even after WW II, Japan widely accepted the SSC and EMC of the USA and Europe.

AI Transfer of marketing techniques was no exception. Japan transferred and is even now transferring almost all industries newly created in the USA and in the stage of either growth or maturity, together with the respectively relevant marketing techniques.

2. Adoption and Imitation from the 1950's to the Early 1960's

<Watches and Cameras>

Japanese corporations AI-transferred advanced product technologies to rebuild product categories with FP benefits. Home sewing machines (1946), still cameras (1945), watches (1946), etc. were a few examples among many. Home sewing machines were transferred from the USA, cameras from Germany, and watches from Switzerland. Japanese corporations Adopted and Imitated advanced technologies in these respective areas. CANON and NIKON for cameras, SEIKO and CITIZEN for watches were the major players.

<HED's> ⁽¹³⁾

Between 1951 and 1953, new home electric / electronics devices (HED's) such as electric washing machines (EWM's), black and white TV sets (TV's), electric refrigerators (ER's), were put into local production for the first time in Japan through Adoption and Imitation of relevant technologies from the USA and Europe. The introduction period of "full-fledged" HED's started at that time. From 1955 the HED's boomed. And in particular, EWM's, TV's and ER's were called the three "representative" HED'S of the time. MATSUSHITA was the pioneer in the HED area followed by TOSHIBA, SANYO, etc. SONY started as an innovator from the beginning with the transistor technology applied to the HED's.

<PV's> ⁽¹⁴⁾

The production of "full-fledged" passenger vehicles (PV's) started in 1955. Until 1955, Japanese corporations had Adopted and Imitated technologies through knock-down arrangements mainly with European car manufacturers, learning technical information and production methodologies from FORD, etc. TOYOTA, NISSAN, ISUZU, HINO, etc. were several representative companies on the first step of Adoption and Imitation.

<Products with FP benefits in General>

In the above product categories mainly with FP benefits, Japan was no match for the level of technological advancements in the USA and Europe. Japanese corporations had no other choice than to Adopt and Imitate much more advanced technologies for manufacturing and producing these product categories. The technology transfer was initiated by Japanese corporations together with AI Transfer of other mix elements of marketing techniques.

<Products with CP benefits> ⁽¹⁵⁾

In those product categories mainly with CP benefits and hybrid benefits, intensive transfers also took place in both AI steps and SAL steps. KAO initiated AI Transfer of product planning and development, and various marketing techniques from P&G. LION licensed-in VITALIS and BUFFERIN from BRISTOL MYERS, and together with the brands AI- transferred BM's product development and research processes. AJINOMOTO joined hands with CPC for the KNORR instant soup products and marketing processes. COCA-COLA's SAL Transfer started in 1957 that stimulated many Japanese companies in the 1960's to begin AI-transferring the soft drink business through Adoption and Imitation of COCA-COLA's marketing.

3. Adaptation and Innovation from the middle 1960's to the early 1970's.

<Second-and-Cheaper>

Watches and cameras achieved Adaptation and Innovation by the end of the 1960's. Japan became the largest producer and exporter of cameras in 1963, and watches in 1966, respectively. CANON, NIKON, SEIKO, CITIZEN, etc. together with SONY of transistor radios and tape recorders represented the first wave of global brands originated in Japan. They acquired the status of "Second-but-Better" in the USA and Europe. However, most other Japanese products including HED's and PV's were still called "Second-and-Cheaper" in the USA (Quadrant IV <A>).

Japan reached the No.2 position of GDP in 1969, but per capita income was still at as low as \$1000, one third of the USA or 70% of Germany. The level of EMC still remained lower than those of the USA and Europe. Owing the 3C's of Cars, Color TV sets, and Coolers (Air Conditioners) became a "proud" symbol of a reasonable standard of living.

<The USA offered a Market for Japanese Products>

Japanese products mainly with FP benefits were increasingly exported (SAL-transferred) to the USA and Europe. The USA, in particular, was the largest importer of Japanese products with FP benefits at cheaper or reasonable prices. Meantime, Japan was viewed by American corporations as a possible large market for their products and services. But the Japanese market

in many product areas was closed to the US corporations. This caused a succession of trade frictions in the 1970's and on. However, several big SAL transfers were observed such as MACDONALD'S, KFC, etc. They also helped develop a new service industry of chain fast food restaurants.

<Products with CP benefits>

Japan was an unknown country to the consumers in the USA and Europe. In particular, Japanese products and services mainly with CP benefits such as foods, cosmetics, toiletries, etc. had little acceptance except among a few particular people. In a word, those Japanese products had no appeal that motivated American consumers to appreciate Japanese CP benefits in their daily life.

<Globalization to Asia>

Intensive SAL Transfer to NIES and ASEAN countries of Japanese products and services with both FP benefits and CP benefits started in the late 1960's and is still going on. To Korea, more AI transfers by Korean corporations than SAL transfers by Japanese corporations have been taking places in every industry since the beginning of the 1970's.

4. From Adaptation to Innovation to Adeption and Invention from the middle 1970's to the 1980's.

<Achievers of Invention>

During this period, Japanese corporations successfully achieved Adeption and Invention (Creation) that could overcome the economic crises caused by the two waves of the oil crisis in 1973 and 1978. They cleared even the strictest regulations of energy saving and anti-air pollution measures. The corporations of PV's and HED's were the two biggest achievers of Adeption and Invention.

In particular, the PV industry overwhelmed the rest of the world in the areas of engine technology and the so-later-called "lean" production system. The production system as a whole enabled TOYOTA, NISSAN, HONDA, etc. to achieve ① faster new product development cycle, and ② a full line of the product portfolio strategy (so many different models of fewer quantity each) at lower costs yet with high productivity, high quality and good performance. The system was responsible for the global competitiveness of the Japanese PV corporations. The HED industry also achieved the lean production system, and girls who had been working at the production line of HED's were replaced by robots.

<Second-but-Better>

Japan's positioning in the world of marketing techniques has been in Quadrant II on the domestic front, and in Quadrant IV on the overseas front, respectively since the middle 1970's.

Japanese-made PV's were appreciated as "Second-but-a-lot-Better" than American counterparts in the US market by the very American consumers. Beginning in the 1980's, Japanese PV's also rapidly penetrated into Europe and the rest of the world. On the home front, the penetration of PV's surpassed 100 vehicles per 1,000 people in 1971 and achieved 202 vehicles in 1980, a penetration level comparable to Europe in the late 1960's.

<First-and-Best>

In the area of made-in-Japan HED's, Japanese corporations with such brands as SONY, PANASONIC, etc. created new HED categories including head-phone stereos (WALKMAN), home VTR's, video cameras, CD's TV games, etc., and SAL-transferred them to the world. They are "first-and-best" products originating in Japan.

<Products with CP benefits>

In those product and service categories mainly with CP benefits, such corporations as AJINOMOTO, KAO, LION, etc. Adapted and Innovated marketing techniques, and successively created new product categories and achieved business diversifications.

<Processed Foods>

AJINOMOTO, once a single product company of the MSG seasoning (AJINOMOTO Brand), grew into one of the biggest general foods companies through business diversifications. The company benefited a lot from the marketing process they learned from CPC with KNORR. In particular, the process of new product development steps contributed to its category expansion and business diversifications.

<Toiletries>

KAO, while learning from P&G either directly or indirectly, also expanded product categories into shampoo, clothing detergent, dishwashing detergent, toilet detergent, cosmetics, etc., a typical successful example of which was a down-sized detergent (ATTACK) which wiped out the conventional heavy-duty detergent a year after launch in Japan.

<Fast "Meal">

The fast food and "dine-out" industry rapidly grew and proliferated in the 1970's through Adeptation and Invention. Fast Japanese "meal" (beef bowl, sushi, noodles) restaurants were created while AI-transferring management and service know-how from MACDONALD'S and KFC.

<Full-scale Overseas Production>

In the late 1980's, Japanese corporations of HED's and PV's started full-scale overseas productions, and SAL-transferred the lean production system in due course. The globalization of production, sales and marketing, and the management has been under way at high speed since then.

5. Marketing Transfer in the 1990's

<Affluent Society>

By the early 1990's, Japanese corporations already achieved internal globalization in many product and service categories through the Adeptation and Invention (Creation) steps. Multinationals also Localized (AI-transferred) various product categories.

In 1995, Japan had the second largest GDP of \$5 trillion and her per capita GDP stood at \$41,000, the highest among industrialized countries. On the PPP basis, Japanese per capita consumption in US dollars of products and services recorded one of the highest levels among the G-7 countries. Japan is in the middle of affluence that she has never experienced in history. "There is nothing that we cannot find in Japan", is a phrase the Japanese like to use to express the affluence.

<Global Dominance with Some Categories>

Those product categories including watches, cameras, HED's, PV's, etc. have attained both internal globalization and external globalization. For instance, the Japanese car manufacturers in total turned out 30% of the world production units in 1996. The Japanese HED corporations shared 44% of color TV's, 78% of VTR's, and 75% of CD + MD players respectively of the world production in 1996.

<Limited Globalization with Some Categories>

While those industries of cosmetics, toiletries, foods and drinks, "eat-out" (fast foods) restaurants, etc. have grown to be as competitive as or even better than multinationals in Japan (internal globalization), their external globalization has been achieved primarily in NIES and

ASEAN countries. External Globalization into the USA and Europe still remains at a marginal level.

<Problems Lying Ahead>

Today in the late 1990's, Japan faces a mounting number of problems in the area of marketing globalization. In particular, the current level of high global competitiveness of products and services originated in Japan might gradually deteriorate.

<HED's>

The current strength of global competitiveness of "originated-in-Japan" HED's and PV's, for example, does not have the future guarantee of global competitiveness as well. The Japanese HED corporations have not lately created any major "first-and-best" products. The global market itself is at the maturity stage and the current level of technological competitiveness will sooner or later deteriorate.

<PV's>

In the area of PV's, it is said that new dimensions of global competitive strength lie ahead including environmental technologies to be integrated in further reduction of emission and developing electric vehicles (EV's). More than this, global competitive power will be tested, beyond mere brand power and global sales network, in such areas as speedy networking skills of information transmission and processing at the global scale, the level of standardization and mutual complement of finished products and parts, on-the-spot handling discrepancies between demand and supply in every corner of the world, etc.

<Global Competitiveness in the Future>

These corporate skills will have to be globally integrated and synchronized into corporate systems. Japanese companies are said to be stronger in the areas of product development and lean production, while the BIG THREE in the global systematization of corporate activities. As was witnessed by the world the mega-merger case of Daimler Benz and Chrysler, global-scaled mergers, acquisitions, and strategic alliances across continents and countries will be inevitable in the near future. How Japanese PV corporations will take advantage of the global trends and keep as competitive as or become more competitive than now remains to be seen.

L. EPILOGUE

In this paper, we could not give further elaborations of the transfer of marketing program and process by Japanese corporations and individuals. In short, all the Japanese industries AI-transferred marketing process from their American counterparts. They dispatched, in many waves for weeks or months, missions for on-the-spot observations of marketing practices in the USA and Europe, sent their young employees to business schools and partner corporations in the USA for intensive studies and marketing training. The transfer of the marketing process was thus made possible from people to people.

Also we could not offer transfer cases in detail. We have been compiling, company by company in each industry, a case history of AI Transfer and SAL Transfer over the past 50 years. TOYOTA, SONY, HONDA, MATSUSHITA, AJINOMOTO, COCA-COLA, KGF, NESTLÉ, KAO, LION, P&G, UNILEVER, MACDONALD'S, KFC, etc. have been covered for our detailed traces of their history of marketing transfer. We would be most happy if we could be given another chance to dig into details on the subject of marketing globalization through mutual transfer.

Lastly, we like to invite you to join us for furthering this subject from the angle of your respective countries of origin. We have to admit that we have approached the subject mainly from the Japanese perspective, while paying less attention to how Japanese marketing techniques thus far developed and evolved through AI Transfer and SAL Transfer appear to the rest of the world. This, we believe, is another aspect of culture borrowing from each other.

Notes

- (1) P. Kotler et al. (1985) argued that the quality improvement of Japanese products was achieved through the three steps of Imitation, Innovation and Invention, in their book titled *The New Competition*, Prentice Hall. The authors (Ogawa and Hayashi) expanded the concept to cover the total four 4P's of marketing mix. The transfer process of marketing techniques across national frontiers was argued by H. Hayashi et al. (1986) as having the three processes of Adopt, Adapt and Adept in their paper titled "Marketing Across Frontiers", ESOMAR-Tokyo. The concept of the AI transfer was developed by combining both.
- (2) The concept of the SAL transfer was developed while being indebted to various papers as below. J.A. Quelch and E.J. Hoff (1986), "Customizing Global Marketing", *Harvard Business Review*, May-June. R.Z. Sorenson and U.E. Wiechmann (1975), "How Multinationals View

- Marketing Standardization", *Harvard Business Review*, May-June. Hirotaka Takeuchi (1988), "Competitive Advantage Strategy in Global Product Development (*Grobaru Seihin Kaihatsu Ni Okeru Kyoso-yui No Senryaku*)", Hitotsubashi University Research Annual (*Kenkyu Nenpo*).
- (3) The conceptual distinction between Micro Transfer and Macro Transfer was developed by the authors while referring to R.Moyer and H.D.Hoff (1978), "Micro marketing activities are oriented toward the enterprise's welfare, whereas the focus in macro marketing centers on society's welfare", *Macro Marketing* (2nd Edition), P.5, John Wiley and Sons.
- (4) The concept of marketing infrastructure was developed by the authors while extracting insights from P.R.Cateora (1993), *International Marketing* (8th Edition), Irwin, PP.97-120.
- (5) Ryotaro Shiba (1996), *The Structure of This Nation (Kono Kuni No Katachi)* (6 volumes), Bungei Shunju. Shiba argues in the book that Japan has been historically an excellent culture borrower from the outside world and transformed borrowed culture into Japanese creation, which is better than the original.
- (6) P.R. Cateora (1993), op. cit., PP.111-112.
- (7) This section is indebted to several books as follows. Hiroyuki Itami et al. (1988), *Competition and Innovation (Kyoso To Kakushin): The Company Growth in the Automobile Industry (Jidosha Sangyo No Kigyo Seicho)*, Toyo Keizai Shinposha. Yasunori Ohmichi (1993), *Home Electric / Electronic Appliances Industry (Kaden)*, Nihon Keizai Shimbunsha. Kohichi Shimokawa (1993), *Automobile Industry (Jidosha)*, Nihon Keizai Shimbunsha.
- (8) W.J.Keegan (1989) discussed in his book titled *Global Marketing Management*, Prentice Hall as follows in summary. The real competitive advantages of the multinational corporation do not come out of its standardization of marketing programs, but rest with its standardization of marketing process. Marketing process is the process through which a marketing program is developed.
- (9) P. Kotler and G. Armstrong (1996) assert in their book, *Principles of Marketing* (7th Edition), Prentice Hall as follows. Indirect Marketing Environment including Society, Culture, Politics, Economy, Law, etc. conceptually encircle marketing activities of the corporation.
- (10) Hiroshige Hayashi (1996) collected various transfer cases by Korean companies in his book, *The Life-sized Korean and The Life-sized Japanese (Toshindai No Kankokujin, Toshindai No Nipponjin)*, Takehaya Shuppan.
- (11) Sorenson and Wiechmann (1975), Qulech and Hoff (1986), op.cit.
- (12) W.J. Keegan (1989), op.cit.
- (13) References were made to the corporate history books of Matsushita and Sony as below. Matsushita (1968), *The 50-year Concise History of Matsushita Electric Industry (Matsushita Denki 50 Nen No Ryakushi)*. Sony (1986), *Torrent (Gekiryu)* (in commemoration of the 40th

anniversary of Sony).

(14) Toyota (1987), *Limitless Creation (Sozo Kagiri Naku), the 50-year History of Toyota Motors (Toyota Jidosha 50 Nen Shi)*.

(15) Based on the corporate history books of the relevant companies as below.

Kao (1993), *The History of Kao's 100 years (Kao Shi 100 Nen)*.

Lion (1992), *The 100-year History of Lion (Lion 100 Nen Shi)*.

Ajinomoto (1990), *Cultivating Taste (Aji O Tagayasu): The 80-year History of Ajinomoto (Ajinomoto 80 Nen Shi)*.

Coca-Cola Japan (1987), *Having Been Loved for 30 Years (Aisarete 30 Nen)*.