THE UNIVERSITY OF TEXAS AT AUSTIN

Title: **Marketing's War on Japanese Culture Memory**

By: **Douglas Lamont**

Date: October 8, 1998

Abstract:

Describes research showing how American brands come to dominate similar market segments in developed and emerging countries. Discusses recent evidence suggesting that product standardization and promotion adaptation, rather than standardization across marketing functions, earn profits worldwide and create value added within nations. Also, discusses new evidence from financial services suggesting that product standardization and price adaptation make up the core of the American marketing strategy towards investors from oversees. Describes the evidence for Japan. Reflects on America's marketing war on cultural memory and why it has been slower and less successful in Japan than elsewhere in the world.

Keywords: marketing; cultural memory; Japan

IC² Institute Working Paper WP-1998-10-08

© IC² Institute, The University of Texas at Austin
http://ic2.utexas.edu

(KY)

Marketing's War on Japanese Culture Memory

by

Douglas Lamont
Visiting Professor of Marketing
DePaul University

IC² Institute – JIMT Series Working Paper
October 8, 1999

Japan Industry and Management of Technology (JIMT) Program
IC² Institute
The University of Texas at Austin
2815 San Gabriel
Austin, Texas 78705

Working paper # 98-10-08

Portions of this paper may be reproduced as long as full acknowledgement of the source is made. This paper may not be reproduced in its entirety without the written permission of the IC² Institute and the author.

MARKETING'S WAR ON JAPANESE CULTURAL MEMORY

by Douglas Lamont

In this essay, the author reviews a stream of research that shows how American brands gain and, in many cases, come to dominate similar market segments in developed and emerging countries. Explanations for marketing's successful war on cultural memory initially centered on the psychographic aspects of segmentation and particularly age-period cohort groups and self-reference criteria. Of course, these explanations rested ultimately on rapid adoption of the American life-style including fast foods, casual fashions, and Hollywood movies. Recent evidence from both consumer and industrial goods suggests both product standardization and promotion adaptation, rather than standardization across all marketing functions, earn profits worldwide and create value added within nations. Also new evidence from financial services suggests both product standardization and price adaptation make up the core of the American marketing strategy towards investors from overseas who convert savings into higher-yielding treasuries, demand capital appreciation from growth-oriented stock, and pay a risk premium for bonds, derivatives and hedge funds The evidence for Japan suggests the following. First, consumer demand as a percentage of the gross domestic product, although growing a lot less during the current East Asian crisis, remains high. Second, Japan is not unique among developed nations in opening up its socio-cultural life to the American life-style for fast foods and even faster financial trades. The US business "miracle" in Japan, therefore, is no longer how Japan imported the menus of McDonald's and Kentucky Fried Chicken, the hard jeans from Levi's, and the movie Titanic, but why Japan is letting in the full-service investment broker of Merrill Lynch and the deposit-taker bank Citicorp. As many Japan-experts have long argued, decisions made by bureaucrats have had positive effects in maintaining Japan's uniqueness, and the latter's Kabuki *memory reveals little about their inertia, opaque policies, and* keiretsu *solutions. The article concludes with some reflections on American marketing's war on cultural memory, including the possibility that the entire post-1991 Japanese consumption experience rested on an extensive set of prior bureaucratic and societal decisions--from the Ministry of International Trade and Industry to the employees of Japanese firms--about what American goods could and could not be let into Japan. Therefore, US marketing's war on Japanese cultural memory has been much slower and less successful than the marketing wars in Canada, Mexico and elsewhere in the world.*

CAPITALIST DEVELOPMENT STATE

For over a decade, the puzzle of Japan's willingness to import ideas, goods and services from the US has been grounded in Chalmers Johnson's seminal work, *MITI and the Japanese Miracle*,[1] on the role of political processes in Japan's growth. Economic policy-making concerning domestic savings, consumption of national and foreign goods, and direct investments from overseas was and is today managed by a powerful insulated bureaucracy. Later in the decade Alice Amsden, Robert Wade and Dani Rodrik enhanced the argument with how the state fosters government-business coordination.[2] Jose Edargo Campos and Hilton Root suggest these information channels permit the avoidance of the dark side of "crony capitalism" within the *keiretsu*.[3] Moreover, Rodrik posits that relative social equality contributed to real wage growth, outward orientation and the willingness to consume standardized foreign goods with modest changes to fit the self-reference criteria (SRC) of the Japanese.[4]

TRADE AND GROWTH

Japan is a High Performance Asian Economy. Its modern sectors cross into most industries, regional and local markets, and the consumption choices of its citizens. For the last three decades, the Japanese have accumulated consumer skills, absorbed new technologies, disseminated foreign knowledge to local suppliers, and integrated themselves into the global economy. Today, these factors are embedded in Japanese markets and offer incentives for American marketers to push for more aggressive product diffusion throughout Japan. Nevertheless, what is exported to Japan (that is, what do the Japanese get in terms of foreign cultural influences from their importation of US goods and services) remains more important than how much is imported by Japan. For both trade and growth to occur at a slightly more rapid rate, all Japanese groups must agree on an incremental reinterpretation of their collective *Kabuki* memory that includes fast foods and even faster financial services. This is just common sense.

MARKETING FRAMES OF REFERENCE

The search for the taproot of marketing's limited victory in Japan requires a deep understanding of two very different cultures. The reality is that among US and Japanese marketers exist simultaneously different frames of references, and these lead to disparate business consequences. Here are some examples:[5]

- Americans ask what is possible "knowing" everything is possible. They prefer standardized products, packages, labels, ads and the lot. American offer adaptation late in the game. Hence, their great success in Japan is limited to a few well known brand names--McDonald's, Kentucky Fried Chicken, Coke, Levi's and Microsoft. Will Merrill Lynch, Citicorp and JP Morgan be as successful?.
- Japanese ask how is it possible to take in all these foreign products within the *nihonjin* that makes Japan unique among nations. Japanese want all products adapted to suit their particular tastes--teriyaki burger, Georgia coffee, hard jeans, and suitable ideograms as Windows. Will the Japanese get the higher rates of return they want from the management of their financial assets by US firms?.

The consensus is that global marketing within Japan has a different persona than what is found in the US, Canada, Mexico or elsewhere in the world. Export-led growth took Japanese foreign direct investments into the US and the long-term contact of expatriate Japanese with US goods and services. Also the industrial policy of Japanese bureaucrats had a positive effect on growth in

Japan and trade with the US. Thus the residual effect has been the limited victory of marketing's war on Japanese cultural memory.

Such humbling feedback was unknown to American marketers. Then in the 1980s the market share of Pampers disposable diapers in Japan collapsed, and in the 1990s American auto models still could not make a dent in the intensive distribution of Japanese auto models within Japan. Therefore, the only true trade protection against foreign goods is strong cultural memory well-insulated against the fads and fashions of the global market.

Of course, the capitalist development state slowed down the introduction of US goods and services into Japan--that is, until they could be suitably adapted to fit with the SRC of the Japanese. The net effect is that US marketing did not win its war on Japanese cultural memory as freely and clearly as the former ran roughshod over Canada, Europe and Mexico.

VALUE-BASED MARKETING DECISIONS

Today, financial executives see opportunities in Japan. They ask the following marketing questions:[6]

- *What is the context of a decision?* For Merrill Lynch, Citicorp and JP Morgan the context of their individual decisions is participating in the restructuring of Japan's domestic financial industry. They are now the *gaiatsu*--the foreign presence--as Japan Leasing goes bankrupt and the Long-Term Credit Bank seeks court protection.[7]
- *What is the object of the decision?* Again, for the three American-owned financial services companies the object of their individual decisions is asset-management capacity in Japan.

Professional knowledge, new ideas, and sophisticated technology are embedded in their stock portfolios, Treasury bills, and mutual funds.

- *What is the direction of preference or impact of the decision?* Finally, all three want to buy cheap Japanese assets (that is, they are down from their historic heights) and integrate them into their global, largely American financial businesses.

Japan is less credit worthy today than it was just a short time ago. For example, Moody's downgraded Japan from AAA to AA-plus. Fitch IBCA concluded a fire exists down below among leasing firms, non-bank banks, agricultural co-operatives, and state-run pension plans.[8] Also the banking system now lacks sufficient capital to cover its own investors and depositors.[9] Moreover, unemployment insurance for most Japanese who are affected by the seven-year recession runs out January 1, 1999. Therefore, mounting public debt puts Japan in the same category as Italy in terms of total government debt as a percent of GDP.

Today, American financial executives now can identify marketing opportunities in Japan's financial services market, create better alternatives for investing in faster financial transactions for the Japanese public, and develop an enduring commitment to Japan's role in the global financial economy. Let's put these decisions into the context of the main theme of this research.

MARKETING'S WAR ON CULTURAL MEMORY

Global marketing's makes three significant contributions to the discipline of marketing. First, global marketing reduces the unconscious reference to one's own cultural values--no American bias please. Second, it defines the sales and marketing problems in terms of the hostcountry traits, habits and norms--think *nihonjin*. Finally, global marketing makes as value free an assessment as possible of how segmentation, targeting and positioning make money, especially in dissimilar foreign markets--the US versus Japan.

Global marketers are responsible for the diffusion of new ideas, technologies and processes. They forecast country risk to understand better the country effect of diffusion. They delay or speed up the introduction of new products and services to deal realistically with the time effect of diffusion. Global marketers try very hard to make value judgments consistent with the SRC of customers. This is something global marketers learn by doing because they are the most sensitive business executives to the real cultural differences among nations and peoples of the world.

Today, Japan must deal with a difficult cultural dilemma: choose or lose, or change and lose. Japan must chose to let in foreign financial institutions or fall irrevocably behind the United States and the European Union. Japan must change how it manages financial institutions and its list of financial players, or see all its major banks go under from the fire down below. The marketing choice is inescapable.

MAKE WAR ON MEMORY

Successful marketers make war on cultural memory and win. Here are a few examples:

➔ Before NAFTA (pre-1994) Mexican families were content to use a donkey as the *piñata* for their children's birthday parties. With the invasion of American products and cultural symbols, children from up-scale, middle income families wanted Bart Simpson as the *piñata*. This cartoon character represents the new, the different, Hollywood to Mexican pre-teens. As they became teenagers, they got the freedom to meet friends at the local McDonald's, dress in Levi's and sweat suits at family meals, purchase the latest computer technology for the family's home computer, and encourage their parents to buy a sports utility vehicle for use in driving to school and on dates. As they became young adults, they set up US dollar-based bank accounts, credit cards, and stock portfolios.

→ Before McDonald's came to Japan Japanese sales personnel preferred to sit for their meals. Most sat on the floor with their legs underneath them; this was the customary way to eat traditional Japanese food. Many used tables and chairs that had been introduced into Japan during the American occupation after World War II; this was the customary way to eat Western food in Japan and Japanese fast food (for example, *soba* noodles). McDonald's introduced the notion that American fast foods demand fast service and fast turnover. Today, in many McDonald's, Mr. Donut and other fast food stores in Japan the Japanese stand while they eat, and it is not uncommon to find Japanese standing while they eat *soba*, too.

Therefore, marketing made war on rituals for celebrating birthdays and eating foods. It dominated local cultural preferences. Marketing modified the SRC of Mexican children and of the on-the-go Japanese salary men. My guess is that marketing will have a similar effect on Japanese investors.

PROVIDE TRANSPARENCY

Successful marketers take the veil off local rules and show them for what they really are--huge stumbling blocks in creating a consumer culture. Here are a few examples:

→ Before the U.S.-Canada Free Trade Agreement (pre-1989) Canadian business firms were protected by special national laws, such as the Foreign Investment Review Agency. American firms faced higher Canadian nontariff barriers. Of course, US companies refused to make additional investments north of the border. And Canada suffered a slowdown in economic growth, job creation and new business development. Once the Free Trade Agreement started, FIRA was defanged and renamed Investment Canada. "Canada is open for business!" was the new slogan touted by Canadian prime ministers as they toured the US. Today, Tim Horton's (a Denny's- type restaurant), Bombardier (a manufacturer of subway cars) and other Canadian firms compete at home and in the US against American firms.

→ Before Kentucky Fried Chicken (before 1980) came to Japan Japanese market researchers found Japanese consumers liked *teriyaki* chicken, a traditional dish with mild flavors suitable to the Japanese palate. KFC introduced the notion that the Japanese could pretend they are Americans on Japan's secular holidays (that is, Christmas and New Years Day). KFC's advertising is "warm heart communication." It conveys to the Japanese a past they never had (the anti-bellum South) and a future that will never be (a less-hurried life-style). KFC encourages the Japanese to eat chicken (dark meat is preferred) with the Colonel's secret blend of spicier flavors, and accompany it with mashed potatoes decorated with miniature gravy crowns, steaming hot rice balls and western-style bread.

Of course, marketing trampled on worn out research about why Japanese food tastes are unchanging, and showed the possibilities to sell spicier food in Japan to the Japanese and as tourists in the US. Marketing provides transparency (or openness) so that business leaders and consumers can make better choices about goods, services and processes.

Given the economic distress and financial collapse in Japan the marketers of American financial services have a once-in-a-lifetime opportunity to provide lower cost, faster financial services to the Japanese. The former's scale and scope gives them the wherewithal to be competitive on price. No doubt local bureaucrats will slow down this rush to openness. No doubt many Japanese will heed such caution because of their collective desire for social stability. Yet some things will change as American financial practices are absorbed into *nihonjin*, the sense of being unique among the Japanese. In a very limited sense, Japan will be rebranded by American marketers of financial services.

WORLDLY CONVERSION

Etched in memory is the spectacle of Princess Diana's funeral. She sells more UK papers and magazines today than during her life. Today, marketers are rebranding the Royal Windsors (especially, Queen Elizabeth II and Prince Charles) and Britain itself. That is how marketing imagination works on the cross-cultural frontiers, juggling English and American myths, conjuring "sainthood" in death against living "evil" forces who hold her children hostage to a past not yet over. Across the North Atlantic, in the glitter and gilt of New York and Washington, the Americans dream of a Britain tied to them against the weight of a Franco-German condominium over the European Union, a new North Atlantic Free Trade Agreement, with the newly rebranded Japan among the chosen few of developed nations.

Together, all three can have economic growth and prosperity. Separately, they will sink under the weight of an international financial system unregulated and unrepentant for the sins of its speculators. Without Japan linked to American-type financial services all of us will be poorer.

Notice again the stories. Who would have thought the Mexicans would give up the donkey for their *piñata* and follow Diana's example with a Bart Simpson cartoon character? Who would not warm to the Japanese standing like the people's Princess eating a Big Mac? Who could not be touched by the weird seduction of the Japanese, who for a day would be Americans at KFC or Disneyworld Tokyo just like Diana and her two teenage sons? The all important marketing mix was often Diana's ally, urging or cajoling all toward fast foods and faster financial transactions--in short, American habits about consuming goods and services.

Yet these consumers are playthings of vast, barely personal forces. Old Mexico and traditional Japan are retreating in a slow grinder of cross-cultural influences from America. For example, new nostalgia segments are found in Japan among unmarried young adults who want to play on Saturday afternoons as if they had grown up in America in The Fifties and could again be Mousketeers, replete with saddle shoes, Mickey Mouse skirts, and rock-and-roll music. Also Mexican parents worshiped Lola Beltrán as their children lusted for their own Madonna look alike, Gloria Estrella. Moreover, the Japanese got their own Crown Princess, Feminine Elegance, and a new *manga* market segment for professional women. Marketing converts were granted a duty-free cultural allowance to carry them into the global, largely American life-style.

After the transfers of the American consumer culture are counted, is anything left of the national and local cultures? These conversions happened at the McDonald's, Mr. Donut, and KFC. If they involved the demise of nationhood, and national senses and sensibilities, there is not much evidence that deep down people wanted to give up all their traditional loyalties. People accepted the fast-food life-style because it suited how they live today. The rebranding of Britain, Mexico and Japan lays the foundation for a vibrant global marketing culture in the 21st century, one in which elites who cater to consumers with money will prosper. Of course, here are potential future profits for Merrill Lynch, Citicorp and JP Morgan.[10]

Did Diana do all the things ascribed to her? Memory nearly everywhere is shrouded by powerful myths, and marketing is no exception. Here's what marketing does best: communicating an image of awareness about goods and services; gathering the community of buyers and situating sales in spaces of certain design; feeding the imagination with present and future marvels of technology; exciting the mind with entertainment and sports rituals that capture a sense of what it might be when one is a Hollywood superstar; and offering goods and services within the rhythms of business cycles and budget deals.

Even in Japan a marketing myth is playing itself out. American believe all Japanese everywhere will want to be converted to the new deep discount, financial services imperium from America. Remember bureaucratic inertia, opaque policies, and *keiretsu* solutions.[11] Not all the foreign plans for Japan's financial services industry will work out as planned.

DIFFUSION AND CHOICE

All market signals tell global marketers to get ready to act, to sell and market goods and services. However, the signals do not tell marketers whether consumers will spend their disposable income, when they will purchase products, and who will be favored by the custom of consumers. Sometimes, global marketers fail as did P&G with Pampers in Japan. The one lesson that emerges is the need to keep trying as did P&G until the foreign firm gains significantly more market share to make its direct investments immensely profitable.

America marketers believe they can foment a revolution among Japanese banks, non-bank banks, and other local financial institutions. The former have something to sell--namely, financial services at a deep price discount. These global financial marketers pose a difficult dilemma for Japan: choose or lose; change and lose. The choice is not a happy one, but it is inescapable in today's marketing milieu. No doubt the country effect of diffusion (that is, inertia, preference for social stability, and *keiretsu* solutions) will indeed slow down change in Japan's financial services industry.

ENDNOTES

Douglas Lamont is a visiting professor of marketing at DePaul University in Chicago, and manages an international consulting firm specializing in helping U.S. and Japanese firms invest in Latin America and East Asia. He is the author of six books including *Salmon Day: The End of the Beginning for Global Business*, *Winning Worldwide: Strategies for Dominating Global Markets*, and *Global Marketing*. He is a specialist about trade and investments within free trade areas, such as NAFTA, Mercosur and APEC. See <http://www.depaul.edu/~dlamont>

1. Chalmers Johnson, *MITI and the Japanese Miracle*, (Stanford, California: Stanford University Press, 1982).

2. Alice Amsden, *Asia's Next Giant: South Korea and Late Industrialization*, (Oxford, UK: Oxford University Press, 1989). Robert Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*, (Princeton, Princeton University Press, 1990). Dani Rodrik, "Getting Interventions Right: How South Korea and Taiwan Grew Rich," *Economic Policy*, (April 1995). Rodrik, "TFPG Controversies, Institutions and Economic Performance in East Asia," NBER Working Paper #5914, (Cambridge, Massachusetts: National Bureau of Economic Research, 1997.

3. Jose Edargo Campos and Hilton Root, *The Key to the Asian Miracle: Making Shared Growth Credible*, (Washington, DC: The Brookings Institution, 1996/

4. Rodrik, *op cit.*

5. Douglas Lamont, *Global Marketing*, (Cambridge, Massachusetts: Blackwell Publishers, Inc., 1996), chapters 1 and 2.

6. Lamont, *Global Marketing*, pp. 48-49.

7. "Japan Leasing Filed for Bankruptcy," <http://www.nytimes.com/aponline/f/AP-Japan-Bankruptcy.html> September 28, 1998. "Japanese banking: Fire down below," *The Economist*, October 3, 1998, pp. 84-83. Michiyo Nakamoto and Gillian Tett, "LTCB rescue 'needs cash'," *Financial Time*, August 28, 1998, p. 7. Jathon Sapsford, "Hedge-Fund Bailout Allows Japanese to Lecture U.S., *The Wall Street Journal*, September 28, 1998, p. A23. Sheryl WuDunn, "Japan Considers Nationalizing Some Banks," *The New York Times*, September 4, 1998, p. C2.

8. Fumiko Fujisaki, "Japan's Prestige Hit by Debt Rating Downgrade," <http://my.excite.com/news/r/980921/06/business-asia> September 21, 1998.

9. "Will Tokyo finally clean house," *The Economist*, June 27, 1998, pp. 71-73.

10. Jathon Sapsford, " Citibank Seeks an Ambitious Credit Line in Japan," *The Wall Street Journal*, October 2, 1998, p. A10. Sheryl WuDunn, "Japan Braces for Arrival of 'Big Bang'," *The New York Times*, June 4, 1998, pp. C1, C6.

11. Mary Elizabeth Berry, "Public Life in Authoritarian Japan in Early Modernities," *Daedalus: Journal of the American Academy of Arts and Sciences*, (Summer 1998): 133-166. Peter F. Drucker, "In Defense of Japanese Bureaucracy," *Foreign Affairs*, September-October 1998, pp. 68-80.Akio Mikuni, "The Mirage of Japanese Financial Reform," *JPRI Critique*, August 1998. Lawrence Minard, "Will Europe and Japan reform their corporate governance: A chat with Peter Drucker," *Forbes*, September 7, 1998, pp. 114-118. Murray Sayle, "The Social Contradictions of Japanese Capitalism," *The Atlantic Monthly*, June 1998, pp. 84-94