

AREA MARKETING TECHNIQUES IN JAPAN

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This paper is written not from the viewpoint of a scholar, but from the insight of a business consultant since the author has been working as a commercial consultant in the field of marketing for many years. In this respect, the paper is more business oriented than scholastic.

Most questions the author received from customers have been on the issue of “how to sell their products for making money.” In response to such questions, the author, who has experience in the consulting business for more than twenty years, usually introduced a marketing theory known as “Area Marketing,” conceptualized in Japan. To effectively apply this theory to customers, the author suggests the importance of paying attention to the specific demands of regions based on their characteristics rather than relying on either standardized or generalized marketing techniques.

This paper begins first with explanations of a premise for the main issue in marketing, second with the Area Marketing in Japan, and ends with the author’s own analysis of Area Marketing processes, which is summarized in a chart form in appendix A.

1. A PREMISE TO THE MAIN QUESTION: “WHAT IS MARKETING?”

Prior to describing the Area Marketing, the question of “What is marketing?” should be illustrated with its definition. Actually, definitions of marketing vary. According to Philip Kotler, an authority in the field of marketing, marketing means a social process in which either individuals or groups fulfill their needs and wants by producing goods and services, and it is achieved either by selling or exchanging them with others.¹ Peter Ferdinand Drucker, on the other hand, states that “the aim of marketing is to sell their products fully.”²

The author of this paper thinks that marketing can be defined as a series of business activities employing profitable methods and actions. It involves producers and consumers. Marketing necessarily fills customer’s needs in a timely manner. It must recognize consumers’ wants correctly by knowing their trend and changes in preferences. In other words, marketing in the fields of production and retail businesses is the process of discovering unmet needs of customers and dealing with their desires in a timely manner.

2. THE THEORY OF “AREA MARKETING”

The term “Area Marketing” was originally written in Katakana and was coined in the 1970s. The concept underlying this term is that regions should be segmented for marketing goods and services ac-

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ording to an areas' characteristics such as their unique features and differences.

Area Marketing also relates to a system to increase sales and profits for various companies located there. For successful marketing activities, therefore, companies need to employ the Area Marketing by responding to particular needs of local people.

The concept of Area Marketing is closely related to specific geographical, historical and cultural features of Japan. Regional characteristics include things such as culture with its peculiar local peoples' mentality, administrative divisions of land, historical background of the Japanese feudal clan system from the 5th to the 19th century. Japan as an island nation, its geographic and natural conditions, which stretch long from north to south with its beautiful scenery and its distinct four seasons, also contribute to its features and the concept of Area Marketing.

3. AREA MARKETING MEETS THE NEEDS OF LOCAL PEOPLE IN CHANGING TIMES

In Japan a widening gap is being observed between the regional and urban economy. The Japanese population has been declining in absolute terms with more aging people and fewer children. Population will decline further in all regions except Tokyo by 2030 according to the simulation report of the Economic Research Committee of the Ministry of Economy, Trade and Industry in 2005.³ The report also suggests that economic disparity between the metropolitan areas and other local regions will be expanded. It predicts that only 35 mega cities out of over 1,500 municipalities in 2000 will register an increase on their gross domestic product in 2030. It says that by 2030 only 35 cities including the government ordinance cities such as Tokyo will surpass the GDP of 2005. The cities which can expect to have a growth of GDP in 2030 will be Tokyo (10.7% up), Osaka city (10.3% up), Nagoya city (9.9% up), Senday city (4.3% up), Kobe city (6.1% up) and Fukuoka city (4.7% up)⁴. A few local cities are also expected to have growth in their GDP in 2030. These are Naha city (17.9% up) and Ishigaki city (11.9% up) in the Okinawa prefecture due to their high birth rate and vigorous economic boom in tourism.⁵ The report also says that other three local cities such as Toyohashi, Okazaki and Kariya, where the major Japanese automobile firms are located near Nagoya city, are likely to exceed the GDP of 2005 by 2030.

According to a study on the economic condition of prefectural people by the Cabinet Office in 2003, a gap in citizens' per capita income has expanded for the past two consecutive years.⁶ The difference in annual income between Tokyo, which was the highest (4,267,000 yen) and Okinawa, which was the lowest (2,042,00 yen) has further increased to 131,000 yen. The fact is that in addition to the decline of local population, economic disparity between Tokyo and other prefectures has been growing continuously since many Japanese manufacturers have shifted their production facilities from domestic local sites to foreign countries. They have done so to take advantage of lower labor costs in foreign lands. In fact, many Japanese manufacturers have shifted their pattern of trade from the export of domestically produced goods, called "processing trade pattern", to export of their products produced in foreign lands, called "international division of labor mode." Accordingly the income gap between Tokyo and other regions in Japan has widened further recently.

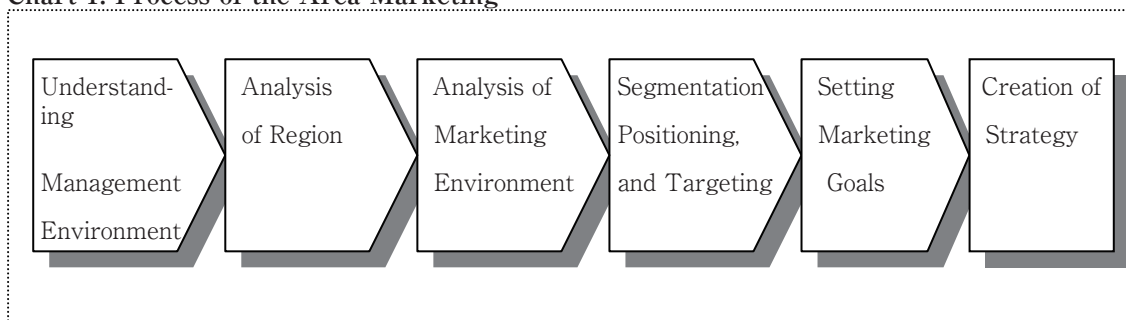
Therefore, "Area Marketing", which targets business of the local area, has become a key factor for success of local areas since it pays attention to widening income differences, and economic growth of the

regions by considering the historical background, and regional characteristics of each local area.

4. PROCESS OF AREA MARKETING

In “Area Marketing,” areas can be classified by the unit of administrative districts: Villages, towns, and cities. They also can be categorized as economic zones by covering multiple administrative regions. After classification, the marketing strategy will be made by taking consideration of local features and differences. Chart 1 illustrates the process of Area Marketing, which begins with understanding management environment and ends with creation of strategy.

Chart 1. Process of the Area Marketing



II. Steps for marketing strategies

Step 1. Understanding the corporate philosophy and strategy. For this purpose, we should examine company’s goals and its basic business plans.

Step 2: Checking and setting marketing range of areas.

Due to the development of railroad and highway as well as information technology, the economic zones at various parts of Japan have become beyond the boundaries of administrative districts such as villages, towns, and cities. Thus we need to look at marketing range of areas, which go over the administrative boundaries.

Step 3: Analyzing area’s features and regional differences.

At this stage, the local characteristics should be understood by studying and analyzing natural and physical conditions of the area including its climate. The demographic data such as total population, the composition of population, and the number of households should be made as the basic indicators for analysis of particular region, together with a study on major industries. The major regional industries such as agriculture, forestry, and fishing, manufacturing, etc should be analyzed. Based on the analysis, a survey on regional economy, its marketing size, and future prospect of the economy should be made.

Step 4: Analyzing Business and Marketing Environment

Analysis of business and marketing environment involves checking present conditions. of companies in the regions. The three main factors for this check are consumers, competitors, and the firm of its own.

Accordingly, the following 3 elements called The 3C’s (Customers, Competitors, and Company)

need to be considered for the analysis. These are:

- (i) Customers in the marketplace: Consumers by region, trend, and occupants have to be examined.
- (ii) Competitors: Existing opponents and new entrants, together with their possible substituted products need to be checked.
- (iii) Company: Corporation's positions in the market such as sales volume, financial situation, distribution channels, manufacturing facilities and human resources should be studied.

Step 5. Segmenting, Positioning and Targeting process

(i) Segmentation

Based on the results from Step 1 through 4, segmentation of the area should be made. Both similarities and differences among the regions have to be examined clearly.

(ii) Positioning

At this stage, the market positioning of a company will be decided. Its position will be among the choices of a market leader, a challenger, a follower, and a niche.

(iii) Examining targeting ends. Targeting goals will be examined.

When checking the targeting ends, the following three factors must be considered.

- 1) Position of a company in the market: It includes a choice of the market leader, challenger, follower, and niche
- 2) Competitors such as exiting potential and new contenders must be elaborated.
- 3) The company's business plan by the market situation will be made.

Step 6. Setting goals

The quantitative targets such as sales volume, profit margins and market share should be set. This includes a wish list of "what the company wants to do."

Step 7. Understanding problems

A key element for solving problems is to eliminate the gap between a company's targeted goal and actual performance. After checking the disparity, any obstructions for achieving the end will be examined in detail and a new strategy for achieving the goal will be made.

Step 8. Setting up issues

The issues for achieving the goal should be narrowed down to immediate problems.

Step 9. Making a marketing mix of four elements

Companies need to establish a basic scheme or domain for achieving and realizing the goal. In doing so, they will raise companies' marketing position and promote their strong or attractive points. The strategy for that matter is related to the issue of "where, whom, what and how" their products are going to sell. The strategy is also concerned with the marketing mix of four factors. The four P's are Products, Price, distribution channels or Places, and sales Promotion.

Step 10. Making an execution plan

As a strategic execution plan, an action plan for sales activities should be made.

Step 11. Evaluation

Periodic checks should be made to measure differences between the execution plan and actual performance. If necessary, countermeasures or adjustments should be carried out.

5. ANALYSIS OF REGIONAL CHARACTERISTICS

In every part of Japan, there are examples of unique culture, living style, character, and dialect. Regions also have traditional crafts, arts and specific industries. The regional differences suggest local characteristics and features. These elements can be distinguished from other regions.

1) Main factors of local characteristics

The four main contributing factors for local characteristics are (1) natural environment such as physical condition and climate. (2) historical background of the place including under the rule of feudal clan (3) composition of population and (4) regional economy based on its main industries or commercial activities.

(1) Natural environment of the area

The geographic condition of local area such as mountain range, river, strait, basin, and plain as well as the climate such as snowfall, rain, cold, and warm still affect peoples' living and consuming pattern.

(2) Historical background of the region

The characteristics of local regions can be originated from their historical background in which areas were divided by the administrative districts since the Reformation period of Taika era in 645 A.D. They went through the period of under the rule of feudal clan, which controlled the regions of entire Japan in the mid-15th century. After that, they were under the sovereignty of the military government of the Edo period from the mid of 15th century to the mid of the 19th century.

We can not ignore these historical factors when we consider the features of the regions, although peoples' disposition of the each district has become less obvious.

(3) Demographic factors including population and household in the region

Analyzing composition of the population, for example, such as ratio of men and women and their age blanket from infant to the aged, is an important element for the demographic features of the regions.

(4) Industrial composition and economic power of the region

Industrial structure of the region such as ratio of agriculture, forestry, fishery, and manufacturing as well as commercial or service sectors is a key factor for the local economic features.

2) Method of analysis for local characteristics

Comparative and time series analysis can be employed for the local characteristics.

(1) Time series analysis

The statistical data such as the Telecommunications Customer Satisfaction Index (TCSI) separation model, and the multiple regression analysis can be used for checking the trend, seasonality, and circularity of characteristics of regions.

(2) Cross-sectional analysis

Cross-sectional analysis is useful for comparative study of areas since it clarifies local features and differences.

6. CONCLUSION: VIEWPOINTS FOR SUCCESSFUL AREA MARKETING

At the time of progressive aging Japanese society, it seems that entire Japan is shrinking in many respect. However, such a pessimistic view is not necessary to take. Without sticking to the old success story and the existing concept, a new business opportunity can be brought by new ideas, which based on neither fixed conviction nor presumption. The author of this paper suggests the following viewpoints for successful Area Marketing.

(1) Thinking Small: Viewing the market as if it were small and narrow

Sam Walton, the founder of Wall-Mar Stores in the U.S., which is the biggest retail company in the world, says that more a company gets larger and wants to do greater things, the more people have to think business by a smaller unit and take action promptly.⁶

The idea of “Area Marketing” views the market as if it were small and narrow and makes business plans by paying attention to subtle changes of the market. It is the same concept practiced by Sam Walton.

(2) Viewing the market based on the world standard and not on size of population

Although the population of Japan has been declining, the number of households has been on the rise recently (see Table 1). As table 1 shows, the total number of household in Japan, Kyushu and Kagoshima regions gradually increased from 2001 through 2005.

Table 1: Yearly Changes in the total number of households Unite: number of household

Year	2001	2002	2003	2004	2005	(2001÷2005)×100
All Japan	48015251	48637789	49260971	49837731	50382081	104.9
Kyushu Area	5157107	5210082	5263396	5314428	5360103	103.9
Kagoshima Pref.	742526	748869	754556	759742	764233	102.9

Source: Japanese Government Official Resident Registry in 2001, 2002, 2003, 2004, and 2005.

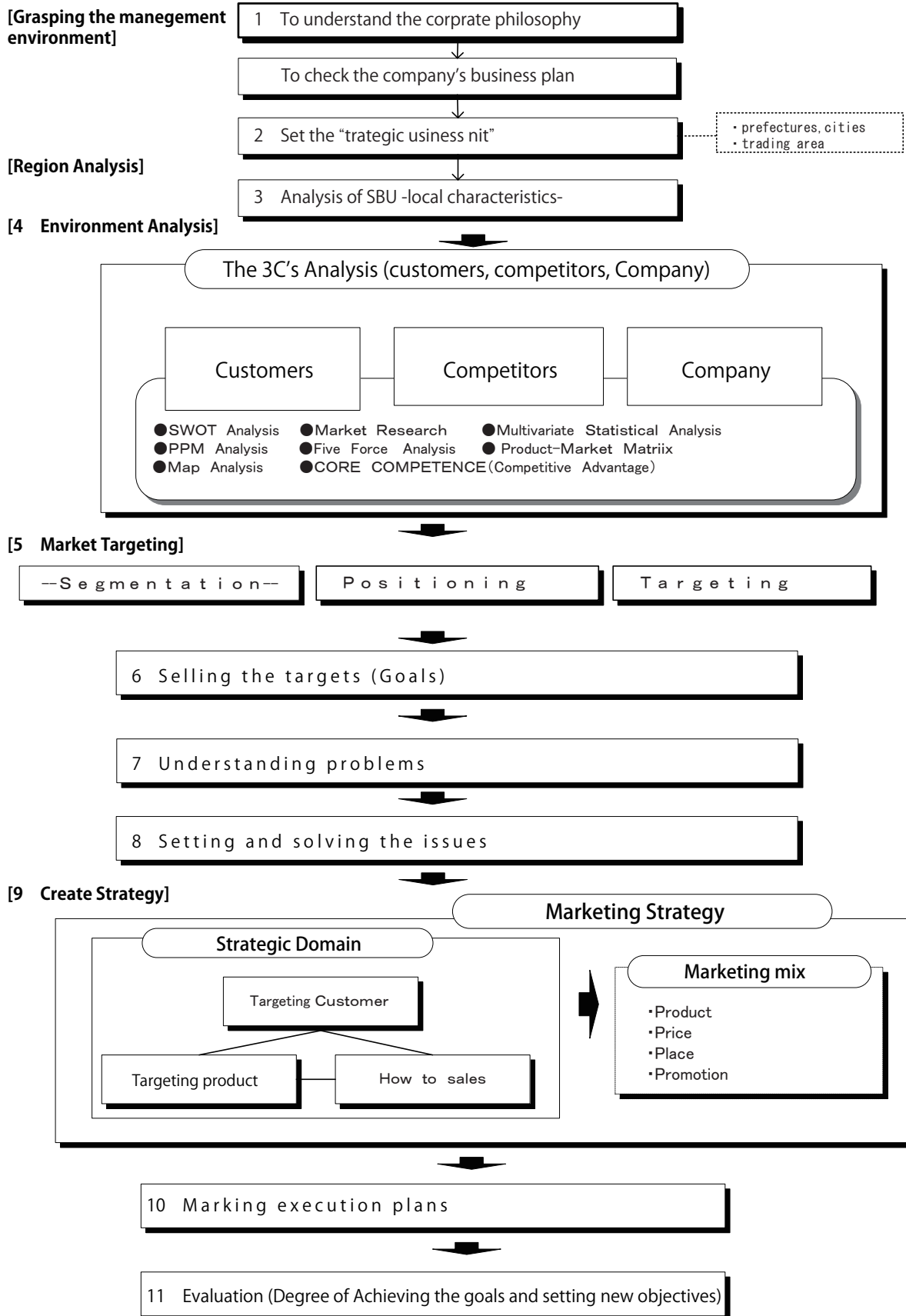
Thus, the business opportunity for household is a great now. For example, Seven-Eleven Japan Co., Ltd and Itoyokadao Co., Ltd affiliated super market stores have steadily increased their sales volumes in the business operation of household unit by the works of sales persons who visit customers home regularly to ask and answer their request.

(3) Consolidating both management and marketing

Even if a company has a superb marketing strategy, it is still difficult to have a competitive edge over rival companies without a strong management system and solid financial basis. In the convenience store industry, for example, Lawson, which ranks second in sales volume in Japan, became a subsidiary of Mitsubishi Corporation. The 3rd ranked Family Mart convenient store chains became an affiliated firm of Itohchu Corporation, another trading company. They are now trying to catch up and surpass Seven-Eleven Japan, the leading firm. Seven-Eleven Japan, on the other hand, has maintained its leadership in the industry with its strong and solid financial basis. Toshifumi Suzuki, the chief executive officer of Seven & Holdings Co., Ltd, emphasizes constant adjustment and quick response to market changes. Under his strong leadership, Seven-Eleven Japan with its chain stores located in 14 zones of Japan, has not allowed its rivals to surpass it. Company executives have paid close attention to the sales data of each shop and has met specific needs of customers by stocking customer necessities.

In summary, analysis of Area Marketing process is summarized in a chart form in appendix A.

Appendix A: Process of Area Marketing for its Strategic Plan and Execution



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