

**New Developments in Marketing to
Address Shifting Attitudes of
Japanese Consumers**

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Every three years, Nomura Research Institute, Ltd. (NRI) conducts a nationwide survey of 10,000 consumers in Japan. In order to identify recent major shifts in consumer attitudes, NRI analyzed the results of the most recent survey in 2006 and conducted a time-series analysis of all previous survey results. The analysis revealed two major shifts in consumer attitudes. One is the increasingly conservative attitude of Japanese consumers and the other is a change in consumer behavior brought about by the increasing use of information technology (IT).

Further analysis of the survey results revealed that there is a trend among Japanese consumers to display increasing anxiety and concern about making decisions that are to their disadvantage, or fear of failure.

These concerns have given rise to a phenomenon whereby a single piece of information can immediately trigger major changes in behavior among Japanese consumers. The flood of information facing Japanese consumers has increased their anxiety over the vulnerability of their own criteria and heightened their inclination to be dependent on opinions and standards that carry the weight of authority.

Japanese consumers now have instantaneous access to copious amounts of word-of-mouth information from the Internet such as through blogs and social networking services. This is having a significant impact on Japanese consumers in terms of increasing their levels of anxiety.

Corporations must respond in new ways to the new anxieties that are increasingly gripping Japanese consumers. Leading corporations are seeking to identify approaches and methods of customer interaction that represent a break from the approaches and methods that they previously used. Corporations can take one of four approaches—build a trusted brand, provide customers with learning opportunities, provide professional advice, or build a “fan base” around the company.

I Increasing Conservatism in the Attitudes of Japanese Consumers

In 1997, Nomura Research Institute, Ltd. (NRI) conducted the first in a series of large-scale nationwide surveys of 10,000 consumers in Japan¹ that have since been implemented every three years. By analyzing the data collected from the most recent survey in 2006, NRI was able to identify two major shifts in consumer attitudes compared with the results of previous surveys. One is a trend toward increasing conservatism among Japanese consumers and the other is the increasing and diverse influence of information technology (IT) on the behavior of Japanese consumers due to the spread of the Internet and mobile phones.

These changes in the attitudes of Japanese consumers are now manifested in the form of escalating consumer anxiety and concern about making decisions that are to their disadvantage, or fear of failure. This chapter examines the underlying trend toward the increasing conservatism of Japanese consumers that is driving these anxieties, analyzed from three separate perspectives.

1 Maturation of Japanese Society

NRI's nationwide survey of 10,000 consumers in Japan asks the question, "In planning for your future lifestyle, do you expect to earn more income than you do today?" In analyzing the responses to this question since the inaugural survey in 1997, we find that in the 2003 survey, a higher percentage of consumers have come to expect to earn less income than compared with those who expect to earn more income, a pattern that is also repeated in the latest 2006 survey. In other words, more Japanese consumers currently assume that economic growth and income will decrease rather than rise. This suggests that there is increasing awareness among con-

sumers that the Japanese economy and its society are entering a maturation phase.

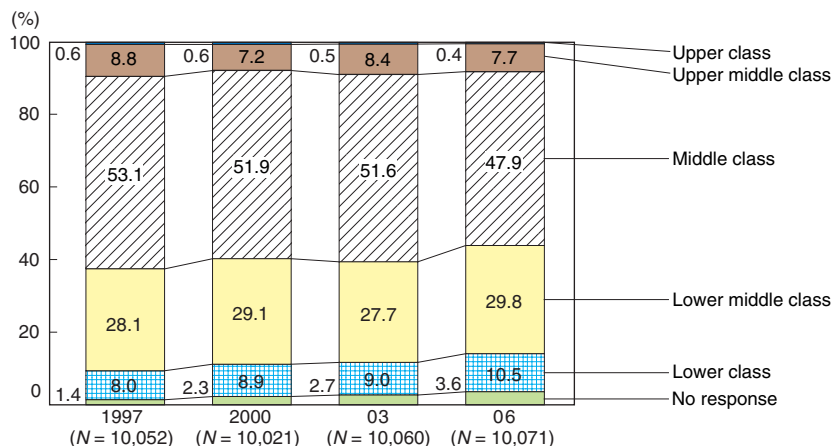
The percentage of Japanese consumers that expect their income to rise was analyzed by age group. From 2003 to 2006, the percentage of consumers that expect their income to rise increased among those in their twenties and thirties, which can be attributed to recent upturns in the Japanese economy and employment situation. However, the percentage barely rose among consumers in their forties and fifties over the same period of time. This latter trend can be attributed to increasing economic anxiety and concerns among consumers in their forties and fifties over their lifestyles in old age starting with the pension issue, and to their concerns about the future of their own jobs amid the aging of Japanese society and shrinking birthrate.

2 Onset of Social Disparity in Japan

Japanese media such as newspapers and magazines are devoting considerable coverage today to the issue of social disparity in Japan. The analysis of NRI's nationwide survey of 10,000 consumers in Japan revealed that there is a shift in the middle-class consciousness of Japanese consumers. The analysis finds that the percentage of consumers who consider their own standard of living to be firmly middle class has decreased by about 5 percent in the period from 1997-2006, covering a span of approximately 10 years (Figure 1). The percentage of Japanese consumers who see themselves as living a middle class lifestyle is steadily decreasing, indicating that the general public is gradually waking up to the realization that economic disparity is increasing in Japan.

The survey asks part- and full-time employed individuals to indicate their agreement with the statement "It is more important to protect my current job rather than raise my wages." The percentage of employed individuals that agree with this statement (combined percentage of "I agree" and "Somewhat agree" responses) was 64 percent and 66 percent in 2000 and 2003, respectively,

Figure 1. Japanese Consumers' Perception of Their Own Standard of Living



Source: Nationwide survey of 10,000 consumers in Japan (1997, 2000, 2003 and 2006) conducted by Nomura Research Institute, Ltd.

but the percentage declines to 58 percent in the 2006 survey. In an analysis of the responses by gender and age group, the percentage who agree that it is more important to protect their job is found to have dropped sharply among both male and female respondents in their twenties and thirties. This drop-off indicates that younger employed individuals increasingly view their employment as being performance-based, rather than based on protecting equal opportunities for employment.

3 Dependency on Authority, Norms and Standards

Respondents were asked to indicate their agreement with the statement “Going to a famous university or school is more advantageous for the future,” as an indication of consumers’ emphasis on educational background. The percentage of respondents that agree with this statement was 47 percent and 49 percent in 2000 and 2003, respectively, but increased to 55 percent in the 2006 survey. In analyzing the responses by gender and age group, the percentage of respondents who are inclined to emphasize educational background increased among all age groups during the three years from 2003 to 2006. The increase is particularly sharp among respondents in their forties, which includes many parents of children preparing to enroll in university, and among respondents aged 15-19 years who are themselves moving into the next phase of their education (Figure 2).

Respondents were also gauged on their reaction to the statement “I would rather start my own business than work for a top company” as a measure of entrepreneurial spirit. The percentage of respondents that agree with this statement has been dropping since 1997 across all age groups. The Japanese government has made it a major objective to develop venture corporations through its policies and by implementing other strategies, but the

survey results suggest that entrepreneurial attitudes among the general public trail behind the government’s push to promote them.

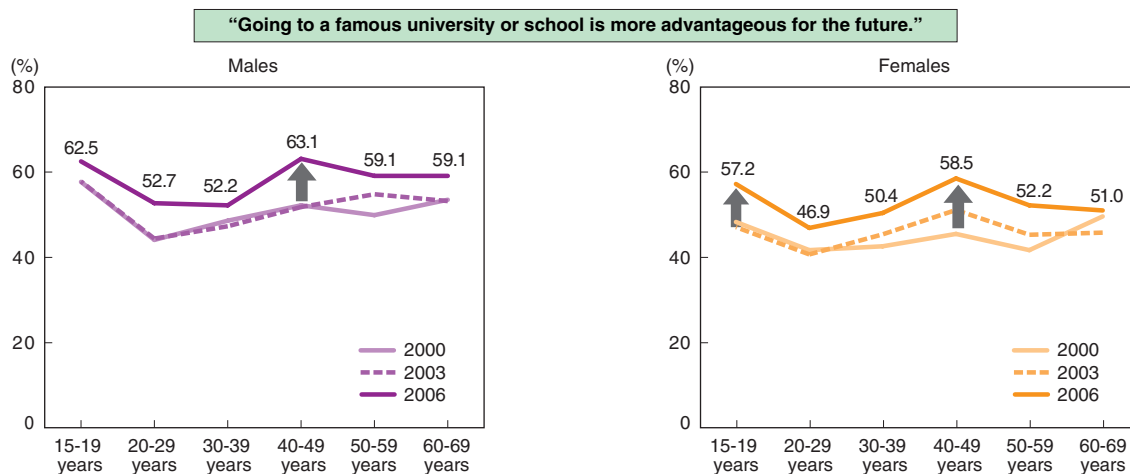
The value of corporations and workplaces is decreasing today in Japanese society, as Japanese corporations move away from their previous emphasis on lifetime employment and promotion based on seniority, and the labor force becomes increasingly mobile. Whereas Japanese consumers were once heavily dependent on corporations and workplaces, consumers are now searching for other things that they can rely on. Under the circumstances, there is an increasing tendency among Japanese consumers to firmly embrace traditional authorities, norms and standards, which is stronger than the internal motivation to tackle new objectives.

In the preceding analysis, we identified three trends—the maturation of Japanese society, the onset of social disparity in Japan, and dependency on authorities, norms and standards. All three trends reflect an emphasis on maintaining or affirming the status quo. That is to say, they reflect an underlying trend that is taking shape in the form of the increasing conservatism of Japanese consumers.

Consumers are becoming increasingly aware that Japanese society is entering a maturation phase, amid a fading perception that the Japanese economy will continue to grow. The cloudy prospects facing Japan have made it difficult for Japanese consumers to be optimistic about the future, which is increasing their anxiety about the future. Furthermore, the attitude of protecting equal opportunities for employment is declining among employed individuals, as the middle-class consciousness of Japanese consumers gradually erodes.

The revived emphasis on educational background and the increasing emphasis on top companies over entrepreneurs indicate that there is a rising trend among Japanese consumers to embrace traditional authorities, norms and standards.

Figure 2. Japanese Consumers’ Increasing Emphasis on Educational Background



Sample size: 10,021 respondents (2000), 10,060 respondents (2003), 10,071 respondents (2006)

Note: Based on combined percentage of “I agree” and “Somewhat agree” responses.

Source: Nationwide survey of 10,000 consumers in Japan (2000, 2003 and 2006) conducted by Nomura Research Institute

II Shifts in Consumer Behavior caused by IT Use

1 Increasing Use of IT by Consumers

At the start of this report, we identified two major shifts in consumer attitudes, one of which is the recent increase in the use of information technology (IT) among Japanese consumers. This section examines how increasing the use of IT is having an impact on consumer behavior.

The spread of Internet connectivity in Japan is enabling Japanese households to be increasingly connected to the outside such as to enterprises through broadband high-speed connectivity led by ADSL and optical fiber technologies. The Ministry of Internal Affairs and Communications conducts surveys on communications usage that reveal data on Internet usage in Japanese households, tracking the percentage of households in which at least one member of the household uses the Internet either from a home computer or mobile phone. In 2004, the survey found that the percentage of households in Japan with broadband connectivity exceeded the percentage of households with slower narrowband connectivity.

In the examination of how the Internet is used by average consumers, an increasing number of consumers recently indicated that they use the Internet while watching television, by keeping their computers in their living rooms. Furthermore, younger generations are increasingly apt to indicate that they first turn on the computer instead of the television when returning home, either to check their email or read the news online. The spread of broadband and the increasing prevalence of continuous Internet connectivity is also a factor behind the recent sharp drop in the number of newspaper subscriptions in Japan.

Online shopping is also becoming increasingly prevalent. NRI's nationwide survey of 10,000 consumers in Japan found that the percentage of consumers who purchased goods online was just 4.8 percent in 2000, but increased to 13.8 percent in 2003 and 23.3 percent in 2006. The percentage of Japanese consumers who use online payment or online auctions is growing significantly.

In an analysis of the data from the 2006 survey by age group, the percentage of consumers who have used online shopping is 36 percent for consumers in their twenties and thirties. At the same time, the percentage of consumers who have used online auctions is 23 percent and 22 percent, respectively, among consumers in their twenties and thirties. These figures indicate that online shopping and online auctions are quite commonly used among younger generations.

The spread of continuous broadband connectivity has positioned the Internet as a third line of communication between households and the outside, after television and

telephone. This development is expected to have a variety of effects on consumers' use of information and consumer behavior forward into the future.

2 Changes in Composition of Media Use

(1) Mass Media and Internet Use

First, we will examine quantitative changes in the composition of media use by Japanese consumers. The *2005 Survey on Contemporary Japanese Lifestyles* conducted by the NHK Broadcasting Culture Research Institute found that contemporary use of traditional forms of mass media is down compared with 1995 levels, specifically in the categories of "Magazines, comics and books," "Radio" and "Newspapers." In contrast, contemporary use of "Videos (including DVDs)" and "Interests, culture and entertainment (including the Internet)" is up. The survey also found that contemporary use of television as measured by viewing times is up slightly.

NRI's nationwide survey of 10,000 consumers in Japan measures consumers' qualitative assessments of media. In gauging consumer trust in television, the survey found that the combined percentage of "Very much trust it" and "Somewhat trust it" responses was 68 percent in 1997, but decreased to 61 percent in 2006. The decline in consumer trust in television is particularly noticeable among both male and female respondents in their forties through sixties (Figure 3).

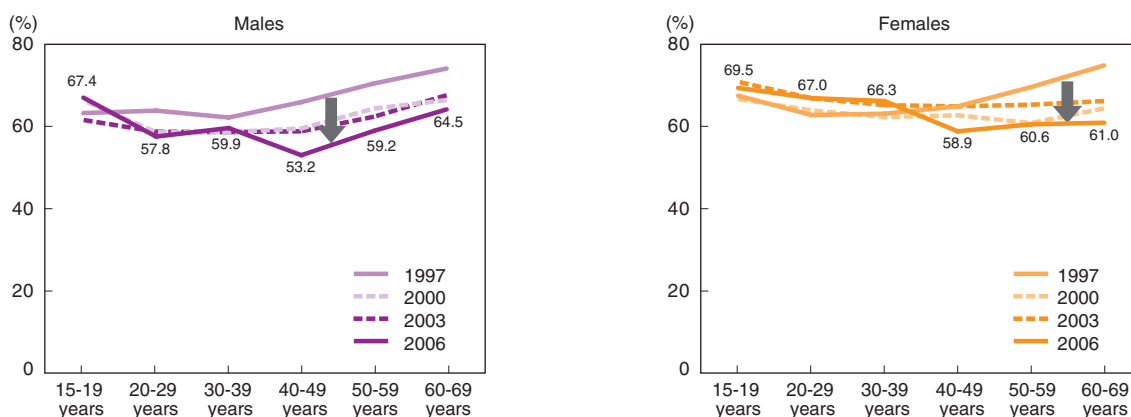
In gauging consumer trust in information obtained from the Internet, the survey finds that the percentage of respondents who trust information from the Internet is up slightly from 31 percent in 2003 to 33 percent in 2006. The age group analysis shows that there is very little change in the relatively high level of trust displayed by younger generations who are heavy Internet users, but consumer trust has risen among respondents in their forties through sixties.

In their 2007 annual report on advertising expenditures in Japan, Dentsu Inc. found that Internet advertising expenditures surpassed radio advertising expenditures starting in 2004. Internet advertising expenditures have grown significantly to account for 6.0 percent of total advertising in 2006, which almost matches magazine advertising expenditures at 6.5 percent. These figures clearly indicate that Japanese consumers are attaching greater value to the Internet as a form of media.

(2) Usage of Consumer-Generated Media

The spread of consumer-generated media (CGM) such as blogs and social networking services is lately invigorating the flow of information between consumers. NRI conducted an Internet survey on consumption that found that consumers aged 15-19 years and in their twenties are prominent users of the Internet from mobile phones, as well as prominent users of blogs and frequent participants in social networking services such as mixi (Table

Figure 3. Japanese Consumers' Trust in Television



Sample size: 10,052 respondents (1997), 10,021 respondents (2000), 10,060 respondents (2003), 10,071 respondents (2006)

Note: Based on combined percentage of "Very much trust it" and "Somewhat trust it" responses.

Source: Nationwide survey of 10,000 consumers in Japan (1997, 2000, 2003 and 2006) conducted by Nomura Research Institute

Table 1. Rate of Media Contact among Japanese Consumers (Multiple Answer Question)

(Unit: Percentage)

		No. of Respondents Using Internet	Media with High Usage among Respondents Aged 15-19 Years and in Their Twenties			Media with High Usage among Respondents in Their Thirties and Forties			Media with High Usage among Respondents in Their Forties, Fifties and Sixties		
			Interactive media such as mobile phones, blogs and social networking services			Media for practical purposes such as online auctions, Internet banking and online shopping			Push media such as newspapers, newspaper inserts and email newsletters		
			Possess own website or blog	Actively participate in social networking services such as mixi	Use Internet from mobile phone	Frequently use online shopping	Use Internet banking	Use online auctions	Read newspaper every day	Check newspaper inserts	Receive 10 or more types of email newsletters every week
Overall		5,156	21.8	13.8	17.6	39.2	45.7	31.5	64.0	38.7	30.1
Males	15-19 years	157	26.8	15.3	38.2	33.8	33.8	24.8	33.8	22.9	19.7
	20-29 years	455	29.0	32.7	27.5	35.4	47.5	36.3	40.7	19.1	20.7
	30-39 years	533	21.6	11.1	22.9	34.5	54.6	38.6	58.7	30.6	25.9
	40-49 years	453	21.6	9.9	18.3	40.2	55.4	38.9	69.8	28.5	32.5
	50-59 years	540	19.4	4.4	8.5	35.6	53.5	31.1	79.3	33.7	37.0
	60-69 years	439	16.9	3.0	5.9	28.0	45.1	22.3	91.8	34.2	39.9
Females	15-19 years	149	46.3	30.2	53.7	34.9	15.4	24.8	26.8	32.9	28.2
	20-29 years	438	32.9	37.4	34.0	44.1	42.9	38.6	31.7	32.2	19.4
	30-39 years	523	26.6	16.8	19.7	54.7	52.8	41.9	50.7	49.7	31.4
	40-49 years	450	21.6	13.1	13.8	53.8	48.7	36.2	72.2	59.1	38.4
	50-59 years	547	11.9	5.1	7.3	38.0	36.0	22.3	77.7	54.5	31.8
	60-69 years	472	9.1	2.8	3.0	30.9	33.1	13.6	86.2	50.0	26.9

Notes: (1)Based on responses from 5,156 respondents aged 15-69 years who are Internet users. (2)mixi is a popular social networking service in Japan.
Source: Internet survey on consumption, March 2007 conducted by Nomura Research Institute

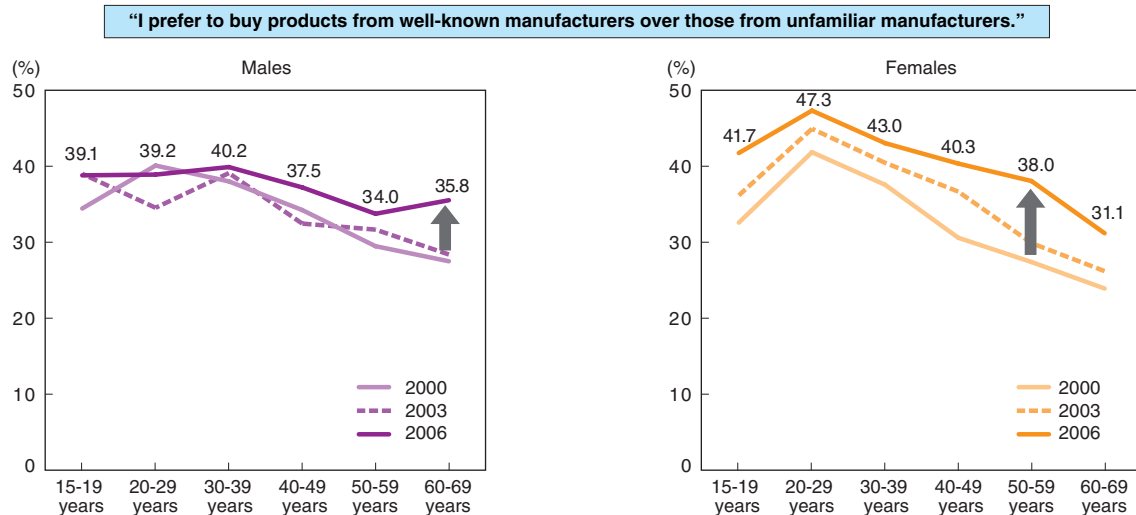
1). The percentage of respondents who are Internet users and have their own website or blog is 29.0 percent among males in their twenties and 32.9 percent among females in the same age group. The percentage of respondents who participate in social networking services such as mixi is 32.7 percent among males in their twenties and 37.4 percent among females in the same age group.

Respondents in their thirties and forties are characterized by their use of the Internet for practical purposes such as online shopping, Internet banking and online auctions. At the same time, respondents in their forties

through sixties tend to be readers of newspapers and newspaper inserts, while their Internet usage mainly consists of passive use of information such as newsletters received by email. These examples show how consumers' use of media varies significantly by age group.

3 Information Use and Consumer Behavior

In surveying consumer values, NRI's nationwide survey of 10,000 consumers in Japan found that the percentage of consumers who agree with the statement "I carefully examine whether the price is right for the quality" is up

Figure 4. Japanese Consumers' Increasing Emphasis on Well-Known Manufacturers

Sample size: 10,021 respondents (2000), 10,060 respondents (2003), 10,071 respondents (2006)

Note: Based on percentage of respondents choosing the statement as part of a multiple answer question.

Source: Nationwide survey of 10,000 consumers in Japan (1997, 2000, 2003 and 2006) conducted by Nomura Research Institute

from 58.5 percent in 2003 to 62.0 percent in 2006. This indicates that consumers are increasingly critical in examining potential purchases leading up to the actual purchase.

The spread of the Internet has given consumers access to diverse information, enabling them to compare products in more detail than previously. Specifically, it means that consumers can easily compare products by utilizing manufacturer's websites, as well as relying on comparison sites and other sources of information such as blogs that evaluate products. Furthermore, the spread of broadband together with the prevalence of search engines has given consumers access to copious amounts of information including images, so that they can selectively choose the information they desire in order to make better decisions about the balance between the price and quality of products.

NRI's survey also found that the percentage of respondents who agree with the statement "I pay attention to the evaluation of users" as a consumer value has increased from 16.2 percent to 20.9 percent. This trend is influenced by the increasing prevalence of user evaluation systems to rate products, as used by sites such as comparison sites and blogs. The spread of social networking services and other sites has led to an increase in highly reputable personal sites, which in turn is causing consumers to increasingly consider user evaluation when selecting products.

Consumer values as measured by the statements "I carefully examine whether the price is right for the quality" and "I pay attention to the evaluation of users" are heavily influenced by the fact that consumers are now in a position to obtain the information they desire.

NRI's survey also examined consumers' agreement with the statement "I prefer to buy products from well-known manufacturers over those from unfamiliar

manufacturers." The total percentage of respondents who indicated a preference for well-known manufacturers and brands by agreeing with this statement increased from 33 percent in 2000 to 38 percent in 2006. In the gender and age group analysis, the preference for well-known manufacturers and brands was found to have particularly increased among females of all age groups (Figure 4).

Consumer trust in large corporations as measured by the combined percentage of "Very much trust" and "Somewhat trust" responses was 27 percent in 1997, but rose to 32 percent in 2006. Faced with a flood of diverse information, consumers today are dependent on authorities and standards that are characterized by stable value judgments, with consumer behavior reflecting this trend.

The trend toward dependency on authorities and standards is also reflected in the market shares for manufacturers of consumer goods. For example, market share data tracked by the Nikkei Business Daily shows that Japan's top three automakers—Toyota, Nissan and Honda—together captured 72.8 percent of the passenger car market in Japan in 2000. The market share of Japan's top three automakers increased by 5.9 percentage points to 78.7 percent in 2005, which shows that consumer emphasis on well-known manufacturers and brands is driving further consolidation of market share among top companies.

4 Case Study: Information Activity and Consumer Behavior

Between enterprises and consumers, information that relates to products and services is heavily concentrated in the hands of enterprises. For example, information about raw materials and manufacturing process is often available only to enterprises. The Japanese public has lately observed a rash of incidents involving food com-

panies, such as the scandal surrounding Fujiya Co., Ltd., that have involved improprieties such as oversights in manufacturing processes and falsification of product expiration dates. In some cases, food companies have been forced to suspend their manufacturing operations temporarily as a result of these scandals. However, the fact remains that it is very difficult to uncover improprieties such as oversights in manufacturing processes without being involved in a company’s internal workings.

The spread of the Internet means that today’s consumers have a better capacity to gather information, which can travel at lightning speed once it becomes known. This phenomenon is illustrated by the *natto* diet episode of Kansai Telecasting Corporation’s popular *Hakkutsu! Aruaru Daijiten II* (“Encyclopedia of Living II”) television program, which has since been taken off the air. The now infamous episode was aired in January 2007 and presented information on a *natto* (a traditional Japanese food made of fermented soybeans) diet. The *natto* episode drew a strong reaction from Japanese consumers and caused *natto* to fly off supermarket shelves at two or three times their normal sales levels soon after the episode was aired, with stores struggling to keep their shelves stocked.

Afterwards, it was discovered that some facts presented in the episode had been fabricated, which brought an end to the temporary boom in *natto* sales. However, media reports concerning the falsification of facts were also accompanied by commentary reminding consumers that *natto* is in fact beneficial to health. As a result, *natto* sales ultimately increased by 50 percent year-on-year, even after the temporary boom had subsided.

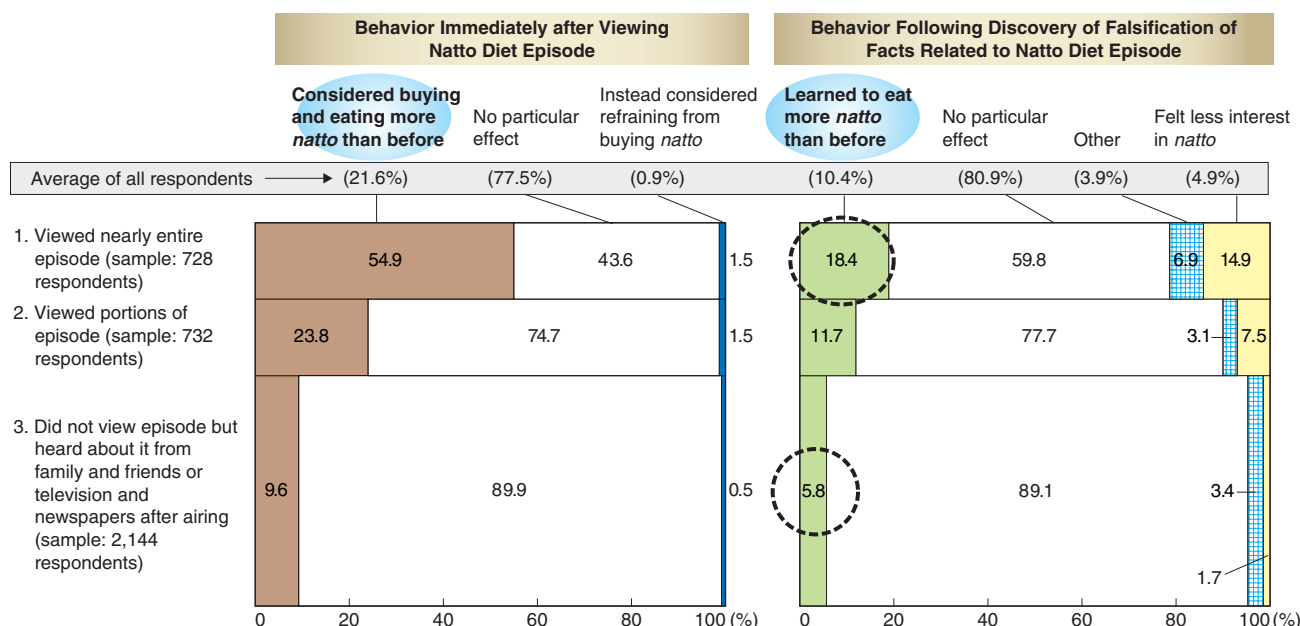
In reviewing the behavioral characteristics of consumers who watched the *natto* episode, we can first observe that the contents of the episode had a significant influence on Japanese consumers as an authoritative source of information. The program in question was very popular among Japanese viewers and had enjoyed high ratings when it was still being aired. By dispensing topical information related to health matters, the program had a significant influence on health trends in Japan and even had an impact on consumer purchasing behavior.

Secondly, we can also observe the instantaneous manner in which details of the episode were transmitted to consumers who did not directly view the episode, and the fact that it motivated them to buy *natto*. The impact of the episode was so strong that it triggered a full-scale social phenomenon in the mere blink of an eye, resulting in the product selling out at supermarkets.

It is particularly interesting to note that some individuals did not view the episode but heard about it right away from family and friends or through television and newspapers. The Internet survey on consumption conducted by NRI found that these individuals found out about the episode through newspapers and the Internet, not just from television news programs and talk shows. In addition, the survey found that respondent attitudes were also shaped by subsequent information about the *natto* diet episode.

Thirdly, we can also observe that information was conveyed to consumers without any purposeful intent by *natto* manufacturers, and that it led to a sharp rise and subsequent drop in *natto* sales. When it was discovered that facts from the episode had been fabricated, *natto* sales declined sharply compared with the boom immedi-

Figure 5. Behavior of Japanese Consumers after Viewing *Hakkutsu! Aruaru Daijiten II*, *Natto* Diet Episode (Television Program)



Note: Based on responses from 5,156 respondents aged 15-69 years who are Internet users.
 Source: Internet survey on consumption, March 2007 conducted by Nomura Research Institute

ately after the episode was aired, but overall *natto* sales still managed to increase by 50 percent year-on-year.

The Internet survey on consumption conducted by NRI found that 54.9 percent of the respondents who viewed nearly the entire *natto* episode considered buying and eating more *natto* than before in the period immediately after the episode was aired. After the falsification of facts was discovered, the interest in *natto* decreased, with only 18.4 percent of the same group indicating that they learned to eat more *natto* than before.

By contrast, among respondents who did not view the episode but heard about it right away from family and friends or through television and newspapers, only 9.6 percent indicated that they considered buying more *natto* than before in the period after the episode was aired. After learning about the fabrication of facts, only 5.8 percent of the same group indicated that they learned to eat more *natto* than before. Interestingly, if we convert this percentage (5.8 percent) into an actual number of respondents based on the sample size, it basically equals the number of people who actually watched the episode and learned to eat more *natto* than before, even after the fabrication of facts was discovered (Figure 5).

In summary, consumers were induced to eat more *natto* both after the airing of the episode and once it was discovered that facts had been fabricated, due to the influence of sources such as newspapers and information from the Internet. This in turn led to a 50 percent year-on-year increase in overall *natto* consumption. In this example, we can see how the discovery that facts related to the *natto* episode had been fabricated and the longer term effect of increased *natto* consumption took shape in ways that could not have been predicted by the *natto* related industry.

This incident ultimately had a positive impact by increasing *natto* sales, but there are no assurances that every such incident will lead to a similar positive result. This example shows that it is becoming increasingly difficult to control the behavior of consumers. That is to say, it is becoming very difficult for corporations to effectively respond to consumers whose tendency is to overreact to a single piece of information.

III Consumer Anxieties and Driving Factors

The increasing conservatism in the attitudes of Japanese consumers and the increased use of IT are causing shifts in consumer behavior as Japanese consumers start to feel anxiety and concern about making detrimental decisions that are to their disadvantage. As happened in the incident involving the *natto* diet episode and the fabrication of facts, the increasing anxiety of consumers is giving rise to a phenomenon in which a single piece of information can instantly trigger major shifts in consumer behavior. One of the driving factors behind this phenom-

enon is the fact that consumers are being flooded with information due to the spread of IT, which is having the effect of increasing consumer anxiety over their personal criteria. It is also causing Japanese consumers to become increasingly conservative in their attitudes, so that they are depending more and more on opinions that carry the weight of authority.

In the following sections, we will examine the composition of the new anxieties of Japanese consumers and the reasons for them from the following perspectives: (1) polarization of information use by consumers, (2) removal of asymmetries in information between consumers and enterprises, and (3) role of consumer values (Japanese “flocking mentality”) in accelerating and amplifying consumer anxiety.

1 Polarization of Information Use by Consumers

NRI’s nationwide survey of 10,000 consumers in Japan divides consumers into four segments based on their attitudes: Early Adopters, Early Majority, Late Majority and Laggards. Early Adopters are individuals who use new products and services before others do, while Early Majority are individuals who take a wait-and-see attitude before using new products and services. Late Majority are individuals who use products and services after they become prevalent, while Laggards are individuals who have no interest in new products and services.

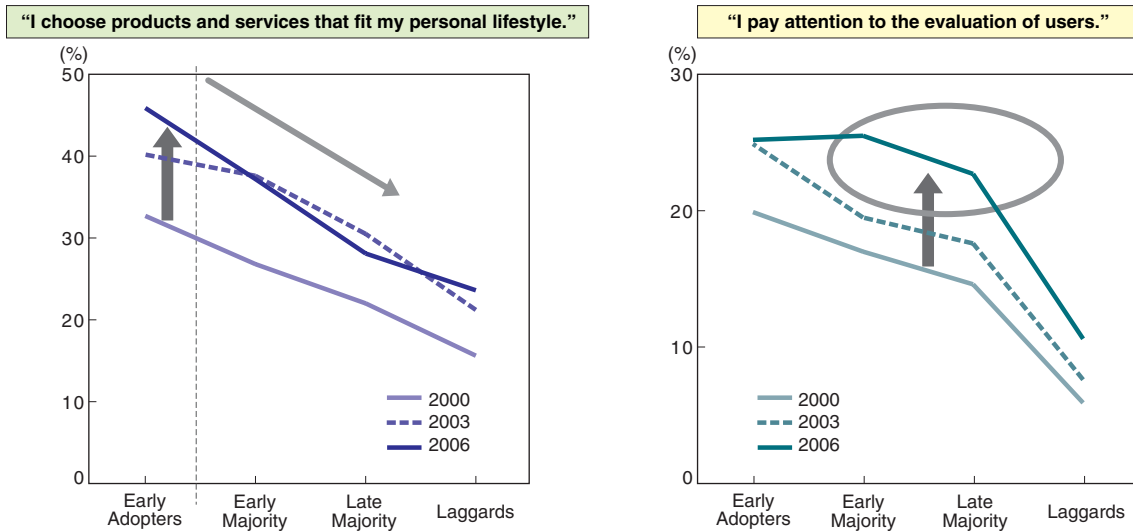
The survey found that 38.8 percent of Early Adopters were using the Internet in 2000, a percentage that jumped to 59.3 percent in 2003. At this point, Internet use had become commonplace among Early Adopters. Internet use among Early Adopters increased again to 66.7 percent in 2006.

Internet use among Early Majority was 26.2 percent in 2000, rising to 45.7 percent in 2003 and 58.0 percent in 2006. Meanwhile, Internet use among Late Majority was 18.0 percent in 2000, rising to 36.6 percent in 2003 and 49.2 percent in 2006. At this point, approximately half of Late Majority was using the Internet. The increase in Internet use among Early Majority and Late Majority indicates that Internet use had become popular among Japanese consumers.

In analyzing the differences between Early Adopters as compared with Early Majority and Late Majority who follow the lead of others, it is apparent that Early Adopters inherently display a strong tendency to choose products based on their own lifestyle preferences, as shown in the graph on the left in Figure 6. This tendency was more pronounced in 2006, indicating the strengthening tendency of Early Adopters to follow through on their own preferences by making use of diverse information.

By contrast, the tendency of Early Majority to pay attention to the evaluations of users increased significantly in 2006, as shown in the graph on the right in Figure 6. This tells us that Early Majority have a relatively

Figure 6. Japanese Consumers' Attitudes on Information Use (Segmented by Aptitude)



Sample size: 10,021 respondents (2000), 10,060 respondents (2003), 10,071 (2006)

Note: Based on percentage of respondents choosing the statement as part of a multiple answer question.

Source: Nationwide survey of 10,000 consumers in Japan (1997, 2000, 2003 and 2006) conducted by Nomura Research Institute

weak tendency to use information and choose products based on their own lifestyle preferences because they cannot help but pay attention to what others think. It also illustrates how the spread of IT in Japanese society is flooding consumers with information and causing a polarization of consumers between Early Adopters who are capable of using information and Early Majority who are unable to use information.

2 Removal of Asymmetries in Information between Consumers and Enterprises

The second aspect we will focus on is the change in how enterprises and consumers are linked to information. Before the spread of the Internet, consumers mostly obtained information from corporations through mass advertising. Consequently, information that was detrimental to corporations was not conveyed to consumers, who had no choice but to accept the one-way flow of information. However, the spread of the Internet has enabled consumers to obtain diverse information by their own means.

Furthermore, the spread of consumer-generated media (CGM) such as blogs and social networking services has given rise to information that is generated by consumers, in addition to information generated by corporations. This bidirectional flow of information has given consumers the means to obtain information that they truly desire, instead of being restricted to information conveyed by corporations.

The change in how consumers are linked to information is shifting the sovereignty of information to consumers. As a result, corporations are losing the ability to engage in consumer marketing based on the previous premise of asymmetries in information. That is to say,

corporations are no longer in a position to market products and services to consumers from the built-in advantage of possessing more information than consumers possess.

The removal of asymmetries in information between consumers and enterprises means that consumers now have access to diverse information, which affords consumers a level of transparency that gives them access to information that was not available to them before. This transparency is in turn creating anxiety among consumers.

For example, reward and mileage programs are extensively covered in magazines and blogs today. Some consumers wish to make the most out of this information by being smart consumers and reading up on how to best collect and use points. At the same time, there is another segment of consumers who find themselves unable to keep up with the continual introduction of new reward programs and digital money services, which causes them to feel anxious about the possibility of losing out on opportunities.

3 Role of Consumer Values in Accelerating and Amplifying Consumer Anxiety

The third aspect we will examine is the view that there are inherent elements of Japanese consumer values that play a role in accelerating and increasing consumer anxiety in Japan.

Using a factor analysis methodology, we sought to analyze Japanese consumer values based on data collected from NRI's nationwide survey of 10,000 consumers in Japan. The analysis found that Japanese consumer values are characterized by three elements: (1) reliance on the powerful, (2) pursuit of trends, and (3)

consumption based on *kodawari* (specific tastes). These three elements are similar to the three principles used in explaining the “flocking trend” in the research of complex systems². Therefore, we refer to the three elements collectively as the “flocking consumer value” of Japanese consumers.

The first of these elements is Japanese consumers’ reliance on the powerful. In concrete terms, this attitude is reflected in statements such as “I prefer to buy products from well-known manufacturers over those from unfamiliar manufacturers” and “I prefer well-known brands, even at somewhat of a premium.” This attitude indicates a preference for choosing products that are considered “safe” in the eyes of the public. It is not to be confused with a preference for a product that the consumer likes.

The second element is Japanese consumers’ pursuit of trends, indicating consumption based on trends. In concrete terms, this value is reflected in statements such as “I pay attention to trends” and “I use new products and services before others do.”

The third element is consumption based on *kodawari* (specific tastes). This attitude is characterized by Japanese consumers’ choice of products based on their personal values or lifestyle. A typical statement that reflects this attitude is “I choose products and services that fit my personal lifestyle, even at somewhat of a premium.” However, it is important to note that this attitude is based on choosing products and services within a scope that meets other people’s criteria.

All three of these basic values displayed by Japanese consumers reflect a concern for what others think. With the spread of IT today, Japanese consumers are increasingly able to gauge what others are doing and saying right away. This has strengthened the attitude among Japanese consumers of wishing to avoid being left behind by leading trends, which in turn is amplifying consumer anxiety.

In summary, three factors are closely linked to the new anxieties that face Japanese consumers: the polarization of information use by consumers, removal of asymmetries in information between consumers and enterprises, and the role of Japanese consumer values (Japanese flocking mentality) in accelerating and amplifying consumer anxiety.

IV Approaches for Reassessing the Relationship between Corporations and Customers

1 Four Approaches to Addressing Consumer Anxieties

This chapter examines four approaches that corporations can take in order to address the new anxieties fac-

ing Japanese consumers. These four approaches can be segmented along two axes—one corresponding to approaches that either reduce uncertainties in the environment surrounding consumers or boost consumer confidence in corporations, and the other corresponding to long- or short-term strategies. It is important to note that both axes aim to address consumer anxieties by reassessing the relationship between corporations and consumers as their customers (Figure 7).

(1) Build a Trusted Brand

By building a brand that inspires the unwavering trust of customers, corporations can help consumers to feel confident that they are not making choices that are disadvantageous to them. Earlier, we observed that the preference of Japanese consumers for well-known manufacturers and brands is increasing because consumers are seeking reliable criteria for choosing products and services because they are being flooded with information.

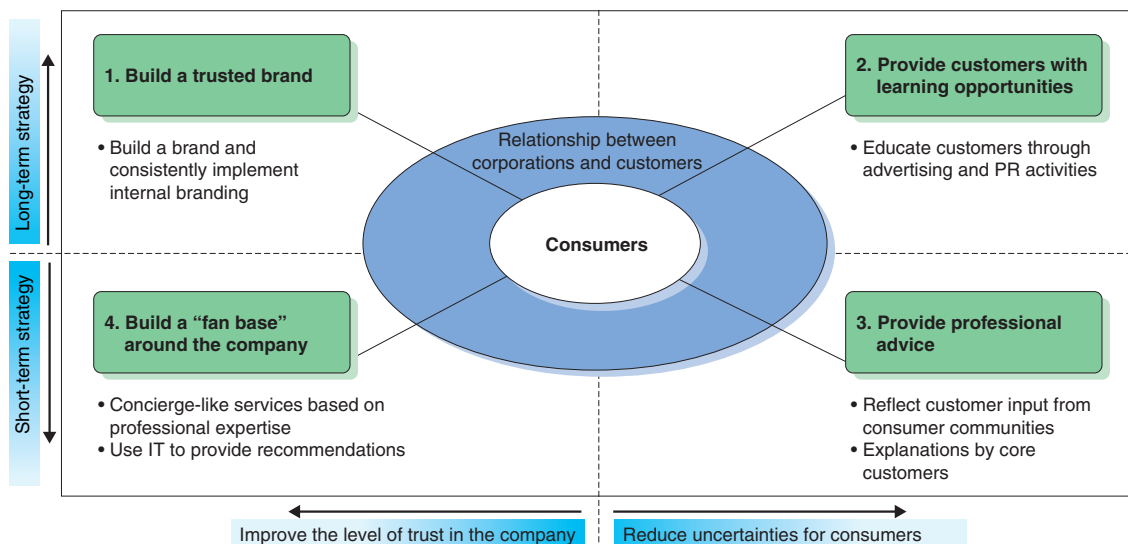
One approach that corporations can take in order to appeal to the brand values of Japanese consumers is to maintain a consistent strategy throughout the value chain that they provide to customers, by appealing to the common brand values of customers at every point of customer contact. This approach is illustrated by the “Proud” condominium brand that Nomura Real Estate Development Co., Ltd. uses at the core of its marketing activities.

For condominium developers like Nomura Real Estate Development, the flow of business occurs through the process of product planning leading to land acquisition, interior and building design, building construction, sales, and follow-through support and management. The departments that are in charge of each process tend to be vertically organized, which usually results in inadequate cooperation and communication between the departments. In particular, even though the processes of follow-through support and management are considered to have a significant impact on customer satisfaction after buyers take possession, developers do not usually place much emphasis on these processes. As a result, these processes are often handed over to subsidiaries to implement after the condominium sale.

Prior to rolling out the Proud brand, Nomura Real Estate Development used several brand names and lacked a comprehensive direction for its condominium business, with its direction varying by branch office or region. The company established the Proud condominium brand at the end of 2002 and has since taken steps to ensure that its internal activities are consistent with the Proud brand concept. In addition to taking out advertising to improve brand recognition, the company has engaged in product development and acquired land that is consistent with the brand concept.

These efforts have paid off for Nomura Real Estate Development. In 2004, the company quickly sold all

Figure 7. Direction of Corporate Strategies to Address Age of Consumer Anxieties in Japan



Source: Compiled by the author

201 units of its Proud Tower Futagotamagawa development soon after the units were put on the market, despite their luxury price tags. In order to ensure that brand management is consistently implemented within the organization, the company has prepared a comprehensive set of manuals covering every aspect from design and customer interaction to follow-through support, and even requires that its business partners adhere to the manuals.

By unifying its brand strategy, Nomura Real Estate Development has succeeded in building a luxury brand in the short space of just three years. The reputation of the Proud brand is such that it is recognized in the real estate industry as having the ability to sell condominiums at higher prices on the strength of its name alone.

This example shows that it is crucial for corporations to share their brand strategy with business partners, as one approach to preventing inconsistencies from arising at the many points of contact with customers. One of the first steps that corporations can adopt is to ensure that brand values are consistently adopted within their organizations, by implementing internal branding activities and methodologies that mainly target the internal organization. From now on, it will be increasingly important for corporations to implement these internal branding activities and methodologies.

(2) Provide Customers with Learning Opportunities

Corporations can also adopt approaches that reduce consumer anxieties and fears by providing their customers with learning opportunities in order to enlighten consumers. Kao Corporation, for example, has developed various brands such as its Econa Healthy cooking oil and Healthya health beverages as part of its expansion into the health foods business. In developing these brands, the company engages in a wide range of initiatives that are designed to educate customers and incor-

porate consumer input, pursuing these initiatives from a variety of angles. For example, the company sponsors and supports various seminars and symposiums, while taking the time to respond to more than 120,000 consumer inquiries that the company receives every year. Kao Corporation also operates a Products and Lifestyle Research Center whose role is to analyze and use the contents of consumer inquiries.

In addition, Kao Corporation is involved in various programs that are similar to corporate social responsibility (CSR) initiatives. These programs include working in collaboration with the Kao Teacher Fellowship, a non-governmental organization that sends school-teachers overseas to engage in field research, and organizing hands-on science labs at its plants that are led by the company’s research staff. The company also sponsors an international competition for high school students to encourage independent research in science and technology, and maintains a glossary of women’s health terms that it makes available through an online search engine.

Public opinion surveys conducted in Japan show that health concerns are frequently among the top concerns of the Japanese public. Kao Corporation is educating consumers by providing various opportunities for consumers to gain accurate information and knowledge on health-related matters. The company feels that this strategy will, over the long term, expand its target market for self-medication, enabling consumers to make health-conscious decisions to consume products that are good for their health.

(3) Provide Professional Advice

Corporations can help to reassure consumers about their choice of products and services by providing appropriate advice given by relevant specialists and professionals. There are many services these days that use IT to pro-

vide advice to consumers, such as recommendation services provided through the Internet. However, there are also services that take the reverse approach of providing advice through personalized services. This latter approach is used by Recruit Co., Ltd, which operates advice desks that offer advice and information to consumers at no charge.

Recruit built the cornerstones of its business by acting as an intermediary for corporations to provide information to consumers, using vehicles operated by Recruit such as information magazines and the Internet. However, the company is now making a push to establish information centers in Kanagawa Prefecture and advice desks at housing exhibition centers, which are both linked to Recruit's Housing publication for prospective buyers of custom homes.

The company provides prospective homebuyers with personalized services through advisors that staff its advice desks. These advisors first interview prospective homebuyers about details such as the planned building lot, family composition and financing plans. Recruit's advisors then use this information to provide prospective buyers with free advice about homebuilders that fit their needs, choosing from a list of local builders as well as major homebuilders.

If the prospective homebuyer ends up ordering a custom home from one of the recommended builders, Recruit receives a fixed brokerage commission from the builder. The company is also planning to open additional information centers to provide consumers with free advice in other market segments linked to its other information magazines, such as in the condominium sales, job seeker and wedding segments.

Despite the considerable labor costs and effort required by this approach, Recruit has found an effective way to provide customers with detailed advice in order to build relationships with its customers and address consumer anxieties. Other corporations can effectively employ similar strategies to build relationships with their own customers and to address anxieties.

(4) Build a "Fan Base" around the Company

Corporations can also take the approach of building their own "fan base" of customers through various methods and means that help to build customer trust and address consumer anxieties. For example, the advent of the Internet has resulted in many corporations using online communities to gather ideas for their product planning. As a result, consumers are having an increasing say in the planning of products as well as giving input into production decisions.

For example, Ryohin Keikaku Co., Ltd. makes extensive use of online communities in developing products for its Muji product brand. The purpose of this strategy is to continuously and interactively engage customers in a wide range of processes from product planning and development through to sales, with the ultimate goal of

generating hit products. Under the strategy, the company first sells limited quantities of new products online to consumers, based on small lot custom orders from its suppliers, with the hope that this will eventually lead to mass production and sales as regular retail items.

Ryohin Keikaku also uses customer input that it obtains online as part of a continual effort to improve its products and review pricing, and to accommodate customer demand to bring back discontinued products. Another interesting facet of the company's website is that it publishes information about the progress of cancelled projects as well as projects that lead to actual commercial products. This level of openness is winning over the trust of Japanese consumers.

2 Age of Consumer Anxieties and Corporate Strategies to Address It

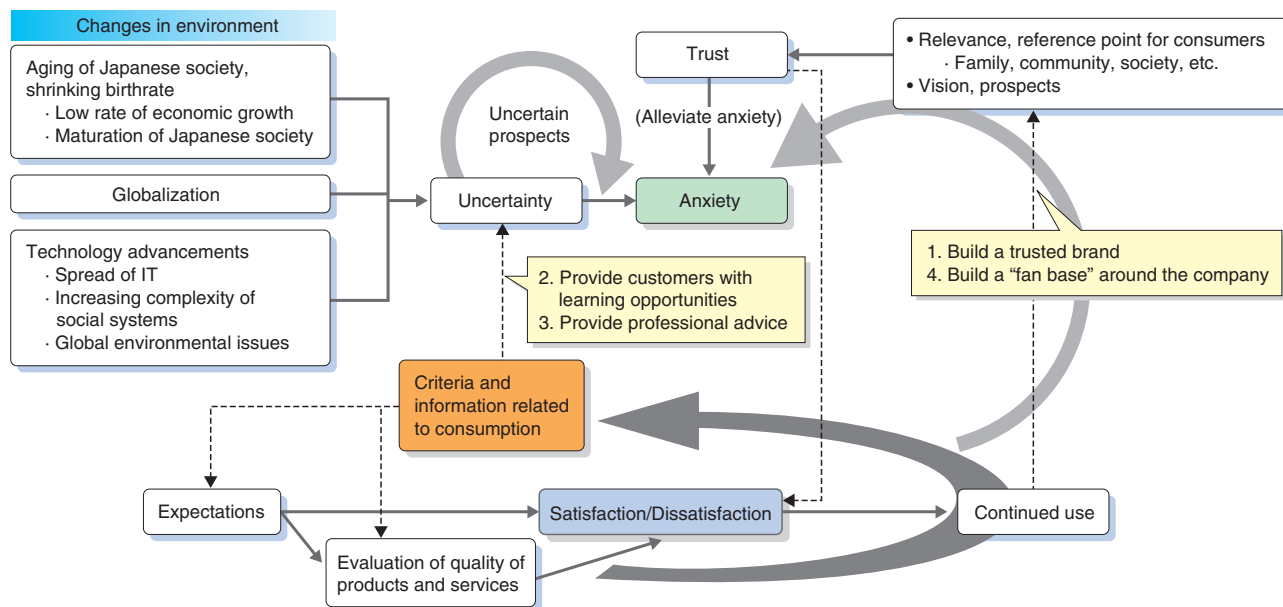
The diagram in Figure 8 summarizes the composition and views of Japanese consumer anxieties, and the approaches of corporate strategies to address these anxieties. Anxieties tend to arise when individuals are faced with situations of uncertainty in which the prospects for the future are cloudy and uncertain. The changes that are expected to occur in the future will further increase the level of uncertainty in the environment that surrounds Japanese consumers. Further globalization and the aging of Japanese society combined with a shrinking birthrate are eroding consumers' confidence that economic growth in Japan will continue to rise. It is becoming difficult for Japanese consumers to simply share a single objective or model, reflecting the uncertainties that Japanese consumers face.

Furthermore, the spread of IT has increased consumer opportunities for using heretofore new IT devices and services in their lifestyle. Such technological advancements will in turn lead to the introduction of unfamiliar devices and services that will further increase the uncertainty of Japanese consumers. In addition, the spread of IT is causing Japanese consumers to face a flood of diverse information related to consumption, which is triggering consumer anxiety and concern about making decisions that are to their disadvantage, or fear of failure. The end result is that it will increase the level of uncertainty among Japanese consumers.

It stands to reason that by looking up a wide range of information, consumers should be able to use this information to appropriately evaluate the quality of the products and services that they have used, and to perceive their satisfaction or dissatisfaction with the products and services. It also stands to reason that consumers should be able to reduce their level of uncertainty by referring to information. However, as we covered in the analysis of this report, the reality of the situation is quite different for Japanese consumers.

Corporations can adopt different approaches to addressing consumer anxieties such as building a trusted

Figure 8. Composition of Anxieties among Japanese Consumers



Source: Compiled by the author

brand and building a “fan base” around the company in order to improve the level of trust in the company. The fundamental activity of corporations is to continue supplying customers with high quality products and services, through which they can improve their customers’ trust in the company. However, improving the level of trust among customers typically takes a considerable amount of time to accomplish.

Corporations can also address consumer anxieties through other approaches such as providing customers with learning opportunities and providing professional advice as strategies to reduce the uncertainty felt by consumers. However, these approaches require arrangements that are somewhat specialized and distinct from the basic activity of corporations, which is to provide high quality products and services.

The task of addressing consumer anxieties requires strategies that are different from the strategies used to address the satisfaction and dissatisfaction of consumers. These strategies are very limited in scope and difficult to execute, either requiring a considerable amount of time to accomplish or requiring specialized arrangements. Under the circumstances, corporations must adopt medium- and long-range approaches to building up their

ties and relationships with customers in order to address increases in consumer anxieties.

Notes:

- (1) NRI’s nationwide survey of 10,000 consumers in Japan is a triennial survey that was first conducted in 1997 and later in 2000, 2003 and 2006. The purpose of the survey is to grasp the basic values, behavior and attitudes of Japanese consumers. The survey is conducted by visiting consumers and leaving survey forms for respondents to fill out, which are later collected in person. Respondents are between 15-69 years of age and residents of Japan, both male and female. The sample size of the survey was 10,052 in the 1997 survey, 10,021 in the 2000 survey, 10,060 in the 2003 survey and 10,071 in the 2006 survey.
- (2) For more information, refer to *Popularization of IT Consumption*, 2007 prepared by the NRI Consumer Marketing Research Team and published by Toyo Keizai Inc.

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