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Digital Marketing in Japan

Ana PREDA

Management-Marketing, Romanian-American University, Romania

Abstract

This paper aims to explore the current situation on the Japanese digital marketing sector and to identify, first and foremost, the problems this field is encountering at the moment, then to analyze the expected near-future trends, while also providing insight in the form of opportunities and finally, painting a landscape of the potential to develop further, both by upholding tradition and keeping up with the times.

Keywords: digital marketing, Japan, online platforms

Introduction

Digital marketing represents the advertising of goods or services using digital technologies, mainly on the Internet, but also including mobile phones, display advertising, and any other digital medium (Financial Times, 2015).

Digital marketing has seen a huge development in the past 20 years and has changed the way brands and businesses advertise themselves using new technology (EBSCO Publishing Service Selection Page, 2018). As people have begun to use digital devices more and more every day instead of visiting local shops, digital platforms have also begun to be an important part of a company's plans and strategies in everyday life just as much, thus allowing digital marketing campaigns to be more prevalent and efficient (Nielsen, 2016). Digital marketing methods such as search engine marketing (SEM), search engine optimization (SEO), content marketing, influencer marketing, e-commerce marketing, campaign marketing, social media optimization, social media marketing, e-mail marketing, display advertising, e-books, and optical disks and games are becoming more common in our advancing technology. In fact, digital marketing is so extended as a field, that now it includes non-Internet channels that provide digital media, such as mobile phones, callback, and on-hold mobile ring tones (Techopedia).

Digital Marketing Trends in Japan

In Japan, businesses still believe in basic advertising such as passing out flyers in crowded areas, using mascots to attract attention, holding small events in popular areas or even investing in some infamous Japanese television ads constantly shown in most populated areas (Digital Crew Agency, 2019). Digital marketing is always a part of this process, although the investment brought to the table, in all aspects such as time, financial, human or informational resources, is not quite at the same level as elsewhere (AmpUp Digital, 2018). This is a sign of a lack of **Inbound Marketing** (Figure 1).

Why has not inbound marketing taken off in Japan? In Japan, it is extremely hard to stand out in any way, hence the following saying: "The nail that sticks out gets hammered down". Generally speaking, the Japanese working environment is plagued with strong cultural

conformities. The hierarchical structure in companies, as well as many other aspects of society, is inflexible, with seniority mostly taking charge. The traditional tends to dominate in all aspects, hence another popular saying: “Don’t fix what isn’t broken.”



Figure 1. Inbound marketing method

(Source: (AmpUp Digital, 2018))

Digital Transformation

While the attempts have been many in the past, the efforts regarding digital transformation in Japan have been ongoing and they are expected to be one of the few major moves of 2019 in countless companies, especially the ones in traditional industries (mostly family-run for generations) who have come to accept the fact that in this new era, digitalization is needed.

We need not forget the fact that the efforts for undergoing digital transformation are major and are very difficult for many Nipponese companies and brands, no matter their background or the industry they belong to, most part owing to what has been mentioned before in regards to rigid hierarchical structures and power distance between the senior management and executives and their reluctance to accepting the changing of times and new, innovating trends. Thus, it is important to take into consideration the fact that implementing the digital aspect into existing business strategies and models requires not only huge investments of money, time, human and informational resources, but also patience and persuasion.

E-commerce

E-commerce is not a new aspect to Japan, but until a few years ago it has been met with some degree of reluctance. Buying things online has become a commonplace as is in the west, due to the convenience of it and the very well-developed distribution system of Japan's both private delivery companies and its most common post office. Almost 75% of the population is now shopping online and thus companies, even the reluctant ones, are forced to acknowledge the importance of the online environment and try to catch up to the new era, as the market has doubled in size in the past 7 years.

Mirroring the western world, Japanese companies are trying to not only integrate e-commerce into general operations but also maximize profits using online sales. Right now, as the internet has opened new opportunities and trends, it has also brought forth new and attractive possibilities for companies beyond the domestic market, inviting interest in new, foreign markets, helping them expand overseas. This is a huge step forward for the Japanese companies, who used to be for the most part focused and catered solely to the Japanese consumer.

Customer Experience (CX)

A recent and new development has taken the shape of the customer experience concept. This concept has been born due to increased emphasis on UI/UX⁷ for websites and apps.

Many field experts have deduced that customer experience is one of the major functions of marketing. As such, the marketing departments in companies now have a new duty under their wings and have to take charge of the customer experience process.

Video Advertising

A new trend in Japan is also represented by how organizations are replacing static image ads with videos on the more popular social media platforms. With the increased attention and popularity on these platforms, it's very likely we'll see small and medium-sized companies

⁷ Visual design and Interaction Design

suffering, even if short term, as the strain on their budgets will be hard to manage during that transition.

Unfortunately, even as social media channels nowadays are big pay-for-play services, organic impressions are decreased and brands are losing the customer engagement that is one of the most important aspects of digital marketing, as the online is becoming more and more overcrowded and content is being created at such a fast pace that it has become hard for people to consume. Staying ahead had become exponentially harder, this being the reason so many brands are adopting the video ads on social media.

Research has shown that video ads see a higher click-through rate (CTR) compared to images, and it can be an important metric for brands. New formats and possibilities for advertising are being introduced at a really fast pace to different platforms, digital marketing professionals are researching and trying to stay ahead of the times, as their insight will prove invaluable in the decision and financing aspects.

Voice search

Search engine marketing has long been looking for something truly innovative. Many changes and updates have been brought as advertising solutions almost yearly, however, none of those have truly been “new” or “innovative”, but mere gradual improvements to what was already there.

The next big step in search engine marketing is voice search, which can substantially change the approach.

As smartphones and other smart devices will be the main players, marketers project that 50% of all searches will be conducted by voice by 2020. As smart speakers (Amazon’s Alexa and Google Home) become more visible in western markets, opportunities for developing new voice search technologies are on a launching platform towards success.

Unfortunately, unlike the US, in Japan, the families using this technology is currently around 5% (Digital Crew, 2019). The discrepancy between the households using voice search and the ones who have only heard of it is huge, considering the fact that the awareness rate is at 60% (Digital Crew, 2019). To this point, the pattern has been repeated quite a couple of times in Japan with most technological advances (phones, social media), but just as before, even

despite this lag behind the western world, it is expected that Japan will show exponential growth and high adoption rates in the future.

Mobile payments

Smartphones have already changed lives in a significant matter. Be it uploading or downloading content, ride-sharing apps, food ordering apps, and many more uses, there are countless examples of how these technologies have improved our lifestyles and how they have been integrated and become indispensable to our everyday lives.

Personal finance apps have been popular for a long time in the western countries, mostly due to the convenience and safety aspects of having such apps, but in Japan, both those aspects are not so relevant due to the following reasons:

1. In Japan, shops are always prepared with exact change and it is a very rare occurrence that you will have to wait to receive the exact change (not receiving proper change is out of the question, you will receive your money back to the smallest yen);
2. Japan is one of the safest countries in the world, with its criminal rate being one of the lowest in the world (Japan Times, 2018).

In this state, finance apps are mostly used in Japan as help to better manage their money. Marketing companies also use these as ways to get people to spend money via mobile wallets.

There is a multitude of new ways to not bring your cash with yourself when you go out (such as mobile wallets, QR payments) and retailers are moving forward in a positive matter with those trends, accepting and embracing them. The society's push for those cashless options has grown exponentially and has surprised the experts in the fields since it never seemed possible a couple of years back (Wasabi Communications, 2019).

Digital Marketing Impact in Japan. Insights and Opportunities

Like many others in the west, the Land of the Rising Sun is now starting to embrace influencer marketing. This trend, however, is in a dilemma as big influencers are having a hard time properly quantifying their value to brands.

Many companies have found a solution to this problem as they moved towards less-prevalent “beginner influencers”, or micro-influencers, with smaller followings (2k—15k followers) who are willing to feature products and services for free or at lower costs than the more famous ones (PlusAlpha Digital, 2018). Micro-influencers are more sought after by companies due to the fact that they operate in specific areas, both geographic and industrial, and that their fanbase is generally smaller and their interaction with them is more personal, thus facilitating the quantification of the campaign’s results (PlusAlpha Digital, 2018). Brands are not investing enough in the digital environment. Sporting over 17.1 million users, Japan’s **Instagram** has seen exponential growth for a long time now. In fact, according to Nielsen/Net Ratings Japan, Instagram is the platform with the fastest and highest growth rate in Japan (AmpUp Digital, 2018).

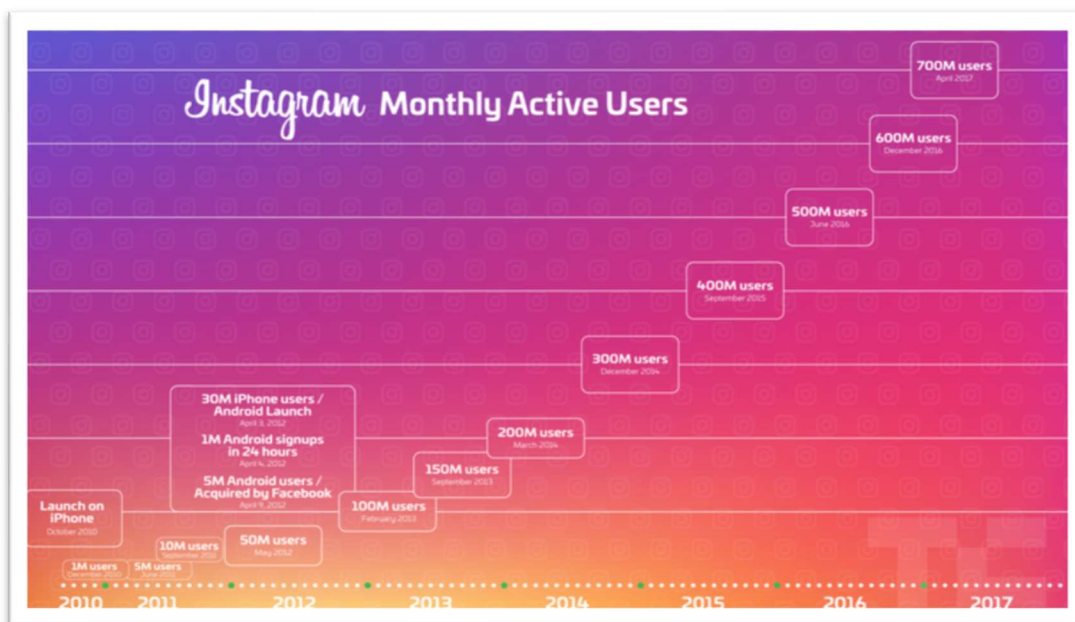


Figure 2. Instagram use 2010-2017

(Source: (AmpUp Digital, 2018))

Like Twitter, Instagram has the potential to bring new forms of advertisements for companies. This is especially true if we combine it with the influencers mentioned before.

Facebook is by far the largest social networking site for B2B marketing in Japan. It has become close to LinkedIn as a networking site for companies. As such, the demographics on the

platform is a bit uneven, with less than 7% of users under 20 and over 50% for older than 20 years old (PlusAlpha Digital, 2018). In regards to paid advertising, the platform is positioned very high, with one of the highest conversion rates in the world.

YouTube is the winner platform in this case. It is, by far, the most used platform in Japan. It is unique in the way consumers interact with the content. It is also the closest you can get to traditional televised advertising on social media platforms and brands can easily focus on the popular video advertising trend explained before. Being extremely popular among the youth, the cost of investment in YouTube is generally higher.

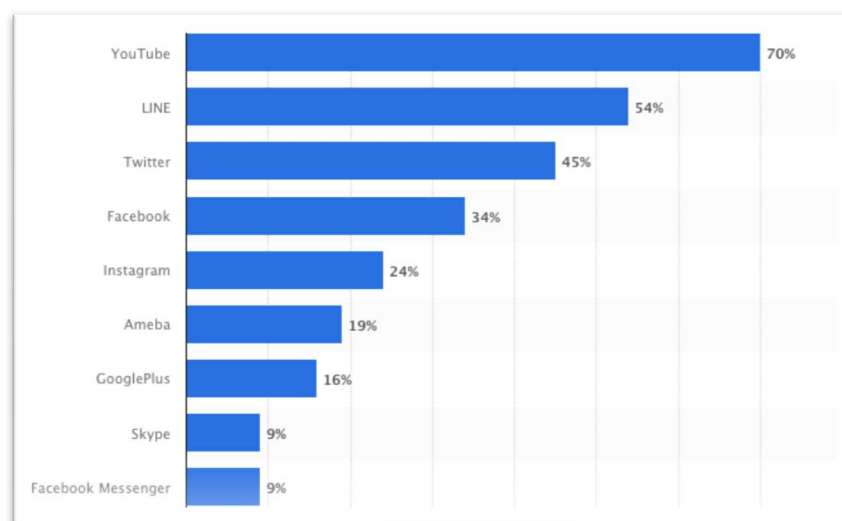


Figure 3. The popularity of social media platforms in Japan

(Source: (PlusAlpha Digital, 2018))

Strategic planning is advised in this situation, be it influencer marketing or developing content, but the benefits are sure to appear.

Why is Japan far behind other countries in digital marketing?

In Japan, businesses still believe in basic advertising such as passing out flyers in crowded areas, using mascots to attract attention, holding small events in popular areas or even

investing in some infamous Japanese television ads constantly shown especially in populated areas. Digital marketing is always a part of this process, although the investment brought to the table, in all aspects such as time, financial, human or informational resources, is not quite at the same level as elsewhere (AmpUp Digital, 2018).

According to (Crawford, 2017), the Japanese websites for small & medium-size businesses are relatively cumbersome, with a lot of information: “The eye does not know where to focus. Many of the websites’ designs look like the 1990s. Many of them do not employ responsive design and as a result, they do not display well on mobile devices” (Crawford, 2017). Possible causes identified by (Crawford, 2017) are, for example, the lack of lead capture techniques, content extenders, global contents (such as blogs, infographics), or specific keywords (Crawford, 2017).

A very common and tragic mistake is that websites are not designed for the first-time visitor at all.

Despite the digital experts’ call for companies to customize their respective webpages to better suit the first-time visitor, most do not take the advice to heart and fill the websites with useless information. However, there is no equivalent Japanese word for “Marketing”. Instead, they use the phonetic-sized English equivalent of “ma-ketingu” (マーケティング). A very sad reality in Japan is that the marketing department is not even an independent department in a company, but usually reports and is categorized as part of the sales department. Consequently, not many companies have a proper Chief Marketing Officer in Japan.

If these were general problems with marketing in Japan, it is best kept in mind the fact that the problems are even deepened in the digital marketing sector. Despite the huge potential, companies still do not prioritize the improvement of their web skills, both by investing in research regarding the potential or experts to help them. To better understand this, it is important to go back to the origins of Japanese business culture. Japan has always had a very “relationship-based” business culture. Maintaining relationships is paramount. By comparison, most Western Business cultures are “task-based”. Of course, relationships are important as well in the US and Europe, but when compared to Japan, they tend to focus on the task at hand.

In reality, the general way of thinking is that if word-of-mouth and relationship marketing has worked thus far, it should work from now on as well and thus companies fail to understand the value of digital marketing. As a result, they fail to establish a global “online presence”. The failure comes from the lack of research and understanding of the potential: if a company does

not receive any visitors, growth never comes and they fail to realize how much money they could potentially win per year. A very sad state indeed (Crawford, 2017).

Final Thoughts

Even though it is a slow process, the Japanese market is seeing a number of exciting developments that are quickly making the world's third-largest consumer market even more dynamic. The reluctance to change comes mostly from the powerful culture shown in Japan, but soon the need to catch up to the rest of the world will overcome it.

Following the trends in the western markets and combining them with the Japanese culture may be the best way of holding tradition while moving forward with the times in an equal and steady pace.

Even though it is saddening to see the potential of the digital market in Japan be overlooked, the situation is hopeful, and I believe that many companies, both Japanese and western, will learn from each other and help develop this sector further.

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