

JFTC Essay Competition 2006, Grand Prize

The Potential of Brand Japan

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(summary)

40 or 50 years ago, a “Made in Japan” label had very few positive associations connected to it – they were maybe even negative. Japanese exports were considered cheap, low-quality, and inferior compared to western products. At that time, who would believe Toyota would once become the world’s largest car-manufacturer or that Japanese companies would come to innovate and dominate the consumer electronics industry? Today, the “Made in Japan” label has numerous positive associations connected to it – it has become a symbol of quality, innovation, and good value. This essay attempts to assess the future potential of “Brand Japan” by first considering what has brought Japan this far, and subsequently discussing its future threats and opportunities.

The Japanese society inhibits a unique commitment to quality that is present in almost every aspect of daily life – impressive public transportation systems, tidy and organized domestic life, and a sense of detail that cannot be found so widespread anywhere in the world. These are qualities that have been transferred to Japanese companies and exports and helped build the positive brand images Japan enjoys today. Further opportunities for “Brand Japan” can be found in its unique culture. Japanese culture and pop-culture have risen in popularity during the past years. A key to the future potential of “Brand Japan” lies in combining the positive brand associations of Japanese culture with its products to achieve a beneficial synergy effect.

A major threat for “Brand Japan” is the growing gap between Japan and its Asian neighbors. Japan is an export-dependant economy and relies on its foreign relations for its continuing prosperity. As Japan’s trade relation with China grows stronger and stronger, the need for Japan to improve its political image with its neighbors is more important than ever.

Finally, the market for environmentally friendly products is likely to increase with issues such as global warming becoming increasingly important. As a fore-runner in environmental technologies, Japan has great potential for increasing its brand image and its competitiveness by continuously promoting and pushing such environmental innovations further.

(full text)

The Potential of Brand Japan

Introduction

Today, “Brand Japan” is strong, arguably stronger than it has ever been before. Different elements of Japan can be heard, seen, smelled, tasted, and felt all around the globe. On any given day, stylish sushi restaurants in the capitals of Europe are crowded with trendy clientele; the bustling streets of Hanoi are filled with Honda scooters; American teens are reading manga comics and playing Nintendo; while Scandinavian women are using Shiseido skin products – just to mention a few.

40 or 50 years ago, a “Made in Japan” label had very few positive associations connected to it – they were maybe even negative. Japanese exports were considered cheap, low-quality, and inferior compared to western products. At that time, who would believe Toyota would once become the world’s largest car-manufacturer or that Japanese companies would come to innovate and dominate the consumer electronics industry? Today, the “Made in Japan” label has numerous positive associations connected to it – it has become a symbol of quality, innovation, and good value. The story of “Brand Japan” is truly a story of success.

The subject of this essay is the “Potential of Brand Japan” and how it can continue stay competitive over the next 10 to 20 years. The guidelines for this essay ask for ideas and comments on the indigenous assets and values that can continue to fuel “Brand Japan”.

In my opinion, in order to assess the future potential of “Brand Japan”, one should first turn to the past and take a look at how it has managed to evolve into what it is today. First of all, I therefore ask, what are the underpinning building blocks of “Brand Japan”? Through this discussion, I will attempt to identify any common factors that can be found in the elements that have contributed to current success of “Brand Japan”. Based on this, I will analyze and discuss what I believe are the most important factors for the future of “Brand Japan” and comment on its threats and opportunities. However, to begin with, I will quickly explain what a nation brand is, and what goes into one.

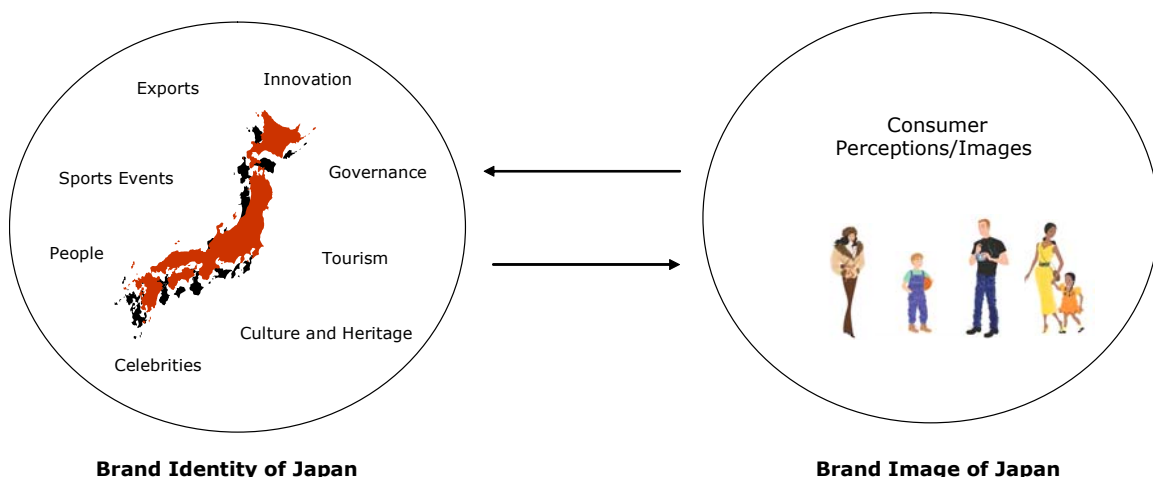
What is a Nation Brand?

Brands exist in the mind of consumers.¹ They are intangible assets that may add or

¹ Keller, K.L. (2004). *Strategic Brand Management – Building, Measuring, and Managing Brand Equity*. Pearson Education.

subtract to the perceived value of a product. A fundamental ingredient of branding is that consumers can perceive differences between brands in a product category – this also true for “Brand Japan”. For example, consider this situation: A person who is buying a camera is deciding between two almost identical camera models – they are equal in terms of technical specifications and functions. However, one is “Made in China” and the other is “Made in Japan” and is more expensive than the former. If the person has positive associations and images of products manufactured in Japan compared to products manufactured in China, he or she is more likely to be willing to pay a price premium for the Japanese brand. The images this person holds of Japanese products differentiates and adds to the value of the product he or she is buying.

Such brand images that exists in the minds of consumers are determined by several factors, not only the quality or performance of Japan’s exported products, but also the country’s people, culture and heritage, government, tourism, celebrities, and other factors. All these elements, together, is what forms Japan’s brand identity and take part in shaping how consumers view Japan and the associations that are linked to it. For example, a person’s image of Japan (and its products) might change after traveling to Japan – having seen and experienced the country with his or her own eyes. If the experiences are positive, then positive associations might be transferred to Japanese products, and vice versa in the case of negative experiences. Similarly, one’s image of Japan can be affected by the actions of Japan’s politicians, the success of Japanese athletes, or the invention of a new super-fast train. This situation is illustrated in the figure below, showing how the perception of Japan is a result of consumer interaction and observation of the different elements that together form the Japanese brand.



The Elements of Brand Japan

Let us consider what elements have contributed to the strong position “Brand Japan” enjoys today.

Exports

First, as mentioned at the outset of this essay, Japan's exports can be found all around the globe. Especially the automobile and consumer electronics exports hold a dominant or strong position in almost every market in the world. On this basis, it is reasonable to argue that Japanese exports is the factor that has historically contributed the most to building "Brand Japan". Canon cameras, Sony Walkmans, Toyota cars, and Komatsu excavators – all examples of Japan's export successes. From their meager beginnings in post WWII period, they have grown into strong brands and each one added their part in building and strengthening the overall image of Japan.

Reflecting on what has made these and many other Japanese exported brands successful, one common feature comes to mind – commitment to quality. Quality can be defined in many ways, and each of these companies has built their success by committing themselves to quality in different ways. Komatsu built their brand by producing vehicles capable of doing the same task as their U.S competitor, Caterpillar, but doing so at a considerably lower price, providing exceptional value-for-money. Sony succeeded by always being innovative and 'miniaturizing' the consumer electronics industry, while Toyota continuously improved their production processes and the reliability of their cars through the now famous kaizen principle. These three examples were not chosen by chance, as they in my opinion represent three of the core qualities that typify Japanese brands: value-for-money, innovation, and reliability. Over time, these qualities, in the shape of Japanese products, have helped build strong, favorable, and unique brand associations of Japan.

I believe that it is no coincidence that Japan has excelled in these areas, and there are strong parallels between these elements and the elements one can find in Japanese people, culture, and society. Quality alone is usually not a basis for sustainable competitive advantage and building strong brands. This is because quality can somewhat easily be copied by simply replicating the same production processes, designs, and materials used. However, the quality that permeates most of Japan is different – it is present in almost all corners of society, and is certainly not easy to copy. Let me explain:

Last year, I had the pleasure of studying one semester at a Japanese university in the Kansai area. Living and studying in Japan I was impressed by the Japanese society in many ways. There was a sense of quality and attention to detail present in almost every aspect of life. Some examples: During my stay in Japan, I commuted to the university every day by a local train, and for the duration of my stay in Japan, I did not experience a single delay or cancellation – even busses were rarely out of schedule! In addition, one cannot avoid being amazed by the Shinkansen crossing Japan with incredible speed and precision. Second, another feature I noticed is Japanese people's

preference for quality versus quantity. In a purchase situation, most Japanese tend to choose small amounts of high-quality instead of large quantities of regular products – in sharp contrast to other places I have visited, especially compared to North America where size is usually preferred. Japanese consumers demand quality, and I am certain that this domestic demand for high quality has played its role in shaping the Japanese companies' commitment to quality. Finally, the sense of detail and orderliness in the Japanese society can be traced down to the simple aspects of everyday life: littering is a seldom sight in Japanese streets – people always sort and recycle their garbage. Commuters line up neatly while waiting for public transportation, and you are always treated with a smile entering a store or restaurant – very different from any other place I have ever visited. I believe these simple but remarkable characteristics of the Japanese society are the same qualities that have also helped bring Japanese products and “Brand Japan” to its high level.

Culture

Another phenomenon contributing to the power of “Brand Japan” is the Japanese culture and culture exports. Japan is today, still, a mysterious world for many foreigners. Whether you arrive in the urban chaos of Tokyo or the tranquil gardens of Kyoto, it can feel like you are stepping into another universe. Japan cannot be compared to any other country – it is unique, different from the rest of the world, and equipped with a truly exceptional culture. Modern Japan is both the past and the future – a mix of the ultra-modern and the ancient. The Japanese culture is one of the strongest elements of “Brand Japan”, and I believe it has far from reached its full potential in boosting Japan's competitiveness further.

Today, Japan's culture exports is the fastest growing sector of the Japanese economy², and includes design, fashion, manga, anime, pop-music, and more. Foreigners are starting to discover the amazing world of Hayao Miyazaki, decorating their homes with Japanese style furniture and accessories, and drinking Japanese green tea. Japan is both fashionable and mysterious. Movies such as “The Last Samurai”, “Lost in Translation”, and “Memoirs of a Geisha” are evidence and products of the growing fascination for Japan and Japanese culture in the western world.

Yet, Japanese culture exports are still just a small fraction of Japan's total exports. However, I believe the value and the potential of Japan's culture exports should not be measured only by the value it generates directly, but rather how it is contributing to the total value of “Brand Japan”. A stronger brand image of Japan can also transfer to other parts of the Japanese economy i.e. if Japan's brand image among consumers is strong, unique, and favorable due to the popularity of its culture, this might also

² Jyllands-Posten, 25 April 2004 “Japan er cool” (Danish Newspaper)

increase the perceived value of other Japanese exports. I believe Japanese companies could use their heritage and culture more in marketing their exports – even for products such as automobiles and televisions. The Japanese culture is not something that can be copied by competitors and together with the already strong brand images of Japanese exports, a synergy effect between the culture and more traditional exports could hold enormous potential if managed correctly.

Governance and Politics

Another issue I would like to bring up is both an opportunity and a threat to “Brand Japan”, and also an issue that is being debated heavily – both in Japan and abroad. I am referring to Japanese foreign policy, and in particular, its strained relations to its Asian neighbors. Governance and politics are also determinants of Japan’s brand image. What politicians do or say will affect how foreigners view Japan.

As an export-oriented economy, Japan is totally dependant on the outside world for its continued success and prosperity. As explained earlier, over time, Japan has supplied the world with cost-efficient, innovative, and reliable products. Japan has managed to build a strong brand, and a pool of goodwill among consumers. This is one of the supporting pillars of the Japanese economy. Without Japan’s strong brand, its economy would only be a shadow of what it is today.

It is therefore surprising to see that prominent Japanese politicians are willing to jeopardize Japanese relations with some of its most important neighbors. It seems that pride and conservatism sometimes takes precedence before relations to the outside world – not considering the long-term effects that this might bring.

In the past decade or so, the economic relationship between China and Japan has grown, and the explosive growth of China is often credited as one of the reasons for why Japan has managed to get out of the economic recessions it experienced throughout the 1990’s. To the benefit of both nations, Japan has been able to supply capital, knowledge, and resources that the booming economy of China has not been able to supply by itself. At the same time, the political relationship between China and Japan has cooled, and a gap has grown between the countries. To some extent, the same is true for Japan and South Korea – many of the products South Korea is manufacturing are made with Japanese components – such as batteries for mobile phones and various parts needed for the production of televisions etc. If the political gap that now exists between Japan and its Asian neighbors continues to deteriorate or nothing is done to close the gap, the long-term consequences might also transfer to a negative effect on the economic relationship between the countries.

China’s economic growth is still in its beginning, and economic projections estimate that China will surpass Japan as the world’s second largest economy within the next

one or two decades.³ At some point in the not-so-distant future, Japan might rely more on China than China relies on Japanese investments today. Furthermore, as the Chinese economy is growing at an impressive pace, so is the Chinese consumer market – a market that holds great potential for Japan’s exports. If Japan’s already weakened brand image in China is not improved, Japan might forego its chance to capture a part of this growing and future market.

In my opinion, one of the greatest challenges for the newly elected Japanese prime minister, Mr. Shinzo Abe, and his cabinet, is therefore to restore good relations with China and South Korea and build the image of “Brand Japan” in those countries. I was therefore relieved to read that the new prime minister has set out improving relations to China and South Korea, as one of his main ambitions⁴. I sincerely hope he will succeed in doing so.

I also believe that the on-going debate on China-Japan relations may also affect Japan’s image outside Asia. There is no doubt that the Japanese government enjoys far more respect, goodwill, and admiration in most parts of the world than the Chinese government does – I will go as far as saying that the two governments cannot even be compared when it comes to issues such as human rights, domestic and foreign policy, foreign aid, and such. However, recently, I have noticed a slight change in how the press in both Europe and the U.S refer to Japan’s regional policies and its government. For example, words like nationalist, conservative, and even hawkish are among the adjectives that are commonly used to describe the newly elected prime minister and his statements. I fear that if such rhetoric is used consistently to describe Japanese leaders, it might eventually also influence the general public’s opinion and negatively affect Japan’s strong brand image and goodwill.

What happened in East-Asia more than half-a-century ago is the past, and no one is to be blamed for these crimes today. However, Japan still needs to come clean and stop the small fraction of ultra-conservative powers that are still living in a bygone era wanting to hide or ignore what happened. Therefore, no matter if actions are justifiable or not, Japanese politicians should carefully consider the consequences of the actions they make. The long-term cost of not doing so might be incalculable.

Environment

Finally, another area where I see future potential for brand Japan to grow, is through

³ Willson, Dominic, and Purushothaman, Roopa. 2003. *Dreaming with BRICs: The Path to 2050*. Edited by Goldman Sachs. 99th ed. Vol. 99. USA: Goldman Sachs.

⁴ <http://edition.cnn.com/2006/WORLD/asiapcf/09/26/japan.politics/index.html>, accessed September 29th 2006

continued focus on environmentalism. Japan is already at the forefront of the development of pollution control and energy efficiency. Japanese cars are known for their good fuel-economy and Japanese companies are innovators of environmental technology. Three decades ago, the situation was very different, but was changed in the aftermath of three major environmental accidents during the 1970's.⁵

As global warming and other environmental issues are increasingly becoming a major concern and topic on lips of people all over the globe, I believe that the demand for environmentally friendly products will see a boom in the coming years. I also believe that Japan, as a fore-runner in this area, has great potential to become a role-model and an example for the rest of world in this respect. Japanese companies should take advantage of their already existing technologies and continue to develop new ones. It will not only boost the brand image of Japan but also the competitiveness of Japanese companies and help alleviating one of the major challenges for the generations to come.

To end this essay, I would like to refer to a quote made by the 'Japan Forum on International Relations' (JFIR) I came across while researching for this essay:

*"Japan must possess attributes that attract the admiration, goodwill, and respect of people in other countries."*⁶

In my opinion, this sums up how Japan should set out to build and maintain its already strong brand. I believe these are qualities the Japanese society and its people already enjoys in most parts of the world – the key is to continue to nurture and grow these qualities and thereby bring "Brand Japan" to new heights.

⁵ Flath, David. (2005). *The Japanese Economy*. Oxford University Press

⁶ <http://news.bbc.co.uk/2/hi/business/4092461.stm>, accessed September 28th 2006.