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Learning from the Japanese consumer: Three executives on next-generation marketing

Executives from Amway, Disney, and Domino's discuss new trends in mobile and Web marketing.



John Parker

President, Amway Japan

I think for us in Japan, we have an obligation to share what we're learning with the rest of the world because consumers here are so sophisticated and the online environment is so sophisticated.

Consumers in Japan have always had really high standards. And I think we've seen their focus become even sharper in this economic environment. So brand has become important—and has always been important in Japan—but has taken on some nuances in this climate.

Value, obviously, has become more important. And likewise, I think that an understanding of what brand represents beyond status has become important as well. For example, hybrids have more prestige in Tokyo than the typical big-name automobile brands.

I think consumers are continuing to demand even more understanding for what brands and companies stand for, beyond just what they sell. And I think that creates an opportunity for us as companies but also requires us to understand consumers' needs more and communicate more clearly against the needs that they have.

For Amway and, I think, for many other companies online, Japan has been a leader. Both because of high Internet penetration, but also I think it's important to understand that the Japanese consumer is very sophisticated when it comes to using online tools and using them to share their opinions with others.

For a business like ours, we can really leverage that word-of-mouth. Consumers today, they don't want to be *told* about a brand or a product; they want to *discover* it. In fact, there's a certain amount of cachet for a consumer that discovers a cool product or maybe a new or unknown brand and then shares it with others. And the digital form allows that to happen in a way that's so much faster than has ever happened in the past.

Ernest Higa

Founder, Higa Industries (franchisee of Domino's Pizza Japan)

In Japan, they have what they call "charisma bloggers." And all these charisma bloggers have their own following, for whatever reason. If they like this product, then their followers will try that thing. And so part of this is, you try to get these charisma bloggers to promote your products. That tends to kind of individualize the promotion. If you will, it's a form of word-of-mouth. So in the old days, someone would eat Domino's Pizza and say, "Oh, this is great." And he could tell maybe a maximum of five people. Well, with the Net and these bloggers, if they like it, they can tell the whole world, basically. And so that's the difference.

We tried to look at the benefits of e-commerce about five, six years ago. We're trying to change the home-delivery-pizza model of Domino's to what we call a "clicks and mortar" business model: where we don't just take the order by phone, we also take it through the Internet.

We started that initiative, and we found if we could get 5 percent of our sales through the Internet, that would be great. Well, to our surprise our sales now, I think about 35 to 40 percent of our sales are through the Internet. So when the Lehman shock occurred and this change in the consumer buying habit happened—where people were buying on the Net and staying at home—both of these factors really worked to our advantage.

People tend to order Domino's Pizza when it rains, or when there's a soccer match, or there's some kind of occasion. And you know, we can't forecast when it's going to rain. Even the weatherman is not good at that. So all of a sudden we'll see it's raining or it's going to rain, and then all of our stores know that. And they will send out a kind of e-coupon to our e-customer list, saying it's raining and that we'll give you a discount on a pizza. This has the highest redemption rate of all, because a customer already has a tendency to order the pizza but they need some kind of hook to actually get them there.

Now, we can do it instantaneously and at no lead time—really target it for that specific event, whether it's raining or whether it's a soccer game or whatever. And, as you know, food is kind of a spontaneous purchase. It's not something that people think about a couple of months before they order a pizza. So being able to have this short lead time to just instantaneously do a coupon is very effective. Obviously there's no real cost, and the redemption rate is very high.

In general, when we send out fliers it's very similar to catalog sales: you hope that your response rate is 2, 3 percent. And if it isn't, you're in trouble. If it's above that, you're really doing well. With a coupon on a rainy day, we could get a 10, 20 percent response rate, and our cost is virtually zero.

The key element is transitioning from the telephone to various channels of the Internet. One is the PC, of course. One is e-mobile. Of course, we're now looking to the iPhone and the applications there. And even further, we've already started to sell on Web TV. And what we see is that each of these different channels for the Internet has a very specific customer segmentation. The telephone customer was basically the mother with kids that would order from us. But as you start to move to the Net, we realized that we're hitting a different customer base—that the PC, Internet customers were young males in Japan; the cell phone customers were young females.

We're also trying to experiment with game machines. All of the game machines have become Internet-access devices. Well, obviously those are geared more toward kids, whether it's the Nintendo Wii or whether it's the Sony PlayStation 3. We haven't done that yet, but we're trying to see what we can do there. And certainly Web TV will then bring us back again to the living room where perhaps the mother or the housewife or the family, which is ordering by phone, might start to shift to Web TV. So we see a segmentation of our customers, depending upon which e-commerce platform that you choose.

Duncan Orrell-Jones

Senior vice president, Disney Interactive Media, Asia-Pacific

Mobile activity has always been fairly high, but it has continued to grow fairly significantly in the last few years. And people are shifting more toward using mobile to access the open Internet, and it's empowering them in a number of different ways. Social media, for example, has become increasingly important. They're using that to help them navigate through decisions, whether it be decisions about products and engaging their peer group to advise them or, even now, increasingly into areas where it's personal advice—where they're using the social media to actually get good information about personal decisions that they'll be making in their life.

One of the great things about, for example, mobile is that it's relatively easy from an economic standpoint for us to deliver content that is relevant to the audience here. Essentially, 100 percent of the content we present to the audience here through our services is made here in Japan, in partnership with local companies.

We as a company recently, this last year, released our first locally produced animated series that's running on TV. It's based on a franchise that was developed in the US—it's based on [the Disney animated character] Stitch. But the execution of that is very local. It's made here with a local animation company. The new characters that are added in are local characters; the look and feel of it is more of the sensibility of Japanese consumers; the storylines are more directed toward Japanese consumers. That's an extreme example, but the same thing plays through on mobile content. So, it's an element of what the content is and how we're presenting it to them, making sure it's being brought to them in a way that's relevant on a day-to-day basis. ○