

Letter from Japan - psychology of a recession

 By [Gerhard Fourie](#)

18 Jun 2009

With consumer spending accounting for more than half of the economy, Japan's economic survival during the current recession has to hinge on how often and how wide its citizens open their wallets and purses. However, given the risk-averse nature of the Japanese psyche, convincing these citizens to maintain their spending habits is an uphill battle for retailers and government alike. How would you, as a marketer, keep the tills ringing?

This is the question I ask - and provide a few answers to - in an article I have written for the 2009 edition of *The Encyclopaedia of Brands & Branding in South Africa*.

In this article, headed 'A letter from Japan', I acknowledge that Japan could end up being one of the biggest victims of the crisis. Unemployment is at a 40-year high (5%); GDP at a 35-year low and contracting at a rate never recorded before; wholesale prices dropped for the first time in five years; and last year Japan experienced the first trade deficit in 28 years. Corporate Japan responded to the crisis by slashing staff levels, cutting salaries and overtime, as well as suspending production at numerous plants.

Consumers responded

And consumers responded too, by dramatically cutting back on spending, delaying large purchases and changing consumption patterns.

It is true that Japan's reliance on foreign trade makes it particularly vulnerable to economic downturns in other markets, but that is not the full picture. Consumer spending accounts for more than half of the economy, and it is clear that Japanese consumers played a big part in the cycle that drove the economy down. The Japanese are generally regarded as cautious and the uncertainty brought on by the downturn certainly was not conducive to consumption.

As the crisis was unfolding, I was struck by how different various nations were responding. It seemed that an underlying national characteristic influenced their responses: Japanese risk-averseness, Chinese self-reliance, Brazilian exuberance. It is true that each country faced unique challenges, but some markets seemed more inclined towards a positive response. In poll after poll, the Japanese were rated as the most pessimistic consumers in the face of the economic crisis.

Dutch academic Geert Hofstede's Cultural Dimensions could explain these variances in the response to crisis. Hofstede researched how national values affect attitudes in the workplace and the result is a fascinating classification of more than 70 countries around the world.

Not all the same 'deep inside'

His initial model differentiated cultures according to four dimensions: Power Distance, Individualism, Masculinity and Uncertainty Avoidance. He later added a fifth dimension, based on Confucian dynamism, Long-Term Orientation (which is not only applied to Asian markets). He contends that, despite the typical human instinct that would like to believe that 'deep inside' all people are the same, we are not.

The Hofstede Cultural Dimension profile for Japan shows a low individuality score and very high scores for the masculinity, uncertainty avoidance and long-term orientation indexes. The low individuality score indicates a collectivist society that values loyalty to the member group. High masculine societies expect men to be more assertive and women more nurturing, while the high uncertainty avoidance shows a low level of tolerance for uncertainty and implements rules and regulations to try to eliminate this uncertainty.

How then, to market to them?

One suggestion is that, if you know that your customers have high risk aversion, distress sale type advertising will probably not do the trick but, given the Japanese need for a sense of belonging coupled with the need for status and recognition, an exclusive customer club is probably a good idea.

Loyalty programmes

It is therefore not surprising that most Japanese retailers already have very sophisticated loyalty programmes, and are using them to boost consumption during the crisis. South African retailers could learn much from studying how these loyalty programmes work, which is why I discuss them in detail in my article.

Then, too, there's marketers' response to the 10 trillion yen (R827 billion) stimulus package that included a cash handout to families of 12 000 yen per adult and 20 000 yen per child (R1000 and R1600 respectively) announced by the Japanese government in April 2009. Many responded with offers to customers on how to spend their stimulus payout. One of the cheekiest was fast-food giant, MacDonald's, which in May launched a coupon booklet costing 12 000 yen (the exact amount of the adult payout) that offers 20 000 yens worth of meals!

ABOUT GERHARD FOURIE

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