

# Japanese Multinational Enterprises in China: Successful Adaptation of Marketing Strategies

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This paper examines three case studies of Japanese multinational enterprises (MNEs) in China. They are from different sectors – retailing (Itô-Yôkadô), consumer goods (Shiseidô) and automobiles (Toyota) – and all have had to adapt their business models to Chinese conditions. The paper examines the direction, extent and nature of adaptation of the Japanese firms' business models in China and seeks to explore the changes in terms of conventional 'Japanese' international marketing behaviour. It finds that Japanese international marketing has evolved. While some aspects of success (organisational abilities, long-term orientation, aggressive growth strategies, ownership, R&D) have been diffused from developed to emerging markets, others (identification of customer needs and wants, information processing capabilities) have been extended. Segmentation and positioning are fine-tuned and are significantly different from Japanese strategies in developed markets. However, it would be a mistake to characterise a 'Japanese' strategy for the Chinese market, as no single approach predominates. Even within our sample of three case studies, strategies vary between the three firms and within each firm they vary over time. In all three cases, the Japanese MNEs are very conscious of consumer needs in China and the dynamics of these needs. A flexibility of approach is evident from Japanese MNEs in China. Overall, we conclude that Japanese MNEs are not 'Western' or 'Japanese' in their approach to the Chinese market, but are flexible, realistic and pragmatic.

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## Introduction

This paper examines three case studies of Japanese multinational enterprises (MNEs) in China (Itô-Yôkadô, Shiseidô and Toyota). The case studies are of three iconic companies. They are from different sectors (retailing, consumer goods and automobiles) and all have had to adapt their business models to Chinese conditions. The paper examines the direction, extent and nature of adaptation of the Japanese firms' business models in China and seeks to explore the changes in terms of conventional 'Japanese' international marketing behaviour as portrayed in extant literature. It examines the Chinese context and consumer behaviour in China to show the influence of the host country on adaptation to foreign market conditions. With a view to the change in quality and quantity of Japanese investment in China, the case studies were deliberately chosen to show the spectrum and extent of adaptation efforts.

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### *The rise of the Chinese consumer market offers unique insights into the extension and adaptation of home market strategies*

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The rise of the Chinese consumer market offers unique insights into the extension and adaptation of home market strategies. Foreign firms, including Japanese MNEs, have entered the market approximately at the same time, and face a new and often adverse environment. They need to learn the local rules of engagement. China puts ethnocentric extensions of home market strategies to the test. Stereotypical views of 'Japanese', 'Western' and 'Asian' management styles must be challenged,<sup>1</sup> and this study explores the applicability of received theory to Japanese firms' operations in China. The best way to do this is to provide empirical evidence of what firms actually do. The case studies analyse Japanese management in China and provide a litmus test of the degree to which a 'Japanese' management system is adapted to a 'Chinese' ('Asian') environment. The paper challenges the traditional portrayal of the globalisation path of Japanese firms, which are commonly thought to follow geocentric strategies (in contrast to the polycentric approaches of European MNEs).

Using Rugman's (2008) classification: Itô-Yôkadô is bi-regional (Asia and North America), Shiseidô is home-region orientated and Toyota is close to being a global company. Our three case studies thus encapsulate the spectrum of international and internationalising companies. Our paper therefore offers answers, at firm level, to three key questions:

1. To what extent does the international marketing behaviour of Japanese firms differ from that in the past?
2. How far have Japanese firms overcome their ethnocentricity by successfully implementing local marketing flexibility?
3. To what extent are Japanese home market idiosyncratic strengths transplanted into the Chinese market?

## Research framework

Historically, much has been made of the Japanese international marketing approach. In Western literature it has been widely described as superior to<sup>2</sup> and more efficient than that of Western competitors.<sup>3</sup> Numerous studies have attempted to portray Japanese marketing methods. As shown in Table 1, conventional theory indicates that Japanese competitive advantages derive from organisational abilities, information processing capabilities, product-segment fit, identification of customer needs and wants, long-term orientation and aggressive growth strategies (market share). Most findings, however, relate to the heyday of Japanese management and largely ignore the widely documented (at least in the Japanese literature) problems of Japanese firms in adapting to local market environments.<sup>4</sup> Contrary to Western understanding, extant Japanese literature classifies the

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