

Analysis of E-Commerce Cross-Border Japanese Marketing Strategy from the Perspective of National Culture

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Abstract. E-commerce activities have weakened the spatial distance in traditional business activities. Formally, domestic e-commerce activities and cross-border e-commerce activities are not fundamentally different from each other. However, due to differences in national culture and trading systems, consumers' purchasing behaviors vary from country to country. At present, due to the strong support of the Chinese government for cross-border e-commerce policies and the aggressive marketing strategies of cross-border e-commerce companies, the cross-border e-business with the US and Europe expands quickly. Nevertheless, as a neighbor of China, Japan's e-commerce business has grown slowly. We need to analyze its internal reasons from the perspective of national culture to help Chinese e-commerce companies to choose and to formulate their marketing strategies in the Japanese market. Establishing a good and stable relationship with Japanese companies and consumers to seek development is a common wish of China and Japan. It fits with the same cultural characteristics as well.

Introduction

In recent years, cross-border e-commerce has developed very rapidly in China. According to data from the Ministry of Commerce, although the total import and export volume in China only increased by 6.1%, cross-border e-commerce has risen by 300% in the past five years. In 2017, China's export volume of cross-border e-commerce has reached 6.3 trillion yuan, which has increased by 14.5 %. The amount of China's cross-border e-commerce transactions will be expected to reach 8.8 trillion yuan in 2018 and 12 trillion yuan in 2020, which accounts for 37.6 % of the total import and export volume. The facts above show that nearly 40 % of China's foreign trade transactions will be realized through the channel of cross-border e-commerce, which indicates that cross-border e-commerce will make a significant contribution to international trade. In recent years, with the rapid development of Amazon (14 sites in the world), U.S. and European businesses are doing well. However, as the market becomes more saturated and more competitive, many sellers are targeting the Japanese market.

Japan has a population of nearly 130 million, with a GDP of 4.34 trillion in US dollars in 2017, which is the third in the world. The advantages of developing cross-border e-commerce with Japan includes that there are less competition and lower logistics costs since Japan and China are neighboring countries of each other. However, there are also problems encountered by sellers. The first is language restrictions, English has been included in as a subject form primary school, but the cost of learning Japanese is relatively high. The second problem is the understanding of Japanese consumer culture. The last but not least, the development of Japanese e-commerce is slow compared with other countries. In 2015, the total of Japan's online retail sales is \$89 billion while China's e-commerce revenue reached \$439 billion in the same year.

2017 Japan E-commerce Platform Ranking (B2B&B2C): The first is Japan's domestic platform Lotte and its cash flow is 3,377.9 billion yen (including platform business such as Lotte Travel). Amazon ranks the second, the amount of its cash flow is presumed to be 2 trillion 686 yen. The third and the fourth is Yahoo auctions and Yahoo shopping, and its total cash flow is 934.6 billion yen and 597.9 billion yen respectively.

Japan's GDP growth rate in 2017 is only 1.5%, but the pace of e-commerce development is growing 6 times more than the GDP growth rate. The ratio of the amount of circulating funds of e-commerce to the total circulating funds of the Japanese retail industry has risen from 5.79% in 2016 to 7.5%, which is still relatively low compared to China and the United States. This also shows that the Japanese e-commerce market is not saturated, and it has a substantial development space.

According to JETRO's analysis of the trading data between China and Japan in 2017, China has been Japan's largest trading partner for 11 consecutive years since 2007, and has been Japan's largest importer for 16 consecutive years since 2002. According to the Nikkei News in April 2018, Japan's amount of export to China in 2017 hits a historically high level.

The difference between cross-border e-commerce and domestic e-commerce is not only from the distance between countries but also from the cultural influence on consumers' purchasing behavior. According to Vyncke and Brengman, a culturally consistent e-commerce site is better to adapt to potential consumers from different cultures, resulting in higher website effectiveness and easier access to the trust of potential consumers. Therefore, the difference in cultures will inevitably have an impact on online shopping. The greater the cultural difference, the lower the consumer's trust on the online website.

The Influence of National Cultural Differences on Cross-border E-commerce Marketing

Chinese sellers have developed many suitable operational methods through the European and American platforms, but when operating in different countries, it is natural to use local cultural characteristics. Japan is a conservative consumer market that values consumer experience and service attitudes. Chinese sellers have not been able to understand the ideas of conservative consumers in Japan deeply, and they keep hitting the wall.

The concept of Hofstede's cultural dimension. The establishment of trust depends on shared motives, values, beliefs, identities and interpretations of the meanings that guide an individual's behavior and beliefs in a specific culture (Doney et al., 1998) and therefore national culture and trust are discussed as interrelated in the prior research (Doney et al., 1998; Downes et al., 2002; Gefen & Heart, 2006; Greenberg et al., 2008; Huang et al., 2014; Jarvenpaa et al., 1999). National culture consists of a set of beliefs and behaviors shared by a group of people, also known as the collective programming of the mind distinguishing members of one group from another (Hofstede, 1980). We adopt Hofstede's cultural dimensions (Hofstede, 1980; Hofstede & Hofstede, 2005; Hofstede, 2001) to explore national culture. The four original dimensions are individualism versus collectivism, power distance, masculinity versus femininity, and uncertainty avoidance (Hofstede, 1980; Hofstede & Hofstede, 2005). Later on, an additional fifth dimension assessing time orientation within a culture (long-term versus short-term orientation, also called as Confucian dynamism) was added based on the findings of the Chinese Value Survey (Hofstede & Bond, 1988; Hofstede & Hofstede, 2005). Earlier research most commonly examined only one or two cultural dimensions in a single study, for example due to conceptual reasoning (Schumann et al., 2010), relevance (Hwang & Lee, 2012), or hypothesized country differences with regards to some culture dimensions. We believe that measuring all five dimensions in one model provides a more holistic picture of the phenomenon and therefore we include Hofstede's five culture dimensions in the study.

Individualism (IDV), described by Hofstede as the degree to which individuals are integrated into groups. On the individualist side are societies in which the ties between individuals are loose: everyone is expected to look after him/herself and his/her immediate family. The opposite to this is collectivism which comprises societies in which people from birth onwards are integrated into strong, cohesive groups often extended families (with uncles, aunts and grandparents) which continue protecting them in exchange for unquestioning loyalty. In a collectivist society individuals tend not to trust strangers (Fukuyama, 1995). On the other hand, in an individualist culture trust of strangers tends to be higher.

The second dimension is the Power Distance Index (PDI) which is the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally. This represents inequality (more versus less), but defined from below, not from above. It suggests that a society's level of inequality is endorsed by the followers as much as by the leaders. Research (Shaffer and O' Hara, 1995) has shown that individuals from countries that with high PDI scores tend to have less trust for service providers than do individuals.

Uncertainty Avoidance Index (UAI). This dimension deals with a society's tolerance for uncertainty and ambiguity and indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. Uncertainty avoiding cultures try to minimize the possibility of such situations by strict laws and rules, safety and security measures. The opposite type, uncertainty accepting cultures, are more tolerant of opinions different from what they are used to; they try to have as few rules as possible, and on the philosophical and religious level they are relativist and allow many currents to flow side by side. The fourth of Hofstede's cultural dimensions is masculinity.

Masculinity versus femininity (MAS) describes gender roles within a culture. Masculine cultures typically value achievement, assertiveness and material reward for success, while feminine cultures emphasize values such as modesty, and tenderness, and are generally more concerned with the quality of life (Hofstede & Hofstede, 2005). Differences between masculine and feminine cultures are typically based on this reasoning, indicating that fostering harmonious relationships and values is more salient in feminine cultures than in masculine cultures. The assertion that, "Most people can be trusted," was included as one of the statements in Hofstede's original value questionnaire. The results implied that in masculine oriented cultures most people could not be trusted.

Long-term versus short-term orientations (LTO) describes the time orientation within a culture. Cultures scoring low in this dimension are described as short-term oriented cultures, emphasizing virtues related to the past and present, while long-term oriented cultures tend to be focused on the future (Hofstede & Hofstede, 2005). In general, longterm oriented cultures require a deeper level of trust in business relationships, and individuals in long-term oriented cultures typically require identification of the exchange partner before doing business with them (Harris & Dibben, 1999). Business relations in long-term oriented cultures are typically built on long-lasting grounds and thus mutual trust is fundamental.

The above is an explanation of the basic indicators.

Using Hofstede's Cultural Dimensional Theory to Analyze the Differences Between Chinese and Japanese National Cultures

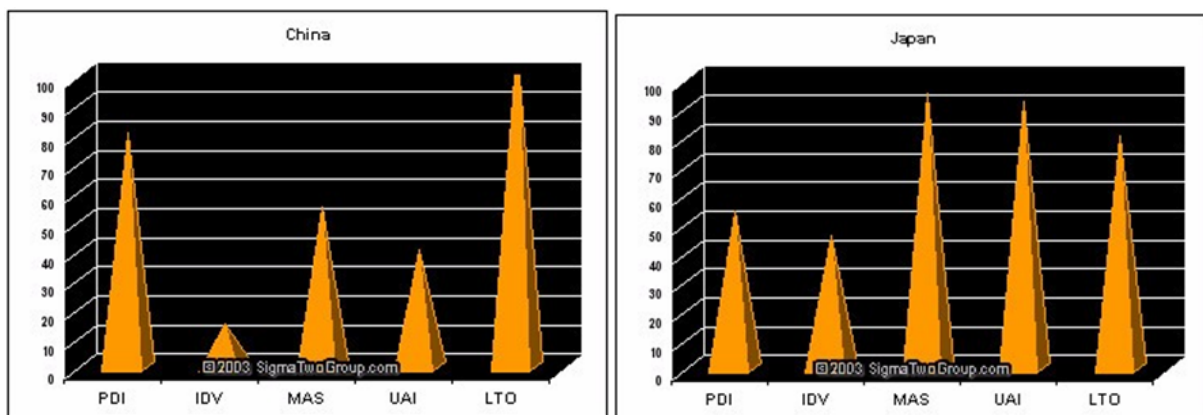


Figure 1: PDI, IDV, MAS, UAI, LTO index in China and Japan

- Power distance index (PDI):

China and Japan have similar PDI index, which is very high. Chinese society has a clear concept of superior and subordinate, so the display of identity and status is expressed through external products. Compared with China, Japan's PDI index is lower and is at the world average. Japan's luxury goods market accounts for 40% of global sales and is the world's largest consumer of luxury goods. It is said that more than 70% of men and nearly 90% of women maintain supplies of foreign luxury brands. The demand for gifts reflects the fact that Japan's conspicuous consumer goods are more acceptable than China.

- Individualism (IDV):

Consumers in individualistic-oriented countries prefer products that are full of individuality and creativity, and everyone wants to get personalized products that suit them. In contrast, the consumers of the collectivist-oriented countries are more premised on respecting others. The choice of products is mainly reflected in practicality, decency, and convergence. In these countries, standardized products are the best choice. Chinese individualism index is lower than Japan, indicating that Japanese consumers prefer more diverse product styles, performance, and features. They also have higher quality requirements and more demanding service requirements. However, compared to the United States, where IDV is exceptionally high, China and Japan are typical collectivist countries, emphasizing that collective interests are paramount and people are more loyal to brands.

- Masculinity (MAS):

It is the distribution of male and female roles in society. The higher the MAS, the higher the degree of power control and competition, the lower the MAS, the more peaceful the social atmosphere and the better personal care. In a higher MAS society, the consumption of various products that can distinguish gender distinctly. The gender characteristics of the product are more obvious. At present, most Japanese women are housewives and men are busy with work. The family expenses are mainly from female including cosmetics, household items, and children's products. Females usually pay more attention to emotional consumption, while at the same time carefully calculating and focusing more on the feelings and benefits of pre-sales and after-sales. Male consumption is dominated by various electrical appliances, sports travel, and investment that symbolize male authority.

- Uncertainty Avoidance Index (UAI):

UAI refers to the degree of adaptation of certain members of a society to a non-normative and unpredictable situation as a measure of the extent to which people are exposed to risks and non-traditional behaviors. Uncertain avoidance can affect people's acceptance of new things. In a society with high uncertainty and avoidance, people will be cautious about things they do not understand. In a society with low uncertainty and avoidance, when the performance and efficacy of new things are not understood. People tend to be curious and happy to try.

Japan's UAI index is high, while China's UAI is low. China is willing to try things outside the traditional ethical field. For example, for e-commerce and mobile payment, people do not know much about it, even the relevant laws and regulations are not very sound. The Japanese UAI index is high, the buyer's defensive mentality is relatively strong, people will feel a threat to the uncertain situation, and thus always try to prevent it. There are many ways to prevent it, such as making more regulations, trying to acquire specialized knowledge, pursuing real things, and so on.

- Long-Term Orientation (LTO):

The long-term orientation index refers to the expectation or anxiety of members of society in their future lives. The values associated with the long-term orientation index includes diligent and patient while values associated with short-term orientations includes tradition, fulfilling social obligations, and protect personal privacy. The higher this index, the more social members think about the future. A society with a lower index indicates that members of society value the current and recent interests. Both China and Japan belong to a society with a high LTO, and consumer products and services in the fields of medical care, health care, and old-age care are optimistic. At the same time, long-term cooperation and stable relationships should be focused.

Analysis of Obstacles in the Development of Chinese E-commerce in Japanese Market

Japan's offline retail industry is developed to meet the ultimate customer service experience. In China, sales assistants are not well educated, so customers will tend to have poor shopping experiences, which restricts the offline shopping. However, the modern Japanese physical retail business is well developed. From large department stores to convenience stores in the community, food, cosmetics, and daily necessities from different countries can be bought within walking distance. 7-11 is a good example. Japan's high level of customer service is world-renowned, and they pay great attention to detail services and humane care. The offline market is mature, and the competition is fierce. The retail price is low, so the profit margin is small. The advantage of online shopping is not apparent since the logistics costs are too high in Japan.

Shopping is the primary way for Japanese housewives to spend time and socialize. They have a habit of bookkeeping, and they are fewer to consume impulsively.

Japan's population is aging and their thoughts are conservative. Cultivating a higher frequency online shopping habit is difficult.

The national character is characterized by a strong sense of alertness. Offline shopping can directly see and touch products, but it is inevitable that there will be a "difference between pictures and objects" through e-commerce shopping. Therefore, the Japanese people will be more entangled in consideration of the quality and style of online shopping products, and they are more cautious about online shopping.

The mutual affection between China and Japan. Based on the survey from the "National NPO" (a Japanese non-profit organization) and the "China-Japan Common Public Opinion Survey" (which reflect the changes in the sentiment between the two countries) since 2005, the negative impression is always higher than the good impression no matter it is the impression of the Chinese on Japan or the impression of the Japanese on China. The overall situation is not optimistic.

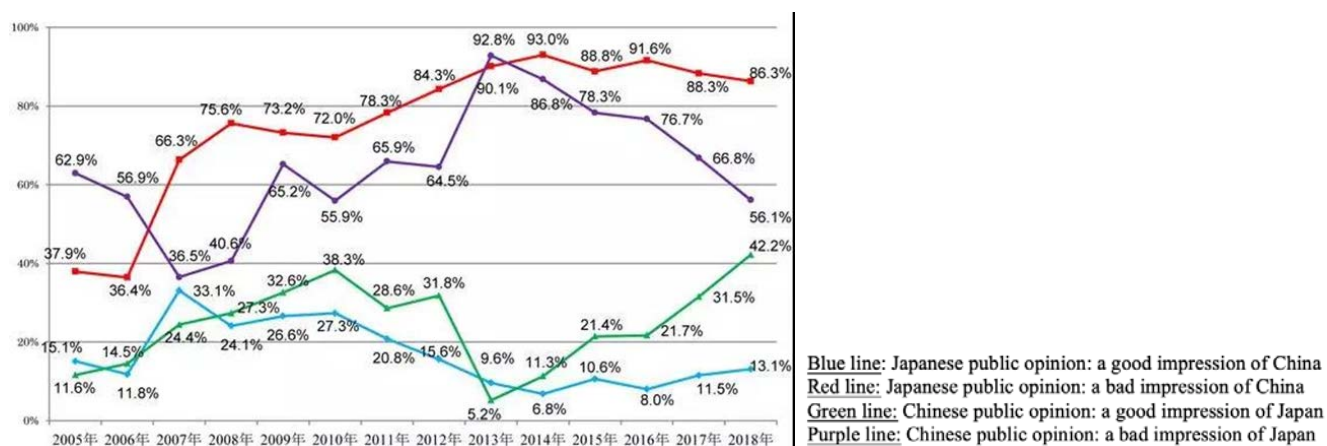


Figure 2: Impressions between China and Japan (Source: Nikkei Chinese Network)

Judging from the data in recent years, the goodwill of the people of China and Japan has generally increased, while the negative impression has shown a downward trend. From the survey in 2018, the ratio of Chinese, who have a good impression of Japan, is 42.2% while the ratio of bad impression is 56.1%. However, the number of Japanese people who “have no good feelings” about China is still 86.3%, and the number of people who have “good feelings” is only 13.1%, which is in stark contrast with the Chinese impression of Japan. The problem derived from this is the conflict and collision of cultural differences between each other in economic and trade exchanges.

Analysis of Strategies in the Development of Chinese E-commerce in Japanese Market

Consumers' propensity in Japan

- Japanese consumers are more 'copyright-conscious', and it is illegal to sell pirated copies in Japan. Most consumers do not accept pirated products.
- Due to a large number of domestic brands in Japan, many consumers are more enthusiastic about pursuing "new products" compared to the pursuit of brands, so we can see that many new products and concepts are first proposed and sold in Japan. Merchants are also continually updating their products.
- Japanese consumers are very confident in "made in Japan" and trust local companies much more than overseas companies.
- Japanese consumers have higher requirements on product quality. The quality mentioned here is not only in terms of performance, but also in terms of product appearance and design.
- Buyers have high requirements for the service of the merchants. Japan is the best service country in the world, and many Japanese friends who have been to Japan have given extremely high marks to Japan's social order and services.

Marketing strategies for China's cross- border e-commerce

- Target market positioning should be accurate. By subdividing target groups, cultivating customer loyalty is the necessary way to develop cross-border e-commerce
- Create a brand and establish a brand reputation. The good reputation of the product can make people feel superior and become brand loyalists, which is consistent with the high PDI index of Japan. At the same time, we should pay attention to product quality and service to provide customers with a better shopping experience.
- Develop quality, personalized and creative products. Due to Japan's developed retail business system, Japan's individualism index is higher than China's. Japan's product function has been highly subdivided, which puts higher demands on Chinese product creative ideas.
- Cross-border e-commerce practitioners need to raise their legal awareness, improve service awareness and service capabilities, and reduce disputes. China and Japan have different systems, different stages of social development, and various legal rules. Enterprises must study and follow Japanese laws in order to have long-term development. This is consistent with the same cultural characteristics of both Long-Term Orientations (LTO).
- Clearly understand the characteristics of each platform, and select the appropriate e-commerce platform according to the project items of its own operation. Amazon has a large number of male consumers, and it has an absolute advantage in electrical appliances and accessories. Lotte is dominated by female consumers, with food and clothing taking an absolute advantage. This reflects that the cultural characteristics of Japan's high consumption of MAS and the high degree of subdivision of male and female consumption.
- Understand the conditions for each platform. Japan's domestic e-commerce platform is only allowed to register with a Japanese company or individual, or to implement an overseas company invitation system. Amazon is allowing foreign companies to settle in. Japan's UAI index is high and its defense mentality is relatively strong.
- Develop a marketing strategy that is consistent with the company's own development. From the selection of products - pricing - channels - promotion - public relations, do a good job of research and analysis and develop a strategy for the Japanese market. For example, the Japanese idol spokesperson promotion strategy based on the target group.

Summary

The Japanese e-commerce platform has its own advantages, and Chinese e-commerce companies should be aware of their own strengths. Chinese enterprises should combine the characteristics of Japanese national culture with Japanese consumption habits, and try to enter the Japanese market by continuously providing products of high quality, high service, and novel design. It is hoped that enterprises can reduce the pressure brought by cultural differences, cultivate a stable group of customers, establish a good and stable relationship with Japanese companies and consumers, and seek joint development. This is also in line with the higher cultural characteristics of both Long-Term Orientations (LTO).

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