



Decoding Japanese Business Practice

JAPAN MARKET ENTRY PLAYBOOK



Table of Contents

/ Understanding Japan's Unique Business Traditions

Introduction	3		
1. Collectivism	4	2. Corporate Hierarchy	9
a. Overview	5	a. Overview	10
b. Business Practices	6	b. Business Practices	11
i. Emphasis on Conformity		i. Seniority-based System	
ii. Ringi System		ii. Use of Honorific Language	
iii. Punctuality		iii. Authority Bias	
		3. Risk Aversion	14
		a. Overview	15
		b. Business Practices	16
		i. Failure Aversion	
		ii. Brand Credibility	
		iii. Precedent Bias	
		Hanko Culture	
		Fax Machines	
		Conclusion	21

Introduction

Japan's unique business culture is notoriously challenging for international companies to navigate. Success hinges on a profound understanding of the Japanese national character and thoughtful adaptation to its distinctive business norms. This whitepaper provides valuable insights into three ways Japanese business culture stands apart—collectivism, corporate hierarchy, and risk aversion—while giving practical sales and marketing tips for successful market entry. By deepening your understanding of the national character underlying these customs, your enterprise will be able to adapt authentically and excel in the thriving Japanese market.



Collectivism



Overview

Collectivism

Japanese culture is known for its collective-centric mindset that emphasizes group dynamics. Individuals align psychologically with the group, prioritizing larger objectives and interests above their own. This outlook underscores group harmony and order, and individuals actively avoid speaking or acting in a manner that may disrupt this balance.



Source: <https://kotobank.jp/word/%E9%9B%86%E5%9B%A3%E4%B8%BB%E7%BE%A9-77196>

Business Practices

Emphasis on Conformity

The strong Japanese inclination to align with the group can make individuals susceptible to being easily influenced by the majority's viewpoints. As a result, people may find themselves compromising their beliefs or opinions, choosing to act according to the group's consensus.

Tips for Success

Leverage the propensity for group consciousness by featuring testimonials and reviews on your website or advertisements. Customer stories emphasize the widespread usage of your product or service, appealing to the Japanese consumer's preference for majority endorsement.



Source: <https://forbesjapan.com/articles/detail/23552>

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Business Practices

Ringi System

A "Ringi" document is a formal written proposal that plays a significant role in decision-making processes within Japanese organizations. The Ringi's circulation follows a hierarchical process, passing sequentially from subordinates to superiors. While this process can be time-consuming, it emphasizes the importance of a systematic approach and consensus-building within the Japanese context.

Tips for Success

To streamline the Ringi process and hasten stakeholder approval in B2B sales, it is crucial to provide comprehensive and concise materials that effectively showcase the features of a product or a service. Materials should include a thorough competitive analysis, pricing information, and other relevant details. By offering clear and informative resources, sales representatives can enhance understanding, ultimately expediting the decision-making process for potential clients.



Source: <https://solutions.system-exe.co.jp/appremo/blog/the-problems-with-approval-form>

Business Practices

Punctuality

Honoring commitments is a core value deeply ingrained in Japanese business culture. Adherence to deadlines, project completion, and arriving on time to meetings and engagements are signs of respect and professionalism crucial for long-term viability.

Tips for Success

Meeting deadlines should be the top priority in every business situation to build trust and establish a reputation for reliability. To mitigate any risk of delay, schedule tasks and deliveries with sufficient built-in time buffers. In cases where an extension may be required, communicating promptly is of the utmost importance. It is also essential to be transparent about reasons for a potential delay and seek approval for the revised timeline.



Source: <https://www.nippon.com/ja/column/g00584/>

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Corporate Hierarchy

Overview

Corporate Hierarchy

Japanese companies strongly emphasize seniority and the accumulation of experience, a hierarchical structure deeply rooted in traditional cultural values. Seniority is granted based on the length of time spent in a group rather than individual abilities or other rational, more efficient metrics. This can lead to entrenched authority bias, where individuals attribute greater credibility and expertise to authority figures and defer to them. Maintaining harmonious professional relationships and facilitating effective communication, therefore, requires adherence to established norms of respecting authority and seniority.



Source: <https://president.jp/articles/-/13883?page=1>

Business Practices

Seniority-based System

In Japan's seniority-based system, salaries and positions are determined primarily by years of service and age rather than individual ability and performance. The prevailing belief is that the longer an employee has been with the company and the older they become, the more work experience, skills, and knowledge they accumulate, increasing their productivity and effectiveness.

Tips for Success

In sales activities, junior-level employees often lack decision-making power. Accordingly, it is crucial to establish and nurture relationships that involve middle and senior management in the proposal process. By involving key decision-makers and stakeholders at higher levels, you increase the likelihood of gaining support, making informed decisions, and building fruitful long-term partnerships.



Source: <https://souken.shikigaku.jp/26297/#%E5%B9%B4%E5%8A%9F%E5%BA%8F%E5%88%97>

Business Practices

Use of Honorific Language

Japanese honorific language, known as "Keigo," is typically classified into three types: Sonkeigo (Respectful Language), Kenjougo (Humble Language), and Teineigo (Polite Language).

Respectful language, or "Sonkeigo," is used to show respect when describing other peoples' actions or things related to them. In business situations, it is often used when speaking about superiors or customers.

Humble language, or "Kenjougo," de-emphasizes the speaker and elevates the addressee when describing actions involving superiors or customers.

Polite language, or "Teineigo," is a form of neutral speech that can be employed when interacting with individuals, regardless of their social status. It's generally used in formal situations or when conversing with new acquaintances or unfamiliar individuals.

Whether communicating with superiors, colleagues, or customers, employing respectful language that demonstrates professionalism and fosters positive relationships is crucial.

Tips for Success

Correct use of polite language is necessary for establishing trust with Japanese customers. Integrating appropriate honorific prefixes and polite expressions into your marketing copy and all consumer-facing channels (websites, social media, etc.) demonstrates a high level of respect for your audience and their cultural norms.

Source: <https://hrd.php.co.jp/mid-level/articles/post-1237.php>



Business Practices

Authority Bias

In Japan, there is a cultural tendency to perceive individuals in positions of authority as infallible and defer to their opinions. Since people rarely question or contradict the opinions of those in power, there is a tendency to comply obediently.

Tips for Success

To successfully navigate this bias in marketing activities, engaging influential figures as brand ambassadors and showcasing their testimonials and endorsements on various platforms such as websites and advertisements can be highly effective. As Japanese consumers are more likely to consider and trust the opinions of those they admire or respect, incorporating these endorsements into marketing materials can boost conversion rates and increase sales.



Source: <https://toyokeizai.net/articles/-/344042>

Risk Aversion



Overview

Risk Aversion

Japanese organizations tend to prioritize stability and exercise caution when it comes to taking risks. While this preference for the status quo enables long-term stability, it can lead to conservative decision-making rather than embracing more innovative or potentially disruptive ideas.



Source: <https://toyokeizai.net/articles/-/371804?page=2>

Business Practices

Failure Aversion

In Japanese companies, employee evaluation processes frequently utilize a points deduction system, which promotes a pervasive belief that a single failure can derail an individual's entire career progression. This perception contributes to a risk-averse corporate culture where avoiding failure takes precedence over bold initiatives.

Tips for Success

Offering a temporary free trial before committing to a contract can help alleviate concerns about potential failure when trying out new services or products. A free trial builds trust in the brand, engages customers, and increases the likelihood of conversion and long-term customer retention.



Source: <https://www.jpc-net.jp/research/assets/pdf/R3attached2.pdf>
<https://www.creia.jp/knowledge/glossarylist/6073/>

Business Practices

Brand Credibility

When buying new products or services, many Japanese consumers as well as businesses in a B2B context tend to prioritize a brand's credibility and reputation over the item's functionality or price. This preference helps mitigate the risks associated with new offerings, reflecting a risk-averse mindset amongst both businesses and consumers.

Tips for Success

Marketing materials that emphasize your company's track record, especially website designs and ad copy, can help bolster your credibility. Showcasing use cases and highlighting the safety and reliability of your products or services builds confidence and reassures that your services or products have been proven effective in other markets. In sales activities, striving to understand the customer's needs accurately and reliably execute their requirements are paramount for building trust and fostering lucrative long-term customer relationships.



Source: <https://www.hubspot.jp/company-news/stateofsales-20220216>
<https://dhbr.diamond.jp/articles/-/2486?page=2>

Business Practices

Precedent Bias

"Precedent bias" pertains to the irrational tendency to continue using outdated methods or processes without reassessing their effectiveness in light of more streamlined solutions or new technologies. For example, even in the era of digitalization, certain analog business practices persist in Japan. The two most prevalent, "hanko" (seal) culture and the use of fax machines, are detailed next.



Source: <https://dhbr.diamond.jp/articles/-/2888>
<https://www.nhk.or.jp/politics/articles/feature/45909.html>

Precedent bias

Hanko Culture

The use of personal or corporate seals known as "hanko" as a means of identification and verification in official documents and transactions has long been a typical Japanese practice. The act of stamping the hanko signifies consent and authentication, and it is considered a vital process in maintaining the integrity and trustworthiness of any approval process.

In 2020, 64.2% of remote workers had to go into the office to stamp or sign paper documents. However, since the global Covid-19 Pandemic prompted businesses to streamline processes and improve efficiency, the government is now promoting "de-hanko" (stampless) reforms, gradually reducing the use of seals.



Source: <https://diamond.jp/articles/-/238079>

Precedent bias

Fax Machines

Despite advancements in technology, fax machines continue to hold importance in Japan and are commonly preferred to email for sending invitations, bank documents, and product orders. In certain industries where hard copies are commonplace, the need for paper records, security concerns, and the ability to receive confirmation receipts contribute to the fax's continued prominence. Underscoring the fax's persistence, 20,000 units were sold in 2018.

Tips for Success

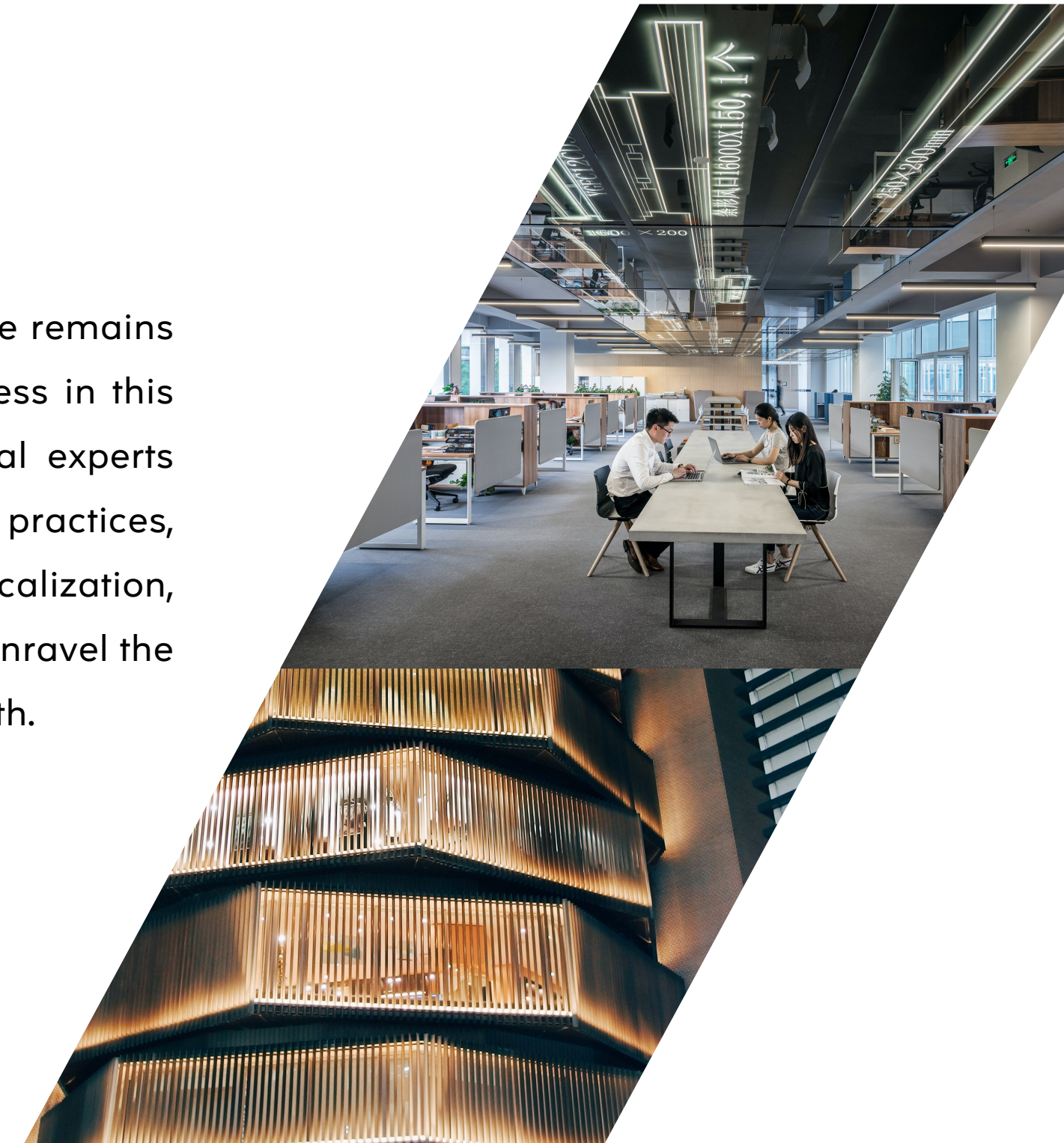
Acknowledge this uniquely Japanese preference by incorporating analog methods in sales and marketing activities, like FAXDM, which sends direct messages via fax. By leveraging non-digital options, you can explore alternative ways to reach potential customers, allowing for a diversified marketing strategy that encompasses both digital and analog channels to maximize outreach and engagement.



Source: <https://www.statista.com/statistics/966542/japan-fax-machine-sales-volume/>

Conclusion

For over 20 years, IREP has guided clients to excel in Japan. As Japanese business culture remains nuanced and non-intuitive despite an increasingly globalized business landscape, success in this unique market hinges on adhering authentically to these norms. Our team of bilingual experts possesses unrivaled knowledge and a deep-rooted understanding of local business practices, enabling us to deliver comprehensive support, from strategy to product and service localization, marketing planning, and implementation. Our expertise helps your business successfully unravel the complexities of the Japanese market, optimizing lucrative opportunities for long-term growth.





Digital crossroads to global success

Irep Inc. is an award-winning global digital marketing agency based in the San Francisco Bay Area. Our headquarters are in Tokyo, and our network spans more than 20 countries.

In Japan, we are ranked No. 1 for performance-based marketing. We also offer highly specialized market entry, as well as integrated marketing and localization services.

Since 1997, our data-driven solutions have effectively led our diverse international clientele to continuous success in Japan, Asia, and beyond.

We offer data-driven solutions:

- **Marketing & Creative**
- **Strategy & Analytics**
- **Product & Service Localization**



Thank you.

Need a hand with a project?
Please email us a little about your business and
the outcomes you hope to achieve.

info@irep.inc

 **Irep Inc.**