Mobile Marketing in Japan:
The acceleration of integrated marketing communications

by Akihisa Fujita

Abstract
In Japan, broad penetration of information technology is helping to change consumer opinion and accelerate the speed of research and development and distribution, all of which are crucial components of marketing. Yet in this environment, traditional marketing communication does not allow companies to keep pace with these changes, creating a bottleneck in their competitive strategies. In order to cope, Japanese marketers have begun using Internet-enabled mobile phones to reach consumers anytime and anywhere, thereby overcoming traditional limitations of time, space and cost. This trend is having a significant impact on corporate marketing strategies in Japan and can be expected to emerge in global markets in the near future.

Introduction: Current Status of the Mobile Market in Japan
Internet-enabled mobile phones have been a major phenomenon in Japan since February 1999 when the nation’s largest mobile phone operator, NTT DoCoMo, introduced its i-mode service. The new service was branded with a lowercase “i” to signify the world of information mobile users could now access via the Internet using only their phones. The popularity of i-mode took the market by surprise and established i-mode as a model for success that was quickly emulated by Japan’s other mobile operators.

Today, mobile Internet in Japan has established itself as arguably the fastest-growing mass media platform the world has ever seen, reaching an audience of 50 million people in only three years. This is less time than it took for the U.S. market to hit the same milestone with radio (38 years), television (13 years), cable TV (10 years), and the PC Internet (five years). About 85 million Japanese mobile users are
currently signed up and connected to the Internet on their phones, a penetration of about 67 percent of Japan’s total population of 127 million, and comprising 87 percent of Japan’s 98.65 million mobile phone subscriptions. Conveniently, the user base for mobile phones in Japan spans roughly the same audience of 15- to 65-year-olds being targeted by corporate marketers. In addition, the majority of these users are post-pay customers, meaning payments are debited monthly from their bank accounts. This allows mobile network operators to carry on an active and direct merchant relationship with this huge customer base.

In order to reach these mobile users for advertising and marketing purposes, mobile marketing systems that were optimized to exploit this mobile infrastructure were implemented in June 2000 when NTT DoCoMo and advertising agency Dentsu joined forces to establish D2 Communications. Since then, mobile advertising and marketing have shown steady growth. Mobile advertising is expected to have the highest growth among Japan’s advertising sectors, reaching three times its current size by 2010 at more than 1.2 trillion yen (approximately $1.07 billion), and it is anticipated to comprise 2 percent of all advertising spending in Japan, according to data published by the Dentsu Research Institute in April 2007.

Mobile Marketing in Japan

Mobile marketing refers to the broad variety of marketing activities that uses Internet-enabled mobile phones as interactive terminals, which are far more common in Japan than other Internet-capable devices such as PDAs. Because mobile phones are usually carried everywhere and kept within reach of their owners, they are ideal for use in conjunction with a variety of traditional media tools such as indoor and outdoor advertising and broadcast channels. This intersection of communication platforms with mobile phones creates a marketing mechanism with incredible reach and an extremely wide range of applications.

Mobile Marketing and ROI

Mobile marketing in Japan is generally part of a well-established scheme of integrated marketing campaigns, making it difficult to isolate mobile marketing activities and precisely measure their specific costs and benefits. It is possible, however, to use comparable examples to demonstrate the cost effectiveness of mobile marketing over other traditional marketing methods.

For example, in one recent campaign, Coca-Cola Japan Co. was successfully able to distribute 300,000 samples of a new product using mobile e-mail in conjunction with...
with 20,000 vending machines especially enabled to process transactions with mobile phones. This was done by sending free coupons via email to the mobile phones of members of the target group, who were invited to redeem the coupons at the appropriate vending machines. This type of campaign proved far more cost effective than other comparable campaigns in which coupons were distributed by hand in front of train stations. In addition, the mobile component provided an immeasurable boost to the campaign’s success because the target group was able to redeem the coupons directly from their mobile phones by simply pointing them at specially equipped vending machines, eliminating the need to use any other system to cash in the coupons.

Mobile Marketing in Japan and the Acceleration of Marketing Communication

Japan’s retail sector is expanding at a rapid pace. This is particularly evident in the high per capita concentration of convenience stores; Japan has the densest concentration in the world. Japan currently has a ratio of 1 convenience store to every 3,000 people, and each store contains about 3,000 product items packed into about 100 square meters of space. Many of these shops are open 24 hours per day and make sales of between $4,000 and $5,000 each day.

These convenience stores have an incredibly powerful effect on consumer habits, with a shop in convenient walking distance of almost any rail station or residential neighborhood. According to the Japanese daily economic newspaper, the Nihon Keizai Shinbun, convenience stores rank as the top sellers of food and drink.

Due to their extremely limited shelf space, Japanese convenience stores have developed a sophisticated supply management system to measure sales and increase efficiency in any way possible. In this system, the weekly sales of food and beverages are carefully measured to determine each product’s popularity. In the case of new products, any indication of poor sales results in their removal from the coveted display shelves to make room for other products. Therefore, manufacturers must carry out aggressive marketing and communication campaigns for new products to gain the highest possible sales during their first week on the market. However, traditional integrated marketing communications cannot fulfill this requirement because the product must be advertised to all of Japan in less than one week. This high standard has become an insurmountable obstacle to existing methods of marketing communication, which are simply not sufficient to keep pace with the accelerated distribution being driven by the latest information technology.

Such shortcomings have cast renewed attention on Internet-enabled mobile phones as a means of meeting the new challenges of the information technology era. As marketing vehicles for companies, these mobile phones provide a number of advantages. For example, as previously mentioned, mobile customers can be expected to keep their phones within arm’s reach 24 hours a day. The Mobile Content Forum also conducted extensive research on various mobile usage scenarios and found that mobile users are most likely to reach for their phones when they have a moment of leisure. This timing is ideal for companies looking to get a marketing message across to their customers.

Mobile Internet and Recency

One new mobile marketing strategy examines the times, places and occasions (TPO) in which people consume or shop, and then uses mobile channels to reach consumers during these common shopping contexts. For example, a line can be drawn from the TPO to the marketing goal (purchase action), and then the number of instances used to trigger that specific purchase action can be increased. A variety of different media are being used in this technique, and the link between these media is very important. Mobile marketing is proving crucial to supplying these strategic cross-media relationships.

In Japan, the pervasiveness of mobile phones has enabled mobile marketing to reach consumers in a variety of situations where conventional media cannot follow, such as when they are outdoors or closer to the places where they buy and consume products. Harnessing mobile capability in these contexts has been shown to produce an enhanced “recency effect,” meaning consumers have a better chance of remembering the most recent message conveyed to them, which makes it more lucrative to market in closer proximity to shopping TPOs.

Mobile phones are thus regarded not only as delivery platforms, but also as a way to connect the platform with mass media and points of sale, and can therefore be successfully implemented to help lead the consumer to a purchase.

Mobile phones are also ideal...
mechanisms for marketing because of their seamless integration as a direct e-mail channel to the target audience. Communication using mobile e-mail is incredibly active in Japan. According to Video Research Interactive, 3 out of 4 people use mobile e-mail, and 98 percent of recipients read their e-mails within just a few hours of receiving them.

Japan’s extremely high level of mobile e-mail distribution and responsiveness is attributed in part to the fact that all new Japanese mobile phones are preconfigured with Internet-protocol e-mail clients and addresses that may be customized by the user. Users typically maintain an e-mail address on their mobile phone that is independent from their PC e-mail addresses, and they only read mail destined for their mobile e-mail address on their phone screens. This helps ensure that e-mails sent to addresses registered on mobile phones reach the target audience directly and immediately via this personal, anyplace, anytime channel of communication that is so distinctive to the mobile Internet.

In the food and beverage industry, this type of powerful promotional media is generally used on weekdays just before break times in the consumer workday. Companies send new product information or campaign material directly to consumers’ mobile phones, and 3 out of 4 targets open the promotional mail, often right on the spot. These messages play an important role in persuading the recipients to purchase the marketed brand from the highly-competitive display racks in convenience stores, instead of their usual or competing brand. This strategy capitalizes on the assumption that these customers are already shopping and are thus not averse to trying a new or different brand.

This mechanism functions exceptionally well in Japan where a number of market conditions help ensure that such campaigns can deliver the desired results. For example, 1 out of every 2 female Japanese corporate professionals buys lunch more than three times per week, eating at or nearby the office. In addition, the majority of all mobile phone users are signed up to NTT DoCoMo’s Message Free channel, meaning they are actively reading their mobile e-mail. Mobile e-mail campaigns, therefore, benefit from their close connection to viral communication, which accelerates the pace of marketing communication. For example, tracking data from a hair wax styling contest, which was targeted at a young audience, showed that about 25 percent of people who learned about the campaign from their mobile phones then passed the information on to four additional people within two days. People can transmit this information in a variety of ways, such as by showing their phone screens to other consumers or by verbally transmitting the information to other members of their community.

As illustrated above in the chart, the addition of a mobile component to a company’s marketing communication enables precise and timely delivery of information to specific segments of the target audience. It also increases the likelihood that the information will spread to the target group in the surrounding areas of the initial recipients.

One example of this mechanism in action is the Seven-Eleven Japan loyalty campaign that was launched in May 2006. Customers who spent more than 700 yen (approximately $6) were given a scratch card with a chance to win specially selected Hello Kitty stuffed dolls that were on display in the shops. Information about the campaign was sent via the Message Free channel to the mobile phones of one million females, ranging in age from teenagers to women in their 40s, who were living anywhere in the vicinity of Seven-Eleven Japan shops. This method proved extremely effective in raising awareness of the campaign. Word-of-mouth communication amongst female customers also helped drive the promotion, which, as hoped, drew a large number of female customers to the

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<tr>
<th>Target reached (%)</th>
<th>Communicators (average)</th>
<th>Total number reached</th>
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<tr>
<td>27.4</td>
<td>3.6</td>
<td>98.6</td>
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Increasing reach via mobile technology and word of mouth.
shops. All the Hello Kitty dolls vanished from the store shelves in about 10 days.

As companies begin to cater to mobile-savvy consumers, they will soon be able to achieve goals otherwise unattainable with traditional marketing methods, such as creating a nationwide campaign in just one week and helping secure solid sales for a newly marketed product. In present-day Japan, it is a commonsense requirement that mobile marketing be included in the integrated marketing campaign that accompanies the release of any new food or beverage product and for established brands seeking to stimulate better sales and awareness.

In sum, mobile marketing provides a significant boost to basic integrated marketing communications because the advertising device is kept near its owner at all times. Mobile marketing is delivering valuable results to Japanese companies, especially when used in conjunction with established advertising techniques such as television ads or outdoor billboards. Mobile phones are a successful way to reach customers who have shown an interest in existing marketing communication, yet they provide a more rapid, direct and detailed approach. When the target audience receives marketing information via mobile phone or word-of-mouth, the campaign’s credibility is measurably greater than when the message reaches them through the mass media.

Conclusion: The Future of Mobile Marketing

In Japan, mobile marketing is well established and its popularity is continuing to grow. This trend is being driven by technological advancements such as increased transfer speed for mobile phones, which is expected to surpass the speed available in most offices. Increased speed would allow for better graphics on a mobile Web browser and smoother transmission of video content to portable handsets.

Another instrumental advance is the recent introduction of “mobile wallet” phones in Japan. Offered principally by mobile operator NTT DoCoMo, mobile wallet phones feature a built-in radio-frequency identification chip known as FeliCa that can be swiped and used to make purchases. The Yano Research Institute predicts that by 2008, approximately one of every three mobile phones sold will include mobile wallet functionality. This will enable companies to issue coupons directly compatible with mobile wallet phones, a step which could greatly enhance opportunities for marketing as a whole.

Even more marketing advantages can be attained by utilizing the mobile wallet in combination with the GPS function now being built into Japanese mobile phones. This synergy will support even more sophisticated location-based marketing.

Mobile advertising offers a variety of benefits to the mobile community in whole. For consumers, mobile advertising provides cost-free entertainment and information. For mobile phone companies, a new revenue stream is generated from their media platforms. And for marketers, mobile advertising offers an effective, cost-efficient way to reach target audiences that was not possible with conventional methods. Mobile advertising can be valuable to both content distributors and end users, not only in Japan, but all over the world.

Although mobile marketing is evolving rapidly in Japan, it is also expanding in other markets, especially in Europe and North America. The continued use of Internet-enabled mobile phones for entertainment is establishing them as a unique platform for conducting personal life. For example, many consumers already use mobile phones to play games and exchange messages and photos.

For companies with marketing needs, Internet-enabled mobile phones provide a personal mass-media channel whereby the targeted consumer can be reached directly. Using this mobile channel will allow companies to provide their end users with timely information and convenient entertainment, thereby offering a better marketing experience and enhancing the lives of their consumers. By adding this mobile component to traditional marketing methods, companies worldwide can advance to integrated marketing communication for the 21st century that is faster, less costly, and better tailored to the needs of their customers.

Akihisa Fujita is the president and representative director of D2 Communications Inc. He majored in management engineering at the graduate school at Keio University in 1991, and then entered the press department of Dentsu Inc. In 1994, Fujita developed and published a prototype for an electronic Japanese newspaper, the Nihon Shinbun. In 1996, he became director of the newly established Cyber Communications Inc., a joint venture company incorporated by Dentsu and Softbank. In 1999, he rejoined the press department of Dentsu.

In 2000, Fujita became president of the newly established D2 Communications, a subsidiary incorporated by NTT DoCoMo Inc. together with Dentsu and NTT Advertising Inc. As president of the first company in the world specializing in mobile advertisements by using i-Mode from NTT DoCoMo, Fujita developed a wide range of mobile marketing businesses in such fields as advertising, production and customer relationship management.
References:


