Advertising agencies, media and consumer market: the changing quality of TV advertising in Japan

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In today’s media-saturated world, we are not only surrounded by edited material such as newspaper articles, but also constantly bombarded with advertisements. For some time, advertising has assumed the status of a pervasive form in symbolic environments. It is also a powerful tool of social communication, interpreting, negotiating and reinforcing our views of everyday life, as well as relationships between people, nature, time and the world. Furthermore, it drives our desire for material prosperity, thus playing a vital role in today’s consumer society. It is, thus, not surprising to find a developing field of study into advertising from this perspective. The literature that has developed has attempted to decode advertisements and undertaken critical analysis of the role played by advertising in contemporary culture.

However, existing literature seems to lack interest in the organizational structure under which advertising is actually produced by practitioners. This is surprising in light of the above-mentioned status of advertising, namely its powerful and ubiquitous nature in media culture. How can one fully understand the meaning of advertising without a good knowledge of the immediate economic and industrial framework in which advertising is produced? A body of sociological literature called the ‘production of culture’ perspective promulgated by Peterson (1994) has asked this very question in investigating many subfields of the cultural sector ranging from visual art to music and literature over the last 20 years. Pratt (2004) endorses this view that more attention needs to be paid to the organization of production, and the interaction between production and consumption, in order to better understand the ‘cultural economy’ (see Scott, 2000). The lack of academic focus on the industrial side of advertising becomes even
more serious when we recall that advertising provides a very important source of revenue for the media industries such as commercial broadcasting and newspaper publishers. The present article has been written to make a contribution towards filling a gap in the literature.

Apart from the obvious area of marketing management research, studies related to advertising can be divided into three strands. The first one is semiotic or textual analysis of advertisements, which was spearheaded by Williamson (2002 [1978]) and developed thereafter (see Sinclair, 1987: ch. 3 for a literature review on this kind of work). The second strand views advertising as a form of communication that mirrors societal trends and, in turn, formulates societal values by pervading our verbal and visual spheres of public culture (e.g. Leiss et al., 1997). The third category deals with the role of advertising in the development of consumer culture and society (e.g. Davidson, 1992; Nava et al., 1997). References are made to advertising agencies, the actual producers of advertisements, in some works (e.g. Fowles, 1996: ch. 4; Leiss et al., 1997: ch. 7). However, none of the studies delves deeply into the industrial organization of advertising production, nor do they analyse the economic forces and imperatives that influence and shape individual advertisements or campaigns. Given the fact that advertisements are made to satisfy the marketing objectives of the clients who bear the costs of production, rather than being made independently or autonomously out of a creative desire for self-expression, it is important to pay attention to the non-aesthetic conditions that determine the cultural production process.

There have been a few interesting exceptions that discuss the economic, organizational life of the advertising industry. Examples include Moeran’s (1996) detailed anthropological study into a Japanese advertising agency and Nixon’s works (2000, 2002, 2003) on British advertising agencies with particular reference to gender issues at work. Grabher’s papers (2001, 2002) explain the advertising industry structure in London in his inquiry into its social organization from a geographer’s perspective. There are also articles by Leslie (1995, 1997) examining the US and global advertising industry. Although these works have thrown light on the mechanism of advertising production, there is still insufficient research that places advertising in the economic and industrial context that has an immediate bearing on the creation of an advertisement. A recent book by McFall seems promising in this respect, when she states in the introductory chapter that:

... [there] has been a sustained neglect, over the last 30 years or so, of production-side analyses of the institutions and practices of advertising... This is much to be regretted, because the context in which material practices were conducted is crucial to understanding the format of advertisements and the broader role of advertising. (2004: 3, 5)
But in fact what she does well in the book is still centred on critical analysis, and the empirical part does not deal with contemporary practice. As a starting point, the present article wholly embraces the above quotation from McFall, but subsequently adopts a more empiricist approach by investigating the business environment in which advertisements are made, with a particular focus on television commercials in Japan.

The justification for, and advantage in, choosing this particular case is related to the fact that Japan, the world’s second largest economy, has a peculiar industry structure for advertising, where the quality of television commercials is said to be deteriorating. The impact of the industry’s structure on creative content will be made clearer by comparing the agency structure of Japan with that of creative agencies in London, which has enjoyed an international reputation for being the hotbed for advertising creativity. A chronological comparison between the past and the present within Japan will further illuminate the significance of the economic constraints under which advertising takes place.

For such a purpose, I will first examine the organization of advertising agencies in Japan. To highlight their distinctive features, reference will be made to creative agencies in Britain. The second part of the article will explore the constraints imposed upon advertising production in Japan because of the conventions of media buying. Third, the article will pay attention to the changes in marketing by major manufacturers in Japan since the mid-1980s, which have had a considerable influence on the process by which commercials are made, as well as their content and style. The discussion in this article draws on a longer report from a research project I undertook into creativity in advertising in the UK and Japan in 2003.1

Before moving on to the main body of the article, I would like to elaborate on the ‘quality deterioration’ in Japanese television commercials referred to earlier. Admittedly, it is extremely difficult to measure the ‘quality’ of television commercials in any objective way, let alone to agree on a definition of it. Intuitively, it feels as if television commercials in Japan are becoming less entertaining or cultural. Evidence comes from the international record of advertising awards such as the Cannes Lions. In the Film section, Japan won very few between 1994 and 2004, whereas the UK has consistently received about 20 awards each year. There has been mounting concern over the creative quality of advertisements in the industry in Japan, given that Japanese agencies did, albeit occasionally, win in the past, including three Grand Prix. The Grand Prix is the premier award given only to one work each year, while there are about 80 other awards. Since 1994, however, the decline of Japan in this event is apparent.

One could argue that the Cannes Lions is not the one and only accolade everyone in the industry aspires to, and that what goes on in this kind of competition is pure politics. There is also a suspicion that submitted works are ‘cleaned up’ for entry, with brand or company logos made
smaller, or even removed, for aesthetic purposes. There is considerable
doubt regarding the extent to which commercials are actually aired in the
form seen in Cannes as well. Thus the record at Cannes may not be very
reliable as an index of creativity in advertising, but it can still be seen as
a suggestive indicator.

The evidence of the decline in quality of Japan’s TV advertisements
comes not only from the international competition record but also, and
more significantly, from the vast amount of moaning among the industry’s
key figures and marketing researchers in Japan:

These days the reputation of Japanese advertisements is getting worse and
worse. . . . Contemporary advertising does not even have the power to lead
fashion and fads as it used to. Adverts may well be expensively-made, but they
are only flashy, incredibly childish and unintelligent. . . . As a result, I would
say, sixty per cent of the advertising spending of today is wasted in Japan.
(Kaji, 2001: 11–13)

A quick flick through Japanese television channels will expose us to a
continuous flood of screams, noises and flashes that straightforwardly
emphasize product information such as prices, the numbers to call and the
product or company names advertised. Some of the distinctive features of
Japanese advertising (“soft-sell” in contrast to the American style) noted
by Di Benedetto et al. (1992) and Mooney (2000: ch. 2), such as indirect
forms of expression, brief dialogue or narration in television commercials
with minimal explanatory content or a (Japanese) sense of humour to
create a bond of mutual feelings seem to have gone. It is open to question
whether the previously dominant style was a good thing. Yet my
interviews with top creators in Tokyo confirmed that, indeed, they were
regrettably witnessing a major shift in television advertisements away from
cultural expression to become a tool of sales promotion, a change beyond
their control.

I do think that recent television commercials are terrible. It is only fast talk of
functional advantages and there is no ‘idea’ in it. (An interviewee)

I used to be responsible for X’s [an advertiser’s] advertising. Their commercials
showed a distinctive world of visual communication, but now they simply get Y
[a celebrity] to persuade the viewer. There is no creative element in this. (An
interviewee)

The definition of what constitutes a good advertisement is contentious,
particularly since advertising is made only on commission. The objectives
of the commissioner (advertiser) may range from raising awareness of the
brand among consumers, to simply selling more products in the short-term,
or to building a good image for the brand. Advertising creatives are not,
however, making advertisements only to please the advertiser; they also
have to communicate with the advertising audience. In addition to the advertiser and the audience, creatives have their peers as judges of their work, through professional awards such as the Cannes Lions.

In this article, I am concerned with what the professionals in the industry regard as works of high quality, and with what the creatives involved in the work find rewarding. It is generally considered that ‘great’ advertisements must contain a ‘Big Idea’, or a creative concept, in trade parlance: they must be relevant to the consumer, original, well-focused, innovative and have an unexpected twist (Wells et al., 2003: ch. 11). Television commercials in particular may employ cinematographic techniques to be visually interesting, but excellence in execution comes second to the ‘Big Idea’. Thus, low-budget commercials that capture and depict a moment of life in contemporary culture in a humorous way may well be highly regarded. The bottom line, at any rate, seems to be that the advertisement should be branding-driven, not aimed at short-term sales promotion.

The above statement is supported by the following quotations where advertising is, by definition, about branding:

Start work in an ad agency and the first thing they teach you is the difference between a product and a brand. . . . All brands are products, but not all products are brands, and the difference is advertising. (Davidson, 1992: 23, italics in original)

A comparison with promotion is helpful for understanding advertising more clearly:

Advertising is aimed toward the long-term branding of positive brand attitude by ‘turning’ the consumer toward the brand; promotion is aimed at the more short-term tactical goal of ‘moving forward’ brand sales now. (Percy et al., 2001: 4)

This seems to make sense, and aspiring agencies in the UK and the US do not hesitate to declare brand guardianship as their primary (and singular) role. But watching television at random, one cannot fail to notice that the majority of the commercials on television in both countries are different from the branding ones shown at the Cannes Lions; quite a few just reiterate the cheapness and convenience of the goods or services the advertisers are trying to sell. Even though they are not offering coupons or running ‘half price’ campaigns, typical of a promotion in form, such examples should be called promotion by function. Considering the possible confusion over these terms, I want to draw a distinction between promotion-oriented and branding-led advertisements. It is the latter category that gives more satisfaction to the creatives and earns their respect. The use of celebrities, which is prevalent in Japanese commercials, is fine – one of the UK creatives I interviewed with work experience in Japan argues – so long as it is placed within the strategy for branding. In practice, however, during initial discussions with their clients, Japanese
creatives usually find themselves discussing which celebrity might be available in light of the budget allocated and the limited time available before the finished advert is scheduled to go on air. In sum, what is problematic about Japanese commercials today seems to be, first, the shift from branding-led to promotional advertisements, and second, the limited space for ‘Big Ideas’ to flourish as crude tactics dominate the process of creative development.

Agency structure in Japan

Before discussing the agency structure in Japan, it is necessary briefly to provide some facts and figures about the Japanese advertising industry. According to the annual statistics on advertising released by Dentsu (website), the largest agency in Japan, advertising expenditure totalled 5684 billion yen in 2003. Table 1 compares this figure with the UK and the US. The share of this expenditure in Gross Domestic Product is more or less the same across the three countries, while the breakdown of the total expenditure varies somewhat. Considering that the definition of each medium, and even of ‘advertising’, is different in the estimates given by the industry in the three countries, however, the variance may not be very great.

In such statistics on the advertising industry, there is little to differentiate Japan, but a major distinction emerges when the agency structure is examined. Japan is one of the few countries in the world where advertising agencies are still paid by the clients in the form of a commission from advertisement placement in the media. Accordingly, major agencies provide a ‘full service’, including the functions of creative production, media buying and marketing research. This form of operation, traditional in the US and elsewhere, was abandoned first in the UK in the early 1980s and later in the US in the 1990s. The abolition of the media commission system

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<td><strong>Total advertising expenditure, share in GDP and by media sector (%)</strong></td>
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<td>Share in Gross Domestic Product</td>
<td>1.14</td>
<td>1.57</td>
<td>1.38&lt;sup&gt;c&lt;/sup&gt;</td>
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<tr>
<td>Television</td>
<td>34.3</td>
<td>25.4</td>
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<td>Press</td>
<td>25.6</td>
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<td>Radio</td>
<td>3.2</td>
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<tr>
<td>Direct mail, transport, outdoor, cinema, internet</td>
<td>36.9&lt;sup&gt;a&lt;/sup&gt;</td>
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*Sources*: For Japan, Dentsu (website); for UK, Institute for Practitioners in Advertising (website); for US, Ad Museum Tokyo (website), quoting Zenith Optimedia.

*Notes*: <sup>a</sup> and <sup>b</sup> include directories; <sup>c</sup> figure for 2002, source, Nikkei Kokoku Kenkyusho (2004: 76), quoting Zenith Optimedia.
in the West has caused a split between creative agencies (that do all the work except for media buying, which is left to specialist media agencies) and media agencies (who in addition may advise the advertiser on the most effective media plan for its objective). This ‘media unbundling’ from the traditional agency structure in the UK led to a proliferation of small creative agencies whose ‘product’ for sale is creativity (Nixon, 2003: ch. 2). The consumer culture of the 1980s, driven by the deregulation of markets undertaken by successive Conservative governments, certainly made a contribution towards the development of innovative, cutting-edge and occasionally obscure kinds of commercials (Brierley, 2002: 242–3; Davidson, 1992). This helped to boost the reputation for creativity enjoyed by London agencies in the 1990s (Nixon, 2003: 8).

It is this liberation of the agencies from the task of media buying and remuneration based on media spending by the advertisers that enabled them to start to sell their ‘creativity’ as the main product of their professional services. Financially, setting up a creative agency is not a big deal. Creatives who have established a good reputation and developed confidence can leave their jobs to form a partnership and can obtain major accounts within a short space of time. This in turn would attract more accounts, and then one of the advertising agencies’ global holding companies might approach the ‘shop’ to buy it out (the trend in the industry during the last two decades, which has progressed even more since documented by Mattelart, 1991). The original founders could, depending on the negotiation, become very wealthy by selling the stock, while they might be allowed to stay on in management.

Such a path to success for small businesses does not really exist for this sector in Japan. Whereas the fierce competition among creative agencies in the UK helps to sharpen the creativity of each one, in Japan the impetus for an agency to compete on the basis of creativity is relatively weak. Competition to obtain accounts is, of course, severe; pitches are frequent, as most Japanese clients use a number of agencies for different tasks (called the split account system, see Moeran, 1996: 46–8). This practice leads Western agencies to doubt whether Japanese advertisers understand the basics of brand guardianship, but it is believed to be the best way for an advertiser to control and exploit the best of the agencies. At the same time (or as the other side of the coin for this system), an agency in Japan is permitted to have conflicting accounts in the same product category (e.g. Ford and BMW), a practice that would not be tolerated in a Western context. This ‘promiscuous’ relationship between clients and agencies is taken for granted in Japan.

What counts in a pitch for a campaign is not creative persuasiveness, particularly where television is concerned. More than half of television advertising airtime in Japan is handled by two giant agencies, Dentsu and Hakuhodo (henceforth called D&H, Dentsu Soken, 2004: 192), whose
combined share amounts to 70 percent of sponsorship for prime time in the key stations in the greater Tokyo area, the most important and lucrative segment of the market (Nomura Shoken Kinyu Kenkyusho, 2001). Being close to the national networks’ key stations in Tokyo, the agencies sometimes propose new programmes to them with possible lists of sponsors. They make money by basically taking 15 percent of the payment the advertisers make to the stations. This is only rhetorical; D&H claim that they do not take money from their clients, but that the media pays them. In short, the two agencies almost look like the sales representatives of the television stations.

What happens with this business structure is that media buying power, rather than creativity, dictates the trade. When a minor agency proposes a very interesting strategy to a client, the client, worried whether the agency is capable of buying the airtime it requires, would not give it the assignment. Economies of scale are known to work in media buying, which is why media agencies in the European and American markets are oligopolistic. This is true in Japan too, with the difference that the oligopolists are full-service agencies. D&H are in a good position to negotiate bargain deals with the stations, and they sometimes buy in bulk even before they have the prospect of interested sponsors. With thousands of accounts for each agency, there is little fear that they would be overstocked with unsold airtime. Television stations in return provide more than 15 percent commission to reward bulk buying; the close relationship between them makes it possible for D&H to discover ahead of the others when a booking is suddenly cancelled, thus creating a very good opportunity for D&H account executives to sell an attractive airtime slot to one of their clients.

Given the paramount importance of good access to the media, creative staff have never enjoyed superiority within the company hierarchy. Those who originate from media buying, for example, have always dominated the top management of D&H. Although it can be argued that the creatives are not terribly interested in climbing the ladder of internal promotion to top management, the rarity of a creative in management does suggest a disregard for creativity in the corporate culture of D&H. It is also an open secret, even noted by Kleinman (1987: 6) that the creatives at D&H may well use outside consultants for creative idea development. Indeed, it is the key to success for many creatives to have a pool of talent lined up that can contribute to the formation of creative concepts. While some of these people may well be equivalent to so-called account planners, sparking the creative to find an approach or perspective to come up with a big idea, many go further and undertake the core work of creative development. The reliance on outside resources is inevitable because, as Moeran (1996: 136) observed, the average number of assignments at any point for a Japanese creative is much larger than for his/her counterpart in
the West (in his observation 300 times larger)! In a sense, therefore, D&H first win accounts on the basis of their media buying power, and then the agencies’ creatives act as the coordinators of creative development and execution teams.

It is not that there is no glamour or glitter about being a creative at D&H. Indeed the most successful ones are popular artists with a high public profile. Outside production companies and freelancers whose businesses depend on their relationship with the creative staff at D&H treat the creatives like royalty. The creatives may enjoy contact with models and celebrities. Nonetheless, despite the apparent glamour of their position, their status internally is not particularly high. At any rate, their extravagance does not extend to the lifestyle typical of successful UK creatives, retiring at the age of 45 and in possession of a Ferrari and a mansion in the south of France. The creatives at D&H are first and foremost company employees, earning more or less the same amount of money as the rest of the staff. The creatives who specialize in television commercials cannot become independent for fear of getting no work as they would lose access to the media, and because the practice of charging professional fees for concept development has not yet been firmly established.

It must be clear by now that the lack of entrepreneurialism among the creatives, and the fact that access to the media is the key to winning accounts, make the Japanese advertising market less creatively competitive. This, however, is not particularly a new phenomenon. In order to focus on the change since the mid 1980s, we need to examine other aspects, by shifting the focus from the internal structure of the agencies and broadening it to include the relationship between the agencies and the media.

Media buying in Japan

Here it is necessary to give a brief description of the Japanese television media. Although the proliferation of new television channels and the turbulence caused as a result have been seen in Japan as elsewhere in the advanced economies in recent years, the dominance of the basic terrestrial, analogue channels has not yet been seriously challenged. There are five commercial national networks that rely on income from advertising, alongside the public, non-commercial broadcasting station NHK, which has two channels for terrestrial analogue transmission (and more in different forms).

Television airtime is sold either as ‘spots’ or ‘programme sponsorship’ in Japan. This principle may not be different in any major way from elsewhere, although details of practice differ considerably from one country to another. For the purposes of this article, three features are noteworthy.
The first is that, as already mentioned, the most competitive (and most expensive) spots tend to be handled by D&H. The second point to note is that programme sponsorship is a long-established practice, as in the US, and believed to provide ‘quality time’ for advertisements (Namatame, 2000: 33). Programmes that seek major sponsorship tend to be expensively made, but (and because of that) tend to be of high quality. Major drama series on television run for at least three months, sponsorship of which promises regular and consistent contact opportunities with the viewers for a substantial period of time for the sponsors. The last point is the most significant of the three for my discussion in this section of the article. It is that spots are basically sold only in 15-second units in Japan, whereas elsewhere, the 30-second unit is generally the norm. It is theoretically possible to buy two units in sequence, but a premium has to be paid for such a special arrangement.

The short length of time available for any one commercial (which is in effect 13.5 seconds for technical reasons) has been a major predicament for creatives at D&H for a long time. Although there have been suggestions that 15 seconds is sufficient due to the Japanese preference for fewer words (Di Benedetto et al., 1992: 41–2), the creatives feel their capacity to roll out a story with a twist is much constrained.

Yusuke Kaji (2001: 86), one of the top creators of his generation with considerable experience, points out that the year 1961 was crucial in determining the style of Japanese commercials. Before 1961, commercial broadcasters were selling spots in 30-second units, but then split a unit into two. It is not known why and how such a decision was made at that particular time. Yamaki (1992: 494), who compiled a chronology of events to outline the development of the advertising industry in Japan, refers to this change only in a matter-of-fact way. This was only two years after all the networks had been launched. At that time, television sets were being rapidly diffused among Japanese households, and most advertisers as well as agencies were just beginning to appreciate the huge commercial potential of this medium. Kaji suspects that this was a clever way of increasing revenues for the stations; it can be safely assumed that one unit of 15 seconds was priced at more than half of the previous rate for the 30-second unit. Since this change in 1961, advertising sales on television spots has continued to grow at a high rate.

Returning to the issue of the change in the quality of television commercials, what we should note here is that television stations have been becoming increasingly dependent on income from spot sales. Programme sponsorship generally provides the sponsor concerned with more favourable conditions for showing advertisements. The target audience is easier to predict and, crucially, it is guaranteed that the advertiser’s competitors in the same product category are excluded from the same sponsorship deal. It
is more expensive than spot advertising as a result, as well as because of the additional charges for programme production costs.

In the old days, when national sponsors were much more optimistic about their growth than they are nowadays, they were happy to opt for programme sponsorship. Since the late 1980s, however, sponsoring programmes has become prohibitively expensive, as the television networks needed money to modernize their facilities. The conversion to digital transmission, which started in 2001 and is to be completed by 2011, has become a further financial burden for broadcasting companies, without knowing precisely what the future of digital television will bring. The solution was to raise prices, and programme sponsorship was seen as being an easier field in which to justify the increase. As a result, many sponsors shifted towards spot buying. Spots are less expensive but provide a less desirable environment for a sponsor: an inconsistent mix of commercials might be aired in the slot for spot advertisements and appear extremely cluttered.

This move towards spots is inevitable, however, as media buying managers of advertisers are increasingly concerned with statistical data to prove the cost-effectiveness of what they are doing. They rely on an index of cost-effectiveness for a commercial, according to which spots look more attractive. The index in question is called the Gross Rating Points (GRPs), and the calculation is simple and crude: it is to obtain the percentage of cumulative viewer numbers in a given geographical area in a given period by multiplying ‘reach’ by ‘frequency’. If the average audience rate for a particular time band (e.g. 8 pm to 10 pm on weekdays) of a particular station is 10 percent (reach), and the commercial is shown 70 times a week for 10 weeks (frequency), the GRPs is 7000.

When the media brief given by an advertiser tells an agency to buy at least X GRPs with a budget of Y million yen for a specified time period, the media buying sections of D&H work out plans that would optimize the GRPs per spend, often leading to the conclusion that spot buying would be more cost-effective. ‘Time’ slots for programme sponsors are right after and before the programme and during breaks in the programme, thus enjoying a special proximity to the actual content. Then, before the next programme begins, there is a short break for spots. In calculating GRPs, however, the two different kinds of commercial time would achieve exactly equal points, as only the programme viewing figure is collected and used as the ‘currency’ (Napoli, 2003 on the American practice) in making the deal. Also, in this simple mathematics, the length of a commercial does not count. Therefore, a shorter spot looks more cost-effective than the longer, traditional 30-second sponsorship slot.

This, of course, does not reflect the qualitative differences I have been emphasizing. The clients’ advertising managers are not unaware of this trick, but are finding it increasingly difficult to justify their preference for programme sponsorship internally. This issue was raised by the then
director of advertising at Shiseido (Otke, 1998), a major cosmetics manufacturer in Japan, in a paper awarded first prize by an annual essay contest hosted by the Japanese Advertising Association. Interestingly, the jurors’ and the author’s comments published in the Association’s journal revealed that this was a problem everybody in the business of media buying was concerned with, and it had to be stopped; otherwise the advertisers’ media spending would continue to be wasted.

No precise figures are available to show the amount of work each creative individual carries, or that examine the trend in the amount of work they do, but it is probable that the increase in spots has meant a heavier workload per creative at D&H in recent years, as the creative departments at D&H have not seen any major expansion. It is arguable whether a heavier workload kills one’s creativity. In principle, it is considered that the more projects one creative has to handle, the more scattered his/her attention inevitably becomes, and the more logistics and meetings he/she is involved with. There is, hence, less time for thinking about the product or the brand concerned over a period of time, so it becomes less likely that the creative will arrive at a moment of enlightenment, discovering a distinctive approach to address the viewer.

The change in marketing and distribution in Japan

So far I have examined advertising agencies (who create advertisements) and the media (through which consumers come into contact with the advertisements). It is important to recall that advertisements are made only on commission. Thus the final point for exploration is the marketing strategies of advertisers, particularly the way in which changes in marketing have affected advertising. As any textbook on marketing demonstrates, marketing strategy is concerned with product development, pricing, control of distribution channels and communication. Advertising is obviously part of the communication phase, but it is important to pay attention to the other areas of marketing strategy and activity, and their implications for advertising. The main argument in this section will be that the changes in marketing by major Japanese manufacturers since the 1980s, particularly with regard to the distribution process, have had a considerable, negative effect on their advertising strategy.

It has been pointed out by marketing academics that Japan has had a number of peculiar features with regard to distribution and retailing. First, there was the Large-Scale Retail Stores Act in Japan (which was superseded by a new act in 2000), which in effect, controlled the opening of large stores such as supermarkets. The purpose of this legislation was the protection of small retail businesses, which resulted in a large number of retail outlets per head in Japan, double that of the US (Lohtia et al., 1999:
Second, some of the major manufacturers established their own distribution networks and sometimes exclusively contracted retail outlets for an effective vertical integration. From the viewpoint of foreign manufacturers who tried to break into the Japanese market, such methods appeared to be exclusive as well as extremely inefficient (Czinkota, 1985). Together with a number of other invisible trade barriers limiting access to the Japanese consumer market up until the 1980s, these institutions protected the manufacturers from fierce competition. They were able to exercise what Tamura (1996) calls ‘power marketing’, whereby the manufacturers had the decisive power over wholesale and retail prices.

In short, it was a good time for manufacturers because, as long as they produced high-quality goods, distribution was easy and demand was strong in the Japanese economy during the high-growth phase of the 1960s and 1970s. As Japanese manufacturers were shielded from challenge from abroad, competition was only between the local oligopolies in the market concerned. It was a common goal for every party involved in this system to prevent the erosion of wholesale and retail prices. Furthermore, some daily items were protected by the Resale Price Maintenance agreement under the Fair Trade Commission in Japan. All of these conditions provided an environment that favoured branding-oriented advertising over promotion-driven commercials (which leads to price competition).

Such marketing had to change after the 1980s when Japan’s trade and industrial policy shifted towards deregulation. Since 1966, competition policy had occasionally intervened to erode the Resale Price Maintenance regime, and the arrangement ended completely in 1997 (except for copyrighted goods such as books). More and more imported goods have become available to Japanese consumers, while large shopping malls, supermarkets, ‘category killers’ (i.e. large outlets specializing in specific categories of merchandise such as Toys’R’Us), household electrical goods or cosmetics shops that deal with a variety of brands across manufacturers have started to become popular among consumers. These developments meant a major shake-up for manufacturers, who then started to review their marketing strategies and reorganize their distribution systems accordingly.

As a result, the advertising departments of many companies have not only suffered from budget cuts (as advertising budgets are among the first to be squeezed in most companies around the world in cost-cutting exercises), but also succumbed to the power of the larger marketing departments for individual product lines. In the past, advertising departments were often given lump-sum annual budgets to spend on media buying and creative production as they saw fit for the marketing objectives as they understood them. Advertising managers also enjoyed creative control of advertisements. Such autonomy was possible because, in a sense, advertising was not taken seriously in the companies. Nowadays, marketing managers exert tight control over the budgets segmented for specific
products and have a stronger say over the content of advertisements. According to advertising specialists (agency creatives and clients’ advertising managers), these hard-nosed marketing people have little understanding of what makes an advertisement work and instead believe that television commercials must feature celebrities directly communicating the selling points clearly (or loudly). This is a most demoralizing trend for agency creatives, who are often told that there should be no frills or tricks and that the commercials only need to be ‘straightforward, clear and understandable’, meaning for them ‘banal, bland and rudimentary’.

It is impossible to generalize what the UK or US market has been like over the same period in the limited space of this article, but it can at least be said that the markets have generally been competitive to such an extent that branding and promotion have been clearly separated both in concept and in practice. In fact, the two areas compete for marketing resources, leading advertising agencies to take a strategy of denigrating promotion (Brierley, 2002: 54). The rise of integrated marketing communication (i.e. a marketing strategy of delivering a consistent message across advertising, promotion and other communication tools in an integrative way) was notable because there had been antagonism between advertising and promotion, whereas in Japan the distinction between the two areas has often been unclear and full-service agencies have been engaged in both areas. With manufacturers in Japan struggling to survive in more competitive markets, they are confused about branding, promotion and the role of commercials. Branding-led advertisements on television used to be supported or tolerated by executives who could harbour optimistic prospects for the company’s growth, but their contemporary counterparts do not enjoy such a luxury. The concept of branding has certainly become a buzzword in the Japanese marketing world in recent years, but the still-immature state of theory and practice in Japan is making the situation even more confusing. Few advertisers of today are thus convinced that advertisements for branding can work successfully over the long term.

Another relevant major development is the shortened life-cycle of many fast-moving consumer goods (FMCG) in the last ten years or so. This has created a problem for advertising creatives in the following way. For example, soft drinks products are nowadays launched quarterly, given slightly different tastes, packaging and names. This is related to the proliferation of convenience stores (CVS) around the country and their use of electronic point-of-sales information for inventory control. Franchised CVSs are kept well informed of sales figures gathered at the headquarters and quickly remove products with poor sales performance from their buying lists. This has put retailers in a stronger position in relation to manufacturers than in the past, a power shift seen across all the countries (Lohtia et al., 1999). At the same time, CVSs in Japan have become a place for young people to come in and look around for something new on
a daily basis. All of these factors have made it imperative for manufacturers to produce something novel all the time. Manufacturers are also required to heavily advertise new products and provide display materials for in-store marketing.

The problem for advertising agencies is that there is (and should be) only limited thinking going into a new product which may not be around in three months’ time and whose retail price per unit is likely to be less than a pound. It is true that one can be phenomenally creative for cheap and non-fashionable goods such as detergent, a fact demonstrated by one of my interviewed creatives at Dentsu, who has been creating award-winning ads for cockroach killers. Thus the nature of the product or the price per unit may not matter. But the problem lies in the fact that commercials must be made quickly, and there is little time for a product to mature into a ‘brand’.

Advertisers resent the fact that their advertising and marketing strategies are increasingly dictated by the demands of the retail sector:

Advertising has become almost like a fee in return for shelf space at CVSs. I regret this. (An interviewee from a major soft drinks brand)

However, advertisers are not in a position to take the risk of creative experiments for FMCG products.

It is possible for advertising creatives to expect that retailers, rather than manufacturers, might become their next main clients. Their advertising at the moment is heavily promotional in Japan, but research exists in the UK that suggests consumers decide first where to buy (Brierley, 2002: 233) and then choose the brand at the point of purchase (Percy et al., 2001: 214). This implies that the branding of supermarkets to strengthen store loyalty among consumers is important. It is already a feature in British advertising (see Byrne et al., 2003 for the case of the giant supermarket J. Sainsbury) and may become applicable to Japan. Agency creatives would be motivated by such a step, but are loath to make commercials that only emphasize cheap prices.

Conclusion

It has been argued that the cultural quality of Japanese television commercials has suffered as they are increasingly becoming promotional as opposed to branding-oriented, and as strategic thinking has been taken over by short-term tactics. The dominant, commission-based remuneration system for agencies in Japan has been the background to the lack of creative rivalry that can be seen in many countries where the media buying function has been unbundled. With the shift by advertisers from programme sponsorship towards spot advertising that lasts only 15 seconds, prospects for creativity seem limited. In addition, fragmentation of the media
audience is increasing and technological innovations that allow viewers to skip commercials easily are becoming increasingly sophisticated and more readily available. Thus the chances for developing creativity in television commercials seem to be thin. Today a typical advertiser in Japan will request an agency to make a commercial fronted by a celebrity, just repeating the selling points loudly. Such an attitude is becoming even more prevalent due to changes in marketing which have made the Japanese markets more open, competitive and price-sensitive. While this has benefited consumers in some ways, the stakes have become too high for manufacturers to allow non-conventional, innovative ideas and techniques to be used in television commercials. The largest dilemma for D&H is related to their business model: they are torn between the need to withdraw from the commission system in order to establish themselves as professionals in strategic communications services and the belief that this lucrative revenue stream must be kept intact as long as possible. The resolution of this economic dilemma will have a huge influence on the quality of commercials. The implications will extend further to the audio-visual landscape of media culture and eventually to the workings of the consumer society at large.

Notes

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1. The research included personal interviews with 37 individuals, including creative directors in major agencies in Tokyo and London (and additionally in New York for reference purposes), as well as consultants and advertising managers of the client companies. Typically an interview ran about 70 to 90 minutes, but some of the interviewees kept talking even longer or allowed me to return for a subsequent meeting. The interviews totalled more than 55 hours. I also formed a research seminar group and invited speakers for presentations and discussions. Research into documentation such as key trade journals, statistical reports and books written by practitioners informed the discussion developed in this article.

2. Quotations of the literature originally in Japanese in this article are my own translation.

3. Very big agencies further provide more diverse services related to communication, such as public relations, sports and arts sponsorship, direct marketing and promotion, and branding consultancies.

4. Both are independents in the global advertising industry, but come in at fifth and eighth in the league table ranked by worldwide revenue in 2001, competing against global communications conglomerates such as Omnicom and WPP (Advertising Age, 2003).

5. The People Meter, which records viewing by individual members of the household as opposed to the whole household, started to be used by audience
research companies in Japan only in 1996, nine years later than in the US. The television stations and advertising agencies were strongly opposed to the employment of this method, alleging its inaccuracy, although there was strong demand for its adoption from advertisers. After a long controversy, the three parties came to a consensus that the People Meter can be used only for reference purposes, but not in media buying. Shimamura (1995) details the dispute.

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