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<th>Selling Job - Present and Future</th>
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<td>Author(s)</td>
<td>Tanouchi, Koichi</td>
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<td>Citation</td>
<td>Hitotsubashi journal of commerce and management, 7(1): 36-44</td>
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SELLING JOB—PRESENT AND FUTURE

By Koichi Tanouchi*

The main changes which we must take into account when we think about the Japanese consumers are, income revolution, influence of information explosion and a new dimension of product classification.

I. Income Revolution

Our individual as well as national income have been increasing at a rate of over 10% every year. But I don't denote this mere increase in income by "revolution". By it, I mean the increase in discretionary income and the influence it has brought about on the buying behavior of Japanese consumers.

\[
\text{income} - \text{tax} = \text{disposable income} \\
\text{disposable income} - \text{basic expenditures} = \text{discretionary income}
\]

As shown above, the discretionary income is a portion of the disposable income of which objects of expending are not predetermined to food, shelter, cloth and other daily necessities. The discretionary income is, therefore, free to be spent for anything consumers feel like to. If there is no discretionary income, every purchase must be carefully thought of in advance. If it's not the case, the consumers will be out of money a few days before pay days and they will be forced to eat cooked rice with only soy sauce on.

Having the discretionary income, they have a safety margin between eating rice with only soy sauce on and with slices of raw tuna meat a few days before pay days.

The discretionary income has brought about two main changes in the consumer buying behavior.

1. increase in impulse buying,
2. widening the range of competition.

I don't think it necessary to comment on the increase in impulse buying. The second change, widening the range of competition, is worthy of further comment.

Competition is usually understood to take place between products from the same industry; brand A washing machine competes against brand B washing machine; semi-automatic washing machine competes against full-automatic washing machine. But now, the situation has changed. Every products are competitors against each other. If I had 30,000 yen money, I could spend it for anything without undergoing the risk of downgrading the quality of the daily life. I have a choice of buying either personal television, a suit, or a travel. I want to buy all of them. But I can buy only one. Then, these heterogeneous

* Professor (Kyōjū) of Marketing.
products are competitors against each other. How can you win in the competition like this?

Heavier advertising may be one answer. But the most fundamental point is, your product is liked by more consumers. Then, advertising will be far more effective.

If you check the reason why high-growth companies grow fast, you will find out the most important one is that they are in growing areas. If you compare a company with superior management in a non-growing area with the one with inferior management in a growing area, you will see the latter company is growing faster.

Likewise, in retailing, fast growing stores are the ones whose location is strategically very good—in most cases, near the railroad stations—and not necessarily well managed. The stores with very good assortments and very good promotion on inferior location do grow less fast in general.

The lesson we learn in these analyses, is that there is no ground on which we can think and plan without any worrying about the solidness and immobility of it. When you think about product planning, you can't presuppose the coming new products are from the general category of present product lines. The first thing you should doubt is, if it's good for your company to stay in the industry where you are in now. To hold this kind of attitude always in business decisions is rather difficult for top management people, especially in their old ages.

November, 1969 issue of Nikkei Business carried very interesting research results concerning to the correlation between the corporate growth rate and the ages of presidents and executives of the companies. (Table 1)

The average rate of growth of the companies with executives whose average age is 50-54, is 130% in average. The same rate for 55-59 is 90% and 60 and over is 72%.

To win in the competition between the products which don't belong to the same industry, you must have top management with flexible brains and must always try to go into the newly developing industries.

So far, Japanese top management has been making rather easy decisions. This was because we were walking or running behind the advanced countries. The top management usually look at the United States to see what is now in fashion and what new products are hitting market and what products are gaining market acceptance. He does next is, to decide when he should introduce those products into Japanese market and what minor modifications become necessary. Decision-making of this kind does not involve much risk.

Now the situation has changed. We have as much income as Europeans have. We are an advanced country, too. A new fashion could starts here. We should introduce new products here first in the world and see if those are accepted in the market. Decision-making is very risky in this situation.

At this point, we should think back our implicit premise with a suspicious eye. When we followed advanced countries, we had in mind an implicit premise that the difference in products in demand comes solely from the difference in income. Consequently, if our income reaches a certain level, we demand the same products the people of advanced countries demanded when their income was at that level. Is this really so?

Pseudo-Westernization

Leisure industry is fast growing. But the content of leisure is not the same between
<table>
<thead>
<tr>
<th>Companies</th>
<th>Capital (in a hundred million yen)</th>
<th>President's Age</th>
<th>Average Age of Executives</th>
<th>Growth Rate (%)</th>
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<tr>
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<td>Capital, 10-5 billion yen</td>
<td>Capital, 5-1 billion yen</td>
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<td>Capital, 50-10 billion yen</td>
<td>Capital under billion yen</td>
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**Table 1**

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<th>Companies</th>
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<th>President's Age</th>
<th>Average Age of Executives</th>
<th>Growth Rate (%)</th>
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Total leisure time is the same between Japan and France but the way it is distributed among competing uses is very much different. The U.S. has more total leisure time but there is no difference in how to distribute it to various uses from France. We can see that the U.S. and France are, after all, the countries of the same culture and we are not. (Chart 1)

**Chart 1. How to Spend Leisure Time**

One hundred years ago, we opened our country to outer world and has been trying to emulate Western technology and implant Western civilization. Foreigners who visit today's Japan for the first time are invariably disappointed to see almost totally Westernized Japan. But are we really Westernized deep in mind, too?

We say our food is Westernized. Beef, pork, lettuce and cheese, for examples, were new to us a hundred years ago. Lettuce was especially new to us. We started eating it after the World War II. Now we like those foods and eat much in quantity. Food stores which don't carry those items will be out of business. But can you call this the Westernization of food? We used to eat fish and still eat fish, but Norwegians eat as much fish as we do. Do we call this the Japanization of Norwegian food?

The real difference between Western food and Japanese food lies not in kinds of food we eat but in the way we eat it in the meal. In the Japanese meal, cooked rice is a main dish and every food other than this exist for enhancing the taste of rice. Dishes other than rice are not on the table for their own right. They can be there because they add to the taste of rice. In a Western meal, you don't see this strict distinction between a main dish and subdishes. Even if you eat beef, lettuce and cheese, it's a Japanese meal if you think those foods exist to make a main dish—rice, or sometimes even bread—more delicious. In
contrast, even if you eat rice, it's a Western meal if you treat it as one of dishes. If you look at our meal from this point of view, our food is not a bit Westernized.

We say our houses and furnitures are Westernized. True that we didn't have table, chair, sofa, bed and carpet. Now our houses have at least some of them. Are our houses Westernized? The real difference between a Japanese house and a Western one lies in the way facing to the outer world. A Japanese house has little wall space facing a yard. You can go out to and come in from the yard to any room facing it. Nature and your room are merged into one. To separate nature and the inside psychologically, you take off your shoes when you get in. In a Western house, you don't have to take off your shoes when you get in. To separate inside and outside psychologically, you have walls and very solid door with a sturdy lock built into it. Many Japanese houses nowadays have wall-to-wall carpeting, almost every family has at least several chairs and a table, and quite a few couples sleep on bed, but if we take the above viewpoint, our houses are not a bit Westernized.

Hence, the kinds of leisure activities we are going to participate could be different from what the U.S. are now enjoying. We must think standing on our own feet. This is only an example. Every company should think seriously what product areas they should go in. They must use their own insight to decide this. This is no easy job.

II. Influence of Information Explosion

As near past as a generation ago, our main concern as an individual or as a company was, how to gather information relevant to our decision-making. Now our main concern is how to screen relevant information out of the flood of information flowing vigorously around us.

Under such circumstances, informational ammunition of buyers naturally changes. In the past, sellers had more information about products he tried to sell. Consequently, sellers occupied more advantageous position than buyers. This was like two armies fighting, with one side enough ammunition and the other side scant ammunition. But now, the buyers have plenty of information, sometimes more than sellers have. Information-wise, sellers can't occupy an advantageous position automatically.

What should sellers do? To sell, they've got to be of an advantage to buyers in one way or another. What will the advantage be, or what should it be? You must notice that the information buyers have got is only a heap of unrelated fragments of information, no matter how vast they are. This is a weak point of information-happy buyers. By relating these fragments of information one by one in a way it has new meanings to buyers, sellers can be in the advantageous position toward buyers.

I will explain about this point in more detail by citing examples. In the audio field, there are many maniacs. They know a lot about audio equipments, both domestic and foreign. Audio shops were forced to set up a school cooperatively to teach and train their salesmen about audio. Audiophiles know what range of sound this speaker reproduces and how much watt of output power that amplifier has through catalogs and technical magazines. But their knowledge goes only this far. Most of them don't know what these specifications really mean to them in their listening rooms. Here, sellers can add something to the knowledge of customers. Sellers have chances of listening these speakers and ampli-
fiers played in real listening rooms and above all, they are exposed to complaints of customers. They can know both advantages and disadvantages of each equipment which are not manifest on catalogs and most of the times on technical magazines. Technical magazines usually test new equipments and enumerate demerits as well as merits. But these tests are, in most of the cases, either too technical to be understood by laymen or too general to be applied to a particular listening condition.

If sellers are able enough, they can ask prospective customers about, kinds of music they like to listen, condition of their listening rooms, their budgets, their preferences to particular brands, and so on, then advise what combination will give them biggest satisfaction. For the sellers to be like this, it is not enough to know only catalog data of audio equipments. In addition to those, they should learn what these catalog data really mean to different customers. This can be taught to some extent, but most important part of it should be acquired through being exposed to complaints from customers who have bought following salesmen's advices.

Let's take another example of a salesman selling 20-second spot TV commercial time. The common knowledge, both sides of the table has, is coverage of this TV station, rate of exposure, etc. By telling those data, a prospective sponsor will be least impressed. A salesman should give another meaning to these data. In some cases, the new meaning will be an example of another product of which sales increase is largely liable to a TV commercial from this station. In other cases, it will be a proud position a sponsor can climb up. A salesman can tell a prospective sponsor that if he advertises, everyone will know his company, and when he is introduced as the president of the company in a party, everyone there will look him up with envy. By telling him this kind of story vividly, dry figures on coverage and exposure may come to have entirely new meaning to a prospect.

To be able to do such presentation, a salesman must be very much resourceful. He must train himself to be so. Gregariousness is not important to be a really good salesman, contrary to the common belief.

III. New Dimension of Product Classification

"Mono-banare (non-attachment to physical products) " must be one of the most conspicuous change, seen in the behavior of Japanese consumers and those in the other advanced countries. Prof. Shuji Hayashi of Tokyo University explains the process of becoming non-attached to physical products and consequent increase in recognition of the value of so-called software as the following.

My great grandmother used to buy cotton and spin yarn. To her, yarn is something to be made. To my grandmother, yarn is something to be bought. Adding dye, she weaved cloth. To my mother, cloth was something to be bought. She added button to it and made garment. To my wife, garment is something to be bought. By combining garment and scarf, she designs fashion life. This process is illustrated in Chart 2.

Note that as you go up the ladder, the weight of the value of software in the price also goes up. At the top, consumers see the value mostly in the software contained in products,

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not in the materials they are made from.

If you look at the theme I have been discussing from a different angle, that is, the industry point of view, the above process can be said to be a transition from material industry to processing industry, and from processing industry to combination industry. The material industry is concerned with cotton, yarn and cloth. The processing industry is concerned with garment. The combination industry is concerned with fashion life.

The ratios of the output of material, processing and combination industries in the U.S. are 1, 2, and 1, respectively. In Japan, the same ratios are 5, 5, and 2. The more the structure of industry in a country is progressed, the bigger weight a combination industry occupies. This can be seen in Table 2.

**Table 2. Industrial Structures of Japan, U.S., and West Germany**

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<tr>
<th>Per Capita Income (1,000 yen)</th>
<th>Japan</th>
<th>U.S.</th>
<th>West Germany</th>
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<th>Total</th>
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<th>Material Industry (%)</th>
<th>Processing Industry (%)</th>
<th>Combination Industry (%)</th>
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*Source: S. Hayashi, op. cit., p. 49.*

The retail and wholesale trades don't have equivalent figures, but if you look at the percentages of retail and wholesale sales of raw materials, processed, and combination products, you can recognize the same trend. (Table 3, 4 and 5)

If you take the food retailing as an example, vegetable stores, fish stores, meat stores are in (raw) material retailing, and restaurants are in combination retailing. The rest are
in processed food retailing.

The role the distribution should perform is, not only to transfer products from sellers to buyers, both physically and in title, but also to transform them from lower-order products to higher-order products. So far, we used to think products in terms of industrial goods and consumer's goods. Now, we must add another dimension to it.

As we climb up the ladder shown on the Chart 2, we have more software and less hardware. And as you go upper part of the ladder, you see a smaller role mass merchandisers

<table>
<thead>
<tr>
<th>TABLE 3.</th>
<th>THE STRUCTURE OF JAPANESE COMMERCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Wholesale</td>
</tr>
<tr>
<td>Annual Sale (1,000 billion yen)</td>
<td>8.8</td>
</tr>
<tr>
<td>Taking Annual Sale 100%</td>
<td></td>
</tr>
<tr>
<td>Material Goods (%)</td>
<td>87.4</td>
</tr>
<tr>
<td>Processed Goods (%)</td>
<td>12.6</td>
</tr>
<tr>
<td>Combination Goods (%)</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Source: S. Hayashi, op. cit., p. 70.

<table>
<thead>
<tr>
<th>TABLE 4.</th>
<th>THE STRUCTURE OF U.S. COMMERCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Wholesale</td>
</tr>
<tr>
<td></td>
<td>1958</td>
</tr>
<tr>
<td>Annual Sale (billion dollars)</td>
<td>263.5</td>
</tr>
<tr>
<td>Taking Annual Sale 100%</td>
<td></td>
</tr>
<tr>
<td>Material Goods (%)</td>
<td>70.2</td>
</tr>
<tr>
<td>Processed Goods (%)</td>
<td>29.8</td>
</tr>
<tr>
<td>Combination Goods (%)</td>
<td></td>
</tr>
</tbody>
</table>

Source: S. Hayashi, op. cit., p. 71.

<table>
<thead>
<tr>
<th>TABLE 5.</th>
<th>GROWTH RATE OF JAPANESE AND U.S. COMMERCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Japan</td>
</tr>
<tr>
<td></td>
<td>Number of Stores</td>
</tr>
<tr>
<td>Wholesale</td>
<td>130.3%</td>
</tr>
<tr>
<td></td>
<td>140.2</td>
</tr>
<tr>
<td></td>
<td>117.2</td>
</tr>
<tr>
<td></td>
<td>145.6</td>
</tr>
<tr>
<td>Retail</td>
<td>104.9</td>
</tr>
<tr>
<td></td>
<td>104.9</td>
</tr>
<tr>
<td></td>
<td>102.5</td>
</tr>
<tr>
<td></td>
<td>128.6</td>
</tr>
</tbody>
</table>

Source: S. Hayashi, op. cit., p. 74
are playing, and you go nearer the foot of the ladder, you see a smaller role independent retailers are playing.

Here, I summarize my contention as the following.

1. transformation of cotton to yarn—large-scale manufacturers
2. transformation of yarn to cloth—medium-scale manufacturers
3. transformation of cloth to garment—small-scale manufacturers, and large-scale wholesalers and retailers
4. transformation of garment to fashion—small independent high-quality retailers and consumers themselves.

Each company should think where their scale and knowhow work best.