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Kizuna Marketing: Building Trust-Based Relationships among Stakeholders

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Abstract

Kizuna is a bond of friendship that cannot be broken, or an enduring relationship that involves empathy and altruism. While large firms seek efficiency and growth, small businesses can thrive by building kizunawith stakeholders. This paper demonstrates how small Japanese companies have built intimate relationships with their customers and employees. They have avoided face-to-face competition against large firms. Although prices are higher or a product line is limited, customers become loyal to small businesses because of intangible values they provide. Those values include a peace of mind, knowledge, services that go beyond the call of duty, and trust. Staying small to enhance customer and employee relationships can be a viable strategic option.

1. Introduction:

In Japan, one word has appeared in media and peoples' conversations so frequently after 3.11, the devastating earthquake and tsunami that struck east Japan in 2011. The word is *Kizuna*. The direct translation of *Kizuna*is a relationship, but the real meaning is much deeper than just a relationship. It is a bond of friendship that cannot be broken, or an enduring relationship that involves empathy and altruism. After the earthquake and tsunami, people from all around the world have extended their support to the victims, and they responded with the deepest gratitude.

Kizuna relationships should not be developed solely after extraordinary events. It is something we need in our daily lives, including business activities. Companies must solve consumer problems with integrity, honesty, empathy, and enthusiasm. Managers need to treat their employees in the same manner they would treat family members. They must also build win-win relationships with their channel members and the local community. The essence of *Kizuna* is trust. Companies that inspire trust among stakeholders should thrive regardless of their size.

Large firms depend on mass production, mass communication and extensive distribution networks to gain efficiency. They have also replaced customer touch-points from face-to-face contacts toemail messages, home pages, blogs, chatting, and other forms digital media. Even speaking to a customer service representative has become a challenge, as illustrated by the surge of advertising slogans specifically boasting of being able to speak with a "real person." There are fewer and fewer workers on the floor of big box stores. Large firms try to maintain customer relations with frequent buyer programs and standardized e-mail messages. They may analyze big data, and customize their offerings to satisfy each customer's unique need. However, the relationship between business and consumer is kept at arm's length.

Small firms, on the other hand, must rely on personalized relationships to survive. In my neighborhood, the owner of a local bakery remembers customers' names and faces, and enjoys casual conversations with them. Those individuals may even develop friendships. Every morning, frequenters of a delicatessen put coffee and bagels on atab, and pay it at the end of the week. At the local bank, tellers greet customers by name. These small businesses compensate for their lack of resources with a smile and intimate relationships.

In Japan, there are over 20,000 firms that were established over one hundred years ago (Honkawa Data Tribune, 2009). The oldest company in the world is Kongogumi, a builder of Shinto shrines and Buddhist temples. It was established 1,430 years ago, in 583 A.D. Nishiyama Onsen Keiunkan, a *ryokan* (Japanese inn) is 1,300 years old. Many of those 20,000 firms are small-scale inns, *sake* makers, restaurants, and retailers (Honkawa Data Tribune, 2009). They have stayed small and maintained enduring relationships with their customers. These firms have proved that staying small does not necessarily mean being vulnerable. They can thrive without a scale.

This article demonstrates how some modern Japanese small companies have succeeded by building *Kizuna* relationship with their stakeholders.

2. Kizuna relationship with customers

2.1 Sato Camera

Sato Camera has 17 retail outlets in Tochigi prefecture, 80 miles north of Tokyo. For the last 15 years, Sato Camera has sold more cameras than any other stores in the area. Its market share of SLR (single lens reflex) cameras is over 60 percent (Sato, 2012).Although Sato charges full price, it still effectively competes against big-box electronics stores.

Sato Camera's motto is "We do not seek efficiency (Sato, 2013)." Sales people never end a conversation witha customer until he/she is satisfied. They often spend one to two hours with each customer. They understand their primary task is to listen to customers, and solve their problems with the best solution. It is common, in the Japanese electronics retail industry, to receive incentives from manufacturers, but at Sato Camera, sales people's suggestions are always solely based on the customers' best interest. Sato's employees take pride in their jobs. They are also deeply involved with cameras and enthusiastic about making customers happy. Their love of cameras and photography transmits to their customers. It is clear that their ultimate goal is not to maximize profitability.

Unlike its competitors, Sato Camera has never advertised or offered a frequent purchaser program. Each sales person is considered an ambassador for the store. To gain customer loyalty, the store offers an eleven-year guarantee for free. It is eleven years because manufacturers keep replacement parts for ten years. Repair service for Sato Camera is not a cost, but a promotional tool to enhance relationships with their customers.

Sato Camera defines its business as a memory recording support service. When digital cameras were first introduced, the founder of Sato opted to remove conventional cameras completely from the shelves and replace them entirely with digital cameras. At other stores, film cameras still dominated their shelves. Sato said he had no reservation to make the change because digital photography was simply a better solution for his customers (Sato, 2012).

2.2 Denka no Yamaguchi (Yamaguchi Electronic Appliance Store)

In Japan, there were 60,000 electronic appliance stores at the peak. Today, half of them lost their businesses to big box and online retailers. Denka no Yamaguchi is a mom-and-pop store located in Machida City, a suburb of Tokyo. It has only one outlet with 40 employees. Despite its size, Yamaguchi has made profits for the last 15 years. It is remarkable, considering that their prices are twice as expensive as those of big box stores. They sell a 50-inchtelevisionset at 328,000 yen (about $3,200),while large discount stores sold the same product at 178,000 yen (about $1,700) (Yamaguchi, 2013a). What is their secret?

According to the founder, the goal of Yamaguchi is to be a good neighbor. Back in the “good old days,” people asked their neighbors to babysit their children while they ran small errands, to lend eggs or soy source when they ran out, or to watch over a house while they were away for a vacation. It is in this same spirit that Yamaguchi strives to conduct business.

Yamaguchi salespeople actually visit customers’ homes just to change a light bulb, or to program a hard disk recorder for seniors who are not capable of doing those tasks. When a Yamaguchi employee finds a customer on the street, he/she gives a ride to the patron’s destination. Some customers leave their pets with Yamaguchi while they are gone for vacations. They do what family members or good neighbors would do. Yamaguchi, the founder and president, says this is done because many old people live alone, and they have no family or friends to ask (Yamaguchi, 2010).

Yamaguchi’s unique services include a lifetime warranty. Yamaguchire pairs products for free after a manufacturer’s warranty is expired. If necessary, the product is replaced with a brand new one. Sales people will deliver a pack of batteries at no cost if a customer asks. When a salesperson is called to change a light bulb, he will also clean the lampshade. He/she does not leave the house empty-handed. The sales personhas learned the size of the house, kind of appliances the customer owns, their conditions, and what he might suggest in the future (Yamaguchi, 2013b).

In 1996 when large discounters entered the local market, Yamaguchi did something unthinkable. He deleted 23,000 customer names from the database. It declined from 34,000 to 11,000 names (Yamaguchi, 2010). First, those who lived outside Machida City were unlisted. Then, those who had not shopped in the past five years were eliminated. He wanted to make more frequent contacts and better services with a limited number of customers.

Every bit of information is recorded in the database. It includes such information as the customer’s birthday, hobbies, and pets, along with their purchasing history. The data are fully utilized. For example, Yamaguchi sends direct mail for energy-efficient refrigerators to those who own a refrigerator that is ten or more years old.

Since they have fewer customers, their sales decreased from 1.6 billion yen ($16 million) in 1996 to 1.2 billion yen($12 million) in 2008. However, the gross profit improved from 25percent to 40percent or from 400 ($4 million) to 480 million yen ($4.8 million) (Yamaguchi, 2013c).The good neighbor strategy paid off.

2.3 Kameda General Hospital

Kameda General Hospital is a family-owned hospital that was established 350 years ago in the Edo Period. It is a Japanese equivalent of Mayo Clinic. Both hospitals are known for patient-centric management. They never compromise when it comes to creating a value to their patients (Berry and Bendapudi, 2003).

Kameda is located in Kamogawa, Chiba, over two hours away from downtown Tokyo. Four hundred twenty doctors see over 3,000 patients every day. It is highly unusual for a privately owned hospital located outside Tokyo to have such a large number of outpatients. How does Kameda attract so many patients from all over Japan?

Kameda's management is based on the following mission statement:

- Our patients have the highest priority.
- All of us respect and trust each other.
- We challenge the conventional wisdom.

Dr. Kameda, the director, is not afraid of taking risks. For example, he implemented a digital chart system before any other hospitals, including large university hospitals, did. He said it was a money pit, but necessary to upgrade the quality of their service. When a chief surgeon was recruited, Dr. Kameda gave him full authority to design the operation room and equip it with whatever he needed regardless of the cost. Dr. Kameda said he did it because it was the right thing for his patients (Murakami, 2012).

The K Tower made Kameda General Hospital famous. Dr. Kameda said hospitals were generally managed to maximize efficiency, not for the benefits of patients. Accommodations in the K Tower are equivalent to those in three-star hotels. Every room is private and has an ocean view. The suit room has a jacuzzi. Dr. Kameda responded in a TV interview, "Today, no one shares a room even on a business trip. We cannot force our patients to share a room when they feel most vulnerable (Murakami, 2012)."

Patients at the K Tower never see staff carrying equipment or pushing a stretcher. Patients and visitors use hallways in the front side, and staff members use other passageways in the back of the building. This has also improved the efficiency. The morgue is located on the top floor, not the basement. Dr. Kameda wanted to provide the best setting for family and friends to bid farewell to the patient. The room is full of sunlight and has an ocean view (The Reality of, 2011).

Patients can use a concierge service for 100 yen (about $1) at a time. A concierge may buy a magazine or a cup of coffee. With a doctor's permission, a patient can enjoy alcoholic beverages. On the top of the building, there is a Hibachi steak house with 14 items on the menu (The Reality of, 2011).

Dr. Kameda believes visitors' hours are restricted due to the hospital's convenience. At the K Tower, visitors with a pass are welcomed any time of a day. Each room is equipped with a sofa bed and linens. Visitors can stay overnight if they want. The family can also observe a digital chart through the Internet. They can learn the condition of the patient and what kind of treatments he/she is receiving. The doctor's profile is also available with the chart. Transparencies are guaranteed at the K Tower (Murakami, 2012).

3. Kizuna relationships with employees

3.1. Mirai Industry Co. Ltd.

Mirai Industry is a mid-sized electric parts supplier with 25 billion yen ($25 million) of annual revenues. It is located in Gifu, 25 miles outside of Nagoya. All 790 employees work full-time. Akio Yamada, the founder, said it was impossible to motivate anyone who was discriminated against in hiring status. For the same reason, promotion is based on seniority, and every employee receives a raise once a year until he/she retires. Yamada's logic is that an employee who lags behind would become more motivated to catch up with others because he/she would feel embarrassed to receive the same salary as more productive colleagues (Yamada, 2011).

The salaries are about the industry average, but Mirai offers more paid vacation days than any other companies in Japan. Everyone gets 140 days off a year. The company is closed for 20 days around the

New Year holiday and for 10 days in midsummer. No one works overtime. They all go home at 4:45 pm. All employees are invited for a trip to a resort once a year, and once every five years they travel overseas at the company's cost. Mirai also sponsors leisure activities such as organizing a tennis club or chess matches (Yamada, 2011).

Mirai is known for innovative products. In addition to the hygiene factors that the company offers, it also ensures each employee an autonomy that encourages a challenge for innovation. Since no employee competes against each other, cooperative worker relations promote workplace happiness. Lifetime employment and seniority-based salaries work extremely well for Mirai. Since the firm was established in 1965, it has never made a loss. Its gross profit exceeds 15 percent, which is much higher than other firms in the industry.

3.2 Ina Food Industry Co. Ltd.

Ina Food Industry Co. Ltd. is a manufacturer of agar products. Agar is like tapioca or gelatin, but made from seaweed. Ina's domestic share of agar is 80percent, and the global share is 15percent. In 2011, the annual sales reached 17.4 billion yen ($174 million), and maintained pre-tax earnings of 10percent (Noji, et al., 2008). Ina's success is attributable to the founder's vision and philosophy.

Ina founder Tsukakoshi does not believe in a rapid growth model (Shinohara, 2009). When a salesperson received a huge order from a chained supermarket, Tsukakoshi told executives to turn down the offer. If the firm took the order, it would have needed to expand the manufacturing facilities and hire more people. There was no guarantee that the order would keep coming. He did not want to heavily depend on one client, either. It certainly was not a sustainable expansion.Tsukakoshi believes that growth should be as slow and firm as a tree develops annual rings (Shinohara, 2009). Growth does not necessarily have to be tangible or numerical. If each employee confirms he/she gained more knowledge or skills, it is a good growth.

Tsukakoshi also knows how to motivate employees. As far as hygiene factors are considered, almost all 430 employees work full-time, and they are guaranteed lifetime employment. The raise and promotion are based on seniority to make sure middle-aged employees receive sufficient salaries for mortgage payments, children's education, and other necessary expenses. Ina takes all workers on an overseas trip every other year. Also, the firm provides low-cost housing for them.

In addition, since the company is located in a snowy area, each employee is entitled to receive a snow tire replacement allowance every three years. Also, they can receive $700 to build a roofed garage. It helps to keep the car warmer during winter. Tsukakoshi said less idling time meant less CO2 emission. The workspace including parking facilities and a dining room is constantly upgraded (Shinohara, 2009).

It takes more than hygiene factors such as salaries and fringe benefits to motivate employees, however. Tsukakoshi considers his employees as family, and he makes sure they feel at home when they come to work. The bond is made when the employees realize how their superiors think of them. When an employee's house caught fire, Tsukakoshi was the first one to arrive at the scene, and directed other employees in what to do. They all donated furniture, clothing and other necessities for the victim. Tsukakoshi loaned money to the employee with no interest. He has supported employees in trouble constantly for fifty years. Executives of large companies such as Toyota and Teijin have visited the company to learn Tsukakoshi's magic to motivate employees (Noji, et al., 2008).

Tsukakoshi said motivated employees were three times more productive. They are not only productive, but also innovative. They have developed over 60 patented technologies and 1,000 products including restaurant food, medical products, and cosmetics. Ina allocates 10percent of profit to research and development (Noji, et al., 2008).

Tsukakoshi's mission is to contribute to the society through employees' happiness. At the headquarters campus, there are three restaurants. The profits made from the restaurants are used to maintain the park and community center where local residents can visit freely. They can also draw fresh spring water in the park. Employees voluntarily cut grass and clean up the park in the morning and on weekends(Noji, et al., 2008). For Ina, profit is merely a tool to accomplish a bigger goal.

3.3 Spa Resort Hawaiians

Spa Resort Hawaiians is a themed hot springs spa and resort, located in Iwaki, Fukushima. The origin of the company is quite unique. It started as a coal-mining firm, Joban Mine, in the last century. By 1944, it had become the largest mine in Japan, flourishing in the 1950s due to the Korean War. However, after the war, cheap oil imported from overseas replaced coal. As a result, many coalmines were closed throughout Japan. Mines owned by conglomerates just shrunk their operations and reduced their workforce with no reservation. For Joban Mine, on the other hand, layoff was the last resort. It had operated under the management policy of "*ichizan-ikka*," meaning "one mountain, one family." In order to avoid massive layoff, executives thought they could start a new business using the area's hot springs (Murakami, 2013).The business Joban Mine started was not just a regular hot springs resort. Since Hawaii was a dream destination for many Japanese people, the company chose a Hawaiian theme to entertain the guests. The indoor theme spa, which is six times larger than Tokyo Dome Baseball Stadium's more than 500,000 square feet, maintains a Hawaii-like temperature all year around using the hot spring.

The guests are entertained with Hawaiian Hula dance. Instead of hiring authentic dancers from Hawaii, the company decided to form its own dance team in order to create jobs for the local community. Since the mining community is so close-knit, it is not rare to see an entire family working in the spa. It initially recruited eighteen employees' daughters to be dancers. Today, the company operates a formal dance school to teach classical ballet, modern jazz dance, flamenco, and hula. Over 300 students graduated to be professional dancers and instructors.

Before Joban Hawaiian Center started, most employees who used to work at the coal mine were strongly opposed to the idea. They did not think it would have been successful without any experience, authenticity, or knowledge to run the business. However, it has become one of the most popular theme parks in Japan. It attracted over 1.5 million visitors in 1979. In 2013, the number of visitors added up to be 60 million. There are 24 pools and baths along with a 500-room hotel and parking facilities for 3,500 cars. It became so famous that a film, Hula Girls, featuring the dancers, was shot in 2006.

The spa did not succeed by an accident. The founder and executives generated a number of innovative ideas. It is designed to attract three generations of customers. There are giant sliders for children, gourmet restaurants for parents, ancient theme hot bath for grandparents, and Polynesian entertainment for everyone. It also has an aesthetic spa for beauty-conscious women. A customer can enjoy the spa, one night at the hotel, and meals for only 10,000 yen ($100). The spa also sends free limousine buses to the Tokyo area. A customer saves 12,000 yen ($120) for an express train ride or 10,000 yen ($100) for highway tolls. The transportation cost could add up to 50,000 yen ($500) for a whole family.

In 2011, the city of Iwaki lost nearly 300 residents in the earthquake and tsunami. The spa facilities were also enormously damaged. However, the company fired none of its 870 employees. The *ichizan-ikka* management policy remained intact. Until the spa was reopened about a year later, Hula dancers toured Japan performing for earthquake refugees and to promote the city of Iwaki.

What is good for the spa is good for the community. The spa purchases from local vendors, and the visitors from outside the area shop local products at local stores. The spa contributes to the local economy directly and indirectly. In addition to promoting local businesses, the company sells 13-month passes to local residents for 20,000 yen ($200). Since many of 3,000 pass holders visit the spa almost on a daily basis, it costs them only 50 yen (50 cents) per visit. The spa also operates a free shuttle to pick up the local customers.

4. Conclusion

Large companies get larger on a global scale through mergers and acquisitions. According to Sheth and Sisodia (2002), in each industry, three firms dominate the world market with 60 to 70 percent share. Niche players divide the rest of the market. Some examples include McDonald’s, Burger King, and Wendy’s for the hamburger chain industry; American, United, and Delta for the airline industry; and Nike, Adidas, and Puma for sneakers. Al Ries (2013) analyzes that every market category is dominated by two brands such as Coca-Cola and Pepsi Cola, Duracell and Energizer, Samsung and iPhone and so on. We have witnessed that with the rise of the emerging markets, globalization and mergers and acquisitions have accelerated.

This article demonstrated while large firms dominate the global market, small businesses could thrive by focusing on niche segments. They have avoided head-to-head competition against industry goliaths by building intimate relationships with their customers and employees. They have also created a value to the local community.

According to Hirakubo (2013), there are three levels of corporate competencies. The first level is based on rational factors such as price and quality. Wal-Mart is the champion of EDLP (everyday low price). When it comes to time and place utilities, Amazon creates better values than any other retailers. Toyota/Lexus is constantly ranked number one in reliability by JD Powers. Consumers like unique features of the Apple iPhone. This type of customer relationship is weak. If another company offers something better or cheaper, customers switch to the better offering without any hesitation.

The second level of corporate competence is based on emotional values. Both Apple and Harley-Davidson have enthusiastic fans. Some customers are so emotionally involved that they tattoo the corporate logo on their body. They enjoy the aesthetics of the products, the distinctive engine noise, and experiences with the brand community. Red Bull leads the energy drink category with its distinctive image developed by sponsoring extreme sports. These brands make emotional appeals. The relationship, thus, is stronger than the first type.

The third level of competence is based on customer trust. The trust can be developed with intimate relationship. It has become increasingly more difficult for small businesses to compete against big businesses in rational factors such as price, variety or convenience. Small businesses should not seek efficiency like large firms. No matter how much investment they make in new technologies, large firms will always surpass their effort.

Small firms can convert their disadvantage into an advantage. While large firms try to minimize their labor force, small companies should invest in human resources. While large firms replace their workers with ATMs, self-service checkout counters, and online customer services, small firms should spend more time and effort communicating with customers to earn their trust. The companies introduced in this paper prove that customers are not always seeking a cheaper price or more features. They also find a value in intangible offerings. They are willing to pay higher prices for better services, pleasant shopping experiences, empathy, and integrity. Small firms that are free from shareholders' pressure could implement this type of management policy more easily.

Satisfied employees are indispensable to satisfy customers. Small businesses can offer meaningful and responsible jobs to employees. Because of the size, jobs are not as specialized as in larger firms. For example, one who takes an order, deliver the product, install it, explain the customer how to use, and repair when it is broken. As demonstrated in this paper, family-oriented firms motivate their workers by providing an egalitarian work environment. Managers should consider promoting cooperation rather than competition. In addition, since they make frequent face-to-face contacts, small business owners tend to be more emotionally involved with their employees than a CEO of a large company with tens of thousands of employees. The workers treated like family members should be more motivated, satisfied, and loyal.

The small Japanese firms in this paper successfully build *Kizuna* relationships with customers, employees, and local communities and they earned the trust of stakeholders. They have proved that companies could thrive without seeking rapid growth or efficiency. Building *Kizuna* should be the mission of small businesses. Staying small can be a viable strategic option.

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