

# Function of the Customer Interface

## Business model to produce a flow of information and feeling

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### Abstract

We investigated the business model of the Japanese companies with competitive advantage in China and found that the design of the relationship with a customer in China (We call it, customer interface) was a little different from that of Japan. In China, the construction of customer interface was devised not only at the time of the sale of the product but also before and after the time. We think that such a customer interface has competitiveness in the Chinese market in particular.

In this paper, we focalized on the relationship to be formed between a customer and a company, and clarified the mechanism with a case study. We classified the functions of the customer interface in five categories, on the timing of the pressure of the company side and its intention. They are "persuasion" and "consultation" at the time of the sale, the "solution to the problem" and "trouble prevention" after the sale, and "enlightenment" which can be seen in both timings. Then, these functions of the customer interface bring three following effects. They are "deeper understanding" and "trust and loyalty improvement" on the customer side, "better understanding of customers needs" on the company side.

The customer interface effectiveness depends on whether the customer understands the benefit of the product, the difference with competitor's products, and thinks if the company is attractive. We can assert that building and securing such type of customer interface become a key fact that enhances competitiveness.

### Introduction

There are various difficulties in developing a business oversea. On the other hand, we notice several characteristics when we researched about these subsidiaries successful abroad. Until now there are many studies about the role of the multinational corporation's subsidiaries and the requirements to succeed breaking in new market [e.g. 1, 2, 3, 4, 5].

For some reason it becomes more difficult for Japanese companies to succeed in China. However, some Japanese companies succeed in China, and there are several characteristics.

When we investigate the business model of the Japanese company with competitive advantages in China, we could observe interesting facts. The design of the relationship with a

customer in China (We call it, customer interface) is slightly different from that of Japan. The construction of customer interface was modified to enter the Chinese market. It is not only different at the time of the sale of the product but also before and after it. In addition, they appeal more individually and more directly to existing and potential customers. We think that such a customer interface is competitive in the Chinese market in particular.

In this paper, we focalized on the relationship formed between a customer and a company, and try to clarify the mechanism. At first, we based our research on interviews and then a field study at three Japanese companies that manage to do well in China. They are all manufacturing companies, but their industries are different. Compared to other Japanese companies that entered the Chinese market around the same time, each company has a high sale and maintains their profit longer. The structure of this paper is based on the findings at these companies. And in this paper, we mainly explain the strategy of the Guangzhou (south east china) subsidiary of Yakult, an important player of the Japanese agro industry.

We point out in this paper that it is not only a product and value but also information and feelings exchanged through the customer interface. And feelings in particular become an element that greatly affects the exchanges of transaction and information between a customer and the company.

Moreover, we can classify the functions of the customer interface in five categories, on the timing of the pressure of the company side and its intention. They are "persuasion" and "consultation" at the time of the sale, the "solution to the problem" and "trouble prevention" after the sale, and "enlightenment" which can be seen in both timings. The framework designed to keep making profits and the framework made to operate such customer interface can't be separated, they are working in harmony and simultaneously. That is why it is crucial to consider the customer interface as part of the business model.

### **Globalization of companies**

In this paper, we consider global management as a strategy and a business model, and according to Poter [1], there are differences of strategy according to the industry. He classified them into two categories; "Global Industry" and "Multi-Domestic Industry", and explained their differences.

Because the competition environment has expanded to a global scale, the industry targeting a global market should set up a strategy for competitiveness. Since the market gets larger and the competitors play on a large scale in this industry, a global response is necessary. The companies in the industry consider the world to be a single market, and offer standardized products all over the world. On the other hand, multi domestic industry is that the environment of the competition is different in each country, and each market is independent. In such industry, a strategy is designed to correspond to the market trends in each country. The idea that different strategies should be implemented according to the different industries has been developed in many papers [e.g. 2, 6].

On the other hand, one of the motivations that a company invests directly to foreign countries is obviously the search for new markets [7]. Therefore, the importance of the

adjusting product to local markets has been treated by a lot of researches [e.g. 2, 8, 9, 10, 11]. There are a lot of researches that focalize on global integration of the relations between the headquarters and the overseas subsidiaries, however there are few researchers examining, for example, the mechanism of adjustment to local markets and differences of mechanism in each country.

The company might not only passively adjust to the environment but also work on actively the local market. It is necessary to change the correspondence method by country, to be accepted by the local market and to construct the competitive advantage. Each subsidiary may rely on different methods to respond to the difference of environment [12].

Actually, even if the companies that belong to the same industry expand into the same country, they don't necessarily reach the same result. In this paper, we will study the example of the electronic, the construction equipment, and the agro industries.

Japanese companies expanded into China in the 1990's and had positive results. At first with a production foothold, then the way to sell in this massive market became the center of their attention [13]. Though these companies expanded into China at the same time, with similar intentions and strategies, at present we can see some differences.

Among the prominent companies in China compared to a lot of Japanese companies and overseas subsidiaries, we found out they have points in common that are not usual industrial characteristics. In addition, it turned out that the range and form of the services are different in Japanese business model and Chinese one.

Therefore, it should not be taken as differences due to the industrial characteristics, and the relationship between the headquarter and the overseas subsidiary, but it is necessary to do detailed comparative studies about the differences of business models, the supply chains and the nonessential services. Therefore, we interviewed directly the individuals related to the companies and in this paper we tried to clarify the differences of the supply chains and the business models between the headquarter and its subsidiary on one side, and its competitors on the other side.

## **Methodology**

This paper adopts a research method by case. The generalization from a case is often argued like many existing papers, the purpose of this paper is to offer an analytic generalization [14, 15]. This empirical research used a multiple case-study methodology [16]. It enables an in-depth examination of each case and the identification of contingency variables that distinguish each case from the other. In addition, multiple case studies are appropriate when attempting to validate externally the findings from a single case study, through cross-case comparison [17, 18].

The subjects of the survey are the Japanese companies that expand into China. In the Chinese market, the competitors are not only Japanese companies. They compete with European companies, American companies, and Chinese companies fiercely. Under this situation, to make the comparison easier, when we chose Japanese companies we considered the bias of the image that Chinese customers have, the background of the companies

expansion and its timing.

We have followed three steps. As the first step, we collected documents about the history of the companies from newspapers and publications about their expansion into China.

And, at the second stage, we interviewed some people related to the companies. This is a preliminary investigation. Because we didn't necessarily interview them officially, we do not disclose their name here. However, their remarks allowed us to elaborate a hypothesis.

At the third stage, we chose companies for the case-making and interviewed about the cases. Not only the people related to the Chinese subsidiary but also the one related to the Japanese headquarter, we interviewed for fact checking and fact finding. The summary of the interviews is in Table 1. We also got additional documents from the companies. The detailed company cases in Itami [19] were made from these interviews and documents. Moreover, there are another detailed company cases in it, too. We referred to them when analyzing them.

When we analyze the information gathered through the case studies, the following techniques were applied [16, 20]; (i) Data categorization; (ii) Data contextualization; (iii) Preliminary within-case analysis; and (iv) Cross-case analysis. These structured procedures for data collection and analysis could enhance the research reliability.

Table 1. Interviews

Company name	Product	People interviewed	Date of Interview
Yakult	Lactic acid	Managing Director; Guangzhou Yakult Co., Ltd.	22/02/2011
	bacteria beverage	Factory Manager; Guangzhou Yakult Co., Ltd.	
Daikin Industries	Air-conditioner	Senior Executive Officer; Daikin Industries, Ltd.	27/07/2011
		Vice President; Daikin Air Conditioning (Shanghai) Co., Ltd.	19/09/2011
		Senior Manager; Daikin Air Conditioning (Shanghai) Co., Ltd.	
		Deputy General Manager; Daikin (China) Investment Co., Ltd.	
		President; Daikin Device (Suzhou) Co., Ltd.	20/09/2011
Komatsu	Construction equipment	Senior Executive Officer; Daikin Industries, Ltd.	05/10/2011
		Senior Executive Officer; Komatsu Ltd.	19/12/2011
		Senior Manager; Komatsu (China) Ltd.	
		Senior Executive Officer; Komatsu Ltd.	20/12/2011
		Manager, HR & General Affairs Dept.; Komatsu (Changzhou Construction Machinery Corp.	
		Vice President, Production & Procurement Div.; Komatsu (China) Ltd.	
		General Manager; Komatsu (China) Techno Center.	
General Director; Komatsu (Changzhou) Construction Machinery Corp.			
Board Director & President; Komatsu (Changzhou) Construction Machinery Corp.			

## **Empirical findings**

### **Interactive relationship of the cases**

In those cases, there is a feature that the manufacturer and the distributor appeal to the customers directly. It is not only one-sided information offer from the company to the customer for advertising, but also the relation is more interactive and more continuous.

For example, in the case of Komatsu, a construction equipment manufacturer, it gives advices about better usage of the equipment through the built in data system KOMTRAX, and notifies the periodic maintenance. The interface is constructed so that the relation between distributor and the user becomes more familiar.

Moreover in the case of Daikin Industries, an air conditioner manufacturer, they innovated with a 24 /7 support center for the first time in the air conditioning industry in China. The latest air conditioning technology is also exhibited in a showroom named Solution Plaza, the products are explained thoroughly. It is possible to make the customer understand air-conditioning better, and to create a real feeling of coziness.

On the other hand, in Yakult, an agro producer, "Yakult lady" visits the home directly in Guangzhou, she explains the function and the effect of Yakult to homemakers, and presses the purchase. In addition, it increases opportunities like sampling parties to have a first try and has them understand "Yakult may have a higher-price, but it is good for health". And Yakult accepts tour of the plant and wants to make children as well as adult feel attached to its brand.

### **Exchange of information and feelings**

A good is traded through the customer interface, but it is not only a product and value exchanged [21]. It is also an exchange of information and feelings that we focalize in this paper.

At first, there is the exchange of information. From the company side, information about the product, the service and the company sent to customers. On the other hand, the customers sent information such as impressions or a demand for a product or a service. If the exchanges of such "information" are carried out bidirectionally, it becomes communication [22].

Furthermore, in the customer interface, "feelings" exist as a factor exchanged between a customer and a company, and it is thought that this plays important role in the relationship. In Guangzhou Yakult, Yakult lady explains a function and the effects of Yakult eagerly, and her zeal at that time adds power to the word. Therefore, it seems that the customer convinces, and purchases the product. Because Yakult lady herself is often a woman with children, a customer feels much reliability in her words when she explains how Yakult is a safe product, and how the lactic acid bacterium is useful for the health of children.

In other words, in the customer interface, information and feelings appear between person representing the company (e.g., a salesperson or an employee) and the customer, and between both, the degree of strength and the continuity of the flow affect the reaction of the customer and vice-versa. In the customer interface, feelings in particular become an element that greatly affects the exchanges of transaction itself and information between a customer and the

company.

## Discussion

### The functions of the customer interface

We can classify the functions of the customer interface in five categories, on the timing of the pressure of the company side and its intention. They are "persuasion" and "consultation" at the time of the sale, the "solution to the problem" and "trouble prevention" after the sale, and "enlightenment" which can be seen in both timings (Table 2.).

Table 2. The function of the customer interface

AT THE SALE	AFTER THE SALE
PERSURSION	SOLUTION TO THE PROBLEM
CONSULTATION	TROUBLE PREVENTION
ENLIGHTENMENT	

First is "persuasion" and "consultation" at the time of the sale. It does not seem different from a general sales promotion, however the feature is that with goodwill the customer consents to buy the product by feelings. Because a company strongly stimulates the customer with feelings as well as information, the customer gives feedback about the product, favorable response to the company, and sometimes even deeper feelings such as emotions. As a result, it leads to the purchase.

We'd like to turn to the steps called "solution to the problem" and "trouble prevention" after the sale. As for the service after the sale, we tend to wrongfully think that the purpose is to solve the problem. However, "the trouble prevention" is a very important function for the company to avoid problems that cause stress and negative feel on the customer interface. In addition, it is recognized by the customer as the utmost service and leads to improve customer's loyalty.

And there is a function called "enlightenment" existing during and after sales. It is useful information though might not be related to the sales promotion of the product, for example customer's lifestyle and health concern, and it aims to improve the customer's consideration by keeping offering the information. In Guangzhou Yakult, Yakult lady contributes about health and eating habits continuously to inform. Its purpose is to have the customer recognize the importance of healthy life habits rather than the public relation itself.

Then, these functions of the customer interface bring the three following effects. They are "deeper understanding" and "trust and loyalty improvement" on the customer side, "better understanding of customers needs" on the company side.

"Deeper understanding" is what a customer understands of the product and the company when the customer increases his amount of knowledge about them. Because he receives from the company directly the information about the product and the company in large amount, by

the functions "persuasion" and "consultation" at the time of the sale in particular, he can deepen his understanding.

"Trust and loyalty improvement" is the process when a customer increases his trust and the loyalty because the company decreases the distance to the customer. During "solution to the problem" and "trouble prevention" function, he will have a more favorable opinion toward the company improving his trust especially the company's answer is quick and appropriate [23]. In addition, these functions are effective to enhance the trust to the company.

"Enlightenment" has a positive influence indirect on both "deeper understanding" and "trust and loyalty improvement". This is because it can become the base of these two effects that the awareness of the customer improves.

If the customers appreciate the product value and trust of the company more, it means the functions are effective.

On the other hand, "better understanding of customers needs" is a nonnegligible effect on the company side. The exchanges of information become interactive, and a profusion of feedbacks are gathered by the company, reaching a better perception of customer's needs. The company has a better knowledge about the market thereby the improvement of service and development of more suitable product for the Chinese market. The company can get more realistic information by collecting the feedbacks from the customer interface directly.

With the customer interface, the company can improve the customer understanding of the product and it leads to purchases, and can get trust and keep the customer's loyal. On the other hand, it can collect information about customer's feedbacks directly and improve development and service of a product adapted to the market. Such a thing becomes the competitive advantage of it, and we may think that it is decisive to survive in always more competitive Chinese market having intense competition.

### **The customer interface as a framework**

The functions and concepts in this paper might be taken as a marketing approach. The company behavior that encourages a purchase such as marketing mix or relation marketing is considered as marketing strategy [e.g. 24, 25].

However, we emphasize in this paper a business model rather than a mere marketing operation. Because this customer interface is a key factor to relate more strongly to the customer and to raise loyalty, and earnings both necessary to the company at the same time [26]. In addition, for the company to provide those functions continuously the customer interface becomes a source of competitiveness.

In the cases introduced in this paper, there are improvements of products and services that the salesman's communication creates, and that is high quality according to the customer. It is necessary to construct a framework to provide constantly high quality service for all customers.

However, the three functions cannot be offered at once in the Chinese market as in Japan, even though it is the same companies. To begin with, one of the reasons is the difference of appreciation of "a good service" in China. Therefore, not only the method of the service offer

but also the design of the framework including the personnel training about the customer interface becomes indispensable in the business development in China.

Moreover, the framework making to keep making profits is as indispensable simultaneously with as the framework made to maintain the function of such customer interface. Here is the importance of considering the customer interface as part of the business model.

The company is improving the business model's design to keep making the customer interface function. For instance, in Guangzhou Yakult, Yakult lady hands the customer the product directly similar to Japan. However, Yakult employees visit the shops such as supermarkets and convenience stores directly, and even fill the shelves themselves. In a word, the control to the entire supply chain is stronger between the factory and customer's hand. It increases the responsibility of the company and the amount of work.

Because of the environmental requirement to keep the product optimal quality, it is necessary for Yakult to take a more important role in the quality control, and strengthen the control. They will not easily leave to others because it is more difficult in China to achieve Japan's quality standards.

The customer interface effectiveness depends on whether the customer understands the benefit of the product, the difference with competitor's products, and thinks if the company is attractive. On one hand, Yakult explains directly the merits of the products merely visible on the product itself. On the other hand, Yakult has a strict approach of the quality control.

In Japanese companies, the high quality and the function of the products are often made a differentiation factor. However, for foreign countries it may be more difficult to understand it as same way as Japan. Therefore it is important to persuade the customer, to prevent the trouble to happen and to use the enlightenment function, it means to give information but not only about the product.

Existing customer's loyalty is improved, and it leads to the new purchase by such means as word of mouth. In that case, the competitive advantage is caused because the effort to remove customer's reticence, and those efforts are naturally accepted by a lot of customers.

## **Conclusion**

In this paper, we focalized on the relationship formed between a customer and a company, and clarified its functions and its effects. The customer interface was modified to enter the Chinese market by Japanese companies that have competitiveness. The customer interface is not only different at the time of the sale of the product but also before and after it. In addition, they appeal more individually and more directly to existing and potential customers.

The company actively works not only on a customer's information but also his feelings through the customer interface. Therefore the customer improves his understanding of the product, and deepens the feelings such as favorable feelings to the product and the company, as a result he makes purchase. The feelings become a decisive factor that greatly affects the exchanges and the information in the customer interface.

What does it take to raise the brand value of Japanese firms in China, the brand awareness

and the customer loyal, in a market recently hostile to Japan. We can assert that building and securing such Japanese type of customer interface become a key fact that enhances competitiveness.

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### **Acknowledgement**

The author gratefully acknowledges the cooperation of the members of the workshop “Development of Japanese Business Model in China”, in particular Prof. Hiroyuki Itami; Tokyo University of Science, and fully appreciates any suggestions or notes regarding this work.