

*Original Article*

# Apple's iPhone Foreign Market Entry Business Plan into Japan

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With a population of around 125 million, Japan has the third largest economy in the world. Its land area is about 75 percent mountainous, with a small amount of productive land area, yet it is considered one of the most innovative countries in the world. Despite its recent global technological innovations, it faces a population crisis. In the next 20 years or so, it is expected that about one percent of the Japanese population will be centenarians. This aging population creates many challenges for its political leaders and business managers, but also provides many opportunities for the foreign investor. An executive summary will be provided, outlining the background of the issues surrounding such an undertaking, with a summary of the results, conclusion and recommendations. This paper also presents a foreign market entry business plan for the American product, the iPhone, into the Japanese market.

**Keywords:** Marketing, iPhone, Market entry, Business plan, Aging population

## Executive Summary

The global lifespan of Japan's citizens is increasing over time at an alarming rate. According to the United States Census Bureau Mid-year Report (2020), there were just over half a million people over the age of 65 in 2019. However, despite this global aging problem, and especially with respect to Japan's economic market size, even though risky, aggressive investments are deemed necessary and worthwhile to pursue.

## Statement of Problem

Since aging is having a significant impact in

all parts of the world, including Japan, societies' socio-economic conditions are being affected, especially in their lifestyles and needs. Therefore, which invention is best suited to aid the aging population, and yet transcend ageism, especially in the Japanese market? The Apple iPhone is the solution, as it is easy to use, convenient, light, and compact, with a wide range of functions.

## Purpose of the Paper

This paper is intended to present an international market entry plan of the American technological product, the iPhone, to the Japanese market, for gaining market share and profits, as this is seen a viable solution to the above problem. Not only will it alleviate some of the negative economic effects of the aging issue in Japan, but also all people can benefit from the convenience and technological capabilities which come from its usage.

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## Conclusion and Recommendations of the Report

Apple entering the Japanese foreign market with the iPhone is for the main purpose of market expansion. How can the iPhone be marketed and distributed in the Japanese foreign market? The following recommendations were made:

1. At the initial market entry stage, Apple needs to penetrate the Japanese market using appropriate business models, such as, building connections and partnership with other competitors in the mobile industry in order to establish a production presence.
2. In addition, the next stage would be 'product specialisation' whereby some of the production and manufacturing processes of Apple and its iPhone are localised into a new logistical and convenient location in Japan.

## Apple's iPhone Foreign Market Entry of Business Plan into Japan

### Marketing Strategies

According to Clarke & Wilson (2009):

An organization wishing to "go international" faces three major issues: i) Marketing - which countries, which segments, how to manage and implement marketing effort, how to enter - with intermediaries or directly, with what information?, ii) Sourcing - whether to obtain products, make or buy?, iii) Investment and control - joint venture, global partner, acquisition?

Below are the key points of information to be aware of in a general marketing plan, together with the responses for this business plan.

- The Objective - to enter the Japanese foreign market with the American iPhone product as an instrumental means of business strategy, growth and market share of the Japanese market.
- Total Budget - financing from head office
- Target Country - Japan

- Market Risks and Opportunities - will be done by SWOT analysis, which is a strategic planning technique used in business to identify Strengths, Weaknesses, Opportunities and Threats
- Market Competitors - Vodafone, Docomo, Softbank
- Product Market and Distribution - Cunningham's (1986) Product Adaptation Strategy
- Product Adaptation - Cunningham's (1986) Product Adaptation Strategy and Total Adaptation and Conformity Strategy
- Pricing - Cunningham's (1986) Low Pricing Strategy

## Apple, iPhone and its other products

Illustration 1 below shows the iPhone product being considered for the Japanese market.



Illustration 1: The iPhone 11  
(Source: <https://www.apple.com/jp/iphone-11>)

It is designed by the American company Apple. Their website states that their products are innovative, convenient to use and created to be the best for business. Some of their products, not only include the iPhone, but also the iPad and Macintosh (Mac). Its website states:

Apple software is powerful and intuitive. Our products are secure, reliable, compatible with any office environment, and easy to deploy. And everything we make works together seamlessly, giving you a mobile experience that delivers the information you need when you need it most.

In addition, it continues to explain:

We don't just make great software; we make software designed for the most powerful hardware. Built-in sensors in iPhone and iPad enable iOS apps to use data like location and proximity to deliver an intuitive, personalized experience that no other platform can match. And the powerful, Apple-designed processors in every iPad and iPhone are pushing the limits of technologies like augmented reality and machine learning.

The iPhone is particularly recommended for the Japanese foreign market because Japan is a high-technology society and there would be an increase in demand for such a product.

### Japan: Its Demographics, Cultural and Economic Environment

In Japanese, 'Japan' comes from the old name *nippon*, meaning 'Land of the Rising Sun'. This image of the rising sun can be seen in the design of its flag which is a red circle on a white background.

Japan is made up of a group of islands in Eastern Asia (Illustration 2).



Illustration 2: Map of Japan  
(Source: <https://www.worldatlas.com/webimage/countrys/asia/jp.htm>)

It has the third largest GDP in the world, after America and China. It represents about ten percent of the global economy, whereby a quarter of the global high-tech goods are manufactured, and about one third of all the cars in the world are produced.

Due to its aging problem, of its 125 million people, according to Cortazzi (2015):

The population has begun to decline and the proportion of people of working age continues to decrease. The birth rate is well below replacement level. Japanese people are aging fast while life expectancy continues to increase. The implications for the Japanese economy and for Japan's position in the world should be obvious.

See Appendix for additional basic information about Japan.

### Sociocultural Acceptance of Product: Is Adaptation Necessary?

According to Hofstede (2001), there are two dimensions of culture which focus on the level of connection between individuals and the societies in which they live: Individualism and Collectivism. Individualism is the concept whereby each person has his or her rights to determine his or her actions. This is derived from the idea that the individual is master of his or her destiny and one should not criticise one's personal way of doing things. In America, where the Apple Company is located, this kind of cultural thinking is predominant. This is because it is mainly demonstrated in the American culture through its Constitution, and, as such, the American people would generally live by promoting and thinking about themselves.

Conversely, collectivism builds on the thought that the life of the person is owned by the group or community in which the individual operates. Such a person is considered not to have any rights and so must give up his or her personal desires for the betterment of the society in which the person lives. In Asian countries, such as, China,

Hong Kong and Japan, where collectivism is more common, they focus on groups and community togetherness. Unity and loyalty are values that are shared and considered most important in these societies. This is a vital point to consider when trying to infiltrate the Japanese market with the iPhone product.

### **iPhone and the Mobile Service in Japan**

- Even though Japan is filled with many bureaucratic systems, the country has many investment opportunities, especially in the technology industry.
- Japan is known for its unique customer service.
- Japan is also known for its demanding and technologically aware consumers.

### **Acceptance of iPhone**

- Japan would easily accept the iPhone product, despite the other mobile competitors.
- The mobile industry thrives on competition, so the iPhone would add to the competition and create better services and products in the industry.
- Apple and the iPhone series offer a wide variety of products that would appeal to the Japanese mobile users.

### **Adaptations**

- The iPhones do not need any necessary adaptations as the product itself is marketable in Japan.
- However, Apple may need to adapt their marketing strategies to appeal to and adhere to the cultural and legal standards of Japan's mobile phone industry.

### **Legal/Bureaucratic Environment (Imports, Local Manufacture, Taxation)**

Japan is a constitutional monarchy with an Emperor who has very limited power and is essentially only a ceremonial head. Under the Japanese constitution, he is the symbol of the country and represents the unity of the people.

According to Sekiguchi, Higashi, & Oyama (2018):

Japan has a civil law legal system, although some statutory regimes, such as those relating to securities regulations, are somewhat modelled on regulations in common law jurisdictions. There is no federal system and all courts are unified under the Supreme Court of Japan

### **Economic Environment**

Japan has the third largest national GDP in the world. Its public debt is the largest in the world of over two hundred and thirty percent of its annual GDP. Japan has some of the biggest and most advanced technology companies in the world from the car manufacturing, electronics and agriculture industries. Its labour force consists of about 65 million people with an unemployment rate of about five percent. In 2005, its exports were valued at about US\$4,000 *per capita* in transportation, cars, iron and steel materials. Its main imports come from the machinery, foods, chemicals, fossil fuels and textiles industries. Some of its most famous and successful companies include, Sony, Toyota, Nintendo, Uniqlo and Mitsubishi.

### **Managerial and Labour Climate**

In Japan, the most common type of registered business is the joint stock company, called *kabushiki kaisha* (KK) in Japanese. There is another type called the limited liability company, the *godo kaisha* (GK). These business entities try to obtain the limited liability of its shareholders and other stakeholders.

As discussed above, Japan is a collective society which focuses on the 'We'. The manager or business leader in a work environment usually guides the workforce through many kinds of team and group assignments. In terms of its labour laws, they are applicable to both foreigners and Japanese equally.

The following main statutes are used to govern employment relationships of workers in Japan:

- The Labour Standards Act
- The Labour Contract Act
- The Labour Union Act and Labour Relations Adjustment Act
- The Industrial Safety and Health Act

### Competition in the Mobile Market

In Japan, there has been an increase in global usage since 1999. This is due to the Docomo Company's iMode service and the invention of the mobile payments and electronic money service systems. Some of the most profitable companies in the mobile phone industry include, SoftBank, Docomo and Au. The Apple iPhone entering the Japanese market would be entering into an already advanced, competitive and sophisticated industry.

### Methods for Marketing and Distribution

How can the iPhone be marketed and distributed in the Japanese foreign market? The first stage is the market entry. Apple needs to penetrate the Japanese market using appropriate business models. A very good approach to build connection with local customers is to establish a production presence. This will also facilitate the distribution process in this particular industry which includes supply chains, retailing and manufacturing.

The next stage would be product specialisation which is to move some of the production processes of its brand or the iPhone into a new logistically convenient location in Japan. This would also help to export the goods to different demographics, after which Apple can begin to disaggregate the production processes and target the locations which are beneficial to the company. It is also possible that some individual parts of a single product will be manufactured in various locations and then assembled elsewhere. This is the value chain disaggregation phase, which focuses on the company's supply-chain infrastructure. This stage enables Apple to consider reducing its production costs by reengineering their processes to adapt to the Japanese local market conditions. This coordinated effort would make sure to use the manufacturing processes abroad to make use

of lower labour costs or highly skilled workers. The Japanese workforce will definitely provide the latter. Carter (1997) summarises some of the advantages and disadvantages of the different methods for marketing and distribution as follows:

#### 2. Different methods

These are either "direct", "indirect" or "foreign" based.

**Direct** - Agent, distributor, Government, overseas subsidiary

##### Advantages:

- sharing of risk and knowhow
- may be only means of entry
- may be source of supply for third country

**Indirect** - Trading company, export management company, piggyback, countertrade

##### Disadvantages:

- partners do not have full control or management
- may be impossible to recover capital
- disagreement between purchasers or third party - served markets
- partners have different views on exported benefits

**Foreign** - Licensing, joint venture, contract manufacture, ownership, export processing zone

##### Advantages:

- host country obtains knowhow
- capital, technology, employment opportunities
- foreign exchange earnings
- "reputation", "internationalisation"

### Discussion

Japanese customers are often considered to be sophisticated and technologically proficient. This makes their consumption tastes quite demanding and challenging. They are very loyal by nature and more so to their favourite brands. However, if their consuming needs are not being met, they are not afraid to abandon the product or the brand that produces it. In this respect, many companies, such as, Apple and its iPhone should redesign



or redevelop their products in order to succeed with the Japanese customers. Fortunately, the iPhone is already sufficiently sophisticated and technologically advanced that it is already acceptable to the Japanese market.

In addition, because of the significant size of the Japanese market, this is an excellent opportunity for Apple to invest with its iPhone. Despite its many competitors that exist in the mobile phone industry, with Apple's strong financial earnings, it will overcome these challenges. Usually, Japanese competitors would not support new competitors, but with the global success of the iPhone, many of the competitors, such as, Docomo, Au and SoftBank are willing to be local partners and join up with Apple to provide iPhone services.

### Decision Process

For Apple to proceed in carrying out this foreign market entry in Japan, it should pursue an internal and external analysis of their company and Japan respectively. This can be done by SWOT analysis, where Apple seeks to investigate its strengths and improve on its weaknesses. The competitive capabilities of Apple in relation to the Japanese market must be assessed in order to achieve profit maximisation. Some of Apple's strengths which make it worthwhile to enter the Japanese market include the points that they already have: sufficient production and surplus capacity to deal with Japan, suitable available technological skills and quality for success in Japan, enough finances and resources to enter such a market.

The external analysis pertains to the external investigative analysis of the industry, in this case the mobile phone industry. This analysis should lead to an identification of the economic, political, social and cultural trends impacting the industry. In this case, from the above, Apple is quite suitable in entering the Japanese foreign market with the iPhone product.

### Conclusion

Entering a new foreign market can be a key

component in a business plan for any global company. As such, Apple with its iPhone is no different and can be successful in entering the Japanese market with its technologically advanced and collectively-minded consumers. Initially, the company must do due diligence in their market research, marketing strategy and distribution processes in order to determine the level of success in entering the market. In order for Apple to be profitable with the introduction of the iPhone into the Japanese market, it has to be prepared to build and maintain lasting business connections with the other competitors, while simultaneously competing. In addition, appropriate management structures and methods must be applied to deal with the Japanese society in terms of its cultural and labour practices.

Furthermore, Apple has to decide which market entry strategy is best suited to enter the Japanese market, either from a home-based strategy or from a direct or indirect exporting approach. Creating manufacturing or production bases in the country while partnering with other mobile phone competitors seems to be the most effective way. Since entry from a foreign company requires contractual agreements, licensing, joint ventures and so on, providing that Apple applies these measures while partnering with their other competitors, it should be successful in entering the Japanese market.

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## Appendix: Basic information about Japan

Land Area	364,485 km <sup>2</sup>
Water Area	13,430 km <sup>2</sup>
Total Area	377,915 km <sup>2</sup> (#61)
Population	126,702,133 (#10)
Population Density	347.62/km <sup>2</sup>
Government Type	Parliamentary Constitutional Monarchy
GDP (PPP)	\$4,930.00 Billion
GDP Per Capita	38,900\$
Currency	Yen (JPY)
Location	Eastern Asia, island chain between the North Pacific Ocean and the Sea of Japan, east of the Korean Peninsula

(Source: <https://www.graphicmaps.com/japan>)