

COMPANY REPORT JULY 2010

1 MISSION PHILOSOPHY

Underlying our approach is a deep corporate culture. The philosophy and the core beliefs make possible and demand a different research paradigm.

We integrate luxury marketing specialists into our marketing strategies. Luxury follows different rules than mass marketing and is not just a better version of it. The Japanese conception of luxury is different from the European aristocratic one.

S O I

3 ENTERING NETWORKS

We enter networks to get unbiased opinion about brands and consumer behavior. This takes time, time that many companies in Japan do not have. Communication with networks is a complex social process that can't be simplified into a focus group.

BRAND PERCEPTION

Understanding what the consumer thinks and talks about a brand forms the base of our research principle. Unbiased word of mouth.

K.K. JAPANACCESS

Luxury and fashion marketing

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LUXURY AS A SOCIAL CONCEPT

The concept of luxury has changed in Japan over the last 10 years. It still serves a very strong social purpose of both differentiation and creating belonging to group norms. Japanese consumers do not access complex brand images, but consume status symbols. Brand advertising is ineffective.

4 INTEGRATING CULTURE

We understand culture as a concept that influences brand images and the ways people consume brands within their social setting. Culture can distort information, causes differences in organizational behavior and creates different incentive systems. We integrate culture into our research in all its complexity.

6 BRAND STRATEGY

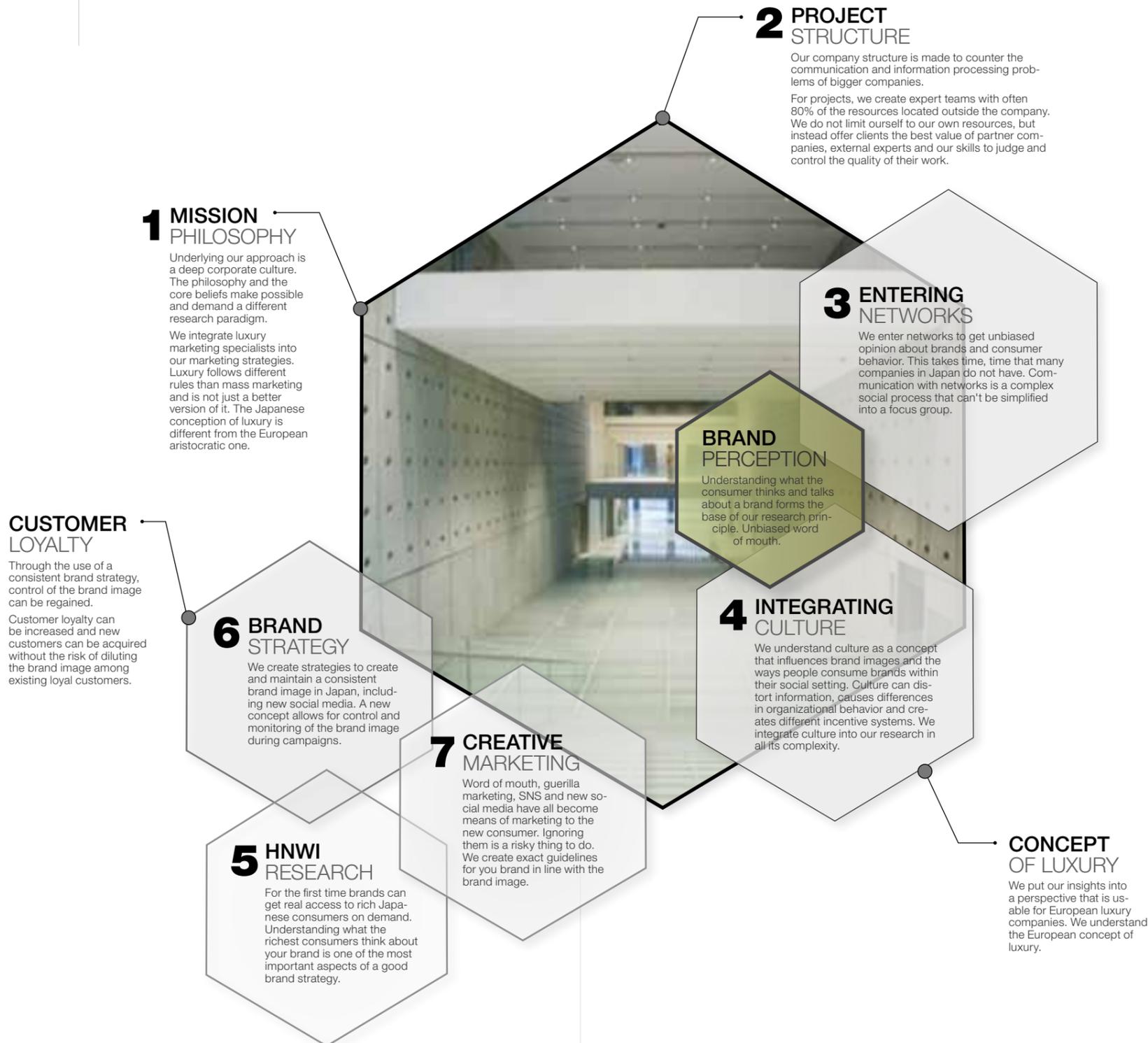
We create strategies to create and maintain a consistent brand image in Japan, including new social media. A new concept allows for control and monitoring of the brand image during campaigns.

7 CREATIVE MARKETING

Word of mouth, guerilla marketing, SNS and new social media have all become means of marketing to the new consumer. Ignoring them is a risky thing to do. We create exact guidelines for you brand in line with the brand image.

5 HNWI RESEARCH

For the first time brands can get real access to rich Japanese consumers on demand. Understanding what the richest consumers think about your brand is one of the most important aspects of a good brand strategy.



JAPAN ACCESS OVERVIEW

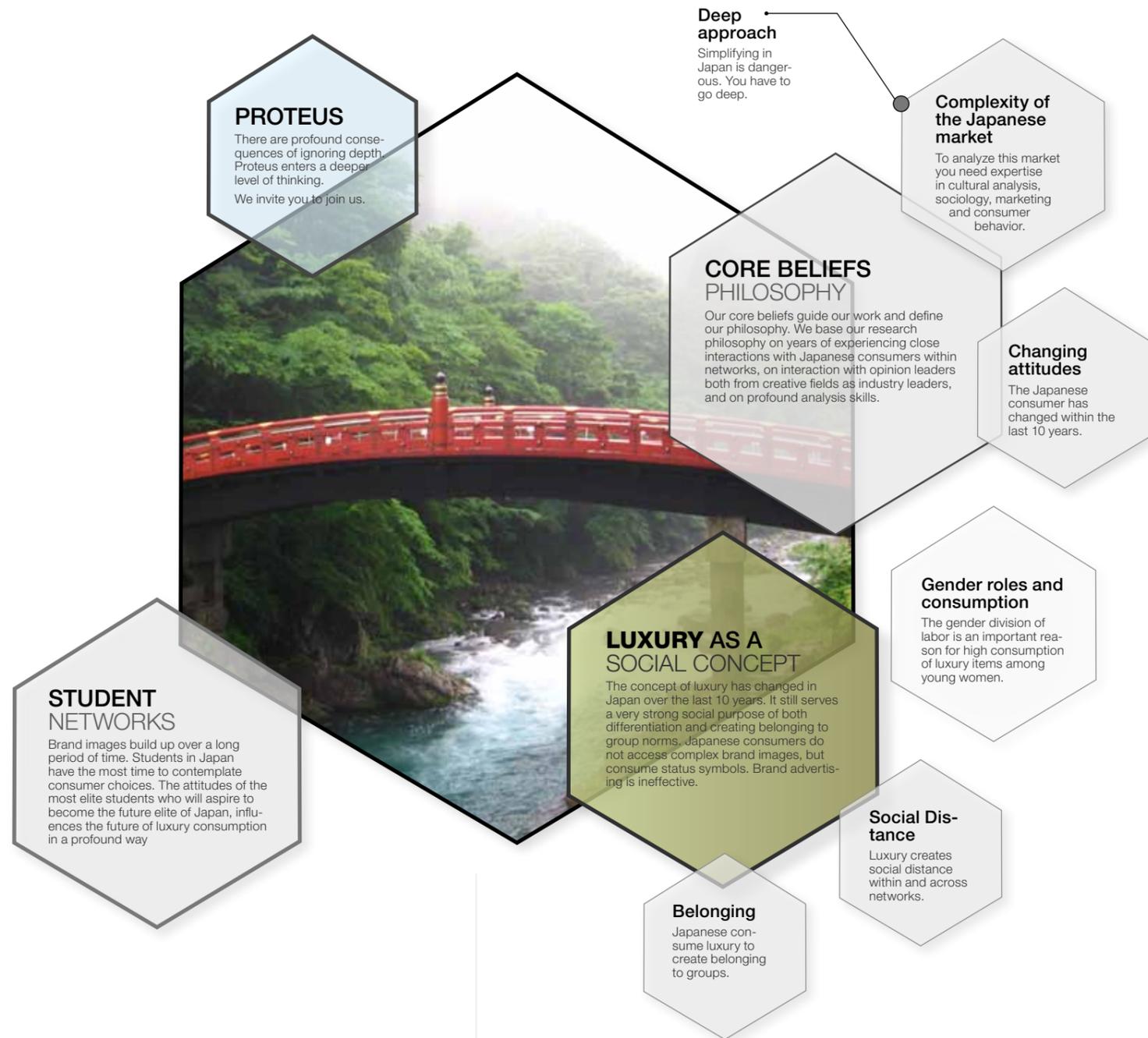
We enter social networks and integrate culture in all its complexity in order to develop cutting edge brand strategies and media strategies for brands. Our philosophy and corporate culture behind all this as well as the way our projects are structured, are an integral part of the way we do research. We maintain a deep company philosophy to match the constantly changing market. In order to do this, we constantly monitor three things: the culture, brand images and the consumer.

Culture is a constantly shifting concept that influences consumers, brand images, the way we communicate, and social incentive systems and ways of gratification. Unbiased brand perceptions, as well as opinions on the dynamics of the market from the consumers form one base for the insights we gather. We are experts in developing those models but we do it together with the consumers, which opinions are constantly in flux. Further, in order to get unbiased feedback and insights, we do not question them directly. This is the major difference. We use scouts within networks, who are part of the social structure, to get a closer access to the persons who really know what is happening in the Japanese market.

We are experts in luxury strategy, which is not a more prestigious form of mass marketing. Different laws govern luxury, it is a different philosophy. Many strategies to target HNWI, rich consumers and luxury consumers fail, because of the lack of luxury and HNWI marketing consulting, the lack of real expertise in the different dynamics.

This overview shows what we call "company images". Each image represents a concept, a thought, or a chain of thoughts, describing an aspect of what we do. You will see redundancy throughout this document. This is intentional. The single images are connected to each other by an internal company philosophy, the ideas overlap and form a consistent logic. The term brand perception appears in many of the images, highlighting the fact that what consumers really think about a brand forms the base of our whole approach.

These corporate images will evolve over time, they are not static, they are organic, growing and adapting to a changing market place, a consumer culture that is constantly in flux. Culture creates consumer mind sets and culture also creates Japan Access.



CORE BELIEFS

The Japanese market is highly complex. Researchers and marketers often go for simplified explanations without understanding the complex mechanics behind the observed results. Communication problems between the parent company in Europe or America and the subsidiary in Japan further emphasize a lack in understanding the real dynamics that govern this market.

In analyzing the market, going for face value or simply accepting seemingly correct explanations of complex social structures can prove to be disastrous. We constantly check our strategies and models within networks of consumers and opinion leaders. Our value for our clients lies in checking their strategies within the same networks, making sure that their approach is up to date, and not running contrary to major developments within the cultural setting in which they operate.

The changing function of luxury in Japan

The success of luxury brands in Japan over the last decade can be greatly attributed to the products' placement within the "normal" middle class lifestyle. In contrast to other countries, luxury goods functioned as a way to establish group belonging rather than a sense of social distance.

Currently, however, many Japanese who consider themselves middle-class can no longer afford to live up to the former lifestyle standard, and luxury brands are no longer seen as a "necessity" for most young people. Aspiration towards luxury brands remains strong, but the social pressure towards consumption has weakened.

Education, employment and consumption still remain interlinked

Japan's largest companies still continue recruiting predominantly from the nation's most elite universities, and graduates still mainly form their public identity around their employer. Japanese women face a "glass-ceiling" and remain underemployed compared to their global counterparts.

The purchase and usage of luxury products happen within this holistic social system, and tracking changes in the interplay between education, employment and gender roles is crucial for understanding the future of luxury consumption



Picture_01

The flagship store of Mikimoto Japan in Ginza, Tokyo.

Elite students' attitudes towards luxury brands forecast the future

Luxury brands' best consumers account for 20-45% of sales. In Japan, as mass consumers move away from high-end consumption, luxury brands must deepen their relationship with loyal, high-end clients and re-evaluate their brand's core message to those elites. Finding and attracting these consumers is a long process that must start at an early stage of the consumers' lives.

Students of elite universities — many of whom will become the future elite of Japan — begin to formulate attitudes towards brands during their school years. These brand perceptions may change once students enter the workforce, but college allows the most free time to contemplate fashion and lifestyle preferences. Their world view is enlarged, and students are confronted with many new brands and styles.

Due to the importance of group belonging and vertical hierarchies in social organizations, Japanese attitudes often accumulate in "pockets of opinion" within horizontal age cohorts. That is to say, these attitudes can exist without interacting with attitudes in older or younger groups.

So knowing this "base" of consumer preferences and then following the progression of attitudes into adulthood is the most predictive method for understanding future core consumers. And as each cohort may be different, the last generation's attitudes cannot necessarily be extrapolated downwards.

Access to important consumers is key to understanding

Many Japanese research companies use internet surveys where random web surfers answer questions in return for online rewards. These results have low validity and rarely collect useful insights from key consumer groups. Focus group participants offer deeper insights but often give biased answers in the artificially created setting.

Luxury brands need to hear directly from social elites, including university students, corporate employees, and high net worth individuals. Direct access to these groups for most companies, however, is near impossible.

The growing importance of managing disruptive communities

The downward shift of popular culture towards working class values and narratives is the most significant cultural trend of the last five years. Many middle-class consumers now look towards working class subcultures for trends and style.

Ironically, as middle-class consumers abandon luxury goods, these products remain very important among young working-class men and women desperate to prove status. If this dynamic continues, direct messaging from brands may find increased competition from meanings created in disruptive communities. These issues must be carefully managed as they can have a profound influence on the whole market, or may even lead to paradigm shifts in the way luxury consumption is perceived.

Consumers are changing the way they use and find information

Magazines once had a monopoly on transmitting fashion information to consumers, and consumers followed magazine guidance to an extreme measure of dedication.

Now magazines readership is declining and the internet has not taken on adequate levels of credibility. In this vacuum, society itself is a much stronger influence on attitudes and behavior than media. Japanese youth, in particular, are fearful of peer disapproval and constantly defer judgments to their local community.

Media, however, still are able to plant the seeds of meaning and are an essential and necessary part in creating any brand image. This complex interaction between social meanings and media messaging must be fully charted to understand Japanese tastes.

Holistic understanding of Japanese culture and society

As we have shown, luxury brands do not exist in a vacuum. We believe that grasping the underlying principles of Japanese society and culture is the best way to construct strategic and predictive models for luxury consumption. We therefore hope to provide brands with the contextual knowledge necessary to understand their placement within the market.

Overly objective birds-eye analysis is meaningless on its own, as is listening too closely to consumers' own thoughts in surveys and focus groups. We therefore skill-

fully match the "macro" and "micro" together in order to create the most realistic and useful models of Japanese luxury consumption.

In the end, luxury brands must play a complex social game

Luxury goods are social goods, and as society changes, brand meanings also change.

Japanese society is undergoing massive structural and cultural transformations, and the future of luxury brands is up in the air. Many brands succeeded in the past despite having no real understanding of their success. This is no longer viable.

The marketing department must be able to identify appropriate customer segments and to implement strategies to reach target groups by understanding how groups are constructing their lives. Companies then have to enter those spaces.

The only way for a brand to survive in Japan is to play the complex social game of luxury meaning, and this requires knowing the rules and structure of the game itself.

PROTEUS

In Greek mythology, Proteus is an early sea-god, one of several deities whom Homer calls the "Old Man of the Sea". He became the son of Poseidon in the Olympian theogony. He can foretell the future, but will change his shape to avoid having to; he will answer only to someone who is capable of capturing him. The adjective protean, with the general meaning of "versatile", "mutable", "capable of assuming many forms" has positive connotations of flexibility, versatility and adaptability.

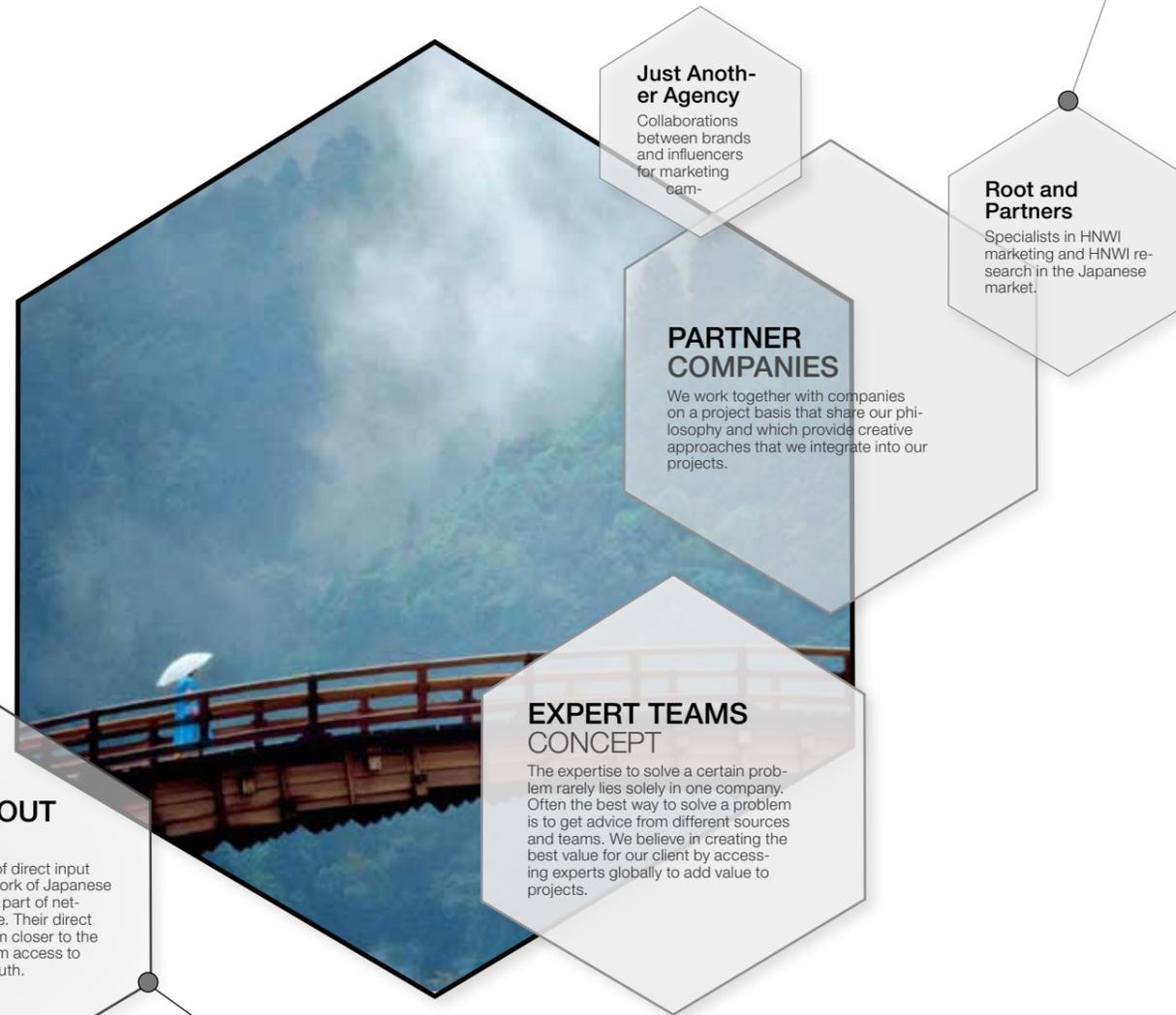
Japanese people often attribute to themselves the ability to adapt cultural practices from abroad to fit their own cultural setting. Also, their true intentions and opinions are guarded below a front, a "tatemae" produced to maintain harmony and face in front of your partner in conversation or business. Only those who are patient and able to access their networks on a deeper level, those who manage to capture their true essence are able to access a different world.

So much for the legend.

Believing that there are profound consequences of ignoring depth, we created a new concept of thought, called Proteus. We enter a new and deeper form of thinking, a deeper level of analysis and understanding of the dynamics that govern the market place. Our research reflects this paradigm, but for reasons of simplification and making the results easily applicable, we often have to skip the real reasons behind our insights.

For clients who want to enter and understand the real dynamics behind the market place, Proteus the opportunity to participate. Proteus is management consulting on a whole different level. We change clients' way of thinking, go deep into their own corporate philosophy in order to uncover and access pre-conceived. We then offer ways of accessing an intuitive understanding of Japanese market dynamics, teaching empathy instead of facts. We immerse our clients into Japanese culture, Japanese thought and consumer philosophy.

Proteus is targeted at individuals who shun away from easy solutions and need a deep and profound understanding of the market place on management level. This way of thinking is not suitable for everyone and includes complex research, post modern research methods, academic research, accessing international experts in Japanese sociology and culture, psychology, coaching, and visual teaching.



Just Another Agency

Collaborations between brands and influencers for marketing campaigns.

Root and Partners

Specialists in HNWI marketing and HNWI research in the Japanese market.

PARTNER COMPANIES

We work together with companies on a project basis that share our philosophy and which provide creative approaches that we integrate into our projects.

EXPERT TEAMS CONCEPT

The expertise to solve a certain problem rarely lies solely in one company. Often the best way to solve a problem is to get advice from different sources and teams. We believe in creating the best value for our client by accessing experts globally to add value to projects.

TREND SCOUT NETWORK

The highest amount of direct input comes from our network of Japanese trend scouts who are part of networks that we analyze. Their direct involvement gets them closer to the source and gives them access to unbiased word of mouth.

ELITE UNIVERSITIES

The networks formed at the major private and public institutions such as Tokyo University, Keio, Waseda and Meiji, continue to have influence after graduation.

MARKETING INTELLIGENCE

We are accessing the marketing departments of the best educational institutions. We work closely together with students to develop new marketing ideas, new models to explain consumer behavior, and to access professors who contribute in the field.

SOCIAL CONNECTIONS

The parents, siblings and friends of elite university students hold major positions of power within Japanese society. Students therefore serve as a window into Japanese society, giving access to people that do not have the time to build up connections outside their normal networks.

7,000 HNWIs

Access to a network of rich Japanese individuals for interviews and surveys.

Expert teams

Expertise to solve a certain issue or problem is often located in more than one company. We create expert teams with often more than 80% of the resources allocated outside our own company structure. We do not limit value gathering to our own structures but maintain a flexible "shell", a internal consistent philosophy that allows us to gather expertise on issue our clients face, globally. This kind of structure adapts easily to changing economical and cultural conditions. We can adapt for one project only, if necessary. A company that analyses culture has to be as flexible as culture itself. We do not protect a rigid corporate structure, but instead provide a focus point for information and quality control that is able to reinvent and update itself.

Partner Companies

In order to support our free structure of experts we also have non exclusive partnerships with companies that share our philosophy and way of thinking, providing creative solutions in a shifting market place.

Just Another Agency Inc. facilitates ongoing collaborations between brands and carefully selected influencers from a broad range of backgrounds to work together with them on marketing campaigns. Through these managed relationships, they ensure that their partners' brands communicate with optimal efficiency. They offer a variety of tailored services that leverage their impressive influencer portfolio, ranging from opinion leader seeding, brand ambassador programs, focus groups and competitor analysis to product testing and marketing development.

Root and Partners is the leading company for management consulting for HNWI clients in Japan. Over 8 years of dealing with rich consumers in the Japanese market leave Tatsuya Masubuchi, CEO of Root and Partners, in a position where he can provide clients with expertise on all marketing issues related to access the closed networks of this exclusive consumer group. Part of his company is a network of 7,000 HNWIs that is accessible for interviews, focus groups and customized surveys.

Trend Scout Network

The marketing department must be able to identify appropriate customer segments and to implement strategies to reach target groups by understanding how groups are constructing their lives. Companies then have to enter those spaces. Access to these networks is nearly impossible for normal companies. We employ members of these networks to gather insights for us. We will explain this part of our company structure on the following pages.

INSIGHTS INTO CULTURE

We monitor trends, magazines, students, OLs and HNWIs and use that knowledge to interpret and evaluate the gathered data. We have the background and analysis skills to make sense of market changes and will offer companies customized and processed data.



TRENDSOUT NETWORK

These trend scouts form a social interface that allows Japan Access to access members of the group. We can access information that is not accessible by normal methods. The keyword is natural environment, in which the questioned individuals can express their opinions more in a much more detailed and unbiased way. The network allows us to decrease transaction costs and access unbiased opinions to make ad-hoc surveys, monitor ad-campaigns and target specific social groups blocked from normal access.

BRAND PERCEPTIONS

Japanese do not understand complex and abstract brand images as Europeans do. Brand perceptions are predominantly influenced by who wears a certain product.

OFFICE LADY NETWORK

Office Ladies are among the best consumers of many luxury brands. Besides their high spending, they have access to detailed brand images from different peer groups. Getting access to the "talk around the coffee table" and the conversations of these women when they are going out is the key incentive.

OPINION LEADER NETWORK

Selected influencers from a broad range of backgrounds to work together on marketing campaigns. These managed relationships, ensure that brands communicate with optimal efficiency.

HNWI NETWORK

Getting access to rich consumers is nearly impossible. To our partner which has access to a network of 7,000 rich Japanese with more than 1 million dollars in assets, we are able to get insights into the most exclusive customers in the Japanese market.

SOCIAL RELEVANCE

The networks of young people that we access have their own social codes and preferences that do not go along with traditional marketing concepts. The network of opinion leaders allows us to create social relevance to young people by letting them access a world that they look up to.

CREATIVE EVENTS

Creating social events for young people is completely different from normal event and PR marketing. Young people have their own standards and judge companies who fail to conform to their own value systems, by ignoring them.

DEEP INTERVIEWS

We conduct interviews with HNWIs together with our Japanese partner company. The rich individuals are questioned in a setting where they can feel safe and comfortable.

MYSTERY SHOPPING

Letting rich customers check a brands shopping experience and give feedback from a rich consumer's perspective can be highly valuable feedback in order to increase the service level offered.

CUSTOMIZED SURVEYS

We can access any sample desired out of 7,000 HNWIs in the database. The surveys can be constructed together with our luxury experts and will be adapted to fit the specific characteristics of Japanese rich consumers.

ACCESS TO NETWORKS

Japan is a country of closed networks that contain insights not accessible to marketing companies. Focus groups and surveys can't get unbiased or natural opinions that would only develop in conversations with peers from the same network. Selecting profiles for focus groups and surveys is often limited in the possible choices.

In order to access these networks, insiders are needed. These trend scouts form a social interface that allows Japan Access to access members of the group. The information is filtered through the trend scouts with less transaction costs than necessary for forming focus groups or online surveys, and with much faster response rates.

More than that, we can access information that is not accessible by normal methods. The keyword is natural environment, in which the questioned individuals can express their opinions more in a much more detailed and unbiased way. The network allows us to decrease transaction costs. We can easily achieve the following by contacting our trend scouts:

- make **ad-hoc surveys** within 2 weeks, with questionnaires constructed in cooperation with the client
- answer questions related to brand image and advertising
- Use the interface for **brand monitoring**. We can ask the same questions every month or every week to assess the effect of an advertising campaign.
- We can **target special social groups** with the network. Any demographic profile accessible to the trend scouts can be questioned.
- Trend scouts can **prefilter the questioned people**. Selecting respondents with a special profile for a survey is normally connected to tremendous transaction costs.

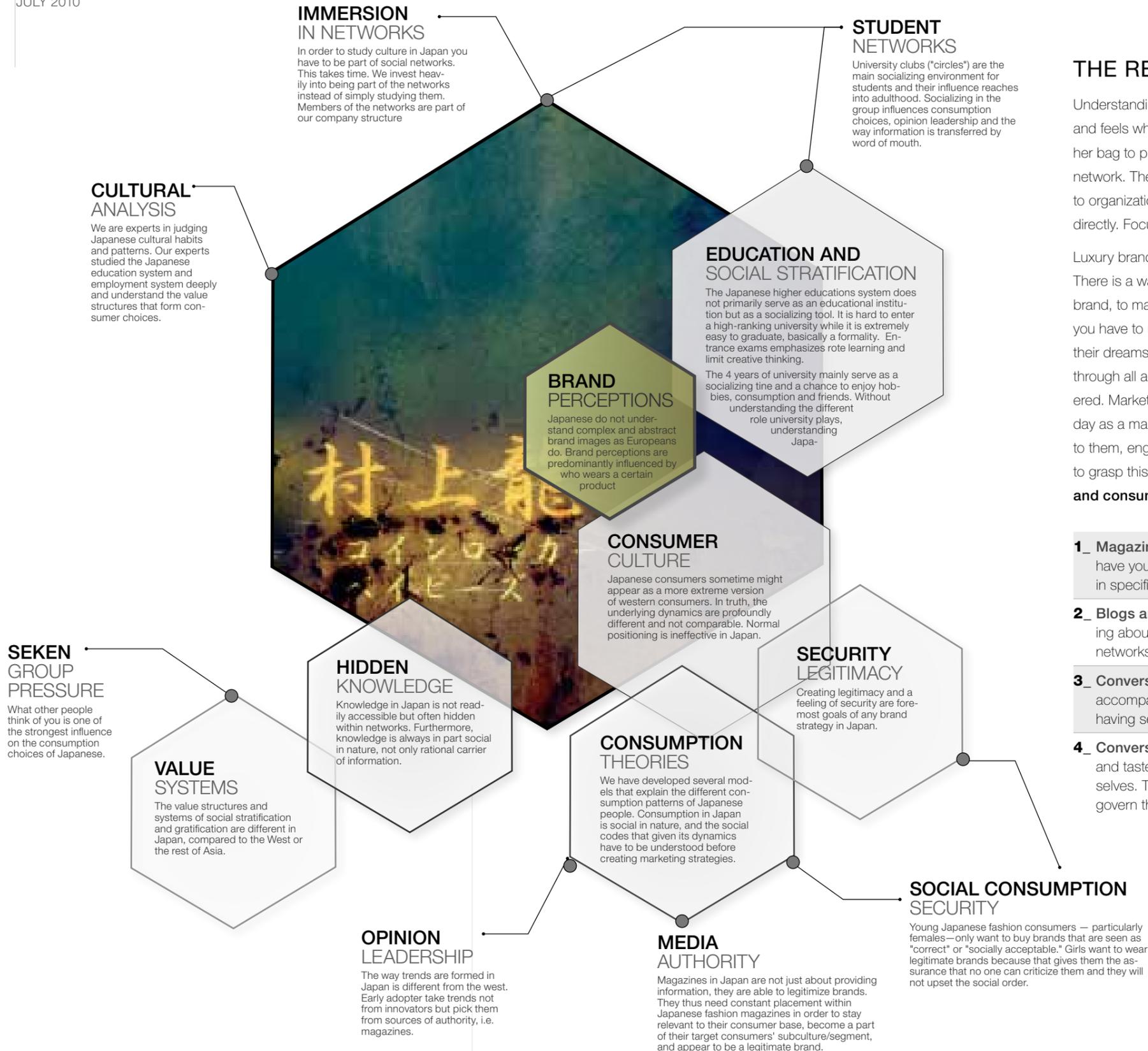
The low basic costs of accessing the network makes it a very low-cost research and brand building tool. The information is processed and selected by our team. We then offer a preselected "reader's digest" of the results. In case interesting results are found, it is possible to contact the source of the information for clarification and further questioning.

Should the information be of special interest, it is possible to construct focus groups and make customized reports, with the same information source as a base.

Through the trend scout network, clients get

- **Access to students of elite universities.** The campus is off-limit to research companies if not accessed through students themselves.
- **Access to office ladies, age 22-34.** The talk around the coffee table in the morning, talks with friends and colleagues at the bar after work, talks about other colleagues and fashion, we can enter these natural conversations.
- **Access to working professional and creative women.** Their opinion differs from normal clerical positions in both disposable income and their attitudes. They also have access to completely different networks.
- **Analysis and organization of the received data.** All data is archived and can be accessed on a later account by the client.
- **Interpretation of the data.** We have the cultural and market knowledge necessary to put all the information into a context and evaluate it, taking the preferences of the client into account.

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THE RELEVANCE OF CULTURE

Understanding what position the customer holds in the brand image, what she thinks and feels when purchasing, what impression a customer has when she clings to her bag to provide her with social security, with acceptance within her peer group network. There are many opinions, many surveys that barely scratch the surface due to organizational constraints. Nearly no one makes the effort to ask the customer directly. Focus groups are not the same as engaging in conversations.

Luxury brands should take the journey themselves, into the shopping jungle of Tokyo. There is a way to enter the minds of Japanese consumers, to engage them with the brand, to make the brand part of their lifestyles, thoughts and dreams. To do so, you have to understand the journeys they want to take, the daily cultural patterns, their dreams and the power of social gratification and stratification at work every day, through all age groups and parts of society. There are patterns that want to be discovered. Marketers should not spend their time solely in the office. They should start the day as a marketing expert, drinking coffee in Omotesando, watching people, talking to them, engaging them. Culture is a living, breathing entity in constant flux. In order to grasp this influence on consumer behavior, **we immerse ourselves in networks and consume the same information sources that our consumers do:**

- 1_ Magazines.** We read and monitor over 40 women's magazines every month. We have young women in universities and offices on our staff that have become experts in specific magazine categories.
- 2_ Blogs and online media.** Influential blogs by models and opinion leaders, talking about fashion and accessories, are analyzed by our staff and our trend scout networks.
- 3_ Conversations with consumers.** We talk with consumers, we shop with them, we accompany them on their daily routines. Entering their networks means more than having selective conversations.
- 4_ Conversations with opinion leaders.** People from the industry that create fashion and tastes often have a completely different point of view than the consumers themselves. This perspective is highly useful to understand the broader dynamics that govern the industry and lead to the formation of trends top-down.

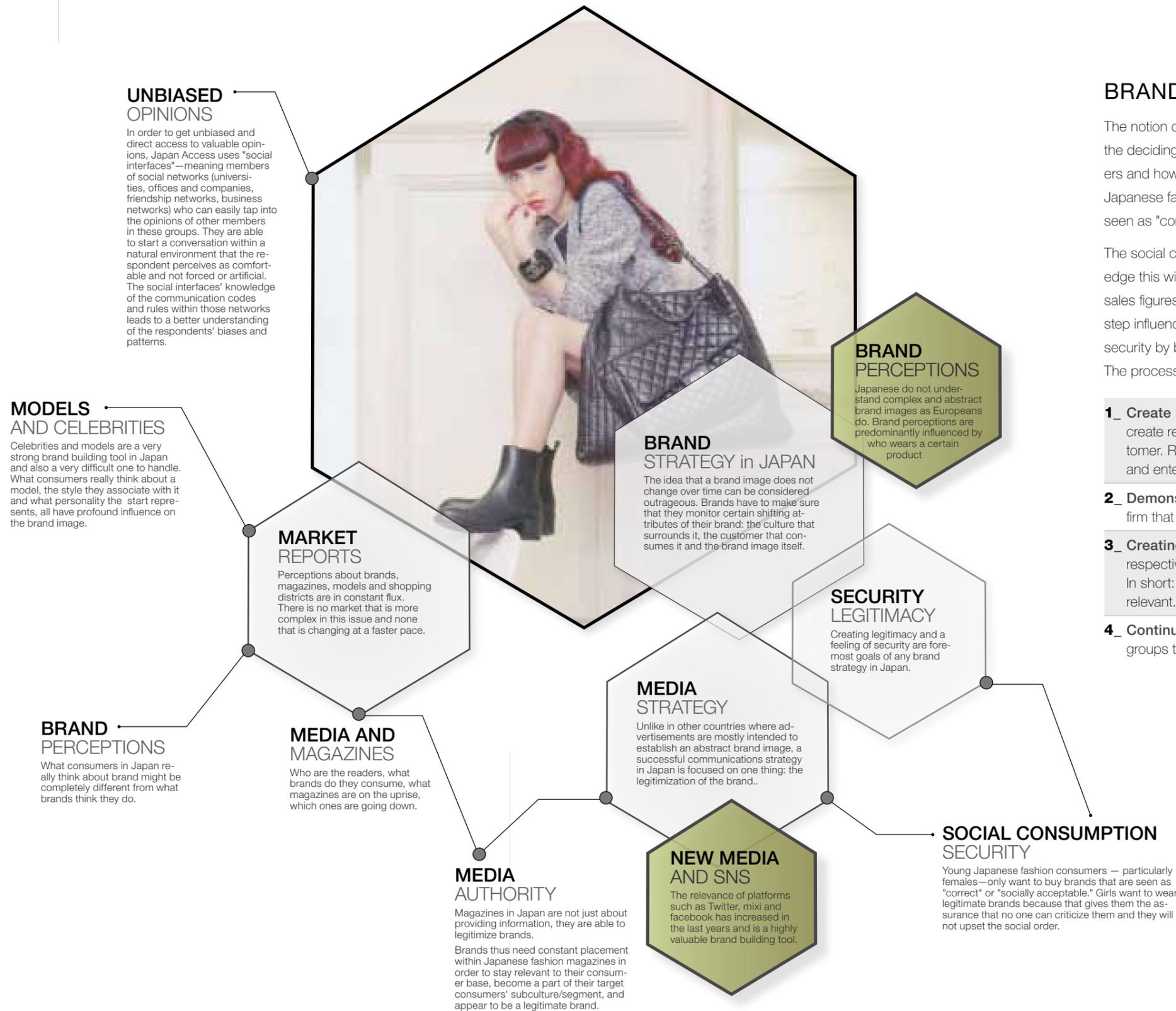


ACCESSING HNWIS IN JAPAN

There are several service providers that offer luxury companies in Japan access to tools necessary for both customer retention and customer acquisition of HNWI customers. Some of them are providing creative ways for accessing level 3 consumers, by increasing the marketing exclusivity of magazines, by creating special media solely for HNWIs, or by the use of direct marketing in cooperation with credit card companies and mileage clubs. What the companies have in common is that they all give access to selected databases of HNWIs, and then offer some kind of service to enhance the customer loyalty programs of client companies. The basic goal of all of them is to change the way rich marketing is performed: to get away from luxury marketing via normal media channels and go to a higher level of marketing exclusivity. By excluding customers from accessing special services, by limiting the audience and offering preferred treatment within a specially created marketing environment, the image of mass marketing is transformed into one-to-one marketing.

This environment is always connected to a database of rich people—HNWIs and sometimes even ultra-HNWIs—and forms the primary asset of businesses that are presented below. Taking care of such a database, keeping it up to date, devising creative methods to add detail to data sets, and creating new ways to increase the size of the database—all these are basic practices necessary in HNWI business that are often beyond the scope of the marketing department of even the most sophisticated luxury companies.

Roots and Partners is currently giving management consulting and marketing consulting to companies catering to HNWIs. Root and Partners' function in this process is as a mediator, as a filter function, to ensure that the privacy of the rich clients is honored and that they do not get the feeling of being marketed to, in short: to keep a high marketing exclusivity. In all this, Roots and Partners wants to refrain from any clear affiliation with any company, keeping its independence and therefore its credibility.



BRAND STRATEGY IN JAPAN

The notion of an abstract brand image is less relevant in the Japanese context, where the deciding paradigm for consumption is understanding the taste of young consumers and how this taste is constructed within a social context. As mentioned above, Japanese fashion consumers — females in particular — want to buy brands that are seen as "correct" or "socially acceptable."

The social component to consumption is strong, and companies who fail to acknowledge this will not be able to analyze their own success nor understand decreasing sales figures. The dynamic is complex and includes a three step process, with each step influencing the other: creating interest, legitimizing choices and giving a feeling of security by being able to check the choice in different media and among friends.

The process of creating that dynamic is as follows:

- 1_ Create Relevance.** Having fashion authorities publicly champion the brand and create relevance by using models in line with the personality structure of the customer. Relevance is created by understanding the value systems of the customer and entering their world of relevant topics.
- 2_ Demonstrating widespread consumption** of the brand, letting consumers confirm that they made the right choice of liking what they saw in point 1
- 3_ Creating channels in new social media** (Twitter, mixi ...) that make it easy for the respective customers to check their own choices for validity among their networks. In short: Make it easy to talk about the experience with the brand that is considered relevant. Relevance has to be created before these medias are used.
- 4_ Continuously adjust the messaging** by getting feedback from the customer groups targeted