

Reaching consumers in an
age of information overload:
a fan-based approach

- Interview with Naoyuki Sato
by Hajime Minamimoto -

14 July 2023

**Special
Edition**

lakyara vol.373

Executive Summary

Japanese consumers have seen drastic changes in the information environment in the wake of the ongoing information deluge and social media's proliferation in recent years. In response, Naoyuki Sato, founder of fanbase company Inc, advocates abandoning traditional marketing techniques in favor of a fan-based approach, the concept of which differs from both customer centricity and fan cultivation. We spoke to Mr. Sato about the basics of the fan-based approach and its applicability to the financial services industry.

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Naoyuki Sato

Chairman
fanbase company Inc

Joined Dentsu Inc. in 1985. Won numerous awards as a communication director, including the Japan Interactive Advertising Association's Grand Prix, the Japan Newspaper Advertising Awards' Grand Prize, a Dentsu Advertising Award and an ACC Tokyo Creativity Award. Left Dentsu in 2011 to found Tsunagu Co., Ltd. Founded fanbase company Inc in 2019. Author of multiple books, including Fan Base (published by Chikuma Shinsho). Visiting professor at Osaka University of Art.

Hajime Minamimoto

Chief Expert
Digital Insurance Planning Dept.

Joined NRI in 1995. Spent five years in Shanghai (2011-16) and two years in Silicon Valley (2016-18) following stints in NRI's Consulting Division, Financial Technology Solution Division and Asia Region Systems Division. Seconded to a major life insurer's innovation unit after returning to Japan. Appointed to current position in April 2022.



Fan-based approach

Minamimoto: You've founded fanbase company Inc, which is both promoting and practicing a fan-based approach to business. To begin, could you explain your fan-based approach in a nutshell?



Sato: I worked in advertising for 20 years. My job was to come up with ways to sell products to new customers and make people aware of products they didn't know existed. Today, I keenly feel that traditional approaches to gaining new customers no longer work for several reasons.

First, there's too much information nowadays. For example, the amount of information in the world increased by an estimated 59 zettabytes (trillion gigabytes) in 2020 alone. The number of bytes in a zettabyte is equivalent to the number of grains of sand in the world, an incomprehensibly vast quantity. People are now so inundated with information that they've become numb to it, making them less receptive to incoming information than in the past.

Second, informational media have proliferated too much, including not only mass media but countless online media also.

Third, the amount of entertainment content available today is equally vast. On YouTube alone, the amount of video uploaded daily is equivalent to 82 years of viewing time. Including video-sharing social media platforms like TikTok, video streaming services like Netflix, movie theaters and TV programming, a staggering amount of video is broadcast, streamed or otherwise played every day. In addition to video, there are countless other social media sites/apps, many print media like books and newspapers and many live events as well. With so many choices available, consumers pay no attention to the vast majority of them by necessity. They consequently don't encounter advertisements much if at all.

Meanwhile, Japan is an Internet laggard. The most popular social media platform in Japan is Twitter with some 50 million monthly active users, about 20% of which are heavy users who collectively account for 80% of total Twitter usage time (per Nielsen). In other words, only about 10 million Japanese actually use Twitter regularly. Their tweets are not reaching the other 110 million Japanese.

Incidentally, it has been reported that Japanese as a whole don't use Internet search much either.

In sum, the Japanese public is largely tuning out the surfeit of information, media and content and surprisingly does even not use social media or search much. How on earth can companies get their messages across to consumers? I had largely given up hope on reaching consumers until I realized the fan-based approach is a surefire way to do so. The fan-based approach means taking good care of your fans in the aim of driving revenue growth, generating more value and gaining new customers.

The one way to reliably reach consumers even in today's challenging information environment is through word of mouth from family and friends. Surveys have revealed that people overwhelmingly trust information from family and friends over endorsements by experts, influencers and celebrities. And if your family members or friends are fans of a certain brand or company, they will talk about it enthusiastically. Rethinking communication from such a perspective is what the fan-based approach is all about.

Minamimoto: So changes in the information environment influence how companies should approach consumers.

Sato: That's right. People involved in corporate messaging would be foolish to make plans without taking into account changes in the target audience's information environment. If the information environment changes, how you convey information of course also has to change.



One major theme in human history is the evolution of society from agricultural to industrial, but I believe we have now entered a networked era as the next step in this evolution. Networks include both infrastructural networks like the Internet and human networks like social media. People are exchanging information by joining together to form networks. In the industrial age, the key to selling products was to get your message out to the masses. In the networked age, this approach is no longer effective.

Minamimoto: The advertising industry has not yet evolved beyond its success

formula in the age of mass production/consumption.

Sato: Flashy mass advertising aimed at driving mass consumption is just an annoyance in the networked age.

Minamimoto: Even on the individual level, consumers have become more skeptical of advertising than in the past.



Sato: Consumers are so deluged with information they don't know what to believe. Back when information was scarce, advertising was an important information source for consumers. Today, advertising has become a nuisance that companies unilaterally spew out on their own terms.

Even in such an era where advertising has largely ceased to be effective, fans continue to favor certain brands and companies, supporting their sales. The Pareto Principle holds that the top 20% of customers—aka fans—account for 80% of sales. This principle indeed holds true for a vast majority of companies. With advertising messages no longer reaching prospective new customers, I believe companies should place more priority on valuing and retaining the 20% of their customers who are fans than on acquiring new customers.

Cultivating a philanthropic mindset should be key aspect of financial education

Minamimoto: The Japanese government is currently promoting financial education under a national policy aimed at converting the public from savers to investors. For investment to increase, the public must become more financially literate. Financial education is therefore essential. While I personally recognize the importance of financial education, I also feel the government's approach is analogous to parents ordering their kids to study. What if, for example, the government encouraged the public to not only study hard but also buy stock in companies of which they are personally fans? In this way, the fan-based concept may be applicable even to financial education.

Sato: I agree. Fans buy stock in their favorite companies. Such investments are very healthy and natural. But if financial education curricula focus solely of techniques to make money, that would be a big problem in my opinion. I believe a

society in which people with investable capital pursue only financial gains without any guiding philosophy, cultural refinement or desire to contribute to society would lose its culture and, in turn, its future.

Minamimoto: Whoa, that's a surprising take! My own views on financial education may lean a bit more toward the technical side.

Sato: Portfolio management methods and techniques also are very important to know, but I think the world would fall apart if people with money are too self-centered. One of my concerns is the extent to which corporate and societal leaders are educated, steeped in philosophy and committed to contributing to society. I don't want them slinging money around without a vision or strategy vis-à-vis what type of world or society we want to have the future.

In the West, wealthy people are well aware of the importance of culture. They support the arts through such means as building museums and sponsoring orchestras. In Japan, such cultural philanthropy is less common. I feel it is very dangerous to roll out financial education programs without such a philanthropic component.

ChatGPT's impact on outreach to customers

Minamimoto: I want to ask you about generative AI such as ChatGPT, which has recently made remarkable advances. If it is widely deployed, would the fan-based approach have to change?

Sato: Generative AI's impact on the world will likely rival that of the Internet. I believe generative AI is applicable even to the fan-based approach. However, the main players in the generative AI space are consumers. I think it is important to first carefully consider how consumers will change in response to generative AI.



In the case of Amazon, for example, it is only a matter of time before generative AI is embedded in its services. Even convenience stores may deploy AI for customers to consult with while shopping. Given the likelihood of such a future, I believe feedback from fans will have value.

Generative AI generates greatest-common-divisor output by classifying things. It should become more user-friendly as it continues to evolve. However, in a future world where such AI-generated output becomes increasingly prevalent, I expect core fans' passionate feedback to be valuable. Having listened to input from tens of thousands of fans, I'm confident that feedback from a sample of fans would hold more sway with consumers than generative AI output would.

Yesterday, for example, I prompted ChatGPT to list convenience store chains' respective fortes. It returned a nicely formatted table. Such information is of course suitable for certain use cases but if a trusted friend or family member spoke glowingly of, say, 7-Eleven, his or her testimonial would carry more weight than the ChatGPT output. With all convenience store chains now largely indistinguishable in terms of their merchandise and service offerings, such emotional preferences play an important role.

The human mind is roughly 1% conscious and 99% subconscious, meaning not all decisions are made logically. Emotion often overrides logic. I believe that fans' emotion-infused feedback has much more appeal than generative AI output. And I suspect it will increase in importance going forward.

Is the fan-based approach applicable to financial services?

Minamimoto: I have a hunch that if you asked people with life insurance why they purchased their policy, many would reply to the effect of "because I'm a fan of the salesperson who sold it to me."



Sato: I think so too, but fans of a salesperson are personal fans. The personal nature of the relationship poses a risk to the insurance company. If the salesperson were to quit or be reassigned, the company may lose customers who are fans of the salesperson.

Minamimoto: That's an important point. Companies may be inclined to cultivate salespersons who can recruit a legion of fans.

Sato: Those fans would buy policies just because they like the salesperson, not the product or the insurance company. Such fandom is not sustainable. Sustainable fandom requires the fans to favor the company and/or its products. The first step toward sustainable fandom is to solicit feedback from

current fans of either the company or its products to learn what they love about the company/products. The next step is to amplify the points cited by the fans in the aim of increasing fandom intensity and gaining more fans. These steps are the basics of practicing the fan-based approach.

Minamimoto: In financial services, there's considerable consensus on the importance of universality, meaning that services must be offered universally and uniformly to all users. From the standpoint of universality, financial institutions may question the appropriateness of focusing on core fans.



Sato: The mission of Japan Broadcasting Corporation (NHK), for example, is to broadcast information to every household throughout Japan. Its 7:00 news may appear at first blush to be a universal news program but it does not necessarily feature news of interest to children. Nor does it often feature entertainment news. NHK prioritizes delivering news to the audience it wants to reach. It likewise targets its drama series at specific viewer demographics and people in those demographics become fans.

There's a saying, "If you try to please everyone, you'll please no one." Instead of trying to offer universal products and services, financial institutions should offer a variety of products and services that collectively ensure universality.

Minamimoto: In a certain sense, you could say that companies that place importance solely on universality don't take any risks in terms of setting themselves apart. So they end up with across-the-board banality.

Sato: Yes, I think that would be a recipe for mediocre services or a mediocre company with no appeal or distinguishing features.

Minamimoto: Do you have any tips for financial institutions that adopt the fan-based approach?

Sato: Listen to and act on candid feedback from your fans. There are so many financial institutions all offering similar products. Why would customers choose

and continue to use your products/services? Some people of course choose their bank for functional reasons such as proximity to their home or helpful staff. But by listening carefully to fans, banks can definitely learn many emotional reasons why people prefer to bank with them. If they accentuate these points, they should benefit from an increase in fandom intensity, customers' lifetime value and free word-of-mouth advertising. In this era in which consumers tune out information unilaterally communicated by companies, it is crucial to gather more information from fans. Input from fans is also motivational to employees.

Minamimoto: Going back to the life insurance example, I feel salespersons provide very attentive service until you sign on the dotted line, after which you rarely if ever hear from them again in many cases. I would like a little more communication after the sale is made.



Sato: I agree. You definitely cannot create fans if you don't stay in contact after the sale is made. In the networked era, consumers are the ones who spread the word about which insurers and insurance products are good. People tend to place much more trust in an insurance recommendation from someone they know. Friends and family are the most trustworthy information sources, as I mentioned earlier.

Minamimoto: When I think about financial services from consumers' perspective, the industry strikes me as one where the supply side has the upper hand. It preaches customer centricity, which should be the norm in any industry. And because of legal and institutional constraints, the industry does not roll out new products very often.

Sato: I think the difficulty of launching new products may just be a fact of life in the financial services sector. That said, consumers and fans looking at product availability may not perceive the lack of new products as a problem. I would like to see financial institutions first listen to what their customers and especially their fans have to say. Some people may say that financial institutions don't have any fans but I completely disagree. They absolutely have fans.

Minamimoto: I hope your fan-based concept takes root more broadly even in the financial services industry, leading to more exciting new products and services. After speaking with you, I'm even more optimistic about such an outcome. Thank you for a valuable conversation.

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