



JAPAN IS IN POSITION TO DO MORE WITH ITS DATA

With a strong foundation, businesses are ready to expand data capabilities

JAPAN'S DATA TRANSFORMATION IS IN PROGRESS

Whether in the context of managing the spread of COVID-19 or enabling startups to compete among established enterprises, data capabilities remain a key enabler for success. According to findings from a 2020 study on digital progress, published in the Harvard Business Review:

Economies that provide secure, frictionless digital experiences nurture the most positive, engaged consumers, creating the most active digital ecosystems. These ecosystems then generate more data, which is the lifeblood of a competitive digital economy, enabling a virtuous cycle of growth. Economies such as Singapore, Japan, Canada, and the Netherlands illustrate this approach well, with a combination of open data flows and strong privacy protections.¹

But for Japan, generating data doesn't lead to actualizing its full potential as a business enabler. According to the World Digital Competitiveness Ranking, Japan ranked at the top for technological framework (including mobile broadband subscribers and Wi-Fi broadband coverage), but it was ranked at the bottom for the use of big data, agility of companies, and international experience of digital engineers.²

A recent survey on the future data landscape, conducted by The Economist Intelligence Unit and sponsored by Snowflake, collected input from 914 global executives across eight industries and 13 countries, including 53 business leaders from Japan. Their responses show that while Japan has the capacity and desire to extract and apply data-driven insights for business gains, barriers exist.

PURPOSEFUL DATA SHARING SHOWS ROOM FOR GROWTH

Although a majority (89%) of survey respondents from Japan have purchased data in the last six months, Japan trails the global average (94%) by more than five percentage points. With regard to selling data over the same timeframe, Japan ranks above the global average—85% versus 82% across all surveyed worldwide.

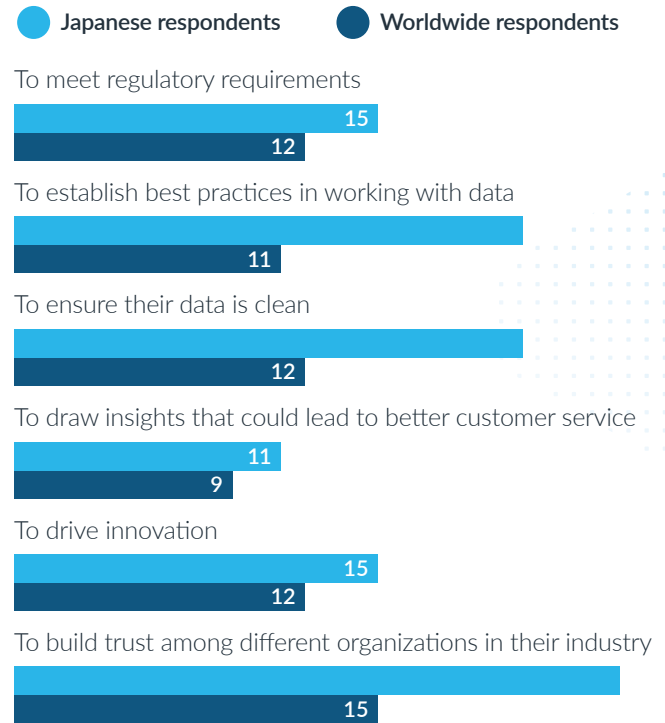
More than half (51%) of Japanese respondents cited government bodies as the most common source for purchased data over the last six months. Customers or clients were the most common recipient of the data they sold, as cited by 55% of respondents.

As shown in Figure 1, Japanese respondents answered “rarely” or “never” more frequently than the average global respondent when asked if they share data externally for specific purposes.

In addition, Japanese respondents reported challenges that inhibit their ability to collect data. They cited a lack of investment in data systems and infrastructure, lack of a clear mandate from leadership, and lack of internal talent much more frequently than respondents from all countries surveyed (see Figure 2).

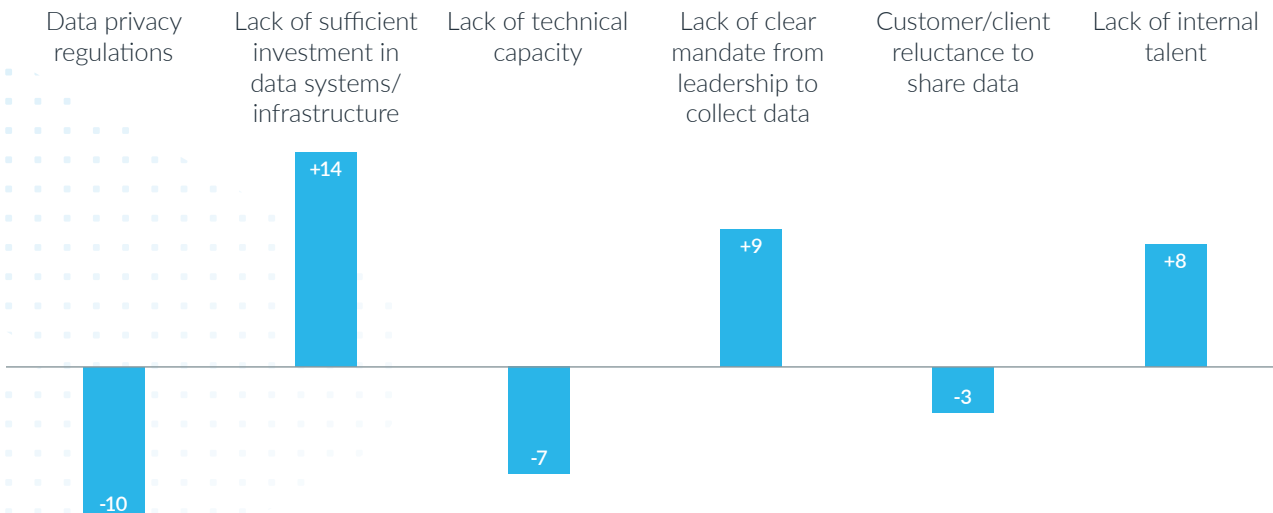
More than 40% of respondents cited two data security challenges with sourcing and sharing data externally, specifically the risk that confidential information could be leaked and that data could be used for unintended purposes. One-third (34%) also cited the high cost of sourcing or sharing data, and 21% said that their data is not well organized enough to share.

FIGURE 1: Responses of “rarely” or “never” when asked how often data is shared externally for specific purposes.



Source: The Economist Intelligence Unit

FIGURE 2: Japanese respondents rated their biggest challenges with regard to data collection.



CHALLENGES WITH DRAWING INSIGHTS FROM DATA

While some Japanese respondents understand that using data insights could grow revenue and increase customer satisfaction, many face barriers that inhibit meaningful extraction of data insights:

- 45% cite data privacy regulations (global average 41%)
- 32% cite lack of internal talent to build technical capacity (global average 21%)
- 38% cite lack of internal talent to analyze data (global average 22%)
- 34% cite barriers to data sharing with other organizations (global average 27%)
- 34% cite barriers to data sharing between different departments (global average 25%)
- 21% cite lack of a clear mandate from corporate leadership (global average 17%)

Nearly half of Japanese organizations indicate they have regulatory challenges, likely due to recently passed amendments to Japan’s data privacy law, the Act on the Protection of Personal Information (APPI). When its amendments become fully enforceable in 2022, the APPI will place stricter controls over transfers of personal information from Japan to other countries.³

The vast majority (85%) of respondents from Japan strongly or somewhat agree that their organization struggles to integrate data from varied sources.

Rating their organization’s performance compared to industry peers showed mixed results. More than three-fourths of respondents thought they were much or somewhat stronger in their ability to collect data from customers (77%), deal with data-related regulations (77%), and use technology to manage data (76%). But Japanese respondents had nearly double the number of “much or somewhat weaker” responses related to their ability to draw insights from data (9% versus the global average of 5%) and use data-driven insights for strategic purposes (9% versus the global average of 5%).

SHOWING LEADERSHIP IN ARTIFICIAL INTELLIGENCE

According to some of the largest digital consultancies across the globe, Japanese businesses lead the way when it comes to artificial intelligence (AI) adoption.⁴ Global spending on AI is forecast to double over the next four years, growing from \$50 billion in 2020 to more than \$110 billion in 2024, and Japan is projected to have the strongest spending growth regionally over the five-year forecast (32% compound annual growth rate).⁵

Survey results support Japan’s strong embrace of AI. The majority (60%) of Japanese respondents report significant use of AI or machine learning (ML) for developing products or services (versus a global average of only 38%). Nearly half are also significantly using AI and ML for managing data risks (49%), and marketing to customers (45%).

At the same time, one-quarter (25%) responded “some” or “none at all” with regard to using AI to draw insights from data. And, versus respondents worldwide, triple the number of respondents in Japan said they do not use AI/ML at all for detecting cyberthreats to their organization’s data (11% in Japan versus 3% globally).

“Our business operates significantly better since we’ve adopted Snowflake because we don’t ever have a situation where something does run because there is no resource available.”

—SANDRO FRATTURA, Hubspot

A FOCUS ON EXPANDING DATA CAPACITY

Data is clearly a priority for Japanese companies, and most are in a good position to expand their usage in the near term. Over the next three years, Japanese respondents said the main factors for their overall success would be data and analytics capabilities (42%) and gaining market share (32%). More than three-fourths of respondents (77%) believe their organization's budget for buying data from third-party vendors will increase over that same time period.

When asked to rank their top priorities for enhancing data capabilities going forward:

- **38% chose increasing employee capabilities around data (global average 30%)**
- **32% chose investing in AI and ML tools (global average 38%)**
- **30% chose granting staff access to data analytics tools (global average 18%)**
- **28% chose acquiring or merging with a firm with better data capabilities (global average 16%)**

It should be noted that the Japanese government is currently working on new rules to help promote the flow of data gathered through products and services, making it easier for companies to securely exchange data and generate innovative technologies and services.⁶

¹ [Which Economies Showed the Most Digital Progress in 2020?](#)

² [How Japan can become a data powerhouse](#)

³ [New Amendments Passed to Japan's Data Privacy Law](#)

⁴ [Not the US or China, but Japan leads the world in AI](#)

⁵ [idc.com/getdoc.jsp?containerId=prUS46794720](https://www.idc.com/getdoc.jsp?containerId=prUS46794720)

⁶ [Japan to set rules to promote 'industrial big data' utilization](#)