

# Selling in Japan: Tips on Access And Distribution

By Sadahiko Nakamura

Some people are of the opinion that the Japanese distribution system is a barrier to market access by foreign companies. People who make such claims do so without knowing how the Japanese distribution system works; or, ignoring the fact that a distribution system will reflect the cultural and social characteristics of the country in which it exists, they make a simple comparison between the distribution system in Japan and that in their own country. Because of such misleading information, a surprising number of foreign firms either hesitate to try and establish themselves in the Japanese market or else plunge in without first sufficiently surveying the market.

The Japanese market is comprised of consumers who live in Japan. It is therefore natural that consumption patterns and business customs have aspects different from those of other countries.

## End users first

In my work, I occasionally run across a foreign company that, because the purchasing systems and business practices of Japanese firms to which it is trying to sell do not match up to its own preconceived standards, has become overly critical or even acrimonious. I would like such companies to realize just how much they can benefit by patiently working to maintain and develop those first hard-won contacts with prospective customers.

Well then, what conditions must be in place for the successful marketing of a foreign product or service in Japan? While of course there are many possible answers to this question, here I will discuss the two most important conditions.

### 1. Provide a product or service that satisfies a demand.

You cannot force people to buy something they do not want—there must be a demand. The important thing is to provide the market with a product or service that the consumer or user likes and is prepared to pay money for.

It is impossible to successfully market a product or service without the support of the end user. The foreign companies that have succeeded in Japan owe their success, after first investigating the purchasing characteristics of Japanese consumers (Table 1), to carefully corroborating the following:

(1) Whether or not the product or service to be offered by the company will find acceptance among Japanese consumers as it is (i.e. without revision or modification of quality, finish, color, design, version, etc.);

(2) If indeed revision or modification is found necessary, what part should be revised or modified in what way so as to obtain the acceptance of Japanese consumers;

(3) If revision or modification is not practicable from a standpoint of cost or technology, can the acceptance of Japanese consumers be obtained by simply lowering the price?

### 2. Correctly understand the Japanese distribution system and use it to your benefit.

In comparison with those of Western

nations, Japan's retail industry is characterized by the presence of many stores in limited regions—in other words, store density is high. In addition, many of these stores are very small-scale operations. Both of these features are inseparably related to the purchasing and consumption patterns of Japanese consumers outlined in Table 1.

## Role of wholesalers

While the population of Japan is about half that of the United States, the number of retail outlets is nearly the same. Because of this, the role of wholesalers in Japan is far more important than that in the nations of the West. It is, of course, a natural consequence of Japan's own cultural history that the Japanese and Western distribution systems have different characteristics.

Fig. 1 shows the typical Japanese style of distribution, in which wholesalers play an active intermediary role in almost all transactions. Fig. 2 shows the Western style of distribution, in which, by contrast, there is a strong tendency for manufac-

Table 1 Purchasing Characteristics of Japanese Consumers

<p><b>1. Frequent small purchases</b></p> <p>Japanese consumers do not generally buy in large quantities all at once, but instead prefer to make frequent purchases in just the needed quantity. Taking foodstuffs as an example, American consumers usually go shopping for food once or twice a week, while Japanese consumers are likely to do this four or five times a week. Consequently, Japanese retailers like to stock their shelves with as many different varieties of high quality food as space permits.</p>
<p><b>2. Shopping convenience</b></p> <p>Because Japanese consumers restrict their shopping to a relatively small area, they require the stores that they do patronize to carry a wide selection of goods.</p>
<p><b>3. Congenial shopping</b></p> <p>Japanese consumers place importance on the congeniality of a shopping experience. A discount store may be inexpensive, but if its employees do not welcome the customer on arrival and thank that customer on checkout, the store will not last a month.</p>
<p><b>4. Dependability</b></p> <p>Japanese consumers are very demanding when it comes to dependable service and prompt delivery. In Japan, you can order a book and have it in your hands in about two weeks. For a car, it only takes about one month.</p>
<p><b>5. Emphasis on quality and service</b></p> <p>Japanese consumers place more emphasis on such factors as selection, quality, courtesy and after-sales service than they do on price.</p>

Fig. 1 Japanese-style Distribution

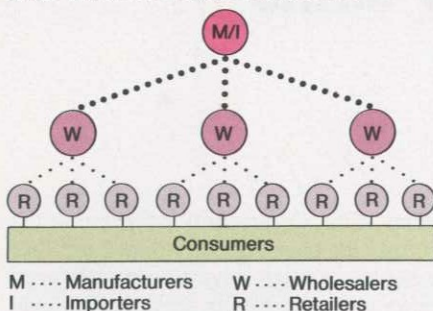
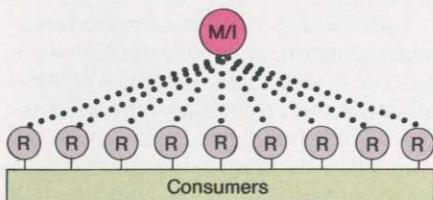


Fig. 2 Western-style Distribution



turers to try to sell directly to retailers.

Apprehensions like those below act as basic constituent elements in engendering the idea that the Japanese distribution system impedes the access of foreign goods to the Japanese market.

1. The end price will have to be raised to cover the distribution margin paid to the wholesaler. As a result, price competitiveness will be lost.

2. Having a wholesaler standing in the middle will make it difficult for the manufacturer or importer to collect valuable information from retail outlets.

3. Business practices especially common in Japan, such as returns and rebates, are difficult for foreign manufacturers to understand and administer. As a result, marketing competitiveness will be hampered.

All of these apprehensions, however, are without foundation because:

(1) Price competitiveness is determined by the price level of a product relative to that of competing products within a specific nation. In Japan, both foreign products and Japanese products are sold in a like manner through wholesalers to retailers. As long as this is the case, the Japanese distribution system will not work to the disadvantage of foreign products.

(2) Because wholesalers handle products from a variety of manufacturers, they can act as sources of objective information and valuable insights with regard to new competitor products, retail sales, etc. And, if a sales agency (importer or Japanese subsidiary of a foreign maker) is unable to access such valuable information, it is not the fault of the Japanese distribution system—rather, it is due to nothing more than the negligence of the sales agent who, in failing to build up a close network of personal contacts among wholesalers, has not done his job properly.

(3) Although conventional practice—"in what situations, and to what extent"—does vary by country, the basic phenomenon of returns and rebates exists throughout the world.

While it is true that returns and rebates occur more frequently in Japan than in the West, my company, in the 20 years that it has been in business, has never once had to consent to the return of unsold foreign products once delivered to a wholesaler. And, even though we never gave such consent, not once did we receive unfair treatment from a wholesaler in return.

In an attempt to stimulate sales of his product, the sales agent is certainly free to decide whether or not to offer rebates to wholesalers and retailers. However, in actual practice, only a few companies and industries in Japan still have a system of sales rebates in place. While my company

will occasionally give volume discounts, we have never even considered offering sales rebates.

## Advice on accessing the Japanese market

Based on my many experiences as a market access consultant, below I offer some concrete advice on how foreign companies can effectively import products or services into the Japanese market.

1. If you are really serious about accessing the Japanese market, learn how to effectively utilize the Japanese distribution system. No matter what your mode of market entry (trading company, Japanese subsidiary, joint-venture company, etc.), I strongly recommend that you utilize the Japanese distribution system as it exists in its previously established form.

2. In preparation for your move into the Japanese market, devote a sufficient amount of time and energy to the selection of a Japanese importing or marketing partner. A hasty choice here may negate all chances of future success.

3. Thoroughly investigate beforehand whether or not there is a demand for your product or service in Japan. Almost all failures can be traced back to the false assumption that there should be a demand.

4. Work to create and maintain close relations with wholesalers. Visit them often to gather useful information.

5. Do not entrust the wholesalers with full responsibility for making product presentations to retail outlets. A wholesaler may handle several thousand kinds of products in addition to yours. It is vital that your Japanese import partner, either alone or along with the wholesaler, make direct and enthusiastic presentations to retail outlet buyers.

Due to space limitations, my explanations here are by necessity somewhat incomplete. For a more thorough treatment, please refer to my new book, *How to Sell to Japan*, soon to be published by How To Books Ltd. (Plymbridge House, Estover Road, Plymouth PL6 7PZ, U.K.).

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A Sony service center in Tokyo's Ginza providing aftersales service—an important factor for Japanese consumers.