

to deliver products from the manufacturers to the retailers nationwide without the services provided by wholesalers; e.g. distribution, warehousing, financing, sales. For this reason, almost all products handled by the Japanese distribution system pass through an intermediary such as a wholesaler or trading company.

When working out a strategy to access the Japanese market, therefore, a foreign company must take into account the features of the Japanese distribution system. In striking a balance between manufacturer (or importer), wholesaler, retailer and consumer, the marketing strategy including sales, pricing and services for clients must necessarily take on some aspects different from a strategy for, let's say, that company's home market. This is natural, inevitable, and what it takes to succeed in the Japanese market.

Do not underestimate the usefulness of the Japanese distribution system. By rapidly distributing products throughout the country, the wholesaler allows the manufacturer to produce at high volume and the retailer to sell at low volume. The manufacturer can thereby lower its costs through the economies of scale; the retailer, through reduced inventory.

7. High degree of urban concentration

Much of Japanese industry and commerce is clustered in three great urban areas—metropolitan Tokyo, greater Osaka and greater Nagoya. While ac-

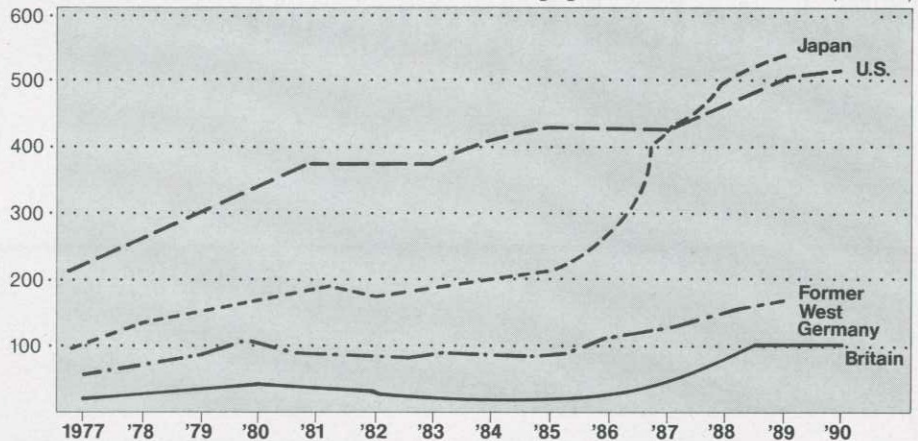
Table 1 Concentration in Metropolitan Tokyo

(% of nationwide totals)

Area	3.6
Population (permanent residents)	25.4
Places of business	27.1
Prefectural income	30.7
National taxes	48.6
Merchandise shipments in value	25.1
Annual retail sales	37.2
Bank deposits	35.6
Telephone subscribers	28.8
Computers in operation (units)	42.4
Computers in operation (value)	50.0
Four- and two-year colleges	27.7
Four- and two-year college students	40.1

Fig. 1 Trends in Private Investment in Plant and Equipment

(\$ billion)



Note: Converted to US\$ at IMF exchange rates.

counting for only 15% of the land area of Japan, these areas are home to approximately half of its population.

The greatest degree of concentration is found in Tokyo metropolis (Table 1). On 3.6% of Japan's landmass are crowded 25.4% of its people and 27% of its places of business, and they generate nearly one-third of national income. This profusion of economic activity generates an atmosphere of prosperity and vitality. The greater Tokyo area accounts for more than one-fourth of merchandise shipments in value and two-thirds of retail sales.

People, money, information and things—everything is centered on metropolitan Tokyo. A foreign company planning to enter the Japanese market would do well to first concentrate on this region.

8. Highly developed mass media

Newspapers and magazines, TV and radio—Japanese mass media are very highly developed. A company planning to enter the Japanese market should utilize these resources to its advantage. For example, you can often get some free publicity by mailing product introductions to Japanese newspaper and magazine editors. Let people know about your product or service; it may prove quite beneficial to subsequent marketing efforts.

9. High level of facilities investment

An international comparison of private investment in plant and equipment (Fig. 1) reveals that, since 1988, no country has put more into its productive facilities than Japan. The higher a country's

level of facilities investment, the more likely that country is to maintain a high level of economic activity. By this measure, the Japanese market appears to be a pretty good bet.

10. An increasingly international flavor

Japan depends heavily on overseas sources for food, clothing, and other necessities of daily life. A considerable amount of durable consumer goods is also imported. At the low and high ends of the scale, imports of such products from neighboring Asian countries and the industrial West are booming.

Other opportunities are out there too. Many Japanese—more than 10 million a year nowadays—vacation overseas. These trips have been enlightening; people have become aware of some good products not readily available in Japan. Natural cheese, herbal tea, room aromatizers, picture frames, tabletop book binding machines, and other such products are beginning to sell.

Japan is a big market with plenty of future potential. The rewards are great. It is worth the trouble.

Still, the Japanese market does have some characteristics, outlined above, that need to be kept in mind when working out a marketing strategy for a product or service. In the next two installments, I will discuss the Japanese distribution system and how you can utilize it to your advantage.

Sadahiko Nakamura is president of Japan International Commerce Corp., a marketing consultancy company.