

Selling into Japan

By Sadahiko Nakamura

In previous articles we examined the attractions and characteristics of the Japanese market and the Japanese distribution system. This is my last article for the "Access" series and this time I would like to provide some useful tips for selling into the Japanese market.

You will need to decide the following three things in order to sell your products:

1. What you will sell
2. What type of market entry mode you will use
3. An import trading partner

1. What will you sell?—Your best product(s)

Japan has been referred to as a department store of commerce because it has the ability to meet the demand for every type of product and also the ability to make high quality products. This is why foreign companies who want to enter the Japanese market should sell the products that they are most confident will be competitive in terms of quality and price.

Note, however, that you need to be aware that just as a product that is a winner in Japan will not necessarily sell in other markets immediately, a product that is successful in other markets may not be a hit in Japan. Previous inquiries about your product is just one way to judge the possibility of market acceptance. Check to see if more than one of the following items applies to your product.

- a. A product that is the same as yours is currently being offered on the Japanese market.
- b. You have received frequent inquiries from Japan.
- c. You actually visited Japan to conduct a field survey and based upon survey results decided that your product would sell.
- d. You have obtained reliable information that Japan has plenty of potential for your product.

2. What type of market entry mode?

As Figure 1 shows, various modes can be employed in order to enter the Japanese market. If your company is able to handle export trade procedures on its own you can export your product directly.

If not, you should employ an exporter to indirectly export your products for you. Generally speaking, most companies around the world tend to export directly, but in some countries, Asian nations for example, there is sometimes a higher ratio of indirect exports.

Direct and indirect exports each have their particular advantages. Direct exporting offers a direct understanding of Japan's market conditions. Therefore, product refinements and price adjustments for the Japanese market can be undertaken as circumstances require. Your company can also accumulate in-house export trade know-how and allow it to develop into a global enterprise.

The advantage of indirect exporters is that a manufacturer need only deliver its product to the specified domestic location. Since there is no need to maintain an export section within the company there is less of a burden on smaller companies. By leaving its export sales to an exporter a manufacturer can concentrate upon manufacturing.

There are many market entry modes that can be used for Japan. The modes that

are most often seen are:

- a. Sales to importers
- b. Sales to manufacturers
- c. Sales to retailers and/or wholesalers
- d. Licensing
- e. Joint venture(s)
- f. Establishment of a branch or a corporation in Japan

Of the preceding, it is most essential to go through an importer in order to achieve entry into the Japanese market. Importers sell to wholesalers for the most part, but they sometimes sell directly to retailers and mail-order companies as well. Manufacturing materials are sold directly to end users in most cases.

By employing a Japanese manufacturer who makes and sells products that are similar to yours as your import partner, you can use the Japanese manufacturer's sales channels. However, it goes without saying that there is no guarantee that the company registered in Japan will place a priority on selling your products in preference to its own.

Major Japanese department stores and supermarkets have foreign buying offices in large cities overseas to handle direct



A cursory glance at any store shelf in Japan reveals a variety of imported products.

imports. They have the ability to import daily necessities such as food and clothing products in comparatively large quantities so it might be a good idea for foreign manufacturers of these types of products to consider selling to these large retail chains as well.

Except in the case of major food and liquor wholesalers, Japanese wholesalers ordinarily do not have their own import sections and only engage in domestic transactions, so I do not recommend selling to wholesalers. In addition, most mail-order companies in Japan have no import division.

When selling such things as know-how, technology, trademarks, or franchising systems to companies in Japan the licensing entry mode can be employed. With the evolution of Japanese corporate technical capabilities, licensing by foreign companies to Japanese firms in manufacturing has dropped drastically of late. On the other hand, licensing has increased in the service sector.

As with joint ventures, the technological capabilities of Japanese companies are now among the best in the world. As such, unless you believe that you will be able to sell large quantities of your product by fully taking advantage of your Japanese joint venture partner's sales channels I would also decline to recommend this mode.

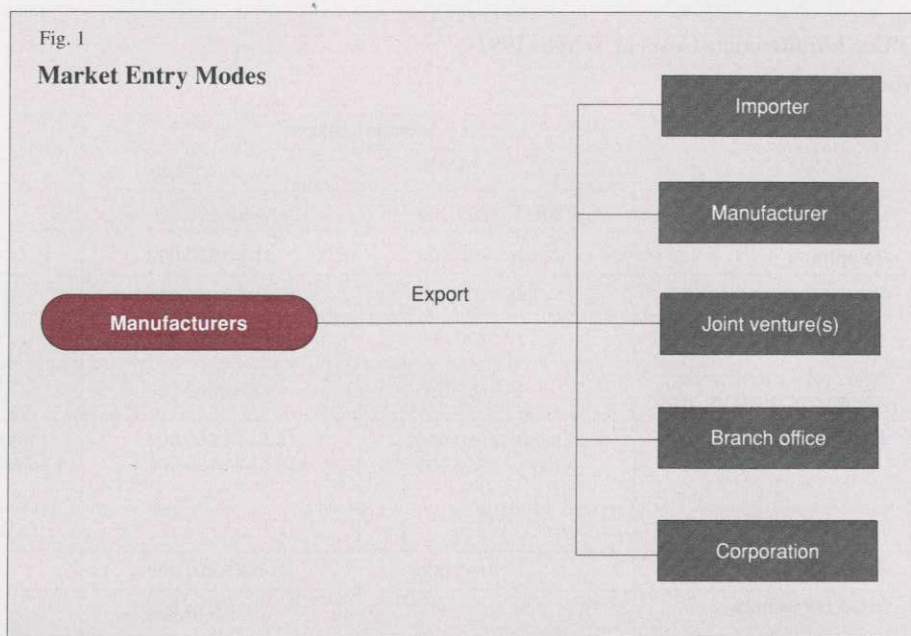
You can enter the Japanese market and obtain the latest information about market conditions by setting up a Japan branch or corporation. If you are able to apply the sales and management methods that you have established in your own country to the Japanese market in the original form without making broad changes, then your chances of success are high. In the opposite instance you will be multiplying the possibilities for failure.

Figure 2 provides an idea of how much it costs to maintain a small branch approximately 30 square meters in size in Tokyo.

3. Deciding on an import partner

Of the various modes for entering the Japanese market, selling products through an importer is far and away the most common choice. As such, I would like to provide some tips here regarding methods of locating an importer.

Trade directories that list the address of



importers by product sector are published for every type of product. For example, the Japan External Trade Organization (JETRO) has offices in about 50 major cities around the world. In some countries, the department of trade and industry also provides these types of directories and it is a good idea to take full advantage of these guides. (*Japan Trade Directory*; JETRO; *Japan Directory*; Japan Press Ltd.; and *Compass*; Compass Japan Inc.; etc.)

Use these trade directories to make a list of as many importers as possible. Then send them your company profile, product catalogs, export price list, and a letter that outlines your business proposals.

If you have determined that there is a possibility that your products will sell, I would suggest that you actually come to Japan and make an effort to locate importers. (This is also a good idea even if you just want to investigate actual market conditions.)

Discount round-trip tickets are now available around the world. For example, it is possible to fly to Japan from Europe or the U.S. for ¥100,000 to ¥200,000. If you use a business hotel during your stay it is possible to keep your lodging costs in the range of ¥10,000 per night. Economic activity in Japan is concentrated in the Tokyo metropolitan area so it is enough to

only visit Tokyo.

While in Japan, you can visit major retailers (department stores, supermarkets, specialty shops, and such) in the Tokyo area and look for imported products in the sections devoted to products that are the same or similar to yours. Labels on imported products list the name of the importer. You can try to promote your product by giving presentations to these importers.

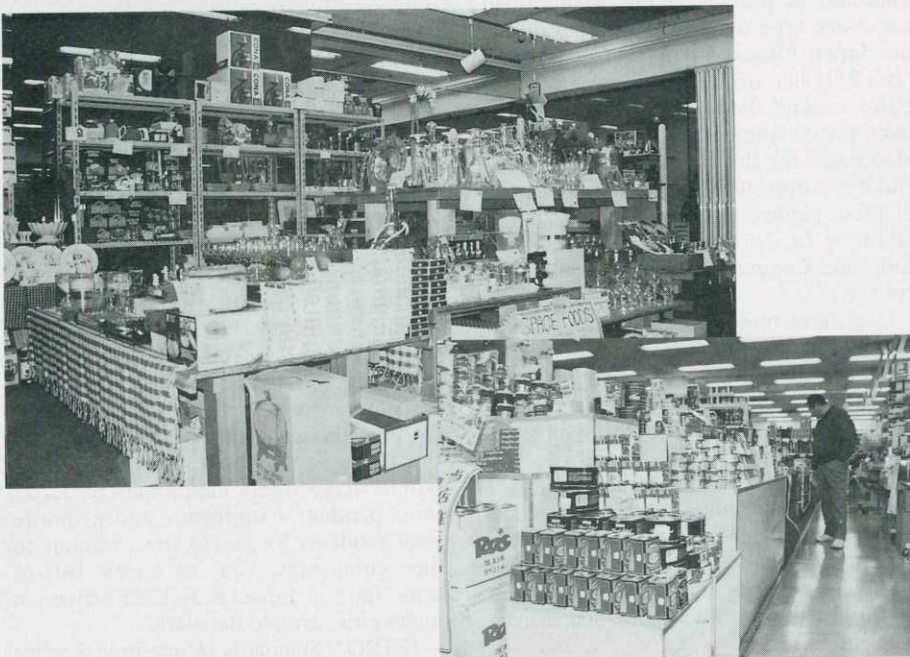
The Tokyo International Trade Fair Commission at Harumi and Chiba's Makuhari Messe sponsor a variety of trade fairs throughout the year. Time your visit to Japan to coincide with the dates for your product sector's exhibition. Visit the trade fair, choose exhibitors who would make likely candidates to act as your product's importer, and promote your products by giving presentations to their companies. You can review lists of trade fairs in Japan at JETRO offices in major cities around the world.

JETRO's Standards Information Service Inquiry Point and library are located on the sixth floor of the JETRO building. At this office English-speaking specialists can provide you with advice. The library also offers a full range of materials in English, such as the *Japan Trade Directory* I mentioned above, to help you locate importers.

The amount of assistance each country

Fig. 2
Office Maintenance Costs in Tokyo (1992)
Minimum Budget Plan

	Branch office		Corporation	
	Month	Year	Month	Year
Office rental	30m ² / ¥300,000	x12=¥3,600,000	30m ² / ¥300,000	x12=¥3,600,000
Telephone	2 lines / ¥50,000	x12=¥600,000	2 lines / ¥50,000	x12=¥600,000
Fax	1 line / ¥20,000	x12=¥240,000	1 line / ¥20,000	x12=¥240,000
Other equip.	¥30,000	x12=¥360,000	¥30,000	x12=¥360,000
Misc. (electricity, water, stationery, stamps, etc.)	¥50,000	x12=¥600,000	¥50,000	x12=¥600,000
Personnel	1 manager / ¥500,000 1 clerk / ¥250,000	x16.5=¥8,250,000 x16.5=¥4,125,000	1 manager / ¥600,000 1 sales asst. / ¥350,000 1 clerk / ¥250,000	x17=¥10,200,000 x17=¥5,950,000 x17=¥4,250,000
Car rental			1 wagon / ¥100,000	x12=¥1,200,000
Other misc.	¥100,000	x12=¥1,200,000	¥200,000	x12=¥2,400,000
Total per annum		¥18,975,000		¥29,400,000



provides corporations trying to enter the Japanese market varies, but while in Tokyo you should not neglect visits to the commercial section of your country's embassy and your chamber of commerce in Japan, where you can receive valuable advice. There is a growing number of enthusiastic representatives at embassies

and chambers of commerce.

When you are convinced that your product will gain Japanese market acceptance, participation in specialized trade fairs for your product sector is an extremely effective way of recruiting importers.

Next, I will outline the benefits of

exhibiting at industry-specific trade fairs in Japan.

In Japan many wholesalers visit trade fairs. If your product has appeal for the Japanese market it follows that these wholesalers will be interested in it. The most straightforward method is to ask a wholesaler for the name of the importer they do business with.

Many consumers and business experts such as wholesalers, retailers, and importers visit trade fairs in Japan. This provides you with excellent opportunities to find out what type of reception your product is receiving on the Japanese market and to use the information you have gathered when making product refinements for the Japan market.

I have written about access to the Japanese market for the past year. Due to space limitations I have unfortunately not been able to go into greater detail here, however, How To Books Ltd. in the U.K. (Plymbridge House, Estover Road, Plymouth PL6 7PZ, U.K.) is publishing my book *Selling into Japan*. The book contains all of the information and advice you will need to sell into the Japanese market and I believe that you will find it of interest.

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