

Interview with Richard Collasse: President of Chanel K.K.

Interviewer – Tsuchiya Hiroshi

Tsuchiya: Could you please give a short history of your company's relationship with Japan?

Collasse: I can make it short, but it is a long history. We were already selling "Number 5" perfume in the 1930s. Honestly, we don't know exactly how that product was introduced to Japan. Probably someone went to France to buy some, and sold it in Japan. After the war, some people told us that their mother or grandmother was already selling Number 5 at their small perfume shops. Then we had a Japanese agent for a while. It was a small agent and we finally decided to switch to a Swiss company which had been in Japan for a long time. This was a small trading company, and at that time they were handling a lot of luxury businesses. They were selling Cartier, Bally, Rolex and Hermès perfumes, so they started the Chanel business. That was in the 1970s. Then we decided to set up our own company, Chanel K.K., here. Chanel Japan was established in 1980, and since then we have been taking care of all the business of Chanel – the fashion business, fine jewelry, watches and cosmetics.

Tsuchiya: How large is your Japanese network?

Collasse: We have of course the Tokyo main office, and we have an office in Osaka. We have a warehouse facility, which is in Kashiwa, Chiba Prefecture. We have a network of 170 cosmetic counters, which cover all the



Richard Collasse says there are more Chanel boutiques in Japan than in France

top quality department stores in Japan. Besides that, we have 34 Chanel boutiques, which is the highest number in any country. We have more boutiques in Japan than in France.

Tsuchiya: How many boutiques do you have in France?

Collasse: Actually we do not have so many because of the disparities between our own distribution system and that of French department stores. We probably have only six or seven boutiques in France. So you see we have a big number of doors in Japan.

They are either in department stores, or in what we call "free-standing boutiques." Even in boutiques in department stores, we use our own staff. It is our stock. The department stores are like real estate for us.

On top of that, we now have 10 boutiques selling fine jewelry and Chanel watches. It is a big network. As for the number of employees, today we have about 1,300 people.

Tsuchiya: How would you assess your recent business performance?

Collasse: We are doing very well. Our business has been growing sharply for three consecutive years. Actually, Chanel Japan has always been growing since it was established. We only had flat years in 1998 and 1999, and we took some action to change that, and since 2000 we have had big increases. Two years ago, we saw a 30% increase company-wide. Last year, we achieved 18% growth, and this calendar year our budget gained another 12% increase. So, you know we are in a momentum of growth, which is company-wide growth. But we are not adding shops. It is really the growth of the existing network.

Tsuchiya: Chanel is probably one of the most successful foreign companies operating in Japan and the Asian market. What is the secret of your company's success?

Collasse: Well, I think one of the secrets of Chanel has always been "do

it ourselves.” We have a fully vertically integrated operation system, and this is actually following the example of our headquarters in France. Chanel is a unique company because we do our business activities in-house. We do the advertising activities, and sell products by ourselves. We try to sell to the end consumers by ourselves. So, in Japan we follow that. Everything is integrated. We never use wholesalers, for example. In the department stores where there are Chanel cosmetic counters or boutiques, our own staff sell our own products. I think this is the key reason for our success, long term if you will. Actually, a lot of companies sell or buy products through wholesalers, or license other agents to deal with their products. Without doing so, we can be a unique company, together with Louis Vuitton and Hermès. I think this is the key secret if I may say so.

Now, among our other secrets, we try to be as close as possible to our Japanese customers in order to understand their needs. Japanese consumers are extremely keen, very demanding. They are right to be demanding because our products are very expensive and we are always trying to improve the quality of any single aspect of our activities. It is not only the quality of the products. It is also the quality of our services, appearances and the messages that we pass on to our customers. This requires a lot of work. For some people, “Chanel” means a “comfortable and easy life,” but it is not true. We need a lot of work to keep the brand as it is, that is to maintain the integrity of the brand. There is no big secret, but there are a lot of small secrets.

Tsuchiya: *Did you have any major difficulties?*

Collasse: We have never had really big problems. Cosmetics is the only part of our business that is subject to the pharmaceutical regulations of the Ministry of Health, Labour and Welfare. However, we never find difficulties in coping with the regulations in Japan. If you want to sell

your products in Japan you have to cope with its regulations. It is true that it was probably less easy 20 years ago than it is today because the regulations have been relaxed. There are still things that we can do in Europe, but cannot do in Japan. We have to produce some products using some special ingredients that you would not have to use in America or Europe. We have some products that were developed according to the specifics of the Japanese laws. We have to follow the saying “Do in Rome as the Romans do.” Of course there are some products that we would love to sell in the same way as we do in Europe or the United States, but it is difficult because of the regulations.

Tsuchiya: *Do you have any other advice for the latecomer?*

Collasse: Well, yes. I would suggest that foreign investors coming here should conduct a very precise study of the market, and bear in mind that this is a big market. This is the second largest market in the world after the United States, and it is a market where you can obtain a response from consumers very quickly. Therefore, you have to prepare. Many times in my career, I have seen companies that just started thinking after they arrived in Japan, and were actually doing business in conventional ways. Then all of a sudden big problems would come up and they were not able to deal with those problems because back home they were not ready for them. So, you have to be ready. You also have to be patient because it will take time to settle business matters here, more time than in other markets. But once you start a business and once people are confident in your products, you will fulfill the needs and requirements of the market. And you have to always seek for the best quality, in everything you do. If you do not keep delivery dates, for example, your company would not be regarded as a good one. You have to be really ready to live up to your commitment. This is very important in Japan because you could lose the

confidence of your customers very quickly. It takes time to gain confidence, but once you have it you will keep it forever unless you become very unprofessional or not very serious.

Tsuchiya: *What are the main characteristics of the Japanese market?*

Collasse: First, it is a very homogeneous market. It is not like America where in some places you have to address the customers in Spanish, for example. Geographically speaking, Japan is a small country, but it is a big country as a market. Also, Japan is a compact country. If you do business in Tokyo and Osaka, that means you cover more than 50% of the market. In that respect I think it is a very interesting market. Because of this compactness, you also have to keep in mind that information flows very quickly. This is one characteristic. The other characteristic is that the Japanese consumer is very, very demanding, as I stressed before. For instance, a car manufacturer once said that this is the only country in the world where customers who want to buy a car would spend three hours looking at the details of the car and making sure that the paint is of good quality. If there is a scratch, that is not a good car. I always recall an experience I had when I was younger: one day a customer came back with a dress and claimed that there was a little thread at the bottom of the dress. A sales girl told me that the customer was not happy because this was not a good product. I said, “What is wrong with the product?” Finally I found the thread. I said to myself, “If I was a French lady buying this dress I would notice the thread, but I would take a pair of scissors and cut it. If I was an American customer, I probably would not notice the thread. If I was a Japanese customer, I would say I spent a lot of money for this dress, but there is a piece of thread that should not be there, therefore this is not a good product.”

I am not saying who is right or who is wrong. I think the Japanese customer is perfectly right. But this is a fact. It is a

© CHANEL



very strong characteristic of this market. At any level the customer is very demanding. So, you must be perfect.

Tsuchiya: *What is the importance of the Japanese market for Chanel?*

Collasse: It is a very important market for many reasons. First of all, Japanese consumers understand our products. They understand what is behind a product. Many Japanese think that a product has a soul. On the contrary, in America, people tend to think that a product is just a “product.” In Japan, for example, there are living treasures, and people have the craftsmanship mentality. That is why, I think, people understand the value of our products. For us, this attitude is very important because we put a high value on our products. It takes many, many years of craftsmanship to make Chanel Number 5. This is a country where people understand this.

Another reason for the importance of the Japanese market is that it has forced us to become more quality minded, not only in the products but in the services as well. Sometimes we had to teach our French headquarters that we have to deliver on time. Japan is the second largest market in the world for cosmetics. It is the first market in the world for fashion. And Japan is a really rich country. Even if the Japanese say they are poor, I think the Japanese are very rich. They own 30% of the total savings of the world! As far as Chanel is concerned, Japan takes a big share of the global market. The Japanese are also traveling a lot and enjoy shopping overseas. So, for all these reasons, Japan is a very vital



market.

And there is one more important reason. Japan, in my opinion, is the hub of Asia. Everybody in Asia looks at Chanel in Japan before looking at Chanel in other Asian countries. Japan is Chanel’s window on Asia. This is very critical because Asia is becoming a major market for luxury products.

Tsuchiya: *Prime Minister Koizumi Jun-ichiro recently announced that he wanted to double the cumulative amount of foreign direct investment (FDI) in five years in Japan. Do you think this is possible?*

Collasse: I was invited to a lunch on Jan. 17 with Prime Minister Koizumi to talk about FDI, and I think I helped to convince him that FDI is extremely important for Japan. I was very happy to see that he understood my opinion very well. We know that the ratio of FDI to gross domestic product (GDP) in Japan is just 1.1%. If you look at the average for the Organization for Economic Cooperation and Development (OECD) countries, it is 17%. Taking the example of France in 2001, it was 54% of global GDP. There is a lot of FDI in France. So, is just doubling the amount enough? The answer is no. Of course we need a big effort to double it, and I think we have to praise Prime Minister Koizumi and the Japanese government for taking that very bold stance. As a European, and as the representative of the European Business Council, I have to encourage Prime Minister Koizumi and Japan’s administration in this direction. I think it is very courageous to do so.



Tsuchiya: *What kind of policy tools are efficient?*

Collasse: I think there are two big pillars. One is the effective promotion of FDI. The Japan External Trade Organization (JETRO) has already started to do that. They inaugurated the “JETRO Invest Japan Business Support Center” in Tokyo’s Akasaka district. I attended the opening ceremony, and now I know they have chosen eight countries that will be given priority for the promotion of FDI. These include Germany, Britain and France. Showing those countries how important Japan’s market is and giving them information on how to invest is one pillar. But it is not enough. There is another big pillar, which is regulatory reforms.

I would like to take the example of Ireland. Ireland has taken very bold steps to change the regulations of the country so that they would welcome FDI. I think promotion itself is not enough. Of course promotion is very important, but you also have to create an environment which is open to FDI. I have to say that in Japan there is still some work to be done. There has been a lot of effort by the government and ministries in the past five years. But we need more effort to improve the business environment in Japan.

Tsuchiya: *Are you enjoying your life in Japan?*

Collasse: What do you think? I have been here for 30 years! This fact means that if I did not enjoy this country I would not be here. My wife is Japanese, and I have children. They are educated in Japanese schools, and



Photos : Chanel K.K.

Japanese universities.

I love the tradition of Japan, I love the culture of Japan, I love the history of Japan, I love the courtesy of the Japanese. You know it is my second home here.

Tsuchiya: *What do you think about the Japanese educational system?*

Collasse: Well, I would say that the Japanese system of education and the French system of education have some similarities. The Japanese system of education probably regards creativity as less important. France is more or less the same. I think the Japanese system, globally, is not a bad system. It has to improve in certain areas such as foreign languages. I think Japanese schools should introduce programs for the exchange of children. Send children abroad – that is the only way to really improve the language ability within a few months or a few weeks.

Tsuchiya: *What are your views on the future of the Japanese economy, and the country itself?*

Collasse: Promising, definitely. It is true that Japan is in a crisis today. But it all depends on what you call a crisis. People who never come to Japan might have the impression that Japan is a dead country. But once they arrive in Tokyo, they would say “Where is the crisis?” New buildings everywhere, the cars are beautiful, the restaurants are full of ladies. Where is the crisis? I think it is a structural crisis. Some companies are doing very well, while some are doing poorly, but, by and large, I think it is a very healthy market.

Consumers are very healthy. I am not saying only wealthy, I am saying healthy. Japan is also a very creative country. Therefore, although it has been in a big economic crisis for more than a decade, the Japanese market is still the second biggest in the world. You cannot neglect it. I believe in the qualities of Japanese people, who are hard working. So are the young people. The older people like me say the young Japanese do not work as hard as the elderly population. This is partly true, but according to the global standard, they are very hard working, and very serious. A number of Japanese youth have a very high level of education, and their technical level is very high.

Moreover, the amount of money spent on research and development in Japan is huge, and it has excellent infrastructures. I am sure Japan will definitely overcome its problems, and maintain a promising market.

Tsuchiya: *The last question concerns Japan and other Asian countries, especially China. Do you think they are different or do they have something in common?*

Collasse: They have nothing in common.

Tsuchiya: *Are you responsible for Chanel's business in other Asian countries?*

Collasse: Not today, but I used to be. About 10 years ago, I worked in Hong Kong for two years. I was taking care of China, South Korea and Taiwan – almost all of the Asian countries except Japan. So yes, I can talk about the



A Chanel boutique in Tokyo's Omotesando district

contrast between Asia and Japan.

Japan is part of Asia geographically, but for me it is not Asia. It is different. Japan and China share a lot of common roots. They have geographic proximity, which makes it impossible for China and Japan to ignore each other. In spite of that, however, I do not think they are similar. Japan and China are very different countries. Their ways of thinking are different, and, of course, the characteristics of their markets are different. I do not think China and Japan are the same.

JTI

Richard Collasse is the president and the representative director of Chanel K.K. He is also chairman of the European Business Community in Japan

Tsuchiya Hiroshi is the executive managing director of the Japan Economic Foundation, and editor-in-chief of JTI.