

different in how our company works compared to all our competitors. Our margin structure is quite unique, our payment terms are widely divergent from the customs of the industry, and even the physical method of collecting each month is quite efficient from our standpoint but must seem cold and unfriendly to our customers.

We do not participate in programs devised by wholesalers to increase their sales at times they need additional cash flow nor do we offer them any of the usual opportunities to increase their profitability. On the other hand, we work hard at building our personal relationships and in explaining why we establish certain policies and follow somewhat unusual practices.

At times we have had awful battles during which the most influential wholesalers would threaten to boycott our products or we have implied we would take some punitive action in return, but these are family fights rather like a husband and wife who shout at each other over some triviality only to be remembered and commented on at a later time with amusement. Indeed, they become events which, in the end, contribute to the closeness and solidity of the relationship.

At the end of last year, I heard that our sales manager wanted to have a year-end party with the presidents of our top four wholesalers. These parties are part of the traditional Japanese activities and are a burden on everyone as they must attend

dozens of such events with old school chums, company friends, and business associates of all kinds. The month of December for Japanese is filled with nightly parties, far more alcohol than anyone enjoys and more morning hangovers than anyone can be expected to tolerate. Still, it is something no one can escape.

I suggested that it might be kinder not to add to the burden as company presidents particularly are required to attend too many functions of this kind. If one were held though, I wanted to attend because I personally like and appreciate these men. They accepted an invitation with alacrity, however, and one man traveled down from Tokyo for this one dinner. It was like a family reunion as we chatted, drank *sake* from one another's cups and reminisced on the big events of the past, laughing over the fights and expressing the sincerely felt appreciation for the basic relationship and our interdependence.

Sincerity and Determination

We are now branching out into a new field of distribution which will require the appointment of wholesalers who will overlap to some extent with our present wholesalers. They will not appreciate the new competition and will wonder if we are intentionally undermining that portion of our business that they depend on. In the end it will be all right if we continue to consult with our existing wholesalers to

get their understanding of what we are doing and why. We will sincerely draw them into the problem and get their advice and help, and rather than disrupt our existing network this process will contribute to the further strengthening of our relationships.

Is there a message in all this? Are the pointers to why some fail and some succeed evident? I think so. The key is sincere openness and character, both as individuals and companies, one to the other. Those that are looking for a quick deal, one time profit, or for the risk to be borne by the other party will be left with that last recourse of paranoiac complaint that 'the system' is rigged against them.

Finally, I can only speak of the industry that I know. I would not like to be an importer of fresh beef, sugar, tobacco or metal baseball bats. On the other hand, with the experiences I have had, I imagine even those things could be done in time if patiently explored with sincerity and determination. ●

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Nippon Vicks K.K., where he holds the presidency, is a wholly owned subsidiary of Richardson Vicks International, Inc. Its sales now exceed \$50 million and the business has been profitable for the last 10 years.

Personalized Marketing

By Hiroshi Takeuchi

"Small is beautiful" seems to be as true in consumer goods as in most other things since the oil crisis nearly a decade ago.

Because the oil crisis pushed the prices of steel, petrochemicals, and other energy-intensive materials sharply upward, manufacturers redesigned their products to make greater use of lightweight materials and to cut their costs. At the same time, the electronics revolution has now made it possible to use a tiny chip where massive computers would once have been needed. As a result, the entire look of our industrial society has shifted toward a lighter, thinner style.

This shift toward lighter products has reflected the shift in consumer preferences. In today's affluent Japan, most people already have a surfeit of consumer durables and other consumer goods. Consequently, there has been a waning of our

material acquisitiveness and possessiveness. Typical objects for this material acquisitiveness in the past have been automobiles and television sets. Yet most of us now have most of what we want. Of course, there are many things in the stores that we would like to have, but this desire is quickly transferred to other objects in a few days if we go without.

To be a proper object of material acquisitiveness, the object itself must be substantial and have a sense of permanence about it. It must be something which seems worthy of our lasting devotion, and something which enhances us with its possession. Yet in the absence of material acquisitiveness, we make our purchases not as part of a long-term strategy for improving our standard of living but as an almost impulsive act.

In a way, this material acquisitiveness

was a product of our less-affluent society. The housewives of an earlier age identified strongly with their rice cookers. These heavy cast iron rice cookers were their kitchen companions and their unflinching support. Yet today's rice cookers are electric-heated fancy aluminum gadgets, and there is little emotional attachment. They do not possess the sense of substance that the old-time rice cookers did and, readily purchased for their chicness, they are just as readily discarded at the first malfunction.

Changing Mores

Not satisfied with the light and convenient, today's shopper now demands a measure of creativity and an air of culture. For example, it is apparently fashionable for young mothers to come to afternoon PTA meetings in sports attire,



has been further accelerated as the spread of the supermarkets themselves intensified competition among them. New and fancier stores had to be built, and the higher overhead has meant higher prices that can only be justified with higher value added products.

These same trends have also afflicted the manufacturers and accelerated their shift to lighter and more lifestyle-oriented products. When material acquisitiveness held sway, people would beat a path to the better mousetrap maker's door. Today, he has to go out and aggressively sell that mousetrap.

Segmentation and Restructuring

Clothes are typical. The average woman owns 82 dresses and suits. There is no way that she could need more. To convince her to buy yet another dress, the manufacturer has to ensure that it is extremely fashionable, reasonably priced, and suited to her lifestyle. Unable to rely upon the stores. If something does not sell well in tageously or to provide feedback on customer reactions, the clothing manufacturer must now provide sales clerks for the stores. If something does not sell well in the Ginza department stores, it may be shifted to less fashionable areas. Moreover, the one-enviable broadening of a brand name's appeal has turned back upon the manufacturers. People today want a different brand for each market segment, and manufacturers are forced to produce and gain recognition for different brands for each age and social status group. This also entails an obligation to get up separate sales and distribution organizations and forces the manufacturer to integrate operations vertically for each brand. This same trend is segmenting the

and a tennis racket alone adds a touch of elegance.

Do-it-yourself-oriented Tokyu Hands boasts that its sales have grown 30% per annum over the last few years. There has been a definite increase in the number of people who enjoy working with their hands. This same trend is reflected in the popularity of personal computers as people seek to design their own programs or at least to work with the programs which are commercially available.

In a way, these trends may be characterized as a lusting after culture. Jogging, for example, had been decried as an unnatural sport pursued by sportily attired people in the middle of town to work off excess calories. Yet its adherents now far outnumber its detractors, and joggers are a common sight on the noontime streets of Tokyo.

Some supermarkets have not been able to keep up with these changing mores, and they face bankruptcy as a result. After expanding rapidly due to their emphasis on the rational distribution of uniform goods, supermarkets find themselves becoming increasingly like the department stores which they displaced. As society became more affluent, people became dis-

satisfied with purchasing the same standardized products. They want diversity, and since there is a limit to how much any one person can wear or eat, the stores are forced to carry increasingly specialized and market-oriented products. This trend

Large vehicle-free spaces, modern dining facilities, fashionable speciality shops plus easy accessibility. If an area can satisfy all these conditions, it will be sure to draw customers and thrive. Lala Port in Chiba Prefecture is one good example.



retail industry as each shop must specialize in catering to a particular market stratum.

At the same time, there is a restructuring as stores branch out to sell not other kinds of the same product but other products which would appeal to the same customers. For example, a sports shop which sells skis now sells ski wear as well. This is also true in the high-technology fields. For example, stores wanting to sell personal computers have to have the specialist expertise to explain these advanced products to potential customers, and this has given birth to a whole new category of special-product stores. Likewise, there are now major stores which specialize in lighting fixtures, and others which sell nothing but audio equipment. The trend to lighter and more personalized products is therefore expected to further segment the retail sector.

"Just browsing" has now become an accepted way to spend a leisure day, and there are a number of conditions which must now be met if a shopping area expects to grow in the next few years. It needs trees and a garden-like atmosphere, complete with water sculpture. There must be large vehicle-free spaces where people can congregate and mingle. Modern dining facilities are a must to complement the fashionable specialty shops. The area should be easily accessible, and there should be cultural and sports facilities not far away. In short, it should have an aura of culture and appeal to all.

If an area can meet all of these requirements, it will surely draw customers and thrive. Just as obviously, however, it is unrealistic to expect every shopping area to satisfy all of these conditions. Instead, each area will have to decide for itself which of these conditions must be met and which can be dispensed with in light of the clientele which it hopes to attract.

There is a segmentation under way in the retail sector. One segment is moving toward mass-distribution of everyday necessities. These are the superstores which are pursuing still further cost-cutting. Another segment is the department stores which are trying to upgrade into more fashionable and more personalized items appealing to more sharply defined market segments. Yet another is the urban superstores which are gradually taking on the appearance of boutique circuses as they attempt to attract more fashion-minded customers. Then there are the small personalized shops which draw nourishment from the cultural aura clinging to their urban commercial locations and which thrive on their ability to provide specialized and expert service. Fifth are the older stores in the older commercial areas which survive on the inertia or former behavioral patterns. Sixth are the convenience stores and their kin which are located in residential areas and which offer all-night service

NEW MANUAL EXPLAINS JAPANESE GOVERNMENT PROCUREMENT

US\$5 billion of the goods purchased annually by the government of Japan are open to foreign bidding. Would you like a crack at them?

Your firm is eligible to bid, provided it is located in a country sharing a Most Favored Nation (MFN) relationship with Japan.

An English "Procedure Manual for Tenders to the Government of Japan" was recently published in Tokyo by Procurement Services International, K.K. The author, Robert F. Connelly, also the president of PSI, said, "I was aware of the opportunities for foreign businessmen about to be opened. In December 1979, Japan signed the Government Procurement Code at GATT, and it went into force on Jan. 1 1981, greatly increasing the transparency of government tender and vastly expanding the eligibility of foreign suppliers to submit tenders. The objective of this manual is to provide sufficient data in English so that prospective bidders would know what to do and how to do it."

The manual contains step-by-step in-

structions on how to prepare and submit tenders to the government of Japan. An "NTT Annex" provides data specific to supplies purchased by Nippon Telegraph & Telephone Public Corporation. There are also 14 annexes, including a list of the addresses and telephone numbers of over 100 purchasing agencies, a compilation of items purchased in fiscal year 1981 (broken down by agency), a list of embassies, trade commissions and interested agents in Japan, sample tender notices and sample prequalification notices, a complete copy of the GATT government procurement code, a list of collateral publications, etc.

Japan is implementing the code on a "Most Favored Nation" basis, so firms in countries which have not signed the GATT code may also submit tenders.

In addition to regular commercial sale, the manual will be distributed by the U.S. Department of Commerce, and the Canadian and Swiss trade promotion offices. The EC commission will publish the transcript in seven European languages this spring.

in a tightly controlled range of products.

New Directions for Distributors

As the older patterns of consumption fall by the wayside, the power of the distributors is also on the wane and the ties between manufacturers and retail merchants grow stronger. While it might appear in some sectors that the retail channel from manufacturer to consumer is growing shorter and thicker, the trend in most sectors is to shorter and thinner distribution channels. At the same time, the weakening of people's material acquisitiveness means that customers are more fickle today, and there is more need than ever for distributors to help share the risks with manufacturers and retailers. In these sectors, the distribution channels may even get longer and more complex as a result.

One of the sectors with the most direct distribution is automobiles. Even here, there are definite performance differentials showing up between those dealers which have highly efficient operations and those which are less efficient. Likewise, there are a number of places in the automobile distribution structure where the manufacturers are providing downstream people and the distribution channels are much longer than they seem at first. The bulk of automobile sales are clinched by

salesmen in one-on-one encounters with customers. And the more cars that are sold, the greater are the advantages of scale accruing to the automaker.

The city is a culture in its own right, and commerce and services are the heart of the city. If the distribution sector can join with urban developers and the municipal authorities to create a truly cultural atmosphere, it will naturally draw sophisticated urbanites from other areas. The good taste and ability thus assembled will further stimulate state-of-the-art industries and spur the city and its citizens to greater development. Distribution will then sow the seeds of new innovation and production, completing the circle of our lives in fulfillment. ●

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Takeuchi, 52, joined the bank in 1954 after graduating from the University of Tokyo.

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