

From Rolls Royces to Pork Pies — Cornes and Co. Makes It Work in Japan For 121 Years

By Darryl Gibson

Darryl Gibson, born in London, Ontario, Canada in 1947, is currently Tokyo correspondent for The Canadian Press and a deskman in the International Department of Kyodo News Service. He came to Japan in 1979 and worked as a teacher and freelance journalist before joining Kyodo.

Prior to that he worked for several years for The Spectator, Hamilton, Canada, as a reporter and deskman. He has also been a freelance writer in Europe and has worked in radio and television.

The Japanese marketplace has gained, fairly or not, a reputation for being one of the toughest places—especially for foreign companies—in the world to do business.

Invisible trade barriers, tariffs, taxes, the distribution system and many other factors have all been cited as examples of why the market is so seemingly impenetrable, but companies can, and indeed do, doing succeed in here.

The task is by no means impossible, but neither is it easy.

Cornes and Co. Ltd., a medium-sized British trading company attached to the Hong Kong-based Wheelock Marden Group, has been busily making inroads here for more than 120 years.

"If that's a basis for success, then we are indeed successful," said Merrick Baker-Bates, Tokyo general manager (commercial) of the firm.

"We are indeed one of the oldest British, foreign, companies doing business in Japan. But let me tell you, it has been a hard slog.

"Business in Japan has always been hard slog and we've certainly had our share of setbacks and disappointments," he said in a recent interview with the Journal of International Trade and Industry.

Tokyo branch manager Stephen Jones, also a Briton, concurred.

"It's a matter of niches. Everything we



Merrick Baker-Bates, Tokyo general manager of Cornes and Company Limited, a medium-sized British trading firm

handle is special in some way—it has to be—and that's been the way we've been able to do business for so long."

Searching for Niches Since 1861

Since Frederick Cornes, a British silk merchant, opened shop in Yokohama after moving from Shanghai in 1861, Cornes and Co. has been searching for niches.

From the initial trade in silks and tea, the company has expanded to an enterprise with about 380 employees, the vast majority Japanese, and now has about a 50-50 split in business between insurance underwriting and broking and trading.

On the trading side, Cornes has carved niches in a diverse number of areas rang-

ing from Ferrari and Rolls Royce motorcars to pork pies and pizzas.

Between the extremes lie imports of British Admiralty charts, marine and industrial electronics, aircraft, avionics and agricultural machinery, among others.

Primarily an importer into Japan, Cornes has had its share of run-ins in the marketplace, the two expatriate managers said.

"It's been hard for 121 years. We're not coining money as sole agents, to put it that way," Baker-Bates said, touching upon a particularly difficult area of business here.

He said recent criticism of the sole agent system by the Ministry of International Trade and Industry (MITI), among others, really hit a nerve with many for-

eign traders.

"There have been attacks on the sole agency system by ministers and senior officials which, I think, are frankly ill-conceived and misunderstand the situation in the market.

"They feel that sole agents are making exorbitant profit on imports. I can tell you now, absolutely first hand, that is not the case."

Sole Agents: Little Understood Work Horses

Baker-Bates said that no matter what you are introducing into the market, there is a certain "gamble" involved.

"You've got to spend a lot of money investing in the future of that product in order to get the sort of profits from that product you may want to plough back into advertising or whatever.

"I think that sole agents are really the only people who can do that effectively.

"You've got to realize that the profit motive is still something that looms very large in businessmen's minds...

"I think frankly it's a misunderstanding of how products are actually launched in the market to think that sole agents make exorbitant profits and therefore we should encourage a number of agents to import the same product, with competition reducing price as a result. Moreover, Japanese companies themselves support the sole agency system," Baker-Bates said.

"To be quite frank on that very point, I don't think hypocrisy is too strong a word to describe the fact that you have MITI obviously knowing exactly what Japanese industry is doing overseas in terms of the sole agency system and at the same time saying that is not the thing to be done here because the importers are making excessive profits. It's just not true," Jones emphasized.

Both suggested strongly the reason a company like Cornes has been able to carve its niches is because the sole agent system has allowed them to identify markets, get a product and promote it.

"If you have 10 companies importing the same product, no one is going to try very hard to promote it, because there is nothing in it for them," Baker-Bates suggested.

But sole agency is not the only factor behind the company's long history in Japan.

"We work very hard," Jones said simply.

Japanese Management, British Style

That hard work involves a system of management refined over the years into a Japanese style—there are five foreigners



Stephen Jones, Tokyo Branch manager of Cornes and Company Limited

and 380 Japanese in the firm—that includes things like lifetime employment, bonuses and so forth, but also features an open promotion system and plenty of room for creativity.

The foreigners, Chairman Peter Hewett is a good example with 32 years in Japan, are also committed.

The majority speak Japanese and all are here to make their homes and careers.

"But I don't think speaking the language is necessary for success here. In cases where an executive is here for a four or five year assignment, it's simply not practical," Jones, a Japanese scholar, said.

"He doesn't have the time and, in many situations and many companies, it just isn't important."

The Japanese staff are recruited in several ways, often from universities as company freshmen.

"But here they do something, get more responsibility, much sooner than in a Japanese firm," Jones said.

English is not a requirement to join the firm, but employees expecting to move up must learn the language at some point.

Another secret of Cornes longevity, the managers said, is that Cornes does not shout about its "foreignness," but doesn't try to hide its roots either.

"We feel our small British nucleus contributes to make a unique Japanese company," Baker-Bates said.

As to advice to others trying to succeed in the Japanese market, both men said there was little to say.

"There's no secret. It's common sense and hard work," Jones said flatly.

Overcoming Misperceptions

Jones said one of the main areas to be overcome is the plethora of misconceptions and preconceptions on both sides.

The Europeans think the market is too tough, the Japanese think they are unique and neither is really true, both men said of their experiences here.

"Many think the government can do much to promote imports here, but the idea (of Japan Inc.) has got to go.

"Business is best done between businessmen," Baker-Bates said.

They said there were a number of business and management consultants available to give marketing and other advice to foreign companies, but that often the prescription for success is simply too expensive for small and medium-sized firms.

"So we are making niches," Jones concluded.

Cornes and Co. Ltd. is a subsidiary of the Wheelock Marden Group of Hong Kong with offices in Sapporo, Tokyo, Yokohama, Nagoya, Osaka, Kobe and Kitakyushu.

The chairman is British, the managing director Japanese, and the board has two Japanese and three British members.

Cornes is Hong Kong registered, but has a British associate and several Japanese subsidiaries.

It is capitalized at ¥150,000,000 and does both insurance and trading business in Japan.

Established in 1861, it is one of the oldest foreign firms in Japan.

The main products in deals with are electronic components, electronic equipment, electronic testing instruments, consumer goods, aircraft, electronic navigation equipment, British Admiralty charts, essential oils, foodstuffs, Rolls Royce and Ferrari automobiles, industrial machinery, liquor and agricultural machinery.

The Import Sole Agent System

The import sole agent system has advantages not only for the foreign exporter and the sole agent but also for the ordinary consumer. The system makes it easier for the consumer to procure foreign products and also ensures him after-sales service. On the other hand, an undesirable aspect of the system is that the sole agent's monopoly sales right makes it possible for him to control distribution and manipulate the market supply and price. In Japan at present, it is not possible to prevent persons other than a sole agent from importing the same products as those handled by the sole agent.