

# The Japanese Market: Not as Hard as it Sounds

Interview with François Berger,  
president of Pechiney Ugine Kuhlmann (Japan),  
by Alfred Smoular

There is no reason for any foreign company to be afraid of tackling the Japanese market just because it is different and perhaps more difficult than any other in the world. Success comes through long-term commitment and determination, accepting inevitable ups and downs, as well as a willingness to learn and adapt constantly.

This is how one leading French industrial and trading conglomerate sums up its experiences after 15 years of operating in Japan.

Pechiney Ugine Kuhlmann (Japan) is part of one of the most powerful industrial groups in the world, with interests spreading across such major fields as aluminum, ferrous and copper metals, fine metallurgy, chemicals and nuclear energy. At last count there were 112 companies in the PUK Group operating 200 industrial facilities, 150 of them in France, employing about 51,000 people in France and another 20,000 overseas. The group claims to handle currently some 10% of French exports to Japan. Exports from its activities in Japan represent a similar percentage of its activities. Its heavy involvement in two-way trade has enabled its expatriate officers to gain significant insights into the differences between the Japanese and French ways of doing business. After five years in Japan, François Berger, president of the Japan operation, spoke of his experiences in a wide-ranging interview.

**Smoular:** When did PUK establish an office in Japan?

**Berger:** We started in 1957, establishing a company in Osaka to sell tubes. The reason for choosing Osaka at that time was because it was the center of the textile industry. But after we extended our operations extensively into other fields we established a head office in Tokyo in 1970.

**Smoular:** Could you briefly describe your activities in Japan?

**Berger:** Our primary function is to sell products manufactured by the group, either in France or in other countries, including other parts of Europe, Africa and the United States. Another function is to provide the group with certain Japanese products, such as raw materials. We



François Berger, president of Pechiney Ugine Kuhlmann (Japan)

also buy and sell technology. But I should mention that we no longer work simply for the PUK Group. These days we also handle business for other companies.

**Smoular:** When did this business diversification begin?

**Berger:** About five years ago. It is an ongoing process and I would say that turnover on behalf of non-group com-

panies first became significant about three years ago. We don't like to provide specific details, but our total sales in 1982 are estimated at around ¥35 billion.

**Smoular:** How does this compare to the previous year?

**Berger:** It is about the same level. But you should remember that we are dealing mainly in raw materials, and their prices



went down sharply during the year. In terms of turnover, therefore, we are about on par with the previous year, but in quantitative terms there is an increase of about 20%.

**Smoular:** Do you sell directly or work through agents?

**Berger:** Our basic philosophy is to avoid intermediaries and maintain direct contact with the market, with the end-users. On occasions, the end-user may nominate one of the *Sogo Shosha* (trading companies) to actually handle the deal. We would naturally accede to the wishes of the customer in such cases. But we will already have established direct contact with the end-user.

**Smoular:** You have very close links with a leading Japanese company, Showa Denko. What exactly is involved here?

**Berger:** In 1972, we created a joint ven-

for companies dealing in consumer goods rather than industrial products. Because we are not involved in consumer goods, I think the distribution system is much easier for us.

As I mentioned earlier, we wish to maintain close contact with the end-users of our products, because we feel this is the point where we can obtain good information about the market—not so much on the actual dealing but on what should be developed in the future. This method of dealing direct with the end-user seems quite satisfactory. We use the traditional channels like the *Sogo Shosha* only when the end-user specifically desires it.

**Smoular:** Fluctuating foreign exchange rates are a constant headache for businessmen today. Have you experienced any particular problems?

**Berger:** This is a question that involves



Showa Savoie's plant in Nagahama

ture between Showa Denko and the PUK Group which is called Showa Savoie. In 1980, we effectively repurchased part of the shares owned by Showa Denko, so that the ownership of Showa Savoie—which produces carbon products for the steel and aluminum industries at a plant on the island of Shikoku—is now 90% PUK and only 10% Showa Denko.

**Smoular:** It is common these days to speak about the difficulties that foreigners, particularly businessmen, have in Japan. Many people have talked about the difficulties of doing business through the complicated Japanese distribution system, for example. Each company has a different story to tell, so I wonder what has been your experience?

**Berger:** Well, it is certainly true that the Japanese distribution system is different from other countries. But I must say that the difficulties might be more important

our basic philosophy. We consider that if you wish to sell something you have got to make an effort to offer the customer something different from others. This can involve the product itself, its quality or the service that you provide the customer. The exchange problem is a service that we take on our own account in order to free the customer of such worries.

**Smoular:** What about financial or other problems that occur because of changing conditions after a contract has been signed?

**Berger:** Well, we do not run any risks that can be considered avoidable. There are situations where it is easier or more difficult to sell. It is well known that the Japanese market is one in which you must deal on a long-term not short-term basis. One day you will suffer, another day you will gain. In the long-range, however, there should be a balance.

I think we have taken a rather unique approach to the market here. We are among the aluminum producers in the world who, from a commercial point of view, are the best established because we created this relationship with the customers which, I would say, is probably one of the best.

**Smoular:** In recent days, some sensitive problems have cropped up between France and Japan. For example, there is the "Poitiers affair" involving an attempt to restrict the inflow of Japanese videotape recorders. This has caused resentment in Japan. Have you experienced any change lately in the attitude of the customers or administrative authorities towards you as a French company?

**Berger:** Well, I'm not a politician so I do not want to comment on the French measures. But we have not suffered from any measures taken by the Japanese authorities since the problems you mentioned. Once again, I must stress that we are not in the consumer goods sector, and the so-called non-tariff trade barriers or import habits do not apply to industrial products. All the major producers of the world are in Japan trying to sell, and we have to be competitive either in the quality of the product or the accompanying services.

**Smoular:** Leading on from that, do you regard Japan as being more closed than other countries in regard to either official or non-official barriers?

**Berger:** This is a question which is often asked. I used to say that one of the most important of the so-called non-tariff barriers is the cultural one. Many foreigners, including French people, especially when they are staying here only for a short period of time, meet Japanese fluent in English and who have lived abroad.

After a few days, they get the impression that there is really no difference between Japanese and Americans. The tendency, then, is to deal with the Japanese exactly as they would Americans. But after you have spent a little more time here, it becomes pretty obvious that this is a tremendous mistake.

Another difficulty we have, especially in activities like ours, is to establish a strong bridge between the cultural systems of Japan and Europe. This is one of the reasons we have a relatively high number of expatriates in our organization in Japan, whose main function is to translate one word, one concept into another, so that it becomes understandable to both sides. We have five expatriates and 100 Japanese employees. The expatriates come to Japan on the understanding they will stay at least five years. At the same time, our Japanese staff study French and also visit France on occasions.

**Smoular:** Could you discuss a few specifics of this cultural gap?

**Berger:** Well, there is an easy one: we in





the West are very much influenced by the short term, which is not the case in Japan. So you have to make this fact understood clearly by both sides. There are many other examples. The decision-making process is also something that differs in Japan from the practice of other countries. I think it is the duty of the expatriates living in Japan to explain these differences to each side.

**Smoular:** Do you see some progress overseas in understanding Japanese methods? Conversely, are the Japanese gaining a better understanding of the way other people do things? There has been much talk recently of other countries borrowing some of the Japanese methods.

**Berger:** Well, there has been a lot of progress made in mutual comprehension. Now, I don't know if Japanese have to accept Western habits or if Westerners have to adopt Japanese habits. But probably this process of mutual comprehension will involve each side borrowing some things from the other. I think this will be a long process.

**Smoular:** Do you have any suggestions for Japan? As you know, the Japanese like to listen to the opinions of others about themselves.

**Berger:** Each organization has its own problems and it is difficult to find global solutions. What we in the French Chamber of Commerce, where I hold the chairmanship, try to do is to establish a good relationship with different Japanese organizations in order to be in a position to bring specific problems to their attention for hopeful solution. I do not think that, in the present stage of evolution of the situation of foreign companies in Japan, there are universal problems to be solved. I believe we have more specific problems which largely relate to each product we deal with. The Japanese have

been saying this, and we agree, that the best way is to find someone to whom we can ask specific questions on specific problems. We have been fortunate enough to start this sort of relationship, especially with the Ministry of International Trade and Industry.

**Smoular:** There seems in the world nowadays, especially in regard to Japan, an atmosphere providing more for complaints and recriminations than for constructive steps.

**Berger:** The Japanese are making attempts to overcome the trade imbalance problem. But, once again, in Japan it is useless to expect something to develop rapidly, when everyone is thinking always from a long-range viewpoint. The main problems are linked with the cultural barrier I have already mentioned. And I don't see how Japan could change its cultural environment just for the sake of pleasing the West. The problem, therefore, is transferred into the hands of the Westerner to adapt to the Japanese environment. Efforts must be made on both sides. If we Westerners do not make sufficient efforts we will not be able to solve the problem. Obviously, it is more difficult here than in other countries. But this makes it a task well worth the effort.

**Smoular:** There is a feeling here that in many cases Japan is being made the scapegoat for the business problems of others, ignoring the interests of the consumer.

**Berger:** The problems now being experienced by Europe are very great. There is the problem of extremely high unemployment in every country. It is a critical situation in which people sometimes lose their nerve. I don't think the answer is to curb Japanese imports. The right answer is the willingness of French industry to try and export to Japan. But after all, this is not a particularly old market as far as the

West is concerned. The French economy was geared first to exporting to Africa, because that was the easiest way.

This was followed by America and the Middle East. Really, the French and Europeans in general only discovered Japan quite recently.

**Smoular:** What do you think would be a realistic approach to improving perceptions of the Japanese market?

**Berger:** First, I think the news media abroad should give a better image of Japan than the one now being offered to the public. It is amusing but sad to read of the many absurdities in French and European literature purporting to explain Japan. One ought to stress probably, from an economic point of view, the necessity of having a more realistic image, dispelling the fears of those—far too many—who are scared by the Japanese market. When we insist too much on the horrors of the distribution system or on non-tariff barriers, etc., people become discouraged. Industrialists in general do not have sufficient will to come to Japan. They think they will invest a lot of money without gaining any profit—which is completely wrong. The French Chamber of Commerce in Japan tries to arrange seminars in France on how to succeed in the Japanese market. The idea is simply to give French industry a better idea and more objective information about this market. The biggest effort, because it is the most difficult problem, has to go into erasing biased, erroneous ideas. ●

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