

Going It Alone in Japan

Interview with John Russell Lovatt,
president of Wedgwood Japan Limited
by Geoffrey Murray

When a proposed joint venture between Wedgwood Ltd. and its former exclusive local distributor collapsed at the last moment, the management of the famous British ceramics manufacturer did not hesitate—they decided to go it alone. Wedgwood Japan Ltd. under a British president, former export sales manager J. Russell Lovatt, was established in January 1983 and began business in March. It quickly established offices in Osaka, Fukuoka and Sapporo for wholesale trading in the full range of finely turned tableware and decorative products that have been the Wedgwood hallmark for more than two centuries. From small beginnings 20 years ago, Wedgwood sales in Japan have expanded rapidly in the past few years, an achievement which Mr. Lovatt attributes to a combination of hard work, sales staff enthusiasm and exhaustive study of the Japanese market and all its peculiarities.

Q: How did Wedgwood Japan Ltd. come about?

Lovatt: To put it into historical perspective, we began doing business with Japan less than 20 years ago. Before that it had been an extremely difficult market because of tariffs and other problems. We were approached by a Japanese distributor who wanted to handle our products and after careful investigation we agreed. I began coming to Japan about nine years ago and I proposed to Wedgwood that if we really wanted to develop the market we should be personally involved. We began a long process of negotiations with our local distributor which eventually led to a basic agreement to form a joint venture. But at the last moment they changed their minds for their own reasons, so we decided to go ahead on our own. We had a go and I'm glad to say we have done well.

Q: In the early years your sales were extremely small. What were the main reasons for this?

Lovatt: In those days, products like Wedgwood were sold really as industrial works of art with big price mark-ups. They were isolated in special areas of department stores for very special merchandise. The volume of trade was really very small. Business continued pretty



John Russell Lovatt, president of Wedgwood Japan Ltd.

much that way until five or six years ago. Then, things began to change and under supplier pressure, products like ours were taken out of the rarified atmosphere of those special industrial import departments and presented in a more realistic way. After considerable market research and careful thought and study of all aspects, we became convinced that to make real headway we had to share in the considerable investment required by way of stock as well as making other direct contributions to the way our products were being presented and sold in Japan.

Q: What sort of image for your products are you trying to project with the Japanese public?

Lovatt: We want them to have an image of high quality and tradition; products to be owned and used with pride, or to be looked at and admired in the case of our decorative items. I think that image is getting across well.

Q: What are the most popular items with the Japanese public?

Lovatt: By volume our bone china tableware is the biggest selling category. But we sell something of almost everything we make. Our decorative items in bone china and other ceramics are popular, and we also have a wide range of cufflinks and ladies' pendants and brooches which have proved very successful. Besides factories producing ceramic ware, we have two making crystal products. We are now doing market research and making our preparations to enter the Japanese market with these. But we want to get it right. We did our homework care-

fully with tableware, so we want to be equally careful in this case. I would guess we will start by mid-1985. We want to make sure we have everything right, including a smooth flow of products, for a proper market launch.

Q: Have you tailored your products to local tastes in any way?

Lovatt: No. We are selling our normal range of products, and we find that is what the Japanese public want and expect of Wedgwood. I think the classical tradition of our designs and shapes are part of the appeal of what we are selling. It's the British flavor that sells, so we haven't had to make any changes. But it is certainly a subject that we have discussed at length many times, with the general consensus being we should not do things specially for one market. It is a question we must continue to ask ourselves from time to time, of course, because the situation might change. But the current state of the market is that they wish to buy the items which the British, Europeans and Americans are buying and appreciating, and that is what we are presenting here. However, we do take into consideration Japanese standards and style in packaging.

Q: Your product promotion seems to be rather low key. I haven't seen any television commercials, for example. Where do you put the main promotion effort?

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Lovatt: Well, television advertising is not the right medium for our kind of product. It is the same anywhere in the world. The proper vehicle, we think, is the first class ladies magazine. Our advertisements regularly appear in the leading half dozen of such publications, which means the top 30% of the population by economic definition is exposed to our product name. Our spending in this regard is easily the highest among any imported tableware company, and our advertising budget this year is considerably in excess of all our rivals put together. Where to put the big promotion effort was one of the

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first questions we had to research in setting up this company. Advertising in Japan is very expensive so you have to know where it will do the most good. Our advertisements place strong emphasis on our history and tradition. You have to get some emotion into Japanese advertising, and we are trying to project a warm feeling of classical quality and elegance.

Q: *From personal observation, as well as comments from others, it would seem that your products are much more expensive in Japan than they are, say, in Britain. Is the high cost a problem for you, or does it, in fact enhance sales appeal?*

Lovatt: Basically, yes; but this is one of those situations that has developed over the years.

As I mentioned earlier, products like Wedgwood were first introduced to the market as industrial works of art with very high price mark-ups. This did not just apply to ceramics, but to a number of general categories of merchandise—fashion, high quality leatherware, crystal, watches, imported goods generally were all subject to high mark-ups. Wedgwood is no exception. Relative to our imported competitors, however, our prices are competitive; relative to other markets they are quite high. The price of Wedgwood products in Japan is a little more than double the U.K. price. But if we were to reduce the price we would be doing ourselves a grave disservice. It would be counterproductive without a doubt.

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Quite a high percentage of our products are sold as gifts, so when someone receives a gift of Wedgwood they are aware not only of the good quality and good taste involved in its selection, but also that it was quite expensive. Everyone knows the story of a certain brand of Scotch... they reduced their price and ruined their market. We have to bear this factor in mind. Given that we could reduce the price, I am not saying we could realistically do so because it is very expensive to do business in Japan.

We are operating as a Japanese company in a totally Japanese way through the normal distribution channels. We buy our products from our company in England and we have to stand on our own feet and operate profitably. So, the answer to your question would be that, yes, retail prices here are high but there is nothing unusual in that and the Japanese public is certainly used to it. Whether this will change eventually when more Japanese travel, see the lower prices overseas and start to ask questions, I really cannot say.

For the moment we have to operate relative to the market.

Q: *You mentioned earlier how you first dealt through an exclusive local distributor before setting up the present company. On reflection, knowing what you know now, would you have changed that approach in any way?*

Lovatt: We are very pleased with the way the situation has developed. I don't think we would have changed anything. We are free to compete totally now. But we had to go through an important learning stage via a third party. To have started cold would have been vastly more difficult.

When we finally set up the company we had an advantage that our products had already been exposed here, and our name was known to some degree.

Q: *Some foreign businessmen tear their hair out when they talk about the complexities of the Japanese distribution system. Have you experienced any particular difficulties?*

"One important point is that we have kept our supply lines as short as possible."

Lovatt: We have beaten the system by becoming part of it and operating within it. One important point is that we have kept our supply lines as short as possible. A lot of companies find that over the years they have got involved in very complicated supply situations: someone importing a product, selling it to a distributor, who appoints sub-distributors and even sub sub-distributors. It gets to be such a spider's web of distribution arrangements, with each stage adding on 20%, that it becomes very complicated and difficult.

One of the things we have always kept in mind is to keep it as simple as possible and deal as directly as possible. And, very largely, that is the way we are handling things. We deal directly with the department stores with our main product range. However, many jewellers and men's shops wish to sell our accessories, and as we are not geared up for that we deal through large wholesalers. One point I should stress is that we retain an interest in our products until they reach the end user. We don't just deliver them and promptly forget about them. We want everyone down the chain to be happy. This means training shop staff, demonstrations and Wedgwood fairs and all sorts of things to keep interest in the store. Just to put merchandise in the store is not enough.

Q: *How do you see your role in the Japanese company?*

Lovatt: I was very much involved in the early stages because we had to establish confidence in our customers and potential customers that we could give a service as

defined by the Japanese distribution system. So, I met hundreds of senior executives of department stores the length and breadth of Japan. I still travel a lot because it is an important part of my job to maintain customer contact. But the day-to-day business is conducted in typical Japanese manner by the local staff. My role is likely to change in the future, but I want to keep on leading while at the same time listening carefully.

Q: *What about staff recruitment?*

Lovatt: We were very fortunate in finding the right people. We used an executive search company to help and advise us in the initial stages when we found a number of managers, and they in turn recruited the rest of the staff. We now have almost 60 Japanese employees. On the sales side, the crucial area, we were fortunate in that our name was well known in the trade. When we advertised we had a terrific response and I think a lot of our competitors must have lost one or two people to Wedgwood Japan. Our future policy will be to develop from within, and from next year we will start recruiting college graduates. The young people we have got in the company now are a delight. They are interested in their work, enthusiastic and willing to work hard. And this has been translated into rapidly increasing sales. Two decades ago we had very modest sales of about £50,000 (approx. \$65,000) a year. Over a 10-year period they rose to about £200,000 (\$260,000). But in the last two years we have practically trebled that and the growth is continuing. This is highly significant because the overall market has been very stagnant, so we are gaining at someone else's expense. I think the fact we are doing our own thing, and the interest and excitement this has generated, is a major factor in the increased sales.

Q: *From your experience in setting up and running Wedgwood Japan what have you learned that you would like to pass on to others?*

Lovatt: When in Rome do as the Romans do may be an old cliché but it still fits. You have to look, listen, observe, learn and above all, don't complain. The Japanese didn't design their system. It developed over a long time. It's a cultural thing. I know some Japanese are critical of the system, but it still works. You have to live with this and get into the action. Again: look, listen, carefully evaluate your products relative to the market, and then do it. Another important aspect: a foreigner cannot expect to come here and work neat 9 to 5, five day weeks. For the first 15 months I did not have a single day off. I worked sometimes 18 to 20 hours a day, and so did a lot of other people in getting our company going. I am sure many Japanese have gone overseas and made the same effort, and that's how they have got on in business.●