

ProMinent Japan: Getting Profit Flow

By Nagami Kishi

I am convinced that sales this year will increase by 30%, though this is less than that of the last three years." So says Yoichiro Murata, president of ProMinent Japan. ProMinent Japan is a subsidiary company of ProMinent Dosiertechnik GmbH, a top German manufacturer of metering pumps and water-treatment machinery and systems.

The Japanese subsidiary, ProMinent Japan, was established in October 1988 and started its sales activity the following January. Murata, who had long been in charge of overseas business at Sony Corp., was installed as president. Before joining ProMinent, Murata was offered jobs by several foreign affiliated companies in Japan as a president or director. Among them there were big firms, but he preferred to join a new company. After hearing the name of ProMinent, he did some research on the company and visited the main office in Germany. Then he realized that ProMinent is a technically advanced company. Although it was the first time for him to sell products in the Japanese market, Murata decided to join the company.

Compared with the time when ProMinent sold through agencies, sales doubled in the first year, and increased fourfold during the second year. For the last three years, growth rates of 100% have become a matter of course for this company. This year's 30%, though rather smaller than that of the last three years, is still a big figure compared with other companies. This represents an extremely satisfactory business performance, and ProMinent Japan's financial situation has already returned to profitability.

In the first or second year, people from the main office frequently visited Japan, but now they seldom do so. "Our sales have exceeded the target. In such a case in a foreign affiliated company, the parent company leaves the subsidiary to act almost independently, I feel," says Murata. "During the period that we were doing

business through a trading company, our share of their total sales was very small, so we were not able to get much help. Therefore, even after we founded the Japanese corporation, we found that we were starting from scratch: we had to begin with a description of our company. We made the rounds telling people that since our product is good, at any rate, we would like you to use it."

The word "start" is used loosely here because at first the new company did not have a clue as to how to go about obtaining customers. What occurred in reality was the use of Murata's personal connections. Customers that looked promising were introduced, and in this fashion business began.

In addition to his personal network, Murata succeeded in using newspapers to get free publicity. He approached the writers of leading industry newspapers and succeeded in getting them to write articles. Murata wrote news releases himself, highlighting functionality and efficiency of the products. As a result, today two leading newspapers write an article whenever Murata sends them a news release about new products.

Wider range of users

"This fact indicates that a foreign affiliated company is a good sales point for newspapers. If my company was Japanese and had almost the same sales amount, no writer would write an article. Sometimes Japanese competitors whose sales are much bigger than ours express a feeling of envy to me. In Japan, many people read newspapers, so the effect of articles is greater than I expected."

A metering pump feeds chemical liquids to chemical process systems. If the water is, for example, too acid, the pump injects an alkaline material to neutralize the acid, measuring the degree of acidity automatically. In addition to being able to neutralize effluents from factories, the metering pump can sterilize and disinfect

water supplies and pools, and is used to produce the ultrapure water used in manufacturing semiconductors.

As Murata explains it, "Semiconductor manufacturers can use our metering pump at both ends of the production process: in the beginning of the process to produce the ultrapure water used in making semiconductors; and at the end of manufacturing to process the resulting effluents. The device, which is so sensitive that it can detect any change in the water constituents of a 50-meter pool when a single spoon of salt is added, can achieve a high degree of purity. We are no longer talking ppm here, but ppb."

That is what the president says; but there are numerous pump manufacturers in Japan of medium and small scale. Most of these companies, moreover, do not freely use high-level technology, like ProMinent does, but do feature a low price tag. It is also a fundamental truth that there is even among Japanese users a strong trend toward "buying the cheaper item, and if it breaks, having it replaced."

Murata amplifies his philosophy by saying, "Japanese feel strongly that 'Why should I spend a lot of money on something I'm just going to throw away?' It was quite difficult for us to drive home the benefits of our product. On top of that, the metering pump sells for 20 to 30% more than its competitors. But once we can get them to use it, they will understand in the end that it is a good buy because of its excellent performance and durability."

In this fashion, of trying it and liking it, the number of users has expanded to include food manufacturers, such as Kirin Brewery Co. and Kikkoman Corp.; petroleum and chemical companies, such as Mitsubishi Kasei Corp., Mitsui Toatsu Chemicals, Inc. and Nippon Oil Co.; and electronics and automobile companies, such as Fujitsu, Ltd., Matsushita Electric Industrial Co., Sony Corp. and Toyota Motor Corp. The product has even found applications in a host of related fields,

from electric power and gas companies to nuclear-power laboratories.

"One of the necessary factors regarding the increase in sales in the Japanese market is staff. The German headquarters is suggesting that we hire more people; but to my regret, in addition to the labor shortage, since this field requires special knowledge, it is very difficult to hire more good sales engineers. There are many potential customers, but I have to increase the staff only gradually."

Concerning office staff, Murata hired two middle-aged women. In Japan it is said to be very difficult for a foreign affiliated company during the starting stage to find capable office staff. However, Murata abolished the age limit and was able to get capable women for moderate salaries.

"When I put an advertisement in a newspaper for one position, more than 40 or 50 good candidates came. There were many capable people, so I had a very hard time in picking only one. I think it is nonsense that many companies in Japan, including foreign companies, set an age limit of under 30 or 28 for women."

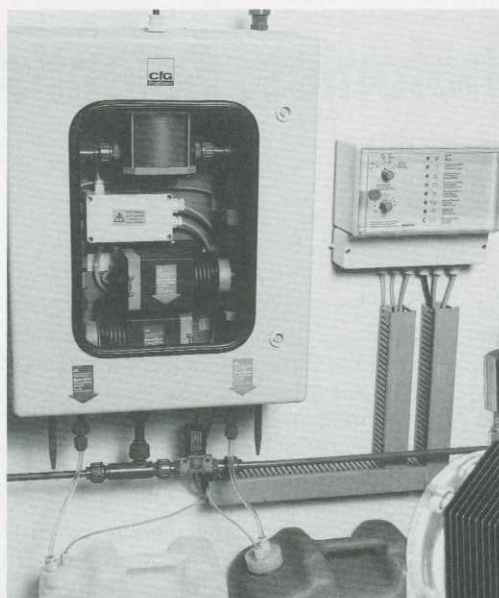
Different standards

Recently, Murata succeeded in making a contract with a Japanese manufacturer to provide ProMinent products under that company's brand.

"We cannot make much profit through this type of business; the merit of this contract, is that our headquarters will learn more about the Japanese standards, such as electricity voltage and expression of measurements, which are completely different from those in Germany. It will increase the strength of our products," says Murata.

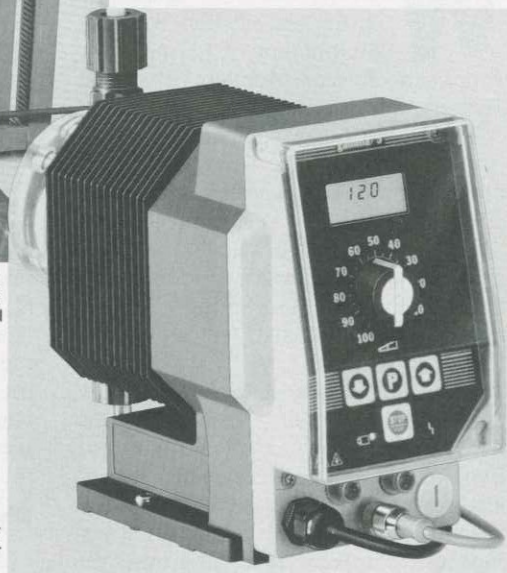
It is true that the recent slowdown of the Japanese economy, especially the semiconductor business, has had an impact on ProMinent Japan. However, Murata is confident of achieving double-digit growth, considering responses from various business fields.

Speaking of other worries, there are many regulations and customary practices in Japan, and sometimes it is not even possible to promote the sales of



Chlorine dioxide generator "Bello Zon." Although it is sold worldwide, ProMinent is currently unable to market the generator in Japan due to governmental regulations.

ProMinent's water-treatment machinery and systems are now being employed by a wide variety of users, from food manufacturers to electric power companies.



good products. For example, ProMinent had a piece of equipment that generates chlorine dioxide which is used mainly in food washing. Although this product is already in wide use throughout the world, it still cannot be sold in Japan because of various regulations. Murata adds, "Chlorine dioxide is far less toxic than the chlorine that is presently being used. I sincerely hope I can get approval for it soon."

Likewise, the ozone-generating system that was adopted at the Seoul Olympics and is to be used at the 1996 Atlanta Games to sterilize and disinfect swimming pools is still not being put into use in Japan.

Murata says, "The chlorine now widely being used in Japan to kill bacteria in pool water has the effect of making swimmers' eyes hurt and to decolor swimming suits. In comparison, ozone, made from air, is much safer. I would like to see our system adopted soon." Even as he says this, though, the president seems convinced that only time can solve these problems.

The president of ProMinent Dosier-

technik GmbH, Victor Dulger, says about his company's products and policy, "Our company does not simply send products out on the market. It also offers technical know-how, and that is how we have continued to grow. For this reason I think there is a need to constantly maintain our close relationship with our customers in the different countries.

"In the chemical industry as in the field of medical products, merely injecting liquid mechanically is of no use. The need is for products that are integrated with electronics technology. This company manufactures those kinds of products, which is why it is growing 11 to 15% annually. Even when we entered the American market, over the first 10-year period, rather than making a profit, we more often had to pay out of our own pockets. The Japanese market is also a difficult market, but sales are growing, and I am most eager to succeed here."

Nagami Kishi is a free-lance writer specializing in foreign businesses in Japan.