



EU-Japan Centre
for Industrial Cooperation

日欧産業協力センター

**Brief Guide for European Companies on Importers and
Wholesale Distributors in Japan
(food and wine; ICT; medical devices sectors)**

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Tokyo, 28.10.2015



Aims of the research

- facilitate market access to Japan for the EU SMEs
- provide information on distribution networks in Japan
- identify the most commonly used import routes
- provide recommendations from Japanese and European managers on key factors to succeed in Japan
- create internal list of Japanese importers/distributors
- promote EEN database services among companies in Japan
- suggest strategy to develop alliances with promising importers

Research approach

1. Desk research regarding distribution systems in Japan
2. Company visit – feedback from Japanese and European managers
3. EU-member state representative organizations interviewed
(Embassies, Chambers of Commerce)

Up to now, 84 organizations and companies were approached.

Distribution systems in Japan

- **fierce competition**, due to three main reasons:

1. Persisting deflation

- lower profit margins of intermediaries and producers
- shortening and concentration of the distribution channels

2. New food and beverages wholesalers and retailers

- more market players
- restructuralization of distribution channels

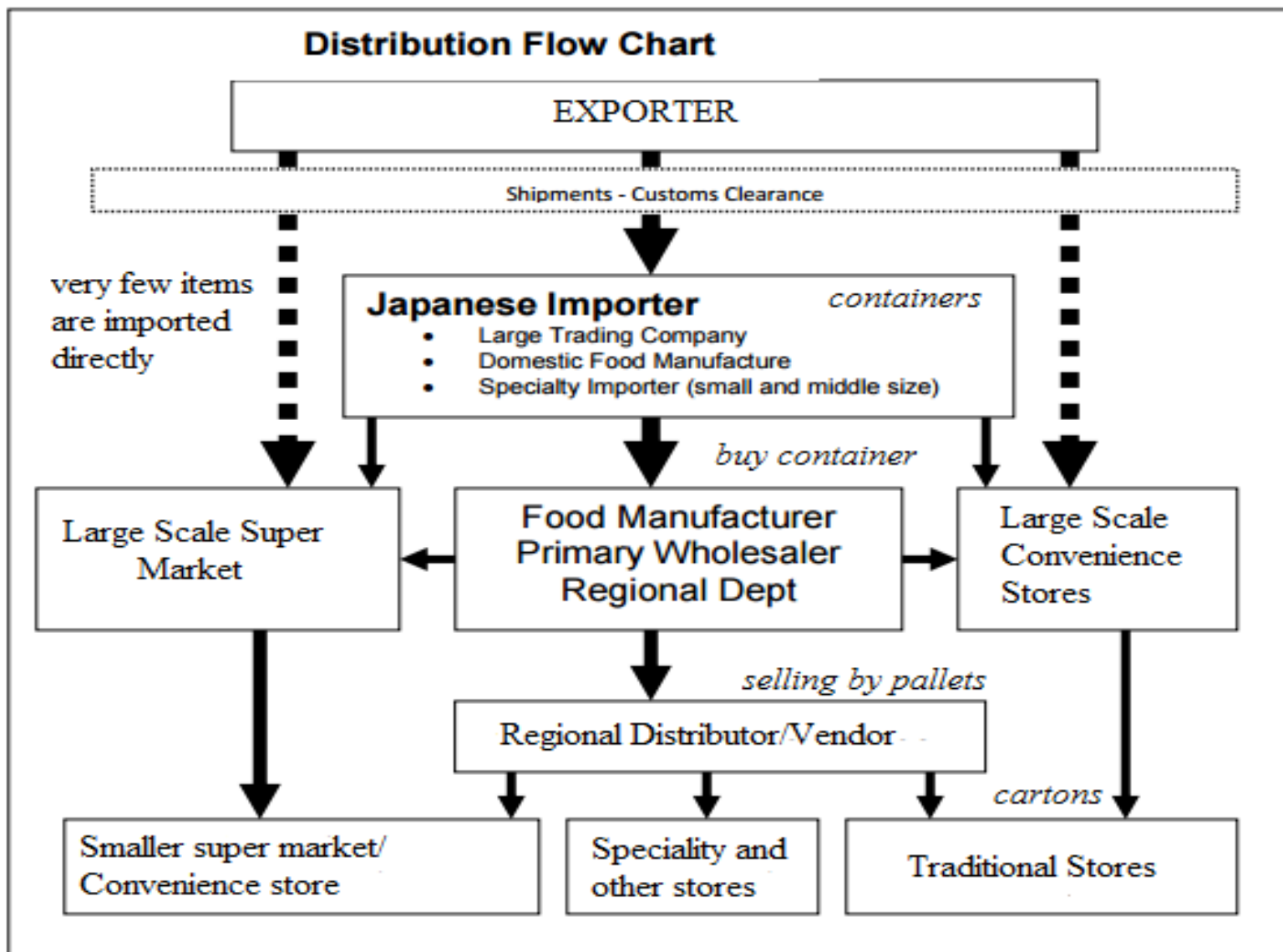
3. Usage of IT tools

- efficient online shops

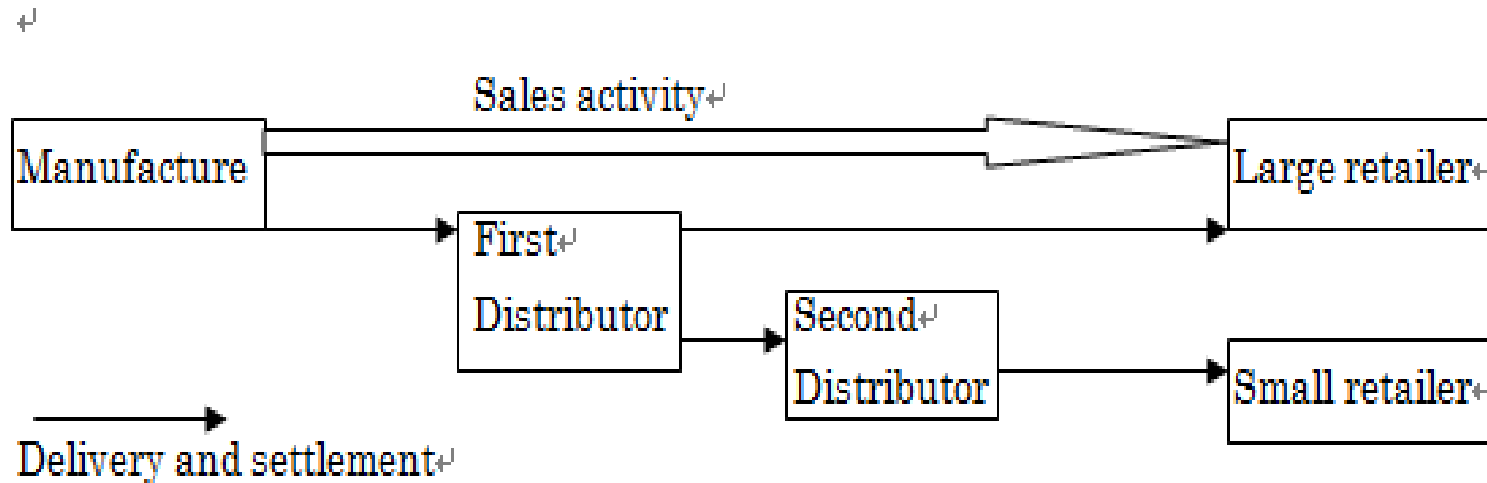
General distribution system structure



- 1-3 go-between companies before the product reaches the final consumer.
- Selecting the right distributor for a particular product is the most difficult task.
- Quite a lot of European companies signed a contract with the wrong distributor.



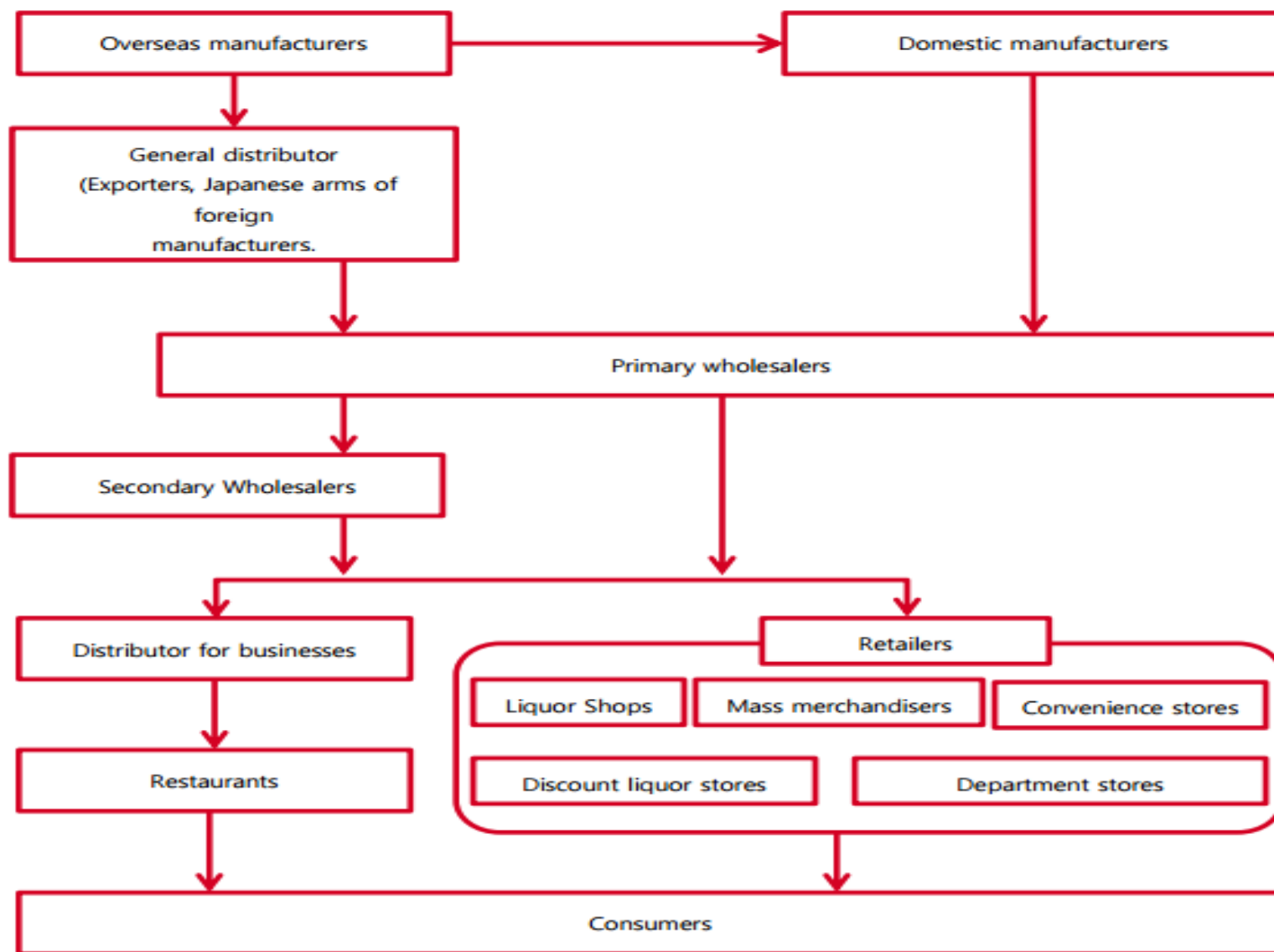
Manufacturer and distributor roles in a typical distribution channel



- Manufacturers must do sales activities directly to the large retailers.
- Distributors usually do not do sales activities.
- Distributors specialize in logistics and settlement functions.

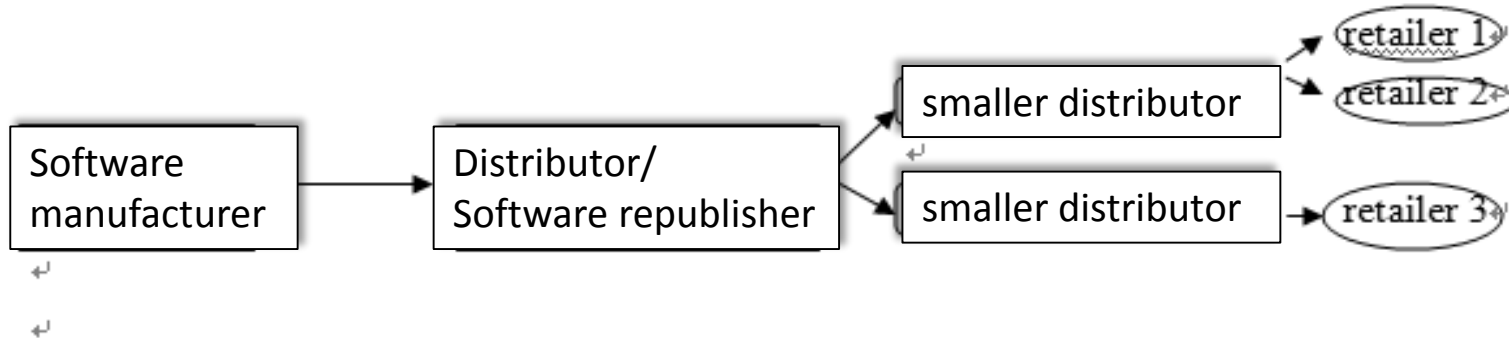


Distribution channel of imported wine

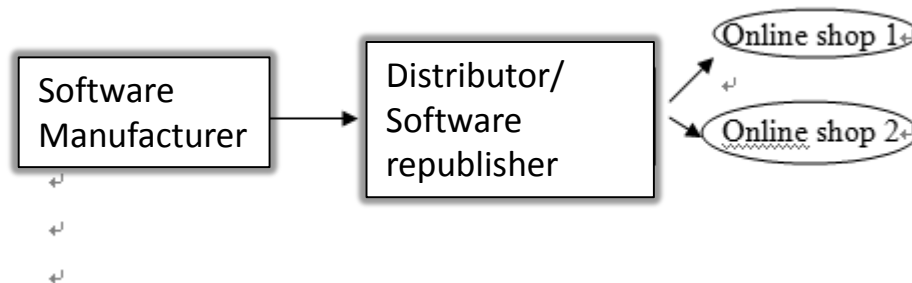


Source: JETRO

Multiple layers of software distribution in retail

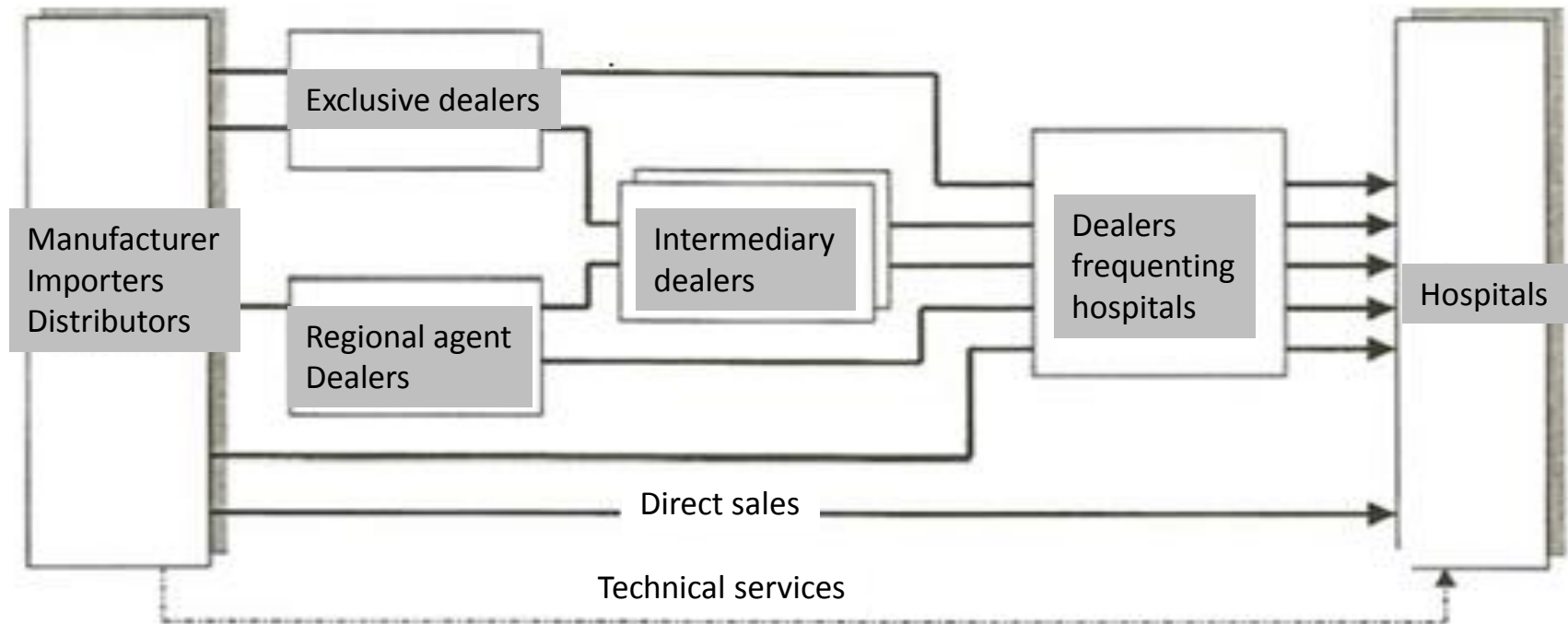


Direct sales model





Scheme of medical device distribution system in Japan



Source: JETRO Japanese Market Report No. 69, *Medical Equipment*, 2004.

Figure 1: Medical device distribution system, p. 72

Key factors to succeed in Japan

1. Japanese consumer preferences and tastes

- food safety and traceability, quality, highly brand-conscious, seasonal food, appreciation of taste, increasing health-consciousness, long shelf life

2. Position of your product in the Japanese market

- a very competitive market, market leaders in Europe, niche market, unique product
- are other imported products being sold successfully in the same product segment?

3. Direct sale or utilize distributors?

- start with a distributor agreement , later establish an office in Japan
- direct sales in Japan = direct control of your business in Japan
- Japanese distributors
 - handling logistics, orders and stock
 - primary do NOT sell
 - demand manufacturer to do marketing and sales

Distributors in Japan

- most distributors are loyal to their business connections.
- potential distributor must have contacts to their target customer segment

A common mistake many foreign companies do in Japan - try to **sell to the large Japanese wholesaler and retailer chains.**

BUT without office in Japan, these companies are not interested in dealing directly with a foreign company.

Distributors as a secondary channel - in lower price-per-unit and higher volume markets

General recommendations from Japanese and European managers

- web page at least in English, face a cultural problems as well as a linguistic problem
- customer expectation management
- totally independent business is the best
- physical presence in Japan, customer expectation management
- sogo shosha not recommended in case of small-volume businesses
- innovate your product or introduce a new product design at least once a year
- sales people must be Japanese, customer support should also be done by Japanese
- do not rely only on big customers = big risk

General recommendations from Japanese and European managers

- results expectation – at least 6 month to 1 year
- many Japanese companies when looking for new business opportunities contact Embassies or Chamber of Commerce's in Japan
- success in Japan mostly depends on your relationship with your partners – your commitment to your partners and mutual trust is a must
- layered distribution system - sharing the risk + in time small volume supply demand
- customer is God - Japanese are loyal to their customer, but less to their supplier
- “an easier” start in Japan – find non-Japanese importers with subsidiaries in Japan
- marketing - your brand recognition in Europe first
- do your homework properly and utilize all available resources

The most commonly used import/selling routes for existing EU products/services

Main ways of getting into the Japanese market:

- Exhibiting at trade shows, participation in Gateway to Japan
EU-Japan Center or other promotion and B to B matching programmes
- Finding a distributor/agent/trading company (not selling to retailers directly)
- Setting up of an office in Japan

Trading companies - sogo shosha and senmon shosha

Sogo shosha - general trading companies

- trade in a wide range of products and materials
- Mitsubishi Corporation, Mitsui & Co., Sumitomo Corporation, Itochu, Marubeni, Toyota Tsusho and Sojitz.

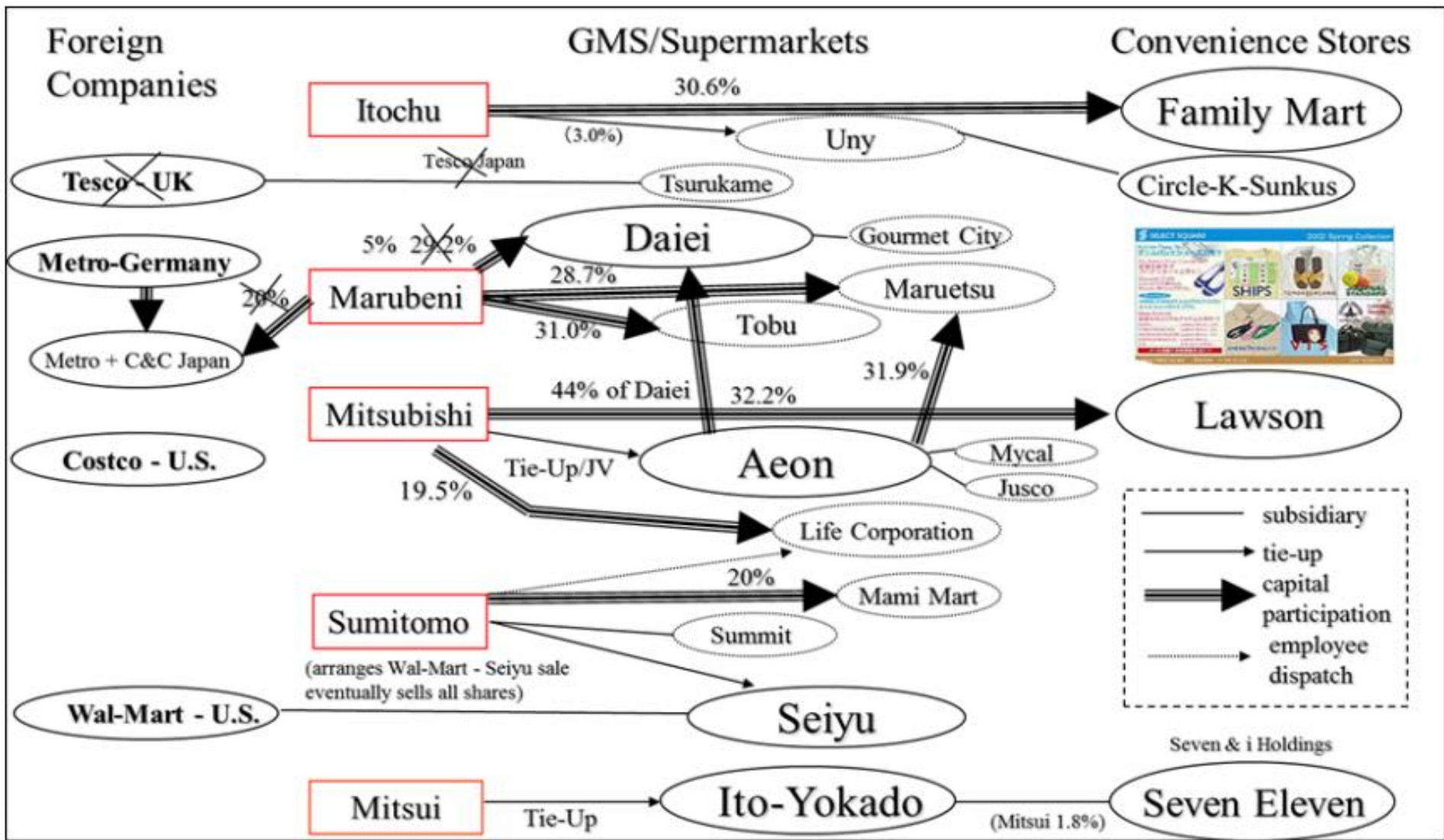
Senmon shosha - smaller trading companies that specialize in a limited range of products

Recent functions of sogo shosha:

Business Promotion (Trade and Investment)
Research and Information
Market Development
Risk Management
Logistics and distribution
Finance

Sogo shosha and the retails sector (food)

Source: "The Sogo Shosha – An Insider's Perspective" Marubeni Research Institute, 2013



Wholesalers (food sector)

Shortenings of distribution channels has forced retailers to establish more direct connections with the producers, **bypassing wholesalers**.

Some of the main food wholesalers are:

Mitsubishi Shokunin

Kokubu Tokyo

Mitsui Foods

Itochu Shokuhin

Nippon Access Tokyo

Main characteristics of the wholesalers and their practices:

1. Wholesalers give priority to customer service
2. Able to deliver even the smallest quantities to retailers upon request
3. Accept unsold goods without complaints - bear a substantial selling risk
4. Grant special discount to long-time clients and offer them credits
5. Small retailers depend heavily on them and are supported by them
6. Wholesalers in Japan have more influence than in any other country

Wholesalers have a very good overview on actual trends and needs in the Japanese market, because they are getting feedback on goods from retailers.

Wholesalers (food sector)

Wholesaler's functions:

- a) Logistics efficiency function - smooth flow of products

- b) Storage function - keep products on behalf of stores

- c) Information provision function/retail support function

Sector opportunities in Japan for CEE

HORECA sector

- covers 40% of the total market and is the ideal distribution channel for **lesser-known brands and of medium-high quality products**

ICT sector

- the market for ICT solutions related to **nursing care** is predicted to grow
- strong demand is expected for **medical, robot technologies** as well as **security solutions**

Specific recommendations for Central and East European Countries

-low familiarity with the CEE countries

-most Japanese consumers have no specific images of these countries' products.

It is necessary to catch attention and invite the Japanese to taste the products.

To build up a strong country image as a brand name is a crucial step to follow.

Why are Eastern European food/wine producers not so successful in Japan?

- the food producers are reluctant to come to Japan to understand the market
- the food producers do not understand the distribution system in Japan
- high cost of the imports and the distribution system

Physical presence in Japan = long-term success in the Japanese market.

Specific recommendations for Central and East European Countries

How should they overcome these obstacles?

- define sales point of their product
- determine to which market segment the product is aimed at
- determine price, provide quality labelling, trademark, advertisement support
- appoint an importer or wholesaler company to work with

This process can take 1 to 2 years even for a professional Japanese business partner.

Building up the sense of security among the customers.

Japanese partner is not only selling - opens market and finds out customers.

**providing and creating the sense of stability and security
in the business relationships**

EEN database services

Internal list of Japanese distributors, importers and wholesalers

sectors: food/wine (107 companies)

ICT (105 companies)

medical devices (105 companies).

Selected companies were interviewed / visited

food/wine sector - 40 companies

ICT sector - 14 companies

medical device - 11 companies

Conclusion

Distribution system in Japan

- complex, inter-organizational and highly interdependent relationships among firms
- distribution for a specific product must be studied before making any decisions
- strategies for a market entry will vary depending on the product and the current competitive environment

Most SMEs, after the first step of using a distributor or trading company realizes the potential of the Japanese market and decides to be present in Japan.



Thank you for your attention.

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