



**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)**

Alice Tomaskova  
MINERVA Visiting Fellow  
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## **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

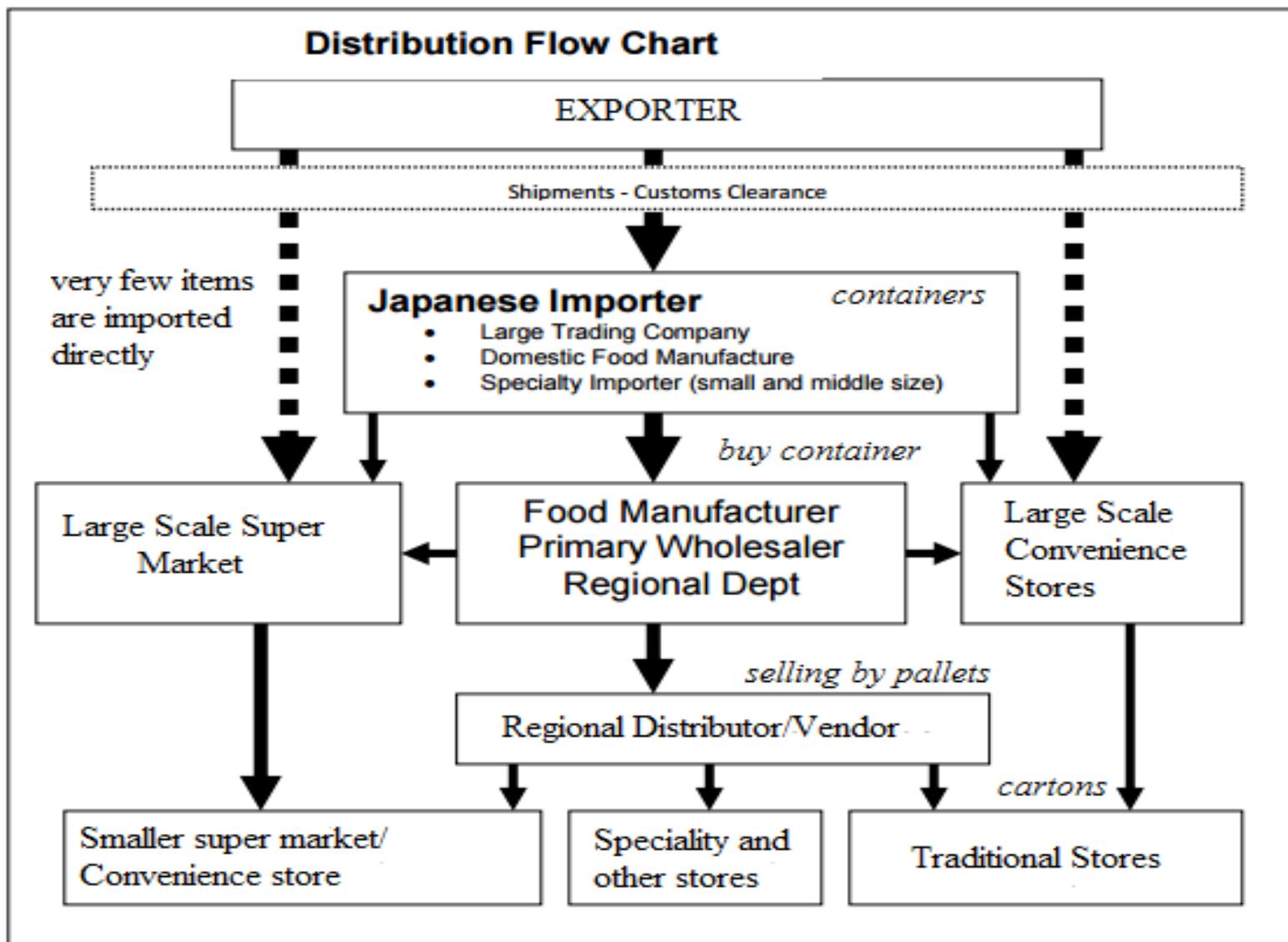
### **3. Usage of IT tools**

- efficient online shops

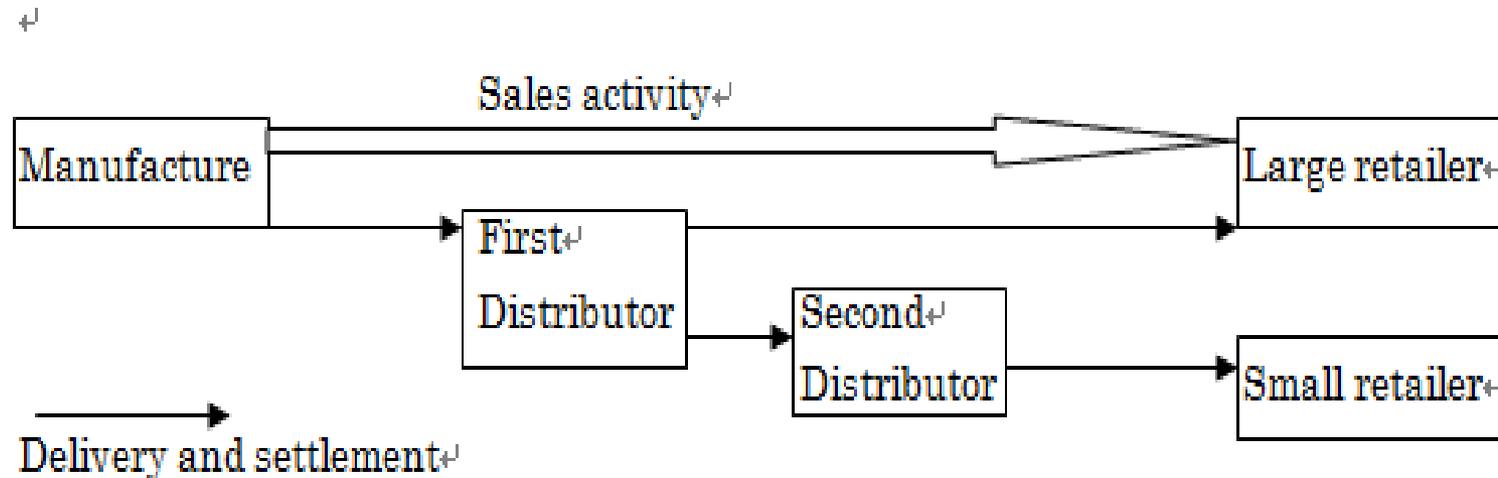
## General distribution system structure



- 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.



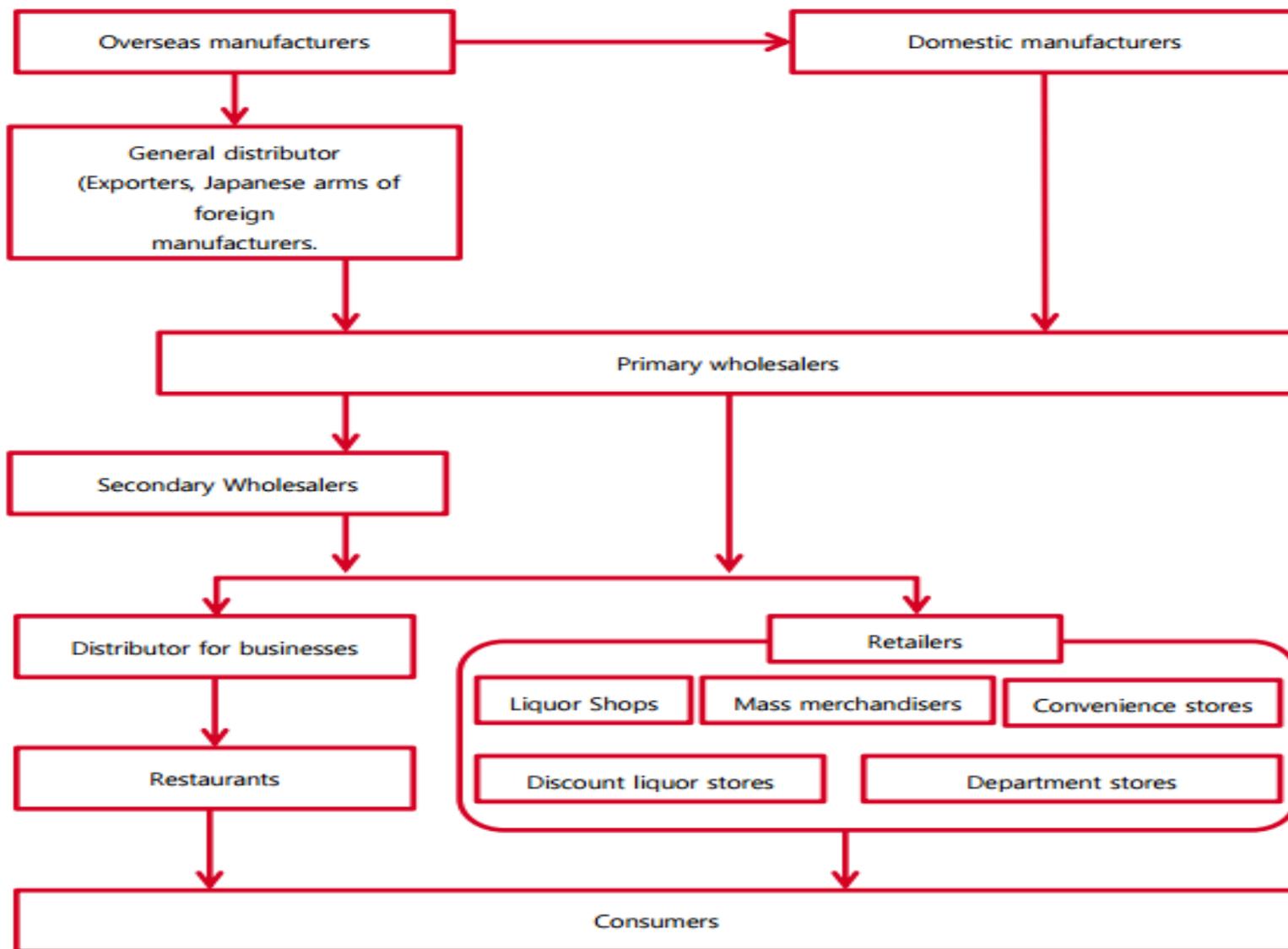
## Manufacturer and distributor roles in a typical distribution channel



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

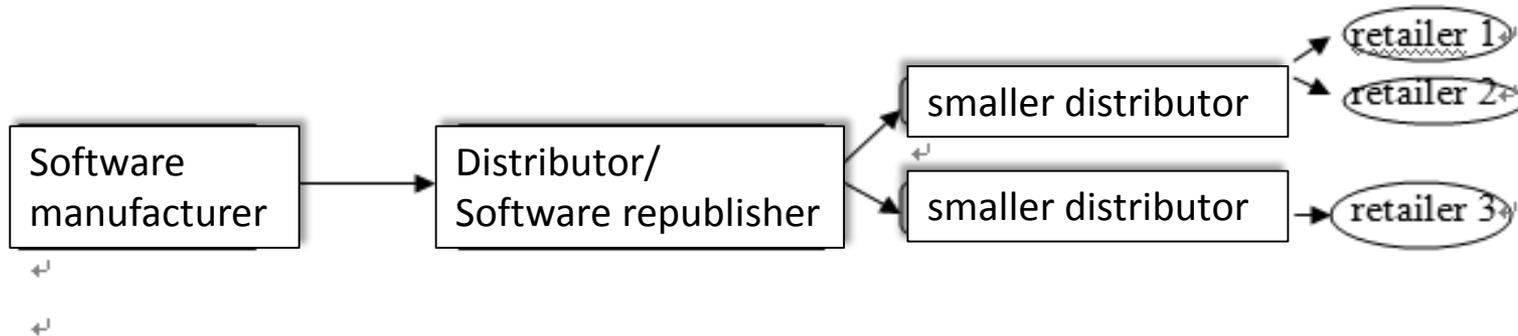


# Distribution channel of imported wine

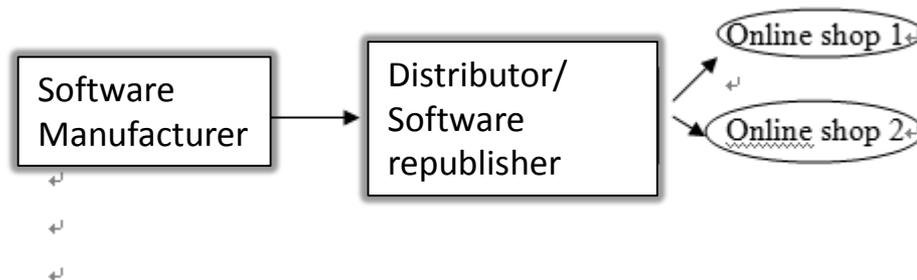


Source: JETRO

## Multiple layers of software distribution in retail

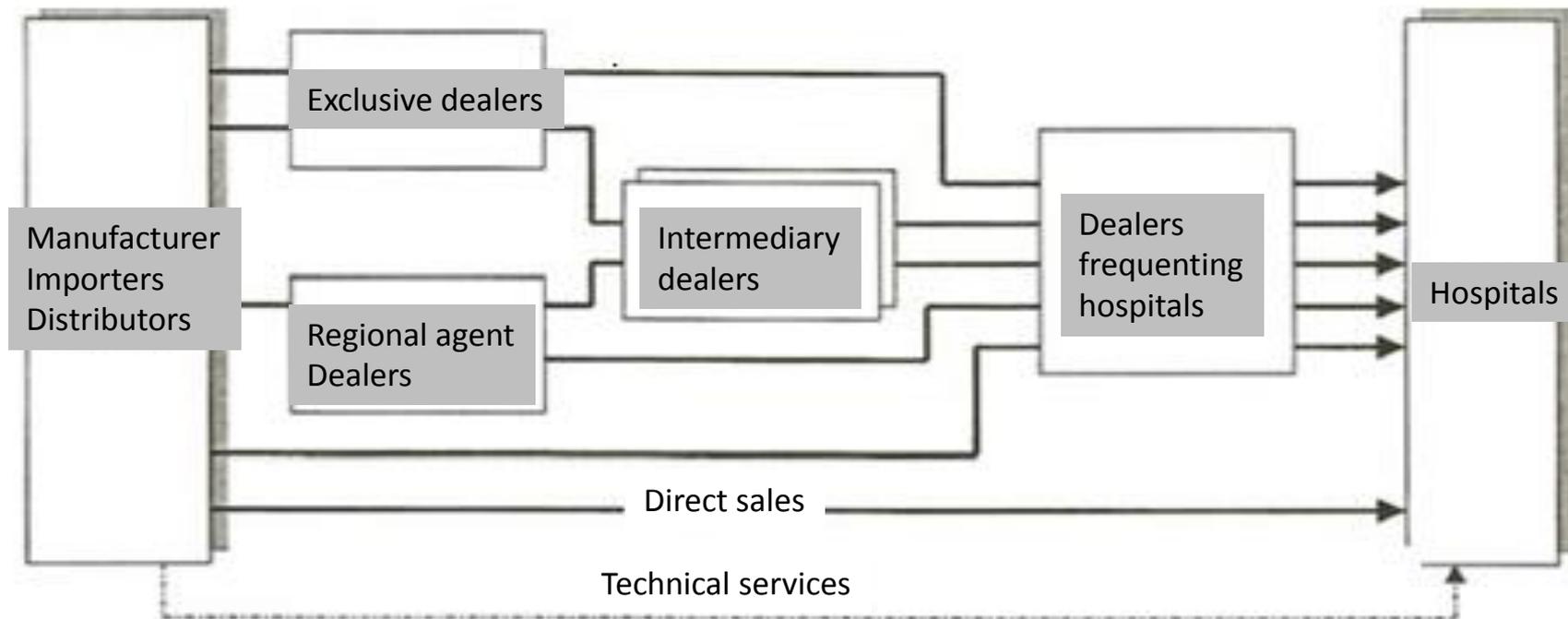


## Direct sales model





## 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.

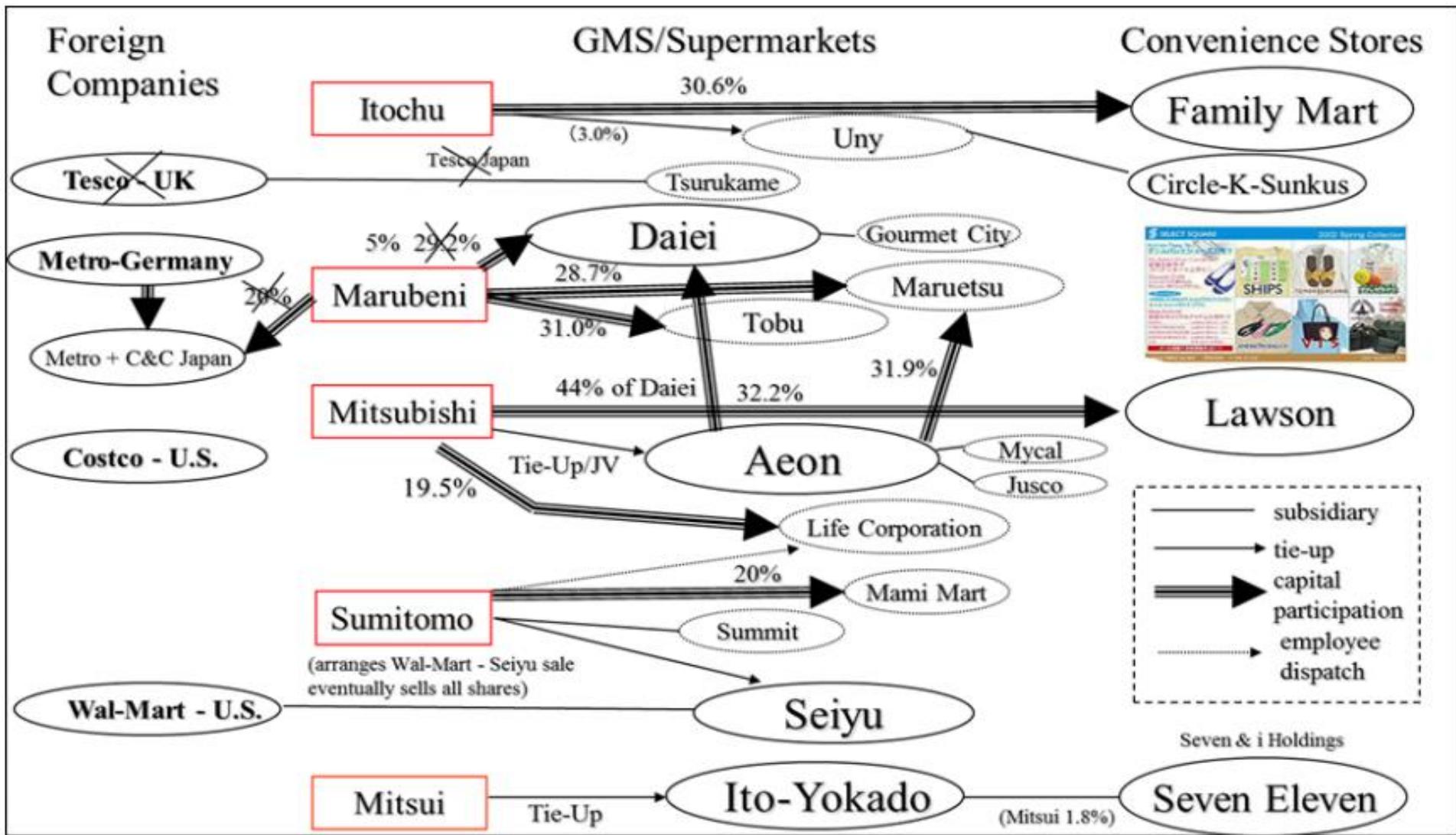
**Senmon shosha** - smaller trading companies that specialize in a limited range of products

### **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.**

[alice.tomaskova@japanbusinesssolutions.com](mailto:alice.tomaskova@japanbusinesssolutions.com)