



EU-Japan Centre
for Industrial Cooperation
日欧産業協力センター

Japan's Business Culture and Practices

Webinar for Gdansk, Poland

4 February 2021, Thursday, by C. Nakabayashi



Japan's Business Culture and Practices

Webinar Agenda:

1. Japanese Business Culture
2. Japanese Business Practices
3. Polish Export and Japanese Consumer Market
4. Modes of Export to Japan
5. Distribution System and Outlets in Japan
6. Q&A Session

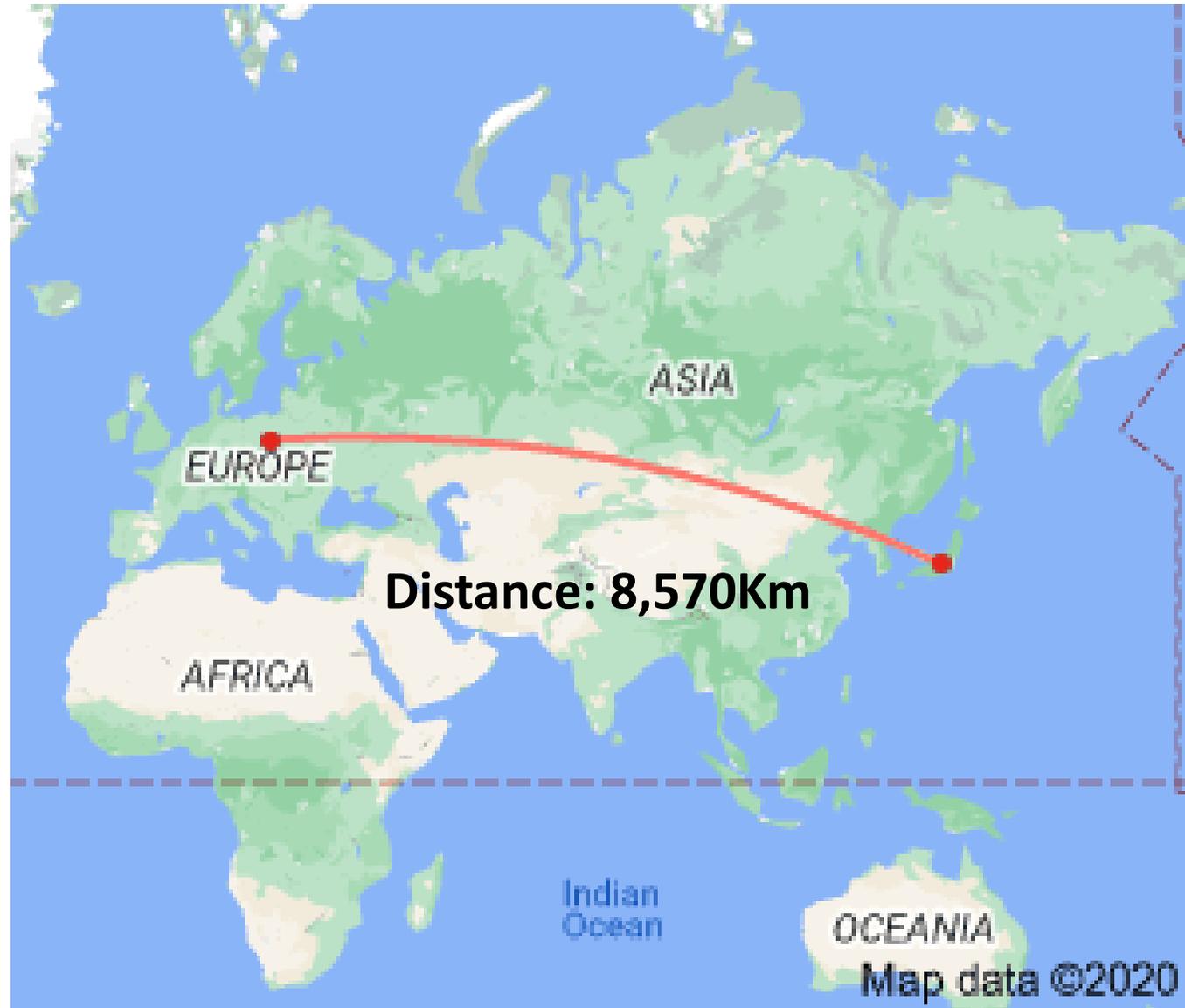


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Japan's Business Culture and Practices





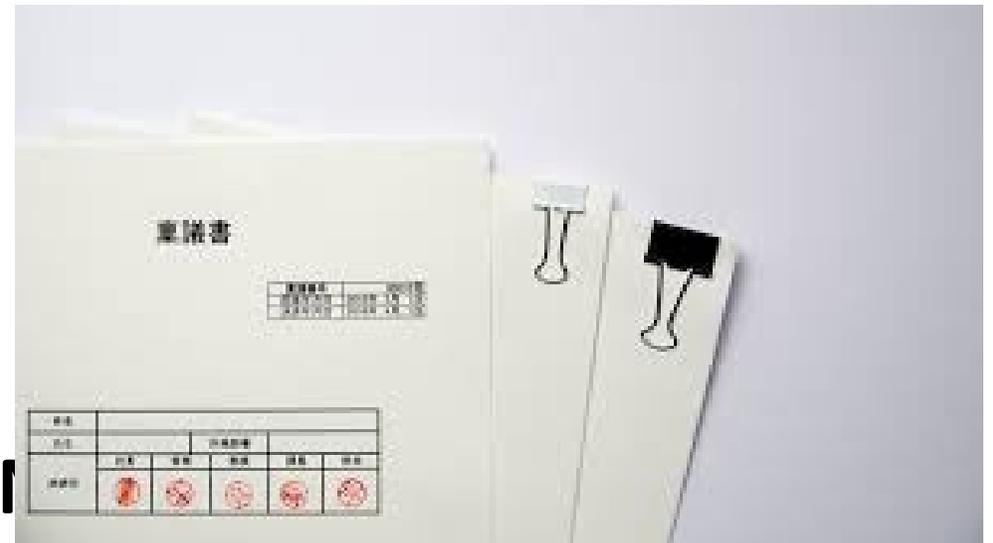
Poland and Japan: Similarity and Difference in Culture

(source: Hofstede's Cultural Differences)

- Similarly, dislike uncertainty; maintain a set of rigid rules for belief and behaviour; are intolerant of unorthodox behaviour and ideas. Equally, dislike assertive behaviour.
- Differently motivate people: group-based competition drives Japanese to achieve company results; Polish managers centrally make decisions, and keep delicate, personal relationship which motivates Polish employees to achieve results to mutual advantage.
- Polish people are said to have more normative thinking to establish truth, respect for tradition and focus on quicker results, while Japanese takes decentralized decision-making and are more pragmatic and pursue longer-term results.



Japan's Business Culture



1) **CONSENSUS-BASED DECISION MAKING**

Decision making process is slow because decisions must be agreed by each layer of hierarchy. In society, power is equally distributed and decision-making is consensus-based.

2) **LOYALTY IN-GROUP**

Japanese in-group act situationally. Japan is a group-society and Japanese are loyal to the groups that they belong to. Japanese are individually more private and reserved than most other Asians.



Japan's Business Culture



3) GROUP-BASED COMPETITION

Japanese dislike assertive and competitive individual behaviours, but Japanese in-group engage in competition. In business, employees are motivated when they compete with competitors. Group competition drives Japanese to manufacture excellent and perfect products and services.

Japan's Business Culture

4) AVOIDING UNCERTAINTY

In Japan, life is highly ritualized and changes are difficult to make. Ceremonies are manualized and people are reluctant to go against precedence. In business, time and effort are in feasibility studies and risk factors are worked out. Managers ask facts and figures before taking any decision. Japanese companies avoid a 'surprise' by preparing all what they can do to avoid uncertainty.

5) LONG TERM COMMITMENTS

Japan is a long-term oriented society. Life is seen as a short moment. Lives are guided by virtues and practical good examples. In business, companies focus on business durability/continuity and make long-term investment in business. As for business goals, many companies focus on long-term commitments to society as a whole. They also commit to business partners.



Japan's Business Practices



1) FORMAL AND RITUAL

Japanese business is formal and ritualistic, particularly when meeting business partners for the first time. It is to confirm formal relationships. For instance, to meet Japanese business partners for the first time, personal introduction by a third party is required.

2) TWO-TIER BUSINESS RELATIONSHIP

To establish long-lasting business relationship in Japan, you need to set up a two-tier business relationship structure: establish friendship and then move to the second stage of actual business negotiations.



Japan's Business Practices

3) NAME CARD OR 'MEISHI'



Exchanged when one businessperson meets another. The purpose is to enable recipients of cards to know the other's position and status. Japanese are status conscious and set formal relationships. Business cards also serve to know instantaneously names and positions and to record for future reference.

4) BUSINESS CORRESPONDENCE

Japanese companies may fail to answer written enquiries. This does not mean a lack of interest. Japanese are accustomed to talk face-to-face. Or, there isn't people available who speak English.



Japan's Business Practices



5) DRESS CODE

Important non-verbal communication is dress. Japanese businesspeople choose a dark suit for men and sober/plain dress for women. Most Japanese businesspeople expect a certain variety in dress of foreign businesspeople. However, one should avoid extremes in dress and keep some degree of formality in dress in Japan.

6) 'YES' AND 'NO'

The Japanese term *hai* is 'yes'. It can also mean 'I see' or 'I understand' and does not necessarily mean agreement. Japanese culture emphasises harmony rather than confrontation. Japanese are very reluctant to give a direct 'no' answer. Instead, Japanese answer with something non-committal such as 'Let me think.' One must read negative response signs such as hesitancy or an unwillingness.

Japan's Business Practices

7) SILENCE IN NEGOTIATIONS

Silence are common. Japanese think over what has been said and what alternatives are open. Silence is also part of Japanese communication procedure. Foreigners find silences embarrassing and feel obliged to say something unnecessary to relieve tension, but the best way to handle silence is to exercise restraint/patience and wait for a word after silence.

8) LONG-TERM COMMITMENTS & DUE DILIGENCE

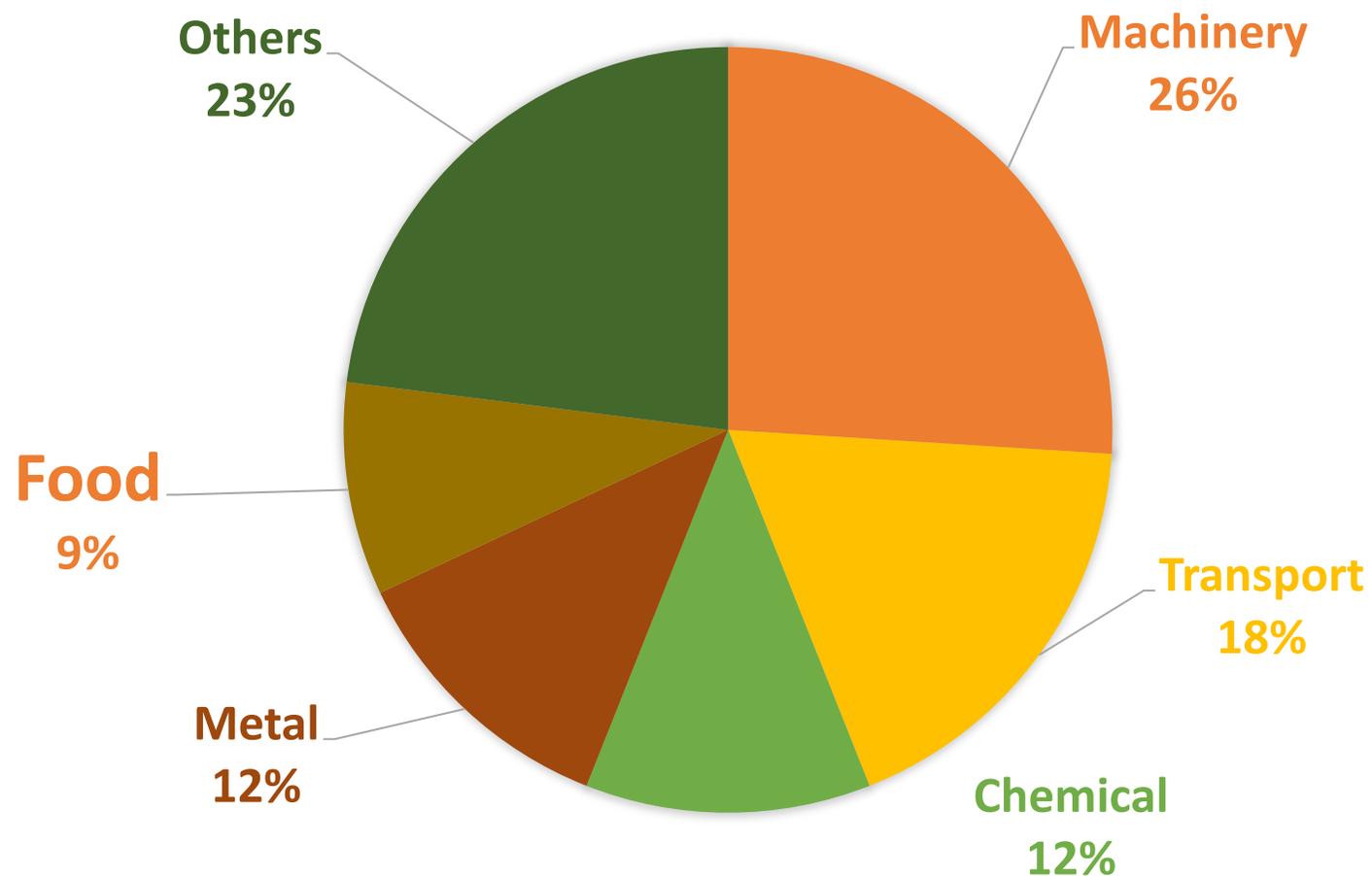
Japanese take long-term approach to prepare for future uncertainty. On business dealing, some Japanese companies, particularly small companies, prefer to make a broad agreement or mutual understanding rather than detailing out contract terms as they desire to allow both sides to adjust to unforeseen circumstances. However, due diligence should be given to payment terms and conditions to avoid business troubles, as legal settlements of disputes are rare in Japan.



Polish Export to Japan

POLAND'S EXPORT TO JAPAN BY HS SECTION, 2017

(SOURCE: EUROSTAT)



Japan's Consumer Market Compared to Poland's

(Source: Ministry of Economy, Trade and Industry of Japan, 2018; The Economist, 2018; Central Statistical Office (GUS), 2016)

	 Japan	 Poland
Consumer Base for Food Demand	127 million	38 million
Spending (% in Disposable Income)	26%	19%
Self-sufficiency of Food Supply	40%	69%



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Japanese Consumer Market

Japan's Consumer Market Orientation

- Purchase decision on safety and quality
- Price on quality
- 3 ways to win consumer trust and loyalty:
 - 1) **safety and quality** are guaranteed by authorities,
 - 2) **safety and quality** are proved with tradition,
 - 3) **safety and quality** are disclosed on labels.They are then realized into **certifications, traditional production methods and product labels** which attach **accountability, authenticity and transparency** to products.
- Ageing society creates a market segment for **healthy foods**.

Modes of Export to Japan

1) SALES –BASED ON INTERNATIONAL CONTRACT include F.O.B, C.I.F , and many other conditions (such as FCA - Free Carry, CPT- Carriage Paid to, CIP- Carriage and Insurance Paid to and so on). Under such international contracts of sales, EU exporters can manage payments and risks on cost, freight and insurance.

2) USE OF JAPANESE AGENT, meet potential agents face-to-face at trade shows. Short-list and check their bona fides such as carrying out credit checks, a review of market or industry standing and relations with competitors and so on. Choose an agent who is specialized in imported goods and is a multi-tasker. Pay comprehensive, due diligence in selection of partners as long-term business relationship need to be built on trust.

Modes of Export to Japan

3) FRANCHISING

This mode of export is to create and sell a proven business model together with a package of training and advices to a buyer in different locations.

4) LICENSING

It uses an agreement on intellectual properties (IP) like trade mark which are exclusive rights to the patented agricultural process, design, or invention.

5) JOINT-VENTURE

Set up a new company in Japan with Japanese business partner(s)

Japan's Distribution System

Traditional Wholesaler Distribution Model



Japan's Distribution System

Characteristics of Japan's Wholesalers Distribution System

- Wholesalers purchase products in large quantity and resell to retailers
- Urbanization caused dense population in large cities and small retail stores became major points of customer sales.
- Small retailers in large cities have limited storage and sales space, so wholesalers deliver small amounts of a product more frequently to perform as a warehouse.
- Also matching with Japanese consumers' habit to purchase goods in small quantities everyday as Japanese consumers demand for daily or even hourly freshness, safety, authenticity and variety in agri-food products.

Japan's Distribution System

Taking Advantages of Japan's Distribution System

- Japanese distributors take on all logistic transactions, promotions of goods, and financial risks on pre-payments to producers and receivables from retailers.
- Japanese distributors are the business solution to adapt market needs and can be an cost-effective alternative to direct sales in Japan.

Japan's Distribution System

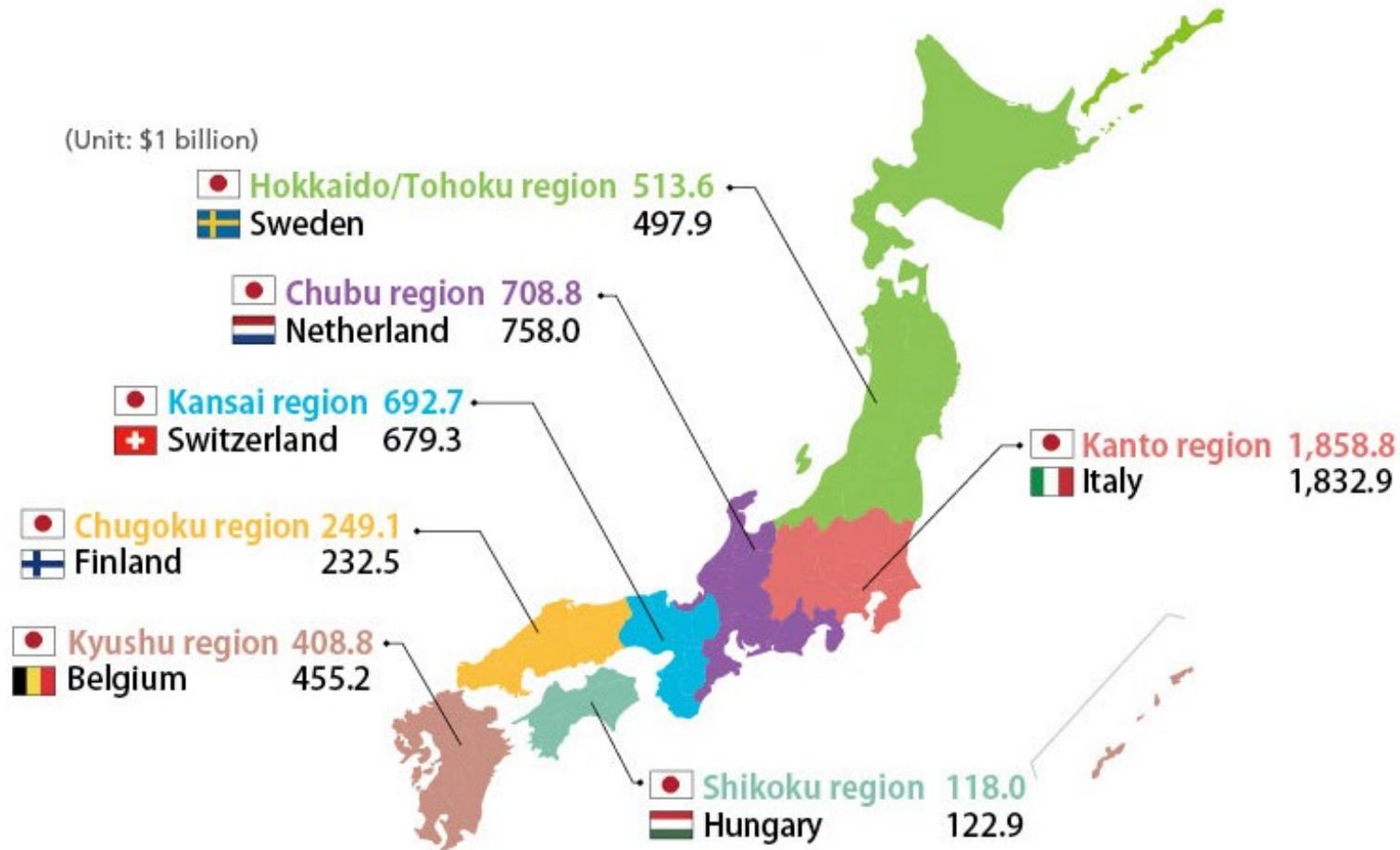
Searching Japanese B2B and B2C Partners

- Do not hire excessive numbers of intermediaries
- Search Japanese partners who:
 - 1) are specialized in imported products;
 - 2) have good, extensive business network in your sector;
 - 3) deal with targeted consumers but preferably NOT deal with your direct competitors; and
 - 4) have good geographical coverage of interested area. Japanese “*Senmon Shosha*” or specialized trading companies fit into these profiles. Example include:



Japan's Food Market

Size of Japan's Regional Markets Compared to European Economies





Exporting Food Products to Japan

B-2-C retail outlets – Convenience Store

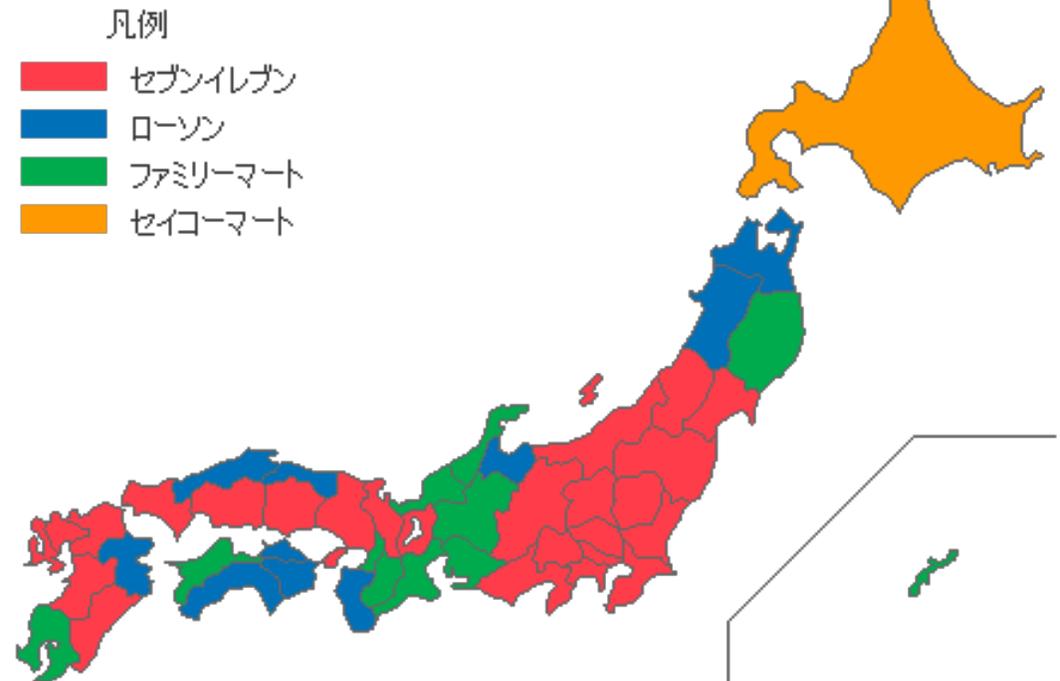
- Over 58,000 convenience stores
- Market shares

Seven Eleven

Lawson

Family Mart

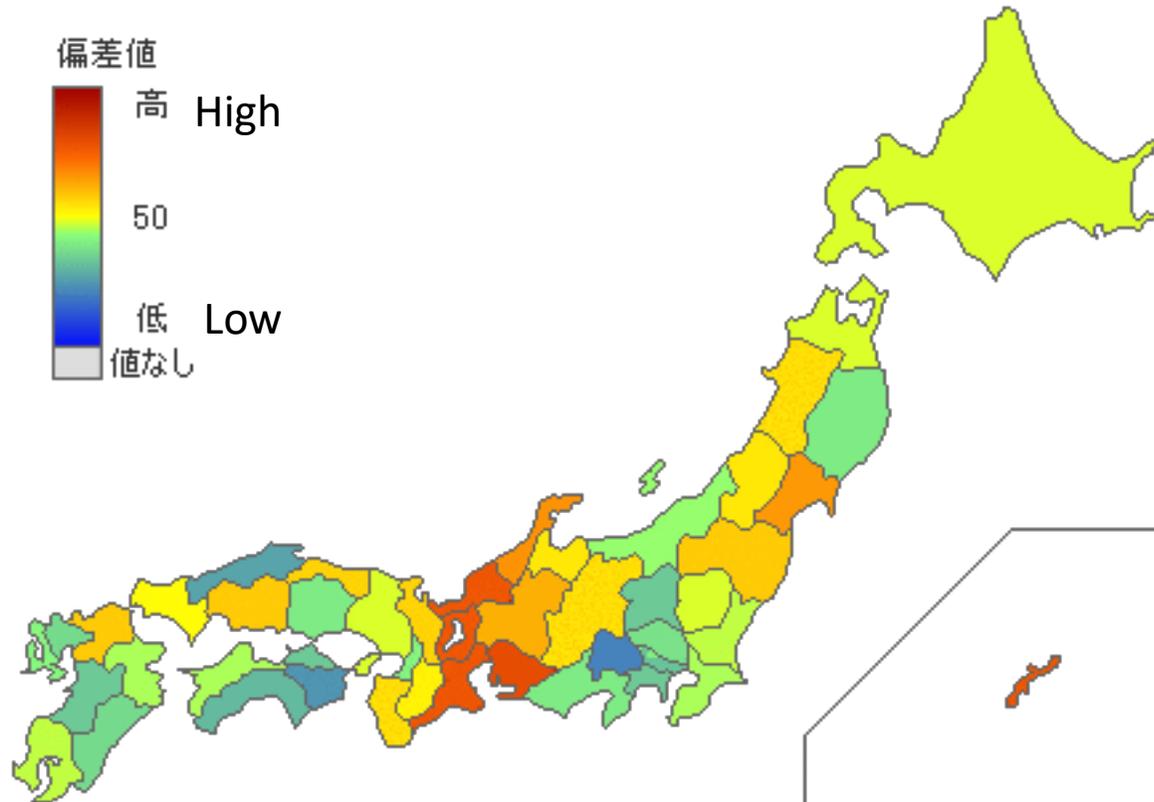
Seicomart





Exporting Food Products to Japan

B-2-C Other Retail Outlets



- Over 22,000 supermarkets
- Over 200 department Stores
- Two types of regional supermarkets and department stores: either good quality stores or discount stores
- Supermarkets specialized in imported food (some listed on next slide)

Trade Shows In Japan

❖ Promote your products and meet Japanese partners at:

- Supermarket Shows (every February)
- FOODEX (every March)
- Many focused shows in Japan
- Show schedule available on www.jetro.go.jp/en/database/j-messe/tradefair



Japan's Business Culture and Practices

Q&A Session

Should you have any further inquiries, please contact the EU-Japan Centre for Industrial Cooperation on: office@eu-japan.eu with the following mention: 'expert support webinar on Japanese Culture for Polish exporters'