



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

Japan's Business Culture and Practices

Webinar for for Pécs-Baranya, Hungary

19 November 2020, Thursday, by C. Nakabayashi



Japan's Business Culture and Practices

Webinar Content:

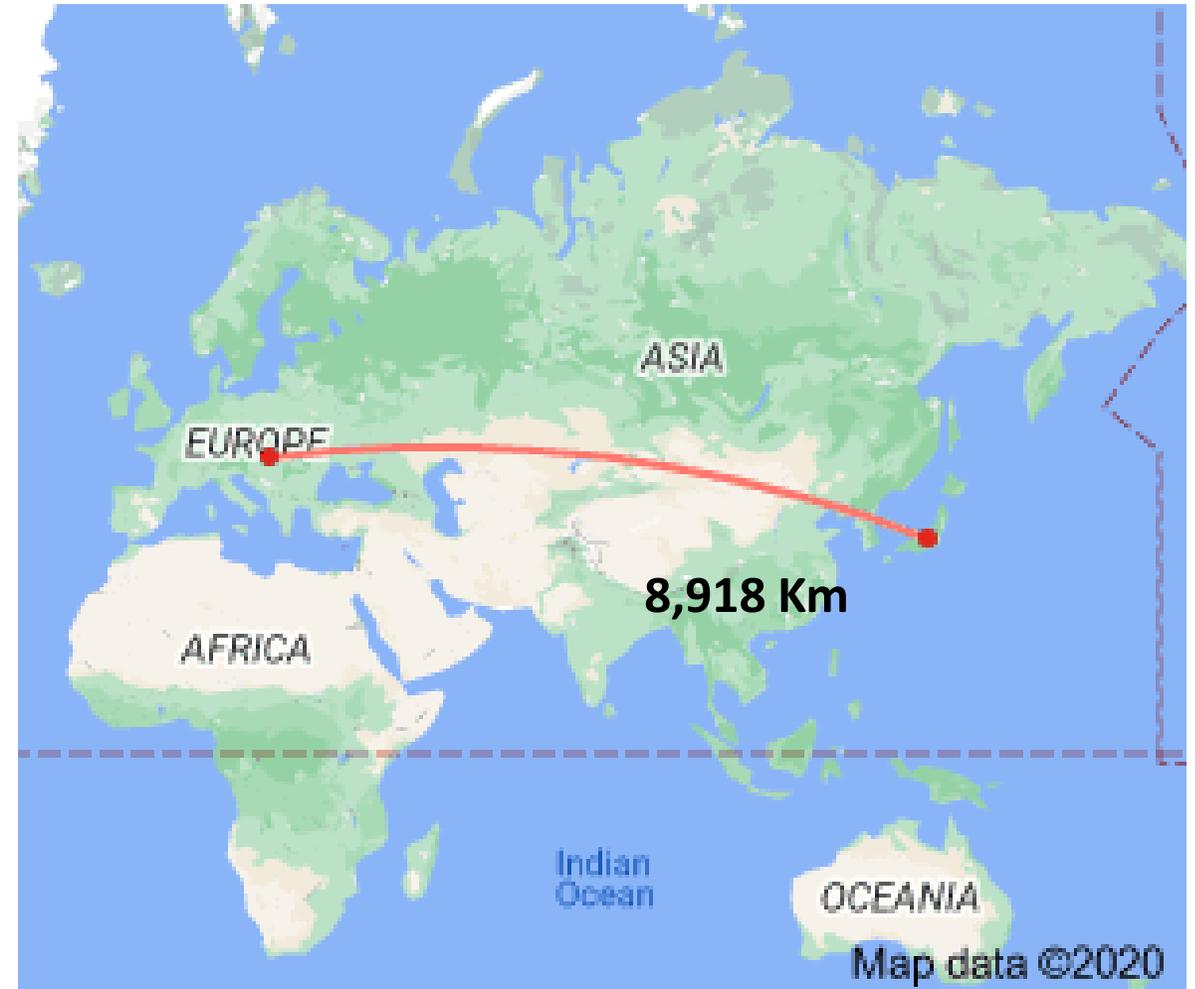
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Japan's Business Culture and Practices

Hungary and Japan: Similar and Different Cultures

- Hungary is an individually competitive society while Japan is a group-oriented society.
- Both use a set of rules to help avoid uncertainty.



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, however Japanese in-group engage in competition. In business, employees are motivated when they compete with competitors. Group competition drive 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 realized. 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 in a history of mankind. Lives are guided by virtues and practical good examples. In business, companies focus on business durability 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***

Name cards are exchanged on every occasion 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 to decide which level of language to use and how differently to bow and act. 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**

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 which may ignore 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 the 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 the tension, but the best way to handle such silences is to exercise restraint/patience and wait for a word after the 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 on payment terms and conditions to avoid business troubles. Legal settlements of disputes are rare in Japan.



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 Carriage, 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 which run regularly in Japan. 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. EU exporters choose an agent who is specialized in imported goods and is a multi-tasker as this will reduce numbers of intermediaries. Pay comprehensive, due diligence in selection of partners as long-term business relationship need to be built on trust. Consider issues arising from Japanese industry groups and from exclusive rights of the use of product names.

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)



Distribution System

Traditional Wholesaler Distribution Model



Distribution System

WHOLESALE 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.

Distribution System

TAKING ADVANTAGE OF JAPANESE 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.

Distribution System

SEARCHING JAPANESE PARTNERS FOR B2B AND B2C

- 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:

Distribution System

Examples of Japanese Specialized Trading Companies

Ito-chu Shokuhinn	Deal with 500,000 items including liquors, gift items and brand items
Rakuto Japan	Dairy ingredients such as butter, cheese, skin milk powder
Nichimou	Fisheries products
Nichiyou	Import of food ingredients and products in good networking with convenience chains and mass merchandisers. Also develop original products for direct sales.
Owil	Specialized in imported food products
Iceco	Specialized in ice-cream
Nippon Ham	Specialized in processed hams
Ark	Specialized in import food products
Supermarket Lopia	Specialized in import food products
Sugimoto Meat Industry	Import and develop meat products. Run meat shops and restaurants.

Distribution System

Examples of Japanese Companies Specialized in Hungarian Food Products

Company	Products
Kockamacska	Honey, Paprika powder etc
AW Japan	Frozen hams, sausages
M&Y	Frozen duck, Fois gras
Yamaoka	Chilled, frozen fois gras
Tozai-Sangyo Boeki	Fois gras
Ma Am Co.	Frozen (pork), rabbit
Kawashima Shokhin	Chicken
And more.....	

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 Hungarian food export to Japan'