



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

Japan's Business Culture and Practices

Webinar for Zagreb, Croatia

18 February 2021, Thursday, by C. Nakabayashi



Japan's Business Culture and Practices

Webinar Agenda:

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

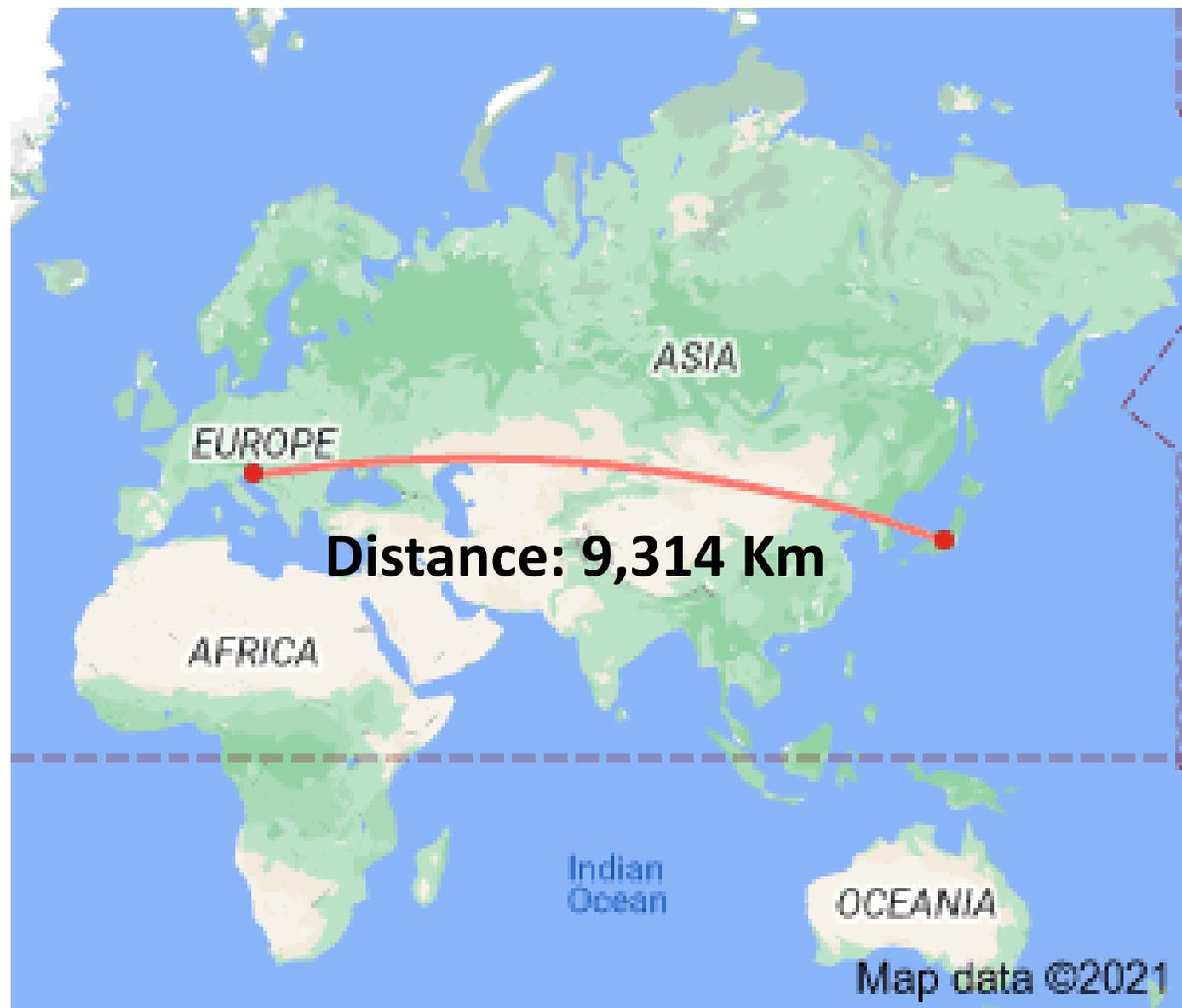


EU-Japan Centre
for Industrial Cooperation



日欧産業協力センター

Japan's Business Culture and Practices





Japan's Business Culture and Practices

Croatia and Japan: Similarity and Difference in Culture (source: Hofstede's Cultural Differences)

- Croatian society is much more hierarchical and decision-making is centralized.
- Croatian society is much more collectivistic: people commit in a close, long-term, strong relationship to member group.
- Croatians are motivated to pursue quality of life and accept compromise and negotiation.
- Both cultures equally prefer avoiding uncertainty, and maintain rigid codes of belief and behavior.
- Japanese society takes longer-term orientation and can be more pragmatic to deal with challenges of the present and future.

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'

Name cards are 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.



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/DISCTRIBUTOR, conduct comprehensive due diligence (e.g., selling and supporting your product versus others, competing directly with established Japanese products, and developing new accounts and market awareness). Japanese importers appointed as sole agents to cover entire country, but Japanese distributors usually cover a specific territory, market, industry or sector. Granting exclusivity as an incentive to increase sales but may not be easily reversed. Under an agency contract, you pay what the agent charge customers ("back-to-back"), plus a sales commission. Under a distribution contract, you sells the product to the distributor, who is then free to add markup.

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)

❖ Webinar for “Establishing a business entity for direct sales” scheduled for 24 February 2021.

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

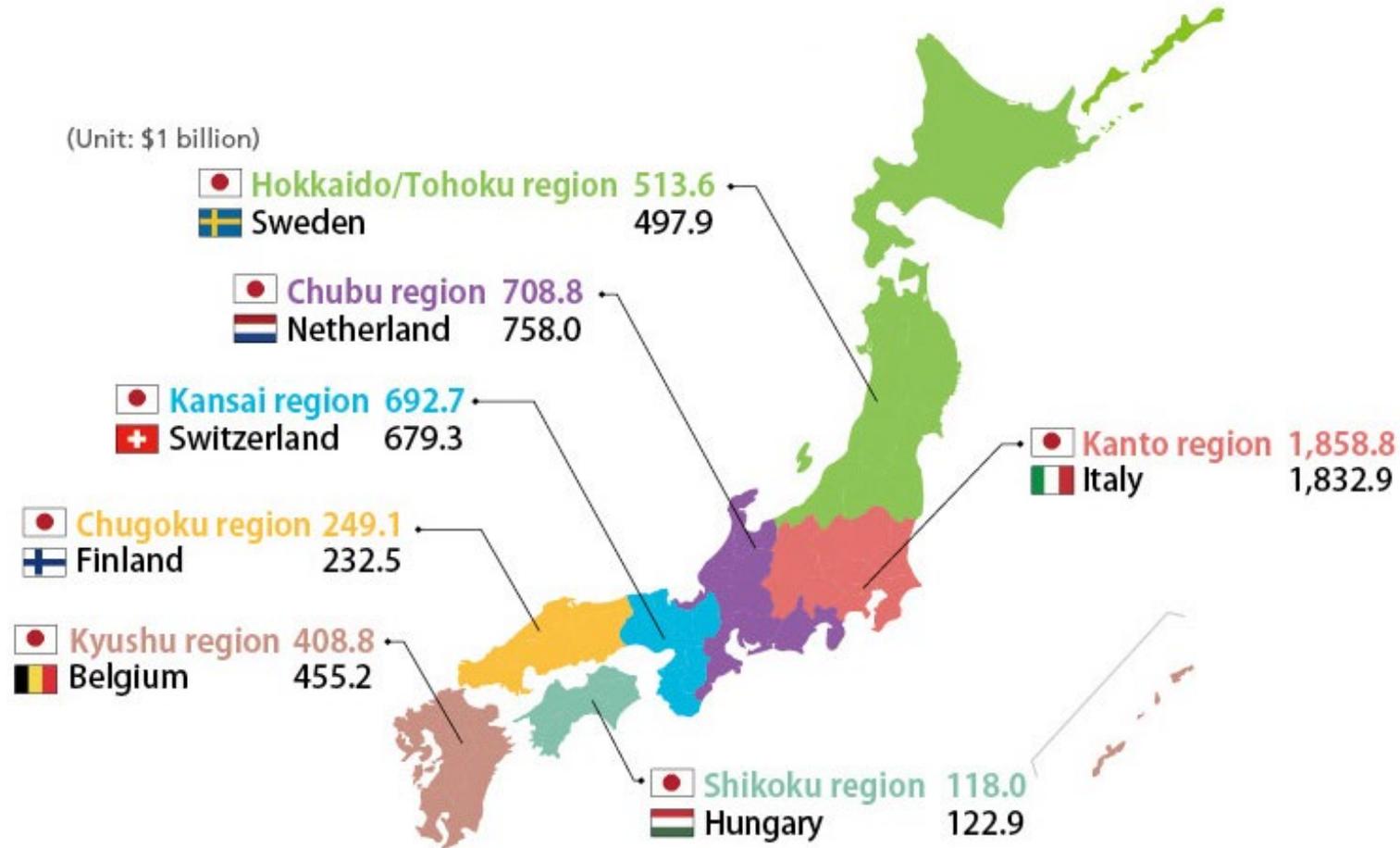
Searching Japanese B2B and B2C Partners

- 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 and Outlets

Size of Japan's Regional Markets Compared to European Economies

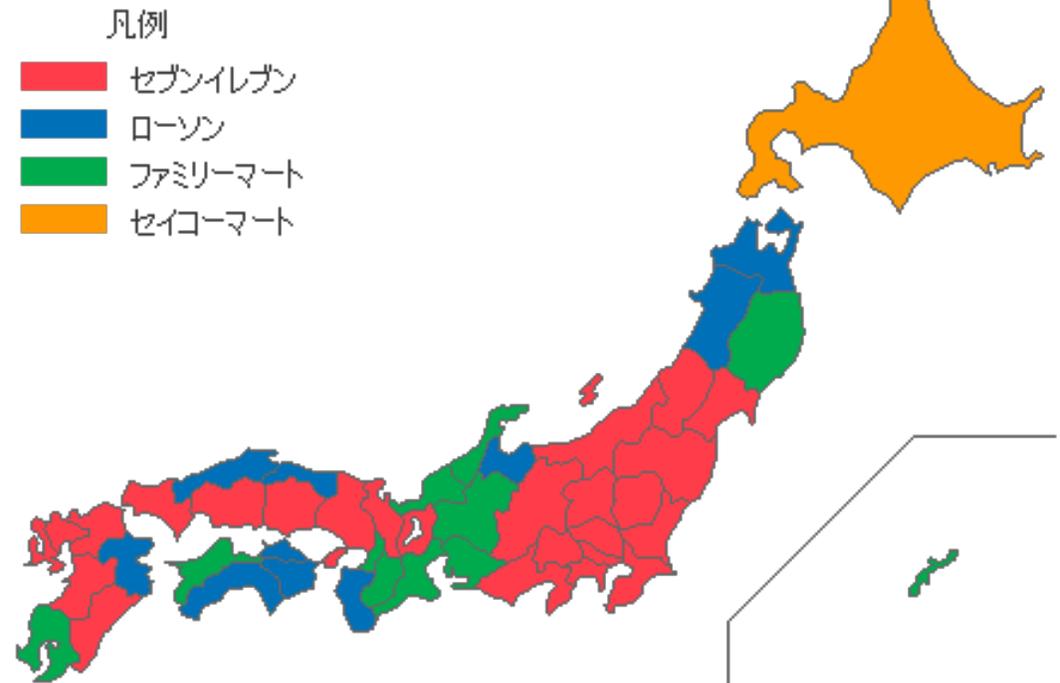




Japan's Food Market and Outlets

B-2-C retail outlets – Convenience Store

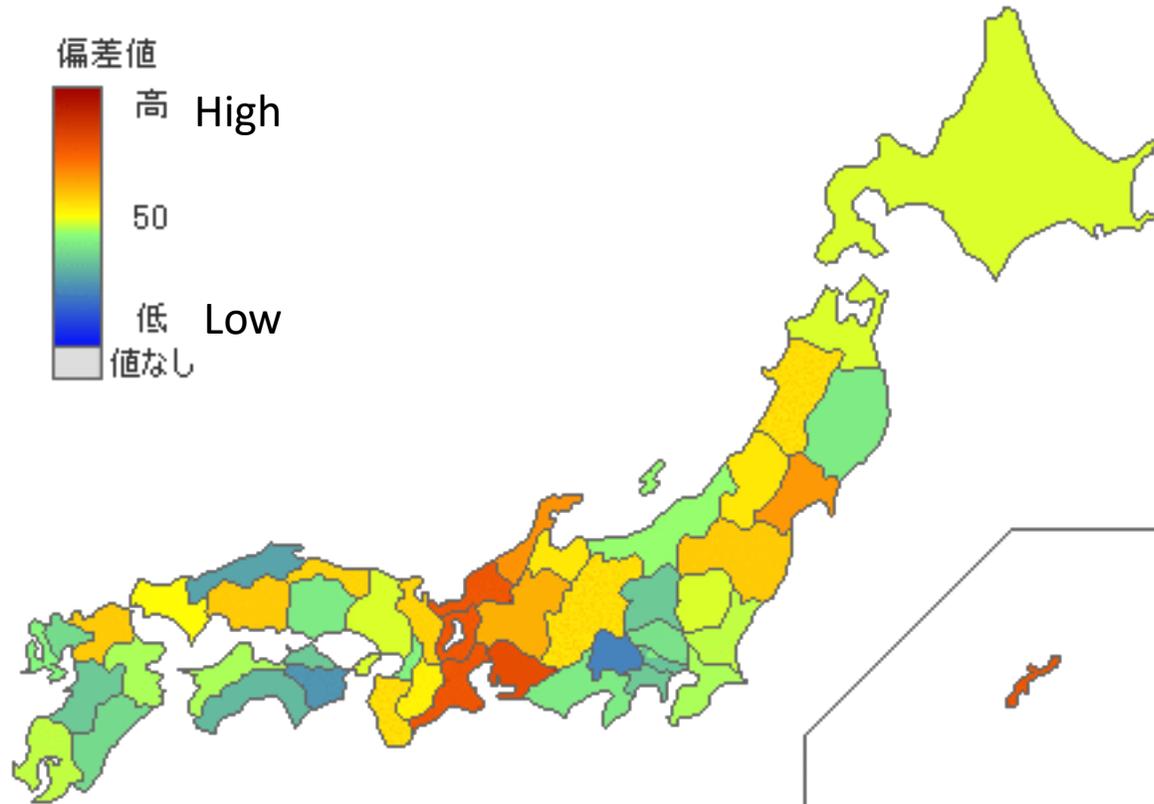
- Over 58,000 convenience stores
- Market shares





Japan's Food Market and Outlets

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)

Example of Specialized General Stores for Imported Food to B2C

(source: various company information)

Name	Locations	Particulars
Seijo-Ishi	All regions	OEM. Wine, cheese, confectionary
Kaldi Coffee	All regions	Coffee and imported food, online
Japan Meat	Kanto regions	Chain supermarkets
Kinokunia	Kanto regions	Large variety. Spices, confectionary
Kitano-Ace	All regions	OEM
Queens Isetan	Tokyo area	OEM, Fresh processed food
Loncos	Tokyo area	Fresh food. Wine, cheese, desert, Maruetsu Group
Peacock Store	Kanto, Kansai regions	Lower end of premium food, AEON Group
Bio c'Bon	Tokyo area	French store, organic food. AEON Group
Motomachi Union	Tokyo area	American store
Miura-Ya	Tokyo area	OEM. Fresh food
Precce	Tokyo area	Fresh food, Tokyu Group
Little World	Aichi Prf.	Museum shop for international foods
And more....		

Example of Specialized Discount Stores for Imported Food to B2C

(source: various company information)

Name	Locations	Particulars
Don Quijote	All regions	Discount chain stores
Daiso Industries	International	Large franchised 100 yen store, imported food
Carnival	Kanto region	Stores for imported food
OK	Kanagawa prf.	Discount supermarket
Kaneda Corp.	Tokyo area	Imported food at discount store 'Harajyuku Hakurai Shokuhinnkan'
And more....		

Examples of Specialized Trading Companies for B2B

(source: various company information)

Name	Businesses
Kobe Bussan	Food importer for B2B, retail shop ROIS
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
Hanamasa	Specialized in meat for B2B, imported foods (a subsidiary of Japan Meat Co.)
Sugimoto Meat	Import and develop meat products. Run meat shops and restaurants.
Brilliant Earth	Specialized in imported organic food, online for B2B
And more....	

Japan's Business Culture and Practices

Q&A Session

Please forward your inquiries to office@eu-japan.eu with the following mention: 'Expert Support Webinar on Japanese Culture for Croatian Exporters'