



7 Keys For Unlocking The Japanese Market

What Every Foreign Company Needs To
Know About Selling Their Products In Japan

JapaneseDistributors.com

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Table of Contents

Key #1 – Make Sure Your Products Are Right For The Japanese Market	3
Key #2 – Understand How Foreign Products Are Distributed In Japan	5
Key #3 – Be Selective	8
Key #4 – Put Together A Strong List Of Potential Distributors	10
Key #5 – Know How To Evaluate Potential Distributors	12
Key #6 – Stand Out From The Crowd	15
Key #7 – Approach Potential Distributors In The Right Way	17

Key #1

Make Sure Your Products Are Right For The Japanese Market



The first key to unlocking the Japanese market is to make sure your products are right for this demanding market.

This may seem obvious but we are contacted on a daily basis by companies trying to sell products that just aren't right for the Japanese market.

In some cases, these are products that compete primarily on the basis of low price. In other cases, the products compete directly with similar products manufactured in Japan.

In order to succeed in Japan, your products should be something different or better than what's already available in the Japanese market.

Ideally, especially if it's a consumer product, your product should have a story around it. Something that makes it special. More on this later.

And it should be a quality product. Perhaps more than any other market in the world, the Japanese market demands quality over price. Price matters but quality matters more.

The best way to determine if your products are right for Japan is to see if other imported products are being sold successfully in your product category. The absence of similar foreign products is usually a sign that

the Japanese market isn't interested in products like this or that Japanese competition is too strong.

Let me give you an example.

A few years ago we looked at the Japanese market for an American manufacturer of sensors used in the material handling industry. Our research found five Japanese companies manufacturing very similar products and we advised this company not to try entering the Japanese market because, without a compelling difference, their ability to compete against five entrenched Japanese competitors would be limited.

On the other hand, we were able to quickly find a distributor for another U.S. sensor manufacturer because their sensors are highly specialized and do not go head-to-head with what's available from Japanese manufacturers.

Please contact us if you would like help determining whether or not your products are a good fit for the Japanese market.

I can be reached directly at tom@japanesedistributors.com or through our website (<http://japanesedistributors.com>).



Key #2

Understand How Foreign Products Are Distributed In Japan



A common mistake many foreign companies new to Japan make is trying to sell to the large Japanese wholesalers and retailer chains in their industry.

Unfortunately these companies are rarely interested in dealing directly with non-Japanese suppliers unless they have an office in Japan.

So how do smaller companies sell their products in Japan?

Simple.

They go through distributors specializing in imported products. There are thousands of these distributors and they are typically nimble, highly entrepreneurial companies who speak English and deal with foreign firms on a daily basis.

They usually focus on a single industry and carry a wide range of foreign products.

They play an important role in the Japanese distribution system, using their language skills and foreign trade expertise to bring non-Japanese products into the country.

They act as the interface between foreign manufacturers and the large Japanese distributors, wholesalers, and retailers.

And the good news is that they are always looking for new products to sell to their existing customers.

We've looked at dozens of industries for clients and find that there are typically 20 to 40 companies actively importing and distributing foreign products in any given industry.

The key to succeeding in Japan is to identify the key Japanese distributors of imported products in your industry and convince these companies to carry your products.

On a related issue, we are often asked about the use of sales agents and manufacturers' representatives in Japan.

The story here is simple.

Unlike other countries, agents and reps aren't common in Japan. Instead almost all imported products go through specialized distributors who purchase products for resale. These companies represent a number of foreign companies and sell either directly to retailers or to wholesalers.



Clients also often ask whether they'll have trouble communicating with potential Japanese sales partners and wonder if they'll need an interpreter or translator to do business in Japan.

In our experience, this isn't necessary because distributors that are already importing and distributing foreign products almost always have employees who can speak English.

For smaller companies, this is usually the president or sales manager. In larger firms, there will be one or more employees assigned the task of working with the foreign companies that the distributor represents. These employees are typically fluent in English and act as the liaison between these foreign companies and the distributor.

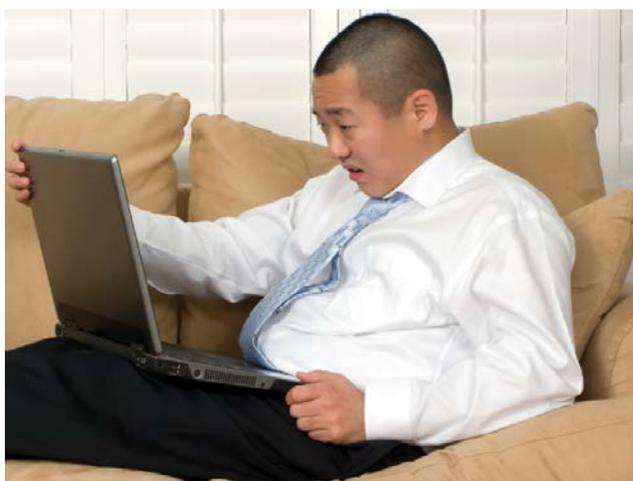
Clients also wonder if they should create add Japanese language pages to their website for potential Japanese visitors.

I suggest that you coordinate this with your Japanese distributor. The best translations are done by someone who both fluent in Japanese and familiar with the terminology of your industry. Your distributor will usually either do the necessary translations themselves or use an external translator that they trust.

They will often also create a Japanese-language website to promote your products. Here's an example of a site that a Japanese importer of leather goods created for one of the imported brands that it carries.



Don't use Google Translate to translate your site into Japanese or to communicate with potential Japanese sales partners. Google Translate works well for getting a rough understanding of foreign language websites but the translations it produces will leave any Japanese visitor to your site scratching their head in confusion.



Key #3

Be Selective



Another common mistake that foreign companies make is going with the first distributor that shows interest in their products.

Let me share with you an email that we received from a company in Europe:

"XYZ has been been our rep in Japan for three years but so far has sold nothing. I think it's time to move on."

It turned out that their "Japanese" distributor was actually based in South Korea and didn't even have an office in Japan.

While the Korean distributor did have employees who could speak Japanese and these employees did visit Japan from time to time, this wasn't enough to help this European company get their products into the Japanese market. Instead, they needed someone in Japan with access to the right distribution channels who could represent their products on a full-time basis.

This Korean company is an example of what I call a "zombie" distributor.

Zombie distributors are distributors who represent one or more foreign brands but lack the ability to effectively sell these products in the Japanese market. They may list dozens of imported products on their sites but in reality almost all of their sales come from just one or two products. The rest are just window dressing intended to make the

company look more substantial to potential customers and business partners.

Unfortunately, foreign companies new to the Japanese market sometimes end up with one of these “zombie” companies and later seek our help in finding a replacement. In fact, over half of our distributor searches are for clients unhappy with their current Japanese distributor.

Why does this happen?

It's because companies fall into the trap of assuming that any distributor in Japan is better than none at all. This leads many to go with the first Japanese firm that shows interest in carrying their products.

I don't agree with this strategy.

In fact I believe that an underperforming Japanese distributor is worse than having no distributor at all because...

- This distribution relationship will discourage better-qualified Japanese companies from approaching you.
- You will spend valuable time and resources trying to fix something that can't be repaired.
- You start to believe that your products aren't right for the Japanese market when the real problem is actually your distributor. I have seen companies with great products give up on the Japanese market entirely after being burnt by a bad distributor.
- Finally, there's the danger that your reputation may be tarnished by association with the wrong company or that your distributor will dump your products on the market at rock bottom prices when the relationship ends.



Key #4

Put Together A Strong List Of Potential Distributors



If you've spent any time at all searching the Internet for potential Japanese distributors, you already know that using Google to find these companies doesn't work very well.

This is because Japanese distributors often don't have English language websites and don't do a good job of marketing themselves outside Japan.

Their primary focus is on their Japanese customers and they typically don't do any search engine optimization (SEO) to make themselves easy to find.

This means that they either don't show up in Google at all or they rank so low that you'll need to scroll through hundreds of pages of search results before finding them.

This is true even for companies that deal with foreign companies on a daily basis.

For example, in recent client projects, we found that:

- Only 3 of the 27 potential distributors we identified for a high-end audio equipment manufacturer had English-language websites.
- Only 9 of the 32 Japanese distributors we identified for an electronic testing equipment manufacturer had English on their websites.

- Only 1 of the top 20 distributors of beauty salon products has an English-language website.
- Only 5 of the top 25 distributors of imported golf products in Japan have English on their websites.

Another problem with relying on Google to find potential Japanese sales partners is that others in your industry are doing exactly the same thing.

This means that any distributors you find are already being bombarded by companies from around the world wanting to do business with them.

So what the answer?

In my experience, the best way to find potential Japanese distributors is to identify Japanese companies that are already importing and distributing complementary foreign products.

Complementary products are products purchased by the same end-users that use your product. For example, if you sell baseball bats, complementary products would be cleats, gloves, balls, protective gear, tape, etc.

This is more effective than targeting distributors selling competing products because many Japanese distributors don't handle products that compete directly with each other.

Also, it's important to go after distributors that are already successfully distributing imported products. As I mentioned already, foreign companies often make the mistake of approaching the large Japanese wholesalers or retailers in their industry. Unfortunately these companies are rarely interested in dealing directly with foreign firms that don't already have an office in Japan.

Putting together a comprehensive list of potential distributors can be challenging if you don't speak Japanese.

Visit our website (<http://japanesedistributors.com>) or contact me directly (tom@japanesedistributors.com) for more information on our Japanese Distributor Search Services.

Key #5

Know How To Evaluate Potential Distributors



When evaluating potential distributors, it's easy to ignore companies that don't have much English on their websites or assume that this lack of English means that they can't speak the language.

This is a big mistake!

In my experience, there is NO relationship between having an English-language site and being an effective distributor.

For most distributors translating their website into English is not a high priority. Instead their focus is on the Japanese market and meeting the needs of their Japanese customers, not on attracting foreign companies who want to do business with them.

The absence of English also doesn't mean they can't speak English. As I mentioned already, if a company is already distributing one or more foreign products, they know how do business with foreign companies and will have employees who can speak English.

Let me give you an example from a client project that focused on the market for hand tools in Japan.

One of the best prospects we identified for this client was a company that I will call "Company K". We found Company K by identifying foreign

brands of hand tools popular in the Japanese market and following the distribution chain back to see who was bringing these brands into Japan.

We quickly determined that Company K is one of the top distributors of imported hand tools in Japan. But you wouldn't know this by looking at the English-language pages on their site. These pages provide no listing of the foreign brands they carry and little information on their distribution business.

Instead their English-language site talks about their export activities, leading one to believe that this is the main focus of their business. Only by looking at their Japanese-language site can you see the whole picture.

And when we contacted this company, we found that the person responsible for their distribution business was fluent in English and had no problem communicating with our client.

So how should you evaluate potential Japanese distributors?

Here are some things that you should look at:

Company size

Even if they are privately held, many Japanese distributors will indicate on their website how many employees they have or give their annual turnover.

I suggest that you consider companies that aren't too small or too large. If the company is too small, they probably won't have the sales and marketing muscle needed to get your products into the right channels. If too large, your products may not get the attention they deserve.

Location

In almost all cases, your best bet will be a distributor located in either the Tokyo or Osaka metropolitan area. Be wary of potential distributors located in outlying prefectures. These are usually small companies lacking the resources to open an office in Tokyo or who are only doing business in their local area.

Some foreign companies have gotten limited success through an agency located outside Japan. These agencies are usually run by Japanese nationals living abroad who have connections back to companies in Japan.

These firms may provide an initial path into the Japanese market but often just add another layer to the distribution chain making the price in Japan higher than it needs to be.

Clients sometimes ask whether it's possible to find a distributor who can cover all of Asia, including Japan.

There may be such a distributor out there but, in 30+ years of doing business in Japan, I've never seen an effective one.

Other products they handle

The other imported products that the distributor carries is one of the best ways to determine whether the distributor will be a good fit for your products.

When identifying potential distributors for clients, we like to see to five to ten complementary (not competing) brands of products that are purchased by the same end-users that purchase our client's products.

Companies selling complementary products are also easy to approach as they are usually interested in increasing their sales by adding additional products that their existing customers might be interested in.

Who they sell to

Many distributors list their main customers on their website. Ideally you want to see existing relationships with the right wholesalers, retailers, and end-users.

For example if you sell consumer electronics, your ideal distributor will have existing relationships with retail chains like Yodobashi Camera, Yamada Denki, Bic Camera, and K's Denki.



Key #6

Stand Out From The Crowd



Let's talk about how to convince potential distributors to carry your products.

This is important because the best Japanese distributors are also the most selective. A quality product and a healthy profit margin won't be enough to get their interest. You'll also need to convince them that you'll be a good long-term partner for them.

It's not unusual for distribution arrangements in the Japanese market to last for decades. For example, we recently helped a client find new representation after 54 years of doing business with the same Japanese company. Our client was very happy with this distributor but was being "fired" by this company because the sons who had inherited the business from their father had decided to take the business in a new direction.

Long-lasting relationships like this are not uncommon in the Japanese market and illustrate the importance of doing your homework and selecting the right distributor, rather than the first company that shows interest in your products.

So how can you catch the eye of potential distributors?

Here are some things you can highlight in your approach:

- Your unique selling proposition (USP).

In other words, why someone would purchase your product rather than your competitor's product.

- The quality of your product.

For many imported products, quality is more important than price. Provide specific details in this area such as certifications and test results if available.

- The target market for your product.

Make this clear. Don't assume that the distributor will be able to figure it out for themselves.

- The success of your products in other markets.
- Training and marketing support that you offer your distributors.
- Indications you have that there is demand for your product in Japan.

For example, any sales you have already made in Japan or any information you have on competing products already being sold successfully in the country.

- How long your company has been in business.
- The "back story" of your company or products.

Let me give you an example. We helped a U.S. manufacturer of leather care products find Japanese distribution. In their approach to potential distributors, the client highlighted the fact that their products had been around since 1920's and were originally developed to meet the needs of loggers and dockworkers in the Pacific Northwest. The Japanese companies they talked to were impressed by the company's history and authenticity of its products.

- How well your product complements the products that they already carry.

For example, if the distributor already represents ACME widgets, you should highlight the fact that your distributors in Canada, Brazil, and Russia also carry ACME widgets.

Obviously not everything in this list will apply to your products or company but this should help you get started.

The big lesson here is that you need to tell potential distributors all the reasons why they should take a good hard look at your products. Don't leave anything out and don't assume that they'll be able to figure it out by looking at your website. The best distributors are extremely busy and you'll only have one chance to get their attention.

Key #7

Approach Potential Distributors In The Right Way



Some “experts” on doing business in Japan say that cold calling Japanese companies doesn’t work. They insist that the only effective way to approach these companies is through a personal introduction.

This is nonsense.

We’ve contacted hundreds of Japanese distributors on behalf of clients and find most very interested in hearing about products that complement the products that they are already carrying.

This makes sense if you stop to think about it.

All savvy distributors know that the best way to increase their sales in a mature market like Japan is to find additional products to offer their existing customers. Tell them about quality products selling at a fair price and they’ll be interested in finding out more.

So what’s the best way to approach potential Japanese sales partners?

Calling them on the telephone doesn’t work because the person answering the phone at most Japanese companies usually don’t speak English speak very well and won’t know how to deal with your call.

Sending a message to the email address you find on their site is a little better but there is no guarantee that your email will get to the person you

need to reach. In fact, these companies are usually so overwhelmed with spam that your message may be will be overlooked or deleted without getting the attention it deserves.

A fax may work but again there's no guarantee that it will reach the right decision maker.

The best way to "cold call" Japanese companies if you don't speak Japanese is to send these companies a package containing a cover letter spelling out all the reasons why the distributor should consider doing business with you and, if possible, product samples, brochures, technical materials, etc., to give the package some heft and substance.

Sending something by mail, or even better by FedEx, shows you are serious about doing business with the company. This willingness to go the extra mile is valued in Japanese culture and will make your company stand out from all the email messages and faxes they receive.

Send this package to the president of the company unless you have already identified a better contact. Most distributors are fairly small and the president is usually actively involved in deciding which products to carry.

We can also help you identify and contact potential distributors. We have contacted hundreds of Japanese distributors on behalf of clients and we know how to get the attention of the right person.

Visit our website (<http://japanesedistributors.com>) or contact me directly (tom@japanesedistributors.com) for more information on our Japanese Distributor Search Services.



