

# ACTION ASIA BUSINESS

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## Next Stop Japan

A GUIDE TO DOING BUSINESS IN JAPAN

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## A SNAPSHOT OF THE GUIDE

**NEW ZEALAND MANAGERS NEED TO BE PREPARED** for the fact that doing business in Japan is not like doing business anywhere else. This report has been designed to provide New Zealand companies with insights into how business is currently being conducted in Japan and the lessons that can be drawn from experienced practitioners in the field. While there are many untapped opportunities in the Japanese market, it can be a difficult market in which to succeed unless new entrants are thoroughly prepared for its unique challenges. It is therefore important to learn from those already in Japan and achieving business success there.

The *Next Stop Japan: A Guide to Doing Business in Japan* report is designed to provide New Zealand companies and organisations with insights into how to do business in Japan. The guide is based on a series of interviews with representatives from companies in both Japan and New Zealand, drawn from a range of industries, and others with knowledge of the Japanese market, such as government and trade officials of both countries. Interview subjects were chosen on the basis of their capacity to provide useful insights into doing business with Japan or New Zealand, based on their own experiences and observations. Interviews with Japanese people were carried out in Japanese, and translations of their comments are included in the report.

### HELPFUL TIPS FOR DOING BUSINESS IN JAPAN:

- Invest in building relationships. It is important to build business partnerships that are based on trust rather than on contractual agreements.
- Visit Japan frequently. Regular face-to-face contact with your Japanese contacts can motivate them to ensure their commitment to you. Also take care to maintain relationships at the senior level.
- Maintain continuity with staff assigned to look after the Japan market. Staff changes can be regarded as disruptive to the relationship.
- Employ Japanese speaking staff. This shows commitment to the market.
- Be patient. Japanese management may seem slow to make decisions, but when they ask for information, it is important to respond quickly and comprehensively.

### CONTRIBUTORS:

A number of people were consulted and contributed to this study. These included: New Zealand business people doing business with Japan; Japanese business people doing business with New Zealand; and experts from New Zealand Trade and Enterprise (NZTE). BTM Marketing Ltd conducted the interviews on which the findings of this study are based, in Japan and New Zealand.

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# JAPAN AND NEW ZEALAND

**JAPAN IS NEW ZEALAND'S FOURTH LARGEST TRADING PARTNER** after Australia, the United States and China. In the year to December 2008 New Zealand exports to Japan amounted to NZ\$3.613 billion (Figure 1) and imports from Japan were valued at NZ\$3.955 billion (Figure 2).<sup>1</sup>

Japan and New Zealand have a strong trading relationship founded on long-established business agreements, mutual reliability, strategic investments and high-quality products.

Reflecting the comparative advantages of each country, trade between Japan and New Zealand is highly complementary. As seen in Figure 3, major exports to Japan include: aluminium (22 percent), wood, in mostly unprocessed form (11 percent) and food produce and ingredients (39 percent).<sup>2</sup>

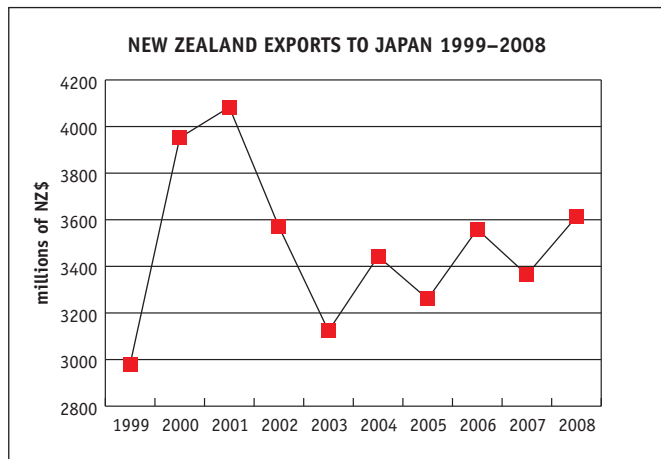


FIGURE 1: Source: Statistics New Zealand

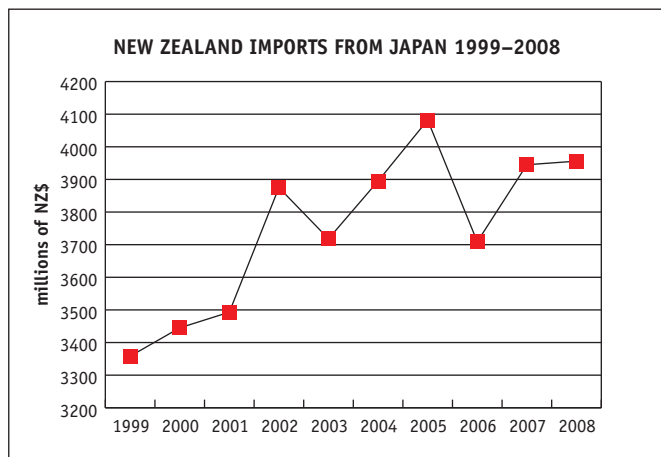


FIGURE 2: Source: Statistics New Zealand

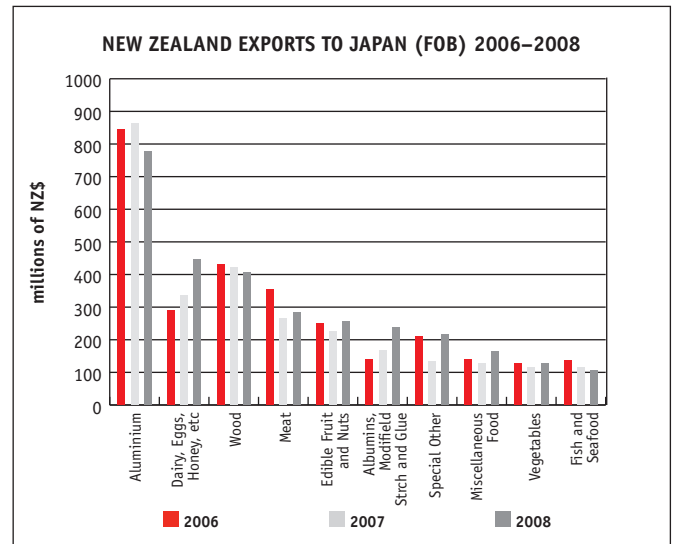


FIGURE 3: Source: Statistics New Zealand

1 Statistics New Zealand

2 World Trade Atlas 2007

Figure 4 shows that imports from Japan in the period 2006-2008 comprised vehicles (46 percent), machinery (15 percent), mineral fuel (13 percent) and electrical machinery (7 percent).<sup>3</sup>

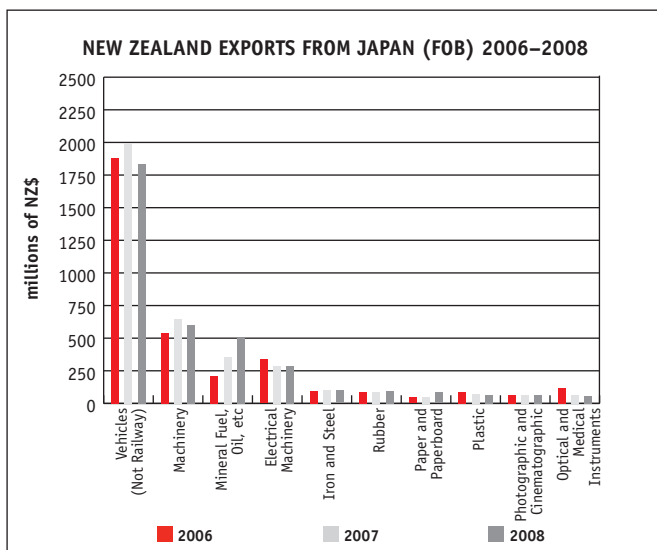


FIGURE 4: Source: Statistics New Zealand

### NEW ZEALAND IN THE JAPANESE MARKET

In the past decade, merchandise sales to Japan have grown by only 13 percent and are largely dominated by commodities in the metals, wood and food and beverage sectors<sup>4</sup>. Competition from other exporting nations has had a significant impact on New Zealand’s export revenue from the Japanese market, particularly in the wood sector. As a result there has been increased diversification into other markets such as South Korea and China. In Japan, as in other markets where it sells commodities, New Zealand tends to be a price taker.

Additional opportunities have been identified as alternatives to traditional industries, and newer export areas such as technology, biotechnology and creative industries look set to have an impact on trade in the future. Among the commodities exported to Japan, there is very little branding, aside from kiwifruit and

certain wine labels such as Cloudy Bay. A visitor to a Japanese supermarket would see few indications that of the fact that one-third of New Zealand’s food-related exports to the world are going to Japan.<sup>5</sup> This is because most food and beverage products are destined for the food processing and service industries rather than retailers.

Successful New Zealand companies in the Japanese market have four things in common: a physical presence; strong partnerships; significant financial size; and a sophisticated market understanding. Companies with these attributes have been able to survive currency fluctuations. For them at least, exports stayed relatively stable during the period 2003-2007, when the value of the New Zealand dollar increased from 63 to 87 yen.<sup>6</sup>

Reflecting the importance of services to the developed economies of Japan and New Zealand, services’ exports between the two countries make a significant contribution to bilateral trade. Services relating to the tourism and education sectors make up a sizable proportion of those New Zealand exports to Japan.

Japan is New Zealand’s fifth largest market for inbound tourism. In the year ended December 2008, 102,482 visitors to New Zealand were from Japan, down 15.8 percent on the previous year.<sup>7</sup> In 2007, 12,236 students came to New Zealand from Japan to study at education institutions – 13.4 percent of the total number of international students.<sup>8</sup>

### JAPAN NEW ZEALAND FREE TRADE AGREEMENT

The absence of a free trade agreement (FTA) has been an ongoing cause of disappointment to New Zealand exporters, especially when Japan – a latecomer to the FTA scene – has in recent years made up for lost time by rapidly entering into trade negotiations with others in the Asia-Pacific region. The agricultural sector in Japan, concerned that free market access for agricultural imports will erode its protected position in the Japanese market, has been the main impediment to an FTA between the two countries, preventing official agreement to initiate an independent study of the impacts of an FTA from occurring.

3 World Trade Atlas 2008

4 World Trade Atlas 2008

5 Statistics New Zealand

6 Reserve Bank of New Zealand

7 Key Tourism Statistics February 2009, Ministry of Tourism.

8 Ministry of Education Levy Survey 2007

Tariffs incurred at the Japanese border on New Zealand dairy products (25-425 percent), meat (50 percent) and kiwifruit (6.4 percent) have had a significant impact on the profitability of exporting to Japan. The development of Japan as an export market for dairy products is also restricted by quotas, which are allocated to foreign suppliers annually upon submission of an application for renewal of their quota.

Since 2001, the flow of FDI (foreign direct investment) from Japan to New Zealand has been positive each year and, in 2007, Japanese companies held NZ\$1.8 billion New Zealand FDI stock.<sup>9</sup> Japanese investment in New Zealand has traditionally been driven by market demand for commodities and the need to secure supply.

In year to 31 March 2007 there were significant investments in oil exploration and the dairy industries. Japanese investment in New Zealand reflects the structure of trading between the two countries and much of it is to secure supply (e.g. forestry, fisheries, food and beverage and aluminium) or to achieve production efficiencies.

Wood-processing facilities like Sumitomo Forestry's wholly owned Nelson Pine Industries Ltd another. Investment also covers companies distributing goods such as automobiles and consumer electronics and the provision of services such as tourism. In recent years Japanese investment has increased in other areas such as education, information technology, biotechnology and energy.

**LOW GROWTH RATES OF THE JAPANESE ECONOMY**

In 2007 Japan experienced a low rate of growth (2 percent) compared with the world average (5 percent).<sup>10</sup> Japan's GDP per capita average annual growth rate for the 10-year period 1997-2007 was 1.1 percent compared with New Zealand's 1.9 percent in the same period.<sup>11</sup> Growth rates in Japan saw a recovery during the period 2003-2007, but have been predicted by the OECD to shrink by 6.6 percent in 2009, negating those gains.<sup>12</sup> Apart from a short respite in 2007, the Japanese economy has experienced almost continual deflationary conditions since the early 1990s, leading to a widespread shift in consumer spending patterns in favour of cheaper imported items from low-cost producers in China and other parts of Asia.

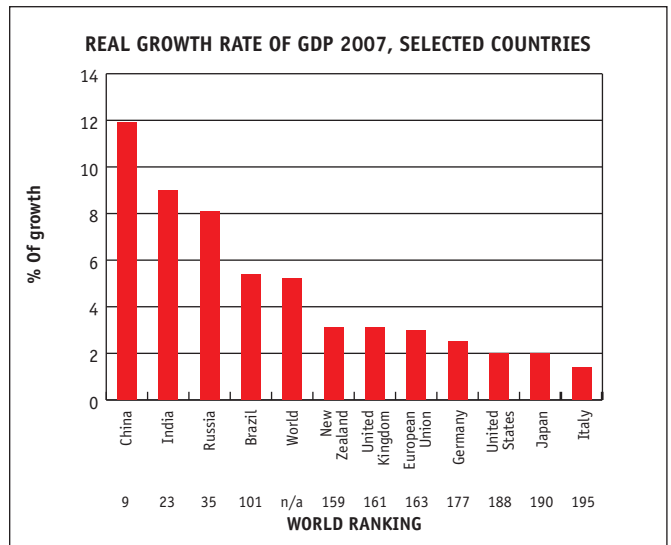


FIGURE 5: Source: CIA, The World Factbook, updated 20 November 2008 [accessed 2 December 2008] <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2003rank.html>

9 Asian Investment in New Zealand: New Zealand Inwards Foreign Direct Investment from Asian Nations, NZIER, 2008

10 CIA, The World Factbook

11 OECD Economic Outlook, No. 84, Vol. 2008/2

12 OECD Economic Outlook Interim Report, March 2009, p. 72

## PERCEPTIONS OF NEW ZEALAND BUSINESS IN JAPAN

Recent research conducted by NZTE in Japan revealed that there is much room for improvement in the way New Zealand business people are perceived in the Japanese market. While New Zealanders are seen as generally good people to deal with, they are also regarded as commercially naive and too relaxed in their approach to business.<sup>13</sup>

Asia:NZ has also conducted research into the perceptions of New Zealand business people in Japan. Of the eight East Asian countries surveyed, the performance of New Zealand business people was rated the lowest in the Japanese market (6.6 out of 10).

While New Zealand business people were rated highly for being “trustworthy”, “committed to long-term partnerships”, “follow-up” and “being courteous”, they performed less well in the areas of “offering a relevant product or service”, “having good business skills”, “being well connected in the business world” and “offering unique products and services”.<sup>14</sup>

The full report, *Reality Check: Asian Perceptions of New Zealand Business People*, can be found on Asia:NZ Online at: [www.asianz.org.nz/files/AsiaNZ\\_realitycheck07.pdf](http://www.asianz.org.nz/files/AsiaNZ_realitycheck07.pdf)

In this same study, several representatives of Japanese companies expressed confidence in New Zealand’s food safety regulatory system and the certifying of edible products for export. In Japan, where concern about food contamination has increased in recent years, New Zealand enjoys a reputation for being a dependable source of food that is safe to eat.

*“New Zealand is a good partner and very easy to deal with because its food standards are good and regulations for exporting food are strict.” Nishimoto Trading*

*“The Japanese economy is huge, and [Japanese food companies] simply don’t need to deal with you. They will if they think you have something unique to offer, but if they don’t deal with you, it is not going to destroy their business. It may destroy ours though, by destroying the opportunity we have to get into that marketplace.”*

**Func.nutrition**

13 New Zealand Trade and Enterprise, *Perceptions of New Zealand Overseas: Research in Shanghai and Tokyo*, 2007

14 Reality Check: *Asian Perceptions of New Zealand Business People*, 2007

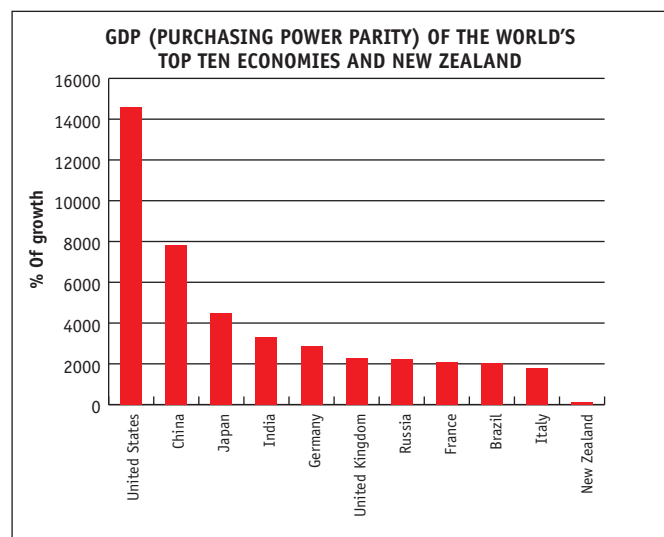
## THE CHALLENGES OF DOING BUSINESS IN JAPAN

### DIFFERENCES IN SCALE BETWEEN THE JAPANESE AND NEW ZEALAND MARKETS

In 2008, the Japanese economy was the world's third largest in purchasing-power-parity terms (US\$4.348 trillion); in the same year New Zealand's economy ranked 60<sup>th</sup> (US\$116.6 billion).<sup>15</sup> Figure 6 highlights the difference in size between the New Zealand and Japanese economies. The vast disparity in economic size can place limitations on the capacity of New Zealand companies to supply adequately the volumes required by Japanese buyers.

*"We introduced a New Zealand children's wooden-block puzzle to Daiei, the large department store company in Japan, which then ordered 50,000 items. But the New Zealand manufacturer couldn't fulfil the order. This has happened with a number of products we have marketed in Japan on behalf of New Zealand companies."*

*Oji Paper*



**FIGURE 6:** Source: CIA, The World Factbook, updated 20 November 2008 [accessed 1 December 2008]

<https://www.cia.gov/library/publications/the-world-factbook/rankorder/2001rank.html>

In addition, the comparative smallness of New Zealand companies often means they lack sufficient capital to develop markets in Japan on their own. Even some of New Zealand's larger primary producers have been restricted by a lack of capital in their business ventures. However, one New Zealand company found an innovative way of overcoming this problem. When unable to raise sufficient capital in New Zealand, meat exporter ANZCO Foods found investment partners in Japan willing to finance the importation of its products. Obtaining financing from Japanese investing partners was the only way ANZCO Foods could accommodate the established practice in Japan of buyers not paying for imported meat for three months.

*"Payment terms in the Japanese meat industry were usually 90 days, which was a heavy burden for the company to sustain."*

*ANZCO Foods*

### JAPANESE LONG-TERM THINKING

The long-term approach to business in Japan is fundamental, and something that must be allowed for in the business plans, budgets and strategies of New Zealand companies. Japanese companies tend to take a measured approach, meaning they can seem to be slow in deciding to move on an opportunity. This is particularly evident at early planning stages and when establishing new contacts. There is a high degree of risk aversion and an emphasis on thoroughness and consensus-based decision-making, which can involve consultation with a large number of managers within the company.

<sup>15</sup> CIA, The World Factbook 2008

*“Japanese manufacturers are always seeking to have better products than rival companies. Markets are fiercely competitive in Japan, which is why it takes time to research how to gain a significant edge over others. In New Zealand the market is not that competitive, so it is hard for companies to understand our situation. We would like New Zealand to understand that in Japan, things take a long time to develop. Sometimes New Zealand companies get too uptight; our advice is to be patient.”* **Nishimoto Trading**

Japanese companies tend to think in terms of the long-term viability of a venture, rather than profitability in the short term. They are often willing to forgo immediate profits, preferring to focus instead on establishing themselves securely in the market.

*“In establishing this relationship, there were some differences between the Japanese and New Zealand approaches to business. Sumitomo Forestry’s chairman made it clear that their priorities were security of supply and quality, in equal proportions. Profit was probably number five on their list.”* **Nelson Pine Industries**

It is important to know who in the Japanese company is driving the decision-making process. In addition to having good relationships with senior management, foreign firms will need to establish relationships with Japanese managers further down the hierarchy. Middle managers are often responsible for putting together business cases for partnering with other firms. Although present at meetings, senior managers may not appear to be taking an active role in the conclusion of a commercial arrangement. After the case has been presented by their subordinates for a venture, however, it is they who are responsible for the final decisions.

*“The middle managers in Japanese companies are the ones who do the work, then get the rubber stamp of approval from the senior managers.”* **Nelson Pine Industries**

## JAPANESE CONSUMERS

### DEMOGRAPHIC CHANGES IN JAPAN

Companies developing or adapting existing products for the Japanese market need to be aware that Japan's population is rapidly ageing and declining overall. This means that future opportunities are likely to lie with the older population segments in Japan. Although their net wealth has declined in recent years owing to the effects of a long recession, company collapses and declines in the value of their assets, this segment of the population still has comparatively large savings compared with their counterparts in other developed economies. Within this older group of consumers there is tremendous interest in products that promote health and wellbeing. Propolis, an extract from the honey of bees, is an example of such a product.

*"Japanese people have a great interest in natural health products and New Zealand has a great reputation for such products – the opportunity exists now." NZTE Tokyo*

### 'BABY BOOMERS'

The elderly in Japan and those consumers nearing retirement age are providing new business opportunities. Contributing further to the ageing of Japan, the number of children aged 0-14 years has been shrinking since 1982. Whereas Japan's population was very youthful in the post-World War Two period, it is projected to become a markedly aged population by 2050, with nearly 36 percent of Japan's population estimated to be over the age of 65.<sup>16</sup> Eight million people were born between 1947 and 1949, and many of these will retire in the next five years. Furthermore, Japan's life expectancy is currently higher than anywhere else, with men on average living until 79 and women until 86.

The Japanese government amended the labour code in April 2006 to enable companies to set mandatory retirement between the ages of 60 and 65.<sup>17</sup> This change was made to maintain the existing labour force and allow for the staggering of retirement pensions. The mass wave of retirement, which began in 2007, has resulted in a smaller labour force and increased financial pressures on employers when honouring pension commitments.

Those in the 55-plus age group are now known as 'active seniors'. They are generally healthy and active, both mentally and physically. Many pursue hobbies and interests they did not have time to enjoy during their working lives, and are willing to devote significant expenditure to this end. This baby-boomer generation holds large amounts of savings and, owing to the longer life-spans and the general good health among its elders, can expect a long period of retirement.

However, the spending patterns of baby boomers are constrained by depreciation in asset values, concerns about the poorly performing economy, and a lack of confidence in the government's ongoing ability to pay pensions and provide adequate nursing care in the coming decades.

*"Baby boomers use the dividends they receive from their stock and securities to buy luxury items and to travel overseas. However, as share dividends are lower and share values are dropping, many people are hesitating to spend." Oceania Planning*

This market of 'active seniors' provides significant opportunities for New Zealand businesses, particularly those involved in health and wellness, tourism, functional food, medical technology and biotechnology. Several reports on the baby-boom generation and the business opportunities they present can be found on the website of the Japan External Trade Organization (JETRO): [www.jetro.go.jp](http://www.jetro.go.jp).

16 National Institute of Population and Social Security Research, Tokyo

17 *Capitalising on Retirement of Japan's First Baby-Boomers*, JETRO Japan Economic Report, April-May 2006

## CONSUMER BEHAVIOUR IN JAPAN

*“Japan is a relatively large population, a very wealthy population, a very sophisticated market – and people are prepared to pay for quality and stable and reliable supply. These are huge advantages for New Zealand.” Fonterra*

For several decades, owning a home and at least one car has been considered an affordable goal for a New Zealand household on an average income. For Japanese households, however, home and car ownership has been less prevalent, due to low affordability and highly developed public transport networks. Personal savings are higher in Japan than in most OECD countries, but owing to the very low interest rates offered by banks on saving accounts (at times little over 1 percent in the past 15 years), many prefer to invest in company stocks, securities and government bonds (*uridashi*), with New Zealand typically being a popular choice for bonds.

Until the mid-1990s, Japanese consumers were well known for their expenditure on highly priced, branded products. Workers received significant bonuses throughout the year, with many of these being used to pay for luxury goods and overseas travel. Prices were high owing to long distribution chains and inflated margins, but consumers were willing to accept this as long as they received quality products and excellent customer service in return. Since the early 1990s, however, consumer spending patterns have changed, becoming more discerning and showing a greater focus on obtaining value for money. After a long period of deflationary market conditions, spending patterns have changed. Among consumers in their 20s and 30s, for example, expenditure on overseas travel has been supplanted in recent years by increased spending on mobile phones, computer games and other electronic gadgets.

These changes in consumer behaviour, complemented by the arrival of foreign competitors, have led to greater competition, tighter margins and increased streamlining of distribution chains. Discount stores have appeared and consumers have started to look for bargains. Sales of branded goods continued to be reasonably

high until the end of an export-led period of growth and the return of recessionary economic conditions towards the end of 2008 began to have an effect on luxury spending.<sup>18</sup> Japan’s largest advertising company, Dentsu Corporation, provides a useful guide to recent hit products and consumer trends in Japan on its website: [www.dentsu.com/marketing/pdf/hitProducts\\_2007.pdf](http://www.dentsu.com/marketing/pdf/hitProducts_2007.pdf)

## REGIONAL CULTURAL DIFFERENCES

There are subtle differences in the business and societal cultures among the regions of Japan. The most commonly recognised regional variation is that between the Kanto (Tokyo and surrounding prefectures) and the Kansai regions (Osaka and surrounding areas). Throughout much of Japan’s history, Japanese culture has been defined by region rather than by nation. Kansai people are commonly said to be more entrepreneurial, commercially oriented, direct, open and group focused. Conversely, Kanto people are perceived as more individualistic, reserved and formal. It’s often said that the characteristics of people in Nagoya sit somewhere between those of Tokyo and Osaka. Nagoya people are more conservative, but they are also said to be more conspicuous in their consumption habits.

These regional differences can influence the types of food eaten, travel patterns and taste in clothing. Tourists from Kansai and Nagoya tend towards larger group tours, whereas Tokyo people prefer to travel in smaller numbers. When doing business in the different regions of Japan, it is advisable to find out about regional differences in consumer behaviour that may impact on the product you are introducing to the market.

*“The Japan market is not one big market. Tokyo, Osaka, Nagoya – each market is different. For example, the big hit products in Tokyo sometimes don’t sell well in Osaka. Even Japanese companies approach each market differently.” Mitsubishi Corporation*

<sup>18</sup> *The Economist*, 20 September 2008

## RESEARCHING THE MARKET

**RESEARCH IN JAPAN IS EXTREMELY IMPORTANT.** There are discrepancies throughout different regions in Japanese needs, tastes, sizes, packaging, labelling, legal requirements and distribution, of which any one could have major impacts on your business. Finding the right business partner in Japan is critical. When introducing a product, it is important to listen to the needs of the Japanese partner and have flexibility when tailoring the product to suit the Japanese market. Promotional material must focus on providing detailed facts about the product, supported by test results, endorsements, flow charts, diagrams, etc. There are special considerations when preparing text for translation, such as context, audience and language style. Choosing the right translator and having translations checked are important.

*“You need to spend a lot of time finding the right local partner to target. You can spend a long time and a lot of effort talking to the wrong person in Japan. Once you have your targets, go at them purposefully and let them know why you want to work with them, because in Japan it is all about a partnership.” NZTE Tokyo*

Japanese businesses, particularly retailers and service industries, have a highly developed service ethic. Companies strive to have the best products available, which they back up with responsive systems for effective customer servicing. New Zealand companies need to accommodate the requirements for detailed information and analytical data, and time for making decisions – all of which is concerned with ensuring a product’s readiness for the market. Understanding Japan’s consensual approach to the development of an industry, the prioritisation of customer satisfaction, the lesser importance placed on making profits and a ‘quick action, fast response’ way of thinking is also important. Research conducted by NZTE into perceptions in Tokyo of New Zealand business people has shown New Zealand companies need to improve their packaging, product handling and flexibility in meeting consumer demands and show more willingness to enter long-term commitments.<sup>19</sup>

When entering Japan, it is likely that the product or service offering will need to be adapted to suit Japanese tastes, preferences and perceptions of quality. The high standards expected by Japanese consumers and a potentially lengthy wait

before profits begin to appear mean that businesses will need to be patient, well capitalised and flexible.

*“New Zealand honey, although known to be healthy, is too bitter for Japanese tastes and therefore requires further refinement to make the flavour more appealing. To make its products more competitive, New Zealand needs to develop the flexibility to adjust its products to suit Japanese tastes.” Mitsubishi Corporation*

Japan is a market that requires considerable time and money to establish a presence. Rather than basing expenditure on a percentage of current sales, it is advisable to consider the market opportunity in the medium to long term. Short-term investments should always be based on the returns that will occur over a longer period. This may require investment in comprehensive market research to identify the potential partners for distributing or marketing a product, and also into the comparable and competing products in the market.

*“Considering the 18 months it took [them] to get into the market, the overhead cost associated with that was probably six or seven times greater than the research report that [they] should have paid for in day one.” NZTE Tokyo*

Organisations such as NZTE, JETRO, the Japan New Zealand Business Council and Tourism New Zealand can supply market information, but businesses may need the assistance of a specialised marketing consultant or market research firm in addition to any in-house research they do. The Japan New Zealand Business Council can assist businesses with finding people with experience in the Japanese market.

Regular attendance at events organised by the Japan New Zealand Business Council and the Australia New Zealand Chamber of Commerce in Japan can be a useful way of developing a network of business people in Japan.

When developing your product, talk to the potential Japanese partner about any changes to the product itself (packaging, labelling, etc) before making any final decisions. They will appreciate having the chance to tailor something to their needs, and this will also display your commitment and flexibility. It may even give them a sense of responsibility to see the product succeed.

<sup>19</sup> NZTE report – *Perceptions of New Zealand Overseas Research in Shanghai and Tokyo, 2007*

## ENTERING THE MARKET

**A PRODUCT THAT SELLS WELL IN NEW ZEALAND** or in other export markets may not enjoy the same success in Japan, particularly if it has not been well researched or tailored for that market. Even within the Japanese market, products that sell well in one region may not do so well in others. This applies to Japanese products as well as to imported products. Choosing Japan as your first overseas market may seem an attractive proposition, but high standards and lengthy timeframes in Japan soon become challenges.

You need to be patient, well capitalised and flexible. You will need to prepare for the long haul by ensuring your company has the processes in place to meet the rigorous demands of the Japanese market.

*“We would like New Zealand companies to understand that in Japan some things can take time to happen. Even when the product’s quality is very good, it takes a long time for buyers or wholesalers to make up their minds.” Nishimoto Trading*

Factual and visual information about products is more widely used than in New Zealand. Japanese buyers like to know the facts about the product, and to have these facts substantiated with statistical information, flow charts, diagrams and accreditations. If a Japanese company is interested in your product, it is likely to ask for a lot more information. It is therefore advisable that you be able to respond immediately with an acknowledgement of its request and indicate when the required information will be ready. Do not leave the company waiting too long, as this will be taken as an indication of low commitment.

*“Give them the information they want quickly. The longer you leave it, the sooner their interest will wane.” Func.nutrition*

### CUSTOMS OFFICIALS

New Zealand exporters are likely to encounter, a sound ethos from Japanese bureaucrats, such as customs, agricultural and health officers. Japanese customs officials tend to be cooperative and respond to queries about regulations and requests for information in a timely manner. If you are using a customs agent, it is important to ensure that they understand exactly what it is you are taking into Japan, so that it can be categorised correctly.

If product analysis is required, the provision of details in Japanese rather than in English will make it easier for the customs official to evaluate, and will likely speed up the process into Japan. It is also important to consider the amount and type of information you provide to customs officials. By providing too much information you run the risk of providing reason for investigations to become prolonged. Face-to-face meetings with customs agents and customs officials before shipping any goods can prevent such inconveniences.

*“Think carefully about what they need to know, and don’t just give them all your sales information, which is irrelevant to them, and may consequently slow the official process.” Func.nutrition*

### DISTRIBUTION SYSTEMS

Although distribution systems in Japan have become more streamlined, they are still complicated and difficult for outsiders to understand. Japanese trading companies can be useful for such procedures including preparing products for the Japanese market, such as translation and confirmation that products conform to local standards. Japanese trading houses were the original instigators of the export trade between New Zealand and Japan and companies such as Sumitomo, Mitsui and Co, Marubeni, Mitsubishi, Sojitz, Kanematsu, Itochu and Toyota Tsusho continue to provide significant market access opportunities for a wide range of New Zealand companies.

Although there are some disadvantages to exporting through a Japanese trading company, it also offers significant advantages – not least of which is being able to gain access to their distribution channels, marketing expertise and customer support systems. Some Japanese trading companies are now investing in New Zealand companies as well, which adds long-term strength to their capabilities.

*“Often New Zealand SMEs (small medium enterprises) don’t understand the cost of doing business in Japan. Going through a Japanese trading house may be the best way to learn about the market and to gain access to it. Revenue lost in commissions, or to provide lower net rates, can be measured against the cost in time and money of attempting to go it alone.”*

**Japan New Zealand Business Council**

*“Sometimes secondary and tertiary distributors are used between importers and retailers. It’s a tradition and the same distributors are used for a long time. It is not about the price, it is more about goodwill. Even if a new company offers a lower price, they may be reluctant to swap the distributors with whom they have had a good relationship for a long time. But the trend is now moving to direct selling and these secondary, tertiary distributors are being bypassed, especially in urban areas. But in the rural areas, trade is still done face to face and depends on trusting relationships. If something is new to the Japanese market, it is a good idea to approach agents or distributors who have already dealt with the company who the New Zealand side is targeting.”* **Nishimoto Trading**

*“The complicated Japanese distribution system is hard to explain to New Zealanders. There are sometimes two or three wholesalers between the retailer and importer and it’s hard for us to talk directly to the retailer. These wholesalers don’t let us contact the retailer directly; there are rules around that.”* **Nishimoto Trading**

If the decision-making process at the importation end of the distribution chain can seem slow, this is not generally the case with retailers and the service industry. Restaurants provide a good example. They are known for their alertness to shifting consumer trends in the marketplace and show great flexibility in how they adjust to these signals.

*“Restaurants lead the trends and cause manufacturers to respond. The first steps taken by restaurants are very important, and are the key for success.”* **Nishimoto Trading**

## OTHER DISTRIBUTION OPTIONS

Alternative distribution options are available in the form of smaller industry-specific importers and distributors, which can often provide good access to industrial and consumer markets. Researching potential agents is possible via the internet or through JETRO offers and if carried out by the right person, can save a lot of time and money. While distributors in Japan provide an important role, they generally handle a huge volume of products from around the world and as such, their passion or desire to focus on an individual New Zealand product may be limited. Sales strategies may be better focused on the trade buyers who can initiate product promotions.

*“A New Zealand company wanting to export to Japan should spend a lot of time finding the right local partner to target. You can spend a long time and a lot of effort talking to the wrong person in Japan, and it’s worth spending money and talking to as many people as possible in the industry up here to get information about the companies that you are targeting. And then once you have got your targets, go at them aggressively, and let them know why you want to work with them, because in Japan it is all about a partnership.”* **Jeroboam**

## **DISTRIBUTOR LIFECYCLES**

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New Zealand companies often align themselves with particular distributors for a long time, and in some cases offer exclusive agreements. However, New Zealand companies can sometimes outgrow the capabilities of their Japanese partners to distribute products in larger volumes. In many cases, knowledge of Japan held by New Zealand companies is limited to the information they receive from their Japanese partners. It is wise to conduct a periodic review of existing relationships and research alternative opportunities for distribution.

## **REGIONAL DISTRIBUTION**

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While often not immediately obvious to an observer, competitive conditions in Japan between one region and another, and between (or even within) companies and branches, can be very intense. Consumers will be hesitant to buy a product from another region of Japan where a local supplier is readily available. It is important to find out the regions where your distributor has strong connections, and to consider whether or not you need to find others to fill any gaps.

## MARKETING IN JAPAN

### PROVIDING DETAILED INFORMATION

Unlike marketing in New Zealand, extensive factual and visual information is more likely to be used to describe a product in Japan. Japanese consumers like to be able to see significant written details about a product and prefer claims to be reinforced with statistical data, flow charts, diagrams and accreditations. Any information that lacks objectivity and sufficient detail will be considered inadequate. Make sure that any writing is in a style that is clear, methodical and factual.

When giving presentations in Japan, it is best to assume the audience has very limited knowledge of your product. Third-party evidence that can support your presentation will increase the credibility of a supplier and its products, so be prepared with testing lab results, industry accreditations and customer feedback. To avoid the audience misinterpreting key details, you should back up your story with written reports for them to study later.

### PROMOTIONAL CAMPAIGNS IN JAPAN

Using traditional consumer-focused mass media advertising techniques to promote your product in Japan will quickly see your marketing budget vanish. Most New Zealand companies will not have adequate financial resources to fund such promotions. Instead they will need to use other sales and marketing tools that can be used in conjunction with a Japanese distributor, agent or buyer.

*“Promotional effort should be concentrated on the local partner rather than directly on the consumer. It is very easy to allow a lot of money to disappear very quickly in Japan for little reward. The local partner knows the market, they know what is required, and they know which parts of the local media should be targeted.”*

**Jeroboam**

Exporters in Japan have found that, unless they invest in marketing themselves, they can end up becoming price takers in markets where product differentiation is not always easy to perceive for consumers to recognise.

*“In order to get the best price, we need to focus more on marketing to the end-user. This requires the supplier to contribute to the marketing in Japan, and not just the Japan side.” ANZCO Foods*

### USING THE MASS MEDIA

Japan has an abundance of weekly and monthly printed publications covering specific topics, hobbies and interests, that includes in-depth product reviews and comparisons. Smaller New Zealand companies have limited marketing budgets, so need to spend their funds carefully and find the right publication for marketing their product. Choosing to bypass distributors, ANZCO Foods provided a wealth of information through the media on the benefits and means of consuming New Zealand lamb, in order to increase awareness at the consumer level. It identified a niche product and used an innovative approach to marketing. This was then followed by the ANZCO Lamb promotions.

### BRANDING

Well known brands appeal strongly to Japanese consumers. The level of identification goes well beyond the level of involvement with brand culture exhibited by New Zealand customers. Brands can be affiliated with all aspects of the customer experience; from the time they read the advertisement; to the welcome they receive at the store; the purchase process; the packaging of the product; the customer service and follow-up; the sharing of enjoyment with their friends and family; and the website to which they register their interest in the brand.

*“Japan is an extremely brand-conscious market. They respond to brands. For New Zealand companies wanting to export [to Japan] they really have to sell their brand image as well as their product. Japanese really want to know where their products come from, who is behind them, why they should buy this product over another. The most important thing to understand before you enter the Japanese market is to have your brand structure and brand image done well. This includes the history, photos and so on.” Jeroboam*

One of the few New Zealand brands you will see in Japanese supermarkets is that of kiwifruit exporter, Zespri. There has been some interest expressed by New Zealand and Japanese business people in establishing a common logo to be used on New Zealand products sold through retail outlets. The silver fern and the letters ‘NZ’ are two commonly made suggestions. The ‘100% Pure New Zealand’ brand used by the tourism industry has been somewhat effective in communicating New Zealand’s green image, although it is not universally understood in Japan.

*“For many Japanese, the silver fern equates to the All Blacks rather than New Zealand. For others, the fern stands for all things natural so has particular resonance in Japan. I heard it has a very lucky meaning in New Zealand, such as sprouting or starting a new thing.”<sup>20</sup> Japanese business person in Tokyo*

Although black is associated by people with New Zealand, by Japanese business it is also the traditional colour of mourning in Japan and has for this reason been regarded as an unsuitable colour for use in marketing, especially in the past in the food and beverage area.<sup>21</sup> More recent research, however, suggests that the use of black in marketing has become more acceptable, even fashionable, in Japan.<sup>22</sup>

### **EXTENDING THE NEW ZEALAND BRAND**

Opinions among those interviewed were mixed about whether a national New Zealand brand would help or hinder New Zealand businesses hoping to become established in Japan. It was suggested in some interviews that a national brand would help to spread the positive association of New Zealand among Japanese consumers.

*Cloudy Bay is successful in Japan owing to its ownership by Louis Vuitton. Every Louis Vuitton event in Japan has Cloudy Bay port. This has opened the door for New Zealand wine in many markets, including Japan. In this case it is the brand, and then it is New Zealand.” Jeroboam*

One disadvantage of promoting New Zealand products under a national brand that opportunities for product differentiation can be lost. Consumers may be led to perceive that all products from that country are of the same quality. Some of those interviewed felt it could hinder companies marketing premium products in Japan and trying to differentiate themselves from New Zealand suppliers that focused on low-cost products.

*“[Unlike New Zealand beef,] Aussie beef has one consistent image in Japan, whether the meat sold is of high value or low value. This strategy has its limitations, as it makes it harder to promote the benefits of high-quality products.” ANZCO Foods*

## **USING THE INTERNET**

### **INTERNET USAGE IN JAPAN**

According to ‘Internet World Stats’, there are 94 million internet users in Japan, some 73.8 percent of the population, of whom 28 million are broadband subscribers.<sup>23</sup> Although internet access is limited in non-office working environments, access via mobile phone is common during commuting times and provides a great opportunity for marketing. Mobile broadband services supported by the latest HSDPA (high-speed downlink packet access) and IP (internet protocol) network technologies are currently being developed to create a new mobile broadband market.

<sup>20</sup> *Perceptions of New Zealand Overseas Research in Shanghai and Tokyo*, NZTE, 2007

<sup>21</sup> *Perceptions of New Zealand Overseas Research in Shanghai and Tokyo*, NZTE, 2007

<sup>22</sup> Tourism New Zealand

<sup>23</sup> [www.internetworldstats.com/asia.htm](http://www.internetworldstats.com/asia.htm)

### **INTERNET OPPORTUNITIES**

Japanese people are now comfortably able to purchase New Zealand goods and services online; popular examples include travel, health products and wine. However, many consumers are wary of online purchasing owing to concerns about internet payment security and the lack of easily understandable customer service. A Japanese-language website that can offer products not readily available on the local market will increase the marketability of your products, especially one with details on payment and delivery, security and customer service. Given the strict requirements for health products in Japan, many foreign companies have found it easier to establish websites in other countries and to send products from overseas in order to reach their Japanese consumers.

### **JAPANESE WEBSITE DESIGN**

A website in Japanese can be a cost-effective way of making your company and product information available to multiple layers of the Japanese distribution system. Japanese web content can be anything from a single page in Japanese to a full or partial translation of your English website. Information-based sites can be built inexpensively; however, you may come up against restrictions on using Japanese text if your English website has been built on a database or via an English-based (single-byte) content management system (CMS).

When considering the development of an information and communications technology (ICT) project such as a website, it is important to establish whether or not the project will need to be developed in other languages in the future. Languages such as Japanese, Chinese and Arabic use double-byte or multi-byte characters and therefore have special requirements. In most cases, applications that have been built for English-only applications cannot be converted to handle multi-byte characters and may necessitate redevelopment in order to handle such technology.

In the case of a website, if it is not feasible to develop a multi-byte-friendly framework, consider the development of Japanese content in a flat html format. Some Japanese web developers will be able to develop a site in flat html that looks

and feels similar to the English equivalent, and this may be sufficient if the site is intended primarily to provide information rather than interaction.

Generally, the encoding used for Japanese character sets is either UTF-8 or Shift-JIS. UTF-8 is more commonly used in database-driven applications and Shift-JIS is more common in basic applications, a flat html website for example. In the early stages of development it pays to check that the Japanese character sets are displaying correctly.

Japanese characters, in particular the more complex Chinese characters (*kanji*), are very difficult to read owing to the number of strokes used to make up each character. If the font size is too small, it may become illegible. With English it is common to use font sizes of 8-12 points, however, in Japanese anything less than 10 will be illegible. A minimum font size of 11 or 12 is recommended.

The use of larger fonts will mean the overall space required for a block of Japanese text will be greater than that for English text. Take care with the development of items that have limited space available, such as Flash elements, drop-down boxes, buttons, widgets and website navigation. Problems with space in one translation may have a domino effect on the overall layout.

In contrast, there are cases where several words in English may end up as just one or two characters in Japanese. It is advisable to consult an experienced Japanese translator and developer early on in the development of a project.

Word-wrapping Japanese text also presents a common problem. When importing Japanese text into an application it is advisable to have a Japanese national proof-read the final layout and change any line breaks that may be required.

English-based search engines will not automatically pick up your Japanese content. You will need to register the Japanese 'home page' with Japanese search engines. PDF (portable document format) pages in Japanese may not be picked up by Japanese search engines, unless they are text-based rather than graphics-based.

## TRANSLATING COMPANY LITERATURE

**TRANSLATION OF YOUR COMPANY** literature into Japanese is an important step for doing business in Japan. It is very important to ensure that it is done professionally in order to impress potential clients or business partners. Here are some guidelines for the translation process and some things to avoid:

- Provide the translator with as much information as possible about the context, audience, medium and references.
- Decide who the primary audience is, e.g. distributors, wholesalers, consumers, young or elderly people. Knowing who the reader is will determine the necessary writing style and the appropriate fonts to use.
- Provide the translator with a guide to the final layout of the material.
- Decide what medium will be used (website, brochure, fact sheet or trade manual). State space restrictions or dimensions of which the translator needs to be aware.
- Provide the translator with any previous translations to ensure the jargon and terminology are consistent.

### PREPARING ENGLISH TEXT FOR TRANSLATION

The root of a poor translation can often be traced back to the quality of the original English text. It is important that your message is clear and that explanations are factual and concise rather than overly descriptive. Avoid using too many adjectives and elaborate language and rewrite statements that are either ambiguous or vague.

One of the hardest things to translate is short passages where the context or usage of that text is unknown. Page titles, paragraph names and navigation buttons are the main offenders. This is particularly the case when more than one meaning can be associated with a phrase. In such cases, always provide the translator with information about the context.

In New Zealand, marketers often use word play to spark interest or to stimulate the reader. Cultural differences between New Zealanders and Japanese people often mean that word play is impossible to translate without losing the intended meaning or requiring some form of lengthy explanation.

### CHOOSING THE RIGHT TRANSLATOR

It may seem obvious, but you should never assume that someone can fulfil effectively the role of a translator just because they speak two languages. When selecting a translator, it is important first to determine whether or not they are qualified for the job. Qualifications for translation can be reduced to two key factors: depth of experience as a translator, and competency in the field.

Choose a translation company or individual that has experience in your industry. Each industry has its own jargon, and its own particular ways that translations should be prepared. Typically, operation staff who translate marketing material will not pay sufficient attention to particular writing styles. Translations carried out by Japanese nationals who have lived in New Zealand for a long period of time can contain archaic Japanese characters and outdated language. At the very least, their current industry knowledge may be limited.

When requesting translations, allow sufficient time to find a suitable translator, complete the translation and have it checked. A professional translator will encourage you to have important translations checked by a Japanese national from within the industry concerned before going to print.

It may be difficult to source someone in New Zealand with the appropriate experience, in which case you will need to consider contracting someone in Japan or other English-speaking countries.

Overseas translator may, however, have limitations, such as their knowledge of New Zealand, local industries and terminologies. Conversely, experienced New Zealand-based translators may be able to recommend changes or additional content that is relevant to the Japanese market and your New Zealand pitch.

*“Too many organisations get literature prepared in New Zealand and don’t get it checked properly. I’ve seen some pretty poor examples where people have gone to someone who claims to be a Japanese translator or interpreter, and I wouldn’t show them to the lady down the road here, let alone your business partner.”* **Meat and Wool**  
*New Zealand, Japan*

## MANAGING BUSINESS PARTNERSHIPS

**IT CAN TAKE A LONG TIME BEFORE COMMERCIAL AGREEMENTS** emerge from a business relationship in Japan. When they do, it is often in the context of a long association and regular reciprocal visits between the two businesses. Patience when doing business in Japan is a true virtue. When negotiating agreements, it is important to not give up easily, to continue discussions and compromise in order to reach a win-win situation. When disputes occur, it is imperative for these to be resolved face to face – even if this means going to Japan on short notice.

*“There is a Japanese proverb which goes, ‘sit on a rock for three years’, which means Japanese people may observe you for a long period of time to see if you are in it for the long haul – then things can suddenly start to take off.”* **Staples Rodway**

*“When you take on Japan, you are in it for the long haul. There is nothing opportunistic about Japan.”* **ANZCO Foods**

### BUSINESS CONTRACTS

While contracts are sometimes in use, and are enforced when necessary, business relationships in Japan are built foremost on trust, and also a tacit understanding that both parties will do what is required for the benefit of the end customer. In Japan’s comparatively non-litigious society, with fewer lawyers and a slow-moving court process, the risks of a commercial dispute arising are mitigated by the depth and breadth of business relationships. These often provide an alternative context within which conflicts can be resolved.

*“Apart from regulatory matters, contract law in Japan is very similar to New Zealand’s. Although the attitude towards a contract is somewhat different; the Japanese don’t expect to have an aggressive stand-off or argumentative relationship. The Japanese try to do business in a very civilised and gentlemanly way and compromise is used to good effect. You don’t want to go to Japan and be abrasive.”* **Japan New Zealand Business Council**

*“I don’t have a single contract with any of the people we work with and we’ve never had a problem. If a relationship is working, it is working, and you don’t need a contract. If it is not working, you shouldn’t be doing it.”* **Jeroboam**

*“Business partnerships in Japan are much more about trust and the relationship, rather than a thick contract. If something is not right, you work with the partner to make it right.”* **Fonterra**

*“Contracts come across as too demanding, and talk about legalities rather than saying that when there is a problem, the two parties must get together and find a good solution.”* **Air New Zealand, Tokyo**

### STAFF CONTINUITY

Japanese companies like to have continuity in the people with whom they work. This is so that they know to whom they can regularly turn as their point of contact for any problems that may need to be addressed. It is considered understandable for staff to leave the company or be transferred to other roles. What can be disconcerting is where a senior manager will meet the Japan side only once or twice, then be replaced by a junior staff member.

*“The key thing is continuity and commitment. Even if they are not Japanese speakers, it is still better to have the same face coming up and pushing product.”* **Meat and Wool New Zealand**

### HIRING JAPANESE-SPEAKING STAFF

Employing Japanese nationals or Japanese speaking staff is likely to be interpreted as a sign of long-term commitment to the Japanese market. Unless the Japanese firm is large and thoroughly internationalised, communicating in Japanese is going to be easier and more effective for its managers than relying on English. This is not just because of the spoken language skills required, but also because it migrates complications arising from differences in business cultures and Japan’s market characteristics.

*“With any project, it is more important to have the right people in Japan involved throughout the development phase rather than post development. This requires people with passion and vision. When looking for such people, do not make a selection simply based on their liking or knowledge of Japan. You need people who can carry out the task correctly, who have passion for the project itself, and who can follow up on the work carried out by previous employees.”*

**Oji Paper**

Be sure to define the exact role you wish to have the Japanese person carry out and match their skill sets with this role. Don't assume that they will be comfortable multi-tasking in the way that many New Zealanders are. If translation is to be part of their role, verify they are skilled at translating.

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**RECRUITING STAFF IN JAPAN**

There are many firms in Japan that specialise in meeting demand for bilingual employees with managerial and technical skills. The trade promotion organisation JETRO can assist New Zealand companies with hiring staff in Japan by making introductions to reputable recruitment agencies.

*“As a result of the long recession in Japan and restructuring, there is now a large pool of high-calibre labour available for recruitment by foreign firms.”* **JETRO Auckland**

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**RECRUITING STAFF IN NEW ZEALAND**

In addition to advertising for staff through the mainstream media, other options include advertising positions for Japanese-speaking staff in the magazine Gekkan NZ ([www.gekkannz.net](http://www.gekkannz.net)); on the web-based forum NZDaisuki ([www.nzdaisuki.com](http://www.nzdaisuki.com)); and via the Japan New Zealand Business Council ([www.jnzbc.com](http://www.jnzbc.com)).

# JAPANESE BUSINESS CULTURE

## BUSINESS RELATIONSHIPS

Many of the New Zealand and Japanese interviewees spoke of the importance of building and maintaining relationships in Japan. A business relationship in Japan is founded on mutual trust, respect and a long-term commitment.

*“It takes much longer in Japan to bring about an ongoing relationship, but once you have built such a relationship, it will be ongoing. People become life-long friends, and so long as you are reasonable, the relationship won’t just terminate.”* **Japan New Zealand Business Council**

In order to reach the stage where a Japanese company is willing to commit to doing business with you, you must first prove yourself a trustworthy and reliable partner. You may be asked for a lot of detail – more detail than you would be expected to provide in other markets. To some New Zealand companies, this may appear time consuming and unnecessary, but to maintain the confidence of business partners in Japan it is important to understand their requirement for thoroughness and attention to detail.

*“Other markets in Asia may offer a quick deal, but it may be the only deal. Japan is not a market that you can just rush into and you can’t come and go. If you come to Japan to do business, you must be committed and do it properly. For many New Zealanders, that requires a lot of effort and some uncertainty about whether you will ever get good business, but it is a long-term investment and you have to see it that way. If you try to approach Japan as you would China, it won’t work. But it is not as hard as people may think. If you have a good business plan, are clear about what you are selling and why, do the research on the market, and then you build the relationships that you need, that will take time. But if you do it systematically, you will probably succeed. If you are prepared to persevere, if you have the right product or service, there are great opportunities.”* **Fonterra**

New Zealand businesses have a different understanding of the risks of doing business from their Japanese counterparts. Most New Zealand businesses are prepared to ‘absorb’ certain amounts of financial risk while conducting business and it is even sometimes considered an essential element of success. In Japan, risk is measured beyond the financial aspects of doing business, with greater emphasis being placed on the loss of face associated with failure. The entrepreneurial trait of having high levels of risk for a higher return is less commonly embraced in Japan and businesses consequently tend to be more risk averse than in some Western countries.

*“To maintain the confidence of your Japanese partners, be proactive – make suggestions, keep your customers well informed and show initiative.”* **Aozora New Zealand**

## MEETING JAPANESE EXPECTATIONS

According to some Japanese marketers, Japan’s long-term philosophy that ‘the customer is king’ may mean that the Japanese consumer has become spoilt. Japanese companies and individuals treat customer service proactively rather than reactively.

Market conditions for any given product in Japan are highly competitive among manufacturers of similar products, and quality standards are high by necessity. The consumer is offered a range of well presented options and their opinions count, particularly when problems arise with products. Intense competition has led to the development of high levels of customer service – now considered an essential part of a Japanese company’s ongoing success.

Customers, as a result, have grown to expect quick, effective responses to remedy problems they may have. Consequently, companies tend to be very careful about what products they offer to their customers.

If there is negative feedback about a product's packaging, the manufacturer will be forced to change it. Such a situation can be difficult for a New Zealand manufacturer responsible for supplying an end product to Japan.

### 'QUICK ACTION, FAST RESPONSE'

An important axiom for businesses in Japan is that 'the customers always come first'. Japanese companies expend significant effort to improve continuously the quality of their products. Pride is at stake, and companies can become very embarrassed if there are problems with any of the products for which they are responsible. In such instances, there is an expectation of 'fast action' to sort out the problem, and 'quick response' to advise the customer of what is happening.

*"Most important is the quality of the product and the service. Perfect quality, delivered on time, it must be what you say it is. ... The standard is much higher, and consumers are prepared to pay for that, that is why it is such a valuable, high-return market, but in order to get those returns you must provide high-quality product, high service, be reliable, safe and presented in a way that appeals to the customer. .... In New Zealand, reducing price is the priority, which may conflict with Japanese consumer demand for very high-quality products."* **Fonterra**

### TIMEFRAMES

The long-term approach to business and relationships in Japan is fundamental, and something that New Zealand companies must allow for when drafting business plans, budgets and strategies.

*"Japanese people do a lot of research. Japanese don't make any moves in a big rush, or jump into doing something without having given it a lot of examination."* **Japan New Zealand Business Council**

A New Zealand partner who is seen to be focusing on short-term financial returns may be considered overly hasty and putting profits before customer satisfaction. Japanese business is concerned with keeping customers for life, hence the greater priority placed on quality and service.

*"Still we have to go through some wholesalers to reach the retailer. They make their own rules. The result is that we have to wait a long time before all wholesalers involved make a decision. New Zealand suppliers want to know the result as soon as possible, but in Japan we have to wait patiently. New Zealand doesn't understand such Japanese business practices."* **Nishimoto Trading**

When big Japanese companies develop a product or market, they are often willing to run at a loss if they believe the product will produce a sufficient return on investment in the long term. New Zealand companies may find such practices a strain on their resources. Several of those interviewed spoke about the need to take a long-term approach in Japan with regard to joint ventures and supply arrangements. When giving presentations to Japanese business partners, New Zealanders should look beyond the usual timeframes for future planning, and include scenarios for 10 and 15 years in the future.

*"Japan is a market that 'goes into the too-hard box', but it is also a market where you get back what you put in. And you've got to be really willing to build the market here to do so. It is just a matter of persistence more than anything else. We have talked to wine importing companies for more than two years before getting our first wine order. But we're there; we just don't go away; giving them information, talking to them, talking about their business, being well researched."* **Jeroboam**

### MAKING CONTACT

In New Zealand, cold calling – whether by telephone or in person – is a common way of making initial contact with a potential business partner. While not unheard of in Japan, this approach is much less common. A better approach is to find someone in Japan who can provide personal introduction. This may include New Zealand government agencies in Japan such as the Ministry of Foreign Affairs and Trade, NZTE and Tourism New Zealand. For its part, JETRO will introduce tenants of its incubator facilities in Japan to banks, real estate and recruitment agencies, other service providers and Japanese government officials.

Networking through Asia-related business councils and chambers of commerce meetings is a good way to establish relationships in New Zealand and in Japan with people who are already connected and able to give advice and make introductions. Companies in Japan may be more receptive if they are introduced to you by someone they already know and respect.

*“If you happen to meet a Japanese person in New Zealand, who offers to assist with your business going to Japan, talk to them very seriously because that could be of great assistance to you.” Japan New Zealand Business Council*

## MEETINGS AND NEGOTIATIONS

Once you have arranged a meeting in Japan, it is important that you are well prepared. You need to convince the Japanese side that you and your company will make a reliable business partner.

When holding meetings in a room, whether it be a room with a boardroom table or with sofa and chairs, it is usual practice for the Japanese company representatives and the visitors to sit opposite each other.

When introducing yourself, shaking hands is quite common, but be aware that Japanese people generally shake with a relaxed hand. It is not necessary to bow but it is a custom foreign business people tend to adopt with the more time they spend in Japan.

The exchange of business cards is a much more important custom. In Japan, a business card is considered a tangible representation of a person, and as such you must treat the card with respect. It is best to store your own business cards in a dedicated business card holder in your pocket or purse. It is considered less acceptable to present a business card directly from your wallet, pocket, notepad or briefcase. There is no established rule for who gives their card first, but the manner in which you give and take cards is important; you must stand, and present your card in two hands with your name facing the Japanese person. Examine cards you receive and keep them on the table in front of you.

Never write on a business card or put it away prior to the conclusion of a meeting.

Work out the hierarchy of the people you are meeting. The actual duties of senior and middle management can be radically different from those of New Zealand equivalents. In Japan, the senior management role is largely concerned with ratifying plans and decisions made by middle management. By contrast, in New Zealand many of the top managers are the principal drivers and executors of business plans and have a deeper involvement in the day-to-day running of the business. This difference is partially explained by the fact that Japanese firms are generally larger and employ more staff than is the case in New Zealand.

Therefore, in meetings in Japan where there is a senior manager accompanied by other middle/junior managers, it is more likely that the middle/junior managers will be your points of contact. But whatever the level of the staff you are meeting, be sure to acknowledge everyone present.

In Japan it is common practice to give gifts at the conclusion of business meetings, as a gesture of goodwill. You should therefore be prepared with a well wrapped, quality but not extravagant gift – one from New Zealand is ideal. Generally, gifts that can be shared among staff are better than those confined to one individual. New Zealand food and beverage items such as wine, cheese, honey and kiwifruit-based products are well received by Japanese people.

Don't expect to achieve too much from the first meeting. Unless you have exactly the right product at exactly the right time for the Japanese company, it is more likely that the first meetings will be for the purpose of getting to know each other. Consider it an important step in building your business relationship.

*“New Zealand is a conservative country, but New Zealand suppliers who want to sell their products offshore are very aggressive. Sometimes, too much aggression doesn’t work. China is really speedy and people don’t take long to make up their minds. Exporters to Japan need to be patient; otherwise they will find it very frustrating. It is important for each side to communicate effectively and check each other’s circumstances. If your approach is too aggressive and you push too hard to get a quick reply, Japanese will tend to say no.” Nishimoto Trading*

Throughout the meeting, it is important to show humility and a positive attitude. New Zealanders are already known in Japan for being humble, and most Japanese enjoy working with New Zealanders for this reason. A caution though, is that Japanese people will often show outward respect for others, regardless of their inner feelings.

You will often hear the Japanese saying *hai*, literally ‘yes’, but generally this is simply an affirmation or acknowledgment of what you are saying, rather than an agreement. Conversely, you won’t hear the word *iiie*, or ‘no’, very often either, as it is considered inappropriate to disagree openly. Japanese people tend to be quite modest, and don’t usually flaunt their talents, achievements or wealth.

Avoid asking questions in a meeting that may put pressure on someone to give a definitive reply. Japanese place high importance on harmony and will try to avoid open conflict whenever possible.

Signs of aggression, loudness and arrogance, even over-confidence, will be disconcerting to a Japanese audience. It is considered very impolite to interrupt a speaker during their delivery, or to talk over the top of them. Be prepared for discussions to lack the lively interjections that can characterise Western business meetings.

Following up on meetings and requests made should be carried out as quickly as possible. If questions have been asked or requests made, respond quickly. If detailed answers cannot be given straight away, at least communicate that you are processing them, provide a date for when you will be able to respond and make sure you do.

*“Before reaching a meeting – always take off your overcoat before entering the building. Re coats – yes, courtesy to look professional before arrive (rather than because buildings are warm). I picked this tip up when I was on secondment working for Baker Tilly Japan in Tokyo. We always had to be perfectly ready before entering the building so looked professional as soon as we came out of the lift. In real hot heat of summer you can go into meetings without ties (but need to be smartly dressed) – this is due to environmental issues – use less air conditioning in summer.” Staples Rodway*

## JAPANESE BUSINESS CARDS

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Business cards in Japan are considered to be a representation of the actual person. It is therefore important to understand how to design a business card. First impressions are particularly important in Japan, and your business card is representative of both your company and you personally.

It is common in Japan to have your details printed in Japanese on one side of the card and in English on the other side. Ideally, if your English business card is in full colour on the English side, it should be the same on the Japanese side.

If your budget is limited, simply print your name in Japanese script under your English name, so that the Japanese reader can pronounce your name correctly.

Business titles are often difficult to translate, as they do not follow the Japanese hierarchical system. English business titles are acceptable.

## VISITING JAPAN

**THERE IS OFTEN A PERCEPTION THAT JAPAN** is a difficult and expensive place to visit on business. However, since peaking in the late 1980s, costs of travel, eating and accommodation have come down remarkably. Reasonable meals can be found for 1,000 yen and adequate hotel accommodation for less than 10,000 yen per night.

### PUBLIC TRANSPORT

Transportation in most cities is well organised. Train and bus services from airports to major hotels are frequent and inexpensive. Signage is generally available in English, metro and rail maps are available in English and the trains are colour coded. Taxis are everywhere and are relatively cheap compared with New Zealand rates. Rail passes are available for foreign visitors, and are cost effective if travelling long distances on high-speed trains. Using trains for travelling between cities can be expensive and it is ultimately worth looking into your rail pass options before you leave for Japan. Some allow unlimited travel on trains operated by Japan Rail, including the 'bullet train' for week-long and two-week periods. Japan Rail passes may need to be purchased in advance outside of Japan.

### HOTELS

There is a wide range of hotels in Japan. The major international hotels provide high levels of service and are priced accordingly. Business hotels that cater for non-Japanese clients are more common these days and provide an adequate range of facilities and services at reasonable prices. Internet access is becoming increasingly available at budget hotels. However, some business hotels have limited English information television channels.

### EATING OUT

Dining is inexpensive if you dine where the locals go. Breakfast will cost less than NZ\$10 at a cafe. Lunch at a typical business-style restaurant will be about the same. Likewise, inexpensive dinners can be enjoyed at an *izakaya* (pub-style restaurant) and family restaurants. If you are missing home, there are European-style cafes, pubs and bars in Tokyo and Osaka. A commonplace custom is your Japanese partners paying for dinners in Japan; conversely you would be expected to pay in New Zealand. If your Japanese partner offers to pay, you should always insist on paying yourself three times before letting them do so. When you meet the next time, thank them for their previous hospitality. If you can, make a special call the next day to thank them.

### COMMUNICATING IN ENGLISH

Most people involved in Japanese business have a reasonable command of English that should suffice for basic communication. Japanese people are not as shy in the company of foreigners as they once were, and will generally help if you are lost. Carrying a pen and paper can help when you can't make your point verbally. Written English skills in Japan are generally better than speaking skills. Because it is not commonly heard, the New Zealand accent can be difficult for Japanese people to understand.

### USING MOBILE PHONES IN JAPAN

If you wish to use your New Zealand mobile phone in Japan, it will need to be using the 3G system. Do not confuse 3G with tri-band or quad-band. 3G phones work in Japan, meaning you can pick up emails. Your New Zealand telephone network operator will be able to advise you on whether or not you will be able to use your phone in Japan. If you decide to rent a mobile phone from an airport kiosk while in Japan, you can research rental options in Japan by visiting the following websites:

- Narita Airport: [www.narita-airport.jp/en/](http://www.narita-airport.jp/en/)
- Kansai (Osaka) Airport: [www.kansai-airport.or.jp/en/](http://www.kansai-airport.or.jp/en/)

## HOSTING IN NEW ZEALAND

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**DOING SOME RESEARCH INTO JAPANESE CUSTOMS** and etiquette via the internet, or through books on the subject is important for knowing how to introduce yourself and your company, how presentations should be made and appropriate styles of entertaining. Be prepared to go to extreme lengths to satisfy customers, as small touches are appreciated and oversights will be noticed. Meeting and farewelling at the airport is an important ritual. Prior to the first meeting, provide a full schedule that shows attention, to what might seem like small details. An example of a small courtesy that will be appreciated is a fruit basket in the visitor's hotel room with a compliments card.

Food should always be of a high standard, with an emphasis on New Zealand products when possible. At a restaurant, you should never place visitors with their back to the door and always think about seating Japanese guests where they will have the best view.

*“Japanese business partners visiting New Zealand will appreciate small courtesies and considerations that make them feel valued. Getting good advice on these intangible aspects of building relationships from people used to working with Japanese people can be invaluable for building relationships.” JETRO Auckland*

## ESTABLISHING A PRESENCE IN JAPAN

**ONE EFFECTIVE WAY OF BUILDING CONFIDENCE** levels among Japanese business partners is to establish a base of operations in Japan for serving the market directly. Having a dedicated office has the effect of presenting yourself as a Japanese company, rather than one just visiting for limited periods and operating the business from New Zealand. Foreign companies are increasingly addressing this Japanese preference for domestic companies by opening offices in Japan and employing Japanese staff.

Japanese companies recognise that an office in Japan indicates commitment to the market. Attempting to manage customer relationships from afar will often lead to insufficiently maintained business relationships in Japan. Employing Japanese nationals or Japanese-speaking staff is interpreted as a further sign of long-term commitment to the Japanese market and allows for better communication than conducting business in English or through an outside interpreter.

An office in Japan is inevitably an expensive undertaking. Owing to the deflationary conditions of the Japanese economy, renting premises will likely be the biggest cost. Luckily enough, the price of commercial real estate and rents has come down significantly since the early 1990s.

This trend is especially true beyond the main city centres. Another positive factor in establishing a branch or subsidiary in Japan is the increasingly fluid labour market available to you. In the past, Japanese managers were reluctant to leave the relative security of the Japanese firms, but since the mass restructuring and accompanying layoffs in the 1980s and 1990s, there is now a far greater pool of talented labour available for hire by foreign firms. There are now many more recruitment firms specialising in sourcing bilingual staff for foreign-affiliated firms.

NZTE and JETRO can make the process of opening an office in Japan more manageable than going in alone. They each offer a range of services, including subsidised office facilities and industry experts. Prefectural governments also offer subsidised office space and a range of services to investors who establish offices within their jurisdictions. Simply being affiliated with official organisations in Japan can assist with the development of business.

### COMPANY STRUCTURES

If the profitability of your Japanese operation is initially expected to be low, it may be advisable to establish a branch or subsidiary company.

Although the time required to set up either a branch or a subsidiary is not substantially different, each has distinct advantages. If the option is taken to establish a branch, it is possible to offset losses in the Japanese branch against New Zealand company profits. This will suit companies anticipating large set-up costs and low profits in the first few years. However, it is important to be aware that developing business relationships may be more difficult because of the Japanese preference for dealing with subsidiaries, which are considered to be more prestigious. With subsidiaries, however, you cannot offset losses, and you would need at least one director who resides in Japan. Seek professional guidance in this area before making your decisions.

Following reforms to Japanese company law in 2006, companies can be established with paid-in capital of only one yen. However, in practical commercial terms, in order to provide credibility and assurance to potential customers, a minimum paid-in capital of 10-million yen is recommended.

### SPECIAL PARTNERSHIPS

For large businesses, especially those expecting to make significant profits in Japan, complex structures such as Special Partnerships can be established to enable shareholders in New Zealand to avoid double taxation when repatriating profits. New Zealand shareholders can be caught out by the fact that tax paid in Japan is deductible from the tax payable on their dividend income in New Zealand. Initial establishment and maintenance costs will be higher than those of other structures, but future tax savings can be quite substantial.

## **JAPAN NEW ZEALAND DOUBLE TAX AGREEMENT**

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Originally concluded in 1963, the Japan New Zealand Double Tax Agreement (DTA) has required updating for some time. There were two failed rounds of negotiations in 1985 and 2003, which focused on reducing withholding tax. As it stands under the DTA, Japan's non-resident withholding tax rate for interest and royalties paid from New Zealand taxpayers to Japanese taxpayers is 15 percent.

Under DTAs with other countries, this has been reduced to 10 percent. New Zealand officials continue to seek a renegotiated DTA with Japan in the hope that this will mean that opportunities for leveraging income based on intellectual property, equity and finance will be easier to pursue. The Japan Australia DTA was successfully renegotiated in 2007.

Comprehensive information on finance, tax, accounting and other legislation can be found on the website of Mizuho Securities:

- [www.mizuho-sc.com/english/ebond/law.html](http://www.mizuho-sc.com/english/ebond/law.html)

## LEARNING ABOUT DOING BUSINESS IN JAPAN

**THERE ARE VARIOUS GOVERNMENT AND NON GOVERNMENT ORGANISATIONS** that can be able to assist you to prepare for entering the Japanese market. Before you contact them, it is a good idea to research the roles of the different organisations in order to learn about the services they provide and how they differ from each other. They will all be able to provide useful advice of assistance of some kind.

### JAPAN EXTERNAL TRADE ORGANISATION (JETRO)

- [www.jetro.go.jp](http://www.jetro.go.jp)

JETRO is a government-related organisation that works to promote mutual trade and investment between Japan and the rest of the world. JETRO provides information on business opportunities, trade fairs, various industries, Japanese standards and regulations, trade and investment statistics, and procedures for investing in Japan. JETRO operates six Invest Japan Business Support Centers across Japan that can provide support and business services to foreign firms seeking to open an office. The centers are linked into relevant government agencies and provide free temporary office space, consultation with expert advisors and access to a wealth of business information.

### NEW ZEALAND TRADE AND ENTERPRISE (NZTE)

- [www.nzte.govt.nz](http://www.nzte.govt.nz)

NZTE's current strategy in Japan focuses on supporting globally competitive companies and concentrating resources on companies in Japan with high-growth potential. Support is given to other companies as well; however, this may mean fewer resources than has been the case previously. The main sectors currently supported are food and beverage, ICT, biotechnology, specialised manufacturing and education.

### INVESTMENT NEW ZEALAND

- [www.investmentnz.govt.nz](http://www.investmentnz.govt.nz)

Investment New Zealand acts as a link between high-growth New Zealand businesses in strategic sectors and foreign investors, and has an office located at the New Zealand Embassy in Tokyo.

### JAPAN NEW ZEALAND BUSINESS COUNCIL

- [www.jnzbc.com](http://www.jnzbc.com)

The Japan New Zealand Business Council fosters the development of long-term economic and trade relations with Japan. It effectively brings together business-related information from various government and private sector sources in Japan and New Zealand. A range of educational and networking events is held throughout the year, with an annual Japan New Zealand Conference alternating each year between Japan and New Zealand.

The Japan New Zealand Business Council was formed in 1974, and comprises members from both New Zealand and Japan.

## ACTION ASIA BUSINESS

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- [www.asianz.org.nz/our-work/action-asia](http://www.asianz.org.nz/our-work/action-asia)

Action Asia Business is an initiative of Asia:NZ. It has direct access to leading Asian expertise and the latest on-the-ground knowledge, and has many years of Asian business experience within its staff, board, advisors and networks. Businesses can use this resource base to capitalise on onshore and offshore economic opportunities presented by the changing global influence of Asia.

The business section of the Asia:NZ Online website includes a list of websites of Japanese and New Zealand government agencies that can assist with gathering information about import/export regulations and how to find importers and distributors in Japan. It also includes a comprehensive list of organisations offering networking opportunities with people doing business in Japan.

As a result of recommendations stemming from the Action Asia Business Summit in August 2007, Asia:NZ has focused on creating networking opportunities for business people, and commissioning business research into how New Zealand companies are doing business in Asia. Both networking and research activities include significant participation from the local Asian diaspora and are aimed at sharing knowledge of how to do business in Asia. Asia:NZ has an extensive on- and offshore network of representatives of industry and government.

## TOURISM NEW ZEALAND JAPAN

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- [www.tourismnewzealand.com](http://www.tourismnewzealand.com)

Tourism New Zealand has an office in Tokyo and focuses on trade, public relations, marketing and activities for visiting media. Tourism New Zealand provides regular market updates and hosts an annual event called 'Kiwilink Japan', which brings New Zealand tourism suppliers to Japan to meet local travel companies.

## AUSTRALIA AND NEW ZEALAND CHAMBER OF COMMERCE IN JAPAN (ANZCCJ)

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- [www.anzccj.jp](http://www.anzccj.jp)

ANZCCJ is a Japan-based NPO (non-profit organisation) that focuses on building relationships and expanding professional and personal networks for New Zealand and Australian companies based in Japan.

## FUTURE BUSINESS COUNTERPARTS PROGRAMME (JENESYS PROGRAMME)

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The Japanese government in 2008 and 2009 sponsored 50 young business people from New Zealand to visit for two weeks. The first group visited Japan in July 2008 and attended industry seminars at the Japan External Trade Organisation, government agencies, industry support organisations, and visited facilities of well known Japanese companies, such as Toyota. The aim of the programme is to improve awareness of business practices in Japan and to foster the development of Japan New Zealand relations. At the time of writing it was expected that the programme would be continued with New Zealand for a total of five years.

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