

16_18 September 2022

Barcelona, Spain

Doing Business with Japanese Government Agencies: Case Studies of Managing and Developing Long-term Business Success

Dr. Tashi Gelek

Independent Scholar and Researcher, Switzerland

Abstract

Many foreign enterprises find entering the Japanese market an uncertain step and managing a successful long-term business even more daunting. Often, the factors are identified as entry barriers to market access. This empirical study incorporates literature review, case studies, my own research and teaching, and chance meeting methods. The study also uses my two decades of successful international business, especially in Asia and substantially in Japan, managing selling and negotiating. The paper will show how to overcome the challenges and obstacles in three different aspects of the Japanese market: (1) how the Japanese view and handle business negotiation and contracts; (2) how the Japanese distribution system functions; and (3) how significant the product customization is for selling successfully to Japanese customers. The structure of the case studies is based on the theoretical foundation exemplified by factual business in the medical and wireless communication market segments and these are followed by discussion questions for the readers and business practitioners to contemplate before entering the Japanese market. The Japanese understand the signing of a contract to be just the commitment to starting a business relationship. They consider the close-knit multi-layered distribution system as a cooperation model of relationship, support, and loyalty. Product customization proves the high expectation of Japanese customers towards quality and service. Instead of excuses, foreign companies should dig deep into Japanese thinking and philosophies. In the three business aspects of the Japanese market, it can be conclusively stated that foreign firms planning to enter the Japanese market for a long haul must understand the nitty-gritty of the Japanese way of doing business: its culture, customs, and way of life.

Keywords: Japanese business culture, Japanese negotiation, Japanese contract, Japanese distribution, product customization

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1. Introduction

Japan is a nation of myths and ancient culture and tradition. It boasts a magnificent contrast that is locked in ancient civilization and contemporary technology.

Japanese people find beauty in small things in their daily lives. An ordinary cherry blossom is celebrated as a festival of joy. The simple drinking of green tea is appreciated as a ceremony of hospitality. And a plain tatami room unlocks the secrets of the aesthetic beauty of shadows.

More than seven decades ago, on August 6, 1945, Japan was annihilated in the Second World War when the two nuclear bombs from the USA (United States of America) detonated in Hiroshima and Nagasaki killing 214,000 in the two cities (ICAN, n.d.).

After seventy-seven years, Japan has transformed itself into a developed economy that is glistering with modernity and development symbolic of the 21st century. It has adopted a democratic political system, modern justice system, vibrant economy, highly globalized international trade, and is fully integrated into the world's economic system and institutions.

Doing business in this complex environment is extremely difficult if you do not understand how to manage and deal with conservative Japanese traditional business partners and government agencies. Although this article does not attempt to cover all aspects of business strategies in Japan, I explain a few strategic selling aspects of negotiation and contract, distributor system, and product customization using case studies, chance meetings (described below), and personal observations. Doing business with Japanese companies requires a lot of patience, local knowledge, and you have to make inside contacts (Chien, Shih, & Chu, 2005, p. 47).

2. Research methodology

This research used the Case Study and Chance Meeting research methods to investigate how to do long-term successful business with Japanese government agencies using multiple-case studies in the medical and wireless communication products.

2.1 Case Study method

Case studies are a strategy of inquiry to explore the depth of a program, event, activity, problem, opportunity, process, individuals over a sustained period of time (Creswell, 2009, p. 13). It also includes groups and structures.

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The method is useful in business research (Veal, 2005, p. 170). It is an empirical research method to investigate contemporary business activities or events, being favorable for “how” and “why” research questions (Yin, 2009, p. 10).

There are single-case and multiple-case research designs, but multiple-case studies are becoming more prevalent in business research (Yin, 2009, p. 60). When you have choice and resources to conduct research, Yin (2009, pp. 60-61) pointed out that multiple-case studies may be preferred as a “more powerful” design. It is more compelling and robust (Yin, 2009, p. 53). In addition, case studies are widely used in business teaching, the Harvard Business School case study being one of the examples.

The case study methods use interviews, questionnaire surveys, autobiographical documents, diaries and journals, letters, memos, photographs, videos, and observations (Berg, 2009, pp. 322-325; Yin, 2009, p. 11; Veal, 2005, p. 176). Its strength is its ability to deal with a full variety of evidence (Yin, 2009, p. 11). This empirical study has used interviews, journals, personal memos, and observations during many business dealings with government agencies and business partners in Japan.

2.2 Chance Meeting method

During my forty business trips to Japan between 2004 to 2022, many encounters became the chance for dialogue with some Japanese business partners, dealers, and government officials about managing business or projects or tenders in Japan. These were neither case studies nor structured group discussions, hence my term Chance Meeting method. Not all research is planned. Sometimes from chance opportunities, valuable research information can be found from systematic analysis of the informal conversations.

2.3 Confidentiality

Due to the sensitive nature of government agencies, we are unable to share the real names of the agencies and people in case studies. The contents of the case studies, chance meetings, and interviews are true and factual, and the validity and reliability of the research is not compromised.

3. Case studies

Three business case studies related to important topics of negotiations and contracts, distribution systems, and product customizations are explained in this section.

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3.1 Negotiations and contracts signal the beginning of cooperation

Many western firms find negotiating in Japan to be slow, complex, and often difficult to comprehend. Mr. Sammy, a business owner for three decades in Japan, stated that the Japanese do not make decisions soon and spend long time making decisions during the negotiation (Interview with Mr. Sammy, July 21, 2022). Lack of knowledge about the Japanese negotiation culture and the Japanese perceptions of a legal contract are creating this alienation.

To understand Japanese culture, there will be cross-referenced to the cultures and organizations study of different cultures using the Geert Hofstede Model Dimensions. The relevant references will be made in the case.

Table 1: Dimensions of National Culture

	USA	France	Germany	Japan
Power Distance	40	68	35	54
Individualism/Collectivism	91	71	67	46
Masculinity/Feminity	62	43	66	95
Uncertainty Avoidance	46	86	65	92
Long Term/Short Term Orientation	26	63	83	88
Indulgence	68	48	40	42

Source: Culture and Organization, 2010, pp. 57-285

In Table 1, the higher number in the “Power Distance” criterion means the greater extent to which the less powerful members of an organization and institution accept that power is distributed unequally. The lower score in the “Individualism/Collectivism” shows the characteristics of a collectivistic society. A higher “Masculinity/Feminity” shows assertiveness, competition, and success. The higher “Uncertainty Avoidance” means greater uncertainty culture. The higher figure of “Long Term/Short Term Orientation” indicates the long-term orientation of societies. The lower “Indulgence” signifies a higher culture of restraint, the extent to which people try to control their desires and impulses.

There are two prominent criteria that most vividly describe Japanese culture. In the “Individualism” criterion, Japan is a Collective society in which people from birth onward are integrated into strong, cohesive in-groups, which throughout people’s lifetime continue to protect them in exchange for unquestioning loyalty (Hoftstede, Hofstede, & Minkov, 2010, p. 92). The “loyalty” is manifested in different forms during business dealings with Japanese business partners.

In the “Long Term Orientation” criterion, Japanese stands for the fostering of virtues oriented toward future rewards, in particular, respect for tradition, preservation of face, and fulfilling social obligations (Hoftstede, Hofstede, & Minkov, 2010, p. 239). It is not only

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rewards but also the whole long-term business strategy, with implications for career development slow-but-sure, and job security. These are evident in the case studies in this research.

Japan has a western-style legal system adapted to its Japanese milieu. The Japanese communities respect families with good prestige. Litigation brings shame and social pressure on family and friends—to everyone's displeasure. Their preferred way is an out-of-court settlement without disturbing social order and harmony—a glimpse of this value could be witnessed in the elaborate etiquette proceedings and harmony during business dealings.

Without any personal experience in litigation in Japan, it was often heard from my business partners that the Japanese prefer not to get into legal battles. They prefer to resolve through patience, understanding, and cooperation. Their attitude and beliefs are grounded in traditional ideals and conduct. Unlike the USA, they dislike litigation to resolve disputes.

In fact, my business partners did consider a distributor agreement as a legal document but not in the Anglo-American sense. To them, it was a willingness to start—instead of to conclude—future business cooperation. This is the Japanese understanding of a legal document. A legal document is like a living body that needs to be nurtured by all parties and grow it into a healthy and lasting relationship. This is a Long Term Orientation approach.

Over 50% of large wholesalers operate without a contract (Martin, Howard, & Herbig, 1998, p. 113). Japanese SMEs (small and medium-sized enterprises) consider signing an agreement as a ceremonial event of mutual consensus. In event of conflicts, they prefer to resolve them through informal mechanisms. Less on formal contract—more through mutual trust, confidence, and relationship (Martin, Howard, & Herbig, 1998, p. 110). According to Mr. Fumio, the Japanese do not like to be argued by negotiating partners on the ground of a contract or memorandum of understanding (Interview with Mr. Fumio, July 22, 2022). The Japanese see a contract as only part of a trust-based personal and social relationship (Lansing & Wechselblatt, 1983, p. 654). This is fulfilling the Uncertainty Avoidance criterion.

In complex Japanese negotiation, there are four main stages: (1) negotiation of non-task-related exchange of information (to feel comfortable and know each other), (2) negotiation about the task-related exchange of information (presenting a long history of the company for example), (3) negotiation concern persuasion (go through the issues to clarify, recap, and check we each see things the same way), and (4) negotiation about concessions and settlement (offer concessions at the end of the negotiation process) (Maguire, 2001, p. 246). The relevant Dimensions of each negotiating stage are: (1) Femininity and reducing Power Distance, (2) Uncertainty Avoidance and Long Term Orientation, (3) again Uncertainty Avoidance and Power Distance, and (4) Collectivism and Long Term Orientation. During all

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the phases of negotiation, the western negotiators should always be mindful of maintaining harmony and avoiding aggressiveness. The show of anger and use of offensive language is unwelcomed in Japan: considered a lack of self-control and a sign of weakness. These negotiating traits characterized a feminine Japanese culture. Masculinity/Femininity might be considered undesirable stereotyping and could cause offence but while a Hofstede label might be questionable his Dimension categories are clear and valid—provided they are not interpreted in a sexist way.

As Japanese are heavily dependent on personal relationships and less on a legalistic approach, usually they do not include lawyers on their negotiating teams (Chen, 2004, p. 255). However, they will include many members of other departments within their corporations to garner consensus and support in making important decisions on business contracts and cooperation. This shows that Japan is a low Power Distance culture. Consensus-building is another of the most important traits of Japanese culture (Chien, Shih, & Chu, 2005, p. 46).

It is not only important to show respect during negotiation but also to be aware of the level of the leader of the negotiating team. Japanese might feel a lack of sincerity or interest—or even insulted—if the level is too low. They prefer to negotiate with the same people in different rounds of negotiations and do not appreciate the constant changing of negotiating team members that disrupt the continuity of discussions. Another example of a Long Term Orientation nature of Japanese culture, and also a different angle on Power Distance.

The basic guidelines for the western negotiators are: that to expect negotiation will take time (Long Term) and be patient; that to prepare ahead of time by knowing as much about the Japanese parties as possible (Uncertainty Avoidance); that to understand the need for flexibility (Femininity); that to avoid display of temper and avoid the use of litigation to settle disputes; and that to leave open the possibility of future negotiation if negotiations fail on this occasion (Chen, 2004, p. 261).

3.1.1 Case Study 1: Targets based on consensus and understanding

The setting is a large key account retailer in central Japan in the medical industry, a well-established retail organization offering medical services to the many prefectures in central Japan with over 40% market share in the region.

They were the premium medical service provider with many retail outlets in the region. The modern and fresh retail design concept with bright and vibrant interior design offered a splendid customer experience. The friendly and well-trained staff made the customers feel well treated and worthy of their investments.

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In one business year, a principal European manufacturer promoted a sales and marketing contract in which the Japanese retailer had to achieve a minimum annual sales revenue to qualify for a lucrative discount on future sales orders. Besides the discount, the retailer was offered an annual visit to the European headquarters of one week for ten of their employees. The retailer paid for their tickets, and the European company paid for the hotel, local transportation, and team activities including lunches and dinners. In addition, sales, marketing, and product training were offered to local Japanese staff twice a year in Japan.

The initial negotiation started between the manufacturer and the retailer's contact person. The discussion was conducted via emails and conference calls, and continued during the business trips to Japan. All aspects of the sales contract were discussed and different opinions and concerns from each party were shared and understood.

The last and final discussion took place in Japan. All the key department heads, including Sales, Marketing, Finance, Operation, and Service, were present in the office of the President. It was discussed in a friendly and cordial atmosphere where all the parties shared their views to a common consensus. In the conclusion, the President confirmed their commitment to the contract supported by strong backing from the entire company.

Unlike an elaborate and complex legal contract, it was a simple document with all the above details. However, since it was developed with mutual consensus and understanding, the seriousness and determination of achieving the common goal were incredibly firm. The retailer took the target to their hearts as it was a matter of prestige and reputation. It was less framed by legality and more driven by the desire to keep the promise.

In the end, the sales target was reached, and all the activities were accomplished with great success, harmony, and full customer satisfaction. The additional bonus from this investment was more market share from the competitors.

3.1.2 Discussion questions

1. What are the advantages of having these departments in the negotiating team? How many members would generally be preferable in a sales negotiating team for adequate representation without becoming unwieldy? What briefing and training would be offered to department heads less experienced in sales negotiations?
2. Which criteria (sales and other experience, personality, negotiating skills, attitude, age, gender for example) are relevant in selecting successful sales negotiators?

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3.2 Close cooperation in the distribution system

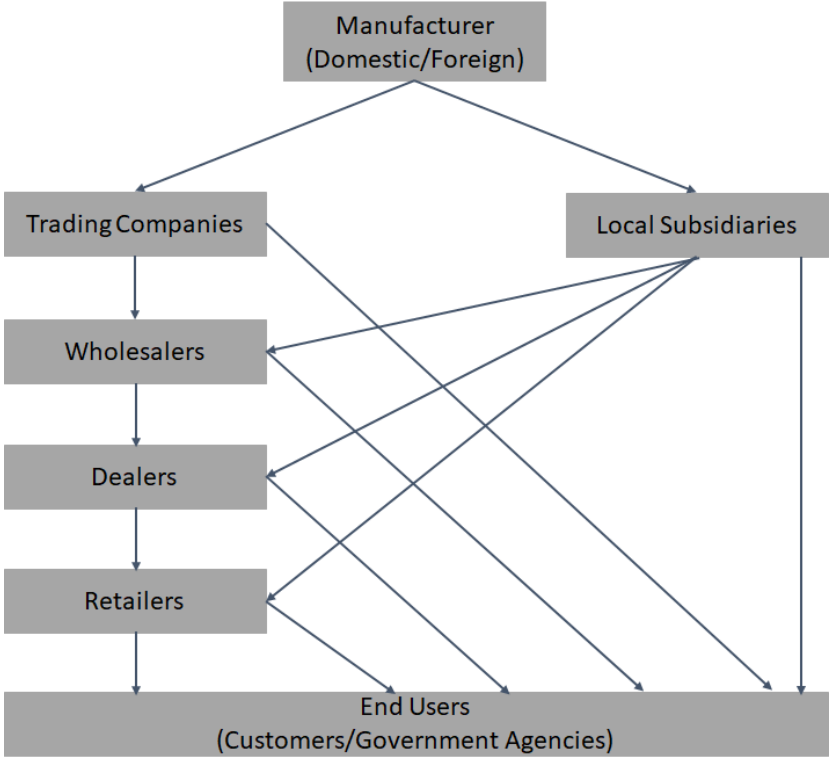
A frequently quoted obstacle in entering the Japanese market is its complex distribution channel characterized by a complicated network of trading companies, wholesalers and retailers.

Japanese distribution is a multi-layered network of manufacturers (domestic and foreign), importers (trading companies), wholesalers (primary, secondary, and tertiary), and retailers working cohesively together based on trust and mutually helping each other throughout the system (Kennedy, 1993; Min, 1996, p. 23; Ito, 1991, p. 176). The large network of multi-layers of wholesalers perform different functions. The close cooperation among all the layers of channel members encourages sharing of information on product trends, innovations, competition, and overall market opportunities (Min, 1996, p. 25). Important information about the products reaches the Japanese manufacturer quickly through the close relations of the partners (Martin, Howard, & Herbig, 1998, p. 113; Ito, 1991, p. 179). But it also increases costs as each layer adds a margin, leading to higher retail prices in Japan than US and Europe.

This Figure 1 shows a typical distribution network in Japan. However, different products and industries will have variations. For example, in the wireless communication products, the trading company (distributor) takes the responsibility to buy the products from Europe, the USA, and other Asian countries and also functions as a wholesaler. The distributor sells the products to its dealers who then sell to different government agencies across Japan.

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Figure 1: Japanese Distribution System



Source: Author

Foreign companies with local subsidiaries in Japan will have a different distribution model of their own selection. Many will work with a network of dealers or direct selling to retailers is also common, as to government agencies.

The most typical distribution model for foreign companies without local subsidiaries is to sell the products through trading companies (distributors)— as wholesalers in many instances—importing the goods into Japan and selling them to local dealers or retailers.

The basic functions of a trading company are trade promotion, marketing consultancy, inventory maintenance, freight forwarding, information gathering, and technology acquisition (Min, 1996, p. 25). The importers-wholesalers act as the agents of the manufacturers and are required to do extensive sales support to the dealers.

In addition, there are a large group of companies called “*keiretsu*” that share common interests, common banks, and typically, interlocking boards of directors and cross-equity participants (Min, 1996, p. 28). The *keirtsu* network of the stakeholders in a distribution network is tied by reciprocal trade obligations from the factory to end customers (Min, 1996,

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p. 23). It was frequently witnessed from personal experience that smaller-sized Japanese companies engage in cross-equity participation practices.

The financial assistance—such as credit extension, acceptance of promissory notes with deferred payments, discretionary rebates, and return privileges of unsold products at no cost—will help the *keiretsu* members survive through tough financial times (Min, 1996, p. 29). Retailers look to wholesalers for financial services, prompt individualized delivery, and bear the risk of unsold stock (Ito, 1991, p. 179). Deferred payment is designed to promote harmonious relationships between suppliers and resellers to support the shaky financing of small channel partners (Martin, Howard, & Herbig, 1998, p. 112).

Rebates to the channel partners are common to push sales. The rebate may include reductions for quantity, early payments, achieving sales targets, performing service, keeping an inventory, sales promotion, and cooperation with the manufacturer (Martin, Howard, & Herbig, 1998, pp. 111-112). The rebate system shows the willingness to share a part of the profit with channel partners in return for their loyalty—embedded in Japanese history and culture.

Like a relationship in a family, it is crucial to visit the Japanese distributors and the distributors visit the head office and factories of manufacturers (Martin, Howard, & Herbig, 1998, p. 111). The western firms visit the Japanese partners and conduct joint sales calls help to strengthen the relationship. Japanese distributors and dealers attending training, seminars, workshops, or conferences at the manufacturer's site boost trust and confidence in the manufacturer.

The foreign manufacturers misunderstand that if their products are accepted in their home markets, they should be accepted in the Japanese market (Interview with Mr. Sammy, July 21, 2022). This fallacy is detrimental to their success. Even harder when they do not put effort to localize their strategies to suit the local Japanese market (Interview with Mr. Fumio, July 22, 2022).

Strong business loyalty helps to create a more cooperative business relationship. The relationship includes exchanges of gifts, dinners, foreign or local trips, invitations to a golf game, tickets to sporting events, and equity involvement and financing. In the west, these activities might be considered unethical, but the Japanese consider their gestures of appreciation and maintaining harmonious relations as valid, and a vital part of the Japanese business culture. In such cases, the companies should follow their ethical and anti-corruption policies.

Japanese transaction relationships in the distribution system are a barrier to new domestic and foreign entrants (Ito, 1991, p. 184). The foreign companies perceive the Japanese

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distribution system as closed and complicated, however, the Japanese think that their system is a model of close cooperation, consensus, trust, and loyalty.

3.2.1 Case Study 2: Mutual supporting system

In the wireless communication distribution system, there is a trading company (distributor) acting as an importer of the products from Europe into Japan, and they distributed the goods to their network of dealers. The dealers sell the products to the end customers, in this case, the governmental agencies spread across various prefectures in Japan. The distributor was successful in selling the niche solution from a European manufacturer because there were no serious Japanese competitors. The premium product quality and performance also helped. In the event of a strong local manufacturer, it would have been more difficult to compete. A local supplier will have larger resources to offer faster product customizations, better service, and competitive prices.

The trading company has the expertise in importing and collaborating with foreign companies with excellent English communication skills. The dealers lack such skills and totally rely on the importers. The importer conducts all the sales and marketing promotions including exhibitions, roadshows, product launches, customer demos, field trials, and marketing materials (brochures, flyers, data sheets, posters, giveaways) in the Japanese language. While the dealers do all selling to the government agencies: visiting customers and organizing customer demos and field trials. These activities are jointly conducted for important projects. The investment in promotions and demo samples is borne by the distributor. The Japanese government agencies have high expectations of product quality, technical training and support, and after-sales service.

The dealers will ask the distributor to seek and acquire new technologies that the government agencies require. The level of professional exchange of knowledge and market analysis between importers and dealers is frequent and intimate. The dealers will share the local market requirements and market trends with the distributor after every visit to governmental customers. This sharing of information is done through phone calls, emails, or personal meetings. The sharing of information is frequent and real-time. In instances when there are new customer requirements, both the distributor and dealer will arrange a meeting and discuss different alternative solutions jointly and harmoniously. They will seek technical assistance from the European manufacturer. The technical team in Europe will provide product training, technical diagrams, and know-how to implement the new solution.

In return, the distributor will offer financial support to dealers to visit important foreign exhibitions, international workshops, and product training. The distributor will bring their dealers to attend global-Asian distributor meetings and global product launches organized by

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the European manufacturer. The dealers will get exposure to global market trends, learn about best practices, and network with global distributors—a rarity for dealers.

There is a clear understanding and consensus on the distribution of tasks and responsibilities between the distributor and dealer, who have a long-term professional relationship with complete loyalty.

One of the dealers faced grave financial difficulty. Instead of replacement with a new financially healthier dealer, the importer offered support and assistance to survive the financial crisis.

The distributor also offered free consultancy on important aspects of the future strategies of the company and how to run the operation efficiently. During the crisis period, their business cooperation strengthened.

The financial support was in the form of a longer payment term that translated into interest-free financial aid. The European manufacturer offered longer payment terms to the distributor for larger projects as a gesture of support to mitigate the financial burden. The distributor offered more marketing and technical support to aid the dealer get quickly back on his feet. The dealer provided a regular and transparent report of their company's progress, and the distributor was closely engaged in business development. Their cooperation and support were more robust.

They significantly increased the number of joint customer visits. These initiatives immensely stabilized the reputation and credibility of the dealer in the eyes of the government agencies. The participation of the European manufacturer reinforced the close cooperation between the parties which was translated as faith, loyalty, and confidence in the credible relationship. Credibility is one of the key criteria to work successfully with government agencies. The Japanese government does not like to work with companies with poor credibility and reputation. The agencies pay high significance to the backing from the manufacturer as a strong sign of support and confidence. The distributor has more than thirty years of credible reputation in the market. The financial backing and moral support from such a credible distributor offer a much-needed confidence boost to the dealer.

Government agencies prefer not to work with failing companies as they fear not getting the necessary technical support, product training, and after-sales service. At the same time, they prefer to keep the years of cooperation and understanding. In this context, the presence of distributors and manufacturers during customer visits offered the needed confirmation for the continuous best service and support.

It is evident that this support model helped the business to stabilize and laid the foundation for greater progress in the future. It was a win-win scenario: the dealer overcame the financial

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challenge, and the distributor gained greater loyalty and confidence from both the dealer and government agencies. The role and responsibility of the European supplier were both active and passive. Actively providing timely technical, sales, and marketing support to the distributors. And passively supporting and backing the distributors and dealers in front of government officials. In the end, the close-knit distribution system produced the lifeline to the survival and progress of the business. This successful model of cooperation was undertaken without a formal legal contract: executed under good faith and mutual confidence.

3.2.2 Discussion questions

1. What kind of distribution model is needed for your products?
2. What are the main success factors in the relationship between trading companies, wholesalers, dealers, and retailers?
3. What are the main problems for foreign manufacturers to overcome in relation to the Japanese distribution system when selling to government agencies?
4. How is the relationship between dealers and governmental agencies?

3.3 Satisfying requirements of demanding Japanese customers

In general, Japanese customers in the private and public sectors are very demanding about product requirements. Their demands incorporate product specifications, quality, performance, and after-sales service. They will not buy until all their requirements are fully satisfied.

The government agencies are rigorously evaluating and testing product quality, performance, training, and service. In the first step in a public tendering process, the product must meet the specifications. Mr. S, the president of a Japanese importer, believes that it is important to fulfil product customization requests (Interview with Mr. S, July 25, 2022). The second step is the testing of product performance through product demonstrations and field trials by the users of the product. In the final step, a bidder offers the pricing and after-sales services in the tendering documents to the tendering committee for the final evaluation and decision. The government agencies seldom accept standard products from suppliers (Interview with Mr. Sammy, July 21, 2022). The procurement procedure varies for different products and different agencies. These are the basic steps in most of the public tenders in Japan.

An excellent product with top-notch features and performance will not survive in the Japanese market if it does not satisfy the requirements of customers. The Japanese are very choosy and have a penchant for a high level of services (Min, 1996, p. 26). This can be witnessed in the retail segment. A high standard of service and diversified products are the main reasons for ubiquitous and specialized mom-and-pop shops in the consumer retail

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segment, selling at higher prices than giant discount stores. Japanese consumers are very conscious and particular about their needs. One of the reasons for the sluggish sales of US cars is a lack of earnest efforts from the United States automakers to improve the post-sales services (Min, 1996, p. 31), and a lack of product customization for smaller-size cars.

The government agencies follow the same market rule of thumb. The end-users vigorously demand that the product offering matches their working requirements. One product for all users across various prefectures is not a smart market approach. A prudent strategy is to customize the products to the market needs and become successful in the Japanese market!

3.3.1 Case Study 3: Product customization is a strong competitive advantage

When a foreign manufacturer is unable to provide multiple product customizations due to economy of scale, the local Japanese business partners can help to come up with alternative solutions. Though the foreign manufacturers are better suited to perform the customizations, however, they cannot in most cases (Interview with Mr. Sammy, July 21, 2022).

This case shows how multiple product customizations were made possible by a joint effort of a European manufacturer and its Japanese distributor and dealer in the wireless communication product segment. In the cooperation model, the basic main product was provided by the European manufacturer and the multiple customizations were made locally in Japan.

The primary product offered limited compatibility when used with multiple audio devices. The users from forty-seven prefectures had different compatibility requirements. They needed individualized solutions. In this scenario, it was nearly impossible for the European company to offer so many variations, each with limited sales potential—the sum of all was substantial. The higher labor costs and the lack of scale hindered the European manufacturer, hence they looked out for local workable solutions.

Before creating a solution, it was crucial to understand the requirements of the market. The Japanese distributor and dealer came up with an ingenious approach to collecting the requirements from all the forty-seven prefectures. This process was a painstaking undertaking that took two years to accomplish. During the collection process, the local partners tested a few viable communication solutions.

Traveling across Japan is a costly initiative. Therefore, it was combined with customer visits, roadshows, workshops, seminars, and exhibitions. The distributor-dealer achieved their immediate business objectives and collected customers' specifications simultaneously. This approach provided the right platform for interacting with the end-users and understanding their needs. Visiting governmental premises for collecting information is not appreciated by all the officials. Combining with other objectives was a better approach.

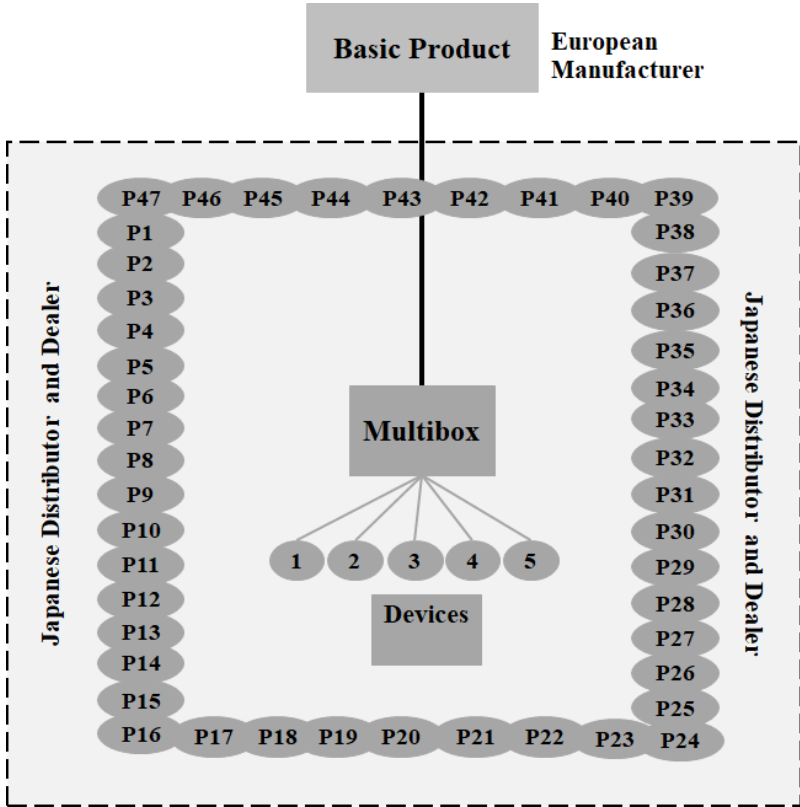
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Then all the configurations from the forty-seven prefectures were clustered in fewer groups. The local partners developed a “Multibox” that offers different possibilities for connecting with different audio devices. The dealer worked with an external technical supplier in collaboration with the distributor. They started with a cluster in the Tokyo Metropolitan region due to closer proximity to their offices and easier access to the sites.

These solutions were tested for different clusters: it was first tested by the dealer at their own site. When faced with technical problems, they found solutions with their external supplier and distributor. When needed, they contacted the European supplier for technical assistance and guidance. Once the solution worked flawlessly, they tested it with the end-users at their sites. If any problems were found during the trials, they went back to the drawing board to troubleshoot the problem and found the necessary solutions. This reiterated process was conducted for all the forty-seven prefectures, one of the main reasons why it took so long. The end-users greatly appreciate all the efforts to fulfill their specialized needs and are willing to recommend them for future purchases. In this way, the basic product from Europe was transformed into wireless solutions for all the prefectures as shown in Figure 2.

Figure 2: Product customization requires patience and cooperation



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The overwhelming exercise offered excellent opportunities to interact with all the agencies across Japan and acquire the market knowledge that the competitors lack. The distributor-dealer knows exactly how the products were used in the field and the advantages that the customized products offer to the various agencies. The closer collaboration and relationship positively influenced the end-users, technical teams, and decision-makers—a sound foundation that paved the way to future sales growth. This is an impeccable union of competitive advantage and product differentiation.

Once the solution was approved by the consensus of all the stakeholders, future purchases became merely administrative procedures. Whenever there was a budget available, the end customers placed their orders with the local partner, and the sales picked up rapidly. Without the local solution, the sales would have never picked up in the Japanese market. In a nutshell, it is the market (buyers) that decides whether to accept or reject a product or solution—not the manufacturers, distributors, or dealers (sellers)!

3.3.2 Discussion questions

1. Do your products satisfy the needs of Japanese users?
2. How can you provide local product customization?

4. Conclusions

The Japanese market is a subtle cosmos to conduct business dealings. Many European and American companies have failed to successfully penetrate and capture market share. There could be many reasons why a new entrant could fail. But a deeper understanding of the Japanese ethos, business culture, and customers' needs is a good first step in the right direction.

The consensus approach toward negotiation is a fundamental understanding of how Japanese business partners engage themselves in a business discussion. The Japanese culture is a collective society where reaching a consensus between different departments in a company is of paramount importance. Japanese follow an elaborate four-stage negotiation style with precise contents and expectations. Consequently, negotiations are slow, complex, and challenging. In addition, the western-style Japanese legal system is imbued with Japanese cultural characteristics. Litigation is not their first choice—out-of-court settlements are preferred alternatives to maintain social order and harmony. Unlike in the west, Japanese businesspeople consider signing a legal contract as a willingness to cooperate and nurture it like a living body for a lasting business relationship.

The multi-layered distribution network is one of the most frequently quoted challenges for foreign firms to enter the Japanese market. Understanding the nitty-gritty of the network will

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surely help to navigate the complex distribution. The layers of manufacturers, importers, trading companies, wholesalers, and retailers add to its complexity. Close cooperation is conducive to sharing information about products, market trends, innovation, competition, and opportunities. The trading companies provide promotion, marketing consultancy, inventory facilities, rebates, return privileges, financial assistance, and long-term relationship. In return, the dealers and retailers offer market intelligence, customers feedbacks, and loyalty. The partners in the distribution network take care of each other through thick and thin.

The Japanese are picky end-users. They demand customized solutions that perfectly satisfy their needs. No products will survive until all requirements of product specifications, quality, performance, and after-sales service are met. One product for all users will not work, but customization of products to Japanese needs will. Foreign enterprises ought to heed the market demands. Foreign manufacturers can collaborate with Japanese partners to invent local product customization. The customers will ultimately determine the success of your products.

5. Acknowledgement

Thank you, Dr. David Gratton, Professor of Business Management, for your thoughtful critique and insightful suggestions during the research. His guidance has sharpened and expounded the usefulness of the article to business practitioners who are dealing in Asian markets.

This article is a part of the long-term research project “selling to Asian governments” that is covering and will cover many other Asian countries. Its core objective is to help western companies and practitioners successfully manage and grow their business in Asian markets, particularly selling to Asian governments.

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