

ENTERING THE JAPANESE MARKET

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Japan, with a GDP of \$3,993.4 billion, is the world's second largest economy. Its population of 127.5 million enjoys a per capita income comparable to that of the United States. Japan spends 8% of GDP on health, and with the highest longevity in the world can be expected to increase expenditures on medical care for the elderly over the next decade. It offers a unified national market, single language, relatively homogenous population and culture, high education levels (99% literacy), safe and stable society, reasonable protection for intellectual property, and an easily convertible currency. There are certainly distinctive features when viewed from an American perspective. Distribution networks are complex; at 526 persons per MD, the population of doctors is relatively low, but at 16.5 hospital beds per 1,000 of population, it ranks behind only Switzerland in this statistic, and has among the longest average hospital stays in the world (40.8 days)

All of this adds up to a large and appealing market for any firm in the health care industry. The question is, "How do I access the market?" There are various answers. American firms can approach the market directly. While health care, pharmaceuticals, and medical equipment have their own regulations, the Japanese market in general has proven over the years to be difficult for international firms to approach directly. This has changed markedly for the better during the past decade, and various Japanese agencies, including the national and some local governments, are now working to attract direct foreign investment, especially in high technology industries. However, the popular perception that going it alone in Japan takes time and considerable money up front still remains true. Larger firms with patience and deep pockets who wish to retain control over their product in the market may wish to consider this approach, but need to do their homework first and go into Japan with their eyes wide open. The successful firm usually does very well in a very large and affluent market, but that does not happen overnight.

Other options, appealing to smaller firms, include finding a Japanese partner or working through a trading company. Japanese partners understand the sector and often provide products that the American firm can market outside of Japan. The trading companies vary in size, from huge universal firms to smaller ones specializing in particular industry sectors. They are not a phenomenon familiar to most Americans, and also need to be studied to find a good match. The advantage to both approaches is that your product can be introduced to the Japanese market with maximum speed and at minimum cost by a company which has a marketing and distribution system in place and understands the regulatory environment. The disadvantage is that the American partner may lose control of their product, its pricing, promotion, and placement in the Japanese market. Nevertheless for speed, cost, and demands on home company personnel, this is often the best approach and certainly the first that a smaller firm should consider. Some may even discover that their new partner, especially if it is a trading company, can help move their product to other international markets. (There are some American firms that provide similar services, including some specializing in the medical sector.) In any case, the critical issue is to get to know your partner well, talk to multiple prospects before tying the knot, and know the capabilities of your prospective partner and where your product fits in their line up before taking the trip to the altar.

There are many offices and organizations available to help a newcomer enter this market. Start with the North Carolina Dept. of Commerce International Division in Raleigh under Mr. Peter Cunningham. The state maintains an office in Tokyo to help you make connections. The U.S. Dept. of Commerce can be helpful as well, including local offices of the U.S. Export Assistance Center. The U.S. Dept. of Commerce has a large and knowledgeable office within the U.S. Embassy in Tokyo and can be very helpful.

The Japanese national government and some prefecture governments are also engaged in facilitating exports to Japan and direct foreign investment to promote economic growth and the introduction of new technologies. JETRO (Japan External Trade Organization) takes the lead in this field. It is a subordinate operation of Japan's Ministry of Economy, Trade and Industry (METI), with its U.S. headquarters in New York. It also assigns a Senior Trade Advisor to the N.C. Dept. of Commerce in Raleigh. These individuals are drawn on secondment from the large trading companies. JETRO also maintains offices and facilities in Tokyo to assist visiting executives making early visits to Japan in their efforts to establish initial ties, and will help arrange a schedule of visits for you. JETRO also organizes periodic introductory tours, usually focused on a specific industry sector. The Development Bank of Japan, with an office in Washington, D.C., has programs of low cost loans to help with initial or expansion investments in Japan.

Additional resources include the American Chamber of Commerce in Japan, a large, active, and very knowledgeable membership organization that operates numerous committees dealing with specific industry sectors. In addition to the trading companies there are various other firms, both American and Japanese, prepared to provide advice on a host of specialized questions.

One bit of advice: If you are seriously considering entry into the Japanese market, do your homework and get on an airplane for Tokyo. Nothing beats the advantage of direct observation and meeting some locals in your field. Try to take in a trade show to get a feel for the market and the competition. There are a lot of people who can help you organize your visit, and a little time on the ground can alert you to a great deal that you really need to know.

About the North Carolina Japan Center:

The North Carolina Japan Center was established in July 1980 by Governor James B. Hunt to strengthen the state's academic, economic, scientific, and cultural ties with Japan. In its many aspects, the Center serves as a focal point for interaction between Japanese and North Carolinians. It is a statewide resource intended to assist all citizens, universities, companies, and public and private institutions in relations with the Japanese. The North Carolina Japan Center works to inform the people of the state about modern Japan and its people. It also provides information and resources for Japanese citizens living in North Carolina.

The North Carolina Japan Center holds an annual program, the "North Carolina and Japan: Trade and Investment Conference." The 21st annual meeting will be held Friday, December 2, 2005, at the Sheraton Imperial Hotel near RTP and RDU. To contact the NC Japan Center, please visit their web site at www.ncsu.edu/ncjapancenter/ or contact Tony Moyer directly at (919) 515-3450, tony_moyer@ncsu.edu.