

iscte

INSTITUTO
UNIVERSITÁRIO
DE LISBOA

Keys to New Market Entry Strategy to Japan

Case: Portuguese Footwear

Jonna Maarit Palmu

Master in International Management

Supervisor:

Master in Science, Álvaro Augusto da Rosa, Associate Professor,
Iscte Business School

November, 2020



**BUSINESS
SCHOOL**

Department of Marketing, Strategy and Operations

Keys to New Market Entry Strategy to Japan

Case: Portuguese Footwear

Jonna Maarit Palmu

Master in International Management

Supervisor:

Master in Science, Álvaro Augusto da Rosa, Associate Professor,

Iscte Business School

November, 2020

Acknowledgements

First of all I would like to thank APICCAPS, especially Ms. Joana Vaz Teixeira and Mr. Carlos Silveira, for the time spent, trust in the topic as well as for all the information shared about the footwear industry in Portugal and worldwide. Thank you for the opportunity to take a look inside this fascinating industry and market, and to develop my capabilities and knowledge.

Thank you to my co-supervisor, Professor George R. Harada from Hiroshima University of Economics, for his effort and guidance in the issues of Japanese business culture, negotiations and marketing, and for the valued sources provided. I highly appreciated his superior views and prompt response to all my queries. It was a privilege to have him as a support in this project. I would also like to thank my supervisor from ISCTE, Professor Álvaro Augusto da Rosa, for his assistance and expertise during the year, keeping me structured.

To AICEP Tokyo, Mr. Miguel Malheiro Garcia and Ms. Tomoko Maekawa, for their firsthand experience and advice shared about the distribution in Japan.

To Mr. Tom Lister, from The Japan Distribution Experts, for his expertise and assistance in regards of the distribution in Japan, and always so quick response to my inquiries.

Finally, I would like to thank my dear friends for always being present, for their motivation and support during the project. A special thank you to my friend and student colleague Veronika. This journey would not have been the same without you.

Resumo

O Japão é o segundo maior mercado de retalho e o terceiro maior importador de calçados do mundo. O facto de integrar as 6 maiores economias mundiais de consumo de calçado, bem como o seu elevado poder de compra per capita e uma produção nacional relativamente limitada, torna Japão um mercado atraente para o setor português do calçado.

A indústria portuguesa de calçado teve um rápido crescimento durante a última década e hoje exporta mais de 95% da sua produção. A APICCAPS é uma associação portuguesa de âmbito nacional que apoia os planos de globalização dos seus associados da indústria do calçado. No mercado global, o calçado português apresenta-se como uma indústria jovem, sexy e futurista, aliando tradição a tecnologias de ponta e uma vasta experiência em design. Considerando as particularidades do mercado, essas características representam uma potencial vantagem competitiva no Japão: além da exigência de qualidade, os consumidores japoneses modernos apresentam um forte estilo pessoal e são movidos por histórias de marca atraentes.

O Japão é um mercado desafiador, mas o dinamismo da sua economia e a especificidade dos seus padrões sociais tornam-no altamente atraente e potencialmente lucrativo para a indústria do calçado portuguesa. O objetivo deste projeto é revelar os fatores-chave e pontos de decisão para uma estratégia de entrada no mercado de sucesso no Japão, que servirá de diretriz para as empresas portuguesas de calçado.

Palavras-chave: Calçado; Nova entrada no mercado; Estratégia de entrada no mercado; Japão

JEL Classificação: F23, F29, M16

Abstract

Japan is the second largest retail market and third biggest importer of footwear in the world. Owing limited domestic manufacturing but being included in the top 6 countries in the world for footwear consumption with high purchasing power per capita, makes Japan a tempting market for the Portuguese footwear cluster to obtain.

The Portuguese footwear industry has been in rapid growth during the past decade and today it exports more than 95 % of its manufacturing. APICCAPS is a nationwide association in Portugal that supports the globalization plans of its members from the footwear industry. On the global market, Portuguese footwear presents itself as a young, sexy and forward looking industry which combines tradition with cutting-edge technologies and know-how of greatest design. This appears as a strong competitive advantage in Japan. In addition to exigent quality expectations, modern Japanese consumers are driven by strong individualization and appealing brand stories.

Japan is a challenging but highly profitable market due to its vibrant economy and social patterns. The objective of this project is to reveal the key factors and decision points to a successful market entry strategy in Japan, to act as a guideline for the Portuguese footwear companies.

Key words: Footwear; New Market Entry; Market Entry Strategy; Japan

JEL Classification: F23, F29, M16

TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION	1
1.1 The promoter of the project: APICCAPS	2
1.2 Portuguese footwear export	3
1.3 Problem	5
1.4 Problem discussion	6
1.5 Structure of the thesis	7
CHAPTER 2: LITERATURE REVIEW	9
2.1 Globalization	9
2.2 Market entry strategy and choosing the entry mode	9
2.3 Internalization process of SME's	10
2.4 Market entry barriers	10
2.5 Importance of market research: case IKEA	11
CHAPTER 3: METHODOLOGY	13
3.1 Data collection	14
3.2 Data analysis	17
CHAPTER 4: THE JAPANESE ECONOMY	19
4.1 Population and household sizes	19
4.2 GDP and household income	20
4.3 Economic areas	21
4.3.1 Tokyo	22
4.3.2 Kansai	22
4.3.3 Kuysyu	23
4.3.4 Okinawa	23
4.3.5 Chubu	24
4.3.6 Hokkaido	24
4.4 Trade between Japan and the European Union (EU)	25
4.5 Laws and regulation	25
4.5.1 Tariff Quota System	26

4.5.2 EPA – Economic Partnership Agreement	26
4.5.3 Cooperation donors	28
4.5.4 Labeling	28
CHAPTER 5: BUSINESS CULTURE IN JAPAN	29
5.1 The Japanese philosophy	29
5.2 The culture of emotions and group thinking	30
5.3 Nonverbal communication	31
5.4 Choosing the foreign representative	32
5.5 Presenting a company in Japan	33
5.6 Contracts	34
5.7 Obsession for quality	34
CHAPTER 6: JAPANESE CONSUMERS	37
6.1 Crises and their changes in consumer behavior in Japan	39
6.2 The Japanese consumer groups	40
6.3 Valuing experience and stories	43
6.4 Japan’s luxury consumers today	44
6.5 Japanese conception of middle class	46
6.6 Footwear market in Japan	47
6.6.1 Footwear trends in Japan	50
6.6.2 Biggest players on the footwear field in Japan	52
CHAPTER 7: KEYS FOR THE MARKET ENTRY STRATEGY	53
7.1 Product	54
7.1.1 New product development and shinhatsubai	54
7.1.2 Product adaptation into new markets	55
7.2 Promotion	56
7.2.1 Marketing channels in Japan	57
7.2.2 Public relations	58
7.2.3 Social media	59

7.2.4 Trade shows	60
7.2.5 Sales material	60
7.2.6 Service excellence	61
7.3 Price	61
7.3.1 Pricing objectives	62
7.3.2 Exclusive distribution	63
7.3.3 Approaches to international pricing	63
7.3.4 Costs of exporting	65
7.3.5 Pricing in Japan	66
7.4 Place	67
7.4.1 Distribution channels	68
7.4.2 Distribution structure in Japan	69
7.4.3 Keiretsu	70
7.4.4 Choosing the distribution channel	71
7.4.5 Planning an effective distribution strategy	72
7.4.6 Contacting and choosing the distributors	74
7.4.7 Channel management	76
7.4.8 Stand-alone stores vs online channels	76
CHAPTER 8: IMPLEMENTATION FOR THE PORTUGUESE FOOTWEAR	81
8.1 Product	81
8.2 Price	83
8.3 Place	85
8.3.1 Distribution channels for footwear	85
8.3.2 Benefits of Japanese distributor	87
8.3.3 Selecting and contacting the desired distributor(s)	88
8.3.4 Selling to the desired distributors	90
8.3.5 Department stores, selected shops or online sales	91
8.3.6 Geographical location and supply chain management	92
8.3.7 Step-by-step guide for successful distribution	93

8.4 Promotion	94
8.4.1 The consumer groups to target	94
8.4.2 Marketing channels	95
8.4.3 Brand story and values	97
CHAPTER 9: CONCLUSIONS	99
BIBLIOGRAPHY	103
APPENDICES	107
Appendix A – TOP 10 exporters of waterproof footwear in 2018	107
Appendix B – TOP 10 exporters of leather footwear in 2018	109
Appendix C – Contacts of Competent Authorities in Japan, 2011	111
Appendix D – Required labeling items under Household Goods Quality Labeling Act	113
Appendix E – Process to obtain JIS Mark Certification	115
Appendix F – Contact List of Voluntary Labeling Organizers	117
Appendix G – Footwear volume growth (in million pairs) in Japan, June 2020	119
Appendix H – Leather footwear value in Japan from the EU	121
Appendix I – Leather footwear volume in Japan from the EU	123
Appendix J – LBN Brand Shares of Footwear between 2014-2017 (% value)	125
Appendix K – NBO Company Shares of Footwear between 2013-2017 (% value)	127
Appendix L – TOP 5 Social Media Platforms in Japan by Monthly Active Users (millions), 2019	129
Appendix M – Instagram Active Users by Age Group and Gender (millions), 2019	131
Appendix N – Contact list of importers in Japan	133

LIST OF FIGURES

Figure 2.1 – A Comprehensive Model of Foreign Market Entries	11
Figure 4.1 – Population Density by Prefecture, 2015	19
Figure 4.2 – Changes in Household Composition, 2019	20
Figure 4.3 – Average Monthly Family Income and Consumption Expenditures by Age Group of Household Head (two-or-more-person, workers’ households), 2018	21
Figure 6.1 – Survey: Compared with 1 or 2 years ago, how much time are you spending at home?	42
Figure 6.2 – Japanese luxury market evolution (JPY trillion)	45
Figure 6.3 – Revenue growth (in million €) of the footwear categories, June 2020	48
Figure 6.4 – Types of footwear traded in Japan, 2018	49
Figure 6.5 – Leather footwear value in Japan from the EU	50
Figure 7.1 – Customer-centric marketing	53
Figure 7.2 – Distribution channels	71
Figure 7.3 – Proportion of Households Ordered over the Internet (2019)	77
Figure 7.4 – Sales channels revenue in footwear in Japan (June, 2020)	77
Figure 8.1 – Footwear pricing forecast in Japan (adjusted for expected impact of COVID-19)	84
Figure 8.2 – Standard distribution chain in Japan (leather goods)	85
Figure 8.3 – Shorter distribution model (leather goods)	86
Figure 8.4 – Distribution channels for leather footwear, 2020	86
Figure 8.5 – Example of a promotional website created by Japanese importer	96

CHAPTER 1: INTRODUCTION

Japan boasts the second largest retail market in the world and is ranked as the third biggest importer of shoes in the world. High volume combined with an acknowledged fashion landscape make Japan a highly interesting market for Portuguese footwear to obtain. The market offers diverse opportunities for such products that can offer luxury, style, convenience and high value. In fact, Japan is one of the top markets in the world for high end items consumption and accounts 30-40 % of some global brands' profitability. However, in Japan, excellence is a norm and high quality is sought in all products. Besides Japan acts as a growth engine for various firms, it is also known for its unique business culture, complex distribution system, and tough competition. *"If you can make it in Japan, you can make it anywhere"* often goes the saying about Japan. In order to succeed in the market, the company must do lots of research of the market area and its habits, prepare an internalization strategy well beforehand and carefully choose the partners to work with in Japan.

This master's thesis will reveal the key points to a successful market entry strategy in Japan, and it is directed to the Portuguese footwear industry. The project is carried out in the assistance of APICCAPS – Portuguese footwear, components and leather goods manufacturers' association, and it is to assist in their members' export plans in Japan. During the past ten years Portuguese exports have increased significantly and already 95 % of Portuguese footwear manufacturing is being delivered abroad. However, not many Portuguese brands have yet taken step to the market in Japan due to the challenging business environment, distance and the limited resources often times small companies have. Hence, the objective of this thesis is to create a common understanding of the Japanese market, the concept of *"Japaneseness"*, and what might be the possible barriers on the way. The project will research the various factors a footwear company must consider in its market entry strategy while describing the basic dynamics of the Japanese market, including economics, key regions, culture and values of Japanese consumers today. Furthermore, the research will take a deeper look at to the footwear industry by analyzing how to promote footwear products in modern Japan; who are the major competitors on the market, what are the current footwear trends, how to set a correct price, and finally how to find partners and establish a working distribution system. Ultimately, this thesis is to give guidelines for preparing a smooth market entry plan and successfully operate in Japan.

1.1 The promoter of the project: APICCAPS

APICCAPS is a nationwide association founded in 1975 and based in Porto, Portugal. It represents the following sectors in Portugal: footwear industry, footwear components industry, leather goods industry (bags, wallets, gloves, belts etc.) and equipment for the previous mentioned sectors (APICCAPS, 2020).

The organization aims to promote the development of the sectors it represents and its 700 members. In fact, there were roughly 350 new footwear brands created in Portugal in the last decade according to numbers release by the Portuguese Footwear Technological Center (Facts & Numbers, 2018).

APICCAPS (2020) lists the main areas of action as following:

- Internationalization
- Studies, projects and consulting
- Technical support
- Information
- Information and Communication Technologies
- Professional Training
- National Labor Agreement
- Company reception areas
- Technology, quality and environment
- Innovation

APICCAPS collects and provides various data to support its members operation as well as to assist and guide the Portuguese footwear brands' globalization plans. To serve this purpose, APICCAPS has developed an initiative called World Footwear which publishes an annual edition of World Footwear Yearbook to its members use. It is a comprehensive report that analyzes the main trends within the footwear sector around the world. The publication aims to analyze the position of the most relevant countries of the footwear industry in terms of production, exports, imports and consumption. Furthermore, an electronic platform provides for weekly newsletters and updated industry articles with particular emphasis on production, trade and markets (APICCAPS, 2020).

“A young, sexy, modern and forward-looking industry, which combines tradition with cutting-edge technologies and the know-how with the greatest design. The Portuguese footwear industry is in constant evolution (Facts & Numbers, 2018)”. This is the way in which Portuguese companies present

themselves on the international markets, already since 2008, notes APICCAPS. Celebrating the Portuguese Shoes campaign: “*Designed by the future*”, APICCAPS actively markets the Portuguese footwear around the world together with its member brands. Those operations include attending to the most relevant professional fairs. In fact, events in Japan and USA have been the recent object of added investment by the Portuguese companies (Facts & Numbers, 2018).

The aim of Portuguese footwear is to be the key point of reference for the industry worldwide. To reach this goal, the Portuguese Footwear Cluster has created a roadmap to address the digital economy, FOOTure 4.0. With a planned investment of 49 million euros, it intends to improve the flexibility while working towards greater customer engagement, higher levels of product customization and the development of tailored services. With a network of 50 partners, including universities, companies and organizations in its FOOTure 4.0 strategic development, the Footwear Cluster aims to foster deeper development across broader areas in customer experience innovation, intelligent manufacturing, qualification of human resources, sectorial leadership and coordination of the plan. In terms of innovation and customer experience, there are not only new business models created to find new products and service offerings, but also new channels developed to interact with end customers (Facts & Numbers, 2018).

1.2 Portuguese footwear export

In 2018, Portugal exported footwear to more than 150 countries across five continents. In fact, the exports of the Portuguese footwear industry have grown more than 50 % in the past decade. In 2017, historical 83.3 billion pairs were sold to the international markets with a total value of 1.96 billion euros. This represented a rough 3 % growth in both volume and value. In terms of production, Portuguese footwear is dominated by ladies’ and men’s leather shoes, which represent two thirds of all pairs produced and over three quarters in value. The rapid growth of the Portuguese footwear industry is not only limited to exports, but has also had a positive impact on job creation inside Portugal. Today, the industry employs almost 50 thousand people – of which over 10 thousand new jobs created in the past decade. During the same period of time, roughly 350 new brands were established (Facts & Numbers, 2018).

Today the Portuguese footwear industry, recognized for its high-quality products, addressing the latest trends and putting special focus on design and innovation, exports more than 95 % of its production (Facts & Numbers, 2018). Leather footwear represents almost three quarters of the volume and 90 % of the value of Portuguese footwear exports. In fact, this sector saw growth of 18 % over the first months of 2020, despite the challenging circumstances resulting from the pandemic (Portuguese Soul, 2020).

Despite efforts in diversification geographically, Europe is still the main market for Portugal, absorbing over 80 % of the exports. The main destinations are France, Germany, Netherlands, Spain and UK. Outside the European Union, Portuguese exports have however increased by 7 % (Statistical Report, 2017).

On a global-scale as an exporter of footwear, Portugal was listed in top 10 countries in the world in both waterproof (5th place) and leather footwear (8th place) (Appendix A – *TOP 10 exporters of waterproof footwear in 2018* and Appendix B – *TOP 10 exporters of leather footwear in 2018*). The importance of Portuguese footwear in foreign trade is obvious even when comparing its internal trade balance with that of other goods. In 2016, the balance of 1.3 billion euros obtained by footwear was higher than for any other type of merchandise traded from Portugal. The footwear's share in Portuguese exports has been gradually reinforcing and in 2016 its share in total exports reached 3.8 % (Statistical report, 2017).

The main import items from Portugal to Japan are clothing and accessories, electrical equipment, vegetables, footwear, automobiles and auto parts, textile yarn, fabrics, fish, wood, lumber and cork, wine, machinery, and chemicals (Trade Statistics of the Ministry of Finance of Japan). In 2018, Japanese direct investment into Portugal totaled 20.5 billion yen (Statistics of the Bank of Japan). According to the Statistical Report (2017) of APICCAPS, Portugal exported 353 000 pairs of shoes to Japan, but the exports to Japan have shown declining direction (-4,49 %) since 2011 (Statistical report, 2017).

Between the years of 2014-2018, Portugal has been listed among the TOP 3 EU exporters of leather footwear to Japan. In 2018, the volume of Portuguese imports to Japan accounted for 12 % share (484 014 pairs of shoes) of the EU origin leather footwear. Italy was ranked at the top, and its share on the same year was 52%, and in leather bags even higher. With respect to the import value of the EU origin leather footwear to Japan, Portuguese exports represented a 7 % share (2 825 732 €) while in comparison Italy was to be found among the TOP 5 biggest exporters worldwide to Japan (European Commission, 2020).

1.3 Problem

Asia buys most of the shoes sold around the world today (World Footwear Yearbook, 2018). In fact, Asia's share (53.8 %) of the total world consumption has increased by 5 % since 2010. Japan was included in the top 10 footwear consumer countries with 3.2 % world share in quantity of 725 million pairs which put the country on 6th place in 2018 country ranking. Considering the fact that out of those 725 Million pairs of shoes consumed in Japan, 670 million pairs were imports (5251 USD in value), makes the market highly potential for footwear exporters. Hereby, out of a list of long-distance market options outside Europe, APICCAPS selected Japan as the most interesting market to research mainly due to its challenging distribution structure that has been difficult for Portuguese footwear to comply. This is seen in the numbers noted in the previous chapter. In comparison to Italy, which is one of the main importers of footwear to Japan, Portuguese exports have so far been less significant in both volume and value.

The footwear industry is considered as being one of the most important sectors of the Portuguese economy. Within two decades the Portuguese footwear industry has changed from traditional, labor-intensive into one that is modern, outward-looking and highly competitive. Today it owns a position of one of the most important European and worldwide exporters, especially in the leather shoe sector. Sophistication and creativity in design are now major strategic tools for Portuguese footwear companies accompanied with dedication and perseverance of those working in the field. A deep focus on fashion and design, the ability to produce small series and to customize products, allied to quick response to market demands, are some of the strongest advantages of Portuguese footwear to the Japanese market. The uniqueness, legacy and craftsmanship that the Portuguese footwear manufacturing represents is exactly what Japanese consumers value today. These characteristics in Portuguese footwear makers should offer added value for Japanese business partners who are looking for something different with a twist and tailored service. Yet the Portuguese footwear has not gained stronger stand in Japan despite the high potential.

In 2016, the value of Portuguese footwear exports to Asia represented only 2.8 % while in America for example the presence was and is more significant (5.1%). According to World Footwear studies, the largest core groups of customers are attracted to similar products in both Europe and America. It is in those products that the Portuguese footwear manufacturers have become specialized in. In addition, Europe enjoys the geographical and economic proximity. The type of footwear produced in Portugal, dominantly middle and top-of-the-range leather shoes, and Portuguese companies' business model that is based on flexibility and quick response, contribute considerably to the distribution of exports. It serves as a competitive advantage for Portuguese companies in closer markets. However, often times the gains achieved by flexibility in production tend to be counterbalanced by logistical and transport costs in more

distant markets (Statistical report, 2017). This study is to discuss the market dynamics in Japan and possible issues behind the moderate market share of Portuguese footwear in Japan while giving guidelines for more prospective market entry, and finally higher degree of export quantities in the future.

1.4 Problem discussion

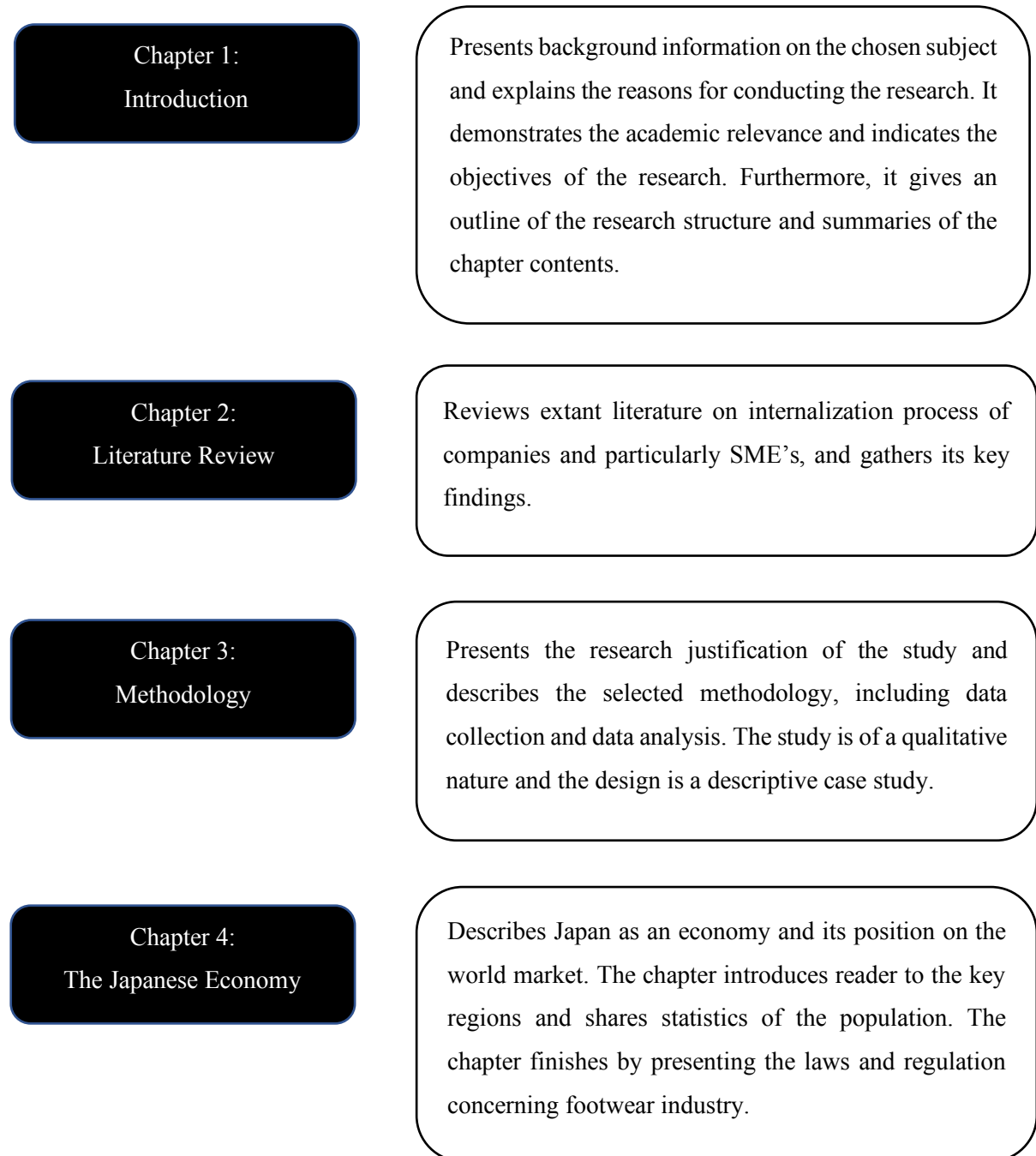
When entering a market that is geographically far away but also in terms of culture and language, there are various aspects to consider and possible obstacles to overcome. A Portuguese footwear company aiming to enter the Japanese market does not have the same insight and knowledge into the formal and informal institutions in the country as a domestic company might have. In fact, throughout the years, the trade practices have received complaints from foreign businesses and politicians in Japan. Finally last year, in 2019, Economic Partnership Agreement was put into practice between the European Union and Japan. To ease the trade between these two continents it created the largest open trade zone in the world. However, the distribution system in Japan still remains very distinctive and hierarchical which requires experience to understand and strong relationships to get inside to.

Since the Japanese market and business culture is very different from the Portuguese, it is necessary to do a lot of research before entering the market in Japan. It can be both time consuming and costly for companies to invest and commit themselves to the Japanese market in order to deepen their knowledge and gain a better understanding of the complexities around it. This may result in companies feeling reluctant to establish their operations in the country simply because the barriers seems excessive and overwhelming. By understanding the structure and composition of the Japanese market Portuguese footwear companies have the possibility to foresee problems that may occur and understand what kind of actions are needed to take in business practices, marketing and distribution.

The study aims to investigate the keys to a successful market entry in Japan and build knowledge of the Japanese footwear market directed by the latest studies, articles, journals, figures and expert opinions. Because of the strong and concrete industry focus, the research aims to look at the issue from cultural, institutional and industrial perspective in order for Portuguese footwear firms to be as prepared as possible and to make solid decisions in their internationalization plans to Japan.

1.5 Structure of the thesis

Since Portuguese footwear industry enjoys several benefits of what the Japanese consumers and business partners are known to value, the project is to define the key factors the Portuguese footwear companies should consider in their entry strategy and when dealing with the Japanese. Furthermore, this paper intends to present the possible barriers footwear designers might face when expanding the product offering to Japan. In order to answer this research problem, the thesis is structured as follows:



Chapter 5:
Business Culture in Japan

Gives a short overview of the business culture and centuries-old habits that are necessary for a foreign company to respect and embrace in order to succeed in negotiations in Japan.

Chapter 6:
Japanese Consumers

Presents the different consumer groups, their values and power in demand. The chapter demonstrates the latest consumer trends in the Japanese footwear market.

Chapter 7:
Keys for the Market
Entry Strategy

Discusses the findings in the literature and analyses the secondary data. The proposal uses a consumer-centric theoretical framework that is divided in pricing, promotion, product and place.

Chapter 8:
Implementation for the
Portuguese Footwear

Gives a recommendation for the industry while comparing the main findings of the secondary data analysis to those collected from industry experts. The suggestion is structured according to the previously applied theoretical framework of marketing mix.

Chapter 9:
Conclusions

Presents the conclusion of the research. The author's suggestion answers to the given research problem based on the research outcome and views the possible impact of the current COVID-19 crisis. Limitations of the study and direction for further research on the subject are presented in the end.

CHAPTER 2: LITERATURE REVIEW

2.1 Globalization

Globalization presents new opportunities, challenges, and risks. However, it affects each country in a different way due to a nation's individual history, traditions, culture and priorities. Globalization is therefore positioned as a multifaceted phenomenon and complicated process because it involves rapid social change that is transpiring simultaneously across a number of dimensions, in the world; politics, economy, communications, culture and physical environment, and each of this metamorphosis interact with each other (Tomlinson, 1999). It escalates the interdependence and competition between the firms (Hartungi, 2006). International expansion can facilitate organization in the development of skills and competencies that help the firms to achieve competitive advantage. It is important for companies to expand internationally into new or existing markets (Kotler & Armstrong, 2014). In a way, globalization is changing the world of internationalization.

2.2 Market entry strategy and choosing the entry mode

Once a company is entering a new market, there are various options to take and use as a strategy. These strategies include for instance mergers, acquisitions, joint ventures, exporting, strategic alliances, franchising, licensing and whole subsidiary ownership (Janssen, 2004: 556). Luostarinen and Welch (1998) argue that foreign operation modes are used for organizing and conducting international business activities, and these operation modes can be divided basically into three main categories such as: exporting, contractual, and investment modes.

The choice of a mode to enter a foreign market is one of the most crucial decisions in a firm's internationalization strategy (Agarwal & Ramaswami, 1992; Brouthers, 2013). Foreign entry mode decision refers to the way that a firm wants to carry out its business activities and the degree of engagement in a foreign market. Some of the factors to consider when choosing a market entry strategy are price localization, trade barriers, competition, export subsidies and local knowledge (Grunig and Morschett, 2012: 151).

Other decisions encompass the goals and objectives in the target market, the marketing plan and the control system to monitor the performance of the firm. Choosing the right entry mode is vital in the firm's internationalization process in total; a firm's entry mode choice determines the amount of resource commitment required, affects firm control of foreign operations and investment risk (Zhao et al., 2004). When firm establishes an entry mode, it is difficult to correct or change, leading to a long term consequences for such firm (Petersen and Pedersen, 1999). In fact, chosen entry mode has significant consequences on firms' performance in a foreign market (Canabal and White, 2008).

2.3 Internalization process of SME's

When looking at the internationalization process of small and medium sized businesses (SME), there are often two types; SME's with incremental internationalization and so called "*born global*" firms. The first type of SME follows the theory of Uppsala model. According to its developers Johanson and Vahlne (2009), companies follow an incremental internationalization process that frequently begins with serendipity. Johanson (2009) defines the stages as following:

- i) periodic exports; establishing the first footprints in the foreign market without the need of compromise in resources – however lacking feedback
- ii) exports through an independent intermediary with local knowledge
- iii) establishing a foreign sales subsidiary when facing an unexpected request of a firm's products from foreign countries
- iv) foreign production subsidiary, which requires the most resources and risks

Alternatively certain SME's are considered as "Born Global's". These firms prefer to rely upon networks, both preexisting and newly formed, as a means to achieve international markets and have better return on investment (Oviatt & McDougall, 1994). However, with the development of the business environment and most notably with the rise of e-commerce these two perspectives have come now closer together according to various sources.

2.4 Market entry barriers

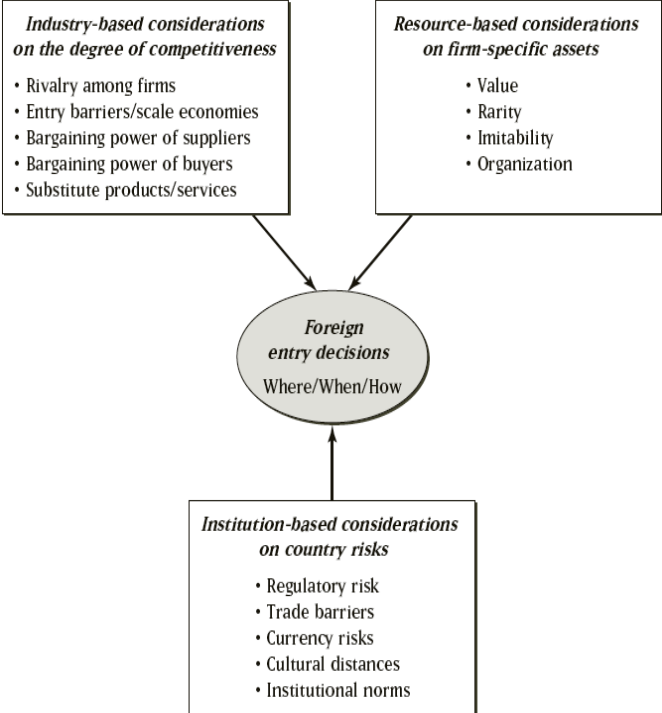
Market entry barriers are obstacles that make it complicated to enter a new industry or market. It can be barriers related to rules and regulations, other competitors or cultural differences (Macafee, 2003).

Cultural distance plays a huge role too when entering a market very far from our own. It involves the size of differences between two cultures. It can be the dissimilarity of values, language or economic development (Peng, 2009). Japan is not only geographically far away from Portugal, but has many other differing aspects too. The entire Japanese society is built up around a power hierarchy and within the Japanese business culture this becomes especially evident. In Japan, invisible rules are governing everything from how to receive a business card properly to what to give away as a present when meeting a new business partner for the first time. Since cultural aspects are of particular importance in the

country, Western companies that do not fully understand the Japanese culture can many times experience difficulties when entering the Japanese market (Moberg and Cederholm, 2009).

According to the “*Comprehensive Model of Foreign Market Entries*” presented below in Figure 2.1, a company’s decisions to where, when and how to enter a foreign market is influenced by three types of consideration: industry-based considerations, resource-based considerations and institution-based considerations (Peng, 2009).

Figure 2.1 - A Comprehensive Model of Foreign Market Entries



Source: Peng, 2009: 157

2.5 Importance of market research: case IKEA

The importance of deep market research becomes highly important in the Asian market. Lack of knowledge in the culture and customer behavior in particular has resulted in failure for many global firms in Japan in the past. Even corporate giants like IKEA and Vodafone were unsuccessful in their enter the first time due to lack of preparation and not understanding the market well enough. IKEA expanded in Japan soon after internationalizing in its Nordic neighbor countries with a perception that the uncertainty level and cultural distance would not be any different. The root of the problems in IKEA’s and so many other organizations’ case was that it lacked Japanese cultural knowledge and the local needs and wants. The Japanese customers were accustomed to higher levels of customer service and did not understand the do-it-yourself concept of assembling the products in one piece yourself. In addition, the

products had issues to be suitable for Japanese life-style and small apartments (Mellahi, Frynas & Finlay, 2005: 3). IKEA's standardization approach in Japan ultimately led them to exit the Japanese market with profits de-escalating significantly in 1986.

Lars Petersson, CEO of IKEA Japan operations, stated that *"After 1986 we soon learned that there is the humbleness of understanding. It's not good enough just to land here and hope that everything is going to work. You need to have everything in place—the whole supply chain, the well trained co-workers and an organization that can adapt to the market so that it can actually expand and grow"* (Lane, 2007). In 2006, IKEA re-entered Japan after 20-year hiatus. This time they saw hundreds of houses to figure out how Japanese take a bath, how they cook, how they sleep and how they store things. At the same time, after those two decades the market was more ready for IKEA's type of concept, which is another important factor to consider for first-comers (Wijers-Hasegawa, 2006).

CHAPTER 3: METHODOLOGY

Corbin and Strauss (1990) claim that the choice of research methodology depends mainly on the nature of the research question, or as in this thesis, the research problem. *“A qualitative research can be defined as any kind of research that produces findings not arrived by means of statistical procedures or other means of quantification (Corbin and Strauss, 1990).”* In connection to the viewpoint of this study, individual opinions and experiences play a crucial role in the construction of conclusions and therefore this study is prone to be of qualitative nature (Eriksson & Kovalainen, 2008; Gray, 2013). The methodological choice of a qualitative study is also linked to the fact that it allows the researcher to collect context-sensitive data while providing the analysis a holistic view (Eriksson & Kovalainen, 2008). In essence, the emphasis of qualitative research is to explain the ‘why’ and ‘how’ of a particular phenomenon and focus on in-depth understanding of words, opinions and experiences rather than on numbers (Bogdan and Taylor, 1998; Yin, 2009). It is what this research aims to achieve since the objective is to research how to promote Portuguese footwear in the Japanese market. Although backed up with a theoretical framework, the data should be guiding the study, not a theory (Bogdan and Taylor, 1998).

According to Yin (2009) a case study is particularly useful when three following conditions are met. First, the researcher has no control over the events he/she is studying. Second, the case study methodology is useful when the focus is on the ‘how’ of a certain phenomenon and third, when historical phenomenon is used to study current phenomenon. All three conditions set by Yin (2009) can be seen to prevail in this study. I as a researcher have no control over the events I am evaluating, while the focus of this research is to understand the evaluation criteria and the process firms must undergo when entering the market in Japan, referring to the ‘how’ of a phenomenon. Lastly, this research focuses on past information and events to understand the present for foreign firms to successfully operate in Japan. As this study is to assist APICCAPS’ members, often times small and medium sized footwear companies, planning to enter the Japanese market, a case study approach was chosen as the most appropriate data collection method for this study to serve the needs of this particular industry.

Yin (2009) argues that a case study typology can be classified into three major groups: exploratory, descriptive and explanatory. Since the study aims to identify and provide a good understanding of how to conduct business in Japan and more specifically, how to develop a right distribution strategy to the Japanese market, and what are the major entry barriers a Portuguese footwear company may encounter while entering the Japanese market, it was chosen to use a descriptive approach when conducting the study. According to various sources, the descriptive approach is suitable when the research problem is well-defined and when there is previous research on the specific subject.

3.1 Data collection

Both secondary and primary data has been collected for the study. Secondary data consists of existing information collected by others and shall mainly be used to achieve greater understanding of the subject investigated and create a broader picture of the problem itself (Wiedersheim-Paul & Eriksson, 1991). In addition to the secondary-data used in the research, guidance from private and institutional specialists was requested to address the issue of distribution. Since choosing the right distribution channel in Japan is the most crucial element in the market entry plan, a special focus was given to that factor. Furthermore, it was an issue APICCAPS, the promotor of this thesis, pointed out to be the most challenging task for the Portuguese firms. Hereby, the goal of gathering professional opinions was to gain specific information on how to choose the right distribution method and channel, and what might be the right parties to contact for a Portuguese footwear brand. The information was collected in open-question format by email and phone calls. The selection of the organizations to contact was done according to what suggested in the studied literature as the starting point for a market entry strategy. Hereby, I sent an email to one commercial distribution specialist, The Japan Distribution Experts, and to AICEP Tokyo. In addition, I made phone calls to Chamber of Commerce in Portugal, AICEP Portugal and to one local distribution agency in Portugal, Alliance Experts, with a focus on the Japanese market among some other markets.

Acknowledging the distance between Japan and Portugal, not only geographically but from a cultural perspective as well, it was necessary to first introduce the reader to the market economy, latest data and trends in the Japanese footwear industry as well as to briefly present the business culture and important concepts in the Japanese philosophy in order for Portuguese companies to succeed in negotiations and communication with the Japanese. The study continues by explaining today's consumers in Japan, their values and the underlining reasonings behind. Furthermore, the project explores the appropriate targeting strategies considering the social behavior of Japanese. Subsequently, the research determines the different factors to consider in the market entry strategy while using the theoretical framework of 4 P's marketing mix; product, price, place and promotion, as the background, due its consumer-centric approach. It is then followed by the implementation plan for Portuguese footwear in which the expert opinions are being involved as a component of the information collection procedure.

The research methods for this paper were based on a strategic selection of literature in order to answer the purpose and the research problem of the study. The search terms used in the project were: Japan market entry, Japan economy, business culture Japan, marketing in Japan, advertising channels

Japan, footwear Japan, retail Japan, luxury market Japan, Japanese consumers today, distribution channels Japan, distributors Japan and Japan entry barriers. The criteria for data gathering and search was narrowed down to published scientific articles, business books, journals, periodicals and dissertations between 1980 and 2020. Some of the academic literature that focused on marketing in Japan and the Japanese business culture, was gratefully received from the co-advisor of this thesis, Professor George R. Harada. In addition, Professor Harada provided a list of valued online sources concerning footwear trends in Japan.

To describe the Japan economy and the relative figures of the market, following sources were chosen as for their reliability and accuracy: Statistics Bureau, Statista, JETRO, European Commission and Ministry of Foreign Affairs. To present data and recent statistical information of the footwear industry in Japan as well as regarding Portuguese exports, APICCAPS provided the following, comprehensive studies and articles to research: *“Footwear in Japan”* by Euromonitor, World Footwear Year Book 2018 and 2019, *“Facts & Numbers”* of Portuguese Shoes and *“Statistical Report 2017”* by APICCAPS.

As discussed and agreed with the co-advisor, Professor Harada, the perception of business culture in Japan is very broad and it can include issues such as business and social etiquette, work-style in Japan, marketing culture, etc. In regards, it was decided to focus on the negotiations and marketing since those elements were found most important for the Portuguese footwear companies to know when dealing with Japanese businessmen and suppliers. I chose the books *“Business Guide to Japan: A quick guide to opening doors and closing deals”* by De Mente (2006) and *“International Marketing”* by Cateora et. al (2016) as my main references of this study for their broad institutional, cultural and professional extract. Those sources were combined with the knowledge gained from the book recommended by Professor Harada; *“The Japanese Mind”* by Davies and Ikano (2002) which addressed some specific cultural concepts that are important to understand in negotiation.

To provide industrial perspective and data to the study, Mr. Miguel Malheiro Garcia from AICEP Tokyo shared with me a recent Sectoral Study of the European Commission (2020) about the leather footwear industry in Japan which I found highly appreciated as most of the Portuguese footwear exports were leather products. The report gave a good overview of the current stand of Portuguese footwear exports in Japan, and explained the impacts of the recently signed EPA agreement between EU and Japan. Most importantly, Mr. Garcia delivered me a list of contacts to possible importers in Japan for Portuguese footwear which included firms from department stores to retailers.

In terms of marketing, consumers and distribution in Japan, the book *“Fresh perspectives on the Japanese Firm in the 21st century”* edited by Sophia Haghirian (2009) from the Sophia University,

Tokyo, provided by Professor Harada, was found prominent in its content. On the other hand, to understand the history of promotion in Japan, keiretsu system and what impact it all had on the composed consumer behavior in Japanese culture, I familiarized myself with a book related “*Marketing and Consumption in modern Japan*” by Kazuo Usui (2014), suggested by Professor Harada. Due to the importance and size of the luxury market in Japan, and to take into account even the most high-end brands in Portugal, this study gives an overview to the luxury consumption as well. The article by Alessio Giulio Giacomel (2009) “*Successful luxury marketing in Asia – Value perception of high-end mechanical watches in the Japanese market*” gave modern perspective to the promotion, distribution and shopping habits in the category while comparing the popularity of department stores and smaller shops. In addition, the article described the different consumer groups and their characteristics in today’s Japan. When compared with other sources, the findings on this article could as well be used for non-luxury considered products, at least to some extent. As learned during the research, in Japan consumers determine the companies’ offering, and the book “*Re-made in Japan*” edited by Joseph J. Tobin from the Yale University (1992), gave an insightful overview to the department store culture and its history as well as to the conception of “*Japaneseness*” and “*catching up the west*” as he describes it.

In addition to marketing, I used a comparable research report titled “*Marketing Finnish Design in Japan*”, carried out and written by Serita et. al (2009) from Helsinki School of Economics. I found it applicable due to its scientific approach, close connection to the researched industry and the interviews the researchers conducted with other European, small design brands (25) operating in Japan. Other survey’s conducted by McKinsey was also being referred in this study as those offered relevant information on the consumer behavior today.

Furthermore, multiple articles and studies were researched online about the industry, trends and consumers in modern Japan in order to compare the literature with the most recent data. Publications of Japan Times and Business of Fashion were found particularly beneficial and relevant for the topic.

3.2 Data analysis

The quality of the literature can be reviewed by analyzing if the literature has a good structure, the problem is well defined, if the results and method are well described and if the data has been analyzed correctly. Furthermore it is important that the reader is able to follow the main thread of the research. The scientific articles, journals and dissertations used for the study should fulfill the quality criteria (Friberg, 2006).

According to Friberg (2006) data should be analyzed using certain criteria. The literature was carefully selected and repeatedly read in order to understand the essence and usefulness of its content and not to miss out on any important information. First, it was chosen to collect as much reliable literature and figures about the topic in order to create a clear picture of the issue and the key factors. Later on, the literature was divided into different units depending on the similarities and differences. The division of the units was based on what perspective they were written from; cultural, institutional or industrial. Also, the timing of when the literature was written was being considered in order to provide up-to-date information, especially in terms of consumer behavior, shopping habits and marketing. Keeping that in mind, the research intended to discuss the expectations of the sudden epidemic of COVID-19 that hit the economy during this study and changed the world dynamics completely in the year 2020. In fact, the surrounding crisis demanded to re-consider several aspects in the study, search latest sources of information about the economics, research the previous crisis' and analyze the possible outcome accordingly.

As noted previously, the choice of the distribution channel plays a crucial role in the success of an entry strategy to Japan. In regards, the professional viewpoints requested were to offer deeper understanding on the concrete business processes when planning a distribution strategy and choosing right partners to work with in Japan. By collecting information from the different institutions, the findings were compared to see if there were differing opinions about the most ideal distribution structure for footwear.

Sub-questions for the emails regarding the distribution in Japan were following:

- How do you advice obtaining contacts to the distributors?
- How would you recommend (a footwear) company to select the correct distributors and build relationships with them?
- How do you assure long-time presence and how do you confront the cultural differences in relationship building?
- Can internet or other e-solutions be utilized and how?
- How do you deal with varying types of retailing infrastructure?

Further questions to AICEP Tokyo:

- Do you work with certain distributors in the footwear sector, and would you have a list of distributor companies to recommend for Portuguese footwear?
- Do you have an idea about the costs (markups) that the distributors or retailers/resellers charge for the products?
- Would you recommend different channels or approach for big vs small brands (e.g. specialist boutiques vs keiretsu), and what would you advice when taking the first steps in Japan?
- Do you see COVID-19 changing the distribution in some way?
- What would your advice be for brands thinking about establishing online sales in Japan, what would be the steps in that?

The conclusions drawn from the research comprise the key factors of appropriate market entry strategy for Portuguese footwear companies.

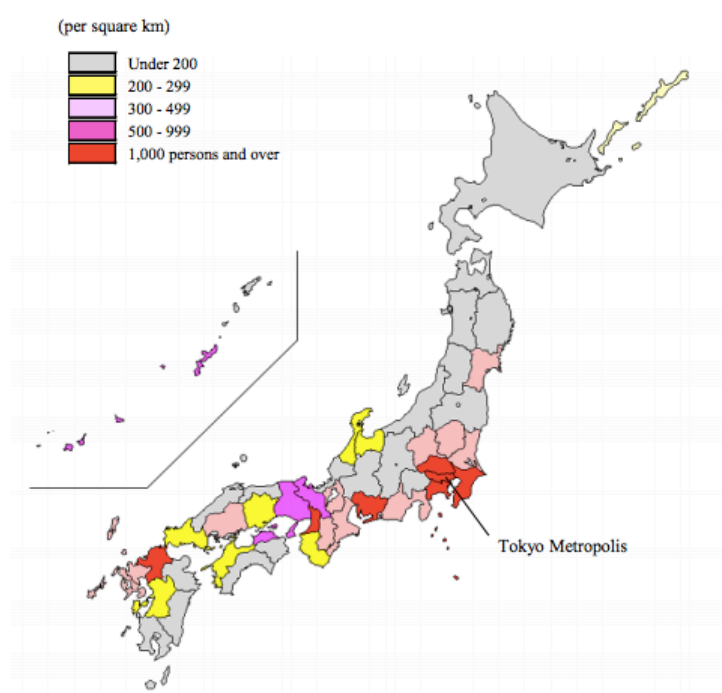
CHAPTER 4: THE JAPANESE ECONOMY

4.1 Population and household sizes

In October 2020, Japan's total population was 125.9 million people which ranked 11th in the world and made up 1.7 % of the world's total population. What is notable, aging population (+65 years old) represents 28.1 % (35.58 million) of the total population. At the same time birth rates are still in declining phase in Japan. In 2018, the children population (0-14 years old) amounted to 15.42 million, accounting for 12.2 % of the total population, which has been the lowest record so far (Statistics Bureau Japan, 2019).

In 2015, there were 12 cities in Japan with a population of 1 million or more. Their total population accounted 23.2 % (29 million) of the national total. The largest single city was Tokyo Metropolis, with 9.27 million citizens in its 23 cities. It was followed in decreasing order by Yokohama City (3.72 million), Osaka City (2.69 million), and Nagoya City (2.30 million) (Statistics Bureau Japan, 2019).

Figure 4.1 – Population Density by Prefecture, 2015

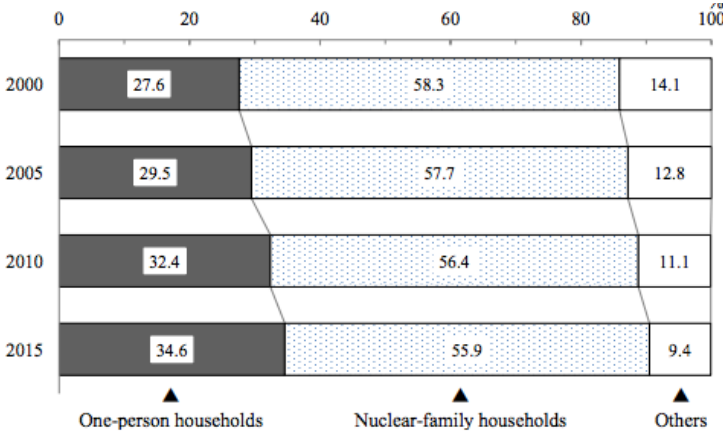


Source: Statistics Bureau, MIC

In 2015, Japan had 53.33 million private households (excluding institutional households such as students in school dormitories) showing a consistent increase since the initiation of the census. Of that total, 55.9 % were nuclear-family households, and 34.6 % were one-person households (Figure 4.2). The number of household members has continued to decline throughout the last decades, dropping to

2.33 in 2015. Although the Japanese population has shifted into the declining phase, the number of households is expected to continue to increase for some years to come, as the size of the average household will shrink at a slow pace. According to the study of Statistics Bureau (2019) the number of households is projected to peak in 2023 and then decrease thereafter.

Figure 4.2 – Changes in Household Composition, 2019



Source: Statistics Bureau, MIC

4.2 GDP and household income

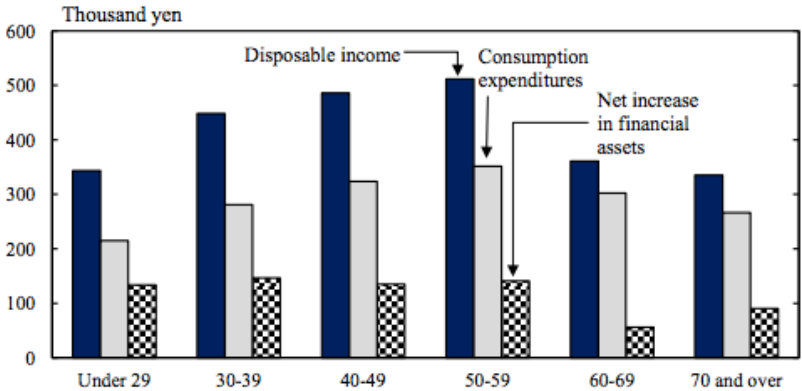
In September 2020, Japan’s Gross Domestic Product (GDP) rate was 505,391.8 billion yen (Statistics of Japan, 2020). It is in fact world’s third largest GDP and represents approximately 10 % of the world’s economy (Euro-Technology Japan, 2020). Like in most developed countries, services account for the highest percentage of GDP (approx. 62 %). Within services the most important one is wholesale and retail trade (approx. 7 % of GDP) (Trading Economics, 2020).

The number of employed persons started to increase in 2013. In 2018, the increase amounted to 1.34 million, from 65.3 million (58.8 % of the population aged 15 years old and over) in the previous year to 66.64 million (60 %) (Statistic Bureau Handbook, 2019).

In 2018, the monthly average of total cash earnings per regular employee was 323,553 yen. An average Japanese household net-adjusted disposable income per capita is 29.798 USD per year with a huge gap between the richest and poorest. The top 20 % of the population earn more than six times as much as the bottom. (Statistics Bureau Japan, 2019). Also, family budgets differ among households according to their stages in life. Observed by age group of the household head, in 2018 the average monthly

disposable income of workers' households was the highest in households in the 50's group (511.894 yen), followed by those in the 40's group (486.087 yen) and the 30's group (448.355 yen) (Statistics Bureau, 2019).

Figure 4.3 – Average Monthly Family Income and Consumption Expenditures by Age Group of Household Head (two-or-more-person, workers’ households), 2018



Source: Statistics Bureau, MIC

The 2018 average propensity to consume:

Under 29 group	62.6 %
30s group	62.7 %
40s group	66.6 %
50s group	68.7 % (monthly disposable income highest, 511.894 yen)
60s group	83.7 %

The figures explain with Japanese work culture in which employees promote along with their age, even though this has slowly started to change, giving also younger employees opportunities based on their skills.

4.3 Economic areas

This thesis is to concentrate on the five biggest economic areas in Japan; Tokyo, Kansai, Kuysyu, Okinawa, Chubu and Hokkaido island. Below the different characteristics of each region.

4.3.1 Tokyo

Japan's capital city, Tokyo, forms the core of an urban area that, along with the suburban prefectures of Kanagawa, Saitama, and Chiba, has a total population of over 36 million. It is considered Japan's undisputed center of fashion, culture, government, business, higher education, information, and media. The entire geographical region centered on the capital, which is often referred to as the "Kanto" region, accounts for approximately one-third of Japan's total GDP (International Trade Association USA, 2020).

It is notable that most major Japanese companies, trade associations and foreign companies have their headquarters or major branches in Tokyo. Consumers in the capital are more likely to encounter foreign products, food, and fashion than elsewhere in Japan, and consumer trends often originate in Tokyo. For foreign firms, the major advantages of establishing a presence in Tokyo, are the city's concentration of major companies and high-income consumers, proximity to the powerful central government regulatory agencies, and location at the hub of Japan's highly centralized transportation networks, including its two busiest airports (International Trade Association USA, 2020).

4.3.2 Kansai

Kansai region lies in the west-central part of the main island of Honshu, and consists of the following seven prefectures: Mie, Nara, Wakayama, Kyoto, Osaka, Hyōgo and Shiga. With a population exceeding 20 million and an economy of nearly 1 trillion USD, Kansai is an economic powerhouse and an essential segment of the Japanese market. The region is anchored by Osaka, a vast metropolitan area second only to Tokyo in scale (International Trade Association USA, 2020).

Kansai's economic base is diverse, including electronics, food, pharmaceuticals, biotech, chemicals and textiles among other vibrant technological industries. In GRP terms, Kansai by itself would rank as the world's 16th largest economy (between Mexico and Indonesia) and the 5th largest in Asia (behind, China, Japan, India and Korea). Some of the world's best known Kansai based corporations are Asics (footwear), Daihatsu (automotive), Kawasaki Heavy Industries (transportation manufacturing), Montbell (outdoor gear), Omron (electronic components), and Panasonic (electronics, home appliances), to mention a few. Kansai has also a very popular foodie scene, and the area is often referred to Japan's kitchen (International Trade Association USA, 2020).

4.3.3 Kyushu

The Kyushu region of southwestern Japan consists of seven prefectures on Kyushu Island (Fukuoka, Oita, Saga, Nagasaki, Kumamoto, Miyazaki, Kagoshima) and Yamaguchi on the southern tip of Honshu, with a combined population of 14.5 million. The region constitutes Japan's 4th largest economic center with an economy of roughly 450 billion USD, which represents approximately 10 % of national GDP. This makes it one of the thirty largest economies in the world. Kyushu region is traditionally known as Japan's gateway to Asia and enjoys extensive historical, cultural and trade ties with continental Asia, particularly South Korea, China, Southeast Asia and Taiwan. Even though the region has a variety in its export and import market, it is expected to become increasingly integrated into the East Asian regional economy (International Trade Association USA, 2020).

Kyushu is often called as Silicon Island, Car Island, Food Island, Hot Springs Island and Solar Island due to the industries it represents. Lately also international tourism has been a driver of growth to the region, with foreign arrivals doubling since 2014. Hakata and Nagasaki ports, both located in Kyushu, were the two top seaports for international passenger arrivals in Japan in 2016 (International Trade Association USA, 2020).

With a growing population of 1.5 million, Fukuoka City is the economic, educational, and cultural center of Kyushu. While manufacturing and agriculture are still prevalent in Fukuoka's surrounding areas, the city's economy is service-based, with many large retail outlets and regional headquarters offices for banking, insurance and real estate. Fukuoka City has a dynamic business environment with the highest rate of start-up companies in Japan, and was selected in 2014 by the Abe Administration for the establishment of a *"special economic zone"*. *"This zone places an emphasis on facilitating new businesses and the employment of foreign workers, which has allowed regulatory relaxations including simplifying the investor visa process and a tax break for new firms"* (International Trade Association USA, 2020).

4.3.4 Okinawa

Okinawa is Japan's only subtropical region and contains 160 islands (40 inhabited). Despite its wide landscape stretching all the way to Taiwan, the region's 1.4 million people and 37 billion USD economy is concentrated on the largest island, Okinawa. Okinawa region has the 2nd highest population growth rate and its workforce is the youngest in Japan. Average wages are among the lowest nationwide (International Trade Association USA, 2020).

Tourism is Okinawa's biggest economic activity. Even though Okinawa's market is relatively small by Japanese standards, the prefecture welcomes foreign investments. In fact, Okinawa offers a wide range of subsidies and tax incentives for investors and employers. Furthermore, the governor formed an economic strategy committee to encourage commercial and tourism partnerships throughout East Asia. The five core strategies established to target the Asian market include: development of logistics, communication and information hubs, an aviation-related industry cluster, world-class resorts and manufacturing promotion (International Trade Association USA, 2020).

4.3.5 Chubu

Chubu is Japan's 3rd most populous region, located in central Japan. The four cities of Aichi, Gifu, Mie and Shizuoka, together consisting of 15 million inhabitants, are known as Japan's industrial heartland and lead its economy (International Trade Association USA, 2020).

Central Japan's economy centers on "*monozukuri*" (Eng. "making things") and the region boasts large shares of Japan's manufacturing sectors. Central Japan's share of transportation sector manufacturing is 45%. The region hosts world-class manufacturers for example in cars and motorcycles (Toyota, Honda, Mitsubishi, Suzuki, Yamaha), aerospace (Mitsubishi Heavy Industries, Kawasaki Heavy Industries, Subaru), power tools, ceramics and office automation (International Trade Association USA, 2020)

4.3.6 Hokkaido

Northern Japan consists of Hokkaido and six cities of northern Honshu (collectively known as "Tohoku"): Aomori, Akita, Miyagi, Iwate, Fukushima, and Yamagata. Hokkaido is Japan's northernmost island, and together the cities modify roughly one-third of Japan's land and one-ninth of its population. In 2017, Hokkaido had a population of approximately 5.34 million and Tohoku approximately 8.98 million (International Trade Association USA, 2020).

These prefectures comprise Japan's agricultural heartland, and its output is approx. 10.8 billion USD, which accounts for 13.2% of national agricultural output. Despite Hokkaido's agricultural importance to Japan, primary industries (agriculture, fisheries, and forestry) only account for 4.3% of Hokkaido's gross product, while the tertiary industries (i.e. wholesale, retail, and service industries) account for 80% of the region's economy. It is due to increasing tourism, particularly from China, Taiwan and Korea. In 2016, 2.3 million foreign tourists visited Hokkaido, accounting for 9.3 % Japan's total of 25 million (International Trade Association USA, 2020).

4.4 Trade between Japan and the European Union (EU)

Japan has been in great growth for the past 10 years, and in 2018 its imports from the EU totaled 9.7 trillion yen which was a 11 % growth from the previous year. Japan's trade balance with the EU registered a deficit of 0.5 trillion yen. In the same year, Japan's international trade on a customs clearance basis increased with both exports and imports. Total imports (in CIF value) amounted to 82.7 trillion yen, which was a 9.7 % increase compared to the previous year. This is partly explained with the new trade law's supporting global business in Japan (Statistics Bureau Handbook, 2019).

In 2018, Japan was the 6th largest partner for EU exports of goods and the 7th largest partner for EU imports of goods. For Japan, the EU was the 3rd largest export destination (after the United States and China), with total exports of goods and services valued at 85 billion euros in 2016 (World Footwear, 2020).

The EU is also a major investment partner for Japan. In 2016, EU was Japan's 2nd most important investment destination after the United States, accounting for almost 25% of the stock of Japanese outward FDI (Foreign Direct Investment) (World Footwear, 2020).

4.5 Laws and regulation

Particularly Japan's leather products industry has been well protected throughout the history, enjoying an import quota. Even when the import quota was abolished in 1986, a tariff quota system was put in place for certain leather products (European Commission, 2020).

According to the recent Sectoral Study of European Commission (2020), the Japanese government has made concessions regarding the leather market in certain economic partnership agreements, including Economic Partnership Agreement (EPA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. The EPA enables EU exporters to export leather products to Japan, regardless of the applicability of the tariff quota system, at lower tariff rates (than non-EU countries which must comply with the standard tariff rates).

In terms of exporting apparel products and materials to Japan, the important regulations that should be taken into account may be under the Customs Tariff Act, Customs Act, Foreign Exchange and Foreign Trade Act, Wildlife Protection and Proper Hunting Act, and the Act on Domestic Animal Infectious Diseases Control. A contact list of the authorities provided by JETRO (2011) can be found in Appendix C – *Contacts of Competent Authorities in Japan, 2011*). More information of the laws and regulations in the website of Japan External Trade Organization (JETRO): https://www.jetro.go.jp/ext_images/en/reports/market/pdf/guidebook_apparel_products_materials.pdf

4.5.1 Tariff Quota System

The tariff quota system imposes lower tariff rates on certain amounts of imports than the general tariff rates would have on the same type of imported goods. In fact, for certain leather products, the tariff quota system in Japan has been in place for more than 30 years. However, the quotas are not necessarily exhausted every year (e.g. in the fiscal year 2016, only 66.4% of the quota for leather footwear was exhausted), states the Sectoral Study of the European Commission (2020).

Contributing to the above, countries that have signed economic partnership agreements with Japan and Least Developed Countries pay lower tariff rates than those of the tariff quota system – or none at all in the case of the latter. As explained below, the EPA also enables EU exporters to export leather and some other type of products at lower tariff rates than the tariff quota system (European Commission, 2020).

The latest tariff schedule of Japan customs is available at https://www.customs.go.jp/english/tariff/2020_1/index.htm

Guideline for the statement on origin/importer's knowledge and verification under the EU-Japan EPA is available at https://www.customs.go.jp/roo/procedure/riyou_eu_EN.pdf

4.5.2 EPA – Economic Partnership Agreement

The Economic Partnership Agreement between the European Union and Japan went into practice in 2019 and created the largest open trade zone in the world. Despite some of the still existing ties between the two areas, the trade agreement is aiming to:

- 1) Remove tariffs and other trade barriers and create a platform to cooperate in order to prevent obstacles to trade
- 2) Help to shape global trade rules in line with high standards
- 3) Give a powerful signal that two of the world's biggest economies reject protectionism

As described in the article “*EU-Japan EPA: a practical guide for footwear companies*” of World Footwear (2020), the Economic Partnership Agreement removes the vast majority of the 1 billion euros of duties paid annually by EU companies exporting to Japan. Once the agreement is fully implemented, Japan will have scrapped customs duties on 97% of goods imported from the EU. In addition, the agreement removes a number of long-standing non-tariff barriers. According to estimates by the

European Union, the annual trade between the EU and Japan could increase by nearly 36 billion euros once the agreement is implemented in full. The EU and Japan have also agreed to set ambitious standards on sustainable development, and the text includes for the first time a specific commitment to the Paris climate agreement. Furthermore, the agreement secures the opening of services markets, in particular financial services, e-commerce, telecommunications and transport (World Footwear, 2020).

Affects in footwear:

Regarding footwear, the EPA agreement will act as one of the key factors for European and Japanese companies aiming to sell their products in the markets of Japan and the EU, giving competitiveness benefits arising from tariffs reduction and the scheduled elimination (World Footwear, EU-Japan EPA: a practical guide for footwear companies, 2020).

As stated in the article of World Footwear (2020): *“According to the European Union, before the agreement, EU exporters were paying roughly 174 million euros in customs duties on leather and footwear products. This sector has traditionally been highly protected in Japan, with substantial tariffs of almost 30%.”* Under the agreement, tariffs applied to European Union originating footwear entering Japan will be diminished over the next years. Tariffs on leather products such as handbags will be eliminated over a decade, and the traditionally protected products with very high tariffs (27%), such as sports shoes and ski boots, will also be liberalized over the same period. On the other hand, the immediate end of the quota system applied for EU footwear exports should bring significant gains for exporters of leather hides and skins (World Footwear, EU-Japan EPA: a practical guide for footwear companies, 2020).

Similarly, Japan will benefit from the immediate removal of tariffs on several products, such as the categories of leather footwear. For other type of products, EU custom duties on footwear will initiate with tariffs around 17% but will be eliminated over 10 years in most instances. Only a small group of tariff lines will face a 15 years transition period until complete elimination is reached (World Footwear, EU-Japan EPA: a practical guide for footwear companies, 2020).

The full guide with an overview of the **EU – Japan Economic Partnership Agreement**, provided by World Footwear, can be downloaded at: <https://www.worldfootwear.com/news/eujapan-epa-a-practical-guide-for-footwear-companies/4445.html>

4.5.3 Cooperation donors

In Japan, there are diverse international cooperation donors which include Official Development Assistance (ODA) by the government, direct investments and export credits by private corporations, grants by private non-profit organizations, and volunteer citizen groups, etc. In regards to ODA, there are various forms of which multilateral assistance contributes to international organizations (Statistics Bureau, 2019).

4.5.4 Labeling

Labeling and quality certification may boost products' sales in Japan as those are highly valued by both consumers and local distributors. The labeling requirements for the sale of apparel products and materials are specified according to the provisions of textile product labeling and miscellaneous manufactured goods labeling of the Household Goods Quality Labeling Act (Appendix D – *Required labeling items under Household Goods Quality Labeling Act*).

To obtain a special, internal certification in Japan, the company may apply for labeling under industrial standardization act (JIS Mark). The dimensions of articles of apparel, footwear & shoes, and other related items are optional but the standards for dimensions and labeling method are stipulated according to the Industrial Standardization Act. Of all industrial products included in the Japanese Industrial Standards (JIS) list of applicable products, those certified by a private third party authorized by the Japanese government (registered certification body), are allowed to carry the JIS Mark on them. The mark can be labeled on products and/or packages, demonstrating that the products meet the strict quality requirements provided by the Act or JIS (JETRO, 2011) (Appendix E – *Process to obtain JIS Mark Certification*).

Additionally, there are other voluntary labeling programs available for articles of leather, bags, footwear and shoes (Appendix F – *Contact List of Voluntary Labeling Organizers*).

CHAPTER 5: BUSINESS CULTURE IN JAPAN

“When an outsider who has no inside connections tries to establish a relationship with a company – in the hope of doing business – he almost never penetrates the outer wall of the castle (De Mente, 2006: 3).”

A well-recognized American author De Mente (2006: 4) states that *“still the only way for business people, whether foreign or Japanese, to get through the protective shell of Japanese company is for someone on the inside to pull them in”*. If an outsider does manage to get inside the walls of Japanese company with a project proposal – via an acceptable introduction with help from someone on the inside – and the company is interested in the project, it is required to *“Japanize”* the project in order to make it compatible with the whole corporate organism. It is in fact the moment when many impatient foreign counterparts fail to wait since this process does not happen quickly.

It is to remember that regardless of how far along Japanese companies might be in dispensing with their traditional characteristics, there are specific culturally sanctioned protocols for approaching and dealing with them that are strictly structured. Generally, a foreign firm cannot successfully establish connections or develop a business relationship with a Japanese company without following these protocols in the right order and in the right way. Despite the mind-sets have dramatically changed to be as open and as typical of Westerners, especially among the young, in the professional world when these people interact with other Japanese group members or team, they must conform to the existing culture of whatever organization they belong to – *“and that culture remains very much Japanese in the traditional sense”* refers De Mente (2006: 4-5).

5.1 The Japanese philosophy

The first key De Mente (2006: 6) urges to understand when dealing with Japanese business partners is keeping in mind that there are two categories of culture – one that is visible and tangible and one that cannot be seen or touched. It is indeed the invisible culture of Japan that sets the Japanese apart from other people and makes their way of doing business different and often difficult for others to understand and follow.

The foundation of Japanese beliefs and behavior is tied around a series of key words that express their philosophy, describe their mind-set, and prescribe the way they do things. The word to describe this Japanese behavior is *amae* (ah-my), which refers to an idealized relationship between people. *Amae* means absolute trust and benevolence in which no one takes advantage of the other and all are united in a philosophical and spiritual bond that transcends the mean and mundane (De Mente, 2006: 6-7). Davies and Ikeno (2002: 95) note *giri* as the most valued standard in human relationships in Japan and the

notion itself existed already in the ancient times. In fact, *giri* – a custom of returning something for goodwill – was considered as the “*social norm formed in feudal society by the samurai class*” state Davies and Ikano (2002: 96-97). Today, the concept continues to play an important role in contemporary Japanese society in the manner of giving presents in the summer and at the end of year (Davies and Ikano, 2002: 97).

The next important word according to De Mente (2006) is *wa* (wah), which means peace and harmony, and which are both an outgrowth of *amae* and essential ingredients for its existence and application. These spiritual concepts still define “*the national ethic of the Japanese*” (Da Mente, 2006: 7). The author describes that due to the impact of the revolution Japanese have a “split-personality” – strong feelings about both superiority and inferiority. Leading to the same factor that whether there is a growing number of internationalized Japanese who can think and behave like Westerners, they must still submerge their “international side” to the all-encompassing “*Japanese way*” (De Mente, 2006: 7-8).

5.2 The culture of emotions and group thinking

De Mente (2006: 10) argues that unlike many foreign counter parts fail to think, Japanese are “*far more emotional than Americans and most other Westerners*”, for solid historical reasons. However, the Japanese cultural conditioning is to totally avoid discrete and exuberant behavior, to keep a tight rein on their emotions so that people would not know what they are thinking or feeling, especially in formal and business situations. Davies and Ikano (2002: 159-161) clarify that presenting an entirely opposing point of view publicly in a meeting is seen as insulting and can cause losing face. Even a certain look of disapproval on the face might be enough to devastate them, states De Mente (2006). It is why meetings in Japan are more like ceremonies and important decisions have been made well advance unanimously between the Japanese team members through the process called *nemawashi*. Hence, consideration of coworkers and maneuvering behind the scenes is very important to the Japanese and crucial for any project’s success or failure (Davies and Ikano, 2002; De Mente, 2006).

Japanese emotional sensitivity is a challenge both ways when foreigners are concerned – except when the foreigners are in the “honored guest” category – because as much as Japanese may try to understand Westerners, most un-internationalized Japanese admit that associating with foreigners makes them feel uncomfortable. Even today, some businessmen may privately admit that they do not like dealing with foreigners and would not do business with them if they had a choice. It results of the fact that Japanese businessmen cannot predict the behavior of foreigners and find much of it displeasing and stressful. Therefore, it is crucial for the foreign counter part to respect and actually know the Japanese

etiquette. Otherwise, it creates negative feeling and is very unpleasant to the Japanese to go extreme lengths in accepting the foreign approach. Therefore, “*learning how to stroke and not provoke a Japanese businessman is part of the process of working with them*” (De Mente, 2006: 10-14).

Group thinking still remains as the main ingredient of the way especially larger Japanese companies are managed. There is a slow, gradual movement of starting to allow individual thinking and initiative, but it is not strong enough or something to easily change the way one must deal with companies. The groupthink concept continues to prevail in most Japanese companies in which all decisions are to be made by consensus – a factor that dramatically increases the time it takes to reach decisions. The larger the group involved, the longer it can take for consensus to be achieved, but the advantage of the wholehearted involvement of the group ensures that the task is accomplished quickly and efficiently once the consensus is achieved. The purpose of this rotation system is to provide employees with experience in all of the key sections and departments so they will have a good overview of the entire operation. However, the downside of this groupthink mentality is the tendency of employees to be sometimes seen more as material assets rather than individuals (De Mente, 2006: 18-19; Davies and Ikano, 2002).

5.3 Nonverbal communication

“*Nonverbal communication and intuition play a significant role in all personal relations in Japan, including all facets of business (De Mente, 2006: 25).*” This phenomenon is a direct outcome of a two thousand years old, highly sophisticated and stylized culture. Davies and Ikano (2002: 115) speak about *honne* and *tatemae* which are considered as fundamental concepts in communication that Japanese practice on somewhat unconscious level. These two words are often described as genuinely-held personal feelings and opinions that are socially controlled. Honne is one’s deep motive or intention while *tatemae* refers to motives or intentions that are socially-tuned, shaped and encouraged by majority norms (Davis and Ikano, 2002: 115).

While higher degree cultural conditioning no longer exists in Japan, De Mente (2006: 25) argues that enough of it still remains in the language, in the common education, life and work experiences where “*communicating without talking*” is still ranked high among the characteristic qualities that the Japanese ascribe to themselves. In terms of business, one key skill is “*the art of belly*” which simply refers to making decisions on the basis of gut feeling. In case Japanese cannot read their counterpart, they are most likely not feeling confident when dealing with the other party. This tension often disturbs the conversations of un-internationalized Japanese and Westerners. A person should always speak from “*heart-to-heart*” which is an highly important and acknowledged factor in dealing with the Japanese (De Mente, 2006: 25-28).

“Harmony between hearts” is the highest priority of relationships in the Japanese philosophy and ethics. This means never saying or doing anything that would upset a business or personal relationship (De Mente, 2006). De Mente (2006) noted Japanese businessmen frequently saying it is difficult to deal with foreigners because they cannot communicate heart-to-heart with them and that their goal was to learn English and how foreigners do business to establish this type of *“ishin denshin”*, as it is called in Japanese, relationship with them. Thus, learning some key Japanese-language words and phrases, a degree of Japanese protocol, and showing appreciation of some Japanese habits (such as Japanese food and singing in karaoke bars) will go a long way (De Mente, 2006: 28-31).

The nonverbal communication is many times the key that opens or locks the doors to do business in Japan. However, the *“Japanese telepathy”* is not learned quickly or easily. Both De Mente (2006) as well as Davies and Ikano (2002) suggest that familiarizing with concepts and precepts of Zen and Buddhism in general, is highly advisable for foreigners to understand the Japanese philosophy since it is very much visible in doing business in Japan.

5.4 Choosing the foreign representative

When Japanese companies are approached by representatives of foreign companies, they tend to evaluate the image of not only the foreign company but its representative as well. It is highly important to have someone whose background supports the Japanese appreciation and expectations the best, and who is genuinely interested in Japan on personal level. He or she should be able to present the most acceptable image to impress the Japanese (De Mente 2006: 39-41).

There are some specific criteria that should be taken into consideration when choosing the front man. The representative should be at least in his or her 30's or 40's. This is because most of the Japanese managers are in their 40's of 50's or older. The individual should also have a calm and patient personality, be able to think rationally and logically and express himself clearly. Highly honored intuitive skills are a good advantage. The representative should have full confidence and trust of the top management in his or her company. Furthermore, the responsibilities and authority should be clearly spelled out. In fact, decision making power is very much appreciated for smooth process (De Mente, 2006: 41).

De Mente (2006) argues that the more experience the representative has about Japan, the better. If the knowledge is used in nonthreatening and cooperative way, it reassures the Japanese. The representative should like the Japanese enough to enjoy their company and to be willing to spend time

with them also outside the office and late hours without going over the top. Outgoing, friendly, intuitive and honest personality with right kind of humor is a good choice (De Mente 2006: 41-42).

5.5 Presenting a company in Japan

De Mente (2006) argues that home-country of the company does not identify the business to Japanese, and most companies must take it from the beginning when wishing to establish a relationship with a Japanese firm. Japanese pay as much interest and attention in knowing the people of the company as they do in the data. Knowing, liking and trusting the executives is required before committing to any kind of relationship. It is the bedrock for a long-term relationship in Japan (De Mente, 2006: 44).

Prior to approaching any Japanese company with any kind of proposal, the foreign firm should always prepare historical and personal data on its top executives and lower managers who will be involved with the project, and be aware that the Japanese will have a check on the company through banks and other connections. However, this vital step can be shortened considerably by bringing in third parties that are known to the Japanese side and can act as guarantors for the unknown foreign firm (De Mente, 2006: 45-46).

In fact, self-introductions by phone or email do not work in Japan effectively. Acceptable introduction to specific individuals require personal connections as well as established business connections, such as managers or executives of banks, other companies, associations, and government agencies. De Mente (2006: 84-86) explains that it is because Japanese tend to avoid strangers that may harm their circle and individual responsibility. When a Japanese wants to meet someone new, on a personal or business level, the first thing he does is review his list of contacts to see if he has common connections with the individual or company he wants to call on and can provide him with an introduction.

Due to the importance Japanese give to groundwork themselves as much as for the cultural differences, it is highly advisable to collect as much information as possible of Japan beforehand, its culture and the market the company is targeting. Onsite visit is almost an obligatory if the company wishes to succeed. This is because lack of in-depth knowledge about the Japanese market is probably the biggest point of failure for most foreign companies wanting to do business in Japan, putting them at a serious disadvantage when they approach a Japanese company. *Using consults and other valuable secondary party information is recommended, as well as is doing own research in the country* (De Mente, 2006: 49-53).

Most importantly, the foreign company must make a firm, long-term commitment to succeed in Japan and not give up on the first serious setback. De Mente (2006: 68) notes that *trust and loyalty are important aspects in the Japanese system and take years and a lot of investment to develop. The main points to get across are sincerity, integrity, stability, creativity, and goodwill* (De Mente, 2006: 45-46).

5.6 Contracts

De Mente (2006) reminds that before signing any agreement with a possible Japanese connection, it is very important that both parties come in to a full understanding of mutual goals and that enable the foreign firm to influence the broad scope of the program. This shall be written in the agreement. It is because Japanese have a tendency to proceed without informing about their moves and take decisions in their own hands since they know the market better – and sometimes even end up isolating the foreigners in the project (De Mente, 2006: 79-80).

However, unlike Westerners, De Mente (2006: 189) notes that the Japanese do not regard a contract as something that is written in stone and followed precisely. A contract to Japanese is an agreement to work together. There might be provisions that are clearly meant to be followed exactly, but in general they see contracts more as guidelines with a lot of flexibility. This actually goes back to the basic fact that Japanese do not see things as black and white or absolutely wrong and right.

This is why foreigners often encounter more problems with their Japanese partners after the contract is signed. The divergent way of thinking can cause differences in judgment on what should be done and how things should be done. Some compromises should however be done to be able to work together. The management must also be wise enough to recognize the source of friction and move the project forward despite of these differences (De Mente, 2006: 189-190).

5.7 Obsession for quality

“The Japanese obsession with quality has a broad impact that influences all areas and levels of life and work in the country. The Japanese image of most foreign products as being inferior to their own – whether the image is right or wrong – is well recognized as a major problem for its foreign trading partners (De Mente, 2006: 71).” Quality in Japan has a cult-like status. In the “*kaizen*” practice, that is an integral part of Japanese culture, it is believed there is no “good enough”. Through the history, the ultimate goal has been in absolute perfection and in constant improvement (De Mente, 2006: 197).

Similarly, first impression is crucial in Japan. Meaning that not only the products and services, but also the promotion material such as catalogues, must be out of the highest quality standards and designed for the Japanese market. If the company's sales material is not well designed and well printed on attractive paper stock, it gives the Japanese negative impression that the company is not professional, not sophisticated, not successful, and not concerned about its image (De Mente, 2006: 71-72).

CHAPTER 6: JAPANESE CONSUMERS

Simplicity and elegance are the two essential aesthetic qualities in the Japanese culture and considered as Japanese ideals of beauty. Those have been important features in Japanese lifestyle since the ancient times (Davies and Ikano, 2002: 223) and still lead the choices Japanese make in their everyday life.

As learned in the previous chapter, Japanese quality demands are the most stringent in the world. A typical Japanese consumer will not accept a product that is not in perfect condition inside out. A little scratch for instance may be in an indication that there is something wrong with the manufacturing process and could lead to more serious problems. The safe feeling is important to Japanese, and therefore two major concerns Japanese people have with imported goods are indeed *safety and after-sales support* (Giacomel, 2009: 25).

In general, Japanese are recalled for their *group-centrism, high emphasis on background information, brand and quality consciousness*. These should not be taken absolute characteristics but something that can be seen in the Japanese culture (Serita et al., 2009: 44). Traditionally, Japanese society has been very masculine with well-defined roles between men and women. In the past women would do the shopping and run the daily errands of the family. However, this is gradually changing. The post-modern economy has now transformed men into consumers as well and the perception of masculinity has changed due to multiculturalism, gay liberation and changes in gender roles (Serita et al., 2009: 21-24).

In terms of consumer behavior, Japanese consumers are starting to be less loyal to established corporate brands. Whereas the pre-bubble consumers would see a strong, trustworthy company name or even the store's reputation as a guarantee of product performance, the younger customer compares products and prices from various sources before purchasing. However, there is still considerable amount of status-orientated consumption, and well-known, global brands are valued. Furthermore, the image of a brand has a great impact on the company's business opportunities. Therefore, *it is crucial to establish the right brand image to conduct business in Japan*. To maintain a good brand image, many companies have brand-driven customer loyalty programs. Yet a strong brand name in Japan is not a guarantee to be successful since everything comes down to customer demand. In today's Japan, both functionality and good brand name go hand in hand when making purchase decisions because functional quality is associated with company brand names (Haghirian, 2009: 185-186).

Since the economic bubble, consumers have also become more *value conscious*. Haghirian (2009) notes that Japanese pay more attention to functionality rather than brand or status but high demand for quality still exists. In addition to the function of the product, Japanese value quality in all meters like appearance, packaging, delivery time and after sales service.

Haghirian (2009: 185) argues that *building loyalty is the key in standing out from competitors and what Japanese value*. Japanese way of thinking in business starts from how they are positioned in the market, not how much they make. Thus, companies work to create a respected and valued company brand in order to stand out from the crowd.

Increased price sensitivity has led in to a new desire of Japanese consumers to compare shops. This involves using multiple available channels to find any information on the product and compare prices to find cheaper stores. Also, other consumers' comments are valued. With international travel becoming more popular, the opportunities to compare prices on a global scale has become easier too. The emerge of various discount stores and other less costly distribution channels are a sign of this. Previously, the Japanese bureaucracy wanted to "protect" consumers from price competition and did not encourage aggressive pricing. However, since the burst of economic bubble and rising financial instability of many households together with vast opportunities for price comparison, price competition had to take place. After the opening for competition and exposure to overseas markets, Japanese consumers have learned, at least to some extent, that high price is not a guarantee for quality and likewise low price does not always mean low quality. Despite Japanese prefer to buy inexpensive products, at the same time they are still willing to spend large amounts on high quality products (Haghirian, 2009: 189).

Another aspect valued by Japanese consumers is the idea of *product being new*. Hence, several sources agree Japanese are highly sensitive to trends, whether it is food or electronics or whatever. Haghirian (2009: 190) argues that these trends have a profound impact on the product development of companies and maintaining strong ties with consumers in order to receive instant feedback and design products that are in high demand. In Japan occurs a visible change from producer-driven market to consumer-driven market.

In Japan living space tends to be rather small, and therefore the importance of the outer appearance is essential for self-expression. "*The confidence of having own style makes Japanese consumers unpredictable for their brands of choice, their patterns, searching and even channels of shopping (Giacomel, 2009).*" At the same time, consumers of luxury goods are starting to combine high-priced labels with no-name brands. The research conducted by Shimbun (2008) shows that more than 85 % of Japanese women are matching their outfit with individual taste (Giacomel, 2009). As a new trend, Japanese consumers started to make judgements based on both their values and taste, and as a result are willing to pay for lifestyle. They drag great attention to the material, texture and color shades of goods. Naturally, the knowledge base, education level and personal worldview has an impact on these values and choices. Giacomel (2009: 25) notes that Japanese consumers are willing to spend on things they

really want while economizing in other areas. For instance, they are enjoying small luxuries like dining in best restaurants or staying at a luxury resort hotel but living in a small apartment.

6.1 Crises and their changes in consumer behavior in Japan

Crises are part of economic development and cannot be neglected. ‘The Japan’s bubble economy’ describes the economic bubble in Japan during 1986-1990 when prices of stocks and real estate experienced enormous growth. This economic recovery lasted more than a decade. However, post-bubble economy resulted in substantially lower consumer spending compared to previous years. Among the consumer’s wish list was now the desire to travel, purchasing personal computer, accessories and will to learn a foreign language – especially English. Due to the economic uncertainty, real estate and desire to own a property were low on consumers’ buy-to-list. On the other hand, improving and investing in one’s personal time and life quality was high. This change in values from materialistic to spiritualistic is interpreted as a trend to individualization of Japanese consumers. Typical lifestyle during the times of recession can be described using goods longer and with propensity to save. What is characteristic to the post bubble development is that Japanese people became much more price conscious comparing to the eighties’ high consumption and brand fetish when almost any price was paid (Giacomel, 2009: 21-23).

Since the burst of the bubble, a new target audience was observed among the Japanese consumers. The global and domestic changes in societies resulted in tendency to individualization in Japan. This trend can be observed in both goods and services; living, consumer electronics, cars, etc. Respective goods possess inherent qualities, arousing the individuality and style of the owner. Giacomel (2009) notes that Japanese consumers are loyal to their preferences, and they stick to their own desires, searching for unique experiences. In general, Japanese care about their appearance, are enthusiastic shoppers and are willing to pay high prices for goods or services they like (Giacomel, 2009: 24-25).

This trend of individualization and price consciousness is expected to grow and continue during and post COVID-19 pandemic. According to the article “*Bank of Japan upgrades assessments on eight of nine regional economies*” of Japan Times published in October, 2020, the country’s economy is beginning to emerge from its worst-ever contraction caused by the coronavirus pandemic. Although economic conditions still remain severe, many regions reported to the central bank that their economies “*had started to pick up or show signs of a pickup*” as economic activities resumed following suspensions due to the pandemic. However, Bank of Japan (BOJ) expects the pace will be modest due to the lingering impact of global coronavirus infections (Japan Times, 2020).

The export-reliant Japanese economy shrank 28.1 % in the period of April-June, 2020, after consumer and corporate spending both took hits. Exports sank as the coronavirus pandemic prompted

countries to enforce lockdown measures, stalling business activity. To support the households and boost domestic demand, the Japanese government distributed 100,000 yen to each person earlier in the year of 2020 (Japan Times, 2020).

According to the report of central bank, private consumption has been picking up or shown signs of a pickup in all viewed nine regions, while labor market conditions and household incomes remain weak. Uncertainty over the spread of the virus has made companies cautious about making investments. Analysts have warned of an increase in pandemic-linked bankruptcies and further deterioration in employment conditions. To support the companies, BOJ has launched a support plan aimed at encouraging commercial banks to extend loans to the companies struggling due to the pandemic, and ensuring ample liquidity through purchases of corporate debt from lenders (Japan Times, 2020).

6.2 The Japanese consumer groups

The basic population trends in Japan; declining birthrate and ageing society, influence the consumption attributes. The declining birthrate is related to the attitude to later marriage and increase of a female working population. On the other side there is the growing part of senior citizens, also called as silver-generation (retirees), who represent the majority in the country. The new silver generation (around 50 years) are much more demanding unlike their predecessors, and understands themselves not as old, but active, liberal and versatile. They save less money than the silver generation. The silver generation who was responsible for the economic development of Japan and was part of the war, hesitates more in consuming but invests more in their children rather than themselves. The new silver generation is very different in their consumption behavior. It is more open to development like globalization, individualization and information society. Basically, the new silver group is strongly embossed by the social change and spirit of time. For them it is characteristic to have diversified social life and activities, nourish time with family and friends, and believe in lifelong learning by studying new languages or visiting seminars for seniors at universities. Sportiness and trendiness is becoming also more and more important for them, but so is travel and high self-awareness (Giacomel, 2009: 27-29; Haghirian, 2009).

Besides there is a huge opportunity and segment in the aging population, the youth of Japan shall not be forgotten either. The young, *“from infants to those in their mid-20s, constitute one of the richest and most exciting markets in the world”* states De Mente (2006: 207). The new kind of consumer, that Japan’s youth have become, is very much like Western and American in particular. They are increasingly responding to the same motivations and advertising appeals as Westerners. The change in Japan’s “new breed” is so fundamental that older Japanese businessmen can no longer stay on top of the

market using their bellies, the universal mind, or any form of traditional cultural wisdom (De Mente, 2006: 208).

Japanese consumers have long been both distinctive and reassuringly predictable. Unlike in Europe and the United States, they have almost avoided low-priced goods, preferring high-end department stores and pricier regional supermarkets. Japanese are willing to pay high prices for quality products, and owning expensive, exclusive luxury products have seemed essential rather than aspirational. This combination helped boost the country's retail sales to break records on a world scale. However, many sources agree the *Japanese' consumer behavior is gradually changing in to a less predictable direction due to the rise of the very different, younger generation.*

According to McKinsey's article "*The New Japanese Consumer*" (2010) and survey conducted (2009), Japanese consumers are rapidly changing in four primary ways. The results are found well comparable in to today's consumer behavior due to the similar economic circumstances. In fact, COVID-19 pandemic might even strengthen the already seen, continuous trend described below.

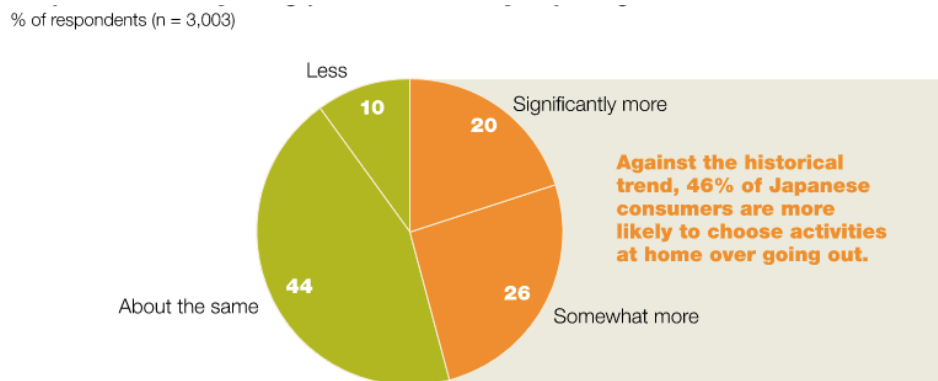
1. Appreciation of value

Japanese consumers are reducing costs. September 2009 MyVoice Internet survey found out that 37 % of Japanese had cut overall spending, while 53 % declared themselves more likely to "*spend time to save money*" rather than "*spend money to save time*". Furthermore, sales of private-label products are booming. Experience in many North American and Western European markets suggests that once people switch to private brands, they rarely change back.

2. Spending more time at home

The Japanese used to spend only a little time at home because of such factors as long work hours and small living quarters. Yet almost 50 % of a representative sample of consumers across a range of age groups and geographies researched in McKinsey's survey (2009), are now spending somewhat or significantly more time at home (Figure 6.1). The suddenness of this behavioral change has prompted a term for it: *sugomori* (Eng. chicks in the nest).

Figure 6.1 – Survey: Compared with 1 or 2 years ago, how much time are you spending at home?



Source: Internet survey of Japanese consumers conducted by McKinsey, Nov 2009

During the time period when the report was launched, the economic crisis certainly had its role there. However, the crisis most likely has its impact even in today's shopping trends of consuming less but investing in quality time (McKinsey, 2010). Most importantly, it gives recent indication of the consumer behavior during and post crisis.

3. Changes in where to buy

McKinsey's report (2010) states that Japanese consumers are changing not only what they buy but also how they buy it. In the earlier years, shopping near home was typical, but during the survey was carried out Japanese showed willingness to travel more. According to the report, Japanese consumers are decreasing their visits in department stores, preferring to spend their time in malls and stand-alone specialty shops. In the March 2009 MyVoice Internet survey the consumers pointed out following issues with shopping in department stores; expensive products, annoying staff, and an inability to shop at one's own pace. As a result consumers are favoring venues that satisfy needs beyond shopping, such as eating and entertainment (McKinsey, 2010).

4. Health and environment conscious consumers

Japan has always been one of the world's healthiest societies, thanks to a combination of lifestyle, diet and genetics, and Japanese consumers are increasingly conscious of their health. A September 2009 MyVoice Internet survey suggested that spending on health, sports and recreation had held up better than any other retail category.

Environmental consciousness has been emerging for some time. The November 2009 survey revealed that 84 % of the respondents preferred to buy environmentally friendly everyday consumer products, and that preference is translating directly into business success.

McKinsey (2010) notes that Japan's government role should not be underestimated in this behavioral change. The fairly recent governmental regulations and auctions include various health promoting legislation for citizens' benefit.

6.3 Valuing experience and stories

The same way as the value shift is occurring from a traditional, relationship based interaction between customer and store or brand to one where consumers care less about the size of the company within an industry, consumers have started to really look for stories behind the brands. Haghirian (2009) notes that today's clients are no longer so much loyal to stores or see the store's reputation as an absolute guarantee for the product. The emphasis has gradually shifted from personal relationships and loyalty towards a brand to a stronger affinity with product value (Haghirian, 2009: 190-191).

Paticha (2017) describes in her article "*The Japanese Way of Marketing Products People Love*" that "*authenticity and being detail-orientated are two main themes behind most storytelling methods for Japanese products and services. Being detail-oriented shows product quality through well-selected ingredients or materials and meticulous methods in creating the product.*"

Serita et al. (2009) note in their survey conducted with Finnish design companies operating in Japan that if the product is cheap and design is good, it can be sold to ordinary people without a story, but to sell more expensive products there should be a story involved. The respondents agree *Japanese care much to hear how the product is made and by whom and what is the concept behind*. Serita et al. (2009) argue that the importance of background information can also be explained by the holistic way Japanese view products. Those must consist of both tangible and intangible components. "*Kansei is an intangible value placed on the product and involves the image associated with the use of the particular product. Kansei takes in to account the feeling of safety when using the product and the oneness between the user and the product (Serita et al., 2009: 45-46; Herbig 1997).*"

It is important that the stories and information match with what the Japanese consumers actually want to hear and see. This may be different to what Westerners, for instance, think of as important. Japanese consumers play an active role in negotiating the meaning that they adapt to themselves.

Therefore, it is crucial to find out their expectations and needs before marketing products in Japan. This may mean adapting the products to the Japanese taste (Serita et al., 2009: 46-47).

In Highsnobiety's interview by Danforth (2015) with one of the world-leading footwear companies New Balance, Mr. Shigeyuki Kunii from sneaker retailer mita added interestingly that *"Japanese people enjoy the real-life stories behind the shoes more than product development stories or marketing. For example, anecdotes like Mr. Ralph Lauren wearing 'the Rolls-Royce of sneakers', the 1300, or Mr. Steve Jobs always wearing the 993. I believe the present cannot exist if there is no past, and if there is no present then there can be no future."* Mr. Kunii believes that because New Balance Japan has been telling stories about the products for a long time, the Japanese consumers have become more educated on the importance of heritage and have a firm understanding of brand knowledge compared to other countries.

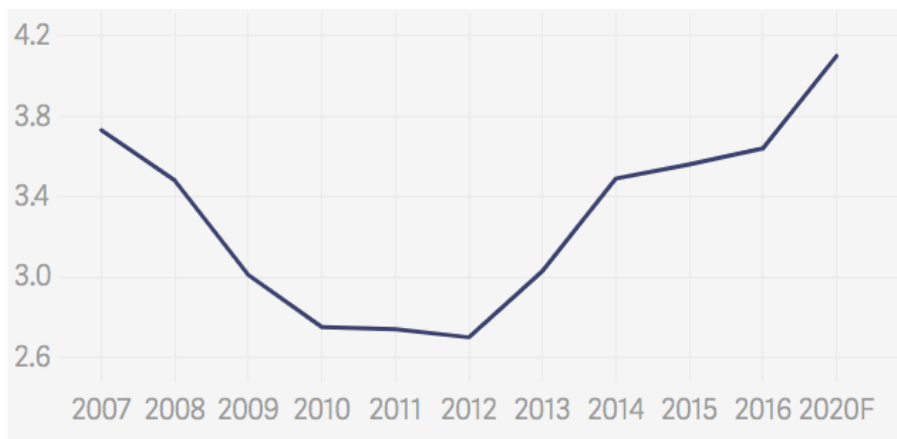
In the same interview, head of design of the lifestyle division at New Balance, Mr. Tetsuya Shono, states that the Japanese consumers want something special and this applies to exclusive products from any country. *"There are many ways to create special products, but it's more important for Japanese consumers to have a story that is uniquely positioned, I think Japanese consumers care more than other countries when it comes to how stories are integrated into the products"*, refers Mr. Shono (Danforth, 2015).

6.4 Japan's luxury consumers today

Japan is one of the top markets for luxury items in the world. In fact, Japan is said to be 20 years ahead of China, and compared to the US Japan consumes double of luxury items per capita (Giacomel, 2009: 15-17). In 2017, Japanese consumers spent 3.6 trillion yen (approx. 26 billion euro) on luxury goods (Nago, 2019). From the regions, Tokyo accounts for roughly one-third of the Japanese luxury market and was driving 40-45 % of the past years' market growth.

According to the studies presented by Giacomel (2009), there is a certain pattern to be noticed in Japanese consumer behavior when discussing the fast economic growth; while expenses for necessities, such as nourishment, clothes and housing were sinking, expenses for luxury goods were permanently rising. The general improvement in life standards and changes in attitudes have certainly a role on this. Along with the Westernization of consumption styles and taste, an increased consumption of foreign products can be confirmed as well (Giacomel, 2009: 18).

Figure 6.2 – Japanese luxury market evolution (JPY trillion)



Source: McKinsey

According to the study of Giacomel (2009), Japanese consumers interested in luxury goods look for products with long history, precious image and high craftsmanship or technology. However, due to the trend of investing more in experiences and memories, luxury goods are now competing with these indirect competitors as well. Changes in economic stability and ageing demographics create challenges for luxury market. Positive trend on the other hand is the increasing number of Asian shopping tourists visiting Japan, namely Tokyo's Ginza area (Giacomel, 2009: 30-33).

The typical Japanese luxury consumer for leather goods and fashion is on average *35 years old female*, when in contrast Chinese luxury consumer is prevailing male (Giacomel, 2009).

Giacomel (2009) identifies **two prevailing groups as the typical Japanese luxury consumers**. The first group consists of *established consumers* (above 45 years old) while the second one is more *fashion conscious* (under 45 years old) and can have various income such as “old money” and “new money” or other determinants. *Japan specific luxury industry segment known as “parasite singles”* describes women between 20 to 35 years old, working on a full time basis but still living at their parents' home and therefore able to spend healthy amounts on luxury goods. One significant difference to other countries is that in Japan owning luxury products does not necessarily refer to any specific social class. In fact, department stores and lifestyle magazines are greatly influencing the fashion awareness of nearly all Japanese consumers belonging to the middle class. As a result, Japanese middle class consumers sometimes abstain from other expenses like costly food to be able to purchase luxury goods (Giacomel, 2009: 33-34).

The two main target groups for luxury or high fashion brands are defined as “*new rich*” and “*consumer rich*”. The first group acquired its wealth by the changing economic environment after the

bubble economy. The second group is not wealthy of its financial assets. Meaning, even if they often have relative high income they belong to the middle class in terms of salary. This group has highly positive attitude towards luxury and is in fact responsible for most of the growth in the luxury sector in Japan (Giacomel, 2009: 50).

The article “*Japan’s new luxury consumer*” in Vogue Business written by Nago (2019) reports that “*a wave of highly conscious tech entrepreneurs are driving the country’s luxury market resurgence with a new kind of spending. Instead of show-off cars and watches they rather spend on family time travelling and vacationing in summer homes*”. Kaori Ishii, a senior consultant at Dentsu Digital, says that Japanese millennials value integrity, credibility and rationality when it comes to shopping. “*They are the generation of updates, so they don’t want to spend money on products unless the product is easy to update or replace, or is long-lasting for the price*” adds Mr. Ishii. A good example of this ideology is the current popularity of buying used cosmetics from luxury brands on Mercari – the Japanese equivalent of Etsy (Nago, 2019).

Brands that want to target these open-minded consumers – whom Mr. Ishii describes as “*highly conscious tech geeks*” – should know this generation cares less about the aesthetic appearance of a product, and more about the story and quality behind it (Nago, 2019).

Business of Fashion (BOF) article “*Japan’s Luxury Market Enters a New Era*” by Chitrakorn (2017) notes that individual expression still remains as the key, with affordable luxury price points and accessories leading the way. Millennials will not wear one single luxury brand but they will mix it up with more discreet or lesser-known labels. Japanese millennials’ priority is staying true to their personal style – and the styles are numerous, from the doll-like kawaii to the avant-garde cuts of fashion-forward designers.

6.5 Japanese conception of middle class

Giacomel (2009: 20) argues that Japanese society is often described as a hundreds’ million middle class, even if this perception is wrong. There is a clear social class society like in other capitalistic countries, but the gap between rich and poor is spreading continuously.

Generations play a great role in consumption habits in Japan, and particularly the “*baby boomer generation*”. 16 % of the total population possess financial assets of 100 million yen or more (approx. 780 000 euro), and therefore Japan disposes over a high percentage of wealth. However, according to

the yearly polls by the Tokei Suri Kenkyujo, that analyzes the Japanese national character, almost 90 % of the Japanese respondents count themselves on a regular basis towards the middle class. The definition middle class is then much more stretchable and more criteria, such as income or life standard, would be advisable for further classification. This is a social phenomenon and typical for the Japanese to prefer not to be associated differently towards their environment in their public social role. The desire to protect the status by attributing oneself to a middle class, helps to blur general boundaries, such as possibility of an promotion in society of certain social classes or to maintain non-hierarchical daily contact with friends, colleagues and neighbors, explains Giacomel (2009: 20).

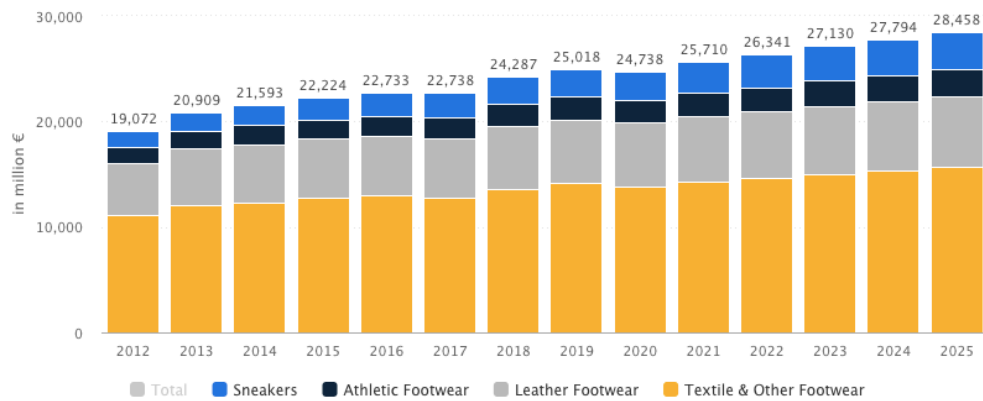
6.6 Footwear market in Japan

High demand and consumption are the main attraction points in the Japanese economy for external footwear companies. In fact, Japan is the world's 2nd largest retail market (JETRO). In 2018, sales in the wholesale and retail industries amounted to 500.79 trillion yen, accounting for 30.8 % of the total of all industries in Japan (Statistics Bureau Handbook, 2019). However, in the past few years, retail sales volume has been slightly decreasing due to the constant decline in population (Euromonitor International, 2018).

In terms of footwear, Japan is ranked as the 3rd biggest importer of shoes in the world (Euromonitor International, 2018). Knowing as well that the country has very limited domestic footwear manufacturing, makes it even more prosperous market for foreign brands to extend (World Footwear Yearbook, 2019). It should be considered as well that even though Japan is one of the biggest consumer markets for luxury products, 89 % of the footwear sales in the market is still attributed to non-luxury goods (Statista, 2020).

In 2020, the revenue of the Japanese footwear industry amounts to 24,738 M€, average revenue per capita being 195 €. The market is expected to grow annually by 2.8 % (CAGR 2020-2025). Despite the fact that footwear consumption in general is expected to decline 22,5 % in 2020 as a result of COVID-19 epidemic (World Footwear, 2020), all segments within the footwear sector in Japan are still estimated to grow by more than 10 % between 2019 and 2025, according to Statista (2020).

Figure 6.3 – Revenue growth (in million €) of the footwear categories, June 2020

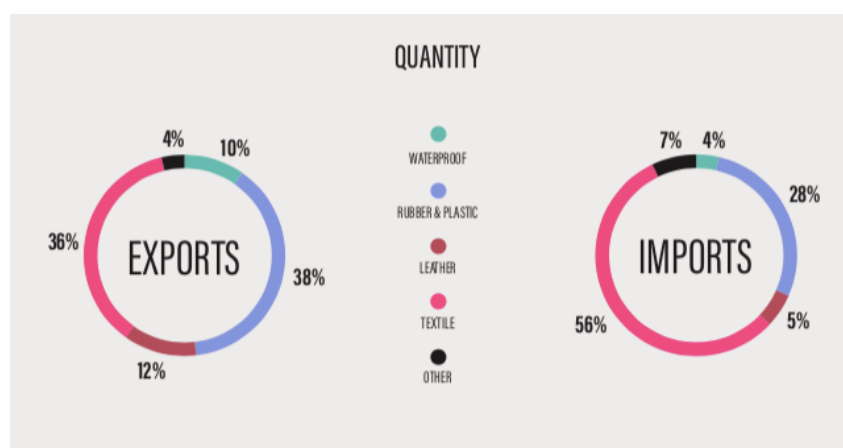


Source: Statista (Forecast adjusted for expected impact of COVID-19)

The largest segment in the market is textile and other footwear with a market volume of 13,871 M€. On the other hand, sneakers segment still shows the highest growth potential and is expected to increase by 48 % in 2025 (Figure 6.3). As presented in Figure 6.4 below, textile shoes represent more than half (56 %) of the imported shoes in Japan while leather shoes show only a 5 % figure. Rubber and plastic contain a good 28 % of the footwear imports to Japan (World Footwear Yearbook, 2019). This is likely explained with the huge popularity of athletic shoes that are commonly made out of textile and even of recycled plastic but also with textile type of walking shoes.

Despite the rather small share of leather footwear imported to Japan, those have been in rapid increase. In fact, the total import values have increased by more than 50% in comparison to the late 1990's. In 2018, the total import value of leather products accounted for 3.83 billion euros (European Commission, 2020).

Figure 6.4 – Types of footwear traded in Japan, 2018



Source: World Footwear

In 2018, Japanese purchased 724 million pairs of shoes of which 670 million were imports (World Footwear Yearbook, 2019). According to Statista (2020), the volume is expected to amount to 687 million pairs by 2025 (Appendix G – *Footwear volume growth*) In 2020, the average volume per person in the footwear market amounts to 5.57 pairs.

A survey presented in the report of European Commission (2020) categorized the Japanese in to three types of consumers 1) those who spend 10,000 yen (83.98 euros) or less in shopping shoes, 2) ones who spend more than 10,000 yen (83.98 euros) but less than 30,000 yen (251.95 euros) and 3) those who spend more than 30,000 yen (251.95 euros). According to this study, *the biggest market is those who spend more than 10,000 yen but less than 30,000 yen*. With respect to the occasions when the shoes are being used, business attire accounted for 37.7 % while formal or dress-up attire amounted to 24.9 %, and casual / daily use totaled in 37.4 % in value (European Commission, 2020).

Currently, China and Vietnam are Japan’s main footwear suppliers with a very high volume. However, it seems likely that imports from Europe will increase as a result of Economic Partnership Agreement. In the agreement import quotas on particularly leather shoes are abolished and duties reduced from 27 % to 21 %, the remainder being eliminated over a 10-year period (Euromonitor International, 2018).

Since the Portuguese exports to Japan, and elsewhere in the world, consist mainly of leather footwear, the Figure 6.5 below is to present the import volume of leather footwear from the EU comparison to other countries in Japan.

Figure 6.5 – Leather footwear value in Japan from the EU



Source: European Commission, 2020

Market shares of the EU import volume and value have both slightly decreased in Japan since the early 2000 (Appendix H – *Leather footwear value in Japan from the EU* and Appendix I – *Leather footwear volume in Japan from the EU*). The 2018 market share of EU leather footwear in volume was 9 %, while in value that was 31 % (European Commission, 2020). According to the report of European Commission (2020), it seems that higher priced shoes from the EU have not gained as much popularity as the leather bags from the EU for instance. The tariff reduction and abolition of the EPA described above, could bring new opportunities for EU exporters by strengthening the price competitiveness of the EU footwear in the Japanese market.

6.6.1 Footwear trends in Japan

The fast growth of the footwear industry has made Japanese buyers more interested in exploring different sides of the sector that may not have been as popular in the past. As learned previously, more people are trying to find meaning, value and stories in what they purchase, while seeking comfort (Cerini, 2019). The economic uncertainty certainly strengthens this trend and makes people more price conscious and investing in to other areas such as health, saving and education.

One important trend in Japan is still the aging population as a result of both falling birth rates and increasing life expectancy. With growing numbers of “active seniors” leading healthy, active lifestyles, footwear manufacturers are seeking to address the challenge presented by tailoring products to this demographic (Euromonitor International, 2018). According to Statistics Bureau (2019) the aged

population (65 years old and over) was 35.58 million, constituting 28.1 % of the total population (1 in every 4 persons).

Although retail sales volume has been decreasing, children's footwear saw a slight retail value growth in the past few years thanks to the recent trend of parents and grandparents spending more on fewer children. In addition, international travelers actively purchase children's footwear for themselves or as gifts for friends and families (Euromonitor International, 2018).

Japanese customers like comfort and they are really into sneakers. It is expected that the popularity of sports shoes will continue to grow due to the 2021 Tokyo Olympic Games as well as heightened awareness of healthy lifestyle. In both men's and women's products, running shoes are particularly popular among young consumers, while walking and hiking shoes are popular among middle-aged and older consumers. In addition to the sports trend, the government's health initiative is likely to enhance sales of sneakers as more people are highly aware walking more reduces risks of diseases arising from sedentary lifestyle (Euromonitor International, 2018). Another important factor supporting the commodity of athletic shoes is the current COVID-19 pandemic which drives people to look after their health and spend more time at home and with individual sports like running and hiking.

Euromonitor (2018) lists walking shoes sector as the third prevalent in the market. Footwear that is casual and easy to move in. Various sources argue that normally Japanese people tend to have very long commutes and need to use busy public transportation, which requires standing and walking for a long time. Because of that, there is a high demand for shoes that are walkable and comfortable all day long, yet are still visually appealing.

The shift to casual footwear is fairly recent though. Over the years, Japan's rather formal office culture made way for manufacturers that mostly focused on handmade, bespoke shoes, that were designed for formal occasions. In fact, in late 2019 more than 26 000 women signed a petition protesting against wardrobe restrictions by Japanese companies, particularly their rules requiring high heels in the office. According to the article "*Why the Japanese Market Is Rebelling Against Formal Shoes*" by Cerini (2019) published in Footwear News, pop culture from the West has certainly had an impact on the Japanese codes of societal conduct. Those are becoming slightly more relaxed and low-key shoes seeing a surge in popularity. The trend is not as strong as in South Korea, where it is acceptable to dress casually in the office, but it has grown. This is seen as a huge advantage for Portuguese footwear manufacturing.

6.6.2 Biggest players on the footwear field in Japan

As athletic footwear – both the stylish and performance kind – dominates the sector in Japan, global giants like Nike and Adidas are leading the way. Following closely behind are the domestic brands such as Asics and Mizuno, which Japanese consumers seem to prefer for exercising. According to Cerini (2019), people trust them better than the Western products.

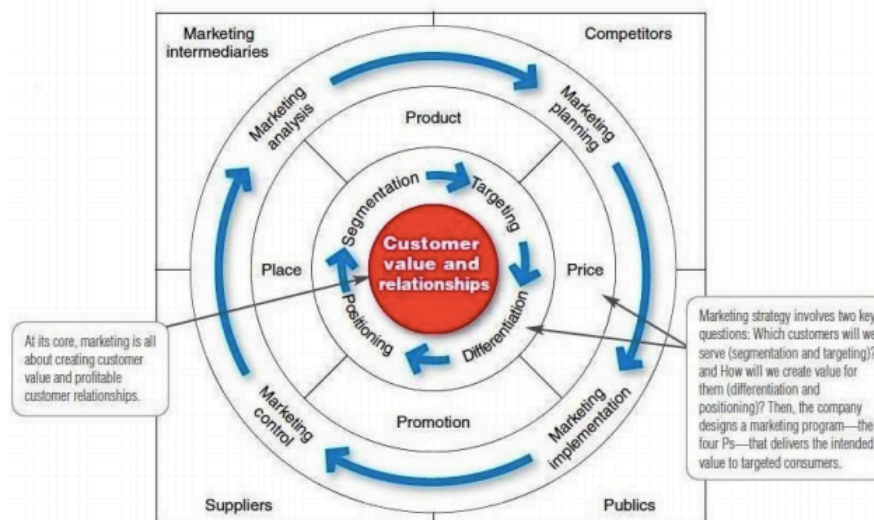
In the listing of Euromonitor (2018), athletic shoes gathered the biggest brand share in Japan during the years of 2013-2017. After Nike and Adidas, the most popular foreign brands in the market were such as New Balance, Puma, Skechers and Under Armour. The successful European retailers Zara and H&M were also noted on the list. In regards of luxury shoes, maison's like Hermès, Salvatore Ferragamo, Prada, Gucci and Burberry had the biggest brand share from that particular category in Japan in 2017 (Appendix J – *LBN Brand Shares of Footwear between 2014-2017*). However, in terms of company share Louis Vuitton was also ranked with notable 0,9 % share in the market (Appendix K – *NBO Company Shares of Footwear between 2013-2017*).

CHAPTER 7: KEYS FOR THE MARKET ENTRY STRATEGY

The suggestions as for the market entry strategy of Portuguese footwear in Japan are tied around the theoretical framework of marketing mix. Different tasks require different approaches but four main elements are always the same in marketing: product, price, place and promotion. These 4 P's remain the most common classification of the marketing mix. Each of the elements influences each other. A failure in one of the elements could undermine the choices made in the other marketing mix variables (Levens, 2012: 273).

Figure 7.1 below summarizes the major activities involved in managing a customer driven marketing strategy and the marketing mix. The goal of that plan is to create value for customers and to build profitable customer relationship which is considered as the key factor in Japan. The company must decide which customers it will serve (segmentation and targeting) and how it will be made (differentiation and positioning). Guided by the marketing strategy, the company will design an integrated marketing mix that is made of factors under its control: Product, Price, Place and Promotion. To find the right marketing strategy and mix, the company must do a marketing analysis, planning, implementation and control. Through these activities the company adapts the actions and forces in the marketing environment (Kotler & Armstrong, 2012).

Figure 7.1 – Customer-centric marketing



Source: Managing marketing strategies and the Marketing Mix, Kotler and Armstrong (2012)

7.1 Product

According to Cateora et al. (2009: 341), a product is more than a physical item – it is a bundle of satisfactions or utilities that the buyer receives. Kotler and Armstrong (2012: 248) describe it as anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. There are many utilities that affect in how the buyer experiences the product; form, color, taste, odor, texture, functionality, packaging and labels. Reputation of the company, country of origin and any other symbolic utility has an impact on the sales and use of the goods. Briefly put, the market relates more to a product than only its physical form and primary function (Cateora et al., 2009: 341; Kotler and Armstrong, 2012: 248).

Kotler and Armstrong (2012: 249) list three levels that strategic planners and designers need to think about when building a selling product. Each of the levels adds more customer value. The most basic level is the core benefit. It addresses the question what the buyer is really purchasing. It means that first the marketers must define the core that the consumer seeks. The second level is in which the product designers must turn the core benefit into an actual product. They need to develop the product features, design, quality level, brand name and packaging. In the last level the planners must build an augmented product around the core benefit and actual product by offering additional consumer services and benefits.

A product in which the inside is not as perfectly finished as the outside is going to be rejected by Japanese. A badly designed product is not likely to sell anywhere unless it is sorely needed and there is no other choice. In addition to product features, packaging gets as much attention. In fact, it has been a form of art in Japan for more than thousand years. Epecially Japanese businessmen spend larger amounts on professional package design than anyone else (De Mente, 2006: 205-206; Haghirian, 2009: 184).

7.1.1 New product development and shinhatsubai

In Japan, customer is king and considered as a crucial part in product development. This may also be the reason for the many customer service centers in Japan that are ready to tackle the client's complaints, and the complaints are actually considered in product improvement. As adapted in many highly recognized Japanese firms, each product must be useful to the society, be innovative, offer consumers value, show expertise in the market and be compatible. *Japanese companies are not only very close to their customers but try to grow and develop with them in order to really acquire, maintain and grow the*

client base. Companies emerge and response quickly to the needs of various demographic categories (Haghirian, 2009: 181-182).

With the increase in income, Japanese people are able to change to new products quickly and it is even socially unappealing to buy used products or an old model. Companies' intention to create and offer new re-modelled goods throughout the year motivated consumers to buy the latest products which led in to "glamour of newness" in the 1980's. The new marketing "ideology" gave consumers more choices than ever before, but it was also the companies' marketing strength to provide products that reflected customer demands, continually selling new products to customers. Therefore, Japanese customers tend to prefer new products and those with more sophisticated features (Haghirian, 2009: 182-183).

To keep consumers buying products, there must be a continual renewal of products which is often released as "*shinhatsubai*" – a new or updated version of existing products. Japanese companies believe that the minute a new product is released its freshness declines, so they must develop new products and improve existing ones. Also because new products are quickly imitated by competitors. The continual release of new products distinguishes Japanese marketing. New products (*shinshohin* in Japanese) define even the style of branding which makes consumers feel they are ahead of the trends. Hence, Japanese companies do not only solely response to customer demands but also drive changes that are advantageous to their products. Creating *shinshohin* is important in satisfying the customer demands, but it also represents a marketing technique to guide and lead market preferences with new products (Haghirian, 2009: 183-184).

7.1.2 Product adaptation into new markets

Adaptation into new market can effect on how the product concept conforms the norms, values and behavior patterns in its physical or mechanical attributes. Some companies use Japan even as a pilot market to test their products' success. Especially the fashion industry. In the article of Bloomberg (2007) Mitsuru Sakuraba, who spent 20 years at French fashion house Charles Jourdan, stated that: "*Twenty-five or 30 years ago, major brands tested their new products in New York. Now Japan has established a presence as a pilot market.*" New York based bag maker company LeSportsac agrees with Sakuraba. Fifth of the company's global revenue comes from Japan. This allows the company to get a jump in the trends. Some Western companies have signed up with some local partner who can read the Japanese trends better. All in all, Japan can be seen as a trend setter (Bloomberg, 2007). What sells well in Japan can later be a big hit also in the Western markets.

7.2 Promotion

Company's promotion is normally a blend of advertising, public relations, personal selling, sales promotion and direct marketing tools. Marketing communication goes even beyond these specific promotion tools. Product's design, price, shape, color, package and store that sells the product affect how the customer sees it. Even though the promotion is the company's primary communication tool, the product, price and place must be coordinated to achieve the greatest communication impact (Kotler and Armstrong, 2012: 426-427).

Intense competition in the world markets and increasing sophistication of foreign consumers has created a need for more sophisticated advertising strategies. Cateora et al. (2009: 471) argue that increased costs, problems of controlling advertising in multiple countries and desire for broader company or product image has caused multinational companies to seek better control and efficiency to advertising without sacrificing local responsiveness. The need for more effective and responsive promotion programs has led companies to manage the balance between standardization of advertising themes and customization.

In any fashion promotion plan, the consumers' purchase behavior and adoption process must be taken into consideration. Also the products life cycle needs to be kept in mind. If the product is newly introduced or competing for a market share in the mainstream market, it affects to how the goods should be promoted. Company must understand the actual buying process of the goods to be able to fine-tune the promotion schedule. The relationship between promotion choice and the decision making process is apparent in the basic **Aida model**: 1) Awareness; the customer must become aware of the existence of the product. 2) Advertising; to introduce the product for the consumer. 3) Interest; for the customer to get more information about the product. 4) Desire; customer doing active product searching where the products can be bought, how they are and what they cost. 5) Action; customer actually purchasing the product and trying how it works. Each of the stages requires different level of communication because customer has different kind of needs in each stage. This task is important to the fashion marketer. They need to decide which methods of promotion will be used in each stage of the process (Bohdanowicz and Clamp, 1994: 119).

In the past the marketing of foreign products has been rather difficult in Japan due to the group-centric thinking and "Confucianism", which emphasizes belonging to an in-group and that everyone else are outsiders. Traditionally, this created mistrust towards everything coming outside the in-group and especially outside Japan. This is one of the reasons for foreign companies having difficulties

promoting in Japan in the past. However, travel abroad, globalization and international influences received through media have changed the views and how foreign companies are seen today in Japan (Serita et al., 2009: 72).

Another factor that has made it difficult for foreign companies to get foothold in the Japanese market is the cultural and lingual knowledge which gives Japanese companies both cultural and networking advantages over foreign ones in their home markets (Serita et al, 2009). However, the entry of foreign companies and products into the Japanese market is becoming more common partly due to the change in Japanese consumers' sensitivity to price and decreased brand loyalty to long established Japanese brands. Even so, foreign companies must adapt their products and marketing strategies to the Japanese market in order to achieve success. Haghirian (2009: 198) notes that there are good examples of foreign entrants being increasingly successful when tagged with established Japanese companies that have a strong corporate brand image and know-how of Japanese markets.

7.2.1 Marketing channels in Japan

Marketing a product in Japan can be both difficult and rather expensive. Some reasons are the more expensive advertising and marketing services. In addition, the large number and numerous levels of distributors and wholesalers create a maze-like barrier that adds to the cost. Another aspect is the huge number of retail outlets (over 1.5 million) present. To compete in the Japanese market, the foreign product has to be both designed for and specifically packaged for the market. The publicity and promotion must be carefully crafted to appeal to the sophisticated tastes of the Japanese, with all the nuances right on.

Even though Japan is one of the most digitized countries in the world, and people spend a lot of time with their smartphones, surprisingly the advertising medias have not changed a lot in popularity. Generally, Japanese consumers tend to prefer traditional media over social media and in-store experience instead of online shopping. TV has remained as the top media followed by newspaper, magazine, radio and internet advertising. Japanese people trust more traditional medias which differs a lot from the advertising medias comparing to Western countries (Betros, 2012).

Symbolism

Symbolism is characteristic to the Japanese ads and brands. While in the Western cultures things are explained to the consumers, in Japan the people can see the difference between the symbol that the brand stands for and they will then look for the detail. This means a good campaign must provide both but often in different formats (Betros, 2012).

7.2.2 Public relations

Public relations (PR) are the company's communications efforts targeted at various audiences. PR is the planned and sustained effort to establish and maintain good relationships, mutual understanding, sympathy and goodwill with secondary target groups (de Pelsmacker et al., 2004).

Being successful in PR in the Japanese market requires deep knowledge on the Japanese ways and culture as well as the media and market specialties. It may mean for the Japanese PR representative going out every evening with different influential people to enhance the relationships with valuable contacts and continuously create new ones (Serita et al., 2009: 85).

According to the survey conducted with Finnish design brands operating in Japan by Serita et al. (2009), advertising was not only seen highly expensive but rather ineffective for small design shops. Articles with information and stories about the company was considered more realistic and effective. Many small shops interviewed in the survey reported aiming for visibility in articles in relevant newspapers and periodicals because Japanese consumers and firms see that kind of publicity more trustworthy and convincing. Therefore, it is advised to maintain good relations and regular contacts to press and other important parties like opinion leaders, embassies, design and other related associations, events and exhibitions, blogs, forums and fans in web communities. For instance, getting consumer product featured in TV or Japanese movies was experienced to give immediate publicity and success. Thus, Serita et al. (2009: 84) call after the importance of networking and connecting with the right kind of publicities and faces for the brand.

Key opinion leaders (KOL)

There are varying opinions about the efficiency of key opinion leaders though. In the interview of Footwear News (2019) Mr. Kaori Kawabata, an analyst for sports footwear at The NPD Group Inc (market research company with offices in Japan), stated that *“Japanese consumers are not so influenced by KOL's and social media figures when it comes to footwear. They don't seem to care much for that.”* For the young Japanese consumers, it is about believing in the product (Cerini, 2019). In fact, McKinsey (2010) noted in its article *“The new Japanese Consumer”* that this is recognized in the sport-apparels too. For the first time, companies in Japan face a generation of consumers that are not at all persuaded by what the professional athletes are wearing.

However, the leading brands, Nike and Adidas, have both been successful in using various collaborations with public figures. In 2018, Nike running shoes gained great amount of attention while many athletes, including Japanese ones, wore them at major events such as Chicago Marathon. Like Nike, Adidas benefited of the sportswear trend too and it constantly introduced new designs and collaborations. Those included new product development, such as NMD_R1 model, directed only to the Japanese market, collaboration with Japanese media franchise Dragon Ball, and Kanye West Yeezy which was distributed in Japan for the first time. Being an official partner of the Tokyo Olympic Games 2021, Asics is likely to boost its sales as well (Euromonitor International, 2018). In fact, the Japanese sportswear brand has already released two new lines of apparel officially licensed by the postponed Tokyo2020 and Paralympic Games. According to Serita et al. (2009) especially modern Japanese men look famous athletes as models in clothing, shoes and accessories.

What can be translated of the above mentioned statements is that the role of celebrities is still very strong as they act as the short cut to understanding what a brand stands for. Japanese people certainly do not believe celebrities actually use the products but they do read into the nature of the celebrity and the brand. However, the demand for foreign celebrities has decreased in influencer marketing in Japan while more Japanese celebrities are being seen, along with Korean public figures. That is why over 80 % of all Japanese TV commercial feature Japanese celebrities (Betros, 2012).

7.2.3 Social media

Running a consumer campaign in social media or mobile, needs an effective advertising approach and language skills to compete of the consumers' attention on this highly competed market. Therefore, any campaigns are highly advised to carry out with the help of the Japanese distributor or qualified, local advertising agency.

In 2019, the most popular social media platform in Japan was LINE, followed by Twitter, Instagram, Facebook and TikTok. When comparing the Monthly Active Users (MAU) of these 5 social media platforms, LINE is the most dominant in the Japanese market, gathering 80 Million users (Kawaguchi, 2019) (Appendix L - *TOP 5 Social Media Platforms in Japan by Monthly Active Users, 2019*).

As Japanese cherish beauty, design and visuality, Instagram is very popular among the younger population. In fact, consumer behaviors are heavily influenced by whether a product or experience is instagrammable. In 2019, the application's MAU was over 30 Million. As seen in the figure presented in Appendix M, females are the dominant users in all of the age groups with the exception of those in their 60's (Kawaguchi, 2019) (Appendix M - *Instagram Active Users by Age Group and Gender, 2019*).

7.2.4 Trade shows

Professional trade shows are a typical part of marketing and selling points for industrial companies. Exhibitions bring together suppliers, designers, manufacturers, distributors and related services and media to a single location. Through trade fairs the firm may increase its product and brand awareness in new international markets, network and find potential partners, learn about new products of the competitors as well as to motivate employees and find new ones.

Serita et al. (2009: 86) suggest that organizing or attending fairs and events could be done together with the Japanese distributor or wholesaler. For those companies that do not yet have a distributor or contacts in Japan, events – especially trade shows – are a valuable channel establishing connections to ones.

APICCAPS offers its members various opportunities to attend fairs across the globe, Japan included, together with other Portuguese footwear brands. Some of the trade shows to consider in the footwear industry are the following:

Rooms Experience, Tokyo, www.roomsroom.com

Fashion World Tokyo, Tokyo, www.fashion-tokyo.jp

Tokyo Girls Collection by girlswalker <https://girlswalker.com/tgc/20aw/>

Tokyo Shoes Expo, <https://www.fashion-tokyo.jp/ja-jp/shows/shoes.html>

Rakuten Fashion Week Tokyo <https://rakutenfashionweektokyo.com/en/>

Kobe Collection, <https://www.kobe-collection.com/>

BIOFACH Japan, Tokyo <https://www.biofach-japan.com/>

7.2.5 Sales material

As described in previous chapters, quality is the key when planning sales material like catalogues, promotional magazines, brochures and flyers to Japan. For companies that already have a distributor in Japan, most of the time the sales material is provided by the Japanese distributor – at least to some extent. Distributors' catalogues are a good way to not only show the product itself but to tell the story behind the company and brand – especially when the company does not have the resources or knowledge to implement its own sales material. It is advised to add the prices of the products in the catalogues for the Japanese market since it is what Japanese will want to see in them. In addition, at least the sales material directed to consumers should be translated into Japanese because many Japanese lack

proficiency in English. It is one of the reasons designer brands prefer to work together with distributors on this. However, the country of origin should still be transmitted in the text and feel (Serita et al., 2009: 86-87).

Even if the pictures used in the marketing came directly from the foreign company, Serita et al. (2009: 87) recommend materials such as brochures to include more customized information like interviews with famous Japanese people and stories or articles about the company in order to communicate the soul of the brand. According to the article *“The Japanese Way of Marketing Products People Love”* by Paticha (2017), authenticity is a crucial part of storytelling that is considered the most important angle for marketing in Japan. Usually the storytelling method describes the processes and history of the brand and product. *“Authenticity can be a founder’s legacy that gets passed on through the generations and is exemplified through quality products”*, refers Paticha (2017).

7.2.6 Service excellence

Success among firms in Japan is also based on their service and quality orientation. Politeness, courtesy and attention to detail are some strengths of Japanese culture, and in fact Japan is often called as the icon for service in Asia (Haghirian, 2009). From the beginning of the history down to modern times, Japanese society was based on a finely tuned hierarchical structure of superiors and inferiors. People were divided into highly distinguishable classes and ranks within classes, and there was a very specific and very harshly enforced etiquette for each class and rank. During time, this same etiquette to treat higher-positioned persons with precise behavior and kind service, became as the manner to deal with customers. The age-old custom of treating customers as honored guests is still the bedrock of customer service in Japan and is a vitally important aspect of business management. It is expected, and typical of Japanese retail shops, wholesalers, and manufacturers, that they provide a high degree and quality of before-and-after service to their customers (De Mente, 2006; Haghirian, 2009).

7.3 Price

Setting and changing prices are key strategic marketing decisions of international marketers. Price sets values and is a way to communicate in international markets while creating a certain image. Setting the right price for a product can be either the key to success or failure and therefore one of the most difficult decision areas for businesses. Even if the product is well produced, correctly marketed, correctly distributed, the effort may fail if the product is not properly priced. The price must reflect the quality and value the consumer perceives in the product. Various factors must be considered in the desired foreign market, such as economic volatility, development, legal requirements etc. It is even more complicated when the company sells or operates in multiple foreign markets. Global competition

intensifies among multinational and home-based companies, and firms are seeking a solid competitive position in order to prosper markets in their full potential. *“Whether exporting or managing overseas operations, the manager’s responsibility is to set and control the price of goods in multiple markets in which different sets of variables are to be found: different tariffs, costs, attitudes, competition, currency fluctuations, as well as methods of price quotation and payment, including a fast-growing number of mobile phone payments all over the world (Cateora et al., 2016)”*.

According to Cateora et al. (2016), culture seems to play a role in pricing as bigger price swings are normally seen in more collectivistic countries for an array of consumer products and services. Consumers in cultures with higher power distance (preference for hierarchy) rely more on price as a signal of quality because of their need for structure. Interestingly, consumers who prefer local products pay higher prices for products, whether they actually are produced locally or not. Certainly, the country in which business is being conducted, the type of product, variations in competitive conditions, and other strategic factors affect pricing activities. Tax rates in home versus subsidiary countries are also to be considered since price and terms of sale cannot be based on domestic criteria alone. (Cateora et al., 2016: 566).

7.3.1 Pricing objectives

According to Cateora et al. (2016: 566) price decisions are typically viewed in two ways; a) pricing as an active instrument of accomplishing marketing objectives or b) as a static element in a business decision. If prices are viewed as an active instrument, the company sets prices (rather than following market prices) to achieve specific objectives – whether as targeted returns on profit, targeted sales volumes, or some other specific goals. The company that follows the second approach, pricing as a static element, most likely exports only excess inventory, places a low priority on foreign business, and views its export sales as passive contributions to sales volume.

“The more control a company has over the final selling price of a product, the better it is able to achieve its marketing goals” refer Cateora et al. (2016: 567). However, controlling end prices is not always possible, especially with broader product lines and when larger number of countries involved. Transparency in pricing has an effect in competition.

7.3.2 Exclusive distribution

Exclusive distribution is a practice often used by companies to maintain high retail margins to encourage retailers to provide extra service to customers, stock large assortments, or maintain the exclusive-quality image of a product. It can create a favorable condition for parallel importing. Luxury designer brands such as Gucci and Cartier are especially prone to gray markets. To maintain the image of quality and exclusivity, prices for such products traditionally include high profit margins at each level of distribution. Typically, there are limited quantities of products, difference in prices among markets and restricted distribution to upscale retailers. When wholesale prices vary from country to country, it unfortunately creates ideal conditions for a lucrative gray market and unauthorized dealers who buy more than they need at lower wholesale prices in other countries. After they sell the excess at a profit to unauthorized local retailers but at a lower price than the retailer would have to pay to an authorized distributor (Cateora et al., 2016: 569).

The high-priced designer sportswear industry is also vulnerable to such practices. For example, Nike, Adidas, and Calvin Klein ended up finding their products being sold in one of Britain's leading supermarket chains, Tesco. Nike's Air Max Metallic trainers, which are priced at 120 £ (134 €) in sports shops, could be purchased at Tesco for 50 £ (56 €). In this case, Tesco had bought Nike sportswear with 8,9 million € from overstocked wholesalers in the United States. Hence, to prevent parallel markets from developing when such marketing and pricing strategies are used, companies must maintain strong control over distribution and prices (Cateora et al., 2016: 569).

7.3.3 Approaches to international pricing

Whether the control is orientated over end prices or net prices, company policy always relates to the net price received. Cost and market considerations are important so that the company doesn't sell goods below cost of production or at such price that is unacceptable in the marketplace. Firms unfamiliar with global marketing and firms producing industrial goods normally set their pricing solely on a cost basis. Alternatively, firms that employ pricing as part of the strategic mix, are aware of such alternatives as market segmentation from country to country or market to market, competitive pricing in the marketplace, price for stability of operations, and other market-oriented pricing factors, including cultural differences in perceptions of pricing (Cateora et al., 2016: 570).

Cateora et al. (2016: 570-571) list two ways for international marketers to look at pricing around costs:

- i) **Variable-cost pricing** applies when a firm is concerned only with the marginal or incremental cost of producing goods to be sold in overseas markets. Such firms regard foreign sales as bonus and assume that any return over their variable cost makes a contribution to net profit. These firms may be able to have the most competitive pricing in foreign markets, but because they are selling products abroad at lower net prices than they are selling them in the domestic market, they may be subject to charges of dumping. In that case, they open themselves to tariffs or penalties that weaken their competitive advantage. Nevertheless, variable-cost pricing is a practical approach to pricing when a company has high fixed costs and unused production capacity. Any contribution to fixed cost after variable costs are covered is profit to the firm.

- ii) **Full-cost pricing** philosophy insists that no unit of a similar product is different from any other unit in terms of cost. Each unit must bear its full share of the total fixed and variable cost. This approach is suitable when a company has high variable costs relative to its fixed costs. In such cases, prices are often set on a cost plus basis meaning total costs plus profit margin.

In addition, firms must decide when to follow a **skimming** or a **penetration** pricing policy. Traditionally, this depends on the level of competition, innovativeness of the product, market characteristics and company characteristics (Cateora et al., 2016: 571).

Skimming is used when the company's objective is to reach a segment of the market that is relatively price insensitive and thus willing to pay a premium price for the value received. If the company has limited supply, it may follow a skimming approach to maximize revenue and to match demand to the supply. When a company is the only seller of some new or innovative product, skimming price can be used to maximize profits until competition forces to set lower price, particularly when customers rely more on price for their judgment of quality. Hence, skimming is often used in markets with only two income levels: the wealthy and the poor (Cateora et al., 2016: 571).

Penetration pricing policy is used to stimulate market and sales growth by deliberately offering products at low prices. Penetration pricing helps to acquire and hold share of the market as a competitive maneuver. However, in countries that are experiencing rapid and sustained economic growth, and where large shares of the population are moving into middle-income classes, penetration pricing may be used to stimulate market growth even with minimum competition. Penetration pricing may be more profitable strategy than skimming when fighting the competition that is sure to come, maximizing revenues.

Regardless of the formal pricing policies and strategies a company uses, in this policy the market sets an effective price for a product – meaning the price must be within reach of the targeted market (Cateora et al., 2016: 571).

7.3.4 Costs of exporting

Generally the cause of a disproportionate difference in price between the exporting country and the importing country, also termed price escalation, is the added costs incurred as a result of exporting products from one country to another. This normally occurs from situations in which ultimate prices are raised by shipping costs, insurance, financing costs, packing, tariffs, longer channels of distribution, larger middleman margins, special taxes, administrative costs, and exchange rate fluctuations. The majority of these costs arise from moving goods across borders from one country to another which often increases the final price to a level considerably higher than in the domestic market (Cateora et al., 2016: 573-574).

Another aspect that has an impact on pricing in different markets, is the channel length. Channel length and marketing patterns vary widely, but in many countries, channels can be rather long and middleman margins high. Cateora et al. (2016: 578) note that the diversity of channels used to reach markets and the lack of standardized middleman markups leave many producers unaware of the ultimate price of a product. Besides channel diversity, the fully integrated marketer operating abroad faces various unanticipated costs because marketing and distribution channel infrastructures are underdeveloped in many countries. The marketer could also face added expenses for warehousing and handling of small shipments and may have to bear increased financing costs when dealing with underfinanced middlemen. Cateora et al. (2016) suggest that *“in cases when no convenient source of data on middleman costs is available, the international marketer should rely on experience and marketing research to ascertain middleman costs”*.

Understandably, exporting also creates increased transportation costs when moving goods from one country to another. Cateora et al. (2016: 578) argue that in those cases when the goods go over water, insurance, packing, and handling are additional costs not generally added to locally produced goods. However, such costs add yet another burden because import tariffs in many countries are based on the landed cost, which includes transportation, insurance and shipping charges. It is to be considered that these costs add to the inflation of the final price and could even double the price in the foreign market comparing to the home market.

Shorter channels can help to keep prices under control. *Designing a channel that has fewer middlemen may lower distribution costs by reducing or eliminating middleman markups.* Besides

eliminating markups, fewer middlemen could even mean lower overall taxes. It is to be remembered that some countries levy a value-added tax on goods as they pass through channels, which means goods are taxed each time they change hands. *“The tax may be cumulative or noncumulative. A cumulative value added tax is based on total selling price and is assessed every time the goods change hands. Obviously, in countries where value-added tax is cumulative, tax alone provides a special incentive for developing short distribution channels. Where that is achieved, tax is paid only on the difference between the middleman’s cost and the selling price”* advice Cateora et al. (2016: 581).

7.3.5 Pricing in Japan

Tariffs and the Japanese distribution system add substantially to the final price in Japan. Beginning with the import tariff, each time the product changes hands, an additional cost is incurred. Typically, the product passes first through the hands of an importer, then to the company with primary responsibility for sales and service, then to a secondary or even a tertiary local distributor, and finally to the end customer. Markups at each level can result in at least doubling the price in Japan comparing to what price the product is sold on the domestic market. Hence, inflation results in price escalation which is one of the major pricing obstacles faced by many of the MNC (multinational company) marketers (Cateora et al., 2016: 573).

In fact, a general lack of price competition, the provision of costly services, and other inefficiencies render the cost of Japanese consumer goods among the highest in the world. Such prices create a perfect climate for discounting. The Japanese consumer contributes to the continuation of the traditional distribution system through frequent shopping, small purchases, favoring personal service over price, and showing loyalty to brands perceived to be of high quality. In addition, Japanese law gives a small retailer enormous advantage over the development of larger stores and competition. All these factors have supported the continued viability of small stores and the established system (Cateora et al., 2016: 452-453). However, estimates indicate that when tariffs and trade barriers on certain products are diminished and later on even abolished according to the EPA agreement, firms from the European Union may set more competitive pricing and Japanese consumers enjoy tremendous savings.

Even the changing attitudes of many Japanese consumers today are beginning to weaken the hold that the traditional retailing has on the market. Competition from large retail stores has been almost totally controlled by Daitenho – the Large-Scale Retail Store Law and its more recent incarnations. Designed to protect small retailers from large intruders into their markets, the law sets special rules for large stores on how they may operate or whether they are unanimously approved to be built. Ultimately

it is only the local merchants that can disrupt the traditional distribution system by challenging the traditional ways by giving the consumer quality products at competitive, fair prices. Specialty discounters are being more common everywhere, and entrepreneurs are slashing prices by buying direct and avoiding the distribution system altogether (Cateora et al., 2016: 452-453).

The Japanese economy has been in a deflationary spiral for a number of years and therefore consumer prices have dropped to a point of those Japanese once found on overseas shopping trips only. The high prices dominated in the Japanese market before deflation allowed substantial margins for everyone in the distribution chain. As prices continued to drop over several years, companies needed to adjust costs to allow some margin with deflated prices or they were to vanish. During this time, entirely new retail categories such as 100-yen discount shops, clothing chains selling low-cost imported products from China and warehouse-style department stores, have become more common. According to Cateora et al. (2016: 575), sales at discount stores grew by 78 % in the recent years. Discounting is a way to prosper in Japan, which again helps fuel deflation. In a deflationary market, it is essential for a company to keep prices low and raise brand value to win the trust of consumers. Whether experiencing deflation or inflation, an exporter has to place emphasis on controlling the price escalation (Cateora et al., 2016).

For instance, while many manufacturers had to cut prices in the wake of Japan's deflation, Louis Vuitton was able to increase prices instead. A solid brand name and direct distribution define Vuitton's price strategy. Hereby, Vuitton's leather monogrammed bags have become Japanese buyer's "daily necessity", and Vuitton distributes directly and sets its own prices (Cateora et al., 2016: 581).

Another aspect common for companies doing business in foreign countries to encounter is the number of different types of government price setting. Cateora et al. (2016: 590) clarify that *"to control prices, governments may establish margins, set prices and floors or ceilings, restrict price changes, compete in the market, grant subsidies, and act as a purchasing monopsony or selling monopoly. The government also may influence prices by permitting, or even encouraging, businesses to collude in setting manipulative prices."* Traditionally, the Japanese government has encouraged a variety of government-influenced price-setting schemes. However, in a spirit of deregulation that is gradually changing in Japan as well (Cateora et al., 2016).

7.4 Place

"A product must be accessible to the target market at an affordable price. Getting the product to the target market can be a costly process if inadequacies within the distribution structure cannot be overcome", refer Cateora et al. (2016: 450). Therefore, creating a strong and reliable channel of distribution may be the most critical task for a company aiming to a foreign market. Some argue that

meeting such challenges is a key catalyst to economic development, as channel development could raise the standard of living in emerging markets by offering more retail opportunities for instance.

Each market has its own distribution network with many channel choices whose structures are unique and somewhat fixed. In some markets the distribution structure is multilayered, complex, inefficient and often difficult for new marketers to penetrate, when in others, there can be only few specialized middlemen except in major urban areas. Alternatively, there can be a dynamic mixture of traditional and new, evolving distribution systems available on a global scale. *Being able to build the best possible and most efficient channel structure could well serve as a competitive advantage* for a company aiming to expand abroad. As global trade continues to increase and physical distribution infrastructures decrease, the challenges are expected to be even greater in the upcoming years (Cateora et al., 2016: 450).

Distribution can be exclusive, selective or intensive. In an exclusive distribution agreement one intermediary will have an exclusive right to sell and market the product in a particular area when in the selective distribution the number of intermediaries selling the product is low. Intensive distribution model on the other hand consists of the widest distributor network possible (Wood, 2004; Kotler and Keller, 2008).

7.4.1 Distribution channels

A distribution process includes the physical handling and distribution of goods, the passage of ownership (title), and most important from the successful marketing strategy perspective, the buying and selling negotiations between producers and middlemen and between middlemen and customers. The issues a firm confronts in channel selection in the foreign market, are not very different from those encountered in domestic distribution, but the resolution of the issues differs because of different channel alternatives and market patterns. Within the distribution structure are the various middlemen whose customary functions, activities and services reflect existing competition, market characteristics, tradition and economic development. Channel structures range from those with little developed marketing infrastructure, often to be found in emerging markets, to those highly complex, multilayered systems like in Japan (Cateora et al., 2016: 450).

In an import-oriented or traditional distribution structure, an importer controls a fixed supply of goods, and the marketing system develops around selling a limited supply of goods at high prices to a small number of wealthy customers. In this type of seller's market, market penetration and mass

distribution are not necessary because demand exceeds supply, and in most cases, the customer seeks the supply from a limited number of middlemen. Buyer's market on the other hand exists in mass production orientated countries such as the US and other industrialized nations. In these markets, one supplier does not dominate the market which leads in to higher profits. The producer strives to penetrate the market and push goods out to the consumer, resulting in a highly developed channel structure that includes a variety of intermediaries (Cateora et al., 2016: 450-451).

7.4.2 Distribution structure in Japan

As a contrast to Europe and rest of the world, distribution in Japan has historically been considered most challenging and costly. Luckily, the market is becoming more open as many traditional modes of operation are developing because of global competition and Japanese consumers putting more focus on lower prices. Cateora et al. (2016: 451) argue Japan still stands as a good example of how much culture plays a role in economic institutions such as national distribution systems. According to Cateora et al. (2016), there are four distinguishing features in the Japanese distribution system:

1. Structure dominated by many small middlemen dealing with various small retailers
2. Channel control by manufacturers
3. Business philosophy shaped by a unique culture
4. Laws that protect the foundation of the system, meaning the small retailer

The amount of middlemen, retailers, and wholesalers in the Japanese market cannot be compared to any Western industrialized country. The traditional Japanese distribution structure serves consumers who make small, frequent purchases at small, conveniently located stores. The same way even wholesalers support the high density of small stores with small inventories. One reason for the layered structure might be the high price of land and population density which prevent keeping stocks in a traditional sense and push for daily orders (Doole and Love, 2008, Kotler and Keller, 2008). Cateora et al. (2016: 452) note that it is not unusual for consumer goods to go through three or four intermediaries before reaching the consumer – primary producer, secondary, regional, and local wholesaler, and finally to the consumer retailer.

Unlike in European market, which is mostly retailer driven, in Japan manufacturers depend on wholesalers for multiple services and distribution network. In fact, financing, physical distribution, warehousing, inventory, promotion, and payment collection are provided to other channel members by wholesalers. Cateora et al. (2016) explain that the system works because wholesalers and all other middlemen below the line are tied to manufacturers by a set of practices and incentives designed to ensure strong marketing support for their products and to exclude rival competitors from the channel.

Thus, wholesalers typically act as agent middlemen and extend the manufacturer's control through the channel to the retail level. Cateora et al. (2016) state: "*Coupled with the close economic ties and dependency created by trade customs and the long structure of Japanese distribution channels is a relationship-oriented business philosophy that emphasizes loyalty, harmony, and friendship*". Hence, the value system supports long-term dealer–supplier relationships that are difficult to change as long as each party gains economic advantage.

To succeed in the Japanese market, Western companies must familiarize to the Japanese distribution system and adapt their strategies accordingly in order to provide customers assurance of a) product availability even when market conditions change, b) stable pricing despite the exchange rate or production cost changes and c) quality of service with after-sales care and product development included. The process of market entrance requires extensive re-evaluation of the strategic choices.

7.4.3 Keiretsu

Japanese distribution system is traditionally built on the linkage between distributors and manufacturers. Keiretsu is a distribution channel in Japan with vertical restraints. In keiretsu the manufacturer or the primary wholesaler controls the activities of downstream distributors through preconditions or contractual terms. The distributor accepts those in return for economic security. Keiretsu network is organized in hierarchical layers, highest layers containing the power. Keiretsu is uniquely Japanese corporate organization and forms a tight alliance between the affiliated companies for mutual success. The members on the lowest level of the keiretsu system are tied to the network by loyalty, mutual obligation, trust and the power extending through the distribution structure. Operating with outside members may result in cutting the ties with the keiretsu-group. The downside of the system is the loss of economic freedom, but at the same time keiretsu members avoid many costs associated with operating independently.

Basically, keiretsu links all sectors like banks, manufacturers, suppliers and distributors to the Japanese government. Because of keiretsu channels, the Japanese market is considered to be more challenging for foreign firms to penetrate than the domestic ones. However, the power of keiretsu is slowly diminishing as some of the foreign companies have been able to circumvent the keiretsu system. During the past two decades, smaller independent shops entering the Japanese market have been taken stand from the Japanese keiretsu companies. Especially the so-called *select shops* which are typical for niche design. These selected shops and internet are particularly popular among the younger consumer

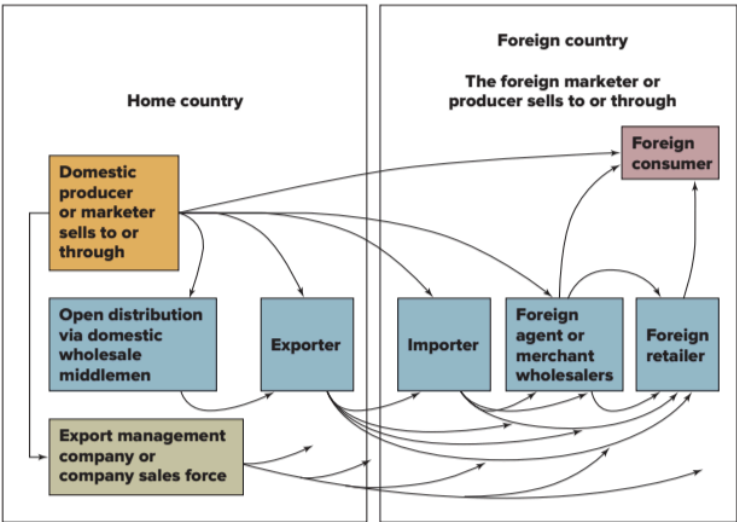
segment. Even the importance of personal relationship serves as a benefit for these owner-managed shops (Serita et al., 2009: 107).

7.4.4 Choosing the distribution channel

International marketer’s options range from assuming the entire distribution activity (by establishing its own subsidiaries and marketing directly to the end user) to depending on intermediaries for distribution of the product. Channel selection must be carefully thought through because it is difficult to change afterwards and future growth and profits are also depending on it. The channel process begins with the manufacturer and ends with the final consumer (Cateora et al., 2016: 459). Since the Japanese are more or less reluctant to do business with foreign businesses, a local level distributor is certainly needed (Serita et al., 2009: 103).

Figure 7.2 below shows some of the typical distribution channel alternatives. The arrows show those to whom the producer and each of the middlemen might sell. In the home country, the firm must have a company division (typically international marketing department) to deal with the channel members to move goods between countries. In the foreign market, the seller must supervise the channel parties that supply the product. Ideally, the seller should control or directly be involved in the whole process through the various channel members to the end user. If not executed and controlled properly, it may result in unsatisfactory distribution and failure of marketing objectives. Although such involvement throughout the channel process is not always practical or cost effective, Cateora et al. (2016: 459) remind that the selection of channel members and effective controls should be the highest priorities in establishing the distribution process.

Figure 7.2 – Distribution channels



Source: Cateora et al. (2016)

There are various type of international intermediates available in the market. As many of them wear several hats, it is important to analyze the nature of the channels. In middlemen functions there are three alternatives; *middlemen physically located in the manufacturer's home country, middlemen located in foreign countries and government-affiliated middlemen*. What often seems the best way to start selling products in Japan, is to approach one of the trading companies with overseas offices. They have special knowledge in marketing in Japan, financial and political clout, high image and can give a new foreign client instant credibility in the Japanese marketplace. The downside of partnering with a large trading company is that the company's account becomes only one of the thousands it represents and the products end up competing for the attention of not only qualified managers but against similar products handled by the same trading company. If the foreign firm does not have a strong and profitable brand or high priority in the trading firm, it does not get the best resources and can easily get stuck in the system. Being mostly interested in sales and profit margins of the merchandise, these type of merchant middlemen are frequently criticized for not representing the best interests of a manufacturer. On the other hand, using foreign-country middlemen moves the manufacturer closer to the market but it also diminishes or eliminates the risks coming from language, physical distribution, communications and financing (Cateora et al., 2016: 460; De Mente, 2006: 59-61).

7.4.5 Planning an effective distribution strategy

The foreign company needs a clear understanding of market characteristics and must have established operating policies before beginning the selection of channel middlemen. Cateora et al. (2016) advise to set the following points before choosing the correct intermediates:

1. Identify specific target markets within the country
2. Specify marketing goals in terms of volume, market share, and profit margin requirements
3. Specify financial and personnel commitments to the development of international distribution
4. Identify control, length of channels, terms of sale, and channel ownership

In order for companies to get their goods into the hands of consumers, they must choose between handling all distribution or leaving part or all of it to various middlemen. Distribution channels vary depending on target market size, competition and available distribution intermediaries. Cateora et al. (2016: 465-467) state that the channel strategy itself is considered to have six specific strategic goals. These are characterized as the six C's of channel strategy: cost, capital, control, coverage, character, and continuity. When planning the overall channel distribution strategy, each of the six C's must be

considered in building an economical and effective distribution organization within the long-range channel policies of the company. In fact, many firms use multiple or hybrid channels for distribution because of the trade-offs associated with any one option. According to Cateora et al. (2016: 464), *research has shown that establishment of a new channel of distribution can add value to a firm.*

The six C's channel strategy (Cateora et al., 2016: 465-467):

Cost; The two kinds of channel costs are 1) the capital or investment cost of developing the channel and 2) the continuing cost of maintaining it. The latter covers the direct expenditure for the maintenance of the company's selling force or the margins, markup, or commissions of various middlemen handling the goods. Marketing costs must be considered too as the entire difference between the factory price of the goods and the price the customer ultimately pays for the product. The costs of middlemen include transporting and storing the goods, breaking bulk, providing credit, advertising locally, paying for sales representation, and negotiating.

Capital; Capital requirement and cash-flow patterns associated with using a particular type of middleman. Maximum investment is usually required only when the company decides to establish its own internal channels – meaning its own sales force. Use of distributors or dealers may then decrease the capital investment, but manufacturers often have to provide initial inventories on consignment, loans, floor plans, or other arrangements.

Control; The more the company is involved with the distribution, the more control it has. As the channels grow longer, the ability to control price, volume, promotion and type of outlets diminishes. If the company cannot sell directly to the end user or final retailer, an important selection criterion for middlemen should be the amount of control the marketer can maintain.

Coverage; With full-market coverage the company will gain the optimal sales volume obtainable in each market, secure a reasonable market share, and attain satisfactory market penetration. Coverage may be defined by geographic segments, market segments, or both. In fact, many companies do not try to attempt full-market coverage but seek significant penetration in major population centers. In some countries, two or three cities constitute the majority of the national buying power. For instance, 60 % of the Japanese population lives in the Tokyo-Nagoya-Osaka market area, which functions as one massive city. To achieve coverage the company may have to use different channels.

Character; The selected distribution channel system must fit the character of the company and the markets in which it is doing business. Some product requirements relate to the perishability or bulk of

the product, complexity of sale, sales service required and value of the product. It is also to be remembered that the channel patterns may change over time.

Continuity; Channels of distribution often have longevity problems as most agent middlemen firms tend to be small institutions. When one individual retires or moves out of a line of business, the company may find it has lost its distribution in that area. Wholesalers and especially retailers are not noted for their continuity in business either. Likewise, most middlemen have little loyalty to their vendors as well. They handle brands as long as the line is making money but quickly reject the products if those have not sold well during one season or period.

The distributor (middleman) must be selected carefully. The reputation of the middleman becomes the reputation of the foreign firm, so a poor choice at this point can be devastating. Changing the distributor is very difficult because if the business relationship ends, all the lower-layer parties in the distribution network are also affected, and the Japanese partner loses face in the eyes of them. All operators in Japan will know this and therefore getting a new distributor may be even impossible because the foreign company is now considered unreliable. The same aligns in case the distributor ends the business relationship. Therefore, it is crucial to choose the right partners since the beginning (Cateora et al., 2016; De Mente, 2006; Serita et al., 2009).

7.4.6 Contacting and choosing the distributors

The establishment of channels for international distribution is known to be hard and some companies have even quit their efforts to develop international markets because of not being able to build satisfactory system of channels. Hence, seeking out those intermediates that fit the company's requirements and building working relationships with them is crucial. The closer the company wishes to go to the consumer, the bigger the sales force required. With the right distributor in the target market, channel building will be easier (Cateora et al., 2016: 467-468; De Mente, 2006). Normally creation of contacts and finally active business relationship with Japanese takes 2 to 3 years (Serita et al., 2009: 103).

Cateora et al. (2016: 468) state that the search for suitable middlemen (distributors) should begin with study of the market and determination of criteria for evaluating middlemen available on that market. **The criteria for the distributor** is basically built around four subject areas: *i) productivity or volume, ii) financial strength, iii) managerial stability and capability, and iv) the nature and reputation of the business.* However, it is still rather difficult for a foreign firm to make a solid decision of the right partner

since many of the factors to be considered are invisible. The reality in Japan can be very different to what the foreigner perceives it to be (Da Mente, 2006: 59-61).

It is highly recommended to use local assistance before deciding whom to approach. Without external help the chances are minimal and the investment too high for a small company. Also, finding necessary information of the market is considered to be very difficult without Japanese connections. Assistance is needed especially with the language barrier, time difference, arranging contacts to distributors, and dealing with the Japanese system in general. Some of the **best directions to contact for an advice** are the following; the department of commerce, foreign consulates, semi-bilingual and bicultural Japanese consultants, chamber of commerce located in Japan, other manufacturers producing similar but noncompetitive goods, professional associations, business publications, management consultants, and lawyers (De Mente, 2006; Serita et al., 2009; Cateora et al., 2016).

Cateora et al. (2016) describes the **process of contacting and choosing the middlemen** as follows; a) contact each prospective middleman; b) a follow-up with the best respondents for specific information concerning lines handled, territory covered, size of firm, number of salespeople, and other background information; c) check of credit and references from other clients and customers of the prospective middleman; and d) a personal visit in the most promising firms. *“Look for one with a key person who will take the new product to his or her heart and make it a personal objective to make the sale of that line a success”* Cateora et al. (2016) suggest. If the company cannot find 1-3 good distributors, it is advisable not having one at all explained by the previously mentioned reasons.

When planning to meet with potential channel partners, it is crucial to remember that even the *initial negotiations in Japan should be well planned and the partners carefully chosen*. This is because Japanese are said to have their own sources to always know with whom you are meeting and working with. Thus, negotiations with several different parties should be avoided (Serita et al., 2009: 103).

Once the desired middleman is found, the company should set an agreement with it. At this point, it asks selling and *negotiating skills to convince the middleman* to handle the goods and accept a distribution agreement that is workable for the company. Agreements must include specific responsibilities of the manufacturer and the middleman, including an annual sales minimum. *It is recommended to sign one year contract at first for possible review or renewal for longer period later after the experience working together* (Cateora et al., 2016: 468).

7.4.7 Channel management

It is important to **keep the middlemen motivated** along the way for good results. The middleman's motivation is clearly correlated with sales volume. According to Cateora et al. (2016: 469) motivational techniques to maintain middleman interest and support for the product can be grouped into five categories: *financial rewards, psychological rewards, communications, company support, and corporate rapport*. The more personal and intense the contact is, the better the outcome. Feelings of fairness and honesty are important, because after all any relationship is built by personal interactions (Cateora et al., 2016; Doole and Lowe, 2008).

The extreme length of channels typically used in international distribution makes **control over the distribution network** and middlemen important and necessary – acknowledging the cultural differences. Cateora et al. (2016) note that “*marketing objectives must be spelled out both internally and to middlemen as explicitly as possible*”. **Standards of performance** should include a) the sales volume objective, b) inventory turnover ratio, c) number of accounts per area, d) growth objective, e) price stability objective, and f) quality of publicity. On the middleman level, the parent company should know and be able to control at certain degree the **activities of middlemen**; volume of sales, market coverage, services offered, prices, advertising, payment of bills, and even profit.

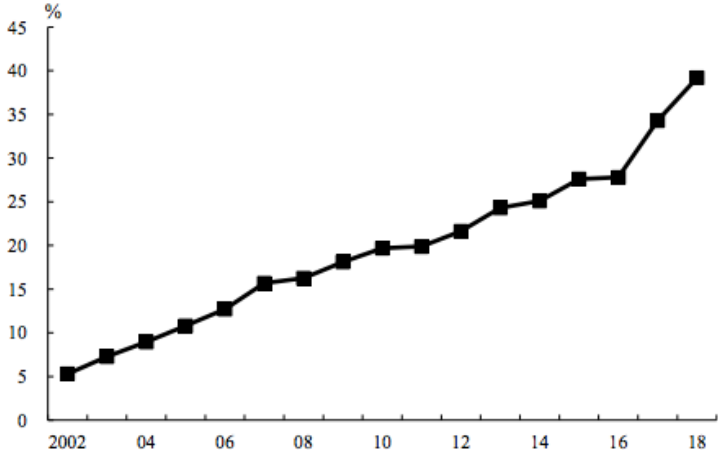
Quotas, reports, and personal visits by company representatives can be effective in managing middleman activities at any level of the channel (Cateora et al., 2016: 469-470). Even smaller exporters should meet their Japanese partners annually at least, because lack of face-to-face meetings create a challenge in building real trust between the parties. Although, Japanese do not need a real business reason to get in contact and they are said to be active in using email and asking how things are going. In the name of trust and loyalty, emails and phone calls should always be answered. **Frequent communication** is the key in building a strong relationship with the chosen distributor (Serita et al., 2009: 104).

7.4.8 Stand-alone stores vs online channels

Despite the fact that online shopping has been in constant growth in Japan (+39.2 %) (Figure 7.3), Statista (2020) expects the footwear online sales to slightly decline in the upcoming years (Figure 7.4). According to Statista (2020), 14% of the total revenue in the Japanese footwear market will be generated through online sales by 2020. Some of the reasons for rather slow growth and popularity of footwear online sales is explained with the nature of the products that require for fitting and Japanese consumers'

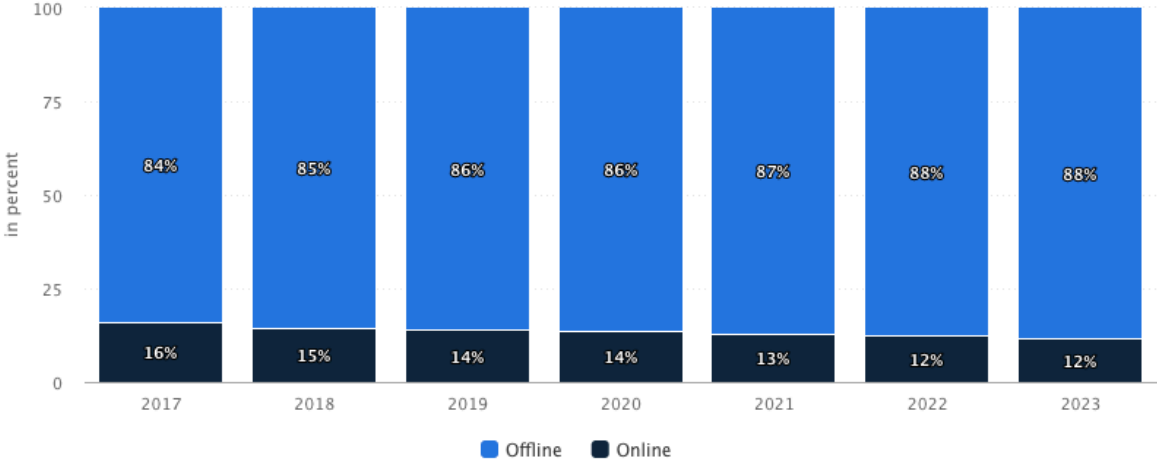
tendency to seek advice from sales staff when purchasing sports footwear which encourages to purchase from specialist retailers. However, numbers of consumers prefer to purchase products online at lower price, having first checked the fit in store (Euromonitor International, 2018).

**Figure 7.3 – Proportion of Households Ordered over the Internet (2019)
(two-or-more-person households)**



Source: Statistics Bureau, MIC

Figure 7.4 – Sales channels revenue in footwear in Japan (June, 2020)



Source: Statista (Forecast adjusted for expected impact of COVID-19)

As a result of growing competition from brands’ free-standing stores, duty-free stores, outlets and online stores, Japanese department stores have been struggling. In fact, those experienced a 4 % decline in sales each year between 2010 and 2016. However, department stores still remain the primary place of purchase for older consumers as well as to luxury shoppers. According to McKinsey’s report (2017) presented in BOF, 70 % of consumers still buy luxury products in a department store. As a matter of

fact, many high-end brands have been reluctant to sell online, partly because luxury shoppers appreciate the personal treatment they receive in store and it stands out as a key factor for their visit. This is particularly important in Japanese culture. Another reason might be that luxury shoppers are not yet used to purchasing online. The future growth is however expected to come from younger-orientated channels like ecommerce – even in luxury shopping – according to various industry leaders (Chittrakorn, 2017).

Current COVID-19 epidemic will certainly fasten the adaptation process of online channels due to the shop-closures, surrounding restrictions and changes in consumers' attitudes during and after crisis. Therefore, both specialist retailers and department stores have to put extra focus on how to sell products and in what channels in the future.

In the beginning of 2000 department stores were leading with almost 60 % of total revenues but after then the total revenue weight has been showing constant decline. Today, specialist stores are gaining significant market share, even in new luxury type of products. In 2017, more than 80 % of the total footwear sales was done in store-based retailing in Japan of which 61.8 % was purchased at non-grocery specialist stores such as footwear specialist retailers (Euromonitor International, 2018). The decrease in overall sales due to more selective and price conscious consumers has pushed department stores to refurbishment of their stores, multiplying their sales areas and review their choice of brands. Currently, department stores are combining non-luxury brands with the traditional luxury makers in their assortment, which is seen as a strong trend among the consumers, and focusing on the experience of the status-orientated consumers. However, the number of department stores in Japan is still expected to decrease (Giacomel, 2009).

Major department store chains can be found across Japan. All department stores usually have floors for shoes, from the more affordable (AEON or Ito Yokado) to the more luxurious (Tobu or Seibu) to the very high-end (Takashimaya or Matsuzakaya).

The top department stores in Japan are considered to be the following:

- **Mitsukoshi and Isetan Holdings:** Japanese but international department store group with 21 stores in Japan. Mitsukoshi's first store was established already in 1673 and Isetan in 1886. The chain operates in the high-end market.
- **Hankyu Hanshin Toho Group (Hankyu):** Multinational keiretsu holding company operating on various sectors, and a parent company to stock holding company H20 Retailing Corporation.

The department store Hankyu consists of 5 department stores that offer high-end selection of goods.

- **J-Front Retailing (Daimaru and Matsuzakaya):** Major department store chain in Japan, Matsuzakaya being one of the oldest department stores in the world (established in 1611). Possesses together 16 stores that focus on low-priced products.
- **Sogo and Seibu:** Part of Seven & i Holdings which the 15th largest retailer in the world as of 2018. Consists of 15 stores. Supermarket type of business focusing on the low-end price segment due to the changed downward trend in Japanese' consumption.
- **Takashimaya:** Established its first small kimono shop in Kyoto in 1831. Today the company operates 19 stores in Japan and serves the upmarket with wide selection of luxury goods.
- **Odakyu Group (Odakyu):** Offers everything from sportswear to luxury goods. Especially popular among middle-aged and elderly clients.
- **PARCO:** Operates multiple stores with a strong focus on fashion and trend-conscious urban consumers. PARCO operates with a different store concept in each location.

Below is a summary of the most **popular shopping districts** in the largest cities.

Tokyo

The capital city is a shopper's paradise with many districts having multiple department stores. Ginza is Tokyo's, and perhaps Japan's, most famous upmarket shopping district. Shibuya is a center for youth fashion and culture. Shinjuku has a busy shopping area around the world's busiest railway station. Ikebukuro has several large department stores around its station. Local department store chains include Seibu, Tobu, Tokye, Odakyu and Keio (japan-guide.com).

Osaka

Osaka is the economic center of western Japan. Many department stores can be found mostly around its two main city centers of Umeda and Namba. Besides the nationwide chains, shoppers in Osaka will also find local chains such as Kintetsu, Hankyu and Hanshin. Japan's largest department store is located in Abeno Harukas, the country's tallest skyscraper (japan-guide.com).

Kyoto

Shijo-dori street is the main shopping district in Kyoto, featuring Takashimaya and Daimaru department stores. A large Isetan is located inside Kyoto Station (japan-guide.com).

CHAPTER 8: IMPLEMENTATION FOR THE PORTUGUESE FOOTWEAR

The factors Portuguese footwear company must consider in its market entry plan to Japan align with the previously described theoretical framework of marketing mix and focus on the price, product, place and promotion. This chapter defines the main elements of the internalization strategy for Portuguese footwear while analyzing the previous results to the collected expert opinions and views from different institutions and organizations.

8.1 Product

Choosing the right kind of products for the market is essential. In Japan the consumers drive the demand. Therefore, it is crucial to know what the targeted segments value and really buy, and finally choose the introduced products accordingly. The core soul of the brand and the advantage of the products should address the decision making process. Experimentation and individuality are highly valued by the Japanese consumers today. It is vital to differentiate products from those of competitors as part of brand building.

Japanese consumers love real life stories, tailored products and services, and craftsmanship. When building a brand as a new company in Japan, bringing up unique elements that add value to the brand story are essential. I can see Portuguese footwear being highly appealing to even the more demanding consumer groups who seek something different on top of quality. The companies should showcase the Portuguese soul of the products and find unique ways to inspire the consumers with it. From design to packaging, the brand must be solid and thought-through if it seeks to succeed in Japan. In regards of the desired uniqueness factor, the brands could consider making special editions for the Japanese market – at least later on – and ride with the trend of smaller production quantities to catch the eye of the fashion-forward consumers while gaining better profits for the products. Thriving for a cause and owning certificates in labeling or manufacturing can also serve as a sign of trust to convince the highly conscious Japanese consumers.

In regards of trends, the Japanese consumers are driven by the latest fashion and innovations but care more and more for long product lifeline. The environmental factors and the trend of buying less but with higher quality are visible in today's consumer behavior in Japan. People invest in wellbeing rather than products and think of more of what they purchase and why. *Hence, I believe it is about creating special products and icons that last time and support sustainable thinking.*

Comfortable and athletic shoes are on top of the wish list for Japanese consumers for reasons like convenience, health-benefits, changing working environment and office wear, and lifestyle trends

described previously. I can see the prevalent COVID-19 pandemic supporting this direction as people are spending more time at home and investing in hobbies and health. Like seen in the past after the economic crisis, this trend will certainly drive the market for a longer period of time and define the consumer behavior in the future. Therefore, I expect both sport shoes and unique leisure footwear – sneakers, boots and various type of trendy walking shoes – to keep strong position in the Japanese market. I would like to point out that the more relaxed work outfit creates a great opportunity for stylish and high quality women office footwear as well.

The decreased consumption, limited living space, increased product variety and high consciousness has led consumers think of more their purchase decisions and causes they support. It forces brands and designers to think of how to be distinguished in the tightened competition and stand for the changing values of consumers – unique, stylish, urban and modern without compromising in quality and comfort. One competitive advantage for small and medium sized Portuguese brands is the fact that big corporate brands are not valued in the same manner as before in Japan, and in fact the studies show that once consumers change to private brands they rarely change back. More Japanese prefer smaller but exclusive brands.

Known for being obsessive about quality, Japanese are very concerned about even the smallest details in design, operations and contracts. They make complaints if they notice any divergence from their expectations. Hence, responding to complaints and solving problems immediately are crucial since Japanese do not tolerate mistakes. Taking feedback seriously all the way to product development is the key to avoid bigger conflicts and ensure trusted brand image in the eyes of the safety-concerned consumers. In fact, it is recommended to hire or point a dedicated person to answer the needs of the Japanese consumers as they want to have their questions answered quickly and assume that they get the after-sales service if needed. If not, the brand is easily found unreliable and suspicious. Japanese distributors and retailers expect the same accuracy as well. Meaning, in addition to products of highest quality, the company must be prompt with sales orders, contracts and deliveries. Purchase orders must be completed fully and carefully delivered in time with no missing pieces. Possible returns should be discussed with the distributor and agreed in the contract. It is necessary for the Portuguese footwear firm to be well prepared and establish its internal systems in order to answer the demands of the Japanese market in both products and related services.

In manufacturing, the Portuguese company should maintain a close relationship with the newest technologies that can improve its manufacture process. Furthermore, it is important that the designers study the Japanese' fashion trends in the style the brand promotes to be able to differentiate and adapt

the models, sizes and designs to the needs of the target market. Distributor or commercial partner in Japan can be a help in regards since they have the best market data, connections and outlook.

8.2 Price

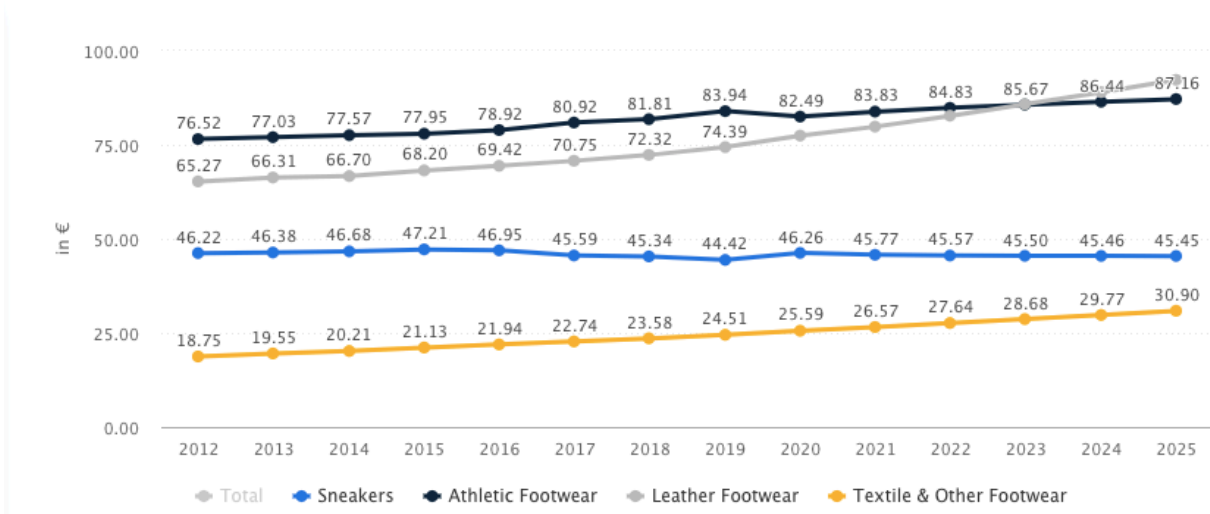
As learned in the previous chapters the two attitudes visible in Japanese consumer behavior are high consciousness and demand for comfort for which Japanese consumers are willing to pay high prices. However, even if Japanese consumers are used to paying high prices, they have become more selective and considerate as a result of globalization, increased ecommerce and access to foreign markets.

In pricing Portuguese footwear company must think about its company image that it wants to build in the eyes of consumers but also the expenses coming from exporting. Price should reflect the quality and value of the product. In the company's pricing policy, the Portuguese footwear firm should follow skimming policy due to the nature of Japanese consumers who are willing to pay a premium price for the value received and because of the possibility to match demand to the supply in this approach.

Even if the EPA agreement will bring some significant benefits in costs of exporting, the company must consider the costly provisions and services paid to the distributors and resellers. That is why the distribution channel structure must be carefully selected as normally each time the product exchanges hands markups are added to the price. Thus, the Portuguese footwear company should apply full-cost pricing method for the beginning. At the same time it is important to keep control of the pricing with the distributor and follow up that the distributor does not sell the products at too low prices. That would wreck the strategy and image of Portuguese shoes seen as high quality and exclusive products to the market.

In 2020, the average price per unit in the Japanese footwear market amounts to 33,53 € while the average volume per person in the market for footwear amounts to 5.57 pairs.

Figure 8.1 – Footwear pricing forecast in Japan (adjusted for expected impact of COVID-19)



Source: Statista, June 2020

As can be seen from Figure 8.1 above, the price of leather footwear is expected to increase significantly. This creates a special advantage for the Portuguese leather footwear. Not to forget the textile and other type of footwear which have shown a steady growth in price. Since 2013, average export price for Portuguese footwear is 23-24 € per pair (Statistical report, 2017).

Final price

As mentioned previously, the complex distribution system adds substantially to the final price in Japan. Typically, a footwear product passes first through the hands of an importer or company with primary responsibility for sales and service, then to a secondary or a tertiary local distributor, and finally to the end customer. Markups at each level can result in doubling the price in Japan comparing to what price the product is sold on the domestic market. In order to lower the distribution costs, it is crucial to design a channel that has fewer intermediates.

The costs coming from the importers and retailers are normally confidential information, but according to the experience of Ms. Tomoko Maekawa from AICEP Tokyo, the following can be seen in leather shoes' shelf price:

Leather shoes imported through importers, wholesalers: approx. 3 to 3.5 times of CIF

Leather shoes imported by retailers directly: approx. 2.5 of CIF

The desired margin and markups should be concluded with the chosen distributor and compared with the price of the particular footwear category and competitors in the market. As explained previously, EPA agreement will diminish and abolish some of the tariffs and barriers in the future, making the Portuguese shoes more competitive in pricing and more affordable for the Japanese consumers.

8.3 Place

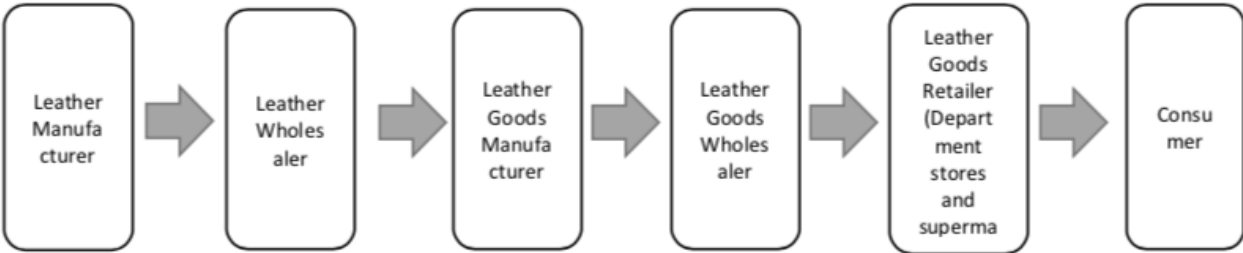
Studies suggest that once starting to plan a distribution strategy to Japan, the first point of contact would be an institution such as the chamber of commerce. Hereby, to research the most optimal distribution channels and contacts for Portuguese footwear in Japan, Chamber of Commerce in Portugal was contacted for further advice. Subsequently, expert opinions were collected from the following organizations:

- Mr. Tom Lister from The Japan Distribution Experts, Alliance Experts, and
- Mr. Miguel Malheiro Garcia and Ms. Tomoko Maekawa from AICEP Tokyo

8.3.1 Distribution channels for footwear

The standard distribution chain for leather goods in Japan is presented in the Figure 8.2 below provided by Mr. Miguel Malheiro Garcia from AICEP Tokyo (European Commission, 2020).

Figure 8.2 – Standard distribution chain in Japan (leather goods)

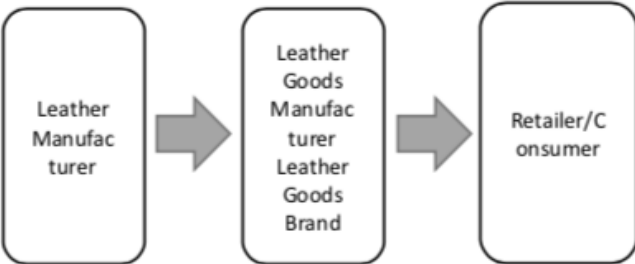


Source: European Commission, 2020

The Sectoral Study by European Commission (2020) notes that “one of the most important characteristics of the distribution channels in Japan is that leather goods wholesalers come in-between the leather goods manufacturers and consumers”. The studies show that this is in contrast with the common distribution chain found in Italy, a major leather products exporter in the EU. As described in Figure 8.3, in the case of Italian brands, it is common for them to directly deal with tanners, manufacture

the products from the leather, and directly sell their products to consumers which makes the distribution structure more profitable. Similarly, Portuguese companies should pay increasing attention to the channel length in order to gain greater advantages in the market.

Figure 8.3 – Shorter distribution model (leather goods)

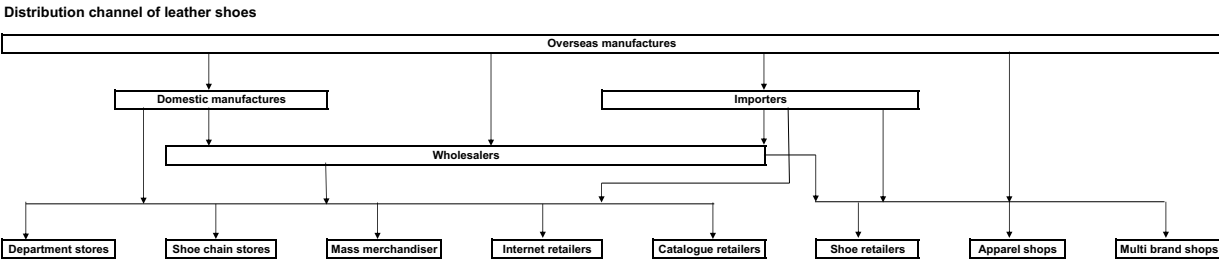


Source: European Commission, 2020

In 2014, the sales of shoes’ wholesalers made with the products purchased from abroad amounted to 2,068.47 million euros, accounting for 40.1 % of the import value of shoes in 2014, which was 5,060.83 million euros. These figures suggest that wholesalers have significant presence in the distribution structure in regards of leather shoes and that retailers purchasing directly from abroad are in the minority (European Commission, 2020).

Figure 8.4 below shows the various distribution channels for leather footwear distribution suggested by AICEP Tokyo (2020). Ms. Tomoko Maekawa from AICEP Tokyo notes that “*although big brands tend to import shoes directly, generally, the distribution channel system is same for big and small brands*”.

Figure 8.4 – Distribution channels for leather footwear, 2020



Source: AICEP Tokyo

As mentioned in the report of European Commission (2020), as for today, leather goods manufacturers have had the following **three options to choose from when exporting goods to Japan**; *i) they may sell their products to trading companies or leather goods wholesalers in Japan, ii) they may sell their products to retailers in Japan, or iii) they may set up a subsidiary in Japan.* In the first case, the products would go through both wholesalers and retailers before reaching the consumers. In the second and third scenario, the leather goods manufacturers could directly engage with the retailers or Japanese consumers which enables them to capture consumers' needs, share that information with the tanners, and produce goods that are more tailored to the consumers' needs.

Economic partnership agreements such as the EPA that minimize trade barriers, could make it easier for the EU exporters to directly communicate with the retailers and Japanese consumers in the future. The Sectoral Study of European Commission (2020) notes that the EPA may contribute to establishing more robust distribution channels for footwear, and consequently their improved competitiveness. With the EPA in place, the Japanese importers of the EU leather footwear do not have to go through the application procedures for tariff quota allocations each year.

8.3.2 Benefits of Japanese distributor

Studies suggest that companies that are not commonly known in the Japanese market should use an intermediate as a linkage between the company and different distribution channels. Both intermediaries and distributors can reduce risks while helping the company to overcome knowledge gaps, distinct cultures, language barriers and other uncertainties related to distribution.

Mr. Tom Lister from The Japan Distribution Experts clarified in his email: *“Companies selling imported products in Japan typically do not deal directly with retailers. This is the job of the distributor. In other words, the manufacturer sells to a Japanese distributor/importer who then resells to retailers or wholesalers.”* Mr. Lister pointed out as well that sales agents or manufacturer's representatives in Japan are not really necessary since *“almost all imported products go through specialized distributors who purchase the products in advance for resale”*. This is compatible with the arguments from AICEP Tokyo and adjusts to the researched literature.

The distributor buying Portuguese footwear company's products takes full responsibility for selling them in the Japanese market and facilitates multiple sales channels. Furthermore, the distributor is responsible for the stock of the shoes while managing warehousing and inventory control in the Japanese market. Hence, partnering with the right, experienced distributor brings such advantages as: a) allows the firm to avoid logistics issues; b) decreases trade and currency-related risks; c) understands the local government regulations; d) provides superior market knowledge not only in terms of the

business (competitors, clients and partners) but also related to the Japanese culture, language, way of doing business, marketing infrastructure and communication skills; e) creates a possibility to expand nationwide by using the same distributor; d) gives stronger incentive to reach positive outcomes due to the up-front commitment by purchasing the goods; f) enables a smooth operation.

The main disadvantage of using a distributor, apart from the loss of control over activities, is the tarnished reputation if the partnership turns out to be unsuccessful. With wrong distributor the company might as well find its products sold at rock bottom prices even if the products were a good fit to the market. In case the Portuguese company needs to change distributor for some reason, it might also lose the customers gained until the date as the customer loyalty is built by the distributor and not the brand itself. Therefore, it is crucial to select the right distributors to work with since the beginning.

To support the choice of a professional importer, both Mr. Tom Lister from The Japan Distribution Experts and Ms. Tomoko Maekawa from AICEP Tokyo argued that the common mistake foreign companies new to Japan make is trying to sell directly to the large Japanese wholesalers and retailer chains in their industry. Mr. Lister noted that those companies are not interested in dealing directly with non-Japanese suppliers unless they have an office in Japan.

Thus, the Portuguese footwear company should choose direct export method and select Japanese importer(s) or distributor(s) specializing in imported products to work with nationwide.

8.3.3 Selecting and contacting the desired distributor(s)

To support the factors presented in the earlier studies – volume, financial strength, reputation and capability of the distributor – The Japan Distribution Experts advice to pay further attention to the following factors when choosing the distributor.

- 1) Company size:** Amount of employees and annual turnover is often communicated on the website of the Japanese distributors. Small or medium sized Portuguese footwear company should consider distributors that are not too small or not too large either. If the company is too small, it won't probably have the sales and marketing resources needed to get the foreign products into the right channels. If the distribution company is too large, the products may not get the attention they deserve.

- 2) **Location:** The Portuguese footwear company should only look at Japanese distributors working from Japan. The best is to choose a distributor located in either the Tokyo or Osaka metropolitan area. According to Mr. Lister, distributors located in outlying prefectures are usually small companies lacking the resources to open an office in Tokyo or who are only doing business in their local area. In the same manner, agencies situated outside Japan, usually run by Japanese nationals living abroad but who have connections to companies in Japan, should be considered with caution. Mr. Lister argues that those agencies might add another layer to the distribution chain increasing the price to an end customer in Japan. Furthermore, the most efficient choice is a partner covering only Japan, not all Asia.
- 3) **Other products they handle:** Other imported products in the distributor's portfolio are a good indication if the company is a good fit. *"When identifying potential distributors for clients, we like to see to five to ten complementary (not competing) brands of products that are purchased by the same end-users that purchase our client's products"*, refers Mr. Lister.
- 4) **Who they sell to:** Many distributors list their main customers on their website. The Portuguese company should concentrate on finding existing relationships with the potential wholesalers, retailers and even end-users it is interested in.

Another important factor Mr. Lister wrote in his guideline, is to *not* ignore companies that don't have much English language on their website. It might not have relationship to the company's efficiency or English skills. Mr. Lister argues: *"For most distributors translating their website into English is not a high priority. Instead their focus is on the Japanese market and meeting the needs of their Japanese customers, not on attracting foreign companies who want to do business with them."*

When requested a correct way to get in contact with distributors, and whether the Portuguese footwear company should contact them directly or by using an intermediate, Ms. Tomoko Maekawa from AICEP Tokyo advised that *"we don't advise the direct contact because, experience has taught us, it's difficult to receive answers from Japanese distributors. In addition to language barriers they are quite careful and selective to reply to a large volume of companies that approach them on a regular basis. Throughout the years, AICEP Tokyo has supported many companies via the scheduling of meetings."* Hence, local assistance is crucial when selecting and contacting the distributors.

The fastest way to get started would be by using the list of importer contacts, provided by Mr. Miguel Malheiro Garcia from AICEP Tokyo, to be found in Appendix N – *Contact list of importers in Japan*. The list contains of various types of distributors in the women's and men's shoes category that AICEP Tokyo currently works with in the footwear sector. It is recommended to select and approach the importers. For more specified information and assistance in choosing the correct contacts for particular footwear categories, targeted segment and image, the company should contact AICEP Tokyo. They can give various support and assist in arranging the meetings. Other alternative is to contact an

experienced commercial intermediate like The Japan Distribution Experts, <http://japanesedistributors.com>, who can help the company finding the correct distributors. Third possibility to look for potential partners is by attending professional tradeshows in Japan and Europe (see a list of tradeshows in Chapter 7.2.4).

Additionally, The Japan Distribution Experts' advice to contact Japanese companies – if one does not speak Japanese – is to send these companies a package containing a cover letter spelling out all the reasons why the distributor should consider doing business with the Portuguese company and, if possible, product samples, brochures, materials, etc. This willingness to go the extra mile is valued in Japanese culture and will make the company stand out from all the email messages and calls the distributors receive. Unless there is no identified contact yet, Mr. Lister recommends sending the delivery to the President of the company. According to him, most distributors are fairly small and the president is usually actively involved in deciding which products to carry.

8.3.4 Selling to the desired distributors

Long-lasting relationships define the Japanese business culture and illustrate the importance of doing complete research on the market as well as when selecting the right distributor. The company should not choose the first distributor interested in selling the brand's products but do comprehensive analysis of the different alternatives. According to the information provided by The Japan Distribution Experts as well as defined in the previous literature by De Mente (2006), to attract potential partners the company should determine and promote the following factors.

- 1) Unique selling position;** why the consumer should purchase Portuguese designer shoes rather than one of its competitors
- 2) Quality of the products;** for many consumers it is more important than the price. Specific details in this area, such as certifications and labels, should be included.
- 3) Size of the company**
- 4) Target market;** what type of consumers and shops the company wants to reach with its products. This must be defined by the Portuguese company itself and make it clear to the distributor
- 5) Success in other markets;** any previous acknowledgement is helpful for the distributor
- 6) Training and marketing support** the company offers to the distributors

7) Indications of demand; any sales the company has already made in Japan

8) Experience; history and story of the company, brand and products

Overall, the Portuguese company should express the potential distributors all the reasons why they should consider its products. It is important to not leave anything out.

8.3.5 Department stores, selected shops or online sales

The overall online sales has grown during the COVID-19 epidemic, but still only 14 % of total revenue in the footwear market in Japan is expected to be generated through online channels by 2020. The department stores have played an important role in the Japanese shopping habits and culture for a long time but during the recent years its popularity has faded a little, especially younger generations preferring specialist footwear stores. In fact, more than 80 % of the total footwear sales was done in store-based retailing in Japan of which 61.8 % was purchased at non-grocery specialist stores such as footwear specialist retailers. However, for luxury shoppers the department stores have still been the main channels of purchasing as 70 % of the luxury products are bought in the department stores.

For smaller footwear firms and designers the delivery requirements and lot sizes of large keiretsu companies and distributors might be challenging or even impossible to meet. Hence, these Portuguese brands should consider other distribution channels than keiretsu as for the market entrance. Due to the importance of personal relationships and owner-managed structure, the selected shops could be contacted personally with the help of AICEP or via distributor's network. Typically the selected shops are smaller and relevant choices for small or medium sized businesses who do not seek such high market shares as big companies. Also, those shops may help targeting special or unique consumer groups.

Bigger Portuguese footwear companies that have established delivery structure and possibility to manufacture large amounts, keiretsu offers bigger market share possibilities. However, knowing the complexity of the keiretsu system, fast timelines in consumption and the continuous increase in online sales, the options should be carefully viewed with the importer.

All in all, having various types of distribution can add value to the company. Ecommerce is an additional and increasingly popular alternative. However, Ms. Maekawa from AICEP Tokyo agrees with the previous research that the Portuguese footwear brands should first find the importers in Japan. Online presence can be viewed later on with the distributor once the company has an established distribution structure in Japan.

8.3.6 Geographical location and supply chain management

Due to the flourishing retail landscape, the most interesting region for footwear companies to enter is Tokyo. Known as one of the top fashion cities in the world and base for the major distributors, Tokyo offers Portuguese footwear companies broad opportunities to expand business. Especially the famous shopping district of Ginza should be highly potential for the Portuguese footwear. The urban lifestyle, favorable weather conditions, consumer preferences and purchase power of Tokyo citizens support the strategy to begin exporting to the capital area as a pilot market. Other favorable cities and metropolitan areas can be explored with the distributor later on while considering the footwear type, shops and similar products in the market area. Based on the research of different regions' characteristics and business opportunities, it is suggested to look at Hokkaido Island, Osaka and Kyoto due to their growing tourism, business hubs and strong retail sector.

In terms of logistics, Tokyo is one of the biggest transport hubs in Japan. Organizing the logistics decisions depend on the chosen distributor. If the distributor is a wholesaler that can carry own stock and sell from there, the Portuguese company can export bigger bulks of goods to Japan in the same delivery. That will save the Portuguese footwear company in costs of logistics and it is the easiest way to deliver goods in to Japan. It is important to remember that the stocks run out fast in Japan which means faster re-stocks. Typically, the stores do not have large storage spaces and therefore make daily purchases to only fill the daily need of goods. That means multiple, daily sales orders to the supplier. To fulfill the Japanese need of accurate, complete and fast deliveries, the Portuguese footwear company must be able to manage its own storage and conclude a good distribution strategy for exporting. In case of high demand, the Portuguese company could even consider local or nearby warehousing in Japan. That way it can serve the Japanese clients and distributors better and be more accurate with the daily or weekly orders and send small bulks instead of one big seasonal pre-order to cover all Japanese purchases. However, this may not be necessary for smaller and medium size designers as the distributors carry stock to some extent. The key is to answer to the demand quickly with flawless deliveries and keep active in communication with the Japanese distributor.

During the surrounding COVID-19 epidemic, the supply chain management has been a recurring topic. Keeping the chain as short as possible is more important than ever due to the continuous limitations in resources and transportation on a global-scale. World Footwear (2020) listed in its article *"Footwear consumption to decline 22.5% in 2020 as supply chain gets re-organised"* three different scenarios that might occur in the footwear industry. Less than one in five of the World Footwear experts believed the epidemic will have no impact on the location of footwear production, unchanging the supply chain. Others split almost equally between the option that firms will prefer to disperse production by

different countries, diversifying the supply chain to minimize the risk of disruption in their supply chains, and the possibility that firms will prefer to locate production close to the consumer markets, shortening the supply chain. This means once the Portuguese company is well established in Japan, more efficient options like warehousing and local manufacturing can be previewed.

8.3.7 Step-by-step guide for successful distribution

“Anyone can start a brand but if you are stocked by a retailer, they are saying they believe in your product and business” said Ken Ohashi, President of International and Global Retail at Authentic Brands Group (BOF, 2020). It describes well the mechanics of how to get the products through in Japan – via network, convincing them to work with the company and sell the brand’s products.

To sum up, direct exporting and contracting with a Japanese distributor enables Portuguese footwear companies to enter the Japanese market with a lower risk and costs as well as with a higher success rate, giving the company an opportunity to expand nationwide. This method offers various advantages for less experienced companies as the distributor will act as a strategic partner in the Japanese market, using its knowledge and connections to promote the products in the right channels. The steps for the Portuguese footwear firms are as follows:

- 1) The manager or the head of sales must contact the Japanese distributor with the help of AICEP Tokyo or a commercial distribution expert like The Japan Distribution Experts. Selection of various importers in the Japanese footwear industry can be found in the list in Appendix N provided by AICEP Tokyo. Once the COVID-19 restrictions allow again, professional exhibitions are an effective channel to connect with possible partners and distributors, also due to the importance of face-to-face business in Japan. The industry fairs in Japan and Europe can be attended together with APICCAPS
- 2) To plan a distribution strategy, see the 6 C’s strategy presented in Chapter 7.4.5 – *Planning an effective distribution strategy*
- 3) When choosing the most interesting distributors to work with the Portuguese company should take into account the brands the distributor already carries with similar positioning, who they sell to and with what volume, location, reputation and size of the distributor
- 4) Make a personal visit to the most potential distributors. Pay attention to those who will give priority and needed resources for the brand in order to sell the goods
- 5) Be well prepared for the negotiations and meet only a few carefully selected, potential partners
- 6) Convince the distributor to cooperate with the brand and close a contract according to the instructions presented in this study (see Chapter 8.3.4 – *Selling to the desired distributors*)
- 7) Keep certain control over the activities of the distributors, set standards of performance to them and follow up with frequent communication (see Chapter 7.4.7 – *Channel management*)

- 8) Appoint a key-point-of-contact for the Japanese distributors and familiarize to the Japanese business culture, philosophy and way of living briefly described in this study
- 9) Make constant market research with the help of the distributor and other local partners and take customer feedback seriously and as a crucial part of product development
- 10) Keep the distributor motivated in promoting the company's products. Building a strong and close long-term relationship with the dedicated sales person and team in the distribution company is the key to ensure the products are being marketed now and in the future (see Chapter 7.4.7 – *Channel management*)

To get any further support, AICEP Portugal, AICEP Tokyo, APICCAPS, JETRO and the Japanese Chamber of Commerce are crucial institutions that would help in the effectiveness of the internationalization strategy.

8.4 Promotion

Japanese marketing has gone through various stages of development to what it is today and it has been influenced by American and Western marketing concepts. However, those styles have been “*Japanized*” in order to create unique marketing philosophy that fits the Japanese values and beliefs.

Customer service, product quality and after-sales service are the three pillars of Japanese marketing. Instead of forcing products upon customers, in Japan the companies' focus should be on building trust and long-term relationships. Similarly to domestic companies in the market, the Portuguese firm must be willing to go the extra mile to fulfil the customer demands while maintaining active communication between different divisions inside the company. The same safety feeling that the customers seek, is important between the distributor and the Portuguese footwear company as well. This means that the possible issues must be tackled immediately.

8.4.1 The consumer groups to target

With Japanese consumers becoming less homogenous, companies have had to adapt to the demographic changes and learn to market products to specific niches, segments and social groups. The most notable groups for Portuguese footwear to obtain are young working women, single men in their 20's to 30's, elderly retirees and aging baby boomers known as the “silver” market.

According to various sources, the increasing group of single working women is regarded as the key consumer group in Japan for luxury and fashion. As mentioned previously, most of this consumer group

earn healthy sums of money from working and still live with their parents. It is why they have a considerable disposable income that is often spent on indulgences and luxuries such as travel, fashion, brand products, beauty and health. The change in traditional roles has boosted the financial independence of Japanese women and has even led to development of distinct group of young working women whose levels of consumption are very high. Therefore, they should be the main target for new product development and marketing strategies even for Portuguese firms famous of high fashion women footwear.

Another newly established, prominent consumer group for Portuguese footwear is the new silver group. These generally well educated people have both time and money to spend, and they tend to invest on health, fashion, vacation packages, magazines and other products that are tailor-made just for this segment. Therefore, companies should think of the nature of their marketing activities when to attract this target group.

8.4.2 Marketing channels

In regards of targeting consumers, the Portuguese footwear firm should always be in charge and aware of how the brand is marketed, to whom and for what price. So even if the distributor is strongly involved in the Portuguese footwear brand's advertising in Japan, it is important to keep control of the campaigns and not give too much freedom to the distributor while still listening to his opinions about the best practices in the market.

According to the findings in this research, the most optimal channel to market the Portuguese shoes in Japan would be articles, editorials or other visibility in fashion, trend and lifestyle magazines directed to the targeted consumer group. As said before, Japanese are still quite traditional in consuming print media because it is commonly considered as the most trustful media. Another potential channel would be the Japanese influencers and public figures. Those on Instagram as well as actresses, TV journalists, athletes, pop stars, etc. Influencer and other type of collaboration has been experienced highly effective with the market leaders like Nike, Adidas and Asics but also with smaller design brands. It can boost the company's name and brand awareness within the targeted audience and at best lead into immediate and huge success. This type of publicity would give a beneficial kick start for the Portuguese brand in the new market. Use of influencers should be carefully considered though so that the chosen figure supports the brand image and values.

Doing collaboration and being tagged with Japanese fashion or accessory brand could be an interesting choice for a marketing campaign. Suitable brands for this type of co-branding should be explored together with the distributor, APICCAPS, AICEP Tokyo, or another commercial partner in

Japan. Visiting Japan and getting to know the brands in the market is as important. Fashion week and fashion shows would be a way to get products visibility and find partners to work with.

Generally, the marketing should be directed to the area where the products are available on that moment but to invest in the online store availability as well. As seen during the COVID-19 epidemic even luxury brands like Versace are diminishing their stand-alone stores and focusing on online sales instead. The right ecommerce platforms in the Japanese market for the particular shoes category should be analyzed with the chosen importer as online channels tend to change like fashion depending on the country, segment and time. At the moment, ecommerce sites like Farfetch, Locondo, Zozo Town or Amazon could be some of the options for online sales in the Japanese market.

Adding Japanese language to the Portuguese company’s website to serve potential Japanese visitors might not be necessary. Translations for different marketing channels are normally coordinated with the Japanese distributor who usually takes care of the translations. Often they will even create a website in Japanese language to promote the company’s products. Figure 8.5 below shows an example of a site created by a Japanese importer of leather goods for one of its clients.

Figure 8.5 – Example of a promotional website created by Japanese importer



Source: The Japan Distribution Experts

8.4.3 Brand story and values

The overall focus on the promotion should be in the brand story and experience. The Portuguese footwear company should promote its a) roots b) values c) manufacturing and craftsmanship d) labels and/or indicators of quality. Today's Japanese consumers value real life stories, authenticity and experiences. There is an apparent movement from consumers following big, well established company names to appreciating smaller brands and products with unique message. This trend is especially present within the younger consumer groups that are important customer segments for the Portuguese footwear in Japan. Sustainable and honest values direct consumer decision making process today. A purchased product means a lot more to the consumer than what it was originally made for. The product tells a story of the company, in what it believes in and most importantly indicates others the status, interests and values of its user.

To Japanese, quality, comfort and long product-life are more important than the price. In fact, price is not the only indicator of quality anymore but marks the category the company and its products are perceived. As a foreign company to the Japanese market, the Portuguese footwear should be marketed as sophisticated, high-quality shoes – leaving some clever features for the consumers to figure out. However, when promoting the origin of the country it might be a good idea to use facts that the Japanese consumers already know about Portugal. This makes the adaptation faster and does not interfere Portugal with its main competitors in South of Europe – Italy or Spain. Being a small but very unique Western country from Europe with adjustable manufacturing, modern solutions, creative designing and tailored services, makes Portugal very special to the Japanese market. The history of Portuguese footwear manufacturing shall not be forgotten either when building the image of Portuguese footwear. Presenting its significant role in the European footwear industry and spelling out its competitive advantages of exclusivity and responsiveness, should be on the focus. As said in Portuguese Soul, a project ran by APICCAPS to support and promote the Portuguese high fashion footwear on the global market, it is all made for love. Love for the industry and its many talents. Having that Portuguese soul and carrying a young, sexy and urban image, is a proof of “*made in Portugal*”. More information about the project, its editorials and articles can be found here: <https://portuguesesoul.com/>.

CHAPTER 9: CONCLUSIONS

The aim of this project was to research the key elements for successful market entry strategy to Japan as a case study for Portuguese footwear. Firstly, the Japanese market was analyzed and a deeper understanding on consumers' values and business culture was developed. Considering that one of the main constraints for Portuguese footwear in Japan has been to define the right distribution channels, that became the main objective to research in this study.

As shown by many examples, expanding to the Japanese market is found challenging but very rewarding if done right and with patience. Globalization has led in to a sharp increase in trade, but traditionally the complex distribution structure that favors the local companies in Japan has made it difficult for foreign firms to enter the market. However, the newly established open trade zone between Japan and the European Union will certainly strengthen the commercial acts of the Portuguese footwear firms in various ways. The high tariffs applied to European Union originating footwear entering Japan will be diminished over the next years which will mean significant and even immediate gains especially for the Portuguese leather footwear, hides and skins. In addition to better margins, the change in regulation will allow Portuguese companies to set more competitive pricing on the market and enable more effective distribution.

Even though many global firms experiment trends and designs in Japan in a relatively controlled manner, the company should be fully prepared and committed to the Japanese market once stepping into it. Various sources agree Japan is not a market to go try out how it works but to really commit and invest in both time and financial resources. Due to the significant differences in culture and lifestyle, a two years pre-entry step becomes crucial in the business model for Portuguese companies. That includes visiting the professional fairs and expositions in both Europe and Japan, doing a deep and continuous research on the market and being informed about the fashion trends in the Japanese footwear industry throughout magazines, forums and consumers' reviews between others. Once the Portuguese footwear company has an established process and capability to respond to a high and prompt demand, the exact strategic actions to start with the export to Japan are a) define its brand marketing strategy and product portfolio for the market, b) organize the company's human resources to have a dedicated person to contact and deal with the Japanese distribution, c) choose the right distributor in the Japanese market, d) set a pricing strategy and financial projections according to the market potential and markups while comparing to the competitors' pricing, e) develop a plan for the distribution process keeping the channel length as short as possible, and finally f) focus on a constant product development with designers and manufacturing to meet the consumer demand and trends. This study gives guideline to all above mentioned steps.

Japanese business style is significantly different from the one of the Western countries. While Westerners focus on making profits, Japanese aim at building trust and long-term relationships with the consumers as well with partners. De Mente (2006: 88) refers: *“The personal nature of business in Japan, the role of long-term connections in getting in to see the right people and getting things done, the subtle nuances of business relationships, the list of dos and don’ts, and the experience necessary to maneuver one’s way through the protocol and maze of the Japanese system are not something that one picks up overnight.”* As explained in this study, some of the most damaging cultural issues to avoid are appearances of racial or cultural superiority, failure to pay proper respect to Japanese customs and beliefs, and failure to express appreciation when it is due. It is crucial for the foreign counter part to actually know the Japanese etiquette system and what is a proper level of language for each individual. It became obvious in this project that doing comprehensive research, using local assistance and contacts, and respecting the Japanese protocol are the keys to the success but also the most common points for failure in the market. Most importantly, the Portuguese footwear brand must make a firm, long-term commitment to succeed in Japan and not give up on the first setback. Trust and loyalty are important aspects in the Japanese system and take years and a lot of investment to develop.

Those factors above are the very reasons why the choice of a distributor plays such a crucial role in the market entry plan. Because of the more intuitive approach in the Japanese business culture, the Portuguese company should pay careful attention to choosing the right partner to work with in distribution because it might be even impossible to change afterwards. The tight connections in the Japanese distribution system may tarnish the reputation of the Portuguese brand if it fails to do business with one Japanese company. Also, the Portuguese firm’s margins can drop tremendously with a wrong distributor. Japanese are perceived skeptical towards new, foreign firms entering the market and therefore finding a proper distributor that carries similar products in its portfolio might be hard to find. However, an experienced distributor specialized in imports gives various benefits to a company new to the Japanese market while using its connections, knowledge and language skills. The Portuguese footwear company could select potential distributors for its shoe category from the list of importers working with AICEP Tokyo (Appendix N) or contact a commercial distribution specialist such as The Japan Distribution Experts to assist in finding suitable distributors for imported products, and cooperate with parties like APICCAPS, AICEP Portugal, AICEP Tokyo, JETRO and Japanese Chamber of Commerce.

In terms of location, Tokyo is one of the leading fashion markets in the world and therefore a natural starting point for Portuguese shoes. The city follows the newest trends but also generates ones. It is a home of the major distributors in the fashion and footwear industry and one of the biggest transportation

hubs in Japan. Concerning the consumer profile, women are gaining an important and powerful role in the Japanese economy. In fact, “*the single working women*” is regarded as one of the most profitable consumer groups to target due to their strong purchase power, interest and high spend in latest fashion trends. It is the main target group for Portuguese footwear of which largest category is women’s shoes. Another interesting consumer segment would be the elderly citizens who are the majority in population. Because Japanese enjoy an active lifestyle and seek to invest in wellbeing, the quality comfort shoes are still the largest footwear cluster in footwear consumption in Japan. Not to forget the country’s luxury shoppers who are some of the biggest in the world. As a conclusion, after a successful entry to Tokyo, the Portuguese company should expand its product offering to other Japanese regions with the help of the distributor’s communication channels and a diversified distribution infrastructure. Thus, the company should preferably select a distributor that has nationwide connections. Online presence should be viewed with the importer after firm establishment in the market by contacting the popular ecommerce platforms in Japan, some listed in this research.

To successfully promote footwear in the Japanese market, it is important to create a solid marketing strategy around the brand story that articulates the roots, vision, advantages and values of the company. Starting with promotional materials and products, all the operations from quick deliveries and fast responsiveness to solution-orientated client service should meet the highest standards of quality-centric consumers in Japan. In terms of concrete marketing efforts and adapting those to the local needs, small Portuguese designers should trust and give authority to the distributors but keep control over how the brand is marketed and to which segments. The local distributors have the best knowledge of the market peculiarities to build brand and market share in the most effective manner. Hence, the most important marketing task for the Portuguese firm is to convince the chosen distributor about its products and brand. This research presents some of the key points for successful agreements. Furthermore, the paper briefly explains the most common marketing channels to consider.

Portuguese footwear, known for its high quality, enjoys several factors that the Japanese consumers value – it is innovative, flexible, unique and urban. The project *Portuguese Soul* ran by APICCAPS was found particularly valuable for the Portuguese brands in Japan due to the deep nature of the campaign that combines well with the Japanese philosophy in both content and visuality. Another advantage for Portuguese footwear companies is the fact that Japanese consumers are becoming more open to foreign products as a result of growing globalization, increasing travel and high consciousness. Strong individualism drives consumers looking for specialties in today’s Japan. Instead of purchasing from only big, well-known corporates, especially younger consumers value smaller but exclusive brands. This pushes to the direction of positive results when the Portuguese company finds itself ready to obtain the market.

This thesis reveals the key decision points Portuguese footwear firms must consider when planning to enter the Japanese market and provides guidelines in assistance. The literature and research data included sources from Japan and beyond. The limitations associated with this study are mainly concerning time and the fact that the project was conducted in Portugal and not in Japan even though local sources were being used. The study is strongly focusing on to explain the distribution in the Japanese footwear sector and it is written from the perspective of Portuguese footwear companies. However, it can serve other European footwear firms too to some extent since the study is limited to the analysis of an industry instead of a specific firm. Therefore, the results of the market entry contain only cultural, industry and institution perspective, not financial or other resources related.

In every project there are unforeseen and uncertain situations that might alter the way things occur and therefore there is a need to change the plans and adapt to new circumstances (Brown & Hyer, 2010). The historic COVID-19 epidemic has made it challenging to predict some of the trends that might occur, especially in the popularity of sales channels and the rapidity and strength of digitalization in the industry. During the time this study was carried out, there was discussion of changing supply systems, growing localization and increasing digitalization as a result from the global pandemic. Another aspect to consider is the positive influence of the recent EPA agreement which is most likely to ease the foreign companies' stand in Japan, shorten distribution channels and change pricing strategies for those companies.

As it is typical for a descriptive qualitative study, the opinions and views of the researcher in the conclusions and recommendations of this research are indirectly embedded. However, the analysis intends to use the latest data available, adjusted to the possible impact of COVID-19, while comparing to the events in the past. Hereby, the study and given instructions are found to be beneficial for the industry. Suggestions for further research would be to analyze the impact of the COVID-19 crisis to the industry, focus on footwear distribution specifically, perform a deeper analysis of marketing communications in Japan, create an entry strategy for a specific footwear firm, conduct a similar study with a local resource in Japan, or develop a research that would compare the views of Portuguese and Italian footwear companies already operating in Japan.

BIBLIOGRAPHY

- Agarwal, S. & Ramaswami, S.N. (1992). *Choice of Foreign Market Entry Mode: Impact of Ownership, Location, and Internalization Factors*. Journal of International Business Studies. DOI: <http://dx.doi.org/10.1057/palgrave.jibs.8490257>
- APICCAPS. 2018. *Facts & Numbers – Portuguese Shoes*. Porto: Lusoimpress.
- APICCAPS. (n.d.). *Portuguese Footwear, Components, Leather Goods Manufacturers' Association*. Retrieved from <https://www.apiccaps.pt/apiccaps/about-us/123.html>
- APICCAPS. 2017. *Statistical Study – Footwear, Components and Leather Goods*. Porto: CEGEA.
- APICCAPS. 2019. *World Footwear Yearbook*. Porto: CEGEA.
- Betros, C. (2012, December 17). *Inside the world of advertising in Japan*. Japan Today. Retrieved from <https://japantoday.com/category/features/executive-impact/inside-the-world-of-advertising-in-japan>
- Bloomberg (2007, May 7). *Testing What's Hot In The Cradle Of Cool*. Bloomberg Businessweek. Retrieved from <https://www.bloomberg.com/news/articles/2007-05-06/testing-whats-hot-in-the-cradle-of-cool>
- Bohdanowicz, J. & Clamp, L. (1994). *Fashion marketing*. London: Routledge.
- Brouthers, K.D. (2013). *Institutional, cultural and transaction cost influences on entry mode choice and performance*. Retrieved from <https://www.jstor.org/stable/23434098>
- Brown, K.A. & Hyer, N.L. (2010). *Managing Projects: A Team-Based Approach*. McGraw Hill. ISBN: 13: 978-0-07-295966-6.
- Canabal, A. & White, G.O. (2008). *Entry mode research: Past and future*. DOI: 10.1016/j.ibusrev.2008.01.003
- Cateora, P.R., Money, R.B., Gilly, M.C. & Graham, J.L. (2016). *International Marketing* (18th ed.). Kindle Version. Dubuque: McGraw-Hill Education.
- Cerini, M. (2019, June 13). *Why the Japanese Market Is Rebelling Against Formal Shoes*. Footwear News. Retrieved from <https://footwearnews.com/2019/business/features/japan-consumer-market-sneaker-casual-trend-1202790834/>
- Chitrakorn, K. (2017, November 16). *Japan's Luxury Market Enters a New Era*. Business of Fashion. Retrieved from <https://www.businessoffashion.com/articles/global-currents/japans-luxury-market-enters-a-new-era>
- Danforth, C. (2015). *Japanese New Balance Experts weigh in on the country's unique sneaker culture*. Highsnobiety. Retrieved from <https://www.highsnobiety.com/2015/11/11/new-balance-japan-interview/>
- Davies, R.J. & Ikeno, O. (2002). *The Japanese Mind. Understanding Contemporary Japanese Culture*. Tuttle Publishing.
- De Pelsmacker, P. & Van den Bergh, G., M. & J. (2004). *Marketing Communications – A European Perspective* (2nd ed.). Pearson Education Limited.
- Doole, I. & Lowe, R. (2008). *International Marketing Strategy – Analysis, development and implementation* (5th ed.). South-Western Cengage Learning.
- Eriksson, P. & Kovalainen, A. (2008). *Qualitative Methods in Business Research*. SAGE.
- Euromonitor International. 2018. *Footwear in Japan*.
- European Commission. 2020. *Sectoral Study: Impact of the EU-Japan Economic Partnership Agreement on the Leather Products Market in Japan*. Luxembourg. Publications Office of the European Union. DOI: 10.2826/818502 EA-04-20-039-EN-C
- Euro-Technology Japan. 2020. *Japan market entry: why can business in Japan be difficult?*. Retrieved from <https://www.japanstrategy.com/business-in-japan/>
- Giacomel, A.G. (2009). *Successful luxury marketing in Asia – Value perception of high-end mechanical watches in the Japanese market* (pp. 3-15-65).
- Gray, D.E. (2009). *Doing Research in the Real World*. London: SAGE.
- Grünig, R. & Morschett, R. (2012). *Developing International Strategies*. DOI: 10.1007/978-3-662-53123-5

- Haghirian, S., (Ed.). (2009). J-Management. *Fresh Perspectives on the Japanese Firm in the 21st Century* (pp. 180-203). Tokyo: iUniversity Publishing.
- Hartungi, R. (2006). *Could developing countries take the benefit of globalization?*. International Journal of Social Economics. DOI: [10.1108/03068290610705652](https://doi.org/10.1108/03068290610705652)
- Herbig, P. (1997). *Handbook of Cross-cultural Marketing*. Retrieved from <http://books.google.fi>
- International Trade Association USA. (2020). *Japan – Country Commercial Guide*. Retrieved from <https://www.trade.gov/knowledge-product/japan-market-entry-strategy>
- Janssen, O. (2004). *The bright and dark sides of individual and group innovation: a Special Issue introduction*. John Wiley & Sons, Ltd.
- Japan External Trade Organization (JETRO). (2011). Development Cooperation Division, Trade And Economic Cooperation Department. *Guidebook for Export to Japan 2011*. Tokyo: Japan External Trade Organization (JETRO). Retrieved from https://www.jetro.go.jp/ext_images/en/reports/market/pdf/guidebook_apparel_products_materials.pdf
- Japan-guide.com. 2020. Retrieved from <https://www.japan-guide.com/list/e1105.html>
- Japan Times. (2020, Oct 9). *Bank of Japan upgrades assessments on eight of nine regional economies*. Retrieved from <https://www.japantimes.co.jp/news/2020/10/09/business/economy-business/bank-of-japan-upgrades-assessments-regional-economies/>
- Johanson, J. & Vahlne, J-E. (1990). The mechanism of internationalization. *International Marketing Review*, 7(4).
- Johanson, J. & Vahlne, J-E. (2009). 'The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership.' *Journal of International Business Studies*, 40(9): 1411-1431.
- Kawaguchi, T. (2019, November 4). *Top 5 Social Media Platforms in Japan 2019*. Btrax. Retrieved from <https://blog.btrax.com/japan-social-media-usage-statistics/>
- Kotler P. & Armstrong G. (2014). *Principles of Marketing*. New Jersey: Pearson Education, Inc.
- Kotler, P & Keller, K.L. (2008). *Marketing management* (13th ed.). Pearson Prentice Hall.
- Lafayette De Mente, B. (2006). Business guide to Japan. *A Quick Guide to Opening Doors and Closing Deals*. Kindle Version. Vermont: Tuttle Publishing.
- Lane (2007). *IKEA's Failure of Japan*. Bartleby research. Retrieved from <https://www.bartleby.com/essay/Ikea-s-Failure-Of-Japan-FKDNCVQKQFV85>
- Levens, M. (2012). *Marketing: Defined, Explained, Applied*. New Jersey: Pearson Education, Inc. Publishing Prentice Hall
- Luostarinen, R. (1980). *Internationalization of the firm: an empirical study of the internationalization of firms with small and open domestic markets with special emphasis on lateral rigidity as a behavioral characteristic in strategic decision-making* (2nd ed.). Helsinki: Helsinki School of Economics.
- Luostarinen, R. & Welch, L. (1988). *Internalization: Evolution of a Concept*. Journal of General Management. DOI: [10.1177/030630708801400203](https://doi.org/10.1177/030630708801400203)
- Mcafee. (2003). Retrieved from <http://www.mcafee.cc/Papers/PDF/Barriers2Entry.pdf>
- McKinsey. (2010, March 1). *The new Japanese consumer*. Retrieved from <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/the-new-japanese-consumer>
- Mellahi, K., Frynas, G. & Finlay, P.N. (2005). *Global Strategic Management*. Oxford University Press.
- Moberg, P. & Cederholm, K. (2009). *Etiquette and communication in Japan* (2nd ed.). Uppsala: Uppsala Publishing House.
- Nago, M. (2019, February 5). *Japan's new luxury consumer*. Vogue business. Retrieved from <https://www.voguebusiness.com/consumers/japan-new-luxury-consumer-millennials>
- Oviatt, B. & McDougall, P. (1994). *Toward a Theory of International New Ventures*. J Int Bus Stud 24, 45-64. <https://doi.org/10.1057/palgrave.jibs.8490193>
- Paticha, P. (2017, September 19). *The Japanese Way of Marketing Products People Love*. Retrieved from <https://blog.btrax.com/the-japanese-way-of-marketing-products-people-love/>

- Peng, M.W. (2009). *Global strategy* (2nd ed.). Mason, Ohio: South-Western/Cengage Learning.
- Petersen, B. & Pedersen, T. (2001). *The Role of Knowledge in Firms' internationalization Process: Wherefrom and Whereto?*. Copenhagen Business School.
- Portuguese Soul. (n.d.). *Portuguese Leather Industry in Numbers*. September, 2020. Retrieved from <https://portuguesesoul.com/2020/09/08/portuguese-leather-industry-in-numbers/>
- Serita, V., Pöntikoski, E., Mallenius, S., Leikos, V., Villberg, K., Rinne, T., Yppärilä, N. & Hurme, S. (2009). *Marketing Finnish Design in Japan*. Helsinki: HSE Print.
- Statista (n.d.). 2020. *Footwear Japan*. Retrieved from <https://www.statista.com/outlook/11000000/121/footwear/japan?currency=eur#market-luxuryRevenueShare>
- Statista (n.d.). (2020). *Footwear Report 2020*. Retrieved from <https://www.statista.com/study/55485/footwear-report/>
- Statista Research Department. (2020, September 29). *Major ad agencies Japan 2019, based on sales revenue*. Statista. Retrieved from <https://www.statista.com/statistics/1009998/japan-leading-advertising-agencies-by-sales/>
- Statistics Bureau of Japan. (n.d.). 2020. Retrieved from <https://www.stat.go.jp/english/>
- Statistics Bureau of Japan. 2020. *Statistical Handbook of Japan 2020*. Retrieved from <https://www.stat.go.jp/english/data/handbook/c0117.html#c02>
- Statistics of Japan. (n.d.). (2020). e-Stat: Portal Site of Official Statistics of Japan. Retrieved from <https://www.e-stat.go.jp/en>
- Strauss, A., & Corbin, J. M. (1990). *Basics of qualitative research: Grounded theory procedures and techniques*. Sage Publications, Inc.
- Taylor, S. J., & Bogdan, R. (1998). *Introduction to qualitative research methods: A guidebook and resource* (3rd ed.). John Wiley & Sons Inc.
- The Japanese Distributors. *7 Keys For Unlocking The Japanese Market*. What Every Foreign Company Needs to Know About Selling Their Products in Japan. Data Meridian Research, Inc.
- The Japanese Distributors. *14 Things You Need To Know About Distribution In Japan*. Data Meridian Research, Inc.
- Tobin, J.J., (Ed.). (1992). *Re-made in Japan. Everyday life and and consumer taste in a changing society*. Creighton, M.R. *The Depato: Merchandising the West While Selling Japaneseness*. Yale University.
- Tomlinson, J. (1999). *Globalization and Culture*. University of Chicago Press.
- Trading Economics. 2020. Retrieved from <https://tradingeconomics.com/japan/gdp-growth-annual>
- Usui, K. (2014). *Marketing and Consumption in Modern Japan*. Routledge Taylor & Francis Group Publishing.
- Wijers-Hasegawa, Y. (2006). *Sweden's IKEA back in Japan after 20-year hiatus*. Japan Times. Retrieved from: <https://www.japantimes.co.jp/news/2006/04/25/business/swedens-ikea-back-in-japan-after-20-year-hiatus/#.Xlkij5P7R-U>
- World Footwear. 2020. European Union. *EU-Japan EPA: a practical guide for footwear companies*. Retrieved from <https://www.worldfootwear.com/news/eujapan-epa-a-practical-guide-for-footwear-companies/4445.html>
- World Footwear (2020, May 4). *Footwear consumption to decline 22.5% in 2020 as supply chain gets re-organised*. Retrieved from <https://www.worldfootwear.com/news/footwear-consumption-to-decline-225-in-2020-as-supply-chain-gets-reorganised/4867.html>
- Yin, R.K. (2003). *Case study research design and methods* third edition. *Applied social research methods series* (5th ed.).
- Zahra, S.A., Ireland, R.D. & Hitt, M.A. (2000). *International expansion by new venture firms: International diversity, mode of market entry, technological learning, and performance*. DOI: [10.2307/1556420](https://doi.org/10.2307/1556420)
- Zhao, X. & Decker, R. (2004). *SMEs' Choice of Foreign Market Entry Mode: A Normative Approach*. Department of Business Administration and Economics. Bielefeld University. Germany.

APPENDICES

Appendix A – TOP 10 exporters of waterproof footwear in 2018

COUNTRY	\$ (MILLIONS)	WORLD SHARE	PAIRS (MILLIONS)	WORLD SHARE	AVERAGE PRICE
CHINA	654	41.4%	109	53.0%	\$5.97
ITALY	133	8.4%	14	6.6%	\$9.65
FRANCE	71	4.5%	5	2.6%	\$13.27
NETHERLANDS	61	3.9%	3	1.6%	\$18.76
PORTUGAL	47	3.0%	5	2.5%	\$9.03
HONG KONG	42	2.6%	2	1.0%	\$20.94
GERMANY	40	2.5%	3	1.4%	\$14.16
CANADA	32	2.0%	3	1.3%	\$11.90
UK	30	1.9%	1	0.7%	\$20.34
BELGIUM	29	1.8%	2	0.7%	\$19.03

Source: World Footwear Yearbook 2019

Appendix B – TOP 10 exporters of leather footwear in 2018

COUNTRY	\$ (MILLIONS)	WORLD SHARE	PAIRS (MILLIONS)	WORLD SHARE	AVERAGE PRICE
CHINA	9 079	16.5%	644	30.2%	\$14.10
ITALY	8 104	14.7%	110	5.2%	\$73.62
VIETNAM	6 421	11.7%	294	13.8%	\$21.83
GERMANY	3 662	6.6%	89	4.2%	\$41.13
INDONESIA	2 552	4.6%	131	6.1%	\$19.55
FRANCE	2 048	3.7%	28	1.3%	\$73.60
BELGIUM	2 012	3.7%	59	2.7%	\$34.30
PORTUGAL	1 981	3.6%	58	2.7%	\$34.09
INDIA	1 943	3.5%	127	5.9%	\$15.36
NETHERLANDS	1 830	3.3%	48	2.2%	\$38.15

Source: World Footwear Yearbook 2019

Appendix C – Contacts of Competent Authorities in Japan, 2011

Related regulations and control	Competent agencies	Contact/Website
Customs Tariff Act / Customs Act	Compensation and Operation Division, Customs and Tariff Bureau, Ministry of Finance	TEL: +81-3-3581-4111 http://www.mof.co.jp
Foreign Exchange and Foreign Trade Act	Trade Licensing Division, Trade Control Department, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
Wildlife Protection and Proper Hunting Act	Nature Conservation Bureau, Ministry of the Environment	TEL:+81-3-3581-3351 http://www.env.go.jp
Act on Domestic Animal Infectious Diseases Control	Animal Health Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL:+81-3-3502-8111 http://www.maff.go.jp
Act against Unjustifiable Premiums and Misleading Representations	Representation Division, Consumer Affairs Agency	TEL:+81-3-3507-8800 http://www.caa.go.jp
Act on Conservation of Endangered Species of Wild Fauna and Flora	Wildlife Division, Nature Conservation Bureau, Ministry of the Environment	TEL:+81-3-3581-3351 http://www.env.go.jp
Household Goods Quality Labeling Act	Office responsible for household goods quality labeling, Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan	TEL:+81-3-3507-8800 http://www.caa.go.jp
Act for the Control of Household Products Containing Harmful Substances	Chemical Hazards Control Office, Evaluation and Licensing Division, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare	TEL:+81-3-5253-1111 http://www.mhlw.go.jp
Act on Specified Commercial Transactions	Consumer Economic Policy Division, Commerce and Information Policy Bureau, Ministry of Economy, Trade and Industry	TEL:+81-3-3501-1511 http://www.meti.go.jp
Act on the Promotion of Effective Utilization of Resources /Law for Promotion of Sorted Collection and Recycling of Containers and Packaging	Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
	Office of Recycling Promotion, Policy Planning Division, Waste Management and Recycling Department, Ministry of the Environment	TEL:+81-3-3581-3351 http://www.env.go.jp

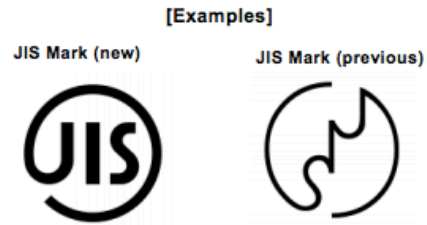
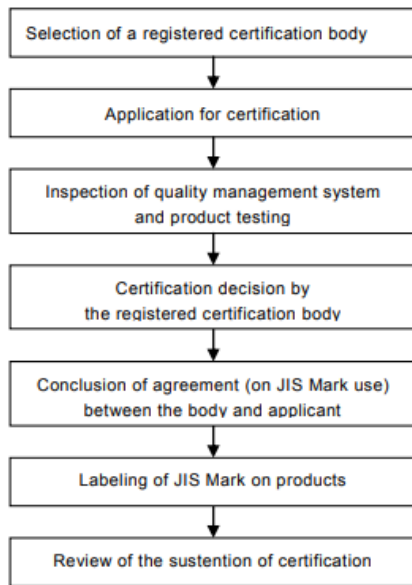
Source: JETRO

Appendix D – Required labeling items under Household Goods Quality Labeling Act

Item	Labeling requirements
Articles of apparel	1) Composition of fabric, 2) Instructions on the use of home clothes washers, etc. 3) Repellency, 4) Type of leather (limited to products partially made of leather material), 5) Name of the labeler and information contact (address or telephone number)
Articles of leather	1) Type of material, 2) Dimensions (gloves), 3) Precautions on handling, 3) Name of the labeler and information contact (address or telephone number)
Bag	1) Type of material, 2) Method of care and storing, 3) Name of the labeler and information contact (address or telephone number)
Footwear & shoes	1) Material of uppers (synthetic leather), 2) Material of sole (rubber, synthetic material, etc.), 3) precautions on handling, 4) Name of the labeler and information contact (address or telephone number)
Apparel materials (yarns, textiles, etc.)	1) Composition of fabric, 2) Name of the labeler and information contact (address or telephone number)

Source: JETRO

Appendix E – Process to obtain JIS Mark Certification



Contact: Conformity Assessment Division, Industrial Science and Technology Policy and Environment Bureau,
Ministry of Economy, Trade and Industry
TEL: +81-3-3501-1511

Source: JETRO

Appendix F – Contact List of Voluntary Labeling Organizers

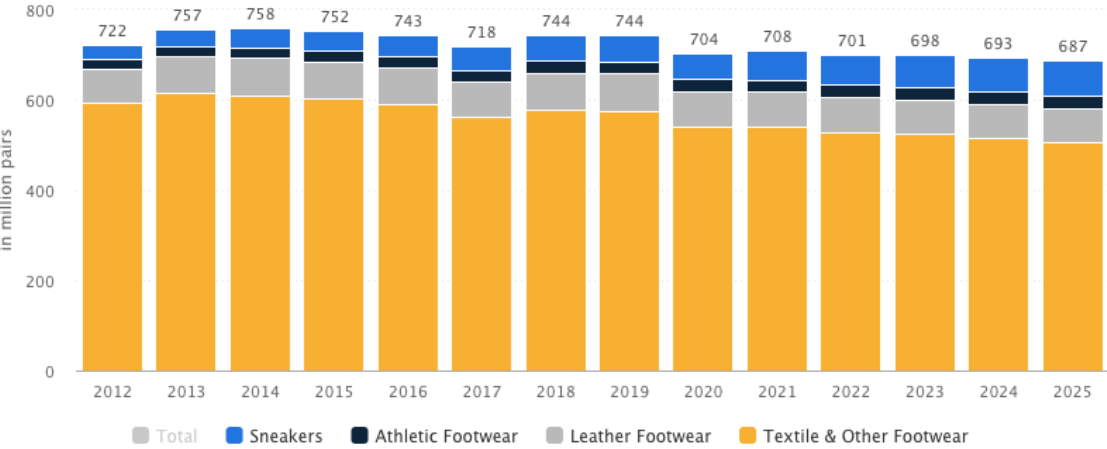
Labeling	Organizer	Contact	Items
Woolmark	Australian Wool Innovation Ltd. (AWI) Tokyo office	TEL: +81-3-3238-7151 http://www.wool.co.jp	Articles of apparel, apparel materials
Silk Mark, Japanese Silk Mark	Japan Silk Center	TEL: +81-3-3214-1691 http://www.silk-center.or.jp	Articles of apparel, apparel materials
JES labeling (Japan Eco Leather standards certification)	Japan Leather and Leather Goods Industries Association (JLIA)	TEL: +81-3-3847-1451 http://www.jlia.or.jp	Articles of apparel, articles of leather, bags, footwear & shoes
Voluntary JFA labeling	Japan Fur Association (JFA)	TEL: +81-3-3663-1120 http://www.fur.or.jp	Articles of apparel, articles of leather
Voluntary JLA labeling	Japan Luggage Association (JLA)	TEL: +81-3-3862-3516 http://www.kaban.or.jp	Bags
Voluntary JHA labeling	Japan Handbag Association (JHA)	TEL: +81-3-3851-5278 http://www.handbag.or.jp	Bags
Voluntary labeling of sporting goods	Association of Japan Sporting Goods Industries (JASPO)	TEL: +81-3-3219-2531	Articles of apparel, footwear & shoes
Voluntary JOCA labeling	Japan Organic Cotton Association (JOCA)	TEL: +81-3-3341-7200 http://www.joca.gr.jp	Articles of apparel, apparel materials

[Representation example]



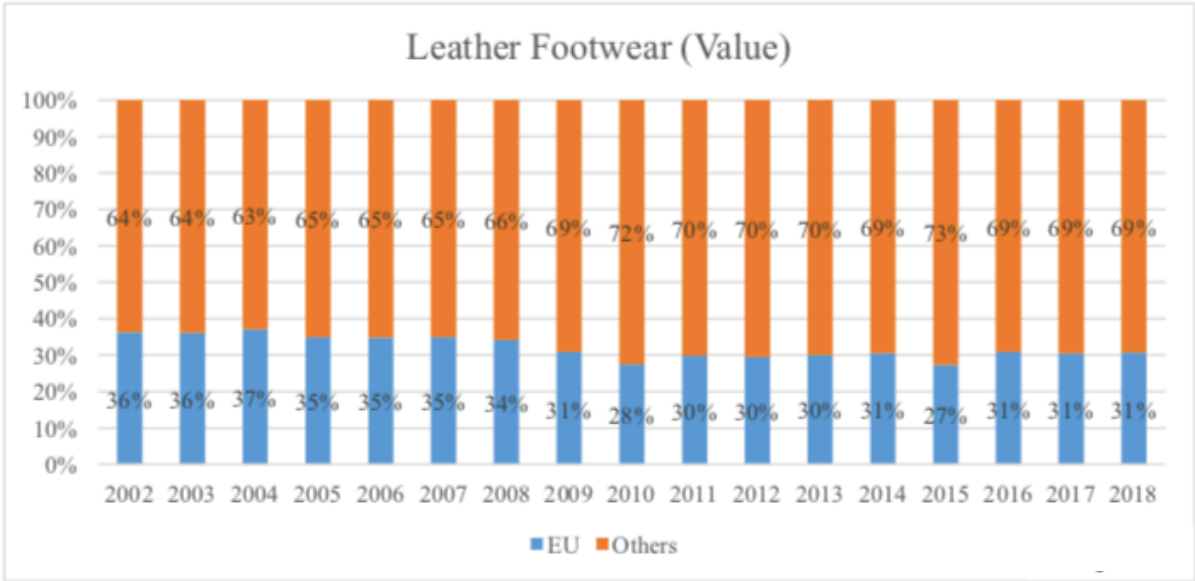
Source: JETRO

Appendix G – Footwear volume growth (in million pairs) in Japan, June 2020



Source: Statista

Appendix H – Leather footwear value in Japan from the EU



Source: European Commission, 2020

Appendix I – Leather footwear volume in Japan from the EU



Source: European Commission, 2020

Appendix J – LBN Brand Shares of Footwear between 2014-2017 (% value)

% retail value rsp Brand (GBO)	Company (NBO)	2014	2015	2016	2017
Nike (Nike Inc)	Nike Japan Co Ltd	5.9	7.5	7.0	8.2
adidas (adidas Group)	adidas Japan KK	6.0	6.1	6.4	7.6
Asics	Asics Corp	5.8	6.3	6.5	6.5
Mizuno	Mizuno Corp	3.3	3.3	3.4	3.4
New Balance (New Balance Athletic Shoe Inc)	New Balance Japan Inc	2.2	2.6	2.8	2.9
Puma (Kering SA)	Puma Corp	2.3	2.4	2.3	2.3
Clarks (C&J Clark International Ltd)	Clarks Japan Co Ltd	2.4	2.3	2.1	2.0
Danner (LaCrosse Footwear Inc)	ABC-MART Inc	1.8	1.8	1.8	1.8
G-Foot (AEON Group)	Gfoot Co Ltd	1.7	1.8	1.7	1.6
Achilles	Achilles Corp	1.5	1.5	1.5	1.4
Skechers (Skechers USA Inc)	Skechers Japan GK	1.1	1.1	1.0	1.0
Aoki (Aoki Holdings Inc)	Aoki Inc	1.0	1.0	1.0	1.0
Hermès (Hermès International SCA)	Hermès Japon Co Ltd	0.8	0.9	1.0	1.0
Tod's (Tod's SpA)	Tod's Japan KK	1.0	1.0	1.0	1.0
Reebok (adidas Group)	Reebok Japan Inc	0.8	0.8	0.8	0.8
Zara (Inditex, Industria de Diseño Textil SA)	Zara Japan Corp	0.7	0.7	0.7	0.8
Shimamura	Shimamura Co Ltd	0.7	0.7	0.7	0.7
Under Armour (Under Armour Inc)	Dome Corp	0.4	0.5	0.5	0.7
Salvatore Ferragamo (Salvatore Ferragamo SpA)	Ferragamo Japan Ltd	0.6	0.6	0.6	0.6
Prada (Prada SpA)	Prada Japan Co Ltd	0.6	0.6	0.6	0.6
Sanyo	Sanyo Shokai Ltd	0.6	0.6	0.6	0.6
Avail	Shimamura Co Ltd	0.6	0.6	0.6	0.6
Gap (Gap Inc, The)	Gap (Japan) KK	0.6	0.6	0.6	0.6
Gucci (Kering SA)	Kering Japan Ltd	0.4	0.5	0.5	0.5
Columbia (Columbia Sportswear Co)	Japan Inc				
Converse (Nike Inc)	Nike Japan Co Ltd	0.4	0.4	0.4	0.4
Haruyama	Haruyama Business Affairs Co Ltd	0.4	0.4	0.4	0.4
Miu Miu (Prada SpA)	Prada Japan Co Ltd	0.4	0.4	0.4	0.4
H&M (H&M Hennes & Mauritz AB)	Hennes & Mauritz Japan KK	0.4	0.4	0.4	0.4
Burberry (Burberry Group Plc)	Burberry Japan KK	0.0	0.2	0.4	0.4
Burberry (Burberry Group Plc)	Sanyo Shokai Ltd	0.5	0.2	-	-
Private label	Private Label	4.6	4.7	4.7	4.6
Others	Others	50.2	47.2	47.2	44.5
Total	Total	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Source: Euromonitor

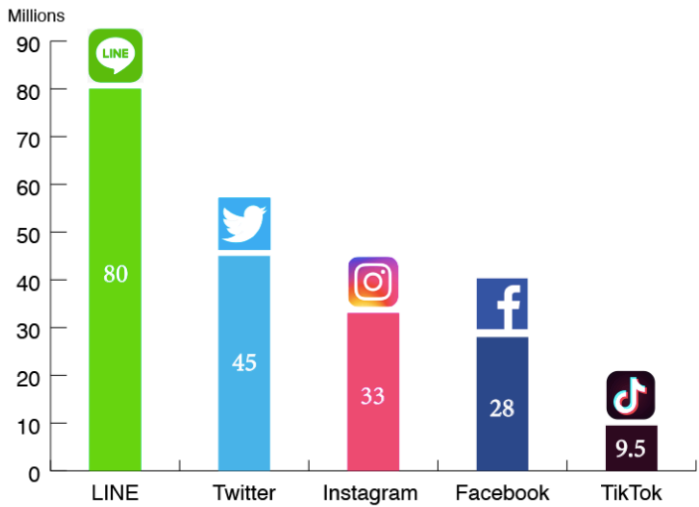
Appendix K – NBO Company Shares of Footwear between 2013-2017 (% value)

% retail value rsp Company	2013	2014	2015	2016	2017
Nike Japan Co Ltd	5.6	6.2	7.9	7.4	8.7
adidas Japan KK	6.0	6.0	6.1	6.4	7.6
Asics Corp	5.2	5.8	6.3	6.5	6.5
Mizuno Corp	3.4	3.3	3.3	3.4	3.4
New Balance Japan Inc	1.7	2.2	2.6	2.8	2.9
Puma Corp	2.4	2.3	2.4	2.3	2.3
World Co Ltd	2.5	2.4	2.2	2.1	2.0
Clarks Japan Co Ltd	2.4	2.4	2.3	2.1	2.0
ABC-MART Inc	1.6	1.8	1.8	1.8	1.8
Gfoot Co Ltd	1.7	1.7	1.8	1.7	1.6
Shimamura Co Ltd	1.6	1.5	1.5	1.6	1.6
Achilles Corp	1.5	1.5	1.5	1.5	1.4
Aoyama Trading Co Ltd	1.3	1.3	1.3	1.3	1.3
Onward Holdings Co Ltd	1.2	1.2	1.2	1.2	1.2
TSI Holdings Co Ltd	1.2	1.2	1.2	1.2	1.1
Skechers Japan GK	0.8	1.1	1.1	1.0	1.0
Aoki Inc	1.0	1.0	1.0	1.0	1.0
Hermès Japon Co Ltd	0.7	0.8	0.9	1.0	1.0
Prada Japan Co Ltd	0.9	1.0	1.0	1.0	1.0
Tod's Japan KK	1.0	1.0	1.0	1.0	1.0
Louis Vuitton Japan KK	0.9	0.9	0.9	0.9	0.9
Reebok Japan Inc	0.8	0.8	0.8	0.8	0.8
Zara Japan Corp	0.5	0.7	0.7	0.8	0.8
Gap (Japan) KK	0.7	0.7	0.7	0.7	0.7
Dome Corp	0.3	0.4	0.5	0.5	0.7
Ferragamo Japan Ltd	0.6	0.6	0.6	0.6	0.6
Sanyo Shokai Ltd	1.1	1.1	0.8	0.6	0.6
Kering Japan Ltd	0.5	0.5	0.6	0.6	0.6
Point Inc	0.5	0.5	0.5	0.5	0.5
Columbia Sportswear Japan Inc	0.4	0.4	0.5	0.5	0.5
Private Label	4.6	4.6	4.7	4.7	4.6
Others	45.4	42.9	40.3	40.6	38.0
Total	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

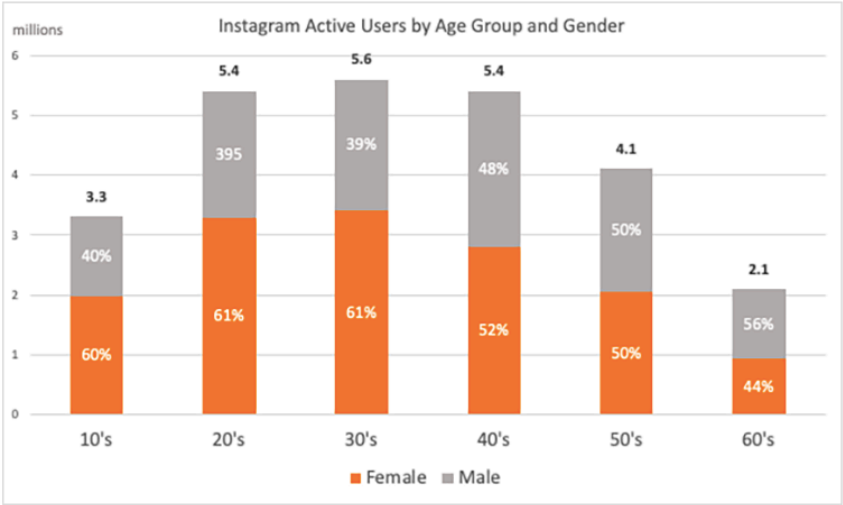
Source: Euromonitor

Appendix L – TOP 5 Social Media Platforms in Japan by Monthly Active Users (millions), 2019



Source: Btrax, Marketing in Japan

Appendix M – Instagram Active Users by Age Group and Gender (millions), 2019



Source: Btrax, Marketing in Japan

Appendix N – Contact list of importers in Japan

Source: AICEP Tokyo

	X	ARCInc.	Importer, wholesaler, retailer	〒100-0002, 東京都千代田区, Buryoku-ku	Tokyo	112-0002	+81 3 5840 6122	+81 3 5840 6144	karube@time-site.com	http://www.time-site.com	Mr. Hitoshi Karube	President
X	X	ABAHOUSE International Co.	Multi Brand shop, import for their shops	Tokyo Tatemono Shibuya Bldg, 3F, 1-26-20, Higashi, Shibuya-ku Bldg, 3F, 1-26-20, Higashi, Shibuya-ku	Tokyo	150-8514	+81 3 3406 2673	+81 3 3406 2640	ogata@abahouse.co.jp	www.abahouse.co.jp	Mr. Nobuhiro Ogata	Director, Business Promotion Dept.
		ABAHOUSE International Co.	Multi Brand shop, import for their shops	Higashi, Shibuya-ku	Tokyo	150-8514	+81 3 3406 2713	+81 3 3406 2717	nakajima@abahouse.co.jp	www.abahouse.co.jp	Mr. Ryo Nakajima	alfredo Bannister Mens Accessory Div.
X	X	ABC Mart Co.,Ltd.	Retail, Wholesale, Importer	19F Shibuya Mark City, 1-12-1Dogenzaka, Shibuya-ku	Tokyo	150-0043	+81 3-3476-5683	+81 3-3476-5684	yusuke.kitazawa@abc-mart.co.jp	http://www.abc-mart.net/shop/?gender=d	Mr. Yusuke Kitazawa	Buyer
X	X	Aidas Co.,Ltd.	Importer	2-12-1-3F, Minamisenba, Chuo-ku, Osaka-shi	Osaka	542-0081	+81 6 6245 5076	+81 6 6245 5074	info@cvv.jp	http://www.cvv.jp	Mr. Hashi	
X	X	ADASTRIA Co.Ltd.	Retailer, import for their shops	19F Shibuya Hikare, 2-21-1, Shibuya, Shibuya-ku	Tokyo	150-8510	+81 3 5466 2019	+81 3 5466 2019	m.fujita@adastria.co.jp	http://www.adastria.co.jp	Mr. Mitsuuru Fujita	Buyer
X	X	Alco International Ltd.	Importer	2nd Fl. Honmachi Heisei Bldg., 1-2-12 Itachibori, Nishi-ku	Osaka	550-0012	+81 6 6538 3917	+81 90 9999 1051	furihata@alco-group.com	www.alco-group.com	Mr. Masahiro Furihata	President
X	X	Amora Eika Co.,Ltd.	Importer	1-13-9, Hanakawado, Taito-ku	Tokyo	111-0033	+81 3 3845 3698	+81 3 3845 4755	h.kobayashi@amora-eika.com	http://www.amora-eika.com	Mr. Hidetoshi Kobayashi	President
X	X	Aruna Co.,Ltd.	Importer Wholesaler	Winnam noyama Hashimoto Bldg., 4F, Minami Aoyama5-4-40,	Tokyo	107-0062	+81 3 6808 1098		info@arunaj.com	aruna.com		Sales Dept.
		ASICS TRADING CO., LTD.	manufacture/Wholesaler/Importer	3-5-2 Yasakadai, Suma-ku, Kobe	Hyogo	654-0161	+81 78-795-5077	+81 78-795-0554	t-toyonishi@asics-trading.co.jp	http://www.asics-trading.co.jp	Mr. Takayoshi Toyonishi	Overseas Operation
	X	Barneys Japan	Retailer, importer for their own shops (head shop in NY)	South Gate Shinjuku 6F., 5-3-8, Sendagaya Shibuya-ku	Tokyo	151-0051	+81 3 6880 1317	+81 3 6880 1353	s.kumazawa@barneys.co.jp	http://www.barneys.co.jp/	Ms. Kumazawa	Women's Accessories Team
X		Barneys Japan	Retailer, importer for their own shops (head shop in NY)	South Gate Shinjuku 6F., 5-3-8, Sendagaya Shibuya-ku	Tokyo	151-0051	+81 3 6880 1318	+81 3 6880 1353	y.kurashina@barneys.co.jp	http://www.barneys.co.jp/	Mr. Yoshiki Kurashina	Buyer, Leather goods
	X	Barneys Japan	Retailer, importer for their own shops (head shop in NY)	South Gate Shinjuku 6F., 5-3-8, Sendagaya Shibuya-ku	Tokyo	151-0051	+81 3 6880 1345	+81 3 6880 1353	y-noguchi@barneys.co.jp	http://www.barneys.co.jp	Mr. Yasuhiro Noguchi	Director of Merchandising
X		Beams	Multi Brand shop, import for their shops	Shibuya-ku	Tokyo	150-0001	+81 3 3470 2927	+81 3 3470 2937	shibusaki.tomonori@beams.jp	http://www.beams.co.jp	Mr. Tomonori Shibusaki	Buyer
X	X	Bekku Shoes K.K.	Retailer, import for their own shops	106, Tatemachi, Kanazawa	Ishikawa	920-0997	+81 76 221 2994	+81 76 221 3039	bekku@white-plala.or.jp	www.bekku.com	Mr. Jun Bekku	President
X	X	Bluemoon Company	Importer	2-14-9, Higashi, Shibuya-ku	Tokyo	150-0011	+81 3 3499 2231	+81 3 3499 2236	toshiro@bluemoon-company.jp	www.bluemoon-company.jp	Mr. Toshiro Takahashi	Buyer
X	X	Brick'work Trading Company	Importer	Clair Gotenyama 710 Kitashinagawa 5-9-42, Shinagawa-ku	Tokyo	141-0001	+81 3-3280-5068	+81 3-32805064	starbrd@mint.ocn.ne.jp		Mr. Tsutomu Shigeta	Managing Director (Ladies shoes)
	X	Bus Stop Co.,Ltd.	Retailer, importer for their own shops	Onden Imaizumi Bldg., 5F, Jinguumae 5-7-4, Shibuya-ku	Tokyo	150-0001	+81 3 5778 2391	+81 3 5778 5095	kana-ienaga@viasub.com	http://www.viasubstop.com/	Ms. Kana Ienaga	MD Dept.
X		Bus Stop Co.,Ltd.	Retailer, importer for their own shops	Onda Imaizumi Bldg., 5F, Jinguumae 5-7-4, Shibuya-ku	Tokyo	150-0001	+81 3 5778 2391	+81 3 5778 5095		http://www.viasubstop.com/	Mr. Okazaki	MD Dept. Men's shoes buyer
X	X	Chiyoda Co., Ltd.	Retailer/Importer	4-30-16, Ogi Kubo, Suginami-ku	Tokyo	167-8505	+81 3 5335 4131	+81 3 5335 4102	anishibori@chiyodagrp.co.jp	www.chiyodagrp.co.jp	Mr. Shiro NISHIBORI	National Buyer
X	X	Diana Co.,Ltd.	Retailer, Import for their shops	1-8-6 Jinguumae Shibuya-ku	Tokyo	150-0001	+81 3-3479-8005	+81 3-3478-7798	n.shinbo@dianashoes.com	www.dianashoes.com	Mr. Norihisa Shinbo	Managing Director
	X	Diana Co.,Ltd.	Retailer, import for their shops	1-8-6 Jinguumae Shibuya-ku	Tokyo	150-0001	+81 3-3479-8005	+81 3-3478-7798	t.fukuda@dianashoes.com	www.dianashoes.co.jp	Mr. Taro Fukuda	Buyer
X	X	Duomo Trading Co.,Ltd.	Importer, wholesaler	5-72-9, Asakusa, Taito-ku	Tokyo	111-0032	+81 3 3871 1431	+81 3 3871 1174	info@e-duomo.com	www.e-duomo.com	Ms. Huromi Noto	Marketing staff
X	X	Duomo Trading Co.,Ltd.	Importer, wholesaler	5-72-9, Asakusa, Taito-ku	Tokyo	111-0032	+81 3 3871 1431	+81 3 3871 1174	info@e-duomo.com	www.e-duomo.com	Mr. Michio Suga	Managing staff
X		EIA Co.,Ltd.	Importer & Wholesaler	Meguro-ku	Tokyo	153-0043	+81 3 3715 0860	+81 3 3715 0861	azegami@eia.co.jp	www.eia.co.jp	Mr. Katsumasa Azegami	
X		Estonation Inc.	Multi Brand shop, import for their shops	Ginza Namiki Dori Bldg., 9F, 2-3-6, Ginza, Chuo-ku	Tokyo	104-0061	+81 3 5159 6120	+81 3 5159 6122	n.nakamori@estnation.co.jp	http://www.estnation.co.jp	Mr. Hirokazu Nakamori	Merchandizing Dept.
X	X	Fashion Link	Importer	Annex minami-aoyama #204, 4-13-15, Minami-aoyama, Minato-ku,	Tokyo	107-0062	+81 3 6427 1555	+81 3 6427 1550	hayashi@fashionlink.co.jp	www.rense.biz	Mr. Naoki Hayashi	President
	X	Ginza Yoshinoya Co.,Ltd.	Retailer, import for their shops	1-2-5 Kuramae Taito-ku	Tokyo	111-0051	+81 3-3865-8630	+81 3-3865-9273	s-kikuchi@ginza-yoshinoya.co.jp	www.ginza-yoshinoya.co.jp	Mr. Eiji Kikuchi	Planning & Purchasing Dept.
X	X	GMT Inc.	Wholesaler/Importer	3-5-3 Nishihara Shibuya-ku	Tokyo	151-0066	+81 3-5453-0033	+81 3-5453-0067	hideaki.yokose@nifty.com	www.realscope-shoes.com	Mr. Hideaki Yokose	President
	X	Hankyu Hanshin Department Stores, Inc.	Department store	Hankyu Grand Bldg.,14F, 8-47, Kadotacho, Kita-ku, Osaka-shi	Osaka	530-0017	+81 70 6503 6230	-	hoshika@hankyu-hanshin-dept.co.jp	www.hankyu-dept.co.jp	Mr. Seijiro Hoshika	
	X	Hankyu Hanshin Department Stores, Inc.	Department store	Hankyu Grand Bldg.,14F, 8-47, Kadotacho, Kita-ku, Osaka-shi	Osaka	530-0017			o.hono@hankyu-hanshin-dept.co.jp	www.hankyu-dept.co.jp	Mds, Ohno	
X		Hankyu Hanshin Department Stores, Inc.	Department store	Hankyu Grand Bldg.,14F, 8-47, Kadotacho, Kita-ku, Osaka-shi	Osaka	530-0017			t.ohara@hankyu-dept.jp	http://www.hankyu-dept.co.jp/	Mr. Ohara	Men's accessories Div.
X		Hankyu Hanshin Department Stores, Inc.	Department store	Hankyu Grand Bldg.,14F, 8-47, Kadotacho, Kita-ku, Osaka-shi	Osaka	530-0017	+81 70 6503 6252	+81 45 681 5895	y.shibusaki@hankyu-hanshin-dept.co.jp	http://www.hankyu-dept.co.jp/	Mr. Yusuke Shibusaki	Buyer, Men's accessories Div.
X	X	Hasley Japon	Importer	164 Yamashitacho, Nakaku, Yokohama-shi	Kanagawa	231-0023	+81 90 6516 9363	+81 45 681 5895	ksine@nifty.com	http://hasleyjapon.thebase.in/	Mr. Ryo Suzuki	General Manager
X		Hero International Corporation	Wholesaler/Importer/Retailer	4F,5F KIMM Bldg., 4-2-8 (to-be door), Chuo-ku, Kobe-shi	Hyogo	651-0084	+81 78 252 3439	+81 78 252 3588	hero01m@skyplus.ocn.ne.jp	http://www.hero-int.com/	Mr. Kenji Narita	President
X	X	High Bridge International Co., Ltd.	Importer/wholesaler of apparel & shoes (Ladies & Men's)	5-45-2 Jinguumae Shibuya-ku, Tokyo	Tokyo	150-0001	+81 3-3486-8844	+81 3-3486-8845	h.takahashi@highbridge.co.jp	http://highbridge.co.jp/	Mr. Hiroshi Takahashi	President
X	X	Hope International Works	Importer	3-11-11-6F, Ginza, Chuo-ku	Tokyo	106-0061	+81 3 6264 2022	+81 3 6264 2023	yamada@hope-inter.co.jp	http://hope-inter.co.jp/	Ms. Yuri Yamada	Tokyo Branch office
X	X	Imex Co.,Ltd.	Importer	518 Tsurumakicho, Shinjuku-ku	Tokyo	162-0041	+81 3 5291 7534/7	+81 3 5291 7536	sugahara@imex-ltd.co.jp	www.imex-ltd.co.jp	Ms. Naomi Sugahara	
X	X	Imex Co.,Ltd.	Importer	518 Tsurumakicho, Shinjuku-ku	Tokyo	162-0041	+81 3 5291 7534/7	+81 3 5291 7536	mnmoto@imex-ltd.co.jp	www.imex-ltd.co.jp	Mr. Nobuhiro Nemoto	Managing Director
X	X	INPEX JAPAN Co.,Ltd.	Importer Buying Group	2-19-11, Yutenji, Meguro-ku	Tokyo	153-0052	+81 3 6452 4469	+81 3 6452 4549	y1802@club-internet.fr	centvinnet@club-internet.fr	Mr. Shinichiro Watanabe	President
X	X	Innocent Inc.	Importer, wholesaler, Retailer	3-2-13, Ebisuminami, Shibuya-ku	Tokyo	150-0022	+81 3 6692 9918	+81 3 3793 0213	yoshino@innocent.co.jp	www.innocent.co.jp	Ms. Aya Yoshino	INTERNATIONAL DIV.

X		Isetan Mitsukoshi Ltd.	Department Store	H&M Bldg., 4F, 5-17-18, Shinjuku-ku	Tokyo	160-0022	+81 80 2231 7424	—	nakano_tetsuya@isetanmitsukoshi.co.jp	www.innocent.co.jp	Mr. Tetsuya Nakano	Buyer, Men's shoes, Men's & Ladies Merchandising Div.
	X	Isetan Mitsukoshi Ltd.	Department Store	3-14-1, Shinjuku-ku	Tokyo	160-0022	+81 3 3225 0674 +81 80 2113 1565	+81 3 3225 2354	munemoto_yoshihato@isetanmitsukoshi.co.jp	www.isetan.co.jp	Mr. Yoshihato Munemoto	Buyer, Cosmetics & Fashion Accessories
X		Isetan Mitsukoshi Ltd.	Department Store	3-14-1, Shinjuku, Shinjuku-ku, Tokyo	Tokyo	160-0022	+81 80 2113 1500	+81 3 3225 3623	fukuda_takashi@isetanmitsukoshi.co.jp	https://www.imhds.co.jp/	Mr. Takashi Fukuda	Men's shoes buyer, MD Dept.
	X	Isetan Mitsukoshi Ltd.	Department Store	3-14-1, Shinjuku, Shinjuku-ku, Tokyo	Tokyo	160-0022	+81 3 3225 0674	+81 3 3225 2354	saito_mikio2@isetanmitsukoshi.co.jp	https://www.imhds.co.jp/	Mr. Mikio Saito	Buyer Cosmetics & Fashion Accessories
X		Isetan Mitsukoshi Ltd.	Department Store	5-17-18-4F, Shinjuku, Shinjuku-ku	Tokyo	160-0022	+81 80 2231 7424	—	nakano_tetsuya@isetanmitsukoshi.co.jp	https://www.imhds.co.jp/	Mr. Tetsuya Nakano	Buyer
X	X	Kamei PROACT Corporation	Importer, Wholesaler	Toranomon Marine Bldg., 5F, 3-18-19, Toranomon, Minato-ku	Tokyo	105-0001	+81 3 6450 1234	+81 3 5776 5937	kenji.takehara@kamei.co.jp	www.kamei-pro.co.jp	Mr. Kenji Takehara	International Operation Dept.
X	X	Kawamura & Co., Ltd.	Importer	2-24-15, Higashi Sumida, Sumida-ku	Tokyo	131-0042	+81 3 3612 3242	+81 3 3617 2355	yuji.nagai@kawamura-net.co.jp	http://www.kawamura-net.co.jp	Mr. Yuji Nagai	
X	X	K.K. Nakamura	Retailer, import for their shops	5-33-10 Hikinomachi Fukuyama-shi	Hiroshima	721-0942	+81 84-941-1514	+81 84-941-1580	kimitaka@kk-nakamura.co.jp	www.kk-nakamura.co.jp	Mr. Kimitaka Nakamura	President
	X	KSS, INC.	Importer/Agent	2-3-21, Tsurumaki, Setagaya-ku	Tokyo	157-0016	+81 3 427 9363	—	info@kss-inc.jp	www.kss-inc.jp	Mr. C. K. Ling	
X	X	Kozy Co., Ltd.	Importer	4-8-7-5F, Roppongi, Minato-ku	Tokyo	106-0032	+81 3 5411 7643	+81 3 6447 1794	kaoko01@ko-zy.com		Ms. Kaori Kimura	
	X	Laura Giaccone Co., Ltd.	Importer	5-2-4-10B, Sendagaya, Shibuya-ku	Tokyo	151-0051	+81 3 5341 4583	+81 3 5431 4584	kitade@lauragiaccone.co.jp	www.lauragiaccone.co.jp	Mr. Masato Kitade	Manager, Sales Dept.
	X	Laura Giaccone Co., Ltd.	Importer	Teikoku Plaza Hotel B1, 1-8-40, Tennabashi, Kita-ku, Osaka-shi	Osaka	530-0042	+81 6 6881 2260	+81 6 6881 2261	matsuki@lauragiaccone.co.jp	www.lauragiaccone.co.jp	Mr. Yoshiyuki Matsuki	Senior Managing Director
X	X	Marui Co., Ltd.	Retailer	4-3-2, Nakano, Nakano-ku	Tokyo	164-8701	+81 3 5343 0287	+81 3 5343 0651	toshiya.takashima@0101.co.jp	www.0101.co.jp	Mr. Toshiya Takashima	Buyer, Shoes Sec., Omni Channel Retailing Dept.
	X	Misuzu Inc.	Wholesaler, retailer	3-39-7, Kiyashinjuku, Shinjuku-ku	Tokyo	169-0074	+81 3 874 8311	+81 3 3875 7301	okada@misuzu-shoji.co.jp	http://www.foralady.jp/	Mr. Takeshi Okada	
X	X	Nishizawa Ltd.	Trading company	Mengyo Kaikan, 2-5-8, Bingomachi, Chuo-ku, Osaka-shi	Osaka	541-0051	+81 6 6208 5400	+81 6 6222 5561	morita@nishizawa-ltd.com	http://www.nishizawa-ltd.com	Mr. Souichi Morita	Sales No.2 Dept.
X	X	Noguchihiko Co., Ltd.	Importer/Wholesaler	3-6-9, Shikutsu Higashi, Naniwa-ku	Osaka	556-0012	+81 6-6647-1776	+81 6-6647-1779	info@noguchihiko.jp	www.ngc-hiko.com	Mr. Takahiro Noguchi	President
	X	Nosaka Co., Ltd.	Retailer, import for their shops	4-3-1 Mitsukuchi-shimomachi, Kanazawa-shi	Ishikawa	920-0944	+81 76-225-7741	+81 76-225-3202	n.c@nosaka92.co.jp	www.nosaka92.co.jp	Mr. Tetsuya Nosaka	
	X	Nosaka Co., Ltd.	Retailer, import for their shops	4-3-1 Mitsukuchi-shimomachi, Kanazawa-shi	Ishikawa	920-0944	+81 76-231-0110	+81 76-225-3202	momoe@nosaka92.co.jp	www.nic-shoes.com	Ms. Momoe Nosaka	Planning
	X	Ogitsu Co., Ltd.	Wholesaler, Importer	1-6-4 Kiyokawa Taito-ku	Tokyo	111-0022	+81 3-3875-0112	+81 3-3871-3545	logitsu@furu-corp.co.jp	www.ogitsu.co.jp	Mr. Tomohiro Ogitsu	Director, Merchandising Dept. Overseas Div.
X	X	OISO SANGYO Co., Ltd.	Importer, Wholesaler	Nissho No.2 Bldg., 4F, 2-10-29, Kita Aoyama,	Tokyo	107-0061	+81 3 5770 7061	+81 3 5770 2781	lida@oiso.co.jp	http://www.oiso.co.jp	Mr. Kaoru Iida	Director, T-Square Business Dept.
	X	Okuni Japan Ltd.	Importer/wholesaler	6-22-13 Asakusa, Taito-ku	Tokyo	111-0032	+81 3 3874 0092	+81 3 3871 3725	taokuni@okunijapan.co.jp	www.okunijapan.co.jp	Mr. Takashi Okuni	President
X		Okuni Japan Ltd.	Importer/wholesaler	6-22-13 Asakusa, Taito-ku	Tokyo	111-0032	+81 3 3874 0092	+81 3 3871 3725	shigebayashi@okunijapan.co.jp	www.okunijapan.co.jp	Mr. Ryo Shigebayashi	Section manager, Sales Group.1 Department Store Div.
X	X	Otsuka Shoe Co., Ltd.	Manufacturer/Importer	2-24-24, Kugahara, Ohta-ku	Tokyo	146-0085	+81 3 6410 2760 +81 70 6474 2329	+81 3 6410 3309	lozawa@chukaseika.com	www.otsuka-shoe.com	Mr. Junya Ozawa	Manager, Sourcing Sec. & Product Development Office
X	X	Prestige Shoes Co., Ltd.	Importer	1-23-5-6F, Shinkawa, Chuo-ku	Tokyo	104-0033	+81 3 3537 9666	+81 3 3537 9667	h.takei@prestige-shoes.co.jp		Mr. Hideki Takei	President
	X	Prime Mission Inc.	Importer, Retailer	Kashino Bldg., 301, 5-1-12, Onoedori, Chuo-ku, Kobe-shi	Hyogo	651-0088	+81 78 251 8105	+81 78 251 8107	ikuta@prime-mission.com	www.primemission.com	Mr. Ikuta	President
X	X	SEHM International Co., Ltd.	Importer of Apparel Goods (shoes, clothes, accessories)	1-12-3, Tanotsu Higashi-ku	Fukuoka	813-0034	+81 92-622-5221 +81 8 0 3 1 8 9 7 0 3	+81 92-622-5585	oku@sethm.co.jp	www.sethm.co.jp	Mr. Yusuke Oku	
	X	Shinko CO., Ltd.	Importer, wholesaler	2-10-10, Kotobuki, Taito-ku	Tokyo	111-0042	+81 3 5830 2250	+81 3 5830 2240	y.yamaguchi@shinko-s.jp	http://shinko-s.jp	Mr. Yamaguchi	Sales Dept.
X	X	SHIPS LTD	Multi Brand shop, import for their shops	1-20-15, Ginza, Chuo-ku	Tokyo	104-0061	+81 3 5524 2335 81 90 4723 6704	+81 3 5524 2326	katsuyasu@shipstld.co.jp	www.shipstld.co.jp	Mr. Yuichi Katsuya	Executive General Manager Merchandising dept.
X	X	SHIPS LTD	Multi Brand shop, import for their shops	1-20-15, Ginza, Chuo-ku	Tokyo	104-0061	+81 3 5524 2335	+81 3 5524 2326	ichinosey@shipstld.co.jp	www.shipstld.co.jp	Mr. Yuji Ichinose	
X	X	Sogo & Seibu Co., Ltd.	Department store	5-25, Nibancho, Chiyoda-ku	Tokyo	102-0084	+81 3 6272 7252 +81 70 3330 5736	+81 3 6272 7109	yusuke-kobayashi@sogo-seibu.co.jp	https://www.sogo-seibu.jp/	Mr. Yusuke Kobayashi	Merchandiser, Merchandising Dept. Fashion Merchandising
X		Takashimaya Co., Ltd.	Department Store	Koei Kayabacho Bldg., 1 F, 2 - 12-7, 6-1, UshijimachoNishi-ku, Negoyashi	Tokyo	103-0025	+81 3-3668-7338 +81 90 2318 1820	+81 3-3668-7343	fuwa.ken@ad.takashimaya.co.jp	www.takashimaya.co.jp	Mr. Takeshi Fuwa	Senior Buyer Men's Accessories Div.
	X	Takihyo Co., Ltd.	Trading company	6-1, UshijimachoNishi-ku, Negoyashi	Aichi	451-8688	+81 52 587 7006	+81 52 587 7016	atsushi.takeuchi@takihyo.co.jp	www.takihyo.co.jp	Mr. Tatsushi Takeuchi	Manager, Trade Dept.
X	X	The World Co., Ltd.	Retailer (High Quality Leather Shoes, Mainly Men's), import for their shops	Jingumae 2-17-16, Shibuya-ku	Tokyo	150-0001	+81 3-3404-3861	+81 3-3404-3895	ryosuke.hidaka@wfg-net.com	www.wfg-net.com	Mr. Keiichi Fukada	President
X	X	Toho Lamac Co., Ltd.	Wholesaler/Importer	3-42-6 Yushima Bunkyo-ku	Tokyo	113-8513	+81 3-3834-4262	+81 3-3832-7845	hirata.k@toho-lamac.co.jp	www.toho-lamac.co.jp	Mr. Takashi Hirata	Operating Officer Product Div.
	X	Tomoe Shoji	Wholesaler	6-18-6, Asakusa, Taito-ku	Tokyo	111-0032	+81 3 3874 9101	+81 3 3874 3470	h.sone@tomoe-syouji.jp	www.tomoe-syouji.com	Mr. Hiroyasu Sone	Sales Dept.
X		UNITED ARROWS LTD.	Multi Brand shop, import for their shops	Nihonseimei Akasaka Bldg., B1F ~ 4F, 8-1-19, Akasaka, Minato-ku	Tokyo	107-0052	+81 3 5785 6303	+81 3 5785 6301	295us@united-arrows.co.jp	http://www.united-arrows.co.jp/	Mr. Shoji Uchiyama	Men's Buyer
	X	UNITED ARROWS LTD.	Multi Brand shop, import for their shops	Nihonseimei Akasaka Bldg., 3F, 8-1-19, Akasaka, Minato-ku	Tokyo	107-0052	+81 3 5785 6673	+81 3 5785 6679	752fa@united-arrows.co.jp	www.united-arrows.co.jp	Ms. Ayaka Fukiage	Buyer
X	X	Urban Reserch Co., Ltd.	Multi Brand shop, import for their shops	Daido Kitasando Bldg., 2F, 3-16-5, Sendagaya, Shibuya-ku	Tokyo	151-0051	+81 3 6434 9925	+81 3 6434 9926	murate@urban-research.com	www.urban-research.co.jp	Mr. Kensuke Murate	Chief buyer
X		Washington Shoe Co., Ltd.	Retailer/Importer, Importer for their shops	5-16-2-3F, Shiba, Minato-ku	Tokyo	108-0014	+81 5442 6150	+81 5442 6149	ametsuna@washijinton-shoe.co.jp	www.washington-shoe.co.jp	Mr. Akira Matsumoto	General Manager, Sales No.2 Dept.