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THE AGRICULTURAL ECONOMICS RESEARCH UNIT
Lincoln College, Canterbury, N.Z.

The Agricultural Economics Research Unit (AERU) was established in 1962 at Lincoln College, University of Canterbury. The aims of the Unit are to assist by way of economic research those groups involved in the many aspects of New Zealand primary production and product processing, distribution and marketing.

Major sources of funding have been annual grants from the Department of Scientific and Industrial Research and the College. However, a substantial proportion of the Unit's budget is derived from specific project research under contract to government departments, producer boards, farmer organisations and to commercial and industrial groups.

The Unit is involved in a wide spectrum of agricultural economics and management research, with some concentration on production economics, natural resource economics, marketing, processing and transportation. The results of research projects are published as Research Reports or Discussion Papers. (For further information regarding the Unit's publications see the inside back cover). The Unit also sponsors periodic conferences and seminars on topics of regional and national interest, often in conjunction with other organisations.

The Unit is guided in policy formation by an Advisory Committee first established in 1982.

The AERU, the Department of Agricultural Economics and Marketing, and the Department of Farm Management and Rural Valuation maintain a close working relationship on research and associated matters. The heads of these two Departments are represented on the Advisory Committee, and together with the Director, constitute an AERU Policy Committee.

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PREFACE

The Japan Centre of Christchurch has the objective of promoting and encouraging the education of the business community to help further the understanding of Japanese culture and business procedure.

The Seminar "Consider Japan" sponsored by the Centre was designed to introduce to New Zealand businessmen the diversity and range of cultural and trading differences that exist in the business environment in Japan.

The Agricultural Economics Research Unit has had a continuing interest in Japanese-New Zealand trade relationships over the past decade. Because of the usefulness of the contributed papers at the seminar, it was agreed that the Agricultural Economics Research Unit would publish the material on behalf of the Japan Centre. It is hoped that the material so presented will be of benefit to marketing executives who are actively engaged in, or who are contemplating, marketing involvement with Japan.

The papers were collected and edited by Mr R.G. Moffitt, research economist in the Agricultural Economics Research Unit.

P.D. Chudleigh
Director

LIST OF SPEAKERS

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available).

SUMMARY

The first paper reviews the trade and economic relations between New Zealand and Japan. Mr Miller gives a detailed description of the importance of Japan to New Zealand both as an export market and as a supplier of manufactured imports, finance and technology. Details of the range and value of recently traded products is given. Some of the economic and trade problems between the two countries such as the Japanese barriers to livestock and dairy product imports are described. Despite these problems Mr Miller sees the future prospects for bilateral trade to be good.

Rex Cunninghame discusses the difficulty westerners have in understanding or predicting Japanese behaviour. Japanese ways of thinking and feeling are subtly different from our own with more emphasis placed on human relationships. He discusses the observations made about Japan by a number of western writers and their attempts to explain Japanese behaviour and attitudes. Mention is also made of the Japanese obligations to repay specific favours.

Japan's rapid business and economic success has occurred due to a number of reasons. Some of these reasons are discussed in Graham Kitson's first paper. They include the advantage of a large domestic market, an unusually high debt:equity ratio of domestic companies, the high savings ratio of the population and the unusual conglomerate structure of the large companies. Other contributory reasons have been the strong company loyalty by employees and a longer term marketing approach when selling.

In Mr Kitson's second paper some of the complexities of the Japanese distribution system are detailed including the role played by the large Japanese trading companies. Some potential markets for New Zealand goods are identified.

Some of the changes in the Japanese consumer environment such as increasing consumer incomes, urbanisation and changing population age structure are discussed in Graham Kitson's third paper. There have also been new trends in food consumption patterns and an increase in leisure activities.

John Hundleby's paper on marketing in Japan begins with a brief description of the complexity and length of the Japanese distribution system. The three main types of distribution networks are described. Marketing includes widespread mass media advertising with attractive and sophisticated packaging. Much detailed advice is given for the New Zealand supplier who wishes to enter the Japanese market. Product quality and reliability of supply are important considerations to the Japanese importer. Constant communication and consultation is needed between the New Zealand supplier and the Japanese importer on product acceptability and development. A personal visit by the New Zealand exporter is another essential requirement to help establish a necessary personal relationship with the importer. The paper concludes with a

detailed case history of a New Zealand company's export success in the Japanese marketplace.

Keith Pilcher lists ten brief but pertinent keys to success in establishing and nurturing business with Japan. A number of other points are made which highlight some of the many differences between western and Japanese business practices.

R.G. Moffitt
Editor

CONTRIBUTED PAPERS

PAPER 1 : JAPAN : A REVIEW OF TRADE AND ECONOMIC RELATIONS BETWEEN JAPAN AND NEW ZEALAND

by R.M. Miller

Interest in Japan cannot be confined exclusively to trade and economic concerns, vital though these are to New Zealand. As our economic links with Japan grow stronger, so will the political and cultural elements of the association become more important. If we do not work harder to strengthen those other elements, we are unlikely to do as well as we could in our trade exchange with Japan.

What follows will:

- (1) look at the components of New Zealand's trade with Japan;
- (2) mention some other recent developments in the economic area; and
- (3) say something about future prospects.

Bilateral Trade

In 1950 New Zealand's trade with Japan was worth a few million dollars only; in the year ended 30 June 1982, it totalled just over \$2,000 million. Japan was New Zealand's second largest trading partner last year, behind Australia. Our bilateral trade with Japan made up 15 per cent of our total trade.

This rapid growth has involved for New Zealand a marked diversification in our trade patterns. Twenty years ago, Western Europe and the United States took 82 per cent of New Zealand's exports. In 1970, this percentage had dropped to 62 per cent, with Japan taking 10 per cent. In 1980 it dropped further to 33 per cent, with Japan taking 12 per cent. Japan has become our largest trade partner in Asia, a region of rapid economic growth. The shrinkage of New Zealand's traditional markets in the United Kingdom for meat and dairy produce has obviously affected our trade patterns. Another reason has been Japan's enormous economic growth. Japan is now the second largest trading nation in the world after the United States, and the third largest national economy.

The balance of trade was fairly even until 1975. In that year, following the oil shock, New Zealand's exports to Japan declined sharply, although our imports from Japan continued to grow. By 1978 our exports to Japan had recovered, along with the recovery in the Japanese economy: New Zealand had trade surpluses in 1979 and 1980. In the last two years, however, trade deficits have reappeared and in the year ended June 1982, Japan had a large surplus of \$326 million.

The reasons for this surplus have been:

- (a) A downturn in the international economy (and relative stagnation in Japan) affecting demand for New Zealand's raw materials, e.g. ironsands, aluminium and forest products. There has been a decline in volume in some items although higher New Zealand dollar returns overall (with the weakening of the dollar against the yen) have tended to disguise this;
- (b) A marked increase in New Zealand's imports from Japan of equipment for the 'think big' development projects;
- (c) Continued and strong demand in New Zealand for Japanese manufactures - motor cars, etc.

New Zealand's Exports to Japan

New Zealand's exports to Japan for the June 1982 year totalled \$873 million. They were made up largely of industrial raw materials and foodstuffs, dominated by five principal groups of products: aluminium (in effect the export of processed energy); dairy products (including casein); wool; forest products; and meat.

These accounted for 74 per cent of New Zealand's exports to Japan and are a narrow base on which to rely.

Japan is currently New Zealand's largest market for fish (\$73 million last year) and cheese (25,000 tons valued at about \$50 million). It is also an important market for wool (\$122 million), aluminium (\$151 million - our largest single export by value to Japan last year), meat (\$109.9 million for the September 1982 year), ironsands, and kiwifruit (fruit and vegetables totalled \$51 million last year).

New Zealand is a major source of a number of Japan's imports - lamb and mutton, cheese, casein, kiwifruit and mechanical woodpulp as well as aluminium and certain kinds of fish (snapper, squid and tuna).

What needs to be emphasised is that New Zealand, unlike Australia, is of little economic significance to Japan, either as a supplier or a market. In broad import categories, we do not figure among the ten top exporters to Japan even of agricultural products. New Zealand's relative insignificance to Japan as a trade partner and Japan's major importance to us as a market, supplier, source of investment and technology, and prime factor in the economic life of our region, have a large bearing on the nature and intensity of the effort New Zealand should make in pursuing its economic relations with Japan. For a long time, much of the initiative in identifying and pursuing new possibilities in bilateral trade has come from the Japanese, who are of course far better organised to do this than we are. A comparable, or at the very least, a more strenuous effort is called for on the New Zealand side if we are to consolidate our gains in the Japanese market, penetrate it successfully in new areas, and add more value to our exports.

New Zealand's Imports from Japan

In the June 1982 year these totalled \$1.2 billion.

The largest item was transport equipment (\$362 million). Japan is now the principal source of New Zealand's motor vehicles. In 1981, these totalled almost 100,000, which made New Zealand Japan's fifteenth largest export market for motor vehicles. This must however be weighed against the more than 4,000,000 motor cars, worth some \$30 billion, that Japan exports annually. In one market alone, the United States, Japan has accepted a 'voluntary' export restraint which limits Japanese motor car exports to the United States to 1.6 million units.

Other important Japanese exports to New Zealand are manufactured iron and steel, electrical machinery and appliances, textiles, chemicals (including plastics), metal manufactures, and paperboard. There has been a big increase in iron and steel and electrical and other machinery. This reflects Japan's success in contracting for the equipment procured for our major industrial projects (synthetic fuels, Maui gas conversion, New Zealand Steel and Marsden Point refinery expansion). Another development offering business for Japan is the proposed electrification of the main trunk line.

This exchange of manufactures for foodstuffs and raw materials indicates what is often described as the high degree of complementarity between the Japanese and the New Zealand economies. It has not, however, led to a mutually supportive trade relationship. It is certainly true that just as Japan is a highly efficient producer of manufactured goods, so New Zealand is a highly efficient producer of temperate livestock products. The problem for New Zealand has been that the Japanese have, in the name of food security and against economic commonsense, built up their own very high-cost livestock industry and protected it against efficient producers such as New Zealand. New Zealand is clearly in no position to play this game of self-sufficiency by, for instance, attempting to build its own motor cars.

Other Significant Features in Economic Relations

Japan is not only an important export market for New Zealand and source of manufactured imports, but also an important source of finance and technology for our industrial and energy development. In the field of energy alone, New Zealand has placed a total of \$400 million with Japanese companies in the acquisition of their technology and expertise.

Japan is also an principal source of loan finance. By the beginning of 1983, our yen borrowing exceeded \$950 million - almost 14 per cent of our total foreign borrowing. Japan is now third among New Zealand's 12 main sources of loan finance.

New Zealand has been actively seeking, especially through the Japan/New Zealand Businessmen's Council, to encourage greater Japanese interest in direct investment in New Zealand. Japanese investment still remains at a comparatively low level. From 1972-1980, Japan

provided only one per cent of New Zealand's investment from overseas. Japanese investments have been largely directed towards ensuring market access for Japanese consumer goods, and processing New Zealand raw materials. In addition there has been some limited Japanese investment in fishing in New Zealand. The two largest Japanese investments are the aluminium smelter at Tiwai Point and the Panpac Pulp Mill at Whirinaki. Investment from Japan is clearly an area that calls for more attention and activity.

Reference should also be made to the significance of the introduction of the direct air service between Narita and Auckland via Nandi. Since its inauguration in 1980 there has been a 50 per cent increase in Japanese visitors to New Zealand. New Zealand visitors to Japan have also increased greatly in numbers. Tourism from Japan clearly has excellent prospects, provided that adequate planning and preparation are made to meet the special requirements of the Japanese tourism market.

Problems and Prospects for the Future

The main problems in New Zealand's economic relationship with Japan are:

- (1) The highly protectionist policy Japan pursues in regulating foreign access to its markets for livestock products. New Zealand has been pressing Japan for years to ease the barriers affecting our exports of certain dairy products, beef, sawn radiata pine and more recently, fish, horticultural products, woollen carpets, race-horses, and some other items;
- (2) As a result of the Nakagawa/Muldoon agreement negotiated in 1978 after the so-called "fish for butter" dispute, New Zealand's importance as a world producer and supplier of dairy products has been acknowledged by Japan; but that acknowledgement has meant little lowering of the restrictive barriers which have left New Zealand as an irregular and residual supplier of butter and skimmed milk powder. Late in 1982 Japan imported 2,000 tonnes of butter but this was the first such import since 1978. It should however be noted that for some years the Japanese Government has held constant the guaranteed prices it pays farmers for milk for processing. This has had the effect of restraining further growth. New Zealand's access for dairy products, if not notably better than it was in 1978, is not notably worse. This in itself is a fact of some significance, although our long-term aim for better access must remain a principal policy concern. Japan is now New Zealand's principal market for cheese taking one third of our exports. It is also an important market for casein which is not subject to restrictive import measures;
- (3) Although Japan is under considerable pressure from the United States to liberalise its beef market, the system operated by the LIPC is politically entrenched and any easements are likely to be minor. In 1982 New Zealand sold 6,316 tonnes of beef to Japan, a fair part of it to Okinawa, which is a freer market than the rest of Japan.

- (4) Japanese regulations affecting sawn radiata pine have now been amended to admit its use in housing construction, but apart from the problems arising from radiata's poor reputation in Japan as a building timber, there is the 10 per cent tariff which, in the New Zealand view, discriminates against radiata. Comparable North American softwoods are admitted duty free;
- (5) Japan is New Zealand's largest market for horticultural exports taking 24 per cent of our total exports last year. Japan's total imports in this sector exceeded \$1 billion with New Zealand's share totalling \$51 million made up principally of kiwifruit, onions, berry-fruit and processed vegetables. Problems in this sector arise from high tariffs, quotas and over-strict regulations (such things as pesticide residues). New Zealand is actively discussing these and related issues with the Japanese official agencies. Progress is not likely to be rapid but some advances are certainly possible.

Prospects

The prospects for the trade and economic relationship between the two countries are on the whole very good, despite the difficulties created by agricultural protectionism in Japan. The existence of protectionist barriers does not mean that New Zealand has no opportunities to expand its trade with Japan. The protectionism created by Government decision can be reduced by negotiation at the government level, lengthy and frustrating though this process is. The trading environment generally in Japan seems to daunt some would-be New Zealand exporters who are unfamiliar with Japanese social attitudes and institutions, as well as business practices and procedures. These special features of Japan must be studied carefully as part of a systematic approach to selling in Japan. What is needed most is a more systematic and determined marketing approach, better organised and more intensive research, more vigorous promotion and in general a greater willingness to produce and market with Japan's requirements in mind. The scope for a greater New Zealand effort in all fields is large.

PAPER 2 : THE JAPANESE PSYCHE :
ARE THE JAPANESE REALLY UNIQUE?

by R.R. Cunninghame

In approaching the subject on which I have been asked to talk to you I must first resolve any misconceptions you may perhaps have. I should make it quite clear that I am not in any sense speaking in an official capacity, and also that this is not a subject on which I can claim to be anything more than an amateur. All I am able to do is share with you some thoughts which have lodged themselves in my mind in the course of some association with Japan or Japanese people, at home or abroad, at various times extending over perhaps half of the last 40 years. I aim at doing no more than to lead a discussion to which others, more expertly equipped, may well have more to contribute.

Fortunately I genuinely believe that any conclusions reached are less important than recognition itself that Japanese ways of thinking are a subject worthy of enquiry. This is the essential first step. Few subjects can in fact prove more tantalizing; and in few fields of enquiry does one always have more strongly the feeling that there is always still more to be learnt. Even though today there is a much wider understanding of the subject than a generation ago there do still remain some differences of opinion, even among expert psychologists and sociologists.

A special difficulty, I think, is that of applying to particular situations such generalizations as one may be quite ready to accept in principle. Many keen observers have made generalizations which all with experience of Japan feel have considerable relevance. However this does not necessarily make it possible to predict Japanese behaviour in particular concrete circumstances with perfect assurance. Many experts were surprised, for instance, that at the end of the war, following upon Japan's surrender and defeat, the allies should be met with co-operation rather than dogged resistance. In retrospect it is easy enough to understand this; but before the event one might be pardoned if one had reached the wrong conclusion, disastrously wrong though that would have been. The explanation is that in a particular situation a Japanese could well be confronted with conflicting prima facie obligations. It takes some sensitivity and experience before one can always correctly appreciate what obligations must take precedence. Moreover Japanese society, like other societies, is still constantly developing. To the potential conflicts in loyalties inherent in Japanese society must now be added, in some individuals at least, newly formed Western norms of behaviour which depart from the traditional. The Japanese are in no way a fickle nation; they are always true to their own lights, but because their society is complex, rationalizations do always hold some dangers. When it comes to understanding the Japanese there is much to be said for trusting primarily to instinct and to empathy.

One must remember too that, within the framework of their society, the Japanese differ among themselves as markedly as we do ourselves within the framework of our own society.

So, when confronted with the question before us - "The Japanese psyche: Are the Japanese really unique" - one is tempted to take refuge first of all (as in all such difficult questions) in the ploy much favoured by the late English philosopher, C.E.M. Joad. It all depends on what you mean by 'psyche', we may say, and (especially) it all depends on what you mean by 'unique'

I have no doubt that the question really needs to be rephrased. As individuals we are all unique in some degree because of historical or geographic factors. And certainly one cannot take at surface value even a nation's own feeling that it is rather unique, a feeling to which the Japanese are perhaps themselves especially prone. There is, of course, something rather flattering about the suggestion: it can feed one's sense of complacency, or perhaps needed self-esteem. If we needed to give a working answer to the question as formulated, I think it would be best to give the answer "no". To answer in the affirmative is only to encourage obscurantism and tends to mitigate against rational enquiry and mutual understanding. Nor, I think, can there be any doubt that in fact parallels to some fairly distinctive Japanese values are probably to be found among Pacific peoples (including our own Maoris), while there is much in the Japanese life-style of which the origins at least are demonstrably to be found in China.

If, however, we pose the question differently and ask "Is it true that among the advanced peoples with whom we are in close business and other communication that Japanese ways of thinking and feeling are, by and large, and at least in their traditional mould, those most subtly different from our own", I think an affirmative answer can be given.

I would go further. I would say that you would be making a great mistake if you dismissed as airy, fairly irrelevancies the whole matter of Japanese ways of thinking and feeling, abstract and even difficult though the subject may be as compared (for example) with trade statistics. The Japanese are pre-eminently a people for whom human relationships count. We may each come up with slightly different perceptions; this does not alter the fact that the quest for mutual understanding is of the highest importance.

The Japanese themselves are very conscious of the matter. I thought it not only a merited compliment, but significant, when I heard the present Japanese Ambassador comment publicly the other day, when speaking about Mr Miller, that not only did he understand the Japanese language exceptionally well but (what was more important) he understood the Japanese 'kokoro' or heart. I am sure this was meant to be the highest accolade. For the same reason I was pleased when a former Japanese Ambassador (with less justification) once suggested I could help him because 'you know our funny ways of thinking'.

Actually I don't think there is anything so terribly mysterious about all this. One does not need to approach Japan with any special feeling of trepidation. I would say that normal sensitivity, normal instinctive feeling in particular as to how the other man may be

thinking, is all that is really necessary; and it is something with which perhaps most of us are equipped by nature.

I think also that you will scarcely find anything in Japanese behaviour, in Japanese ethics, or in Japanese ways of feeling, with which we are not ourselves acquainted. If I had to summarize the difference between us as peoples I would say it lay only in the elements being rather differently mixed, so that (for example) the priorities we may give to different forms of obligation (which we may both feel) may sometimes be different.

In a book published a couple of years ago, "Misunderstanding : Europe vs Japan", Endymion Wilkinson (an EEC expert) surveys preconceptions which Europeans have had historically about Japan. It is his thesis that Europeans have often never really tried to learn but often approached Japan with arrogance or formed out-dated views, only to be disillusioned when events proved that Japan had moved onto a new stage of development and revealed a different facet.

I do not entirely agree that the bulk of early observations can be too readily discounted as Europe-centred, though Wilkinson is of course right to get rid of much garbage which may not be really at all relevant at present. In any case, since it is amusing to do so, let us just remind ourselves of some of the images which have grown up historically, a number of which he recalls, and which sometimes still colour our thinking.

The early European observers were especially struck by the fact that the Japanese seemed almost perversely to do everything the other way round from the Europeans. Thus the Jesuit missionary Alessandro Valignano wrote in 1583 "They have rites and ceremonies so different from those of other nations that it seems they deliberately try to be unlike other peoples"; and Sir Rutherford Alcock, the first British Minister to Tokyo, wrote "Japan is essentially a country of paradoxes and anomalies where all, even familiar things, put on new faces and are curiously reversed". The theme is repeated by many other early scholars and observers like Basil Hall Chamberlain who referred to "topsy-turveydom", and by early devotees of Japan like Lafcadio Hearn. Building low temples as against high Churches; starting a book from the back; writing in vertical columns rather than horizontal lines; the carpenter drawing his plane to him rather than pushing it from him; the tailor passing the needle over the thread instead of passing the thread through the needle. There were a host of superficial opposites in almost all fields of activity. What I notice a modern writer referring to as the "cabbalistic ideographic system of writing" must also have helped feed the image of Japan as somehow basically different, mysterious and secretive. Nowadays a good deal of this belongs to the past. It is not superficial differences which now concern us; it is just what legacy remains of different behavioural and emotional patterns.

Wilkinson rightly draws attention also to our tendency to stereotype Japan, and then to blame Japan for being unpredictable because it fails to conform to a stereotype which is no longer valid. There are lessons for us here no less today than in the past. Our misapprehensions and subsequent disillusionments can be self-inflicted.

Examples, of course, are the aesthetic vogue which Japan enjoyed among European impressionist painters in the late nineteenth century, just when it was turning itself into an industrialised country. Europe was as surprised again when Japan, almost unnoticed, established itself as a military power of significance in the Russo-Japanese war. And subsequent Japanese commercial successes have often been ascribed to 'unfair competition', or explained on the basis of having 'a docile labour force', rather than analyzed objectively, taking account (in the present, for example) of Japan's advanced management techniques, high-levels of investment and automated technology. In short, if we don't get our facts right, we set ourselves unnecessary riddles.

In my view, however, it is still true that there remain paradoxes and differing behaviour patterns which do need explanation. One may certainly downgrade them, as Wilkinson does. He says, for instance: "Most people feel themselves to be unique, if not superior to other peoples. The experience of the 200 years of isolation for the Japanese no doubt served to reinforce such feelings, which are very strong to this day ... most Japanese seem convinced that their language is uniquely difficult for foreigners to learn" - Wilkinson says that "objectively, this is an unwarranted assertion".

Well, I'm not so sure that I would feel able to endorse this latter assertion with quite his confidence, nor do I find quite so superficial, as he seems to do, such attempted distinctions by academics such as that "we emphasize the abstract-intellectual. They emphasize the situational-emotional". On the whole that does not seem to me so bad an encapsulation if one is looking for one.

At least many do feel, in quite an acute form, the paradoxes and differences which exist. I shall have occasion again to mention Ruth Benedict whose classical study of Japanese sociology, "The Chrysanthemum and the Sword", appeared in the immediate postwar period. While now perhaps a little dated this can not at least be considered a superficial book, and Benedict (in addressing problems to which she sought a rational explanation) herself says: "The Japanese are, to the highest degree, both aggressive and unaggressive, both militaristic and aesthetic, both insolent and polite, rigid and adaptable, submissive and resentful of being pushed around, loyal and treacherous, brave and timid, conservative and hospitable to new ways".

And I notice also that only five years ago John Bester, with his long experience of Japan, prefaced his translation of another very notable study of the Japanese - the "Anatomy of Dependence" by the psychologist Takeo Doi (to which I shall also refer later) - with a characterization of the Japanese as "so unrealistic, yet so clear-sighted as to the human condition; so compassionate and so self-centered; so spiritual and so materialistic; so forbearing and so wilful; so docile and so violent".

One is reminded too of Lafcadio Hearn's last work, "Japan, an Interpretation" in which, after a lengthy period of teaching in Japan from 1891 to 1903 and after having establishing himself as the most noted and devoted interpreter of that country, he could still write: "Long ago the best and dearest Japanese friend I shall ever have said to me, a little before his death: 'When you find, in four or five years

more, that you cannot understand the Japanese at all, then you will begin to know something about them'. After having realised the truth of my friend's prediction - after having discovered that I cannot understand the Japanese at all - I feel better qualified to attempt this essay".

So, all in all, there is obviously something which does call for explanation. It is not so much Japanese ways of thinking, though a few observations could obviously be made there. That the Japanese like to proceed by consensus is certainly one; and I have always thought relevant also a comment I remember reading many years ago by the European journalist, Lili Abegg, that whereas we tend to develop an argument in direct lines from point to point, the Japanese tend to get to the truth by circling round it in diminishing circles. However it is really in the realm of emotional reactions, in motivation, and in behaviour patterns that our main interest must lie.

For most of us, I think, this interest is first stimulated by some unexpected development which we cannot explain or which is not in accord with the normal European reaction. What is important here, I think, is to realise that there is an explanation. One should not be offended, or take refuge in the belief that the Japanese are inscrutable. It should be remembered (and the facts are well documented) that the Japanese for their part meet with similar unexpected reactions in Europe and America, which equally mystify them. So long as both sides appreciate that all that is involved is some difference in custom, no real harm is done. Often we can guess the reason for a misunderstanding. Later, if we are not satisfied with our guesses, we may gain a good deal of enlightenment from the better psychological and sociological studies.

My own experiences would, I think, be fairly typical. Nearly everyone is enchanted on first visiting Japan with the unfailing courtesy of its people, by their kindness and these are real and remarkable qualities; I can recall myself innumerable special acts of thoughtfulness, in some cases gestures of remembered friendship well beyond customary Western standards.

If, however, a visit is extended one may well meet with something unexpected.

For example, when speaking with Japanese about the atomic bomb, I would sometimes find they would smile broadly. This is a case of nervous laughter. The Japanese are always extremely conscious of the feelings of the person they are speaking to, so that (sensing my embarrassment because the allies had dropped an atomic bomb on Japan) they sought first, almost unconsciously, to put me at ease.

Another example. I recall a young Japanese with whom I used to go for walks in Kamakura for some time, and of whom I was fond. Then, at a certain stage in the relationship, his place was taken by his elder brother with whom I had nothing in common. There was really nothing I could do about it: it was intended as a great honour that I should be the recipient of attention by the elder brother.

Again, I had an excellent friendship with a rather older man in 1946. I met him again on return to Japan ten years later, and invited him and his wife to dinner. Instead of his wife he brought his 12-year-old daughter, and I never saw him again afterwards. I suspect this was entirely a matter of nervousness on the part of the wife, and a feeling that her home was too inadequate for her to be able to reciprocate. As the Japanese say 'semai tokoro desu ga ...' (it is a small place but ...). One should never underestimate the sensitivities of the Japanese; it is often consideration for you, as they see it, that they will have in mind.

There are many and better examples of differences in behaviour patterns which could be adduced. In all cases, however, they simply reflect cultural distinctions. Only rarely, I think, will the explanation for something unexpected be ill-will. Where this occurs it is likely to reflect 'urami' or resentment, the obverse side of Japanese sensitivity. In my whole experience I have encountered this only twice: once, through standing in the way of a young Japanese woman whom I considered over-ambitious, and a second time, apparently through unintentionally causing a Japanese acquaintance to lose face - that which (in Japan) I should have known better. The only well-authenticated case to have come to my attention was that of an angry severance of relations by a Japanese woman who felt that kindnesses she had extended to a New Zealander in Japan were not adequately reciprocated when she herself visited New Zealand. To our mind, and in the circumstances of the case, such reaction would seem excessive since, money matters apart, we are not accustomed to such exact tallying. Be that as it may, however, no reader of the famous 18th century kabuki play "The Treasury of Retainers" can doubt that Japanese sensitivity to insult, once provoked, can be acute.

One way to obtain a better understanding of the ways in which Japanese think and feel is to dip into Japanese literature, much of which is now freely available in translation. From this the keen aesthetic sense of the Japanese will certainly appear, and almost instinctively also, one finds oneself starting to think on Japanese lines. After a while it seeps into one's mind, for instance, that the Japanese world is much more one of relationships, of qualities, of sensations and so on than that of the solidities of the individual self, of the soul (if you like), of virtues ultimately traceable in the case of Europe to Greece, Rome to Christianity. In some of the best novelists, such as the late 19th century Natsume Soseki or such recent writers such as Mishima Yukio or Kawabata Yasunari (a Nobel prize-winner for literature) there is to be found great subtlety in psychological analysis. At the same time one cannot fail to observe also that from some of our inhibitions, or reticences on the grounds of taste, the Japanese are entirely free.

But ultimately, if we wish to understand in more rational terms what motivates Japanese people, and what concepts provide the foundations of their ethical view, I think we must go to the sociologists and psychologists. And here I can really not do much more than recommend three books which I have personally found very helpful. Since a detailed description of them is hardly possible in a short talk I shall simply touch upon some of the concepts with which they concern themselves.

Ruth Benedict's "The Chrysanthemum and the Sword", a really pioneering study in 1946, still seems to me eminently worth reading. Among matters about which she has much to say is the importance in Japanese society of status, of occupying one's proper station, of the "vertical" society. She is particularly penetrating also in analyzing the types of obligation which restrict, constrain and generally guide so much of the Japanese life.

The typical Japanese grows up with the feeling that he has received great kindness and assistance or "on" in different ways, from parent, teacher, employer, and he feels obliged to repay such "on" in appropriate ways. In the case of piety towards natural parents, or of loyalty to country or (in the older ways of thought) to the Emperor, the obligation to repay (since one owes everything to them) can really be limitless: it is an obligation or 'gimu' which is unconditional.

In other cases, there is an obligation to repay specific favours to one's fellows arising out of specific situations or contractual relationships. Benedict considers such obligations, known as 'giri', at least in the high degree to which they have been developed, as specifically Japanese. In their own world, for instance, the Japanese are meticulous in repaying gifts with return gifts, and a rather precise protocol governs the occasion, determining what the value of a return gift should be. One matter which is relevant is that (at least in Benedict's formulation) to "wear an ON" is a burden for the Japanese. You do not therefore do a Japanese a service by making quite disproportionate returns, leaving him with a sense of gratitude and indebtedness which he feels he can never repay.

The Japanese exercise some caution in incurring favours because they take very seriously the obligation to repay them in some way. For a person not to have a sense of 'giri' is very shameful. In the Japanese ethical world these specific obligations tend to loom rather larger than in ours where the more universalistic virtues of goodness, benevolence, seeking the truth etc. tend to be given precedence.

Benedict refers also to another form of 'giri', paralleling this obligation to repay 'on' received from one's fellows, and this she calls 'giri to oneself'. Very broadly this is concern for one's own good name and reputation, and it can occupy a position as important as that of honour in our own more feudal past or (if you like) among Mediterranean peoples. I think it is wise to keep well in mind this element in the Japanese character. It will normally take precedence over materialistic considerations. It is connected to some degree with face. The Japanese in fact seek as far as possible to avoid confrontations which may cause another to lose face; but where they meet with lack of consideration, and particularly where a slight or sneer is suspected, they are likely to be sensitive and offended.

Benedict points out that there was no real inconsistency between the Japanese adherence to wartime goals, so long as it seemed that such activities would earn respect for Japan, and the Japanese ready espousal of different, peaceful objectives once it had become apparent that the former tack had been ill-conceived and counterproductive. "In Japan", she notes, "the constant goal is honour. It is necessary to command respect. The means one uses to that end are tools one takes up

and then lays down as circumstances dictate. When situations change the Japanese change their bearings and set themselves on a new course. Changing does not appear to them the moral issue it does to Westerners. We go for ideological principles ... They feel no moral necessity to hold the old line".

Much of Japanese behaviour both historically and nationally, as well as within the nation, can (I think) be accounted for by the desire to be respected; and this accounts also for the remarkable Japanese ability to adjust, to assimilate, and to learn with such assiduity and devotion from others who are felt have something valuable to offer. Surely an invaluable national characteristic.

I shall not go more fully into Benedict's work except to note one or two specific points.

The first is that the burdens of 'giri' are not, on deeper analysis, so uniquely Japanese as Benedict tends to suggest. In "City Life in Japan" (1958) Ronald Dore has brought this out very well. He refers to 'giri' in the sense of acts springing from a sense of obligation rather than from spontaneous desire, acts which are directed towards a specific person, acts for which the immediate sanction of non-fulfilment is displeasure or distress of that person or group. And he notes this is not very different from our saying "We ought to go to see Aunt Mabel when we are in London, She's a bit of a bore but she will be upset if we don't". And he adds:

"The difference between Japan and England is that the structure of Japanese society is such that giri-relations arise with greater frequency and have greater importance for the individual's well-being in Japan than in England, that the acts required in such cases are more clearly formalized, and that the obligation to perform such actions are given a higher place in the scale of values of a Japanese compared with such universalistic obligations as loving one's neighbour etc."

Devotees of "Coronation Street", one may add, will find even the 'burden of giri' well paralleled in the gratitude so persistently exacted by Hilda Ogden from Elsie Tanner after she has rescued her from a smoke-filled room. Unlike the Japanese however, the Elsie Tanners of this world are likely, at some stage, to rebel against too heavy claims on gratitude.

A second point to note in Benedict's analysis is that she seeks to characterize Japan as a 'shame culture' as distinct from the 'guilt culture' of the West. This is a convenient distinction since it does point to the degree to which the Japanese are concerned with their good repute among their fellows. Indeed one does not need to have a very adroit imagination to be able to draw some conclusions from the Japanese proverb 'a traveller has no shame' when reflecting on some Japanese wartime behaviour, away from the sanctions of their own society. Such behaviour might otherwise puzzle us.

I would just point out, however, that later studies do suggest that to characterize Japan simply as a 'shame culture' is an over-statement. The Japanese do have feelings of guilt as well as

shame. As Dore points out, for instance, the statement "The Japanese have no sense of sin" may often mean little more than that feelings of guilt are not often expressed in religious form, and the matters of sexual conduct are not central in Japanese morality as often in Christianity. Comments made by Doi on this theme really touch the spot even more precisely. Of the Japanese sense of shame he says, "Shame results from whatever happens to undermine or denigrate claimed status by revealing something of the claimer which is inconsistent with the status". As regards guilt he says, "The Japanese sense of guilt shows itself most sharply when the individual suspects that his action will result in betraying the group to which he is a party".

One last point, before we take leave of "The Chrysanthemum and the Sword". Benedict separates out the 'circle of giri' or of obligation from the circle of ninjo', or of human feelings. Again I think this is a useful distinction, in the sense that it helps explain how the Japanese can be quite free and relaxed and non-puritanical in their pleasures, on the one hand, and on the other hand will unfailingly put these matters in second place when confronted with the more serious aspects of life, the world of reciprocal obligations. At the same time I must again warn you that later scholars such as Doi have come up with a rather more subtle analysis of the relationship between 'giri' and 'ninjo', conceived more as vessel and content; and I have no doubt that this is more exact. While logically separable the two can coexist in a single situation.

The second book to which I would draw your attention is "Japanese Patterns of Behaviour" (1976) by Takie Sugiyama Lebra, Associate Professor of Anthropology at the University of Hawaii. While in style this work is unfortunately a little academic for the casual reader it traverses virtually the whole field in a very useful, synoptic manner.

I shall mention only a few points to stir your interest:

The sense of hierarchy. The strong inverse aspects of this also in Japan, the pressure upwards on the boss from those below him and his responsiveness because of the social obligations he bears.

The great importance of the sense of belongingness, illustrated (for example) by the widespread and indeed universal use of visiting cards. And notice also that it is usually his firm with which a Japanese identifies, rather than his actual function, profession or trade. He is primarily a Mitsubishi man, and only secondly an accountant.

The tendency for family relationships to serve as a model for other forms of economic and social relations. The deference paid to seniority.

The emphasis given to a feeling of oneness (ittaikan). The tendency to communicate through feelings of empathy rather spelling out one's hopes and wishes so explicitly as in the West. The sense of resentment likely to be felt where empathy is withheld.

Gregariousness, and the widespread feeling of social dependency.

The expectation that one should occupy one's proper place but, concomitant with this (and surely dominant these days), strong social encouragement also to rise in the world through available channels.

The stress on effective performance of one's role, and a tendency to identify with one's status, to the degree even that a single failure here induces depression and sometimes suicide.

The only concept on which, however, I should like to expand a little here is that of sensitivity to occasion, by which is meant whether one is in an "in" group or an "out" group. Japanese behaviour can be very different, depending on whether one is treated as an outsider or as an intimate member of the group. As an outsider - and the foreigner will not too easily escape from this position - one must expect to be received with some restraint, some feeling of the way, and by polite but ritual behaviour which ensures that no feelings are hurt and that no face is lost. The foreigner thus sometimes feels that a Japanese can be rather stiff. It should be realised, however, that there is an altogether different side to the Japanese character, which is one of spontaneity and which freely manifests itself within an intimate group where there is complete trust. One lesson to be learnt from this is the desirability of spending time cultivating personal relationships before trying to rush through business transactions.

The only other author I wish to recommend to you here (though there are others, such as Nakane Chie who deserve mention) is Doi Takeo whose "The Anatomy of Dependence" we have already mentioned. This slim, closely argued and very readable book seeks to subsume a very wide range of Japanese behaviour under the heading of "amae" or dependence, passive love, the desire to be loved and indulged. Doi sees the Japanese as seeking relationships which allow them to presume on familiarity. Conversely, feelings of injustice arise before a failure of the desire for indulgence to meet its expected response. 'Enryo' or restraint is appropriate in situations where 'amae' is not to be expected, but it decreases proportionately with intimacy. To 'amae' also Doi traces the Japanese tendency towards identification and assimilation, while shame arises from a recollection of estrangement from one's group.

The basic sense of 'amae' is that of dependency, as of a child on its indulgent mother. What gives especial persuasiveness of Doi's thesis is that in fact, in the early years of a Japanese boy's life, he is traditionally indulged to a much greater extent than is the norm in the West. It seems natural that this should have some subsequent effects on his life. I cannot hope here to sketch Doi's subtle argumentation at all adequately, but the book is worth reading. I can at least understand what its translator, John Bester, means when he says "To myself at least his key concept has borne out and clarified all that I have observed during a long stay in Japan, and for the first time resolved the contradictions".

But again, one final note of warning. Do not jump to any patronizing conclusions. As Doi points out, 'amae' is not confined to Japan, though it is especially evident there. On the contrary I would venture the opinion that it is the 'amae' philosophy which makes Japan so incomparably congenial to a very large body of Westerners.

I have said enough. The bridge to understanding is open. I think most of the elements which make up distinctive Japanese ways of thinking are not so different that we do not have some experience of them ourselves. Where differences do exist you can be sure that the Japanese will themselves do more than their share in seeking to narrow any remaining gaps. It is really only necessary to respond in like manner.

PAPER 3 : THE JAPANESE ECONOMIC SYSTEM AND THE GROUPS THAT
MAKE IT WORK - COMPANIES, POLITICIANS AND BUREAUCRATS

By G.W. Kitson

Edited by R.G. Moffitt

Japan - A Large Domestic Market

The Japanese business success has been based on a large domestic market. Only 10 per cent of Japan's Gross National Product (GNP) is exported whereas in New Zealand approximately 25 per cent of GNP is exported. Japan was the first non-western country to become industrialized. The Japanese economy has grown very quickly but this growth has not been due to access to cheap labour nor to the copying of overseas technology, rather its commercialisation. Japan is now a technology exporter rather than an importer of technology. Today many Japanese companies are spending large amounts of money on product research and development.

How is Japan's Economic Growth Financed?

Japanese companies have a very high debt:equity ratio. Although ratios vary considerably the average company's debt as a percentage of total capital is of the order of 75-80 per cent. In the Western World a company with such a debt:equity ratio would be bankrupt. Western manufacturing companies have debt levels of the order of 30-35 per cent. Furthermore the level of indebtedness for Japanese trading companies rather than manufacturing companies is about 95 per cent of total capital. This means the financial latitude of Japanese companies is extremely limited. A slight business downturn including a moderate dampening of demand can lead to severe liquidity problems.

The company financial system is highly "debt geared". Very long credit periods exist (see Figure 1). Promissary notes are very common but the exchange of money between companies is slow. In reference to promissary notes it is said that Japan "floats on a sea of paper". One type of delivery draft is called a baby delivery draft - payment occurs nine months later.

While Japan is a leading world economy it suffers from significant cyclic fluctuations in its economy compared to Western countries. The high ratio of debt gearing is reflected in the boom or bust economic cycle. This is illustrated in the following table.

FIGURE 1

Schematic Diagram of a Trading Company
and its Sub-Contractors

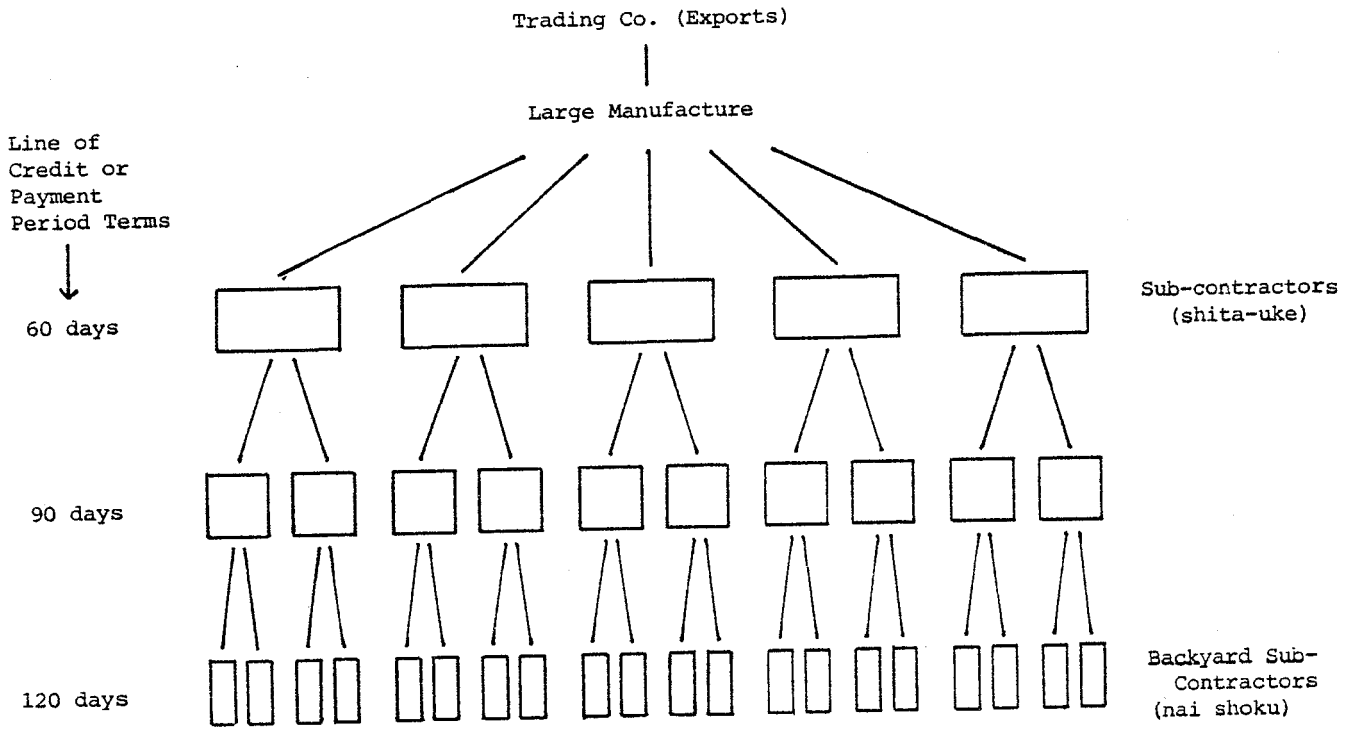
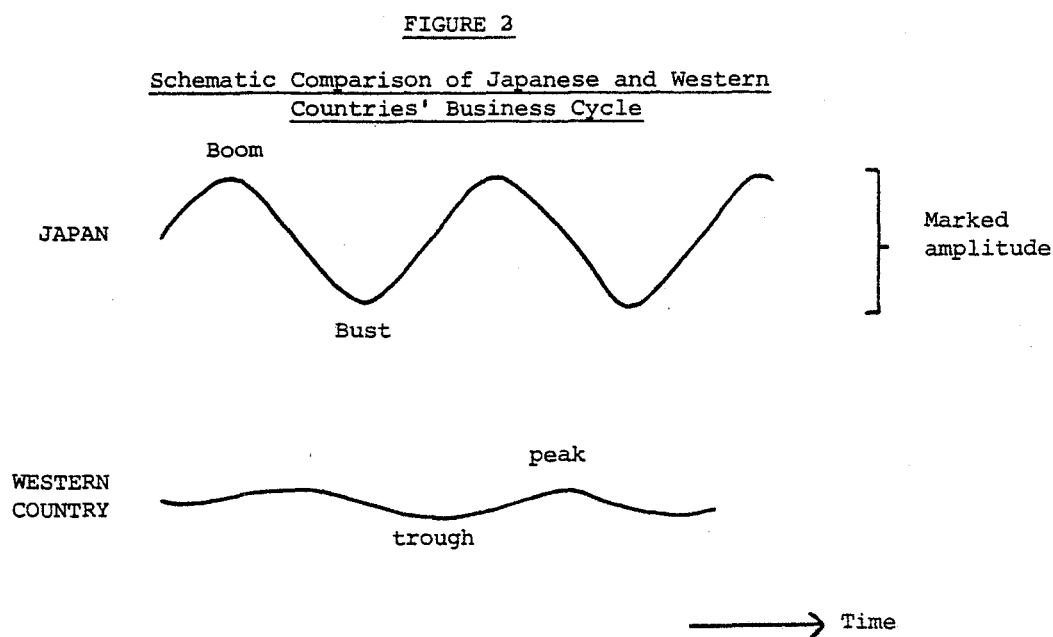


TABLE I

Industrial Production Indices

Annual % deviations from growth trends 1960-74	
	%
U.K.	1.56
Western Germany	2.35
France	2.46
Italy	3.13
U.S.A.	3.26
Japan	6.26

If a country grows quickly it can also retract quickly. Because of high debt leverage the Japanese economy tends to grow quickly and retract quickly (see Figure 2). Liquidity reductions and the tightening of demand leads to a downturn in business expectations and a severe curtailment of business activities. These liquidity and trade credit characteristics give the Japanese business cycle much greater amplitude than that of western economies.



The marked amplitude of the Japanese business cycle results in particular in a fall of imports following an economic downturn as importers have to pay for imports quickly whereas they have to wait for payment from the recession affected Japanese wholesalers. As a consequence importers soon stop importing and stock levels are quickly reduced. The importation of industrial raw materials ceases as a business downturn occurs.

If New Zealand can increase the added value component of its agricultural exports to Japan, these goods may avoid the raw material cycle fluctuations.

Japanese companies have a close business relationship and commitment to their Japanese bank. All companies deal with a principal bank and this bank provides guidance and advice to the company. Often

the bank has a director on the company board. While trading banks tend to be very large compared with their company clients, the banks often bring in other banks to spread the financial risk. The central bank, the Bank of Japan, has an ultimate influence over business finance.

A large fund for investment in business exists because of the high savings ratio of the Japanese population. The Japanese save 20 per cent of their disposable income. In New Zealand we save only 7-8 per cent.

Another method of spreading risk is by the conglomerate structure of Japanese business. The majority of firms operate from within company groups called Zaibatsu or keiretsu. One company group may consist of many different companies handling a wide range of operations. The business firms are linked through reciprocal shareholdings, and lender-borrower and buyer-seller relations. The Mitsui group for example, is made up of 104 firms and the Mitsubishi group has 113. If one company from the group suffers a downturn in demand for its products then some of its resources can be shifted sideways into another group company where product demand is strong. A cycle develops with older companies stagnating and losing their importance within the group and new companies (e.g. computer, electronics, or robot manufacturing firms) attaining new significance. In New Zealand it would be very difficult to shift some resources (for example labour) between companies.

Japan has been described as a dual economy. Large company groups are at the top level with many smaller companies below them. Often these large companies obtain many of their industrial inputs by employing small companies on contract. The smaller sub-contractors have lower fixed costs and this can give them better flexibility in a recession. However if the business cycle turns downwards these contracts are suspended. This results in many of the small companies becoming bankrupt, so that the bankruptcy rate is an important indicator of how the economy is faring. It is a more significant economic indicator than the unemployment rate.

Employment and Company Loyalty

In present Japanese society strong competition and the development of the work ethic starts at an early age. It is important to do well at school so that the student can enter a prestigious university. Following graduation he applies to sit career entrance exams in leading corporations to get a job with the "right" company. Many large companies offer the security of lifetime employment and guaranteed wage increases.

Once employed the worker assumes a strong commitment to company loyalty. Many companies begin each day with all employees and management joining in an exercise session and singing the company song. If the company doesn't do well in the market place then the workers feel partly responsible. Labour and management share similar goals and objectives. The Japanese have a strong sense of unity to the group.

In Western culture, the individual acts separately from his neighbour or fellow worker. In Japan the individual links in closely with his fellow worker - all working towards one goal (see Figure 3).

FIGURE 3

The Employee Structure of Japanese and Western Companies

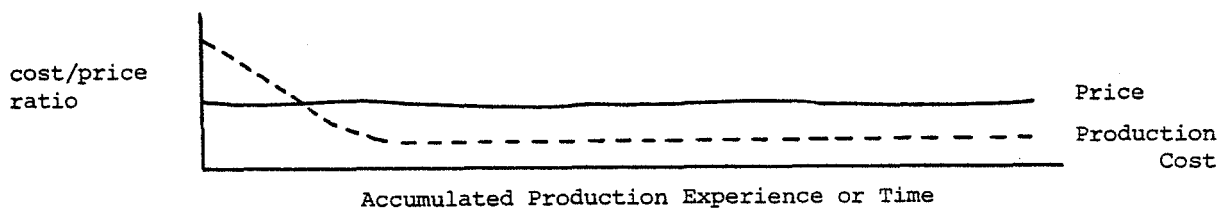
Western Attitude	$1 + 1 + \dots + 1 = N$
Japanese Attitude	$1 \times 1 \times \dots \times 1 = 1$

Long-Term Marketing Strategies

Japanese corporations with support from their banks plan for well into the future. They may for example have a 50 year time horizon (see Figure 4). In their corporate strategy they are not looking for immediate profits and are willing to initially produce at a loss.

FIGURE 4

The Long Term Planning Horizon of Japanese Companies



The above figure shows that as production experience increases there is a fall in production costs. Initial planning may suggest that the break-even point, when price equals production costs, will occur after say five years. Here the marketing strategy would be to sell at a loss for the first five years (and often squeeze out the opposition especially on foreign markets) and recoup the initial losses later through dominating the market.

Western companies have fewer years available to show a profit because pressure from western shareholders prevents a longer term marketing strategy from being considered. In Japan there is little such pressure from shareholders with relatively few freely traded shares on the Japanese stock exchange compared with the western world. Most shares tend to be held by "stable shareholders" who don't sell and share prices seldom reflect an initial lack of profit from new company ventures.

The Influence of the Politicians and Bureaucrats

There is a close relationship between politicians, bureaucrats and business in Japan. It is hard to identify who influences the decision making or applies pressures. All groups work for Japan as the ultimate group.

Tokyo University provided over 50 per cent of the graduates who occupy senior positions in selected Government Ministries in 1963 (see Table 2).

TABLE 2

Educational Background of Top Officials (Section Chiefs and Higher, Exclusive of Parliamentary Vice-Ministers) in Selected Ministries as of 1963

Ministries	Government Universities		Private Universities
	Tokyo U.	Others	
	%	%	%
Local Government	73	18	6
Construction	58	31	2
Education	66	20	4
International Trade	63	19	4
Transportation	53	27	1
Finance	62	15	0

A large proportion of business leaders as well as senior Government officials graduated from Tokyo University. The close personal contacts established at University has led to a close working relationship between major companies and Government (see Table 3).

TABLE 3

Tokyo University Executives Compared with Graduates
of Other Universities

University	Number Working in Senior Posts	Percentage
Tokyo	630	21.0
Kyoto	210	7.0
Keio	196	6.6
Hitotsubashi	175	5.8
Waseda	116	3.8
Others	1,673	55.8
	----- 3,000	----- 100.0

PAPER 4

PAPER 4 : BUSINESS PRACTICES IN JAPAN -
NEW ZEALAND SUCCESSES AND FAILURES IN ADAPTING

By G.W. Kitson

Edited by R.G. Moffitt

The Role of the Large Trading Companies

Over 60 per cent of all Japanese imports are handled by only 10 large general trading companies. These companies are very proficient at importing industrial raw materials and arranging large volume transactions. They are experienced international trade negotiators with very good language skills.

Most of the goods imported from New Zealand are handled by these large trading companies. There is a need for New Zealand to move towards exporting smaller volume, high technology, higher value consumer goods. The new growth area is processed goods. It is important that New Zealand look beyond the large central trading importing companies which require a large volume of goods to break even. We need to look to other smaller, less experienced Japanese importing companies. We should also be using our own skilled language resources to support our commercial and technical skills in marketing our products.

Potential Markets in the Off-Shore Islands

Japan has a diversity of markets, regions, age groups and tastes. It is not a single market. We need to identify where the relevant markets for our products are, and where we should be focussing.

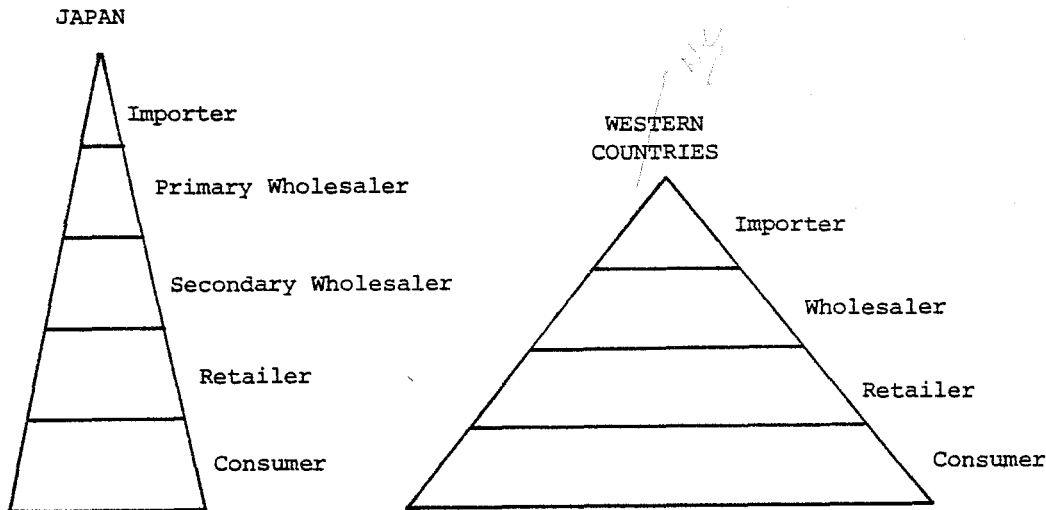
The New Zealand image is slowly becoming known in the off-shore islands of Hokkaido and Kyushu. Because these Islands haven't been exposed to many foreigners, there are good marketing potentials for New Zealand companies with Japanese speaking staff. In these regional areas there are market development opportunities for fruit, both fresh and processed. For example, to date very little kiwifruit has reached these regions. There is also a strong interest in imported cut flowers. In Hokkaido 70 per cent of the total cut flower market is supplied from outside the Island, and in the winter the percentage rises to 90 per cent. During the Japanese winter the New Zealand climatic advantage can be used to provide superior quality cut flowers to Hokkaido.

Japan Has a Complex Distribution System

There are many different marketing outlets, including consumer and agricultural co-operative organisations, department stores, supermarkets, convenience stores, regional discount stores and small specialist stores. As the Japanese distribution system is very complex we need to ask the wholesaler for a breakdown of distribution costs for our products. In Japan the distribution pyramid is narrow and rigid (see Figure 1).

FIGURE 1

Schematic Diagram of the Narrow
Distribution Channels in Japan & in the West



In Japan there are more wholesale sales to other wholesalers compared with the U.S.A.'s system (37% in Japan and 15% in U.S.A.) (see Table 1). The average Japanese cosmetics salesman may have 20 or 30 accounts to look after whereas his counterpart from U.S.A. has 150-200 accounts. The personal approach stressing the development of human relationship is more important in Japanese selling. In addition sales staff are given liberal allowances for the entertainment of clients.

TABLE 1

Sales by Wholesalers in Japan and U.S.A.

	Japan	U.S.A.
Sales to other wholesalers	37%	15%
Sales to institutions and industry	39%	44%
Sales to retailers	24%	41%

There are also many more wholesalers and retailers per 1,000 population in Japan compared to other countries (see Table 2).

TABLE 2

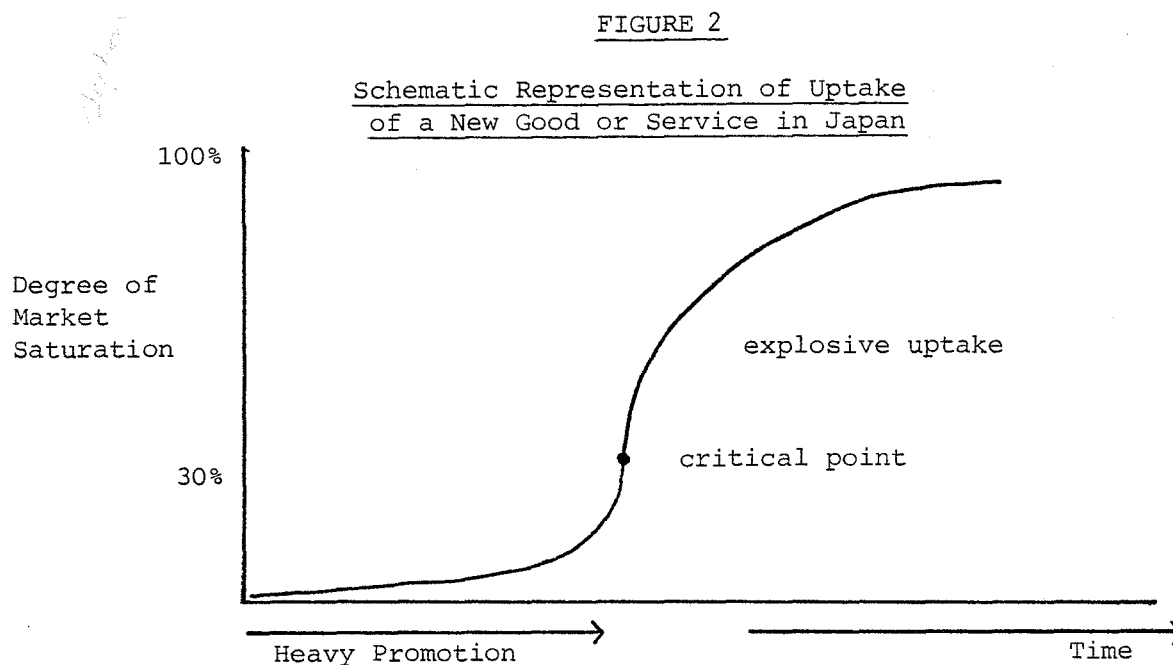
Wholesalers and Retailers per 1,000 Population

	Wholesalers	Retailers
Japan	2.9	18.89
Western Germany	2.1	-
Finland	1.17	8.09
U.S.A.	1.63	9.08
U.K.	-	10.9
N.Z.	1.09	9.88

New Product Introduction in Japan

Very intense competition exists in the introduction of a new good or service.

The major feature of product promotion in Japan is associated with the basic social entity where group activities and values rather than individual values are dominant. Company loyalty and unanimity in decision making are two examples. Advertising and promotional techniques use this affinity of Japanese people to act as a group. If for example a sufficient proportion of the population can be stimulated through advertising to buy or use a product or service, the uptake by the rest of the community is often explosive. A simplified illustration of this is shown in Figure 2.



Early on in the product life there is very heavy promotion and expensive research to identify the optimum promotion area. It is important to obtain a high market share by the time the "critical point" in the product life cycle is reached (see Figure 2). The quicker the "critical point" is reached the greater the subsequent market share for the lifetime of the commodity.

Most Western goods have gone through this product growth cycle in Japan, e.g. coffee, mayonnaise, ketchup, kiwifruit. Because a Japanese wholesaler has an expensive promotional commitment to try and establish a new product, it is important at the early stage of product release that the wholesaler receives full co-operation and financial assistance from his New Zealand client. In turn the New Zealand producer must be confident that he has chosen the correct market segment to aim at and has chosen the appropriate wholesaler to reach the identified end market. Trade with Japan demands an understanding of the many constraints of Japanese business. A complex and circuitous distribution system, and pre-occupation with quality, and consensus decision making are just some of the constraints the New Zealand exporter must overcome.

Japanese buyers of New Zealand products are interested in what type of country New Zealand is. They are not well informed about this country. As the promotion of new products increases consumer awareness, it is important for exporters to promote the country along with the product.

The major problem for foreign marketers in Japan is to penetrate the maze of wholesalers and get their product to the appropriate small store. Foreign marketers in Japan have tended to rely very largely on the smaller luxury segment of the market, represented by department stores and supermarkets in prestige districts. Distribution to these stores has been easier and margins greater.

Some New Zealand Marketing Successes and Failures

During the late 1960's the meat sector successfully promoted mutton as a raw material for processing into hams and sausages. However in 1970 at Expo 70 and in subsequent years the major lamb promotion which has been undertaken has not been successful. The problem has been a failure of the supplied product to live up to the quality standards of the product which was promoted.

New Zealand as a tourist destination is being well presented. The tourist industry is promoting New Zealand as a single destination with unique characteristics and each year more and more Japanese visit this country.

New Zealand wine has not been a success in Japan. To the Japanese imported wines must come from either West Germany or France. Other marketing alternatives to promote New Zealand wines in Japan need to be considered. One option could be to export New Zealand wine in bulk and allow the Japanese to blend it with their own wine. Another option could be to send it in bulk and have it bottled in Japan but with a New Zealand label.

Section 5

PAPER 5 : THE JAPANESE CONSUMER - TRENDS AND CHANGES

By G.W. Kitson

Edited by R.G. Moffitt

Changes in Income and Urbanisation

The Japanese today are an affluent people; they have a higher average gross income than the average New Zealander. Increases in personal disposable income have strongly influenced consumption. From an index of 100 in 1964, the average income had reached 315 by 1975 and is even higher today. In the last thirty years this economic growth has been associated with a steady trend towards urbanisation. In 1930 about 25 per cent of Japan's population lived in urban areas. By 1975 this had risen to 78.2 per cent. About 20 per cent of the population now live in cities of one million or more.

During the boom years before the first oil shock of 1973 the Japanese economy grew at an average annual rate of above 10 per cent. This helped create many jobs and led to substantial investment. Since then the growth rate has slowed but investment is still continuing.

In recent years there has been a trend away from the extended family. The average number of persons per household is 3 or 4 today. In 1955 there were 4.97 persons per household. Building and land costs in Japan are very high. To buy land and build an average sized house in a large Japanese city today may cost \$NZ250,000. In Tokyo city it can be considerably more. Living conditions are cramped. The average sized Japanese house is 570 square feet compared with about 1,000 square feet in the U.S.A.

The population is growing older. The largest age group is now in their early 30's.

Trends in Dietary Habits

The Japanese are consuming a wider variety of foods - especially the younger members of the population. More younger people are eating out and showing a strong preference for the variety of western food. The older age groups still prefer the traditional foods of fish and rice. An increased demand is being projected for animal protein consumption (see Table 1). There is already a movement towards increased meat and dairy product consumption with a projected fall in demand and domestic supply of rice by the year 2,000. Results from an annual survey conducted by the Ministry of Agriculture, Forestry and Fisheries of Japan reported that in the year ended March 1982 the average annual per capita rice consumption was 77.5kg. In twenty years rice consumption per head had fallen 35 per cent from 118.3 kg/head/year in the year ended March 1962.

TABLE 1

Japanese Food Component Consumption Patterns
and Projections per Capita

	1978	1990
Calories	2500	2500
Protein	81g	84g
Animal Protein	39g	45g
Livestock	21g	24g
Seafoods	18g	21g
Plants	42g	39g
Fat and Oil	66g	78-82g

Changing Qualitative Trends in Food Consumption

- (1) A preference is developing for natural foods, e.g. diet and health foods.
- (2) There is a greater consumption of natural beverages.
- (3) There is a strong orientation towards variety in food consumption.
- (4) Preferences are developing for non-conventional luxury foods.
- (5) There is a developing trend towards light lunches and fast foods.
- (6) There is a trend towards the internationalisation of dishes.
- (7) There is more dessert eating occurring.
- (8) Bread and cake making are becoming popular.
- (9) There is a diversification of seasonings and flavourings.

Changing Trends in Non-Food Areas

In addition to changes in food consumption tastes there has been a movement towards the westernisation of flowers, clothes and furniture. The interest in western type flower arranging has increased demand for the bulky spreading flowers such as gypsophila and spray type carnations and chrysanthemums. Today only 25 per cent of all flowers sold end up in the traditional Ikibana arrangements. There is a strong growth in the purchase of pot plants (see Table 3). They are also popular for gifts and are very suitable for the modern cramped Japanese households. There is an unfulfilled demand for a summer flowering pot plant which can survive the hot humid Japanese summer.

Different food types were preferred by different age groups during the 1960s and 1970s. Table 2 shows that the elderly preferred the traditional foods of rice, fish and vegetables; the middle aged showed a preference for bread and meat while the younger age group preferred milk and eggs, drink and eating out.

TABLE 2
Preferences of Different Age Groups of Different Types
of Food

Food Group	Year	Age Group 25-29 Years	Age Group 40-44 Years	Age Group 60-64 Years
RICE	1967	0.854	1.061	1.145
	1973	0.781	1.067	1.131
	1977	0.749	1.070	1.234
BREAD	1967	0.833	1.065	0.796
	1973	0.908	1.096	0.884
	1977	0.967	1.084	0.813
FISH	1967	0.989	0.944	1.195
	1973	0.952	0.949	1.186
	1977	0.893	0.955	1.237
MEAT	1967	0.949	0.983	1.043
	1973	0.986	1.025	0.972
	1977	0.952	1.050	0.889
MILK AND EGGS	1967	1.273	0.896	0.854
	1973	1.279	0.898	0.924
	1977	1.292	0.907	0.858
VEGETABLES	1967	1.047	0.960	1.206
	1973	1.002	0.969	1.152
	1977	0.946	0.969	1.152
ALCOHOLIC DRINK	1967	1.173	0.955	0.858
	1973	1.104	0.946	0.934
	1977	1.197	0.956	0.902
EATING OUT	1967	1.029	1.104	0.676
	1973	1.108	1.045	0.685
	1977	1.194	1.071	0.703

TABLE 3

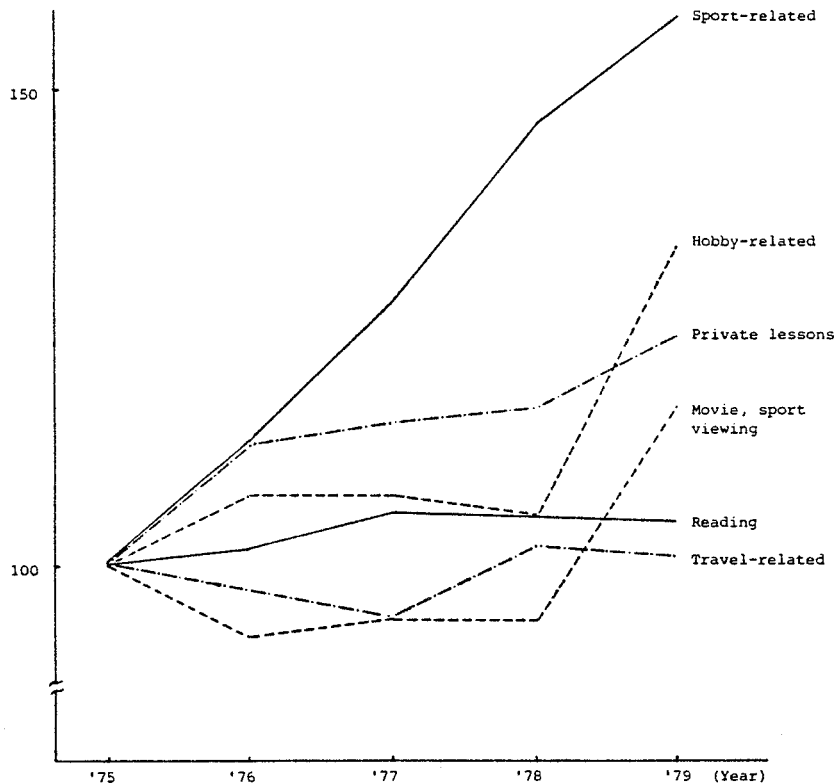
Annual Growth in Sales for Main Wholesale Markets for
Plants and Flowers (1975-79)

Units: Per Cent	
Cut Flowers	12.1
Potted Plants	16.3
Cut Branches	8.6
Seedlings/ Shrubs and Garden materials	9.9

The Japanese are also increasing their expenditure on sports and hobby related equipment (see Figure 1). As a result of income increases and also increases in leisure time more money is being spent on leisure activities. Travel, especially overseas travel, is certain to remain an important growth area of consumption.

FIGURE 1

Increasing Sport- and Hobby-related Expenditures



- Notes: 1. Based on "Family Income and Expenditure Survey" and "Consumer Price Index" carried out by the Statistics Bureau, Prime Minister's Office.
 2. Sport-related: Ball, baseball outfits, other sporting instruments, sports shoes, sport clothing
 Hobby-related: Stereo sets, tape recorders, pianos, records, other musical instruments, cameras, films, film development and printing, pets, gardening supplies.
 Travel-related: Travel expenses, accommodation charges, railway expenses, air fares, other transportation expenses, travel cases.
 3. Index with the value of expenses (real) in 1975 as 100.

PAPER 6 : MARKETING IN JAPAN

by J.M. Hundleby

"Japanese business practices epitomise the inscrutable character of the Orient". This type of statement is often made by New Zealand and other businessmen from Japan's major western trading partners. I would contend that comments of this nature suggest a failure on the part of these people to come to grips with the realities of the Japanese market/and that they represent a convenient and ready-made excuse for a lack of success which they may encounter. My experience has shown that Japanese business practices, which are indeed different in some ways from our own, are not insurmountable barriers to the development of good and lasting business relationships.

It therefore gives me great pleasure to have this opportunity of focussing on the subject of marketing in the Japanese domestic market. I should perhaps explain before doing so that my role in the Trade Section of the Embassy in Tokyo was largely pitched at a level once removed from that of internal marketing strategies; in other words, the thrust of my work was more on locating potential importers of New Zealand products, rather than in being actively involved in drawing up marketing strategies for those products which did find niches in the market.

As a result, I do not feel qualified to make detailed comments on domestic marketing strategies in Japan. I will, instead, concentrate the first part of my remarks on a necessarily somewhat academic treatment of the domestic market infra-structure in Japan, and will also try to comment upon the implications this infra-structure has in regard to the type of marketing approach adopted in the domestic market. In the second part of my comments, I will endeavour, based upon my experience in the Japanese market, to both dwell on ways in which New Zealand exporters need to take the Japanese marketing infra-structure into account, and also to make some general comments about New Zealanders' overall marketing approaches to the Japanese market.

The distribution system in Japan is long and circuitous. There are, however, historical factors which help to explain this distribution network. Distributors were, in an historical context, placed in the role of relaying market information between manufacturer and customers; indeed, their very name in Japanese, "Ton-Ya", means "house of asking". In other words, the distributor's role in facilitating communication between the manufacturer and the retailer was of crucial importance.

Another key factor was that, because of the tradition of life-long employment and salary increments based essentially on the length of service of staff, rather than the merit or otherwise of their performance, manufacturers tried to limit the fixed cost of their

labour. As a result, many made a conscious decision not to add a marketing arm to their company's operation. They preferred instead to leave marketing responsibilities to companies outside their direct control.

In New Zealand, or indeed, in most western countries, such a decision would have made little sense. However, in Japan, marketing has been, in essence, conceptually limited to a series of relationships, primarily vertical, in an established commodity distribution channel. This system of relationships does not merely involve give and take, but also involves a history of helping and being helped. This concept in Japanese is described as "giri", which, although difficult to adequately translate, can perhaps be best summed up by the term "obligation relationships". Success in marketing in Japan is, therefore, to a surprisingly large extent, dependent upon one's ability to maintain the best possible relationships with those individuals and companies with which one does business.

To give you some idea of the complexity of the Japanese distribution system, the latest figures which I was able to locate suggested that nearly 20% of the Japanese workforce is involved in the distribution sector. The distribution network is extremely fragmented, and contains a large number of small establishments. There are, in fact, an estimated 280,000 small companies in the distribution area, and the average number of staff in these companies is about 11. Although this large number of staff in these companies is the most striking factor of the Japanese distribution system, it is, nevertheless, true that a small number of large establishments are responsible for a high proportion of the overall commercial activity in the distribution sector.

While historically there has been an unwillingness on the part of the manufacturer to become too involved in marketing, the last 20 years or so have seen a trend towards more direct participation in marketing by manufacturers.

The increasing consumerism which developed alongside the growing prosperity of Japan during the 1960's resulted in more selectivity on the part of the consumer. This had an effect on the distribution system, in that it increased the influence of the larger manufacturers, who were able to dictate to those companies in the distribution system how to go about distributing and marketing their products rather than, as had been the case in the past, their being dictated to by the companies in the distribution network. The larger companies have thus been able to establish vertically controlled distribution systems.

One interesting development of the increased emphasis on marketing in Japan has been the rise to prominence of company-based consumer clubs which are seen by the manufacturers as a way of increasing market share for their products. Companies such as Shiseido in cosmetics and Matsushita and Toshiba in electrical products have organised consumer clubs, where persons purchasing the company's products are placed on a list held by the manufacturers and receive monthly magazines and direct mail advertising, as well as annual gifts which are based upon the extent of purchases made by the individual during the period. As well, the members of these clubs are invited to free lectures concerning the

company's products. For example, Shiseido invites the people in its club to personal grooming and make-up lectures, while the electrical product manufacturers may invite the members of their clubs to cooking demonstrations and other lessons involving their products.

As for the types of distribution networks which exist in Japan, Dentsu Incorporated, the largest advertising company in Japan and one of the three biggest in the world, prepared a study which analysed the distribution system in Japan. In the study, Dentsu broke down the types of distribution networks into three categories. The first, which it termed "quasi-monopolistic", gives the manufacturer virtually complete control over how products are to be sold and serviced. This type of distribution system normally exists where a small number of manufacturers hold an overwhelming share of the market and exercise control over the entire distribution system for their products. One example of this is Shiseido, which established its own wholly-owned subsidiary to act as distributor. This company in turn sells through several hundred wholesalers to tens of thousands of retailers. Shiseido has a shareholding in all of the wholesalers, as well as which it exercises some control over the retail outlets. This network, when coupled with the consumer club referred to earlier, means that the company is ideally situated for successful marketing of its products right through to the consumer level.

The second type of distribution network identified by Dentsu is what Dentsu termed "oligopolistic". This is where a comparatively large number of manufacturers are able to exhibit limited control over the distribution for their products. In this case, to strengthen their share of the market, the manufacturers endeavour to affiliate the companies in the distribution route, and thus facilitate further market penetration for their products. The third is what Dentsu termed "competitive", where the majority of manufacturers in a particular product sector are small in scale and thus unable to exercise much control over the distribution route for their products. I would suggest that, in addition to the three routes identified by Dentsu, there is also what could be described as a franchise type of distribution, where the manufacturers control by franchise the distribution of their products.

As noted earlier, the increasing consumerism of the last twenty-odd years has resulted in manufacturers exhibiting a stronger direct interest in marketing and hence in shifting from the "competitive" distribution system to one or other of the "quasi-monopolistic" or "oligopolistic" distribution situations. Although this movement was, in any event, probably inevitable, the manufacturers were undoubtedly assisted by the complacency of some wholesalers who didn't wake up to the threat posed by the manufacturers until it was too late.

Closely associated with the changing trends in marketing has been a marked movement towards the establishment of large supermarkets in strategically placed suburban areas. During the last decade, large supermarket chains such as Daiei, Seiyu, and Ito-Yokado, have become household names and, in both sales growth and total sales, have easily surpassed the results of the major department stores such as Takashimaya and Mitsukoshi. A feature of the supermarket chains - and

I should stress here that these supermarkets stock a full range of products, not just foodstuffs - is their fluidity. the supermarket world in Japan has, ever since the concept started to become popular in the early 1970's, been characterised by regular mergers and takeovers. The supermarket companies, which are not as tradition-bound as their department store competitors, are much more flexible and dynamic in their attitudes, and are much more likely to base their decisions on immediate perceptions of advantage.

The changing marketing and retailing scene in Japan has had an effect on that country's advertising world. Advertising in Japan is becoming more and more sophisticated, with a large number of advertising companies now vying for business. As noted earlier, the largest of these, Dentsu Incorporated, is ranked in the top three in the world. Japan is, it should be stated, ideally structured for mass-media advertising. It has a high population density, with over 115 million people in an area approximately 1.4 times the size of New Zealand: the same people have, moreover, a high literacy rate, and what could be described as an innate curiosity about things new and/or unknown. It should, however, be borne in mind that differences in Japanese consumer psychology and behaviour mean that western-style advertising methods cannot always be successfully transplanted to Japan. Japan has, too, its own standards and customs for advertising which include, for example, restrictions on claims of superior quality, performance, etc., in relation to a specific competitor's product. Various organisations such as the Japan Advertising Association have established regulations which prohibit any advertisements which may slander or injure other companies, or which falsely exaggerate the properties of a particular product.

Closely related with the increasing emphasis on advertising, more and more effort is being put into the development of suitable packaging by Japanese manufacturers. It is, in fact, somewhat ironic that, while the trend here seems to be more and more towards simpler packaging through such concepts as generic labelling, the emphasis in Japan continues to be very much on attractiveness and sophistication of the packaging. Indeed, this emphasis is so evident to the western eye that some of my more cynical colleagues in Japan used to voice the opinion that Japanese consumer products were all appearance and no substance.

I would now like to move on to make a few general comments about the implications the Japanese marketing infra-structure has for intending foreign exporters.

The Japanese importer, distributor and retailer are, in their search for appropriate imported products, primarily interested in product quality and reliability of supply. Once a decision has been made to handle a product, their energies tend to be focussed on achieving in the longer-term a certain market share, rather than on immediate profits or dividends resulting from their handling of the products. This, in fact, involves a long-term commitment to promotion, advertising, and research and development to ensure that a product is adequately meeting the needs of the market-place. The relationship between the buyer and seller is all important and strong personal loyalty is not so much highly valued as regarded as being the norm. Japanese companies emphasise the long-term development aspects of their

marketing endeavours, with shareholders rarely placing pressure on companies to achieve short-term rewards.

It should, however, be clearly understood that Japanese companies are not given to making overnight decisions on products which they will handle. The Japanese businessman - be he an importer, wholesaler or retailer - must make some sort of commitment to the product before he will endeavour to promote it. Within Japanese companies, decision-making is often done on a group or consensus basis. This has resulted in western businessmen charging that their Japanese counterparts are not prepared to take individual responsibilities for their purchasing decisions. I would suggest, however, that the consensus method of decision-making reflects the high degree of co-operation and co-ordination which exists within the Japanese business community, both between and within companies. A decision to handle and market a product is not taken lightly, with the decision involving, in Japanese eyes at least, certain responsibilities such as the undertaking of internal marketing endeavours and considerable personal commitment in relation to defective products. On the latter point, if a Japanese retailer receives a defective product, this is often regarded as a breach of the personal trust built up between that retailer and his supplier. If, therefore, Japanese businessmen find that they have a high percentage of defective products in any product items which they purchase from overseas, they are going to seriously question the degree of commitment which the foreign exporter is bringing to his marketing endeavours in the Japanese market. The emphasis on personal relationships and loyalty is reflected in the eagerness of Japanese businessmen to spend considerable time in areas which are not directly related to sales when they first entertain possible foreign suppliers.

During the initial "sizing up" period, Japanese businessmen are keen, through the time spent together with the potential supplier, to establish the exporter's reliability and his commitment to the market; they are, moreover, trying to establish the personal obligations which, to the Japanese businessman at least, deepen the supplier's commitment to the Japanese market and, naturally, to the businessman involved in handling the product in that market.

As noted earlier, Japanese companies, particularly in the area of consumer products, tend to place far less emphasis on immediate volume sales than do their New Zealand and other western counterparts. Given the competitiveness of the market, they concentrate rather on initially establishing a product which they believe has an assured long-term future in the market. It is, therefore, standard for them to want to take over the marketing of a product and to control the sales strategy for it. They are accordingly somewhat reluctant to give performance undertakings. If they do end up doing so, they tend to regard such undertakings more as a manifestation of goodwill rather than as any binding commitment to achieve a particular sales level. This has led to misunderstanding between foreign suppliers and their Japanese importers and distributors, with the Japanese companies often becoming resentful if foreign companies accuse them of failing to live up to performance undertakings. The termination of relationships for this reason is difficult for the Japanese businessman to accept and often,

experience has shown, has serious consequences for the prospects of that particular foreign product in the Japanese market.

It can generally be said that the price of imported goods at the retail level in Japan is high. This is largely brought about by three factors. Firstly, there is the margin for import costs. Secondly, there is the margin for distribution costs which is relatively high, in order to cover both the costs incurred in the multi-stage distribution system and the risks accepted by the distributors in relation to the high cost of after-sales service and maintenance of the products. Thirdly, there is what is termed the high price policy, which is part of the overall marketing strategy of most importers of foreign products. Under this strategy, the exotic nature of the product is emphasised to make the product a more sought after product having appeal to consumers. It should be noted that goods subject to this high price policy are themselves normally high quality goods. The policy would, for example, not apply to cheap underwear or other apparel products which Japanese manufacturers have contract manufactured in places such as Taiwan and South Korea.

For those companies interested in exporting to Japan, the differences between the Japanese market and the New Zealand market should not be overlooked. The sheer size of the Japanese market, which has over 30 times more people than the New Zealand domestic market, is, when put in stark terms, quite imposing. The sophisticated planning and co-ordinating intra-structure which exists in the Japanese business environment is of particular significance. This infra-structure, when coupled with an exceptional information gathering apparatus, means that the Japanese business world is probably the most advanced and co-ordinated community in the world. New Zealand companies should not lose sight of the fact that there are large cultural and other differences which mean that products which may sell successfully in Christchurch, Canberra and Chicago will not find the same easy access to Japanese cities. The critical point which intending exporters need to take account of is the need for constant communication and consultation between the foreign supplier and the Japanese importer on product acceptability and development.

The question of establishing an adequate distribution policy is a major one for exporters. On the one hand, they may wish, if they are large manufacturers, to sell in volume through a tie-up with a Japanese manufacturer or servicing organisation. On the other hand, if they are the typical smaller New Zealand exporter, they are more likely to prefer dealing through an import agent who will distribute the product to appropriate wholesalers and retailers. The choice has to be made by the foreign supplier according to the strategy which he wishes to adopt. It should be based on the features of the product, the extent of competition which is faced, and the amount of sales targeted. It should be borne in mind by people selecting importers and distributors that the smaller agent normally does not have the influence further down the distribution chain to effect large-volume sales; accordingly, any company wishing to sell large volumes in Japan would perhaps be well advised to seek more powerful companies who are better placed to make volume sales.

Careful and detailed market research is of vital importance for companies wishing to break into the Japanese market. Too many companies get involved without undertaking adequate research; indeed, it would appear that there are some companies which get involved by accident rather than by design. These people often have a tendency to view exporting to Japan as a marginal activity, and thus lack the commitment to bring their business to a level which would be satisfactory to all parties involved.

Exporters to Japan must state objectives. These must be realistic and drawn up after due consideration has been given to the company's own resources. It is also essential that these be long term as well as immediate. The foreign exporter to the Japanese market needs to develop, in close consultation with the importer, wholesaler and retailer, an overall marketing strategy which should address questions such as where the development effort is required, how this can be undertaken, and who is best placed to bring it to fruition. He should also place emphasis on delivery and after-sales service: one of the major concerns of Japanese companies handling foreign goods is whether the supplier will deliver goods by the stated delivery dates. This question relates to the importer's relationship with the other companies in the distribution channel, and to his obligations to these companies. It is, therefore, of paramount importance that the intending exporter be, firstly, able to convince the importer of the reliability of his company's supply situation, and secondly, that he be able to ensure that deadlines for deliveries are met.

For the New Zealand exporter hoping to break into the Japanese market, it cannot be over-emphasised that a personal visit will be of more benefit than any number of well-written communications. A personal visit enables the intending exporter not only to establish a personal relationship with the company or companies with whom he wishes to deal, but it will also enable him to see for himself the particular requirements and characteristics of the Japanese market. It is, however, important that exporters make the first visit purely with market research in mind; while it is not impossible to achieve sales on a first visit, the fact that adaptation of product is often needed, coupled with the laborious Japanese decision-making process, means that most exporters return empty-handed after the first visit to the Japanese market. Exporters, even after they have established a place in the Japanese market, must be prepared to make regular visits to Japan, both from the personal relationship viewpoint, but probably more importantly to enable themselves to be fully aware of developments in the market and to obtain feedback from importers, end-users, etc.

It is also vital that exporters continue to send the same personnel from their company. Too often, I saw companies sending a different executive to the Japanese market, with the result that I lost count of the number of times I was contacted by Japanese companies, asking why New Zealand companies were unable to realise the importance of having the same executive visit the market. Their common refrain was that they had just got to the point of establishing a rapport with the executive and having him appreciate the demands of the market when, suddenly, there was a personnel change and they had to start the process all over again.

I would like to give a brief description of one company's success in the Japanese market. I am referring here to Interlock International Ltd of Wellington, which last year won the Mobil Export Award for its success in selling its product, aluminium window stays, to the Japanese market. Interlock International Ltd had been quite successful in exporting its products to a number of countries around the world, but had not, at least up until 1978, made any approaches to the Japanese market. In that year, however, the managing director of the company visited Japan specifically to undertake market research. He called on the major aluminium window manufacturers, compared data on the types of window they produced, the size of the market, the companies' respective market shares and other normal market information. Probably his overriding interest in his first visit to the Japanese market, however, was to identify a reliable wholesaler and importer who could supply manufacturers on his behalf. He found during his various calls in Japan that one supplying company's name kept recurring, and this led him to believe that he had found the appropriate Japanese company to handle his company's products.

The company's research established that the majority of windows in Japan were of the horizontal sliding type which, of course, have no need for window stays. Despite this, however, he found that there was a market for his company's window stays, particularly in kitchens, toilets and bathrooms. At the end of his initial visit to the Japanese market, the managing director of the company called on the wholesaler which had been frequently mentioned during his calls. He not only briefed them on his product, but also sounded them out about their possible involvement with the product and the distribution of it in the Japanese market. The company, which had never handled imports, and, of course had never heard of Interlock International or its aluminium window stays, was far from enthusiastic when it received the initial approach. It did, however, after having been briefed by Interlock's managing director, indicate it would be prepared to assist.

The next visit of the managing director was very much aimed at selling. However, the company did not pitch its effort at the sales or purchasing staff, but rather contacted the technical staff of the various window manufacturers. With the help of samples and an audio/visual presentation in Japanese, it was possible to explain in detail the advantages of the interlock product. Despite the initial somewhat frosty attitude towards the imported product, the unique nature of the product, its quality and its competitive pricing quickly induced expressions of interest from the technical people. Interlock's operational flexibility and its preparedness to provide products to Japanese specifications also made an impression, with the result that the technical staff instructed their buyers on the merits of the Interlock products. Trial orders resulted, and Interlock Industries had made the first step in its approach to the Japanese market.

The managing director of Interlock Industries makes regular visits to the Japanese market to reinforce to both the importing company and the end-users that the company has a commitment to the market, and that it is prepared to adapt products to fit in with their particular requirements. The key points of this approach are that the company made a firm commitment to the market, which despite a number of hurdles, it maintains to the present day. This type of programmed

approach, together with a preparedness to not hurry the Japanese, have paid off in strong personal relationships and good long-term prospects. The company was able to exhibit flexibility - in other words, it was prepared to supply products the market required, rather than sell products which had been originally designed for the New Zealand market - in production, and also reinforce its claims about the quality of the product with the appropriate test data. The approach was very Japanese, with the literature and audio/visual promotion being in Japanese, and the manager of the company always using interpreters to ensure that parts of the message were not getting lost.

While it would not be possible for all exporters to exactly follow the approach used by Interlock Industries Ltd., the key points of the company's approach are of relevance to all companies interested in the Japanese market. In particular, the intending exporter to Japan needs to be prepared to make an initial visit aimed solely at information gathering. He also needs to be well prepared in the presentation of material relating to his company's products (including, if necessary, the preparation of Japanese language material), and needs to be flexible in adapting his company's products to suit the particular requirements of the Japanese market. He should also, even after the product has gained acceptance in the market, be prepared to make regular visits to Japan to both maintain and further develop his personal relationships with the key executives handling the product in Japan, and to familiarise himself with any significant market developments which may have occurred since his previous visit.

While I have in the foregoing comments moved somewhat away from the originally suggested title of my remarks to you, I trust that the comments which I have made have been of interest to you. While they have, to a certain extent, been a repetition of the points made by Mr Kitson in his various addresses to you, I consider that those points which have been covered by us both are of sufficient importance to warrant such treatment.

PAPER 7 : ESTABLISHING AND NURTURING BUSINESS WITH JAPAN

By K.R. Pilcher

Edited by R.G. Moffitt

KEYS TO SUCCESS

1. Get to know the Japanese customer.
2. Design the product to meet the demand.
3. Supply the goods in good fashion and highest quality.
4. Distribute with care.
5. Make sure the price is right.
6. Promote your products, name and image.
7. Emphasise service at every level.
8. Meet all legal requirements.
9. Study Japanese business practices.
10. Take advantage of others' experience.

SOME PERSONAL OBSERVATIONS

There are many differences between the Japanese and New Zealand markets. For example, in Japan elastoplast is a different colour and there is no demand for perambulators in Japan. Offices and homes in Japan are a different size compared with New Zealand and furniture design needs to reflect this.

The Japanese often expect imported goods to be expensive. Some New Zealand goods may be priced too low to succeed. Many New Zealand agricultural products and timber are re-processed within Japan. Once this has occurred the country of origin is not known to the eventual consumer. Accuracy and quality control is important in Japan. It is also important that all documentation has no errors.

Because of the marked cultural differences, business meetings between Japanese and Western businessmen in Japan can be very difficult. It is essential for Western businessmen to bring along their own interpreter - not to correct the Japanese companies' interpreter - but to help explain the subtlety of Japanese business culture and routines followed to negotiate business. When the Japanese accept responsibility within a trade contract, they accept all

responsibility, totally. The Japanese do not bargain, they decide on one price and that is the final price. The Japanese businessmen is keen to establish a close personal relationship with his trading partner so he will be offended if the Westerner tries to push or pressure him into accepting a deal. Often the Japanese will invite the Westerners to dinner at a restaurant but it is against the Japanese custom to discuss business during or after dinner. Another important custom is to call everyone by their family names followed by the honorific suffix san. Only family members and very close long established friends are referred to by their given (Christian) names.

It is easy to unintentionally give offence in Japan but often much is forgiven because we are foreigners. However, if the businessman can negotiate this minefield of Japanese business culture and customs successfully, his chance of business success will be considerably enhanced.

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