

# International marketing vifon to japan

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Japan is still the 2nd biggest retail market in the world with 127 million consumers that appreciate high quality and excellent service. China may have more factories these days, but how many people there can really afford western goods? When it comes to measure market size, Japan still accounts for more than 55% of the whole Asian retail market. Japan is also the nation with the highest demand for foods imports as it has the lowest self-sufficiency rate (39% only), 61% of all foods consumed in Japan is imported (United Nations, 2008).

In 2011 the Japanese retail market had to cope with the March 11, 2011 shock and then compensate for the various after effects. Initially consumption spiked with the mass purchases of emergency items such as bottled water and batteries, followed by corresponding declines in purchases like party items and non-essential goods. The economy shifted from a rocky footing onto a more stable pathway by summer and consumer behaviour normalized.

Japanese consumer adapted to new preferences in reaction to the events, changing retail market demands significantly. First, Japanese consumers began eating out less, while having meals at home more. This has led to an increase in the Home Meal Replacement (HMR) sector, as well as the frozen food sector. Second, Japanese consumers are more attentive to products with longer shelf life, in case of future emergency situations. The Japanese retail market is dominated by two demographics: Young career-seeking individuals in single person households B.

Market breakdown Total retail sales including food, beverages, general merchandise, fabrics, apparel, and accessories in Japan amounted to \$832.6 billion in 2011. Of this figure the total food and beverage retail sales amount was \$527.6 billion. Total retail sales have increased each year since 2008. In 2007, there were total retail sales of \$614.6 billion and food & beverages sales of \$370.6 billion. Below are the total sales figures: C. Food sales 2011

The Japanese retail food industry in 2011 experienced growth across all three categories of large and conventional supermarkets, department stores, and convenience stores.

As stated previously the resilience of the industry and its ability to quickly adapt to the market changes along with economic growth in the latter half 2009 to 2011 for the three retail categories D. Food and Beverage Sales Japan While food sales grew across all segments, overall sales growth was observed in most regions of Japan as many households spent more time and money purchasing food items to consume at home rather than spending money at restaurants in 2011. Restaurant spending did increase in 2011, but food purchases for home consumption were the larger portion of spending.

Japanese real economic growth rate for 2011 was estimated at minus 0.4% by the Bank of Japan. The negative growth rate was expected due to the hardships that had to be overcome, but it is important to keep in mind that even in an environment of stagnant sales; geographic markets in Japan are quite sizable - often exceeding that of entire countries. E. Establishment Trends In 2011, supermarkets and convenience stores continued to be the primary distribution channel for food in Japan.

The market has been relatively stable over the last 3 years with the only notable trend that department stores are losing ground slightly, but this corresponds with the decline of department store sales in general. F. Large Scale and Conventional Supermarkets Japan Supermarkets in Japan represent the largest provider of food and within the upermarket sector the top 5 companies (AEON, Ito Yokado, Uny, Daiei, and Life Corp. ) represent 65% of all sales. 1. Target Market As the Japanese market continues to mature, supermarket giants have strengthened their networks to reach single adults and Generation M.

The older generation especially has wealth to spend they are targeting this group by changing store hours. In addition to opening early, supermarkets have special promotions related to these early bird specials - resulting in more foot traffic especially among the elderly population. 2. Price Competition Price competition has become more intense and is a major feature of the upermarket business in Japan. Supermarkets are reducing costs and improving their infrastructures through restructuring and closing unprofitable stores in an effort to improve efficiency.

The companies which have succeeded to reduce management cost and to prevent losses have regained their profit. Speciality supermarkets are important for export products because these stores carry products with higher prices. Their focus is own branded import foods and beverages, there is about 900 speciality supermarkets within the top 10 chains, plus about 200 POS as 3. Company Highlights The following table highlights the

Japanese supermarket industry food sales, and the percentage component those sales represent.

The general trend has been greater food sales in 2011. Convenience Stores (CVS) Japan There is a total number of about 48,000 convenience stores in Japan. In 2011 convenience stores were proactive and were one of the first retailers to move into the Northeast Japan area. The mobility of convenience store operations, smaller size, and less SKUs allowed convenience stores to play a vital role in supplying the region. One way convenience stores helped after the disaster was by releasing " Mobile Convenience Stores".

These are small 3 ton trucks which can hold up to 300 items of " bento boxes", rice balls, drinks, and snacks. These trucks were used in areas where stores were destroyed or where evacuees had trouble accessing food. Convenience stores in 2011 continued strategies to develop and maintain efficient networks. Convenience stores for the top 7 operators in 2010 numbered 41,663 and in 2011 the total number of convenience stores in Japan increased by 13.4% to 48,139 according to the Nikkei fiscal 2011 convenience store survey.

This expansion and competitive trend will continue in 2012 as the top 5 convenience stores plan on opening over 700 new stores. Food sales grew again in 2011 by an additional \$8 billion and three of the top 4 convenience store chains broke their records for operating profit. Profits were boosted by female and elderly customers buying fresh food, desserts, and ready to eat

meals in the aftermath of the quake. Seven & Eleven became the first Japanese retailer to achieve more than trillion (\$37. 1 billion) in annual sales.

With the earnings in 2011, convenience stores are set to once again expand outlets and network capabilities in 2012. H. Department Stores Japan Since the 1980s Japanese department stores have faced steeper competition from the growth of supermarkets, malls, and convenience stores. Department stores generally have a variety of shops and services, with the basement level having a grocery or eatery shops. In 2011 department store food sales amounted to \$23. 9 billion, representing 12. 3% of the Retail Food market in Japan.

Over the last decade total department store sales of non-food products have declined. However, food sales at department stores have grown because of premium products, location, and the use of the depachika. Depachika means the basement floor of the department store where fresh food halls are traditionally located. Traditionally, depachika was a quiet retail food location. This changed when shops introduced high-quality HMR, creating a new niche food market in Japan. In addition, famous restaurants became tenants and lent their brand names to popularize depachika.

The depachika phenomenon customers to department stores. Department stores are often attached to large train stations (such as the newly opened Shibuya Hikarie owned and operated by Tokyu Corp). Because of the proximity to the stations, pedestrians can easily access depachika eateries; Tokyu Corp's Hikarie location is estimated to attract 14 million isitors a year, with 200 shops, and many of the eateries staying open until 4am on

weekends. Pricing, Quality and Premium Department stores usually carry imported branded products, but they are typically in low quantities.

Many of the items are packaged as take-and-go products due to the proximity to stations and the premium nature of the products for use as gifts.

I. Consumer Preferences Japan Japanese consumers have some general historic preferences that one should consider. Japan is a nation that prefers convenience, quality, and single-serving sizes. Returning to the latter item, an estimated 3.3 million people commute into Tokyo every day according to Tokyo Metropolitan government. The commute is mostly done via train and then on foot. Therefore convenience and accessibility are highly valued by Japanese consumers. J.

Recent Retail Trends in Japan There are recent trends of burgeoning growth for Private Brands, Healthy Foods, Eco- friendly or Energy saving foods (typically as frozen foods), market consolidation for greater efficiency, and new retail ideas to meet new demands. Energy efficient foods (frozen foods - bento dashi), prepared foods (Home Meal Replacements - HMR), and esserts have all seen a strong market growth. Healthy or Functional foods continue to be important. WHOLESALERS IN JAPAN Wholesalers are middlemen who purchase only to resell, and whose customers are often not final demanders but instead retailers or other wholesalers.

Any sensible analysis of wholesaling needs to begin by recognizing that middlemen of all sorts lower the costs of trading rather than adding to them; otherwise they could not charge prices that their customers willingly pay and that cover their own costs. The costs of middlemen are transactions costs by

definition; they are costs of activities that are either essential to trade or that facilitate trade. These include the costs of assuring ownership rights, detecting the quality of traded goods, discovering valuable trading opportunities, negotiating mutually agreeable terms, and so on.

Those who can perform these services at costs that are lower than the middleman's spread (difference between bid price and asking price) to the lowest level that just covers their own costs. In all these respects, wholesaling in Japan surely resembles wholesaling in other nations; but there is one thing about wholesaling in Japan that stands out. The peculiar thing about wholesaling in Japan is the often large number of separate wholesalers through whose hands goods pass before reaching their ultimate destinations on the shelves of retail stores.

One indication of this fact is the large percentage of merchant wholesalers' sales that are to other wholesalers: 41.9% for Japan versus 24.8% for the US and 16.2% for West Germany. A more precise indication of the numbers of wholesale steps in Japan can be constructed from data on the gross markup of retailers' prices over manufacturers' prices and from the average price spreads of all wholesalers. Dividing the total price markup in a wholesale chain by the average price spread of all wholesalers gives an estimate of the number of wholesalers in the chain.

The average total price markup in wholesale chains is in fact less in Japan than in the US, but the average price markup of each wholesaler is also less in Japan than in the US, so we infer that on the average Japanese marketing channels have a greater number of wholesale steps. The typical or average



marketing channels in Japan includes two wholesalers in sequence while that in the US includes only one. The common held view that wholesale marketing hannels are longer or have more steps in Japan than in the US is thus supported.

Japan's multiplicity of wholesale steps reflects its proliferation of retail outlets. Retail business like food, liquor, and toiletries that have vastly more outlets person in Japan than in the US also tend to have more wholesale steps in Japan. One further fact about wholesale marketing channels in Japan is worth iterating. Marketing channels that have particularly many wholesale steps in the US. For instance, fresh fish, meat, and vegetables all have more wholesale steps than most other kinds of business in both nations. Shoes and apparel have relatively few wholesale steps in both countries.

Common forces appear to be operative in the economies of both Japan and America. Marketing channels in Japan and elsewhere reflect the calculated attempts of profit-seeking entrepreneurs to economize on transport costs, to avert spoilage, and to collect and act on information about the local demands for goods. The same is true of other aspects of Japanese marketing channels, including that which we next address, the contractual arrangements among channel members. MEDIA According to the latest survey on the time-usage of the Japanese (Kokumin Seikatsu-

Jikan Chosa) done in October 1995 by NHK Oapan Governmental Broadcasting Corporation), the average Japanese watches television for three hours and twenty- eight minutes a day. This nation-wide survey has been conducted every five years, and the time spent watching TV in 1995

was longer than that of 1990 by more than TV broadcasting began in Japan in 1953. The same survey reports that the average Japanese reads a newspaper for twenty one minutes a day, which is so short compared to the time spent watching TV. In addition the time spent reading newspapers has not changed so much for the past twenty five years (19 min. 1970, 20 in. 975, 21 min. 1980, 20 min. 1985, 20 min. 1990). Another survey reports that already in 1962 more than a half of the Japanese got news information mainly not from newspaper but from television, and this trend is by far more evident than ever at present. Thus the role of the TV in the Japanese everyday life is so big, but as we will see later we cannot always say that the social position of it is high in the social information environment of Japan. And this is also the case of other developed countries like the I-JK, about seventy percent of whose people got news information not from newspapers but from television in 1993.