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Market entry strategy: Japan

Case: Reima Oy

Thesis

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Thesis abstract

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This Master's thesis reveals the key points as to how to successfully build business in Japan. It opens up the unique Japanese business culture, its habits and traditions. The thesis was made from the point of view of clothing business. It opens up the current situation of the clothing business in the market area. Also local consumer behaviour is analysed.

This thesis also presents a strategy how a clothing company should enter the Japanese market. The strategy was made for a company called Reima Oy. It is a Finnish childrenswear manufacturer specialized in outdoor clothing. The strategy includes the key points for successful market entry. The theory section focuses on the 4 P theory: product, place, price and promotion. The market entry strategy was structured around these four elements.

The strategy was tested with experts who have knowledge of Japan as a business area. Based on their comments, the strategy was modified.

Keywords: Business in Japan, Clothing industry in Japan, Childrenswear, Market entry strategy

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Opinnäytetyön tiivistelmä

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Tämä opinnäytetyö paljastaa avainkohdat, miten rakentaa onnistuneesti liiketoimintaa Japanissa. Se avaa Japanin ainutlaatuisia yrityskulttuuria, sen tapoja ja perinteitä. Opinnäytetyö on tehty vaatetusteollisuuden liiketoiminnan näkökulmasta. Se avaa markkina-alueen nykytilannetta vaatebisneksessä. Työssä on analysoitu myös paikallista kuluttajakäyttäytymistä.

Opinnäytetyössä on laadittu myös strategia, miten vaatetusalan yrityksen kannattaisi mennä Japanin markkinoille. Strategia on tehty yritykselle Reima Oy. Se on suomalainen lastenvaatevalmistaja, joka on erikoistunut ulkoiluvaatteisiin. Strategiaa annetaan avainasioita onnistuneeseen markkinoille pääsyyn. Teoriaosuus keskittyy 4P-teoriaan: tuote, paikka, hinta ja myynnin edistäminen. Markkinoille menon strategia rakentuu näiden neljän elementin ympärille.

Strategia testattiin asiantuntijoilla, joilla on tietoa Japanista markkina-alueena. Strategiaa muokattiin heidän kommenttiansa pohjalta.

Avainsanat: Liiketoiminta Japanissa, Vaatetusala Japanissa, Lastenvaatteet, Markkinoille menon strategia

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1 INTRODUCTION

Japan boasts the second largest retail market in the world. It gives diverse opportunities to sell products and services that can offer luxury, style, convenience and high value. The market attracts premium brands being one of the top markets in the world for high end items. Japan is also known for its unique business culture, high demands and tough competition. To be able to succeed in the market, the company should do lots of research of the market area and its habits, prepare the strategy well beforehand and choose the right partners to work with in Japan.

This master's thesis will reveal the key points of Japanese business culture, consumer behavior and clothing business in the market area. It gives the key points for successful market entry. Theory will focus on 4 P's theory: product, place, price and promotion. The market entry plan is structured around those four elements. Also issues from international marketing task are opened in this work.

This thesis is made for clothing business point of view. It opens up the current situation of the clothing business in the market area and gives a strategy how a clothing company should enter the market. The strategy is made to company Reima Oy.

1.1 Reima Oy

Reima Oy is a leading manufacturer of children's clothing in Scandinavia. The company was established already in year 1944 in Kankaanpää. These days design, development and main operations are still in Finland, but all the production has been moved to Far East. Reima has about 40 different subcontractors. They have office in China to maintain and control the factories. There are about 100 employees in Finland located in Tampere and Vantaa and about 120 employees in offices abroad (China, Russia, Denmark, Sweden, Norway and Germany).

Reima's main markets are currently in Northern Europe and Russia. Biggest markets are in Russia and Finland. The company has already entered to the Chinese markets few years ago. It has been a quite big success and now they are interested to expand the sales to other Asian countries and especially to Japan. Reima is a strong producer of children's outdoor clothing and has potential to have sales where the climate is colder and seasonal. Japan has cold winter and different seasons in weather so there is a need in the market for good outdoor clothing. Challenge is that the market area is very unique and needs lots of investigation of culture, habits and the country's business protocols. That's why Reima needs to have the right tools and knowledge how to enter the market.

1.2 Objective and scope of the thesis

The aim of this study is to give a picture of Japan as a market area and the challenges what the exporter can face there. Other aim is to provide children clothing company Reima Oy a plan how to enter the market successfully. Therefore focus is on fashion and clothing business.

This research will point out the key things the company needs to know how to build up a successful market entry to Japanese markets. Based on the findings the market entry plan was made for the company Reima Oy. The market entry plan was tested with experts who has worked with Japanese and has knowledge of the market area. Based on their comments the entry plan was modified.

The research method for this study is qualitative research. At this point quantitative research is not useful and it would have been hard to conduct. Research was made by interviewing different persons who has information of the Japanese markets. They read the market entry through and gave their comments and suggestions how the strategy should be altered and what things should be highlighted. Interviews were made by e-mail and phone. Secondary data of Japan was collected from articles, books, websites and material from different official sources.

The limitations of this study were to find the right information to this strategy plan that is important information to the company. There is a lot of information available but to find the core points for success need lots of investigation and strong focus only to the key points. Other limitation was to find specialists to read and evaluate the strategy plan. It might have been that the people would not have wanted to share their information as they knew that the thesis is made to some specific company. Luckily three people were found to read the plan though and give their comments.

1.3 International marketing

“International marketing is the performance of business activities designed to plan, price, promote, and direct the flow of a company’s goods and services to consumers or users in more than one nation for a profit.” (Cateora, Gilly & Graham. 2009, 9)

The only difference between domestic and international marketing is that in international marketing activities takes place in more than one country. This apparently minor difference contains the complexity and diversity found in international marketing operations. The concepts, processes and principles of marketing are the same. So what makes it is so different from domestic marketing? The answer lies in the environment of where the marketing plans must be implemented. The challenge is the unfamiliar problems and the variety of strategies necessary to cope in different levels of uncertainty encountered in foreign markets. Competition, government controls, legal restraints, weather, fickle consumers and any number of uncontrollable elements can affect the profitable outcome of marketing plans. The marketer cannot control or influence these uncontrollable elements. What he can do is to adjust and adapt to them. The controllable elements (product, price, promotion, distribution and research) must be molded within the framework of the uncontrollable elements of the marketplace (competition, politics, laws, consumer behavior, level of technology etc) to achieve the goals of the marketing tasks. (Cateora, Gilly & Graham. 2009, 9-10)

1.4 The international marketing task

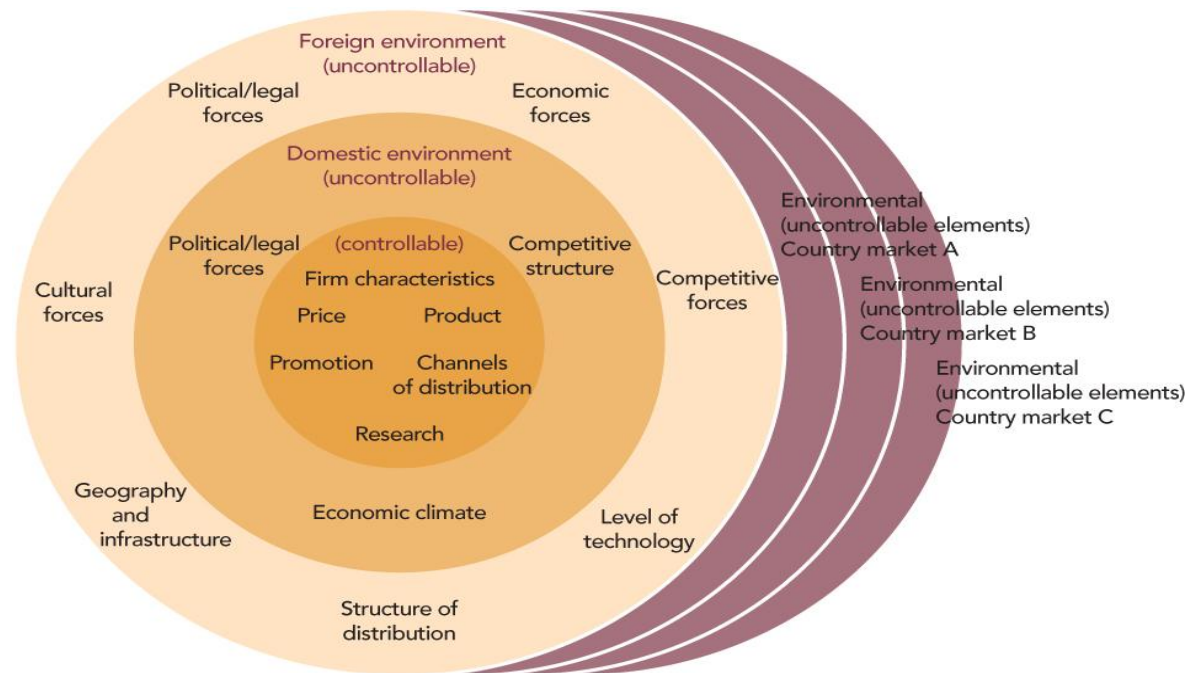


FIGURE 1. The international marketing task 2009 (Cateora, Gilly & Graham)

International marketer's task is more complicated than domestic marketer because in international marketing the marketer must deal with more levels of uncertainty than only one level. Uncertainty is created of the uncontrollable elements of all business environments and each country adds its own elements of uncontrollable factors. Figure no 1 illustrates the overall environment of an international marketer. The inner circle shows the controllable elements that the marketer has. The second circle shows the uncontrollable elements at home that has some effect also on the foreign operations. The outer circle illustrates the foreign environment for each foreign market which the marketer operates in. (Cateora, Gilly & Graham. 2009, 10)

The successful manager constructs a design of a marketing plan that has optimal adjustment to the uncertainty of the business climate. The inner circle in figure no 1 shows the elements that can be controlled by the marketer. The controllable elements can be altered in the long run and can also be adjusted rapidly if the mar-

ket conditions, consumer tastes of corporate objectives changes. The effort and adaptation of the marketing mix (price, product, promotion and place) determines the outcome of the marketing enterprise. (Cateora, Gilly & Graham. 2009, 10)

The second circle of the figure no 1 shows the domestic environment that is many times beyond the control of the company. These elements consist of home country elements that can have direct effect on the success of the foreign venture. These elements can be for example government's decision of total ban of trade with some country. Conversely these elements can also have positive effect for example when changes in foreign policy offer countries favored treatment. The domestic economic climate can also be important home based uncontrollable variable. The capacity to invest in plants and facilities is in large extend a function of domestic vitality. Restrictions in against foreign investment and purchasing may be governed to strengthen the domestic economy. Also competition within the company's home country can impact on the international plans. If the company must concentrate its efforts in the domestic markets they do not necessarily have the resources to go abroad. (Cateora, Gilly & Graham. 2009, 10-12)

The outer circle in figure no 1 shows the significant source of uncertainty in foreign environment. The process of evaluation of these uncontrollable elements often involves substantial amount of cultural, political and economic shock. A business operating in many foreign countries can find polar extremes in political stability, class structure and economic climate. Political and legal issues face the business in domestic and international marketing. Issues abroad just are often complemented also with "alien status" of the company. Foreign company is always foreign and is always subject to the political whims of the local government more than a domestic firm. This increases the difficulty of properly assessing and forecasting the dynamic international business climate. There is many uncertainty factors in foreign environment that must be studied closely in each new country. Even though one strategy is successful in one country does not mean that it works in somewhere else. (Cateora, Gilly & Graham. 2009, 12-14)

2 JAPAN AS MARKET AREA

2.1 Land and climate

Japan is an island nation. It consists of main islands Hokkaido, Honshu, Shikoku, Kyushu and Okinawa and from more than 6,800 smaller islands of many sizes. Japanese archipelago is located in a zone of relatively young tectonic plate movement. Because of that the country is prone to various physiographical phenomena. The number of earthquake occurrences is high there, and there is also proportion of active volcanoes. The land is full of undulations. Mountainous and hilly regions accounts for about three-quarters of its total land area. (Statistics Bureau 2015, chapter 1)

The country has a temperate marine climate with four distinct seasons. An annual average temperature is between 10 to 20 degrees centigrade, and annual precipitation of 1,000 to 2,500 millimeters. Japan typically has hot, humid summers and cold, dry winters. However the island Honshu has a series of major mountain ranges running from north to south. Because of this feature, the northwest monsoon in the winter brings humid conditions with heavy snow to Honshu's Sea of Japan side but also comparatively dry weather with low precipitation to the Pacific Ocean side. In the summertime winds blows mainly from the southeast bringing hot and humid weather. Japan has also two long rainy seasons, one in early summer when southeast monsoon begins to blow and the other in autumn when the winds cease. (Statistics Bureau 2015, chapter 1)

2.2 Population

Japan's total population was 127.08 million in year 2014. Japan's population density in year 2010 was measured 343.4 persons per square kilometer. Country is ranked seventh in among countries with a population of 10 million or more (Statistics Bureau 2015, chapter 2)

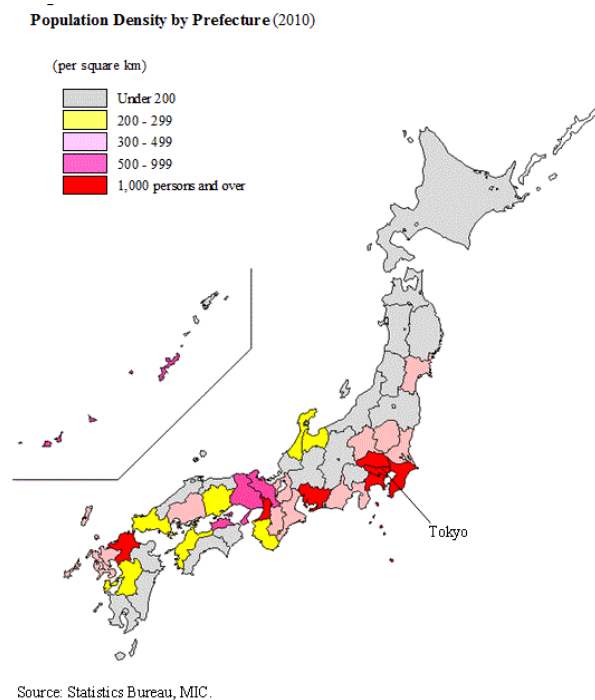
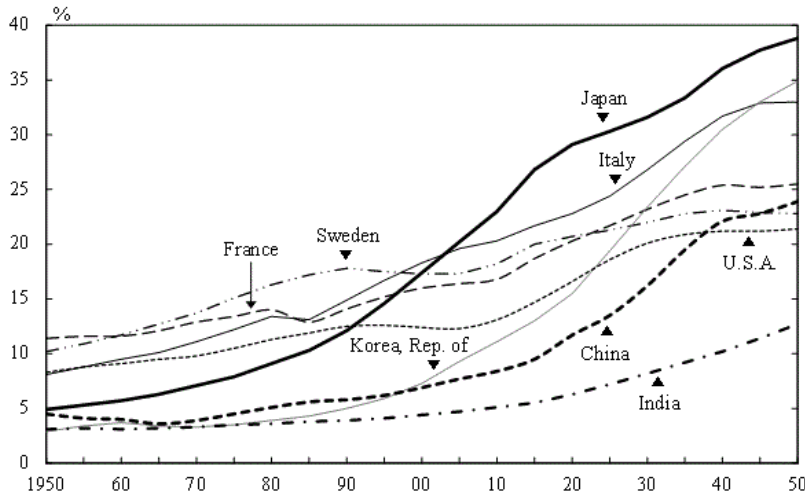


FIGURE 2. Population density in Japan, 2010 (Statistics Bureau, MIC)

Tokyo had the largest population of 13.16 million among Japan's 47 prefectures in year 2010. It has also highest density of population that has now reached to 6,016 persons per square kilometer. There were 12 cities in Japan with a population of one million or more in year 2010. Biggest are central Tokyo (8.95 million citizens), Yokohama-shi (3.69 million citizens), Osaka-shi (2.67 million citizens) and Nagoya-shi (2.26 million citizens). Bigger cities are growing all the time when population is moving out from the countryside. (Statistics Bureau 2015, chapter 6)

The population has changed dramatically in past 50 years. Both the birth rate and death rate have declined. In year 2013, the aged population (65 years and over) was 31.90 million, constituting 25.1 percent of the total population and marking a record high. The speed of aging of population is much faster than in advanced Western European countries or the U.S.A. (Statistics Bureau 2015, chapter 2)

Proportion of Elderly Population by Country (Aged 65 years and over)



Source: Statistics Bureau, MIC; Ministry of Health, Labour and Welfare; United Nations.

FIGURE 3. Proportion of Elderly Population by Country (Statistics Bureau, MIC)

Trends in Population (as of October 1)

Year	Population (1,000)		Age composition (%)			Average annual rate of increase (%)	Population density (per km ²)
	Males		0-14 years	15-64	65 and over		
1872 ¹⁾	34,806	17,666	91
1900 ¹⁾	43,847	22,051	33.9	60.7	5.4	0.83	115
1910 ¹⁾	49,184	24,650	36.0	58.8	5.2	1.16	129
1920	55,963	28,044	36.5	58.3	5.3	1.30	147
1930	64,450	32,390	36.6	58.7	4.8	1.42	169
1940	71,933	35,387	36.7	58.5	4.8	1.10	188
1950	84,115	41,241	35.4	59.6	4.9	1.58	226
1955	90,077	44,243	33.4	61.2	5.3	1.38	242
1960	94,302	46,300	30.2	64.1	5.7	0.92	254
1965	99,209	48,692	25.7	68.0	6.3	1.02	267
1970	104,665	51,369	24.0	68.9	7.1	1.08	281
1975	111,940	55,091	24.3	67.7	7.9	1.35	301
1980	117,060	57,594	23.5	67.4	9.1	0.90	314
1985	121,049	59,497	21.5	68.2	10.3	0.67	325
1990	123,611	60,697	18.2	69.7	12.1	0.42	332
1995	125,570	61,574	16.0	69.5	14.6	0.31	337
2000	126,926	62,111	14.6	68.1	17.4	0.21	340
2005	127,768	62,349	13.8	66.1	20.2	0.13	343
2010	128,057	62,328	13.2	63.8	23.0	0.05	343
2011	127,799	62,184	13.1	63.6	23.3	-0.20	343
2012	127,515	62,029	13.0	62.9	24.1	-0.22	342
2013	127,298	61,909	12.9	62.1	25.1	-0.17	341
(Projection, January 2012)							
2020	124,100	60,146	11.7	59.2	29.1	-0.36	333
2030	116,618	56,253	10.3	58.1	31.6	-0.62	313
2040	107,276	51,583	10.0	53.9	36.1	-0.83	288
2050	97,076	46,657	9.7	51.5	38.8	-0.99	260

1) As of January 1.

Source: Statistics Bureau, MIC; Ministry of Health, Labour and Welfare; Ministry of Land, Infrastructure, Transport and Tourism.

TABLE 1. Trends in population (Statistics Bureau, MIC)

Japan had 51.84 million private households in year 2010. The number of members in the household has declined gradually. The size of household members was

2.42 in year 2010. In year 1970 the size of household members was 3,41. (Statistics Bureau 2015, chapter 2)

Households and Household Members

Year	Private	Average annual		Private	Members	Population	Average annual	
	house- holds (1,000)	rate of increase (%)	rate of increase (%)	household members (1,000)		per household	(1,000)	rate of increase (%)
1970	30,297	a) 3.00		103,351	3.41	104,665		1.08
1975	33,596	2.09		110,338	3.28	111,940		1.35
1980	35,824	1.29		115,451	3.22	117,060		0.90
1985	37,980	1.18		119,334	3.14	121,049		0.67
1990	40,670	1.38		121,545	2.99	123,611		0.42
1995	43,900	1.54		123,646	2.82	125,570		0.31
2000	46,782	1.28		124,725	2.67	126,926		0.21
2005	49,063	0.96		124,973	2.55	127,768		0.13
2010	51,842	1.11		125,546	2.42	128,057		0.05

a) Annual rate of increase between 1960-1970.

Source: Statistics Bureau, MIC.

TABLE 2. Households and household members (Statistics Bureau, MIC)

2.3 Foreign trade

Japan's international trade on a customs clearance basis has increased both in exports and imports (year 2013). This is due to an increase in yen conversion associated with yen depreciation. Exports (in FOB value) was in year 2013 69.8 trillion yen. It means 9.5 percent increase compared to the previous year. It is also the first increase in three years. (Statistics Bureau 2015, chapter 11)

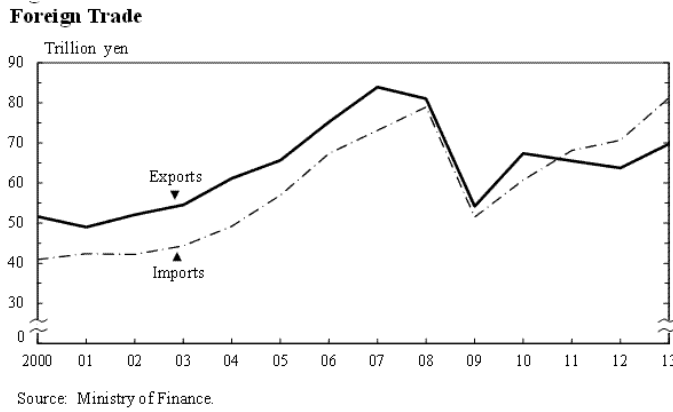
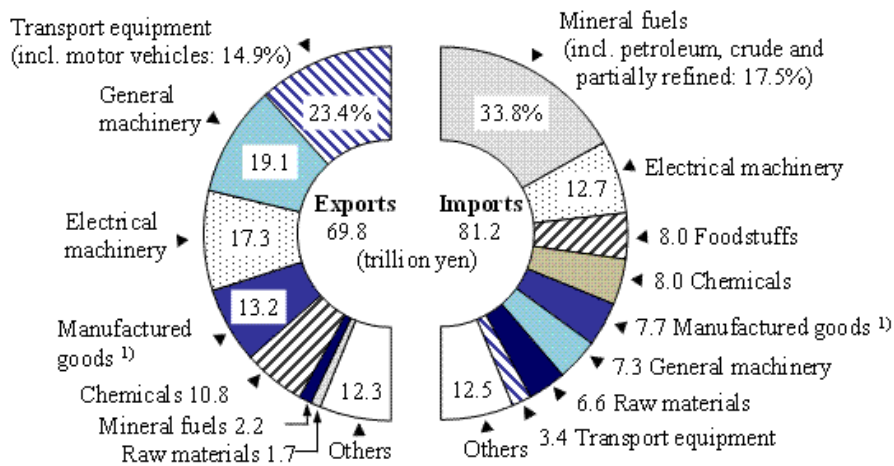


FIGURE 4. Foreign trade (Statistics Bureau, MIC)

Biggest category in importing of goods into Japan is mineral fuels covering 33,8% of the imported goods and materials. Secondly largest group is electrical machinery. (Statistics Bureau 2015, chapter 11)

Component Ratios of Foreign Trade by Commodity (2013)



1) Consisting of iron and steel products, non-ferrous metals, textile yarn and fabrics, etc.
Source: Ministry of Finance.

FIGURE 5. Component Ratios of Foreign Trade by Commodity (Statistics Bureau, MIC)

Japans import of clothing in year 2013 was worth of 3,248 million yen. 74,6% of the imported clothing comes from China. Second largest countries that Japan imports clothing are Vietnam and Italy. (Statistics Bureau 2015, chapter 11)

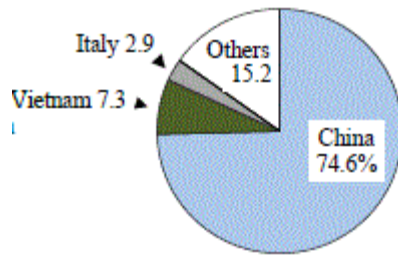


FIGURE 6. Import of clothing (Statistics Bureau, MIC)

Japan is still quite closed down country to do export with. Japanese authority is still favoring local production and for example textiles, grocery and paper products have different customs barriers and standards what European countries do not have. (Wilén 2010, 7-8)

2.4 GDP and state of employment

Japans GDP was second largest after USA in year 2009. After year 1990 Japans GDP has grown slowly. So slowly that even China has passed them in year 2010. (Wilén 2010, 9)

Japans unemployment rate has stayed low even though GDP has grown slowly. Unemployment rate in year 2009 was 5,1% in year 2009. 59,9% of people older than 14 years were in working life. (Wilén 2010, 9)

Table 18: Japan gdp (constant 2005 prices, \$ billion), 2010–14

Year	Constant 2005 Prices, \$ billion	% Growth
2010	4,648.7	4.7%
2011	4,627.6	(0.5%)
2012	4,694.6	1.4%
2013	4,767.7	1.6%
2014	4,817.5	1.0%

SOURCE: MARKETLINE MARKETLINE

TABLE 3. Japan gdp ((Marketline 2015)

2.5 Economy today

Japan's economy is slowly rising from the depression. Still it is slower progress than what was expected. According to news agency Reuters economists the expected growth was 3,7% but the actual number was only 2,2% in year 2014. Still the growth is seen optimistically. According to the head economist of research company Mizuho Securities the growth proves that the worst problems are bow beaten. Japans Minister for Economic Affairs Akira Amari believes also in positive growth of economy and consumer demand. (Teittinen 2015)

At least one of the reasons for the recent weakening of economy was the government's decision to raise the consumption tax in April 2014. Japan has been in deflation for a long time already. Current Prime Minister Shinzo Abe has been trying to change the path and has been able to raise the inflation now a little bit. Still Japanese people are not happy to his economic program. Deterioration of Yen has made imported goods more expensive and has weakened the Japanese standard of living. The wages has not risen with the inflation so the real earnings of workers have deteriorated. (Teittinen 2015)

2.6 Finnish export to Japan

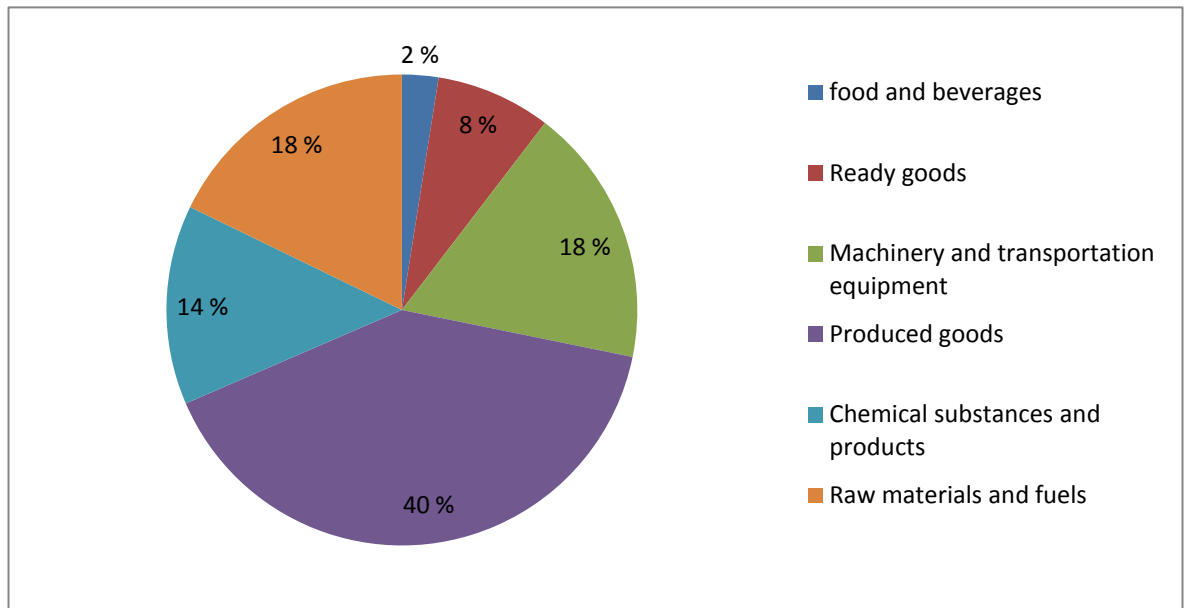


FIGURE 7. Finnish export to Japan. (Finpro 2010)

Japan attracts to Finnish companies because of its big population, high GDP per capita, well functioning infrastructure and well developed financial markets. Almost three hundred Finnish companies have a representative office in Japan. More than 30 Finnish companies have established themselves in the country. (Wilén 2010, 17)

2.7 Laws and regulations

There are still some laws that may prohibit the export to Japan. Most of the import limitation laws have been removed, but there are still some laws that prohibit importing of goods. The board of directors may request clarifications for investment projects that relates to agriculture, forestry and fisheries, mining, oil refining as well as leather and leather products manufacturing. Also direct investments in to weapons, aircraft and explosives, nuclear power plants, and space research related projects will be examined closely in the country. (Wilén 2010, 19)

Important regulations that should be taken into account with exporting apparel products and materials to Japan may be regulations under the Customs Tariff Act, Customs Act, Foreign Exchange and Foreign Trade Act, Wildlife Protection and Proper Hunting Act, and the Act on Domestic Animal Infectious Diseases Control. More information of the laws and regulations can be found from website http://www.jetro.go.jp/ext_images/en/reports/market/pdf/guidebook_apparel_products_materials.pdf and from the authorities mentioned below. (Japan External Trade Organization, 2011, 5-6)

Fig. 1 Contacts of competent authorities

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

TABLE 4. Contacts to authorities related to regulations and laws (Jetro 2011)

3 BUSINESS CULTURE IN JAPAN

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

The only way how foreign company can get through the protective “shell” of a Japanese company is to have someone on the inside to pull them in. If the outsider is able to get inside of the walls by a project proposal with the help of the person inside the company, the project will be evaluated if it is compatible with the whole corporate organism. This is not quick process. This process needs patience and money consciousness from the foreign suitor. Generally the only way to have success in developing business relationship with a Japanese company is to follow the protocols in a right way and order. (Lafayette De Mente 2006, 4)

3.1 Culture of emotions and group thinking

The old stereotype of Japanese has been that they are mysterious and unemotional people. In reality Japanese are in fact more emotional than for example Americans are. Most western people are used to frankness, criticism and insults and therefore created a thick skin to counter such a behavior. But Japanese are different. Their cultural conditioning has been totally avoiding such behavior. They keep tight rein on their emotions so that people would not know what they are feeling. This is seen especially in business and formal situations. But beneath the calm front has very sensitive and emotional people. This has to be taken into account when companies try to do business with the Japanese. Their skin is so thin that even a brief look of disapproval flickering across a person’s face is enough to devastate the person. Because of historical background and old beliefs what Japanese have of foreign people, the franker Japanese businessmen admit that they would prefer to deal with the local business men than dealing with the foreigners. This is because they cannot predict the behavior of the foreigners and they find it

more displeasing and stressful than working with other Japanese. (Lafayette De Mente 2006, 10-13)

Especially in large companies group thinking is a way of managing. There is slow but gradual chancing of allowing individual thinking and initiative, but it is still in very early stages of development. This way of decision making does affect dramatically to the time of decision making. The larger the group of decision makers is, the longer it takes to make the decision. The advantage of group thinking is that once the decision has been made, the whole group will have the support and effort behind the decision. The downside of this thinking is that it is still common that employees are seen as material assets than as individuals. (Lafayette De Mente 2006, 18-19)

Japanese companies have a habit of changing the personnel in different departments within two or three years. This way the personnel will have a picture of all the functions what the company has. The custom of transferring personnel from a job to another without the needed skills involved will be seen in meeting the visitors and callers. The greenest person will be put to the front with the visitors so the confusion involved contacting and dealing with firms is visible. That's why it is good to get the name of the right person in the company before calling or visiting the firm. By giving immediately the right person's name you wish to contact, it will prevent of getting caught up in the mushy outer wall of the Japanese company. (Lafayette De Mente 2006, 20-21)

3.2 Nonverbal communication

The nonverbal communication plays a significant role in all personal relations in Japan. One area of Japanese expertise in decision making is so called the art of the belly (hah-rah-gay-e in Japanese). This refers to the decision made by the gut feeling. Many older Japanese businessmen take a great pride on depending on their belly instead of their head when they make decisions. This so called art of the belly is effective only when Japanese are dealing with other Japanese. This is also

one reason why Japanese persons without extensive international experience feels uncomfortable when dealing with foreigners. They are not able to read the foreigners and they cannot anticipate their reactions of be confident when dealing with them. One of the many tools foreigners should master in their dealing with Japanese is to know how to reduce their tension and make them feel less strained and tense when they are together. In other words, foreigners should be able to make the Japanese bellies feel good. (Lafayette De Mente 2006, 26-27)

In relationships the harmony between the hearts is important. This is another thing that separates western people from Japanese. This is something that many times frustrates Japanese business men because foreigners are not in the same tune of cultural wavelength. Learning some key words and phrases of Japanese language, knowing the Japanese protocol and appreciate some things of Japanese (like Japanese food and karaoke bars) will help to get the contact with the Japanese people. It will impress the Japanese business man in first meeting if the foreigner makes a point of saying that he wants to develop a good relationship with the Japanese. Foreigners must be prepared to spend few karaoke nights in local bars. (Lafayette De Mente 2006, 30-31)

The importance of non verbal communication becomes very clear when realizing that what is not said is often more important than what is said. The non verbal communication is many times the key that opens or locks the doors to do business in Japan. The Japanese telepathy is not learned quickly or easily. It requires complete understanding of the culture and a good grasp of the cultural history of the country. The aspect of communication is one of the primary barriers when Japanese face any outsider and is also why many foreigners end up having to work through Japanese surrogates to get anything done in Japan. (Lafayette De Mente 2006, 30-31)

3.3 Qualities for the foreign front man

If the foreign company wants to do business in Japan, the representative should have a personal level of interest to Japan and Japanese culture. He or she should do everything possible to present the most acceptable image. That's why the front man should be selected on the basis of criteria who is the most impressive to do the job. There are some specific criteria that should be taken into consideration when choosing the front man. (Lafayette De Mente 2006, 40 -41)

The representative should be at least in his or her 30s or 40s. This is because most of the Japanese managers are in their 40s of 50s or older. The individual should also have calm and patient personality, be able to think rationally and logically and express himself clearly. Highly honed intuitive powers are good advantage. The representative should have full confidence and trust of the top management back home. His or her responsibilities and authority should be clearly spelled out. (Lafayette De Mente 2006, 41 -42)

The more experience the representative has about Japan, the better. If the knowledge is used in nonthreatening and cooperative way, it reassures the Japanese than turns them away. The representative should like the Japanese enough to enjoy their company and to be willing to spend time with them also outside the office. Outgoing, friendly and honest personality with right kind of humor is a good choice. (Lafayette De Mente 2006, 42 -43)

3.4 Long term commitment

If foreign company wants to succeed in Japan, they must be interested to make long term commitment to Japan. Anyone who wants to do business in Japan needs to be committed. It simply takes longer to get things started in Japan. The reason for this is the slow pace range from the speed of the bureaucracy and the need for establishing supporting networks. Also the business is done much more personal way and it takes time investment to built up and maintain. The important

factors are not the products and profits. Important factors in doing business are the confidence, trust and loyalty. They are the hallmark for doing business in Japan. Japanese are aware that their business system is difficult for foreigners to master. They agree that the system should be changed, but on another hand they note that the foreigners also need to operate within the system. (Lafayette De Mente 2006, 68 -69)

3.5 Introduction protocol

Japanese are very group oriented and they are reluctant to take any kind of personal initiative on behalf of someone they do not know. That's why it is mandatory to have mutual friends or third party who the Japanese side knows already and who has positive relationship to the Japanese company. This third party will be the link who can introduce the new company to the Japanese company. Even though the modern world has influenced also to Japan being more global country, the introduction protocol must be taken into consideration. Generally speaking the Japanese companies will not respond to any approach made by people of companies they do not know unless the approach is made through an acceptable introduction. Self introductions by phone or letter usually do not work in Japan at all. (Lafayette De Mente 2006, 84-85)

Acceptable introductions on personal level include a friend or relative, a former professor or a benefactor. On company level the acceptable introductions include personal connections, business connections, other companies, associations and government agencies. The power of effectiveness in introduction is determined by a number of factors. Introductions from large, well known companies are of course more effective than from small unknown companies. Also if the introducer is well known person, it gives more value. When Japanese wants to meet someone new, the first thing they do is review the list of contacts they have to see if there is anyone they know that they could call and provide them the introduction. The ideal situation is to have an introduction to some person in director level and through

him move down to the appropriate section where the work is actually taken place. (Lafayette De Mente 2006, 86-87)

3.5.1 Exchanging business cards

There is a tradition in Japan for exchanging the business cards when meeting first time. The most traditional pattern is bowing and exchanging the business cards slowly and a bit formally to avoid confusion. The individuals face each other, exchanges the business cards, glances the cards quickly to see the name and rank of the person and then bow. Often they also shake hands. For foreigners this tradition may seem confusing if it is not practiced well beforehand. But this business card exchange is important habit in Japan. They establish rank and the person's identity which is important information for the Japanese for relate and react to others. (Lafayette De Mente 2006, 118)

3.6 “Let's have a drink”

It is a conventional wisdom in Japan that a person reveals its true nature when they are drunk. The Japanese are very reserved in the “sober-time” because of the etiquette, it is almost mandatory that the Japanese get together and drink in order to really get acquainted and find out what they actually think about things. In Japanese firms it is normal in the afternoon that the employees goes to bars after the work day is over. This way they maintain effective relations to each other and also to business contacts. If the foreign company wants to really get to know the Japanese businessman, the best place to talk is not the office. The personal side of the business is traditionally been pursued out of the office like coffee shops, restaurants or bar lounges. A good signal that someone wants to get to know or talk seriously about something, including business, is an invitation to meet outside the office. (Lafayette De Mente 2006, 174-175)

3.7 Contracts and agreements

A typical foreigner doing first time business in Japan thinks that after the contract is signed the deal is done to do co-operation together by the contract. This is often premature thinking. Japanese business men does not regard contract as something that is chiseled to stone and that it would be something to be followed precisely to what is written to the contract. A contract is seen in Japan only as an agreement to work together. They see contracts only as guidelines with a lot of flexibility. This goes back to the basic fact that Japanese do not see things as black and white or absolutely wrong and right. They see things in multiple shades and they believe that it is proper to change both their attitudes and behavior with circumstances. (Lafayette De Mente 2006, 189)

Japanese critics frequently say that Japanese does not have principles because they do not obey contracts. This also confuses westerns and they have difficulty to understand this Japanese way of thinking. Foreigners often encounter more problems with their Japanese partners after the contract is signed. The different way of thinking will cause differences in judgment on what should be done and how things should be done. Some compromises should be done to be able to work together. The management must be wise enough to recognize the source of friction and move the project forward despite of any differences. (Lafayette De Mente 2006, 189-190)

3.8 Costs

Japan is expensive country to do business in. Office space in major cities is costly compared to the standards in other countries. Same is with hotel accommodations, restaurant meals etc. The cost of doing business in Japan can be a challenge. Combined the domestic presence and Japanese expectations of quality and standards, the costs can be a factor not to successfully do business in Japan. However, Japan does not need to be overly expensive. There are cheaper accommodations than hotels like weekly mansions and inexpensive but yet excellent

restaurants. Anyhow the cost cuttings must be made with caution in order to ensure potential Japanese partners not to get wrong idea about the company. (Holroyd & Coates, 1999-2000, 77-78)

4 CLOTHING FASHION IN JAPAN

4.1 Fashion life cycle

There is a difference in product life cycle between basic product and fashion product. Fashion life cycle is shorter than in basic products life cycles. Fashion life cycles have also two kinds of cycles: long-run and short-run perspectives. The long run fashion cycle can be several decades or even a century. For example skirt lengths changes very slowly. The short run perspective is a cycle of single fashion that has duration for few years. Inside of the cycle there can be continuous smaller changes in details. These can be for example ornamentation, colors and fabric changes. Still the main product design remains the same. (Serita, Pöntikoski, Mallenius, Leikos, Villberg, Rinne, Yppärilä & Hurme 2009, 11-12)

Recently the tempo of fashion cycle has accelerated. Modern communication like internet and mobile phones has enabled fast communication and it has become an important role of spreading information about new trends. The phenomenon is called "fast fashion". One example of fast fashion retailers are H&M who can create new collection and trends in few weeks. (Serita et al. 2009, 11-12)

4.2 Fashion trends in Japan

Fashion has its own characteristics in Japan. One famous style is called the kogoyaru. It is a school girl style with platform shoes, miniskirts, bleached hair and expensive design accessories. The style was initiated in 1996 by a Japanese pop star Namie Amuro. One striking and unforgettable subcultures are also called Lolita involving cute garments and the Ganguro style with strongly tanned faces. (Serita et al. 2009, 18)

The main target group for street fashion is teenagers although some Japanese young people keep admiring fashion also in older age. Consumers aged 20 and

above are in general more similar with western consumers except that Japanese may use more expensive design accessories like bags and jewelry. Luxury products are also being marketed to even younger and younger people. One promotion phenomena is called “six pockets”, which means that parents and grandparents want to give the best to their children and grandchildren. They may spend a lot of money on luxury items. (Serita et al. 2009, 19)

Also younger people like junior high school kids are gaining importance of other areas in fashion. They have become as a trend setters during the last decade. In the 90s, high school students and women older than 20 years played the role as trend setters. This rejuvenation can be seen also in one more trend: the childult. Japanese adults are allowed to be interested in products associated to children. Today’s grownups are interested on Harry potter, Moomin or Miyazaki’s films. It is possible to see businessmen in suits with Hello Kitty figures on their mobile phone straps. That is one example of the Japanese brand culture. They like cuteness and coolness. (Serita et al. 2009, 19)

4.2.1 Childrenwear fashion

Baby’s wear fashion was dominated by organic plain white materials without dyeing. Nowadays colored and patterned baby’s wear has been found in the markets. Fashion is not a big factor in baby’s clothes. Fashionableness starts to be a factor from 90 cm height and above. Neat and simple style is favored in children wear. Parents are nowadays going out with their newborn babies. This creates the demand for the size of newborn baby. It is called “first” in the apparel industry. Goods are high quality and have good appearance with higher price. (Ichikawa et al. 2015, 33-35)

4.3 Rhythm of Japanese fashion

The fashion cycle in Japan seems to be fast. It reacts and changes in the market very rapidly and effectively. Department stores like Cocolulu and Egoist have weekly fashion buying procedure for high-school girl fashion. That buying procedure has eight steps that are done in a week. If the street market research is made on Friday the new product is in production week after that on Monday. On this time the new style has had designing, prototype sampling, test sales and production. (Serita et al. 2009, 19-20)

The other areas of fashion have similar kind of rhythm than in rest of the globe has. Clothing industry follows four seasons. Products are bought in two periods: spring-summer and autumn-winter. Still the goods are sold in department stores in eight periods. Japanese people are very careful that even the jackets have different versions for winter and spring season. There are different colors and materials and they change with the season. (Serita et al. 2009, 19-20)

4.4 Clothing market today

Japanese clothing markets are strongly fragmented. Retailers switching costs are low, which causes competition between suppliers. Retailers do not need to make long contracts with the supplier. Key suppliers in this market are clothing manufacturers and wholesalers. Retailers are able to source from both. New supplier entrants benefit from low barriers to enter into the market and relatively low level of regulations. This means that the local producers are threatened by new rivals entering the market. Production of clothes is largely based on customer demands and has close customer interaction. The shorter design-to-retail cycle allows fast fashion retailers to bring a variety of goods based on the customer needs and wants quickly to the stores. This leads customers to visit the stores more often. Although brand consciousness in the clothing markets is substantial, the loyalty of consumers to specific brands is not always the overriding factor and a high level of choice. Local supplier power in the market is suffering from low retailer switching

costs and fierce rivalry amongst other suppliers, particularly over costs. The Japanese clothing market is fragmented with many independent retailers in the market. However there are large players such as Gap, H&M, Aoyama and Fast Retailing who are nationwide retailers with sizeable market shares. However there is still room for large numbers of smaller players in the market. (Marketline menswear 2015, 12-17) (Marketline womenswear 2015, 12-17)

Historically fashion has been the domain of womenswear. However the fashion culture has started to cross over also into menswear and sales are rapidly catching up with womenswear. Brand identity in the menswear market is a key to success and market players invest heavily in highly visible marketing campaigns to create a particular brand image. The menswear market has experienced moderate growth in recent years and thereby encouraged new entrants into the markets. Low consumer spending due to economic issues in the country has kept the market down in recent years. (Marketline Menswear 2015, 12-17)

In womenswear individual buyers demand has pressed the market to have even a faster pace of change in collections than in menswear. If supplier attempts to maintain market share in this highly competitive market, players has to attract customers by creating strong brand consciousness and running intensive marketing campaigns. Nowadays many retailers are adopting the 'fast fashion' model which was pioneered by company Inditex. Their most known brand is Zara. This kind of model is based on a rapid turnaround to adjust to changing market demands. Customers brand loyalty within the womenswear market is connected more with the particular designer than the retailer, although some labels also have their own retail operations. There is also a large market for nondesigner womenswear, especially among customers with lower disposable incomes. (Marketline womenswear 2015, 12-17)

4.4.1 Children wear market today

The Japanese children wear market has varied over the period between years 2010 and 2014. This trend can however be seen to change and potential growth is expected to happen in forecasting period. According to Japan's health ministry figures, country's birth rate slumped to a record low dropping to 1001000 newborns in 2014. It is 9000 fewer than in 2013. This will directly impact children wear retailers. (Marketline 2015, 7)

Children outgrow quickly from their clothes and therefore the need for purchasing new children's clothing is a necessity. This means that there is a variety of potential customers. Also factors like negligible switching costs and the position of retailers at the end of the value chain results in a moderate degree of buyer power in the market. Entry to the children wear market is possible on a small scale and does not necessarily require large amounts of capital. This will contribute a strong likelihood of new entrants to this market. According to Marketline report, fashion and label consciousness are likely less significant in children wear market than in adult clothing markets. This increases price sensitivity and therefore strengthens buyer power. (Marketline 2015, 12-13)

Barriers for entry to Japanese children wear market are not high. Capital requirements are low enough for new companies to enter the market. This is reflected in the fact that many children wear retailers are small businesses, including also sole proprietors. Their scale and scope of economies enables the ability to build brands in multiple retail outlets, and gives greater buying power when negotiating with suppliers. This also gives them competence to negotiate more intensely on prices, which makes it more difficult for new entrants to enter the markets. Anyhow the easy access to suppliers and distribution networks encourages new entrants. Brand power is less important which also increases the likelihood of new entrants. However, market entrants may face the possibility of retaliation by existing players, such as the launch of a price war. (Marketline 2015, 15)

Due in part to the devastating social and economic effects of the year 2011 Earthquake and Tsunami disaster, the local children wear production has experienced low growth in recent years. In addition to this, Japan's birth rate slumped to a record low in 2014. These facts may further discourage new entrants to enter the market as it will have an impact on the children wear market directly. (Marketline 2015, 15)

4.4.2 Leading companies in children wear market

Fast Retailing (Fast Retailing or 'the group') and its UNIQLO operation offers casual wear for men, women and children. Its offerings include outerwear, jeans, trousers, skirts, shirts, t-shirts, polo's, sweaters, fleeces, dresses, knit wear and inner wear. The group operates through three business segments: UNIQLO Japan, UNIQLO international and global brands. The Japan segment consists of clothing and footwear operations within Japan. The group has now 853 stores in the country. (Marketline 2015, 18)

The Gap sells clothing, accessories and personal care products for men, women, children and babies through its own stores. The company offers apparel, accessories, and personal care products under the brand names Gap, Banana Republic, Old Navy, Piperlime, Athleta, and Intermix. Each of the company's brands has own stores and online channels. Gap offers children's apparel products under the GapKids brand name and apparel for babies under the babyGap brand name. These collections have casual apparel and accessories for children ages newborn through pre-teen. The company purchases private label and non-private label products from over thousand different vendors. (Marketline 2015, 21)

H & M Hennes & Mauritz AB (H&M 'the group') is a Swedish retailer of fashion apparel, cosmetics, accessories and shoes for women, men, teenagers and children. The business is operated from leased store premises, through internet and catalogue sales and on a franchise basis. The group has more than 3000 stores in 55 markets. (Marketline 2015, 24)

The Miki House Group has production for children's clothing and family-related goods as well as cultural activities including printing, education, and child-rearing support. The company was established in Japan in year 1971 and has 646 employees. The company operates through four segments: apparel, total baby care, publishing, child education and development. The roots of the company are in the apparel business. They currently have five product lines: Miki House, Miki House First, Miki House Collection, Miki House Double B, and Miki House Hot Biscuits. Company operates in 180 stores nationwide and in 9 different countries abroad. Sales of baby and children's wear was 25.7 bil. yen in year 2014. They had 5,5% growth from previous year. In year 2013 76.5% of their sales were wholesale and 23.5% was retail sales. (Marketline 2015, 27) (Ichikawa et al. 2015, 43)

F.O. International has shown significant sales growth from year 2013 to year 2014. Their retail sales was 25,6 billion yen in baby and children's wear in 2014. It is 12,1% increase from previous year. Their strength lies in their price competitiveness and their over 250 wholly owned stores. Their strength is also the ability of fashion conscious product planning. Their portfolio of wholesale in 2013 was 43.8% of baby size (60-80cm), 52.7% of toddler size (80-110cm) and 0.2% for more than 110cm sized goods. (Ichikawa et al. 2015, 42)

5 JAPANESE CONSUMERS

Traditionally Japan is masculine society. The roles of women and men have been well defined. Men take care of family's financial side and women stay at home and take care of the children and domestic work. This set up is gradually changing. The roles between men and women are also reflected in the fashion buying behavior of female and male consumers. (Serita et al. 2009, 21)

Many times the mother takes care of the children and makes decisions for their upbringing. Fathers are less involved in their children's life compared to the western fathers. A typical working man will spend ten hours or more a day at work and businessmen should also socialize with colleagues after work. This means the fathers might not see their children in the weekdays at all. There are signs that the role of men and women is changing in the working life. However the progress is slow and Japan is still near the bottom of the list of OECD countries in terms of the spent hour's men doing housework and women spend time working as employees. (Leaper 2009, 36-37, 77-78)

Japan's birth rate is one of the lowest in the world and it is still falling. Partly the reason for it is the Japanese cult of youth. Other reason for it is the changing culture of women work life. More women decide to stay in the workforce and pursue a career and decide not to have a family. Many Japanese children's lives are taken up with education and they tend to live more sheltered life than the same aged children in the west. To get a good job in adult age, the children need good education. To get into a good university it is important to attend a good senior high school and before that a good junior high school. All starts in young age of getting into a good elementary school. To make good grades, many children go to a cramming school after the regular school day is over. (Leaper 2009, 36-37, 78-79)

Japanese males are not so fashion oriented as women are. This is visible in the extreme styles of street fashion. It is mainly the girls who use extraordinary clothes. But this is also changing. The post-modern economy has transformed men into consumers. The perception of masculinity has changed due to multicul-

turalism, gay liberation and by the changes in gender roles. The transformation of the culture in Japan gets impulses from western culture. (Serita et al. 2009, 23)

Japanese consumer culture has overwhelming diversity and richness. The variety of offerings and different tastes of goods is so huge that it is almost chaotic. However collectivism is deeply ingrained in Japanese society. It has been part of the culture for hundreds of years. The society is also characterized by group centrism. It is far away from the western ideals of individualism. Despite of the group centrism, Japanese markets are far from homogenous. Consumption started to become a popular social interaction in the eighties. Japanese media had a big influence of the increasing consumption. People started to express themselves through purchases and styles. (Serita et al. 2009, 44)

Japan is described even as the promised land of brands. It means that they trust the brand a lot if it is built in a right way. They are willing to pay from the brand and they spend a lot of time to investigate the brand before the purchase decision is made. (Serita et al. 2009, 47-48)

Relationship between the family members is strong in Japan. Traditionally the oldest son's family has taken care of the elderly parents. This tradition is seen to change as young family members do not want their parents to live in the same house. Also the elderly parents want to keep their privacy and are not willing to live with their children. The economic status of the elderly people is rising. They have financial power to have their own accommodations and spend money. They are also willing to spend money to their grandchildren. That must be taken into account when goods are marketed to Japan. Elderly people have purchasing power so they are one segment that needs to be taken into account in advertising and offering of the goods. Grandparents buying power can be called as "six pockets": namely four pockets from grandparents and two from the parents. Grandparents are able to spend even more money for one child when the number of children in one family has come down from previous times. (Traphagan & Knight, 30) (Ichikawa, Akutsu, Yamanaka and Kimura 2015, 33)

5.1 Values

Japanese consumers are becoming more and more interested of sustainable consumption and green values. Sustainable values are a fashion trend in Japan. There are also traditional values concerning consumption. The goods should not be thrown away so easily. If possible they should be fixed and used again until they are completely unusable. (Serita et al. 2009, 26-27)

Quality is also other important factor. The quality demands are the most stringent in the world. A typical Japanese consumer will not accept a product that is not in perfect condition. The word quality in Japan means excellence in western countries. Most of the consumer complaints come from seemingly small things like scratches or other exterior damage. Even when the product is handmade, which means that it is difficult to make exactly same alike, customers expect exactly same kind of product as the sample product was. They are not satisfied if there are any differences. (Serita et al. 2009, 48-49)

5.2 Family spending

There were approximately 52 million households in Japan in year 2010. 70% of those households had two or more persons. Family's budget varies significantly depending on the employment situation and ages of the household members. Average monthly consumption expenditures in families with more than two members was 290,454 yen in year 2013. Average income in workers household was 523,589 yen in year 2013. About 80% of the income came from the household head's income. (Statistics Bureau 2015, chapter 13)

Biggest spending of the Family's monthly budget goes to food. It covers 24,0% of the monthly spending. Also transportation, fuel, light, water and culture uses family's budget. Average family spends 4,1% of their monthly spending to clothes and footwear. (Statistics Bureau 2015, chapter 13)

Average Monthly Consumption Expenditures (Two-or-more-person households) (2014)

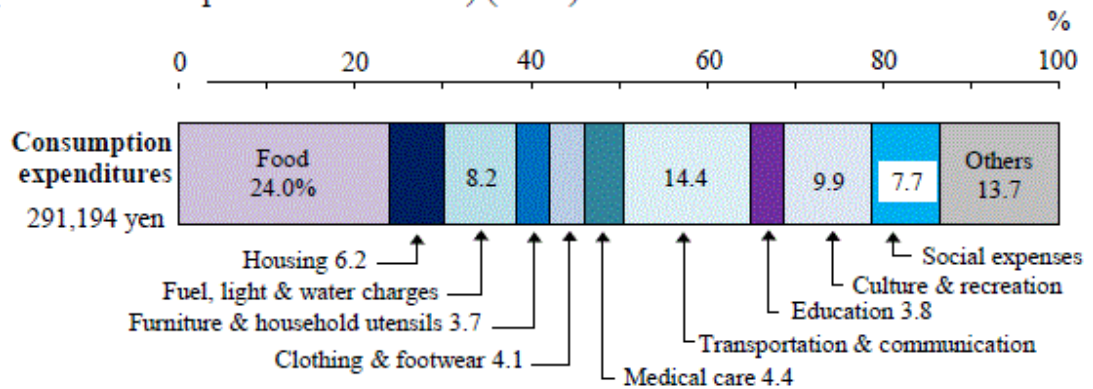
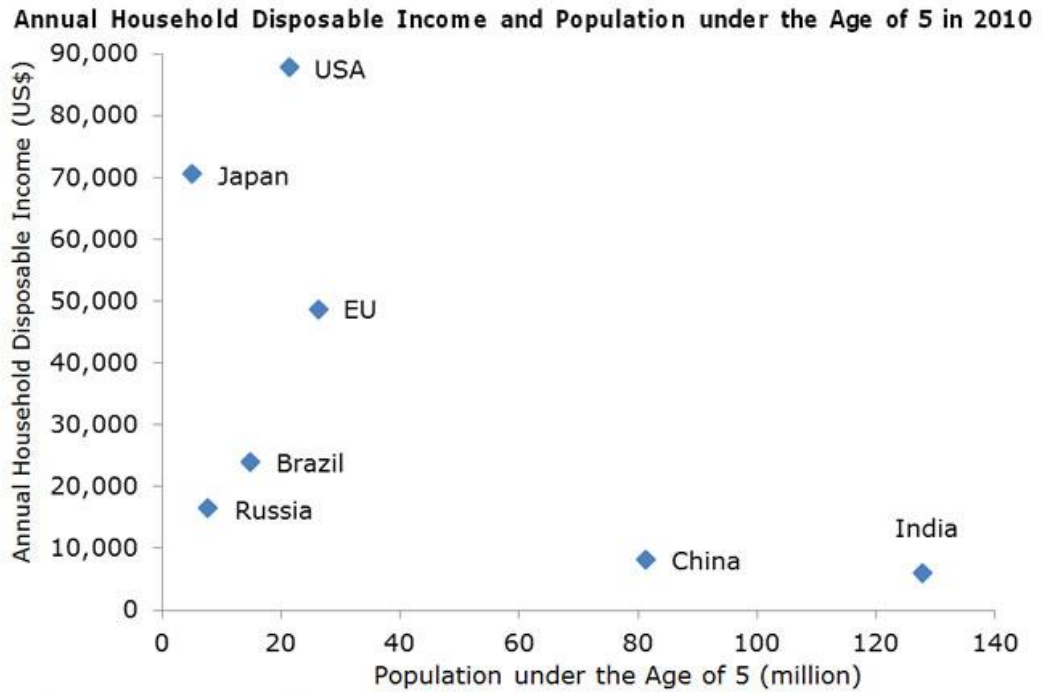


FIGURE 8. Average Monthly Consumption Expenditures 2014 (Statistics Bureau, MIC)

5.3 Spending on children's products

Even though the birth rate is going down in Japan, families are willing and able to spend money on their children. And even when the economy is down, parents are willing to spend their money on their children. Figure number 9 shows that the average Japanese household disposable income was around 70 000 US dollars in year 2010, but the number of children under age of five was only under 10 million. Therefore families are able to spend more money on one child than for example in countries like India where the birth rate is high, but the income level is low. (Wenda, 2013)



Source: Population data from United Nations; Income data from Euromonitor International

FIGURE 9. Annual Household Disposable income and population under the age of 5 in 2010 (Wenda, 2013)

6 MARKETING MIX; THE 4 P'S

The marketing mix can be considered as a marketing manager's toolbox where the tools are the individual marketing-mix elements. Different tasks need different tools but four main elements are always in the marketer's toolbox: Product, price, place and promotion. These 4 Ps remain the most common classification of a marketing mix. Each of the elements influences each other. A failure in one of the elements could undermine goods choices made in the other marketing mix variables. (Levens. 2012, 273)

The 4 Ps were developed in the manufacturing economy of the 1960's when large consumer goods firms was built up to serve growing mass markets. The model was intended to refer to the combination of business control elements to satisfy customers. Each element was considered both distinct and interdependent. (Levens. 2012, 278)

Figure 10 below summarizes the major activities involved in managing a customer driven marketing strategy and marketing mix. Consumer is in the middle. The plans goal is to create value for customers and to build profitable customer relationship. The company must decide which customers it will serve (Segmentation and targeting) and how it will be made (differentiation and positioning). Guided by the marketing strategy, the company will design an integrated marketing mix that is made up factors under its control: Product, Price, Place and Promotion. To find the right marketing strategy and mix, the company must do a marketing analysis, planning, implementation and control. Through these activities the company adapts the actions and forces in the marketing environment. (Kotler & Armstrong. 2010, 72)

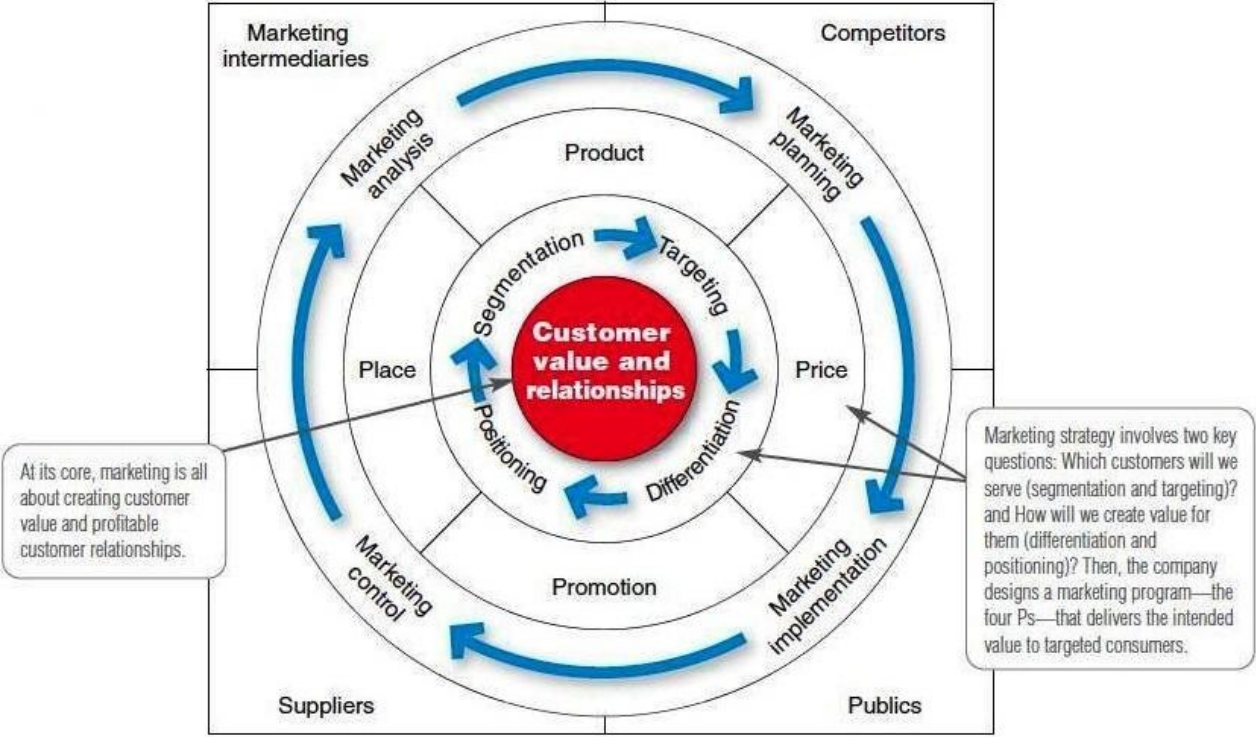


FIGURE 10. Managing marketing strategies and the Marketing Mix (Kotler & Armstrong)

7 PRICE

Right price for the product or service is one of the key things to success or failure. Even when the international marketer has the right product, it is promoted correctly and has proper channel of distribution, the effort fails if the price for the product is wrong. Price must reflect the quality and value the consumer perceives in the product. Setting the right price for the goods is one of the most difficult tasks for the marketer. It is even more difficult if the company sells goods in multiple countries. (Cateora, Gilly & Graham. 2009, 528)

7.1 Pricing objectives

Pricing decisions can be viewed in two ways: Pricing as active instrument of accomplishing marketing objectives or as static element in business decisions. As an active instrument the price is determined by the company, not by following the market prices. The company using price as static element probably exports only excess inventory, places low priority to foreign business and views export sales as passive contribution to sales volumes. The more control the company has over the final selling price, the better it is able to achieve its marketing goals. (Cateora, Gilly & Graham. 2009, 528)

Company must also decide whether to follow skimming or penetration pricing policy. Decision depends on the level of competition, innovativeness of the product, and also market and company characteristics. When company decides to use skimming they try to reach a segment of the market that is relatively price insensitive and are willing to pay a premium price for the value received. Skimming is often used in markets that have only two income levels: the wealthy and poor. With premium price the product is directed to high income and relatively price insensitive segment. A penetration pricing policy is often used to stimulate market and sales growth by deliberately offering products at low prices. This strategy is used to acquire and hold share of market as a competitive maneuver. Penetration pricing

ing may be more profitable strategy than skimming if it maximizes revenues as a base for fighting the competition. (Cateora, Gilly & Graham. 2009, 533)

7.2 Pricing in Japan

A general lack of price competition, provisions of costly services and other inefficiencies makes the cost of Japanese consumer goods one of the highest in the world. Such prices create a perfect climate for discounting and it is beginning to be a major factor. The Japanese consumer contributes to the continuation of the traditional nature of distribution by frequent trips to shops, small purchases, favoring personal service and being loyal to brands perceived to be of high quality. (Cateora, Gilly & Graham. 2009, 400)

One thing to notice in the pricing to Japanese markets is deflation. Japanese economy was in deflation spiral for number of years. Clothing stores compete to sell fleece jackets in 8 dollar price which is down from 25 dollars two years earlier. High price before deflation allowed substantial margins for everyone in the distribution chain. As prices dropped in several years in a row, those less able to adjust costs to allow some margin with deflated prices fell by the wayside. Market has got entirely new retail categories. 100 yen discount shops and clothing chains selling low cost imported products from China have become the norm. Japanese consumers have gained from this price reduction and have newfound spending power. Japanese tourists used to travel to USA to buy things in cheaper prices. Before they bought suitcases full of goods from USA but now they return from their trip with purchases that fit in one small bag. It is essential in deflationary market to keep the prices low to win the trust of consumers. (Cateora, Gilly & Graham. 2009, 536)

7.3 Exclusive distribution

Exclusive distribution is often used by companies who want to maintain high retail margins to encourage extra service to customers, to stock large assortments or to maintain the extra quality image of the product. Perfume and designer brands like Gucci and Cartier uses this strategy. To maintain quality and exclusivity, the products usually include high profit margins at each level of the distribution. Traditionally these cases have limited quantities of products and distribution is restricted to upscale retailers. (Cateora, Gilly & Graham. 2009, 530)

The downside of this pricing strategy is lucrative grey market for unauthorized dealers in other countries. They buy more than they need at wholesale price lower than what the authorized wholesale pay. Then they sell the excess at a profit to unauthorized retailers with a lower price than the retailer would have to pay to an authorized distributor. The high priced designer sportswear industry is vulnerable to such practices. For example Nike's shoes which cost 196 dollars in sport shops could be purchased from Tesco stores for 80 dollars. Tesco had bought lots of Nike sportswear from overstocked wholesalers with a low price and was therefore able to sell the goods out in lower price. To prevent such parallel markets development the company must maintain strong control over distribution and prices. (Cateora, Gilly & Graham. 2009, 530-531)

7.4 Costs of exporting

The difference between prices of exporting country to importing country is the added costs incurred when goods are transferred from one country to another. The ultimate prices are raised by shipping costs, insurance, packing, tariffs and longer channel of distribution, larger middlemen margins, special taxes, administrative costs and exchange rate fluctuations. The majority of the costs come from moving the goods across nation borders. This causes the final costs of the product to be higher in export country than in domestic markets. (Cateora, Gilly & Graham. 2009, 535)

8 PRODUCT

What is a product? According to Cateora, Gilly & Graham (2009, 341) "A product is more than a physical item: It is a bundle of satisfactions (or utilities) that the buyer receives." According to Kotler & Armstrong (2012, 248) It is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. There are many utilities that affects to the product. Its form, color, taste, odor, texture, functionality, packaging and labels affects to how the buyer sees it. Also reputation of the company, country of origin and any other symbolic utility affects the use of the goods. Shortly said, the market relates more to the product than its physical form and primary function. (Cateora, Gilly & Graham. 2009, 341) (Kotler & Armstrong. 2012, 248)

Figure 11 below shows the three levels of a product that product planners need to think about. Each of the levels adds more customer value. The most basic level is the core benefit. It addresses the question what is the buyer really buying. First the marketers must define the core that the consumer seeks. The second level is where the product planners must turn the core benefit into an actual product. They need to develop the products features, design, quality level, brand name and packaging. In the last level the planners must build an augmented product around the core benefit and actual product by offering additional consumer services and benefits. (Kotler & Armstrong. 2012, 249)

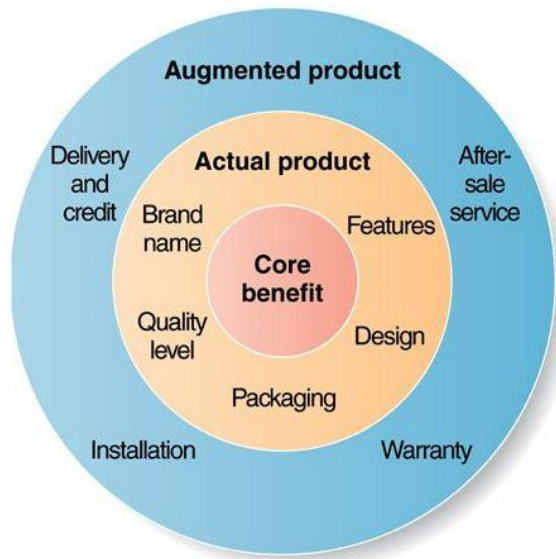


FIGURE 11. Three levels of Product (Kotler & Armstrong 2012)

8.1 Product adaptation into new markets

The meaning and value imputed to the psychological attributes of a product can vary in different cultures and the same product can be seen in very different ways in different cultures. To be able to create positive product attributes rather than negative, adaptation of the nonphysical features may be necessary. For example Coca-Cola needed to change the name of Diet Coke to Coke light when they introduced the product to Japanese market. Japanese women do not like to admit that they are on a diet because the idea of diet implies sickness or medicine in Japan. So the product was marketed as “figure maintenance” rather than a diet product. (Cateora, Gilly & Graham. 2009, 342)

Adaptation into new market can also affect on how the product concept conforms the norms, values and behavior patterns in its physical or mechanical attributes. For example Japanese have only recently adopted dishwashers because before they simply did not have space for it in the kitchen. Some companies succeed in the business by designing compact and suitable version of the product that fits to Japanese kitchens. (Cateora, Gilly & Graham. 2009, 342)

8.2 Japan as pilot market

Some firms have started to use Japan as their test market for new concepts and products. They offer the products to Japan before launching them to other markets. More western retailers are opening new outlets to Tokyo to keep an eye of the trends. Big clothing chains like H&M and Zara are expanding their number of stores in Japan rapidly. According to Mitsuru Sakuraba “Twenty-five or 30 years ago, major brands tested their new products in New York. Now Japan has established a presence as a pilot market.”. New York-based bag maker company LeSportsac agrees with Sakuraba. About fifth of the company’s global revenue comes from Japan. This allows the company to get a jump in trends. Some western companies have signed up with some local partner who can read the Japanese trends better. All in all Japan can be seen as trend setter. What sells well in Japan can later be a big hit also in western markets. (Rowley & Tashiro 2007, 1)

8.3 Quality standards

Japanese are almost obsessed with quality standards. Even slight deviations are not accepted and even entire orders can be rejected on the basis of what most business people consider as minor imperfections. Products and services are expected to be delivered as what has been agreed in contracts or promotional campaigns. Valuable business deals can easily collapse because foreign traders feel that Japanese purchasers have unrealistic demands. Standards that apply to other countries do not necessarily apply in Japan. Only the best will do for Japanese and they are willing to pay high price for that quality. (Holroyd & Coates, 1999-2000, 77)

8.4 Customer service

Japanese consumers demand reliability and good after sales service. They expect immediate answer to their complaint or question from the manufacturer. Jap-

anese are proud of their customer service. They are prepared to do their outmost to help the customer. If they cannot help, they will apologize as if it would be their personal blame. Because of almost an obsessive customer focus, the customer has a right to replace defected or damaged goods without a question, even if the goods have been damaged by the customer. Normally goods are not refunded; the damaged items are normally replaced with a new product or service. (Serita et al. 2009, 48-49) (Leaper 2009, 167-168,182)

9 PROMOTION

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

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

In any fashion promotion plan, the consumers' buying behavior and adoption process must be taken into consideration. Also the product's life cycle must be kept in mind. Is the product now first introduced or is it competing for market share in the mainstream market affects how the goods should be promoted. Company must understand the actual buying process of the goods to be able to fine-tune the promotion schedule. The relationship between promotion choice and the decision making process becomes apparent in basic AIDA model: First comes awareness where the customer must become aware of the existence of the product. Advertising is needed at this point to introduce the product for the consumer. Then comes interest part where the customer is interested to get more information of the product. After that comes desire where the customer makes active product searching. Customer gets info where the goods could be bought, what kind of products they

are and what they cost. Last phase is action where the customer is actually purchasing the product and is trying how it works. Each of the stages requires different level of communication because customer has different kind of needs in each stage. This task is facing the fashion marketer. They need to decide which methods of promotion will be used in each stage of the process. (Bohdanowicz & Clamp. 1994, 119)

9.1 Promotion in Japan

When goods are marketed to Japanese people, the most important marketing channel is television. In Tokyo and Kansai area it reaches weekly about 88% of the population in those areas. In contrast newspapers reach only 41% of the area's population. The role of celebrities in the commercials is important. The most popular celebrities are characters from drama or documentary programs. Promoting in TV is expensive unless the company is able to slip the product to some film or documentary. That is so called free exposure. (Serita et al. 2009, 27, 31)

Mobile phones give one more channel to promote in Japan. TV is still dominant channel but mobile phones has these days service called "I seg", which is service providing TV in mobile phones. Even though cell phone internet and internet sites are coming more popular, TV is still the most effective channel to be used for promotion. If company has a change to get some celebrity to use the company's product in TV it is very effective way to promote the product. (Serita et al. 2009, 28)

In general young people use mobile phones constantly. They read and write emails using their phones. Emails are more popular than text messages because short message system is not supported widely in Japan. Japanese companies have also websites that are easy to read by mobile phones. Because most important channel to promote street fashion is also using word of mouth, internet and mobile phones have created a new channel called "electronic word of mouth (eWOM)". It contains emails, blogs and new groups of community sites. Especially

young people are willing to promote products there as long as they feel they can benefit from it. (Serita et al. 2009, 28)

When goods are marketed to the Japanese markets, the important thing is the story behind the product. The story is even more important when expensive products are marketed. Japanese expect to hear how the product is made and by whom. One explanation to the importance of stories is that Japanese view products holistically. They see the total product as consisting of both tangible and intangible components. The user takes into account the intangible things that make a consumer feel confident and at home when they use the product. (Serita et al. 2009, 45-46)

Country of origin is also important factor to be considered in marketing. When Japanese consumers buy western products they many times want to communicate something by it. Scandinavia is many times associated with a relaxed life style and wellbeing. Even though Japanese has good image of Scandinavia, it does not mean that there should not be any tailoring made. Company needs an aggressive strategy and creation of the image that meets the expectations of Japanese consumers. (Serita et al. 2009, 46-47)

9.2 The image of Finland

Most Japanese have very limited knowledge of Finland. The stereotypical mental image of Finland relates to nature, winter and Moomins. The Japanese know Finland as the country of forest and lakes. They see Finland as cold country with snow and ice. Also northern lights and midnight sun are known in Japan. That image should be taken into the promotion campaign even when introducing high-tech products to Japanese markets. The image what the Japanese have of Finland should not be neglected. They do not want to be shocked. Consumers want that the product enhances the images they have about Finland. The attractiveness of Finland lies very much in the feelings and expectations that are passed to consumers. (Serita et al. 2009, 50-51,53)

Finland is also seen as clean and environmentally friendly country. The ecological values and timeless product design appeals to Japanese consumers. Environmental thinking is growing in Japan all the time. In business wise ecology and environmental friendly manufacturing with using little energy and natural resources as possible are one of the top criteria when choosing new products to companies new collections. (Serita et al. 2009, 52)

Moomins are characters what many Japanese people know. Also Santa Claus is another known figure from Finland. Moomins were introduced to Japan already in the 1960s. They are very popular today in Japan and there is a great variety of Moomin related products available in the markets. Even though the goods are nowadays produced in China, there is a very strong connection between the Moomins and Finland. This is proven by the fact that many of the products have Finnish or Swedish language. For example the names of the characters are written in Finnish. (Serita et al. 2009, 52-53)

“Made in Finland” is a positive label in Japan. On the other hand most Japanese consumers cannot tell the difference between Finland and the rest of the Scandinavia. The whole Scandinavia is seen as a trendy area. So there is no actual need to clearly differentiate from other Scandinavian products. (Serita et al. 2009, 61)

9.3 Target group

According to Serita et. the most likely group to buy Finnish design is women in their twenties and forties. Traditionally women have made the decisions regarding the family budget and purchases. Japanese females seem to also be especially sensitive to Finland and Finnish goods. (Serita et al. 2009, 59)

As mentioned earlier, the economic power of elderly people is rising. Grandparents have money to spend on their grandchildren and they are willing to invest on them. This means that other target group for Reima’s products is the grandparents.

9.4 Marketing communications

It is quite difficult as a foreign company to implement marketing successfully to Japan. It needs all depth understanding of the culture, language and historical perspective of business developments to successfully conduct marketing campaign in Japan. Local Japanese companies have also advantage having both cultural and networking advantages over foreign companies in their home market. (Serita et al. 2009, 70)

The history of marketing in Japan is quite short. The concept of marketing was unknown still after world war two. Still Japanese companies have mastered the field and gained recognition as world class marketers the last 50 years. The Japanese companies has taken the western marketing concepts and adjusted them to fit in Japanese culture. Even though marketing is important part of the company concept, the most important part is still production. Technological self-sufficiency, market share and industrial rank are the key issues in Japanese companies when western companies focus more on costs and risks. (Serita et al. 2009, 70-71)

According to Serita et. al.: Marketing philosophy in Japan is based on three things: studying carefully customers wants and needs, designing the product that meets the desired features and creating an effective marketing campaign for the products. After sales situations and warranty issues are important as Japanese wants good customer service. (Serita et al. 2009, 72)

Even though foreign brands are accepted to Japanese markets, it might take some time to gain trust for the new brand and company. Japanese buyers and consumers want to know if the foreign exporter is trustworthy and if the products and brand represented is high quality. Consumers are keen to discuss about the brand names with each others. That's why it is important to remember to explain the story of the company and brand in the marketing. Even though it might take a while to gain trust in Japanese markets, when the trust is gained, the success can be fast and enormous. (Serita et al. 2009, 72)

According to Serita et. al. most of the exporters delegate quite lot of the decision making to their Japanese distributors. This means that many times the control of the brand image and marketing is largely turned over on the distributor's shoulders. Even though the distributor makes the operational decisions, the exporter still controls the marketing strategy and budget related issues. There is some negative results when distributors has the decision making power. Many distributors do not want to promote the products too much. This is because they like steady and slow growth (2-3 per cent). The distributors do not want to lose their business. They are afraid that if the exporter succeeds in the markets, the exporter will want to establish their own subsidiaries in Japan. This is why distributors say that Japanese markets are special and the only way to succeed is to use local partner. Another problem is that the distributors are not so interested of the brand image; they just want the goods to be sold. This is especially the case when the exporter has many distributors. If distributor is used, the company should have a close relationship with the distributor to maintain the control over the brand and its image in Japan. (Serita et al. 2009, 74-76)

9.5 Public relations

Especially in small companies, advertising becomes too expensive option to promote their goods. More reasonable and even effective way is to have appearance to the target group in other ways. Appearance in newspapers and periodicals are seen among Japanese consumers as more trustworthy and convincing. Good and regular contacts with the press have been seen important among exporters. PR to many directions is important. Distributors and their contacts, different kind of media, opinion leaders, events and exhibitions, internet communities and associations like Finpro are seen as channels to promote the company and its products. From all the communication methods used, PR can be seen as most likely to be formatted to fit the local conditions. To have successful PR in Japanese markets means very deep knowledge of Japanese ways and culture as well as the media and market peculiarities. (Serita et al. 2009, 84-85)

9.6 Trade shows

Trade shows are typical way to promote goods. Finnish companies have been quite active in attending and arranging events. The event could be settled up with the local Japanese distributor. For those who does not have distributor, the trade shows are handy way to promote goods. That is good way to get new contacts and create deals especially with distributors and wholesalers. The other side in the trade shoes is that they are also very expensive to attend and they are many times seen as more of a social events. Specific goals are hard to set in fairs and they are many times neglected before entering the fairs. That's why the booth personnel's training is very important and the results of the fairs need to be reported and analyzed. (Serita et al. 2009, 85-86)

According to Serita et. al. Japanese distributors are not so keen on participating in fairs. This is because of the limited resources and because the wholesalers want to keep low profile and steady growth. They are not interested on of one time big boom. They are too afraid of the exporter's interest to build their own subsidiaries if the exporter becomes too successful. To prevent unsuccessful trade show, one option is to have co-operation with associations like Finnish embassy of Tokyo. They can be more open to arrange more opportunities and introduction events for the new exporter. (Serita et al. 2009, 86)

Suitable trade show for Reima would be for example Baby and Kids expo in Tokyo (<http://www.bk-w.jp/en/>). It is largest and also the most exclusive trade fair that gathers many kinds of companies to present their products from toys to clothing. The expo gathers together a great variety of major importers and wholesalers, mass-retailers and buyers across the globe converge on the show to place orders on-site and meet business partners. (Baby & Kids Expo [22.11.2015])

9.7 Sales material

Sales material like brochures, catalogues, flyers etc. are often provided by the Japanese distributor. Catalogues are good way not only for showing the products but also for telling the story behind the company. The Japanese also wants to see prices of the products in the catalogues and they must be also translated to Japanese language. This is because many of the Japanese are not so good in English language. The language is also one of the reasons why the exporter should work closely with the distributor. (Serita et al. 2009, 86-87)

The Japanese obsession of quality has also a broad impact to the marketing materials. The impression given from the brochures and catalogues goes a long way towards setting the company's image in the Japanese mindset. If the material is not well designed and printed on attractive paper, the image is negative and it immediately gives the impression that the foreign company is not professional, sophisticated, successful or concerned about their image. Unless the company is already well known in Japan, it is strongly advised that all materials used in presentations and in promotion should be especially designed and printed with Japanese quality standards in mind. (Lafayette De Mente 2006, 71 -72)

9.8 Business cards

Business card exchange is important ritual in meetings. But it is also important how the business cards are made and designed. It is advisable to have the cards printed in the company's native language on other side and on other in phonetic Japanese. Especially English is hard for the Japanese to pronounce because of the spelling. Having the name of the company and persons title rendered in Japanese is also important for completing the identification of the person. The cards should be well designed and printed. This gives favorable first impression. Colored paper stock of other materials is also beneficial. (Lafayette De Mente 2006, 118-119)

10 PLACE

When company makes decision to go international, it must choose a strategy. The decision should reflect an analysis of the markets characteristics. Company needs to find out what are the potential sales, competition, strategic importance, strengths of resources, cultural differences and country's restrictions and regulations. They must also find out what are the company's capabilities and characteristics, knowledge of target market, marketing involvement and commitment that management is willing to make. Many times companies imitate the others in the industry and repeat their successful entry strategies. This is not recommended. The approach to foreign marketing can vary from minimal investment that has infrequent and indirect exporting and not that much of thought on the market development to large investments of capital and management efforts to capture specific share of worlds markets. Both approaches are profitable. All depends on company's objectives and market characteristics. (Cateora, Gilly & Graham. 2009, 319)

Figure 12 below shows the alternative market-entry strategies. Many times companies start with modest export involvement. After the sales revenues grow they can proceed down through the series of steps listed below. Company has four different modes of foreign entry to choose from: Exporting, contractual agreements, strategic alliances and direct foreign investment. (Cateora, Gilly & Graham. 2009, 319-320)

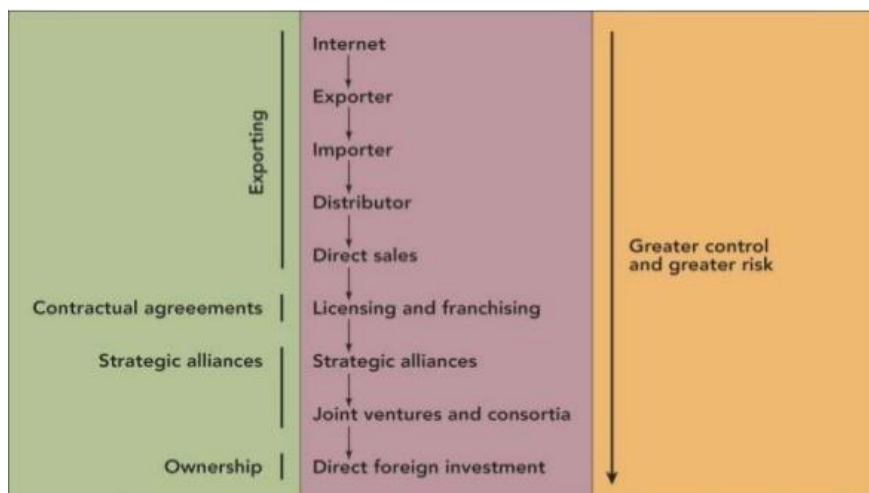


FIGURE 12. Alternative Market-Entry Strategies, 2009 (Cateora, Gilly & Graham)

To be able to make product available for buyers requires building relationships not only with the closest business partners but also with key suppliers and resellers in the company's supply chain. The supply chain consists of upstream and downstream partners. Upstream is the set of firms that supply all materials needed to create the product. Downstream side is the supply chain on the marketing channel partners like wholesalers and retailers who are a vital connection between the firm and its customers. (Kotler & Armstrong. 2012, 363)

In Japan, personal relationships play an important role in business. It is also important for the foreign companies to understand the dynamics of these relationships. Cultural traditions play an important role in the development of distribution channels. For example Finland has four or five centralized wholesalers that cover the market. Japan has 300 000 wholesalers and over 1.6 million retailers. The distribution system is based on a wide wholesaler network that has several layers. One reason for this layered structure is the high price of land. It prevents keeping the stocks in traditional sense but it means that the orders are made in daily bases. To succeed in Japanese market, the exporter must exploit the Japanese distribution system and adapt their strategies. (Serita et al. 2009, 100)

10.1 Distributor

Choosing the best distribution channel is very important factor in Japan. There are many options to choose from. The large trading companies with their overseas offices may appear to be the obvious choice. They are after all the experts in many fields of marketing in Japan. They have extraordinary finance and political clout, high image in Japan and they can give instant credibility in the Japanese market. The downside of these large companies is that they work with many companies which can offer the same kind of products. One company is one of the thousands that are competing for the attention of the qualified managers. If the project does not have high and prime priority, it does not get the best people or the most resources. In those circumstances, one project can get easily stuck to the system. (Lafayette De Mente 2006, 58 -60)

All the large trading companies are aligned with specific groups of firms in distributing, retailing, banking and manufacturing. The groups have their own vertically structured territories from top to bottom: from sourcing raw materials to retailing. Many times the groups are exclusive and inclusive and therefore they are limiting. For example if the company is in Mitsubishi group, one company's product can be handled only by other companies affiliated with the same group. (Lafayette De Mente 2006, 58 -60)

Because of the grouping characteristic in Japan, there are occasions when it might be better to go with a nonaligned company who can cross these group borders. They can also give a higher priority to the project because the project is more important to the firm. Number of recent foreign firms who have succeeded in Japan has been aligned with smaller, unknown companies. They have been founded and operated by exceptionally capable and energetic individuals who have overcome all obstacles with power and their personal ideas and hard work. (Lafayette De Mente 2006, 60-60)

The success rate of foreign companies who have aligned with Japanese companies is relatively low. The reason for the low batting average is many times the same. The foreign company took the fast and easy way out and signed up without really knowing what they signed for. It is very difficult in fact for a foreign company who is not intimately familiar with Japan to make a sound decision about a potential Japanese connection. There are many factors and variables that can be subtle and invisible, that should be taken into consideration. Even though it is quite easy to find out a great deal of information about the trading company, it is still difficult for a foreign company to make the best choice for the long term relationship. But Japanese companies are not what they seem to be at the outside. Often the most practical way to find the right connection is to use some third parties to find the potential partners. These third parties in Japan who can give advices are for example bankers, accountants, government officials, advertising agencies, consultants etc. (Lafayette De Mente 2006, 60-61)

If the foreign company decides to go Japanese markets through Japanese connections, the primary challenge will be to develop and maintain a working relationship with the Japanese side. The relationship must be strong and effective enough to protect the foreign company's interest and allow making contribution to the project. This might not be as easy as it would seem to be. The nature of business environment in Japan and the Japanese way of doing things makes it more difficult. The foreign company must give the project to Japanese company's hands. The Japanese side will naturally take the position that they know more about how things should be done and they often proceed without explaining or informing their moves. No matter how strong the foreign company's position is, the Japanese side will usually be the one that implements the project and sets its tenor and tone. Because of the business environment, it is very important for the foreign company to get a full, long-range understanding of mutual goals before any agreement is signed. It is also important to have own man in Japan, either foreign or local, who has the knowledge and experience and who can be trusted completely (Lafayette De Mente 2006, 79-80)

10.2 Japanese distribution structure

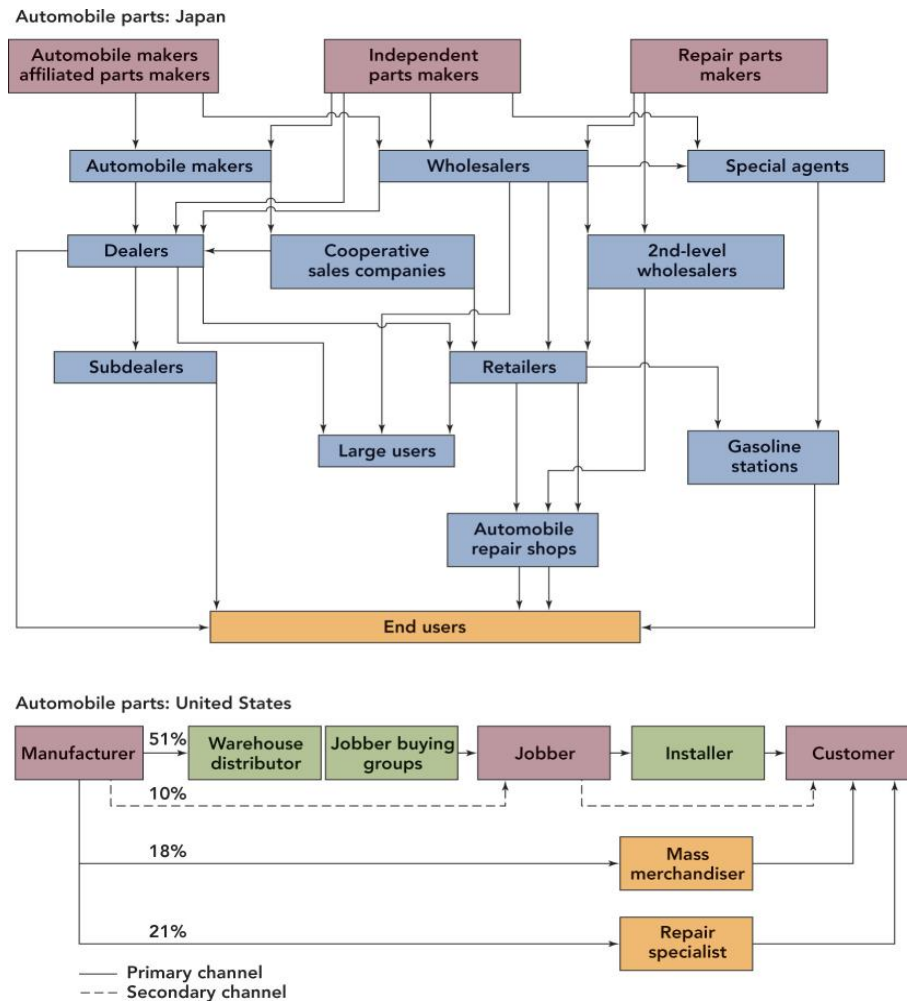


FIGURE 13. Comparison of Distribution Channels between the United States and Japan 2009 (Cateora, Gilly & Graham)

Japan has unique distribution system. They have a good transportation and communication infrastructure and they are relatively small size country. You would think that it would be easy to move supplies from port of arrival to the market. But it is not that easy. The distribution system is most complex in the world. Many times it is seen as most significant barrier of doing business in Japan. The problem lies on two major areas: in multilayered nature of distribution system and in the keiretsu's operation of distribution companies. Products generally follow a complex path between the factories to the shop. Usually the arrangement is following: Factory, trading company, wholesaler, a secondary wholesaler (sometimes through four, five or wholesalers), and then finally to the shop. Many of the Japanese

stores are small and do not have much storage space of their own. It is said that the storage space is in hundreds of delivery trucks. Major manufacturers operate through closely connected distribution companies. Many times they sell directly to the public through stores which almost exclusively sell their products. Even though the companies work officially separately, the manufacturer and distributor are partners and work together closely. (Holroyd & Coates, 1999-2000, 81-82)

Between distributors and “dainyo” manufacturers has a linkage called “ryatsu-keiretsu”. Keiretsu is a distribution channel that has vertical restraints. The manufacturer or primary wholesaler controls the activities of its downstream distributors either through preconditions or contractual stipulations. Distributors accept the submissive status because they gain economic security this way. In keiretsu the units are organized in hierarchical layers and the power is in the highest levels of the hierarchy. This form of corporate organization is unique in Japan. It is a grouping of linked companies that has tight alliance that aims to assure each other’s mutual success. Keiretsu links basically all sectors together. Banks, manufacturers, suppliers and distributors are linked to the Japanese government. (Serita et al. 2009, 101)

The foreign company may face in Japan to something called Hobson’s choice. In general it means wholesaler based distribution system. Wholesalers own distribution system would deter the most ambitious entrant for trying to enter the market. This option is not popular, only a handful of firms use it. The most useful alternative for distribution is to enter the market by some form of joint venture. Pairing up with a Japanese manufacturer can gain access to their distribution system. This is most useful way when company is bringing a brand new product into the market and less beneficial when they seek to complete directly with an existing Japanese product line. (Holroyd & Coates, 1999-2000, 82-83)

The benefits for this distribution system is that the distributor can many times provide exceptional market intelligence and through their sales and delivery workforce they have access to hundreds, even thousands of stores on a regular basis. Many warehouse operators’ focuses especially on one product area like for example

high fashion clothes. Connections with a well-established distributor give access to their market knowledge, sales force and understanding of Japanese culture. The system allows the vast array to even to the smallest shops in Japan to carry a range of products that would not otherwise be possible. It also assists with the market penetration throughout the country. (Holroyd & Coates, 1999-2000, 83-84)

The system is gradually changing to be more modern. Recent changes are making the arrangements to be more user friendly. The number of small retail stores is declining and they have gradually been replaced by larger discount and specialty stores. Small stores are still important to Japanese consumers. The emphasis on service, freshness and quality for Japanese are factors behind small stores. The high density of population has also enabled the tradition of frequent trips to the shops. Even though the distribution system is gradually changing, the distribution network is still complicated, expensive and interventionist. Warehousing, retail arrangements and delivery arrangements can be used to undercut newcomers and to keep foreign firms at bay. (Holroyd & Coates, 1999-2000, 84) (Cateora, Gilly & Graham. 2009, 399)

10.3 Channel control

Manufacturers depend on wholesalers in many ways. Wholesalers typically take care of manufacturer's physical distribution, financing, warehousing, inventory, promotion and payment collection. The system works because wholesalers and all middlemen are tied to manufacturers by a set of practices to ensure strong marketing support for their products. This way they can also exclude rival competitors from the channel. Wholesalers typically act as agent middlemen and that way extends the manufacturers control through the channel to retail level. (Cateora, Gilly & Graham. 2009, 399)

Control is maintained by following elements: inventory financing is managed by consignment with credits extending for several months. Rebates are given annual-

ly for many reasons. They include quantity purchases, early payments, achieving sales targets etc. Many times all unsold merchandise can be returned to the manufacturer. Promotional support is given by the wholesaler. They can include displays, advertising layouts, management education programs and other dealer aids that strengthen the relationship between the middleman and manufacturer. (Cateora, Gilly & Graham. 2009, 399)

The relationship oriented business philosophy in the distribution system emphasizes loyalty, harmony and friendship with the co-working parties. The system supports long term dealer – supplier relationships and those are difficult to change as long as each party perceives economic advantage. Many times in those situations the traditional partner has the advantage. (Cateora, Gilly & Graham. 2009, 400)

10.4 Large-scale retail store law

Competition from large retail stores has been almost totally controlled by “Daitenho” – large scale retail store law. It is designed to protect small retailers from large intruders into their markets. The law requires that any store larger than 500 square meters must have approval from the prefecture government to be built, stay open later in the evening, expanded, or change days of the month that the store should be kept closed. All proposals for new stores were first judged by the Ministry of International Trade and Industry. If all local retailers unanimously agreed the plan, it was approved. Without approval at the prefecture level the plan was returned for clarification and modification. This process can take several years. For example one of Japans largest supermarket chains waited their approval for 10 years. Relaxation of these rules has been seen but they still exist. (Cateora, Gilly & Graham. 2009, 400)

10.5 Changes in distribution system

Local merchants are starting to challenge the traditional ways of selling goods by giving consumers quality products at competitive and fair prices. Specialty discounters are rising fast and entrepreneurs are slashing prices by buying direct and avoid the distribution system totally. Still these new retailers are rare, accounting only 5% of the retail sales. Anyway the impact extends beyond their share of market because they are forcing the system to change. Traditional retailers are now modifying their marketing and sales campaigns in response of the new competition. Some indicators also show that some wholesalers are modernizing and consolidating their operations for retail demand to buy from the manufacturers or from the largest wholesaler. Change is slow because the traditional way is rooted to in the cultural history of Japan. Internet also has some effect of the old structure. It allows suppliers and retailers to seek the cheapest price in global markets and therefore it will be harder for the middlemen to maintain their control they have had. (Cateora, Gilly & Graham. 2009, 401)

Also traditional retailing is slowly giving space for specialty stores, supermarkets, discounters and convenience stores. Also in casual clothing retailing seems to change. The store can sell cheaply without lowering the quality because it skips the traditional middlemen and designs its own clothes and sources them directly from factories. What seemed to be an impenetrable traditional distribution system just few years ago, now appears to be changing. (Cateora, Gilly & Graham. 2009, 401)

10.6 Types of shops

In the countryside where people own cars, the large shopping centers have displaced local shops out of business. The cities have still vibrant shopping areas mainly in the railway station areas, but otherwise the town centers are dying. (Leaper 2009, 169-170)

100 yen shops are stores where almost everything costs 100 yens. These kinds of shops buy goods in huge volumes from China area where the manufacturing and labor costs are low and therefore selling prices can be low too. They sell large variety of items from household goods and clothes to tools and gardenware. These shops gained popularity in the 90s and now there are thousands of shops all across Japan. The size of the shops varies from multi-storey department stores to small corners in shopping malls. Market leader Daiso has over 2000 stores nationwide and has aggressive expansion policy. (Leaper 2009, 169-170)

Japan has over 40 000 convenience stores. They are usually open 24 hours a day, seven days a week. There is a strong competition between the major operators such as Lawson, Seven Eleven and Family mart. This makes the prices stay keen and forces the shops to have innovative products and services which make Japanese convenience stores truly convenient. (Leaper 2009, 170)

The most famous department store chains in Japan include Daimaru, Hankyu, Isetan, Mitsukoshi, Sogo, Seibu and Takashimaya. Seibu in Ikebukero, Tokyo is one of the largest department stores in the world and Matsuzakaya in Ginza, Tokyo is a ten storey building and one of the oldest and most elite stores in the city. The major department stores are very classy stores that sell all leading international fashion names in spacious store in stores. Since the 80s department stores has faced a fierce competition from supermarkets and convenience stores. Many stores are seen as outdated and customers have moved their purchasing to specialty clothing stores and malls. Combination of increasing competition, falling sales and high prices, low productivity and high operating costs will almost certainly mean that the days of department stores are over in Japan. At least if they keep their current form. Modern supermarkets in Japan remind a lot of the western type of markets. They offer all kinds of goods like food and household articles. Japans largest retailer in supermarkets is Aeon. (Leaper 2009, 172-174)

Internet shopping is a big business in Japan. The leading online retailer is Rakuten (<http://www.rakuten.co.jp/>). The founder of the web shop Hiroshi Mikitani is one of the richest men in the world. Other big mail order companies are Cecilie

(<http://www.cecile.co.jp/>) and Dinos (<http://www.dinos.co.jp/>). (Leaper 2009, 180-181)

Catalogue buying has a long tradition in Japan. Almost everything can be bought from catalogues. Most of the catalogue companies have websites and printed catalogues, but both tend to be provided only for Japanese consumers. One of the largest companies in this field is Nissen (<http://www.nissen.co.jp/>). They sell everything from clothes to furniture. (Leaper 2009, 181-182)

10.7 Distribution in childrenswear market

64,6 % of the childrenswear goods are sold through clothing, footwear and sportswear retailers. Only 18,5% of the sales are made through department stores. Therefore the most preferable place to sell childrenswear is through specialitystores. (Marketline childrenswear, 2015, 10)

Channel	% Share
Clothing, footwear, and sportswear retailers	64.6%
Department stores	18.5%
Discount, variety and general merchandisers	9.8%
Hypermarket, supermarket, and discounters	7.0%
Other	0.1%
Total	100%

SOURCE: MARKETLINE MARKETLINE

TABLE 5. Japan Childrenswear market distribution (Marketline, 2015)

10.8 Hokkaido Island

Hokkaido is the second largest, northernmost and not as developed as the other Japan's four main islands are. Its weather is harsh in winter. The island has lots of snowfall, below zero temperatures and frozen seas. In summer it does not get as hot and humid as in the other parts of the country. The island is known from its unspoiled nature. Hokkaido attracts many outdoor lovers like skiers and snow-

boarders in the colder seasons. Hikers, cyclists and campers visit the island from June to September. (Japan-guide.com, 2015)

Sapporo is Japan's fifth largest city and capital city of Hokkaido island. The city is surprisingly dynamic compared to the rest of the island. The city has been designed by European and American architects in the late 19th century. As the city is main access point and transport hub, it serves a great base to strike out into the wild nature around it. Sapporo is also known from year 1972 Winter Olympics. (Lonelyplanet, 2015)

Already in tourist guide In Sapporo (http://www.welcome.city.sapporo.jp/special/feature_article/winter-trip-to-sapporo/?lang=en) advises their visitors to use warm clothing, layers and clothing that can be easily removed when going indoors. The website also advice people to wear proper winter shoes. The island has lots of opportunities to explore the nature from hiking to downhill skiing. (Welcome to Sapporo, 2015)

11 MARKET ENTRY STRATEGY

This market entry plan will focus on the 4P:s: Price, Product, Place and Promotion. Below those four main elements are opened for Reima Oy's point of view how their goods should be exported into Japanese markets and what things needs to be taken into account when they want to enter the market as a new company.

There has been discussion in media whether Japan is now an attractive market area to enter in. Their deflation and large variety of offered goods in the market may seem that the market is already full and not profitable. Still I can see potential in Reima to succeed in the market. Reima's goods are already ready for the Japanese markets. Therefore there are no extra costs of changing the collection to fit to the market need. The key elements for success are the right product offering, the right distributor and lots of knowledge of the market area. Especially about Japanese culture and business culture, habits and unwritten rules how the market works. When those elements are carefully taken care of at Reima, they should be able to succeed in Japan.

Product. If the three levels of product presented earlier in this work are applied in action, the first part is to determine the core of the product. What the customer is really buying? In Reima case the answer would be innovative, functional and high quality products; the products what the children wear when they are playing outside. In Japan the children are very focused on school and they spend most of their daytime studying from very early age. Children have school uniforms so Reima products may not be used in everyday life like for example in Finland. Reima's goods are therefore used when the children are not at school. They can use the Reima products more when they are spending more time outside for example in skiing or exploring nature.

The actual product layer should have following features: Quality standards are almost as obsession to Japanese. They do not tolerate any kind of defects on the products. Therefore Reima needs to have a lot of focus on the products that are delivered into Japan. The quality must be the best that Reima has. Therefore col-

lections sold in Japan must be from category reimatec+. That collection has the top technology in details and they are the most innovative products what Reima has. Japanese love technical and innovative products so therefore the collection should attract them. They also like the simplicity of Finnish design so there should not be any reason why Japanese should have their own collection. Therefore the same collection what Reima is already now selling in reimatec+ collection should attract also Japanese consumers. Japan can be seen as a pilot market where new innovations could be tested. If Reima is able to open the markets into Japan successfully, the future plan could be that it is seen as the pilot market, where new Reima innovations are tested.

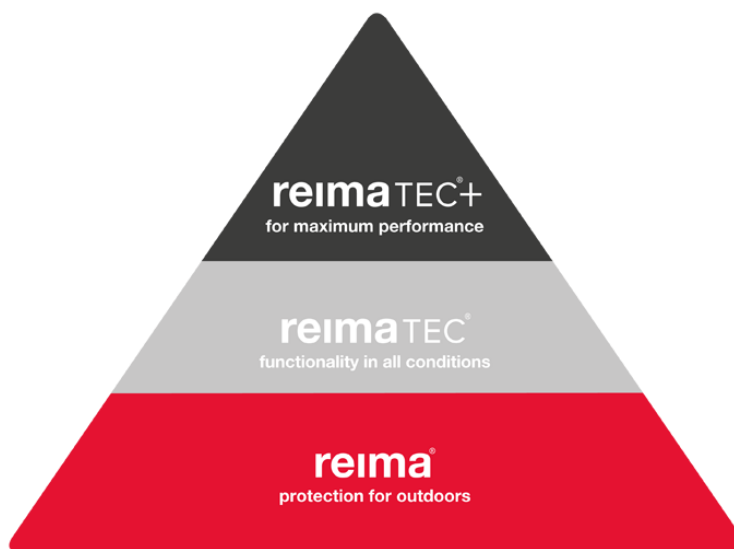


FIGURE 14. Reima product levels (Reima Oy, 2015)

The augmented product layer covers the inner core and actual product layer. That layer in Reima case has things involving accuracy from the order to delivery and customer service. Local customer service in Japan is a must. Japanese customers demand reliability and good after sales service. They want to have their questions answered soon and assume that they have ability to have service if needed. Japanese distributors and retailers expect accuracy basically in everything. Reima needs to be accurate on their sales orders, contracts and deliveries. Goods that are in the sales orders must be delivered completely. There cannot be any missing pieces in deliveries. Also deliveries should be on time at the destination as planned. There might be needed that the distributor/retailer has ability to return the

items they want. This should be discussed with the distributor and agreed in the contract.

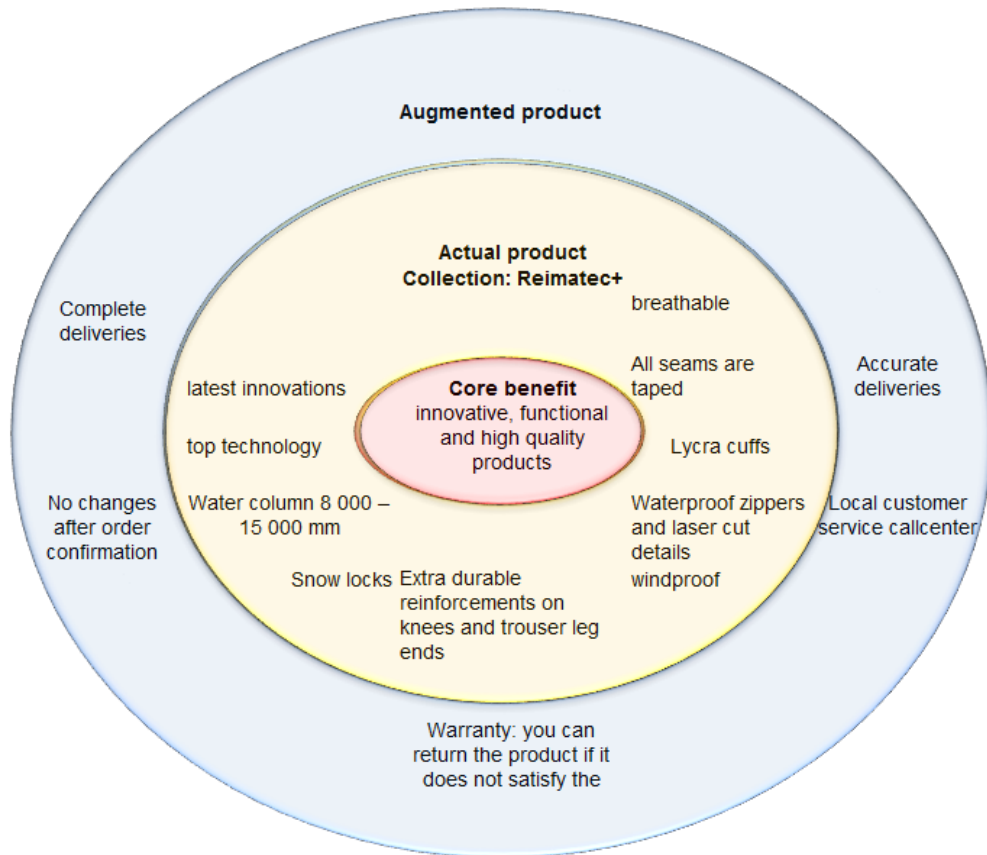


FIGURE 15. Three levels of product at Reima

Price is tough part to decide in the entry plan. In the other hand Japan is known from its high prices and therefore high margins but in other hand the deflation has changed the market and lowered the prices. Still I would suggest that Reima should use active pricing and determine the price according to the own vision and plan. Of course the deflation should be taken into account but if the company wants to make profit in the market, the best is to set a price that is suitable for the overall image how the products should be seen by the customer.

Price should reflect the quality and value of the product. Therefore the right pricing strategy would be skimming pricing. Japan is still not sensitive of the prices. They prefer to have high quality products and price is not the first priority in buying decisions. Other factor that sets the price high is that the provisions and costly services are so high that it must be taken into account also in pricing decisions. Be-

cause high prices, Reima needs to be careful with discounting. That's why the distributor must be chosen carefully. Reima needs to control the prices with the distributor and check that distributor cannot sell the products out in too low prices. That would wreck the strategy and image that goods are seen as high quality and exclusive goods in the market.

Place. One of the key things for success in Japan is to choose the right distribution channel. That's why it could be good to use a consultant who can help to find the right distributor for Reima. Reima must choose the distributor well and with no rush. It is basically impossible to step back and change the distributor if the company is already made a contract with one. Japanese expect loyalty and that must be kept if Reima wants to keep good image in Japanese business environment. If the company loses the trust of the Japanese partner, the game is basically over. The tight connections in Japanese distribution system makes sure that the company's image is lost if they fail to do business with one Japanese company.

Without connections, the distributor is hard to find. Japanese are skeptical towards new companies entering the market and therefore there should always be people or companies that can be seen as chaperone for Reima. That's why some consultant should work in this case. The consultant already has connections to Japanese companies and it can introduce Reima for the possible distributors. One option as a consultant would be for example one company in Finland called Finnklaudia. They are a consultant company that is specialized to open Japanese markets to Finnish companies. More information of the company can be found from here: <http://finnklaudia.fi/en/>.

Good place to find the distributor is also to attend to Japanese clothing fairs Baby and Kids expo in Tokyo (<http://www.bk-w.jp/en/>). The expo gathers together a great variety of major importers and wholesalers, mass-retailers and buyers across the globe. Therefore it is a good place to find the possible partner to do business with.

64,6% of the children clothes sold In Japan are sold through clothing, footwear and sportswear retailers. Only 18,5% of the goods are sold through department stores. Therefore Reima should find a distributor that has connections to some sport chains where Reima clothes could be sold. Reima should use exclusive distribution to maintain the extra quality image of the product. Therefore retailers selling Reima goods should be upscale chains and shops.

The geographical place where to start Reimas journey in Japan should be Hokkaido island. That part of the country has proper winter and the area attracts people to explore the nature and spend their free time and holidays. The area is known from its ski resorts and winter sports. Reima has the right products for that market area. Their products are targeted to children who want to play outside in whatever weather. Bigger selling points should focus on the Sapporo area. It is the capital city of the island and the main access point and transport hub to the nature around the city.

The logistics decisions depend on the chosen distributor. If the distributor is a wholesaler that can have their own stocks and can sell from there, bigger bulks of goods can be exported to Japan in the same bulk. That will save Reima's costs in logistics and is easiest way to deliver the goods for the company.

If the distributor is only an agent that does not have their own stocks, the logistics can be more complicated to implement. It is said that the stocks are on wheels in Japan. This means that the stores do not have large storage spaces and therefore they make daily purchases to only fill the daily need of goods. This means multiple, daily sales orders to the supplier. To fill the Japanese need of accurate, complete and fast deliveries Reima needs to find out a possible warehouse near to Hokkaido area. Reima has a warehouse currently in Shanghai. The goods can be pre-packed there, but they cannot pack small sales orders every day and send them from China to Japan. That warehouse operates seasonally as a throughput warehouse and they do not store goods for the whole season.

To solve the logistics one big seasonal pre-order must be made to cover Japans purchases. That pre-order will be then packed in Shanghai warehouse with extra careful eye that all goods are for sure the top quality and no defects can be found. Then the goods can be shipped to the Japanese wholesaler or some small warehouse near to Hokkaido. That way the stores can then buy the goods from the storage space in small bulks and the deliveries will be fast and accurate as the goods are already in the country and nearby the store.

Promotion. The families in Japan are close and relationship between the family members is strong in Japan. There are still households where the grandparents live in the same house with their oldest son. Japanese mothers have the purchase decision making of the clothes for children. They are the biggest target group that Reima should focus on. The other target group is the children's grandparents. Their buying power is growing and they are willing to spend their money on their grandchildren. Even though the birth rate is going down in Japan, the money spent for the children is growing. Families are able to invest more money for quality goods for their children when there are only one or two children in one family.

The overall focus in the promotion campaign for Reima products should be the Reima story that is presented in all marketing channels. Where the company comes from? What are the company values? How the products are made? Reima's goods should be seen as very good quality outdoor clothing for children. Story should strengthen that image. Japanese have certain kind of image of Finland and Scandinavia. That image should be used also Reimas campaigns. Japanese expect to have that image from Finnish goods. If they will not get what they expect, it may confuse them. That's why it would be good to use things in promotion that the end user already have image from. Then the adopting process could be quicker. The Finnish nature, northern lights and midnight sun are the things that Japanese know about Finland. Even though Reima wants to be seen as global company, in the Japan strategy it would be good to highlight the stereotypical image of Scandinavia and Finland.

Reima is developing their products all the time to be more ecological. This aspect should not be forgotten either on promotion. Japanese value ecological products. It is one factor that will affect on Japanese consumers purchase decision making. Design from Finland label is also one goods promotional thing that should not be forgotten. It will highlight that the goods are Finnish even though the production is not in Finland anymore.

Reima should plan their advertising campaign with the Japanese distributor. They have the best knowledge what kind of advertising works in the country and what not. They have the needed understanding of the culture, language and historical aspects that has an effect on the marketing campaigns. They also have both cultural and networking advantages over foreign companies in their home market. Even though the distributor is strongly involved also on advertising, Reima should still keep the control of the campaigns and not give too free hands for the distributor.

To find a distributor that is interested to work with Reima, the company should be appealing to the Japanese distributors. Extra focus on catalogues (electronic), business cards and all advertising materials should be used. The Reima story and image should follow in all materials used in the target country. One way to attract the distributors could be also to attend to local fairs. It can be an effective channel to present the company to the market at the first time.

Even though advertising in TV is the most effective way to promote goods for consumers in Japan, it might be too expensive way for Reima. Also if Reima is not focusing on nationwide exposure, they should try to focus their marketing on Hokkaido island area. If the business starts to bloom, then the marketing should be thought to be more nationwide. One effective way to get exposure could be to find local newspapers and suitable magazines for advertisement. Marketing campaigns with local ski resorts could be a hit too. All in all campaigns should be planned with the distributor who knows the best what would work.

11.1 Evaluation of the strategy

This research was sent to three specialists who have already done business in Japan. They read the plan through and gave their comments. One of the specialists was Tiina Ropo, a CEO in company called finnklaudia Oy. They are a Finnish consultant company that is specialized in opening doors to Japanese markets. She pointed out the importance of quality in all goods that are sold to Japan. She also reminded the importance of good relationship networks and contacts to get into the market. To reach the right people in the Japanese company, the foreign company must have the right contacts and knowledge of Japanese business culture. It is hard to reach the personnel in the company that has the decision making power. That's why right contacts are also crucial. She also pointed out that Hokkaido island is actually good place as a test market area. The island has the same population size and climate as in Finland. She also reminded to do very close cooperation with the distributor when new products are tested. (Ropo, 2015)

Matti Lehtovirta is an International Sales Director at Reima Oy. He is responsible of new markets openings in the company and has worked in Japan also earlier. He agreed that Reima should go to Japanese markets with the best products Reima has. He noted that it was a good point that there is no need to make lots of alterations to the current Reimas collections just because of Japan. He would have liked to hear more why the goods are ready to the target market. This is a good point that should be opened more in this research. Reima's goods are appealing to Japanese consumers because of its Scandinavian design and premium quality. Reima's goods are also innovative and they have many technical aspects that appeal to Japanese consumers too. (Lehtovirta, 2015)

Matti also agreed with the pricing strategy. Price is not the most important factor to Japanese. They are willing to pay for the quality. He reminded that the pricing strategy affects on the volume of sold items. If goods are sold in higher prices the volume of sold pieces will be lower. He agreed that the main focus for success in Japan is to find the right partner to work with. The decision of distributor has to be

correct and Reima should have a large scope of alternatives to choose from. (Lehtovirta, 2015)

He challenged the idea to open the sales only in Hokkaido area. The big money is elsewhere in Japan. He reminded that most of the decision making power is in Tokyo. That is a good point and the decision where to first open the sales has to be thought carefully with the distributor. Hokkaido island is good place to have Reima's goods because the climate and reputation of being a place where people go to explore the nature. Therefore Reima's goods would show their best qualities there. But many times people do not go to for example skiing without already have their gear with them. They buy them beforehand. Therefore Matti is correct. The goods should be sold in places where the population mostly lives and in shops where people buy their outdoor clothing. Therefore one good option to sell Reima's goods could be some sport chain or specialty store that would have stores nationwide. (Lehtovirta, 2015)

Matti would have liked to hear more about online markets and its opportunities. Online sales are growing all the time and are one strong opportunity to sell Reima's goods. Unfortunately there was not lot of data on internet sales. Therefore this alternative of distributing the goods should be considered with the distributor who has the best knowledge of the market area. He agreed with the promotion strategy and that we should focus on the story behind Reima. He would have liked to hear more about online marketing. (Lehtovirta, 2015)

Eero Kotkasaari was the third specialist that read the plan. He is a CEO in company called Joutsen Finland Oy and he has made business with Japanese already for over three decades. He agreed that all operations made in Japan must be in high quality. Deliveries must always be on time, goods must be in perfect quality and even a slight mistake in products or protocols can affect dramatically to the business in the country. He even suggested that Reima should have own quality inspector for the goods that are going to Japanese markets. That could ensure that the quality is perfect. He did not suggest having only one distributor in the country. He used example that in one day the distributor would not want to focus

on clothing and decides to focus on totally something else. In that case Reima would lose all the efforts they have put to get into the market. He reminded that Reima should always be alert not to lose their face when working with different distributors. For example price should always be the same for all distributors and they should make deals that do not harm the other distributor in unfair way. He suggested contacting Finpro for finding the right distributor. (Kotkasaari, 2015)

He highlighted the importance of face to face meetings. Only email and phone conversations are not enough when making business with Japanese. He also reminded the importance to keep the same contact persons in Reima. If they change often it affects on the trust and co-operation with the Japanese business people. He reminded to be accurate also with the co-operations. E-mails should always be answered without delay and visits in Japan should be regular. Promises must always be kept and the relationship with Japanese should be valued. Luckily Finnish people are seen in Japan as best and trusted sales persons. It is one benefit to gain the trust. (Kotkasaari, 2015)

Eero suggested showing always new ideas and products to Japanese distributor to keep their interest and Reima's competitiveness in the very tough market. He advised to give the client proper selling arguments so that they could improve the sales. (Kotkasaari, 2015)

All in all the three specialists thought that the plan was good and that it should work in Japan.

12 CONCLUSION

The aim of this thesis was to give a picture of Japan as a market area and the challenges what the exporter can face there. Other aim was to provide children clothing company Reima Oy a plan how to enter the market successfully. Japan has a large variety of offerings in the market and the competition is very tough. To succeed in the market the company must be prepared for a one kind of a fight.

First the company needs to have the right contacts to meet the right distributors. It needs thorough investigation and time. This part should not be done in a rush. The right partner or partners are one big key to success. After the company is able to find the right distributor/distributors, they can really start to work with the plan how they want to do business with them. There are many rivals competing in the market and there is also competition of distributor's attention. To keep the distributor interested to invest time and money to one company's products the company must have good relationship with the distributor. This means regular visits, strong commitment and always something new to present to keep the distributor interested. This also needs clear visions and plans how company wants sell their products.

Other big key to success is to have the best quality in all operations. This does not mean only the products; it means all actions with the distributor or with the consumers. The company must be seen as reliable. It means keeping the promises, making memos of all meetings, ensuring that shipments are on time, answering emails without delay: these are all one of the things that grows the trust with the business partner. Consumers also request good after sale services. Those should not be forgotten either. After sale actions should be agreed with the distributor.

Based on all the research and information given by the specialists, there is a chance for Reima to succeed in the Japanese markets. Reima has premium quality products that already appeals to Japanese consumer by its simple Scandinavian style. Products are innovative and have many technical aspects which Japanese love.

How Reima then stands out from its rivals? There are already other companies selling technical and functional childrenwear. As said before, the competition is tough. Of course place where the goods are sold is one very important factor. The shops should be where the target group goes to buy children clothing and especially outdoor clothing in Reima's case. According to Marketline 64,6 % of the childrenswear goods are sold through clothing, footwear and sportswear retailers. Therefore some childrenwear or sportswear specialty store would be suitable for Reima. Also internet sales should be investigated and seen as possible sales channel. Target groups are definitely mothers and the grandparents. They are the ones deciding what the children wear in Japan. Fathers are not so much involved on their children's clothing decisions.

Price is not the most important factor to Japanese consumers. Of course pricing is one factor that affects on the success in Japan, but Japanese are not the most price sensitive consumers.

Consumers in Japan love stories. To stand out from the large variety of offerings, Reima should put focus on the story behind the products. They should beat the competition by presenting themselves as Scandinavian quality childrenwear producer. Story should tell the long history of Reima. It should also tell the values and mission what they have: that the kids are made to move and play outside in any kind of weather. Japanese also like to see the stereotypical image of Finland and Scandinavia. They do not want to be shocked. Therefore snow, northern lights and midnight sun are things that should be taken in advertising to create the right kind of image of Reima.

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