

# Future Japanese Dairy Sector Webinar - 201203

How to Set up the most effective Distribution Route

By

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# Endemul Marketing

- Marketing company in Kobe – set up 20 years ago
- Specialized in supporting Dutch Companies with export to Japan
- Setting up long term structural export to Japan
- Market Research / Promotion / Finding customers & agents/distributors
- Projects in various markets, from Automotive to Maritime to Agriculture
- No projects yet in Dairy Sector, but over 15 years experience in other agricultural markets (mainly potato related)
- Visit Hokkaido 3-4 times per year (Kobe-Chitose = <2 hours by plane)

# Success in Japan

## Main factors

- High End technology product
- Export already worldwide
- Target is structural long-term business
- Patience
- Very fast and detailed follow up, especially in case of
  - First prototype / testing phase
  - claims
- Have direct contact with final customers (end users)
  - Especially with engineering divisions
- Set up an effective distribution route with good partner(s)

# Distribution in Japan?

## History

- Traditionally: very long distribution line from European Manufacturer to Final Customer:
  - Importer – Distributor – Wholesaler – Wholesaler – Customer
- Changing towards shorter lines to cut cost
  - Since about 10-15 years
  - It got very confusing:
  - Importers started selling direct to Users; Wholesales started to import themselves; Etc
- Still very little direct Import by Final Customer
  - Often still 1 or 2 companies in between
  - Financial (payment conditions), Stock
  - Language
  - Local Installation, After-Service & Maintenance

# Set up Distribution Route in Japan

Why is this such an important decision?

- Once decided, it is very difficult to change
- It can be the key to long term success or the main reason for failure

# Set up Distribution Route in Japan

Why is this such a difficult decision?

- Direct business to final customer is best, But:
  - not always possible (or: mostly not possible)
  - However: direct contact with engineers at final customer is important
- Difficult to estimate the true power of each potential partner
  - Need more detailed market information to be able to judge this
- Many Japanese importers/wholesalers have a fixed customer base
  - Very bad at setting up business with new customers
- Your perfect partner in Japan might not be interested
  - Capacity issues
  - Working with competitor already
- Exclusive or not
- Full product range to 1 partner or not

# Agricultural Market in Japan

## Potential target customers

- Farmers
- JA Cooperatives (Nokyo)
- Contractors or group of cooperating farmers
- Processing companies
- Machine Manufacturers (OEM)

# Distribution in Agricultural Market

## Possible routes

- Sosha = General Trading Companies
- Established specialized (larger) Agricultural Machinery importers
- Specialized (smaller) importing companies
  - Worked before at Sosha, tractor dealer or large company - started own business
  - Larger farmers who expand their business
- Tractor Dealers
- OEM direct
- Processing companies direct



# Distribution Route depends on Products

- How easy-difficult to install locally
- How much maintenance needed
- Large projects versus small equipment/parts

# Distribution Route depends on target customers

- Farmers
  - Almost no direct import (less than 5% - perhaps in Dairy sector bit higher)
  - In most cases need good local maintenance support
  - Tractor Dealers and Japanese OEM have large network to follow up total market
  - Generally do not buy from General Trading Companies
  - Specialized importers have mostly good relationship with part of the market
- JA Cooperatives (Nokyo)
  - Some JA start working as contractors to support their local farmers
  - If Nokyo are final users, then in many cases will work via tenders
  - Do not import directly
  - Each JA seems to have different preference for supply chain (historic relations are important)
  - Also important target because: Subsidy programs and PR to their local farmers
- Contractors or group of cooperating farmers
  - Is a recent trend in Japan, especially if local JA does not provide enough support
  - Need good local support
  - But seem to be more interested in possible direct import

# Distribution Route depends on target customers

- **Processing Companies**
  - In many cases, these are big projects
  - General Trading companies and larger specialized machine importers are likely involved
- **Machine Manufacturers**
  - Some import directly, some prefer in-between trading company (50/50)

# First step: Market Research & PR

- How to decide on the best Distribution Route:
  - Market Research + PR towards Final Customers
  - Find the potential final customers and visit – meet with technical people
  - Give product presentation
  - Get feedback from final customers about:
    - What products they use now (domestic made, import / technical details)
    - Interest yes/no in product
  - Get info from final customers about their preferred buying route
    - Direct / Sosha / Large Importer / Small importer)
    - Get introduction
  - Visit these potential distributors and discuss potential
  - Repeat for each product group and/or target market
  - Decide to use 1 or more partners
  - Keep direct contact with final customers / joint visits with partners