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INTERNATIONAL BUSINESS

The Japanese Food Market

Consumer market characteristics, and the foreign entry situation from a Swedish perspective

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ABSTRACT

Japan is dependent on overseas supplies of agricultural and food products, and is therefore an interesting market for foreign food producers/suppliers. However, from a Swedish viewpoint, this market is located far away from the home market. With the purpose to have general background information for understanding of the Japanese food market situation, this thesis explored the consumer market generating the final demand, and studied aspects of foreign entry. The objective was to describe relevant market conditions from a Swedish food supply perspective.
The research was carried out mainly in the form of a desktop study method, with a descriptive objective and a wide study approach. Data were collected primarily from secondary sources, such as statistical publications, market reports, and articles. In the case of Swedish food exports, primary data were also retrieved through questioning of company representatives with experience of exporting foodstuffs to Japan.

With respect to the Japanese food consumer market, the results described general demographics, social and psychological factors, and the food consumption behaviour. The situation of foreign entry into the Japanese food market, especially from a Swedish standpoint, was described regarding modes of entry, imports, regulations, and the risk of facing possible entry barriers.

Based on the results, the conclusions were that the Japanese food market is of considerable size in its large number of consumers and the large quantity of food imports they are generating. Food and eating is an important priority among Japanese people, and the consumer behaviour is fairly uniform and sensitive. Food consumers specify a high level of product standard. Foreign producers, including Swedish suppliers, normally have their products available by exporting via Japanese middlemen. Most food products for sale are processed inside Japan by domestic manufacturers. Customer and legal requirements are strict, but not necessarily hindering market entry. Furthermore, the results reached the conclusion that the Japanese food market is of limited priority to Swedish food exporters. The distance is great to the Japanese marketplace, both physically and psychologically, which may increase the risk of facing possible barriers to entry.
The Japanese food market is powerful but demanding. The implications are that Swedish food producers can find a substantial demand in Japan for their products, if they pay adequate attention to this market, and show persistence and carefully design their market entry.

Key words: Japanese food market, consumer market, demographics, entry modes, Swedish food exports, entry barriers.

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Foreword

From autumn 1993 through spring 1998, I was a student of the Japanese speciality of the International Business Programme at Handelshögskolan / School of Economics and Commercial Law, Göteborg University, Sweden. In my final year, I had the opportunity to go to Japan for six months, as an exchange student at the Hokkaido University in Sapporo. The work of my thesis originates from my study period there, during which I began the project of this research on the Japanese food market. The final product of the research is this exam paper for a Master of Science Degree in International Business. My speciality area is focused on the subjects of International Marketing and Management, and Japanese Studies.

I would like to thank everyone who has supported me in the work of my research, with guiding assistance and valuable information. Hopefully, the results can provide both interesting and useful knowledge to all readers interested in the Japanese food market.

March, 2003

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SUMMARY

Japan is dependent on overseas supplies of agricultural and food products, and is therefore an interesting market for foreign food producers/suppliers. However, from a Swedish viewpoint, this market is located far away from the home market. With the purpose to have general background information for understanding of the Japanese food market situation, this thesis asked what this market looks like regarding important factors for companies to know before entering a new geographical market. The objective was to analyse and describe relevant market conditions from a Swedish food supply perspective.

The theoretical framework set up the basis for this research by establishing a market analysis model, which together with the delimitations determined that the relevant research objects to study were the consumer market and aspects of foreign entry. Theories, models, and concepts were explained about consumer buying behaviour, marketing channels, and entry barriers helping to retrieve research results. On this basis, the research was formulated on the two following principal questions:

- What are the characteristics of the Japanese food consumer market regarding demographics, social and psychological factors, and their influences on food consumption behaviour?
- What is the situation of foreign entry into the Japanese food market, especially from a Swedish standpoint, regarding modes of entry, imports, regulations, and the risk of facing possible entry barriers?

The research was carried out mainly in the form of a desktop study method, with a descriptive objective and a wide study approach. Data were collected primarily from secondary sources, such as statistical publications, market reports, and articles. In the case of Swedish food exports, some primary data were retrieved through questioning of company representatives with experience of exporting foodstuffs to Japan.

Regarding the Japanese food consumer market, the results showed that it is highly populated with 127 million people in a concentrated area, where women are in majority and retired people outnumber the youngest age strata. The Japanese are well educated and households have a fairly high disposable income, of which the largest piece is spent on food. The Japanese culture is homogeneous and group-oriented, and consumer attitudes are rather materialistic. Food consumers demand quality and value for their money, and are sensitive about taste and external aspect. Their traditional diet has been increasingly influenced by Western eating habits.

As for the situation of foreign entry into all of the Japanese food market, the results found that most foreign producers, including Swedish suppliers, have their products available by exporting via Japanese middlemen. Japan imports the largest volume of foodstuffs of all nations in the world, amounting to 40-50 billion US dollars per year.

The market share of Swedish exports is very marginal, but their value is in a growing trend. The Japanese food trade is controlled by several specific and detailed regulations for food sanitation and other reasons. Tariffs are levied on most imported food items. With respect to possible sources of entry barriers, the geographical and cultural distance was measured between the Swedish and Japanese markets, and Japan was found to be very distant from Sweden in both the physical and psychological sense.

Based on these results, the conclusions were that the Japanese food market is of considerable size in its large number of consumers and the large quantity of food imports they are generating. Food and eating is an important priority among Japanese people, and the consumer behaviour is fairly uniform and sensitive. Food consumers specify a high level of product standard. Most food products for sale are processed inside Japan by domestic manufacturers. Customer and legal requirements are strict, but not necessarily hindering market entry. Furthermore, the results reached the conclusion that the Japanese food market is of limited priority to Swedish food exporters. The distance is great to the Japanese marketplace, which may increase the risk of facing possible barriers to entry.

The Japanese food market is powerful but demanding. The implications are that Swedish food producers can find a substantial demand in Japan for their products, if they pay adequate attention to this market, and show persistence and carefully design their market entry.

1 INTRODUCTION

This chapter presents the background and purpose of the study. It is divided into the following parts – background, research problem, purpose, perspective, and disposition. For introductory facts on Japan, please turn to Appendix 1.

1.1 Background

This work about the Japanese food market has its background in the importance of Japan as a destination of food produced for the international market.

Japan is a densely populated and highly urbanized country with one of the most powerful economies in the world.[1] Due to its geographical nature and economic structure, Japan cannot supply all its needs of raw material for energy/fuel, metal products, food, etc. from indigenous resources, but has to import a large share of its requirements. With the rapid modernization of Japan after the Second World War, the domestic production of food materials declined relative to the rising consumption. Nowadays, Japan is dependent on imports to meet the demand for almost all sorts of foodstuffs.[2] [3]

These circumstances make Japan an interesting market for food suppliers from all over the world. From a Swedish position, however, the Japanese marketplace is a remote location. It is not always an easy task to target a far distant market, as it may require extra resources and special knowledge. Therefore, it is valuable to study the Japanese food market in detail and learn its special conditions and characteristics from a Swedish perspective. In the following pages, the research is explained in further detail.

1.2 Research problem

Japan appears to be an attractive destination for food supplies. If a foreign, prospective supplier wants to take part in the Japanese food market, it is relevant to ask what this market looks like, in terms of conditions and characteristics regarding general factors of importance to the knowledge of companies who plan to enter a new geographical market. The research problem is explored in detail in the end of the following chapter after the theoretical frame of reference has determined the appropriate research objects.

[1] Witherick & Carr, 1993.
[2] Ibid.
[3] Statistical handbook of Japan 2001, 2001.

1.3 Purpose

The purpose of this thesis is to give a basic and general description of conditions and characteristics of the Japanese food market, as an analysis of the market in order to understand its demand and supply situation in large, and particularly the situation of final demand and foreign entry, respectively. The objective is also to describe the market with a special focus on Swedish and, to some extent, Scandinavian food supply. The intention is that the thesis should provide companies, who consider to market food products in Japan, with important background information of the Japanese food market.

1.4 Perspective

The study is conducted mainly from the perspective of a Swedish firm (hypothetical), marketing food products internationally and interested in the Japanese market. My hope is that this study will be useful to food marketing companies thinking of maybe entering or in the process of entering Japan, and to those already active in the Japanese food market. This thesis is not written for a specific company.

1.5 Disposition

The thesis is roughly following the steps of a traditional research process, with the planning of a study – determining the purpose and the problem of the study, setting up a facilitating framework to support the research, and deciding which methods to use in the investigation; collection of material; presentation of results and analyses from the research; and drawing conclusions from the results, possibly answering the problem/research questions.[4] [5] The text is following this structure, in large, by giving a detailed background to the chosen problem area, explaining the methods by which the research is conducted, and presenting the results and my conclusions.

The first chapter gives some background information to the subject of this study as well as a short presentation of the research problem, and a definition of the purpose and perspective of the study. In the second chapter, the theoretical framework of the study is outlined, and the research questions and delimitations are also specified here. The framework delivers a basis to support the research through theories and models that are considered to be of relevance to this study, mainly those dealing with consumer behaviour related factors, marketing channels, and entry barriers. In chapter 3, theoretical and practical aspects are described about the research design, data collection and analysis, and evaluation. The applied research method used in this study is also described in this chapter.

[4] Backman, 1998.
[5] Molnár, 1996.

The outcome of the research, the results, is presented in chapters 4 and 5 in the form of a market analysis describing conditions and characteristics of the Japanese food market. Chapter 4 contains matters about Japanese consumers and food consumption, and chapter 5 describes conditions of foreign entry into the Japanese market, including a special part about Swedish food supply. In the final chapter, conclusions are drawn on the results of this research, also containing my personal reflections about the results. Some supplementary information is included in the appendices, in the end of the paper.

Normally, a chapter is divided into several parts, which in turn often contain sections, and possibly also subsections. The structure of a chapter and major parts is often such that it begins with a short introduction, followed by the principal body of the contents. References are made according to the Harvard system [6], but instead of using a parenthesis in the main body of the text when presenting the source, footnotes are being applied with a number in the text referring to information about the source indicated with the same number and placed below the text at the bottom of a page. Each new chapter uses a new series of numbers. Full information about the source is given in the list of references by alphabetical order, in the end of the report. Explanatory notes are also placed as footnotes. The report contains a large amount of tables and figures in order to make it easier for the reader to grasp the many facts presented here. Most of them are fairly self-explanatory. I want this report to be worth reading also for those who are not experts in special fields of interest described here, such as the food industry, international trade, distribution, and the country of Japan, for example. For this reason and because of the fact that this study is the result of an examination assignment, the text gives extra attention to explaining and defining various facts and concepts.

The outline of the thesis is graphically described in the following figure.

[6] Backman, 1998, p. 102.

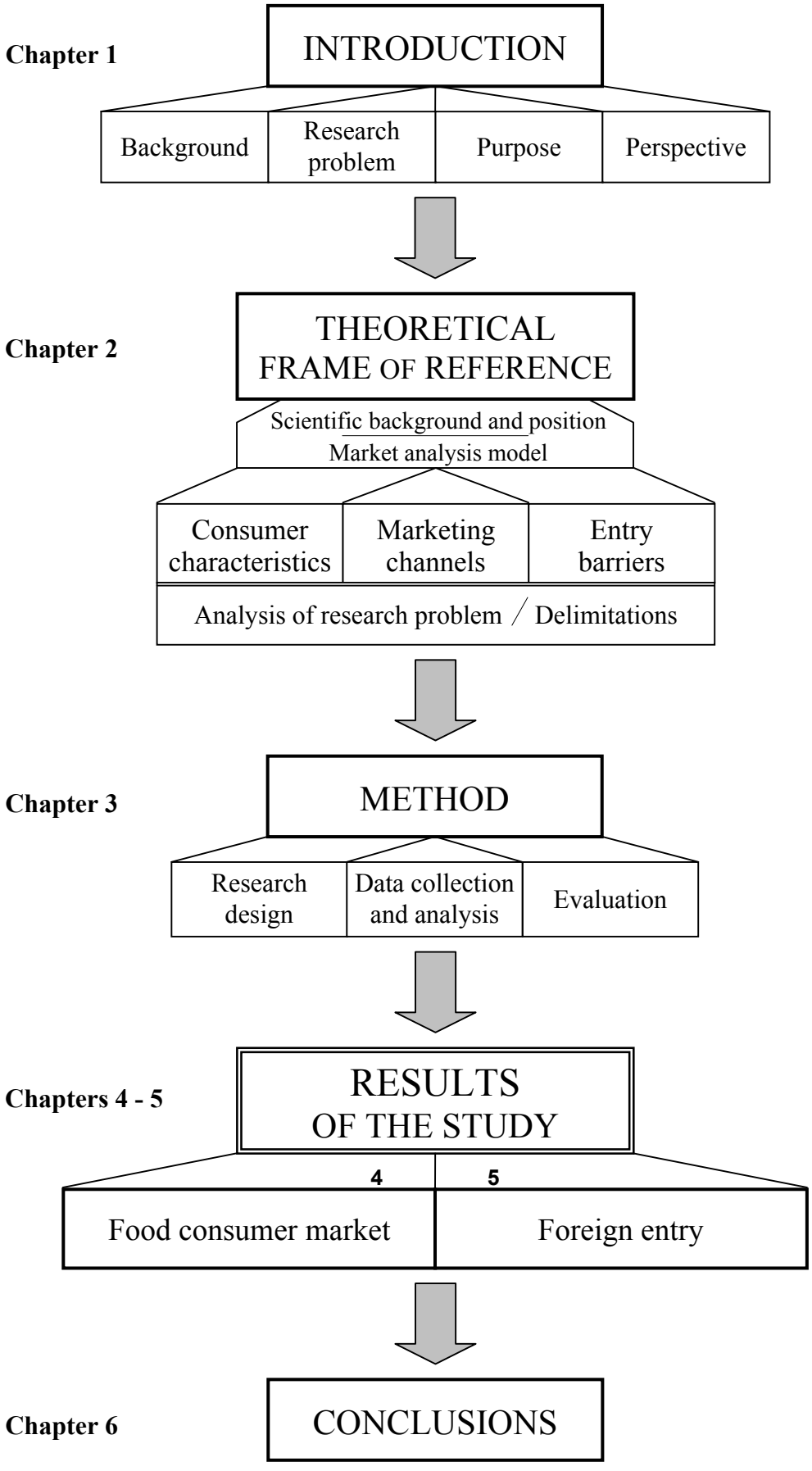


Figure 1.1: Disposition of the study

2 THEORETICAL FRAME OF REFERENCE

The frame of reference will establish a basis for this research as a support to arrive at the aimed results, i.e. to make a market analysis of the Japanese food market. In this chapter, the form of the framework is extended.
The chapter starts by giving a brief introduction to the scientific background and position of this research, which is followed by the establishment of a research model for the market analysis determining the research objects of relevance to this study. Useful theories and models related to these objects will be presented, and various concepts, terms, and expressions associated with the objects will be defined. Next, the theoretical framework is summarized, and the specific research questions will be decided. Finally, this chapter will settle the delimitations of the research and explain some important matters of the coming results.

2.1 Scientific background and position

This work is made within the subject of *international business*, a special scientific field of business studies. The subject combines business (the study of marketing, management, finance, accounting, etc.) with many other disciplines of science, such as economics, anthropology, geography, cultural studies, languages, statistics, demographics, and other fields. It deals with the issues confronting businesses when they try to export to or invest in another country, concerning a firm's strategy, organization, manufacturing, marketing, human relations, finance, accounting, etc. A central point in handling this problem area is to understand the environmental context within which international business occurs, as countries differ in their cultures, political and legal systems, economic systems, and levels of economic development. The range of problems confronted by an international business is wider and more complex than those faced by a domestic business. The international company must find appropriate ways to do business across national borders under the constraints from varying macroenvironmental factors, such as different laws and regulations.[1] The focus of my research is mainly pertaining to the field of *international marketing*, the cross-national study of e.g. customers, marketing intermediaries, competitors, and how to set up the appropriate marketing mix. This whole area of science is important because markets and production have become more and more globalized.[2] In addition, this research also relates to the academic discipline of *Japanese studies*. This is a many-sided field of study focusing on Japan with reference to various scientific disciplines, such as linguistics, literature, religion, history, politics, economics, sociology, etc.[3]

The mission of science can be said to deliver substantial knowledge about the reality. Scientific knowledge is based on justified theories, aiming at correctly describing and explaining the real situation of the research object in question. Research sets out from varying approaches of how to seek scientific knowledge, such as the positivist and the

[1] Hill, 1997.
[2] Czinkota & Ronkainen, 1995.
[3] European Association for Japanese Studies, 1999.

hermeneutic philosophies. A positivist approach looks for scientific knowledge mainly through observations, establishing theories that refer to measurable facts.[4] According to this theory of science, substantial knowledge should be based on real facts that can be seen or proved, rather than on ideas.[5] Hermeneutics is an interpretive theory of science, which strives for knowledge through understanding of how people subjectively perceive or interpret phenomena, rather than by objectively describing them from an outside perspective.[6] The reality is seen as an individual, social, and cultural construction. The hermeneutic approach uses a more qualitative, inside perspective than a traditional research approach.[7] Within the social sciences, both systems are seen as important in order to deliver substantial knowledge.

My research is striving for knowledge in an explorative manner with a purpose to describe and analyse different aspects of the Japanese food market, based on more or less objective sources. It is mainly using a positivist, traditional research approach, observing facts from an outside perspective. People's individual perceptions of various matters may also influence the results. The exact methods and techniques applied for this research are explained in the next chapter.

2.2 Market analysis model

The term ‘market’ can be used with slightly different meanings. Originally, it is defined as a place or a meeting where buyers and sellers meet to trade goods or services.[8] In this study, however, it is primarily defined as a geographical area where there is a demand for goods, translated into this study as Japan where there is a demand for foreign foodstuffs. An analysis is an examination of something by dividing it into its separate parts. Here, this means to look at and inquire into parts of the Japanese food market to find out answers to questions of interest to companies possibly planning to enter this market. What relevant, appropriate, research questions to address, will be selected with reference to theories and models outlined below. The research questions are presented in part 2.7.

There are a number of ways to make an analysis of a market depending on the information requirements. In this case, when the purpose is to make a fundamental and comprehensive study of a market, it is useful to set out from an environmental approach, which means that when describing a market, one has to take into effect various actors and forces in the business environment of a company, such as demographic forces, competitors, customers and so on.[9] Literature on business economics normally divides the business environment into two parts, such as the microenvironment and the macroenvironment, which are often described containing some of the following elements.[10]

[4] Hartman, 1998.
[5] Hornby, 2000.
[6] Hartman, 1998.
[7] Backman, 1998.
[8] Merriam-Webster's, 2001.
[9] Lekvall & Wahlbin, 2001.
[10] Kotler & Armstrong, 1994.

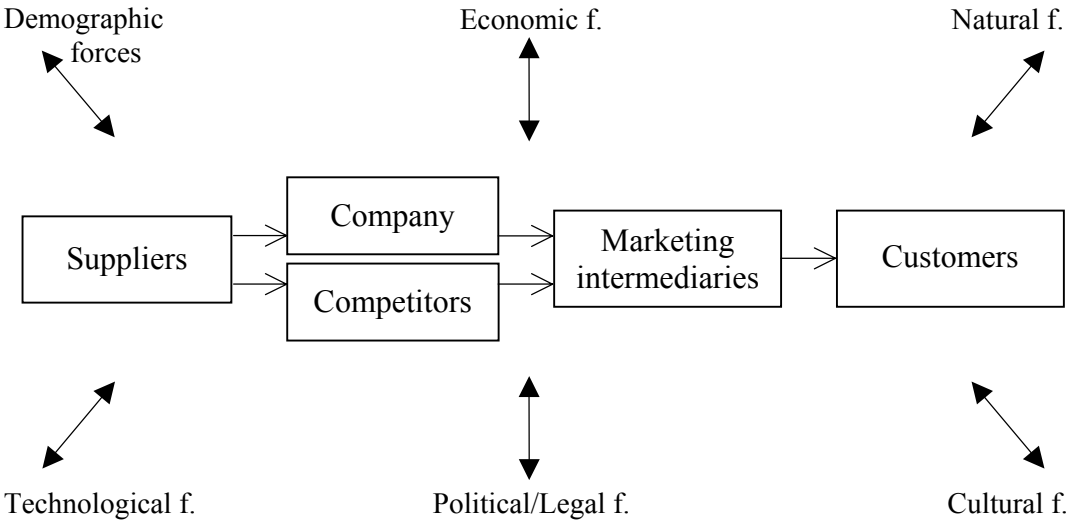


Figure 2.1: Major actors and forces in the company's micro- & macroenvironment
Source: Based on Kotler & Armstrong, 1994, pp. 69, 73.

The microenvironment consists of several vital components. The first, important element is the company's internal environment of different departments and management levels who affect marketing decision making. The second component includes the marketing channel firms, i.e. suppliers and other intermediaries like middlemen and physical distribution firms that cooperate to create value. Other important components in the company's microenvironment consist of the markets in which the company can sell its goods or services, and the competitors facing the firm. The company's macroenvironment consists of major forces that create opportunities and pose threats to its business. These include demographic, economic, natural, technological, political and legal, and cultural forces. These elements show the changing situation, for example in the population structure, income and consumer spending patterns, supply of raw materials, technological development, government policies and regulations, cultural values, etc.[11]

Based on the purpose and the perspective of this study, the range of elements must be narrowed to a relevant set of research objects. Here, this is done through the viewpoint of a prospective exporting firm and its first, general information requirements concerning entry into a new country market. When a company becomes interested in starting to market its products in an overseas market, it first needs to get some important information about that market before deciding on whether it will make an entry, and if so, how this best should be organized. There are other entry modes than exporting to consider, but since the export entry strategy is the most frequent to start with in the internationalization process, the information requirements of which also are applicable to other entry modes with greater local involvement as well, the viewpoint of the exporter is well suited.

[11] Kotler & Armstrong, 1994.

The information requirements recorded here are based on literature on international marketing, later confirmed by consulting people with great experience in the field of food exports.[12] [13] According to these sources, it is evident that for a presumptive exporter, after deciding the geographical market, some of the most important information requirements in the first screening stage are dealing with data shown in the table below. Besides fundamental information on tariffs, and various technicalities and regulations, it is important to have knowledge about the structure of the distribution system, competitors, and the supply and demand situation. Some of these matters may constitute barriers to entry. To prospective exporters it is also very important to get information on possible, local partners to join. The partner will perform much of the local marketing, and thus, it is decisive for successful business to find a good partner who has knowledge and ability to support the exporter on matters concerning the overseas market.

Table 2.1: Important information requirements with exporting firms

- Tariff and non-tariff measures
- Export/Import data
- Government trade policy
- Local laws and regulations
- Size of market
- Local standards and specifications
- Distribution system
- Competitive activity

Source: Based on Czinkota & Ronkainen, 1995, p. 242.

Naturally, these market conditions differ somewhat from one product to another, and it would not be possible to here describe all varieties. This study is general and not company or product specific, which imply that it will not look into market conditions for a specific product more than incidentally. It will draw the main outlines of the food market as a whole and some of its major product areas in order to supply introductory information. Hence, in the following analysis there will be very little on product specific competition. Moreover, due to time and cost restraints this research cannot in detail examine all parts of the distribution system, but will focus on foreign supply channels and final consumption, meeting the purpose of this study. These and further delimitations are presented in part 2.8.

In order to present the required information and arrive at the aimed results according to the purpose of the study, the suggested research model presented in figure 2.1 has been refined and adjusted accordingly as is shown in figure 2.2 below. This analysis of the Japanese food market is limited to a research on the characteristics of the consumer market and conditions of foreign entry, including some of the macro forces affecting

[12] Czinkota & Ronkainen, 1995.
[13] Food From Sweden, e-mail, 28 May 2001.

actors inside or in the process of entering this market. This research model will give information about the market in the form of consumers generating the final demand, as well as conditions of reaching the Japanese food market relating to modes of entry, trade data, regulations, and the level of possible entry barriers.

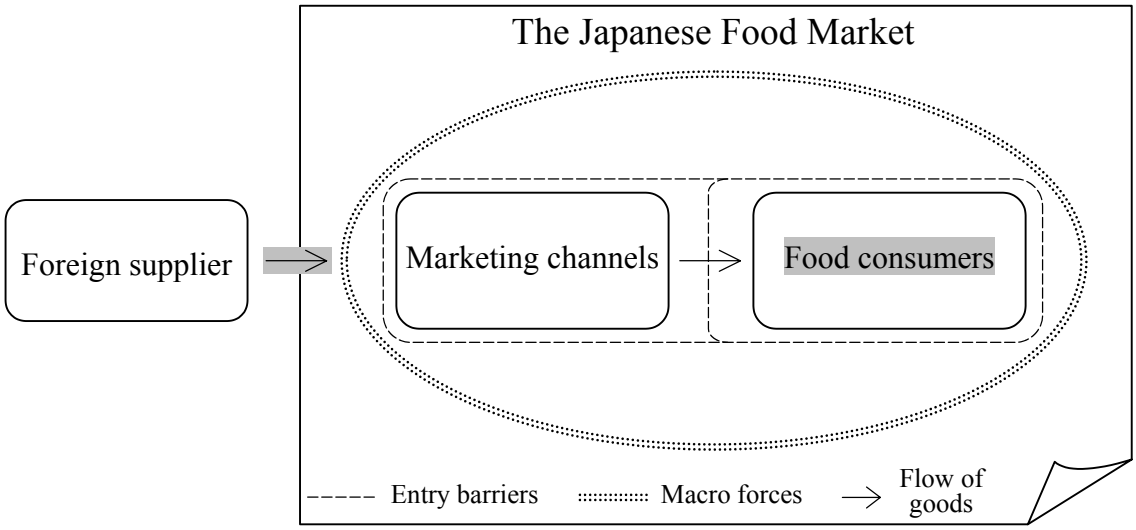


Figure 2.2: The centre of this study (with focus on the grey areas of the sheet)

In the following parts, the chapter will present some theoretical aspects that may serve as a frame of reference for studying consumer market conditions, foreign supply channels, and the level of possible entry barriers.

2.3 Consumer market characteristics

The consumer market refers to individuals and households who purchase goods and services, e.g. food, for personal use. All final consumers combined make up the consumer market.[14] In order to find out the characteristics of the consumer market and how it behaves, one can consult social sciences, which include disciplines of science that deals with human behaviour in its social and cultural aspects.[15] The following text in this part will define and explain some means to characterize the consumer market that are related to social science.

2.3.1 Demographics

One branch of social science is demography, which deals with the life conditions of communities of people, as shown by statistics of births, deaths, marriages, etc.[16] Statistical characteristics of human populations used in the field of marketing in order to identify markets are called demographics.[17] Consumer demographics are measurable statistics used to describe the population. They may include data on population size and density, location, distribution by age and gender, income, expenditures, family size, housing, education, occupation, etc.[18]

[14] Kotler & Armstrong, 1994.
[15] Encyclopaedia Britannica, 2001.
[16] Oxford English Dictionary, 2001.
[17] Merriam-Webster's, 2001.
[18] Kotler & Armstrong, 1994.

Table 2.2: Demographics

• Age	• Education
• Income	• Occupation
• Family size	• Dwelling
• Geography	• City size

Source: Based on Kotler & Armstrong, 1994, p. 143.

Demographics may provide basic data for calculating market size. The market for a specific commodity is made up of all its actual and potential buyers. The consumer market of a country normally includes a large number of consumers with varying age, income, tastes, etc., so to be able to properly estimate possible revenues, it is essential to correctly define the target market for a particular product. In order to estimate the value of a product's total market demand, i.e. the total amount that would be bought by a defined consumer group, the following simple formula may be useful (which is applicable for industrial goods as well).[19] In this study, mostly secondary sources will be used to determine market size.

$$Q = n \times q \times p$$

Q = total market demand
n = number of buyers in the market
q = quantity purchased by an average buyer per year
p = price of an average unit

Figure 2.3: Market size calculation
Source: Kotler & Armstrong, 1994, p. 222.

2.3.2 Social and psychological factors

Demographics do not explain why behaviour occurs. Demographic data do not consider psychological and social factors affecting consumers. Psychology and sociology are two very related disciplines of science, dealing with individual and group behaviour through the study of the human mind and collective structures. Psychology is linked to both the biological and social sciences.[20] [21] The motive behind certain behaviour may be to satisfy biological needs or to be recognized in a society with norms and values set by the culture and other collective groups in the environment of a person's life. More on this topic is explained below.

2.3.3 Consumer behaviour

How social and psychological factors as well as some demographic elements are influencing behaviour with reference to consumers, is described in the following model and figure explaining the underlying ground for specific consumer buying behaviour. According to this model, the buying behaviour of final consumers is influenced by various cultural, social, personal, and psychological characteristics.

[19] Kotler & Armstrong, 1994.
[20] The New Encyclopaedia Britannica, 1992, vol. 9.
[21] Ibid., vol. 10.

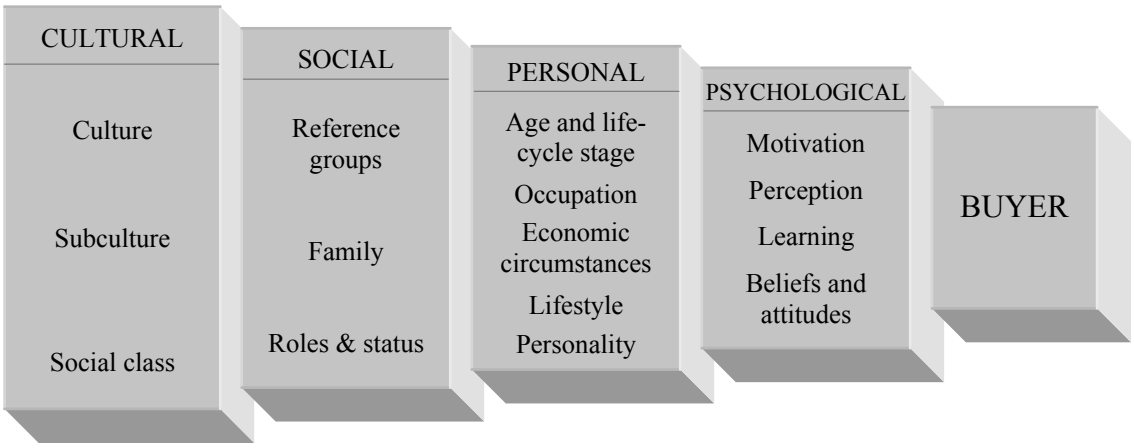


Figure 2.4: Factors influencing buying behaviour
Source: Kotler & Armstrong, 1994, p. 137.

All of these factors combined are influencing behaviour, and it is often necessary for a company to adjust the design and marketing of its products to specific features of the market in question.[22] The following subsections will explain these factors in detail, as described by Kotler and Armstrong (1994). Of course, a country is not one uniform market where everybody behaves in the same manner. However, the people may share many similar characteristics. The theoretical aspects of demographic, social, and psychological factors presented here will support the research to explore the characteristics of the Japanese consumers.

2.3.3.1 Cultural factors

Cultural factors are said to have the broadest and deepest influence on consumer behaviour, since culture is the most basic cause of a person's wants and behaviour. Human behaviour is largely learned, and growing up in a society, a child learns basic values, perceptions, wants, and behaviours from the family and other institutions. A child in some cultures is exposed to values such as achievement and success, activity and involvement, individualism, etc. In other cultures, values such as collectivism, conformism, authority, balance and harmony are more desirable. A person's wanting of a good or a service is a result of being raised in a society which has developed the proper technology and a whole set of consumer learnings and values. The consumer has to have knowledge of the existence of the particular good or service, and he or she knows how to use it or how to acquire that knowledge. From time to time cultural shifts will occur, i.e. changes in values, for example towards greater concern about health and fitness that creates a demand for more lower-calorie and natural foods and other health related goods and services. In many societies, there has been an increased desire for leisure time, which has resulted in more demand for convenience products and services, such as microwave ovens and fast food. In connection with the concept of culture, it is important to be aware of social classes and so-called subcultures, e.g. nationalities, religions, and racial groups, which can also influence the buying behaviour of a consumer.

[22] Kotler & Armstrong, 1994.

2.3.3.2 Social factors

A person's behaviour is influenced also by many small groups, such as his or her family, friends, and co-workers. Family members can strongly influence the buyer. Parents provide a person with an orientation toward, for example religion, politics, economics, and societal conduct. The buyer's spouse and children have a more direct influence on day-to-day shopping. The family is a very important consumer-buying organization in society. Marketers are looking for knowledge in the roles and relative influence of the husband, wife, and children on the purchase of different goods and services. In many countries, the wife traditionally has been the one who takes care of most purchasing for the family, especially in the areas of food, household products, and clothing. But in many places, where more women are holding jobs outside the home and husbands do more of the family's purchasing, this pattern is gradually changing. Such roles may vary widely between different countries and social classes. As for more expensive products and services, it is often more common for husbands and wives to make joint decisions. Children can often influence the parents' choice of products, and friends and other social groups are influencing a person's buying behaviour in similar ways.

2.3.3.3 Personal factors

Buyer's decisions are influenced by a variety of personal characteristics as well, such as the buyer's age and life-cycle stage, occupation, economic situation, lifestyle, etc. Tastes in food, clothes and so on are often age related. Young people perhaps buy more fast food than older people do. Consumption is also influenced by the stage of the family life cycle, i.e. the stages through which families might pass as they mature over time – e.g. from young and single or married without children, via middle-aged and married without dependent children, to older and unmarried. People in these different life-cycle stages vary in what and how much they consume of different goods and services. Moreover, the occupation and economic situation of a person may also affect product choice. Demand of income-sensitive goods is dependent on trends in personal income, savings, and interest rates. This is especially true for real estates, cars, home furniture, etc. Also the demand of non-durable commodities like food and beverages can be affected by these factors, especially for more expensive items.
In addition to the aforementioned demographic factors, there are also some so-called *psychographic* factors from which it is possible to identify the lifestyle of a person. The lifestyle is the pattern of living as expressed in a person's activities, interests, and opinions. Someone's activities in work, hobbies, and sports; interests in home, food, or fashion; and opinions about e.g. politics, environmental issues, or education, will to some extent influence the buying behaviour of that person. One of the most used techniques of measuring lifestyles is the so-called Values and Lifestyles (VALS) typology, which classifies consumers into different lifestyle groups.[23] It has been established a special segmentation system for the Japanese consumer market, known as the Japan VALS.[24]

[23] Kotler, Armstrong, Saunders, & Wong, 1999.
[24] SRI Consulting, 2001. (VALS and Japan VALS are registered trademarks.)

2.3.3.4 Psychological factors

A consumer's buying choices are further influenced by psychological factors such as motivation, beliefs, and attitudes. Why is a person seeking to satisfy his or her need of a particular product or service? A person has many needs. They have biological as well as psychological grounds, as some arise from states of tension such as hunger and thirst, while others come from the need for recognition, esteem, or belonging. "A motive is a need that is sufficiently pressing to direct the person to seek satisfaction."[25] A person's buying of an article can have its deeper explanation in his or her motive to feel young and independent, or to satisfy a strong need for more esteem from others. This is of course not easy to analyse, especially not for a whole population, but some main outlines could be valuable for marketers seeking a deeper understanding of consumer behaviour.
People acquire their beliefs and attitudes through doing and learning, and these can influence their buying behaviour. A belief is a descriptive idea that a person has about something. He or she may think that a particular sauce, for example, is very delicious and contains ingredients of high quality. These beliefs may rest on real knowledge, opinion, or faith. People have attitudes concerning religion, politics, music, food, etc., and these describe a person's evaluations, feelings, and tendencies toward an object or idea. "Attitudes put people into a frame of mind of liking or disliking things, of moving toward or away from them."[26] A French Chardonnay (a dry, white wine) would fit well into a person holding such attitudes as 'Buy the best', and 'The French make the best wines in the world'.

2.4 Marketing channels

After food is processed and packaged, it enters a distribution system that brings products from the manufacturer to various retailers at home and abroad. Modern means of transportation and reliable methods of preservation, especially refrigeration, enable even perishable food to be transported great distances. Distribution networks help satisfy consumer demand for variety, making available foods that are not locally grown or processed.

For all companies in any industry, it is very important to solve the problem of how to get the products from the maker to the user in the optimal way. A distribution channel overcomes the major time, place, and possession gaps that separate goods and services from the users. Members of the marketing channel perform many important functions, such as the ones described in table 2.3.[27]

[25] Kotler & Armstrong, 1994, p. 146.
[26] Ibid., p. 151.
[27] Kotler & Armstrong, 1994.

Table 2.3: Marketing channel functions

Information:	Gathering and distributing market information
Promotion:	Developing and spreading persuasive communications
Contact:	Finding and communicating with prospective buyers
Matching:	Shaping and fitting the offer to the buyer's needs in, e.g. manufacturing, packaging, etc.
Negotiation:	Reaching agreements on price and other terms
Physical distribution:	Transporting and storing goods
Financing:	Acquiring and using funds to cover the costs of the channel work
Risk taking:	Assuming the risks of carrying out the channel work

Note: The first five functions help to complete transactions, and the last three help to fulfil the completed transactions.
Source: Based on Kotler & Armstrong, 1994, p. 396.

The international company must take a so-called whole-channel view of the problem of how to distribute products to final consumers. The figure below shows the major links between the seller and the final buyer.

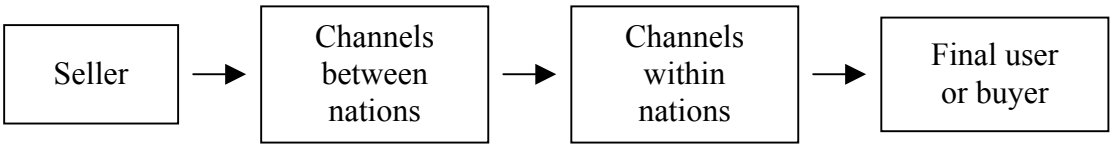
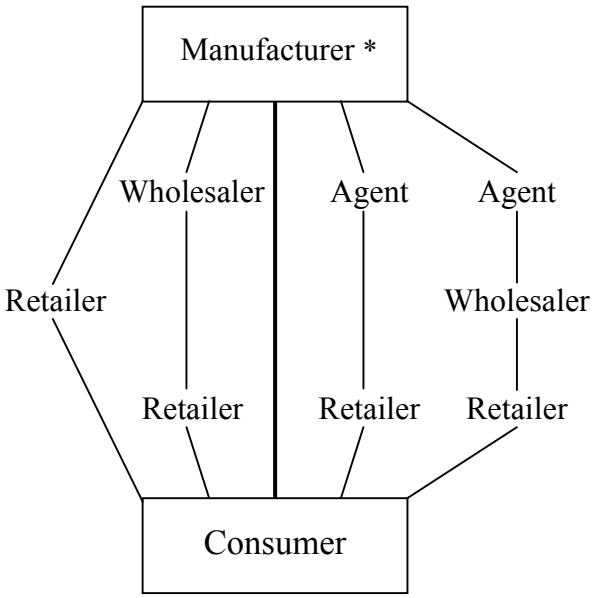


Figure 2.5: Whole-channel concept for international marketing
Source: Based on Kotler & Armstrong, 1994, p. 629.

The first link, channels between nations, transfers the products to the borders of the foreign nations, and the second link, channels within nations, moves the products from their foreign entry point to the final consumers.[28] The two links are sometimes referred to as the primary and the secondary marketing channels, respectively.[29]

On the next page, figure 2.6 describes different options of marketing channel design for consumer goods, including both the primary and the secondary channels. Which specific channel configuration being applied depends on the particular product, number of customers, the existing channel structure in the overseas market, and company considerations on potential return versus degree of commitment, risk, and control.

[28] Kotler & Armstrong, 1994.
[29] Moberg, 1990.



Note: * Producer inside or outside the overseas marketplace

Figure 2.6: Examples of marketing channel configurations (for consumer goods)
Source: Based on Czinkota & Ronkainen, 1995, p. 338.

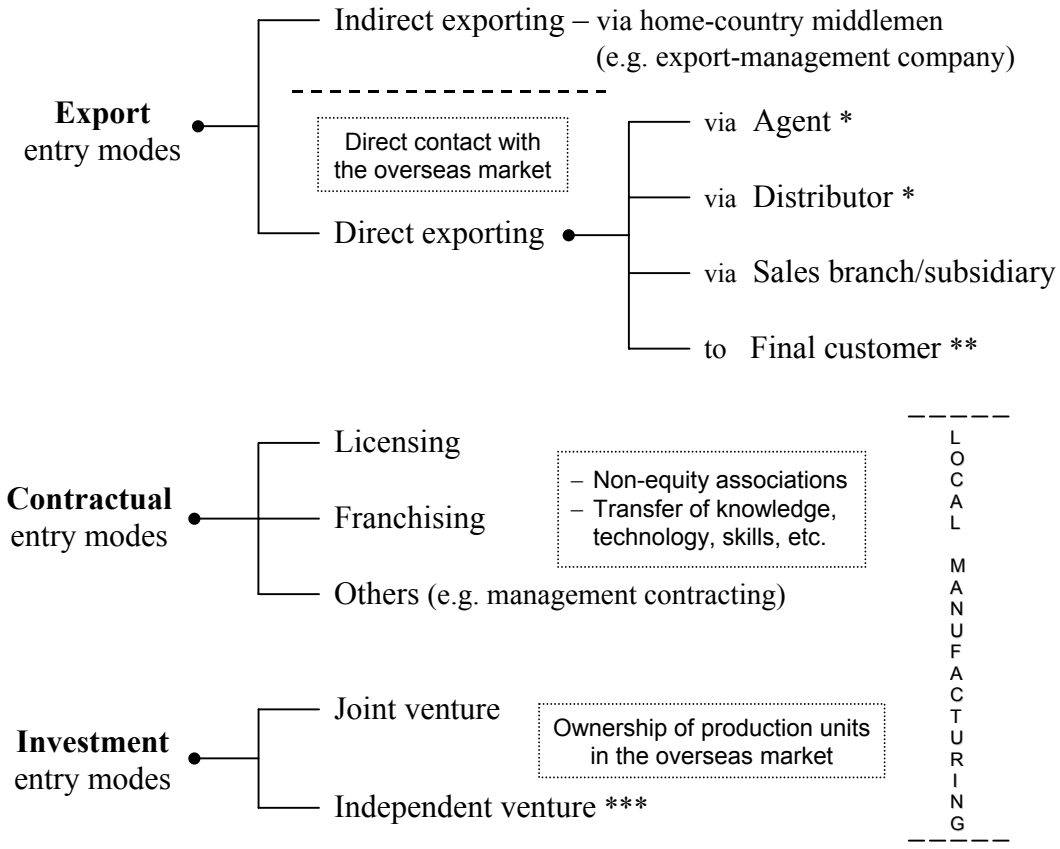
The following sections will explain different primary marketing channels and have a brief look at secondary channels as well. This will serve as a reference to the research on foreign entry into the Japanese food market.

2.4.1 Primary marketing channels

Sometimes, companies find it necessary to expand their businesses across borders. The motive for marketing a product abroad may be a surplus in production capacity, to obtain better economies of scale, to benefit from comparative advantages from a new or unique product, increased domestic competition, or a need for growth in general. When evaluating which country market to select, the company must consider the potential of and distance to the market, among other factors. The matter of distance as well as the potential return is linked to the question of how to enter a new, foreign market.[30]

Once a company has decided which market to target, it must determine the appropriate entry mode. This judgement must take into account the requirements of the entering firm as well as partners and customers in the entering market. Multinational companies' entries on foreign markets often start by exporting via representatives and later move to jointly or wholly owned subsidiaries.[31] The different marketing channels involve different amounts of commitment, risk, control, and profit potential for the entering firm.[32] The primary marketing channels can be classified into three groups of entry modes, as is described in figure 2.7.[33]

[30] Moberg, 1990.
[31] Ibid.
[32] Kotler & Armstrong, 1994.
[33] Root, 1998.



Notes: * The agent/distributor may be a general trading house, an import trading company, a wholesaler, or any other kind of re-selling, business-to-business company located in the foreign market. ** Final customer refers to final users or buyers of commercial kind, e.g. processed food manufacturers or food retailers. *** Enterprise that may be newly developed or established through an acquisition of an existing, local operator.

Figure 2.7: Primary marketing channels – foreign market entry modes
Source: Based on Root, 1998, pp. 5-8; Moberg, 1990, p. 37.

The internationalization process is often a gradual procedure. A company may start to export on a time-to-time basis with the help of an export agent, targeting one or two nearby-located foreign markets. It may eventually move on to more regular, direct exports, possibly including a wider range of foreign markets – some maybe located far away from home. As the international commitment expands, the company could find it best to set up local subsidiaries. This is a gradual process, where the company, step-by-step, acquires more and more knowledge and confidence along the way. However, this manner is not always the case. A big company rich in resources may find it easier and faster to access overseas markets through acquisitions or mergers. By these methods, it will directly get access to an already established market channel.[34] Below, the different entry modes will be further explained.

2.4.1.1 Export entry

When exporting, the company's products are produced outside of the overseas market and then shipped and sold there using indirect or direct methods of entry.

[34] Moberg, 1990.

Using indirect exporting, a company is working through independent middlemen who are located in the company's own national market, and are responsible for undertaking the export.[35] Companies acting as middlemen (export agents, export-management companies, etc.) specialize in performing international marketing services for other firms. Indirect exporting involves less investments and less risk, because the firm does not need an overseas salesforce or set of contacts, which otherwise would require more resources to be spent.[36] The middlemen bring know-how and services to the relationship, but the exporting firm could lose substantial control of how the product is marketed in the foreign market.[37]
Companies may eventually move on to, or start with, direct exporting, whereby they handle their own exports, but may employ middlemen based in the overseas market.[38] The investment and risk are somewhat greater by this strategy, but so is the potential return.[39] A company can conduct direct exporting in several ways as figure 2.7 shows. For example, the company can use exporting through agents or distributors, where middlemen in the foreign market are responsible for marketing the exported goods. Furthermore, the company may choose to set up its own, local sales organization, or to sell directly to final customers without using intermediaries.[40] [41] Different export entry modes are further explained below.

Export agent/Export management company: Representative company that specializes in performing international marketing services for several other firms, usually against commission in the name of the manufacturer. Sometimes the representative firm works as a distributor, i.e. it buys the products from the manufacturer and operates internationally on its own account. These kinds of intermediaries are based in the producer's home country.[42]

Trading house: Company that usually conducts both import and export trading activities. Referring to indirect exporting, the trading company is located in the exporter's domestic market. The producer transfers its export goods to the trading company, which thereafter takes care of all export operations.[43] Referring to direct exporting, the trading company is located in the overseas market acting as agent or distributor in similar ways as described below. Some of the most famous trading houses in the world are the so-called *sogo shosha* of Japan. Companies like Sumitomo, Mitsubishi, and Mitsui are very well-known trading giants. The general trading companies of Japan act as intermediaries for about 30% of the country's exports and half of its imports.[44]

- As for the indirect entry mode, the exporter's costs for distribution are low, while its control over the export activities is small. The currency risk can often be eliminated by using this kind of intermediary.[45]

Agent: Independent middleman who represents the supplier/exporter in the foreign market. The agent firm, based in the foreign market, will act as an intermediary between the exporter and the buyer, and sells the goods against commission on behalf of the exporting company. The role of the agent can be very wide, from that of only looking for potential customers to independently running all marketing activities in the overseas market.[46]

Distributor: Company based in the foreign market who buys the goods from the exporter and takes title to the merchandise. The independent distributor will in turn market the products to other middlemen or final users located in its home market.[47]

[35] Root, 1998.
[36] Kotler & Armstrong, 1994.
[37] Moberg, 1990.
[38] Root, 1998.
[39] Kotler & Armstrong, 1994.
[40] Moberg, 1990.
[41] Root, 1998.
[42] Czinkota & Ronkainen, 1995.
[43] Moberg, 1990.
[44] Japan Foreign Trade Council, 2002b.
[45] Moberg, 1990.
[46] Ibid.
[47] Ibid.

- It is very common that direct middlemen have several clients/suppliers, and this could become a disadvantage to the exporter because the brand runs the risk of being set aside in the competition from other products served by the representative. Using these methods of entry, it may be difficult to control local marketing activities and to get a deeper understanding of the overseas market. However, this entry strategy is very common as it does not require an overseas salesforce or a whole set of local contacts. More resource demanding, local participation is not an option to many small and middle-sized exporters. It is very important, though, to find a local partner who is committed and able to sufficiently support the marketing of the product being exported.[48]

Sales branch/subsidiary: The exporting company sets up a permanent sales office in the foreign market. The branch office is registered in the specific country, but is not an independent juridical person. The parent company is responsible with all its assets for the operations of the branch, which cannot sign any deals without the permission from the parent firm.[49] The sales branch gives the seller more presence and control in the foreign market and often serves as a display centre and customer service centre.[50]

Direct contact with final customer: The exporter sells its products directly to final users without using any middlemen. This method of exporting directly is suitable if the customers are relatively big but few, and easy to identify. Moreover, the transportation costs should not be too high, and the product must not demand too much aftersales services.[51]

2.4.1.2 Contractual entry

Contractual entry modes may be described as non-equity associations between the entering company and a legal entity in the overseas market who locally produces the goods or services provided by the entering firm through the transfer of knowledge, technology, skills, etc. which realized the product or service. Such a method of entry may take the form of licensing, franchising, or other kinds of agreement including management contracting, technical agreements, contract manufacture, service contracts, etc.[52] More details follow on some of these ways of entry.

Licensing: This is an arrangement whereby a firm (the licensor) permits another company (the licensee), for example in an overseas market, to use its intellectual property in exchange for compensation designated as a royalty. The property might include patents, trademarks, technical know-how, a manufacturing process, or specific marketing skills. The main advantage of licensing is that it requires relatively less capital investment or knowledge of foreign markets than is the case of many other forms of international involvement. The major disadvantage is that licensing agreements typically have time limits, and there is a risk that the licensee will become a future competitor.[53]

Franchising: Franchising is a form of licensing in which a company, the franchiser, grants another independent entity, the franchisee, the right to use a prescribed business format in exchange for a down-payment and royalties. This agreement may deal with the right to sell the franchiser's products, and to use its name, production, and marketing techniques. Common models of franchising are manufacturer-retailer arrangements (e.g. car dealerships), manufacturer-wholesaler systems (such as soft-drink companies), and service firm-retailer systems (e.g. accommodations services and fast-food restaurants).[54]

[48] Moberg, 1990.
[49] Ibid.
[50] Kotler & Armstrong, 1994.
[51] Moberg, 1990.
[52] Root, 1998.
[53] Czinkota & Ronkainen, 1995.
[54] Ibid.

Management contracting: A company, wanting to enter a foreign market, supplies management know-how to a foreign company that in exchange supplies the capital. The entering firm sells management services rather than products. Management contracting is a low-risk mode of entry into a foreign market, and it yields income from the beginning.[55] One specialized form of this method is the *turnkey* operation, i.e. an arrangement that permits a client to acquire a complete operational system, together with the know-how sufficient to allow unassisted maintenance and operation of the system after its completion.[56]

2.4.1.3 Investment entry

The greatest involvement in a foreign market comes through the development of foreign-based assembly or manufacturing facilities. Investment entry modes involve ownership of production units in the overseas market, based on some kind of equity investment. Foreign direct investment is a term related to this entry strategy. The degree of control over the local enterprise may range from a 100 percent full ownership to a minority interest. Independent ventures include foreign production facilities or outlets, which are under the full ownership and control of the company selling to the overseas market. Such facilities may be newly developed or acquired by taking over an existing operator in the market. A joint venture is set up by the entering company joining forces with one or more local partners to create a local business in which they share ownership and control.[57] [58]

Using this form of entry, the entering company may benefit from lower costs due to cheaper labour or raw materials, freight savings, and less trade barriers. In addition, the company can develop a deeper relationship with customers, local suppliers, and distributors, allowing it to better adapt its products to the local market.[59] On the other hand, entry modes involving overseas equity investments could be risky as they may be financially demanding, and could lead to coordination problems in production, for example.[60] Moreover, the risk of a falling market, and a restricted or devalued currency, may cause serious problems to companies using these methods of foreign market entry.[61]

2.4.2 Secondary marketing channels

The secondary marketing channel of a company refers to the foreign market, national distribution line through which the company's products are transmitted.[62] It consists of different intermediating companies helping to transfer the goods from the foreign entry point or local production units to the final user in the overseas market. The middlemen are usually playing the roles of agents, wholesalers, or retailers. The number of customers, type of product, purchasing frequency, geographical distance, and culture are examples of factors that influence what kind of and the number of middlemen being used for a given product. Sometimes the term ‘channel design’ is used, and it refers to the length and the width of the channel the international firm employs. The length is determined by the number of levels, or different types, of intermediating companies.

[55] Kotler & Armstrong, 1994.
[56] Czinkota & Ronkainen, 1995.
[57] Kotler & Armstrong, 1994.
[58] Root, 1998.
[59] Kotler & Armstrong, 1994.
[60] Moberg, 1990.
[61] Kotler & Armstrong, 1994.
[62] Moberg, 1990.

The most traditional channel for consumer goods is the producer-wholesaler-retailer-customer configuration, shown in the following figure. The width is determined by the number of institutions of each type in the channel. The channel design is influenced by what might be called distribution culture, i.e. existing channel structures. The manner in which Japanese channels of distribution are structured and managed has been mentioned as one of the main reasons why foreign firms fail to establish major market penetration in Japan. In every country, it is important for the international firm to understand the local distribution system and the kinds of linkages between channel members for its specific type of product.[63]

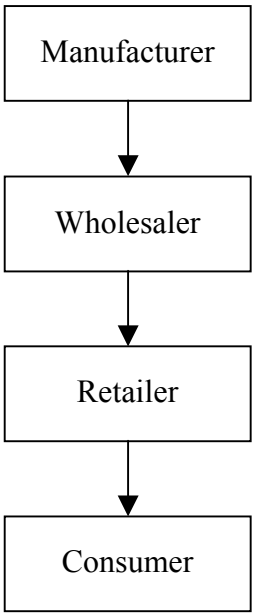


Figure 2.8: Conventional marketing channel, for consumer goods
Source: Kotler & Armstrong, 1994, p. 402.

Wholesaling and retailing are the main operations taking place in the distribution flow from the manufacturer to the final consumer.

2.4.2.1 Wholesaling

Wholesaling deals with the activities involved in selling goods and services to those buying for resale or business use. Here, wholesalers are those firms engaged *primarily* in wholesaling activities. In most cases, wholesalers buy from producers and sell to retailers, industrial consumers, and other wholesalers. Sometimes, they are not needed when the producer sees it possible to have a direct contact with the retailers or consumers.[64]

There are different kinds of wholesalers. There are some offering a full set of services, such as carrying stock, using a salesforce, offering credit, making deliveries, etc., while there are others providing a more limited service.[65] Wholesalers generally specialize by product area or customer type. On one hand, there are wholesalers who sell primarily to

[63] Czinkota & Ronkainen, 1995.
[64] Kotler & Armstrong, 1994.
[65] Ibid.

retailers, and on the other hand, there are industrial distributors who sell to manufacturers or other wholesalers rather than to retailers. As for the food industry, there are some wholesalers that sell only to the food service sector like restaurants and similar operations. General wholesalers distribute several lines of products, while speciality wholesalers specialize in only a part of a line, for example in health food or seafood, and are able to offer a deep assortment within that particular field.[66]

Wholesaling activities can be performed by manufacturers as well as retailers. Regarding food distribution, national manufacturers of perishable food (e.g. bread and bakery, and dairy products) may use regional warehouses for breaking larger lots into smaller quantities, which then are further transported to local retailers by smaller trucks. Normally, a separate wholesaler is not used for food such as bread and milk that must be delivered fresh every day or every few days. However, smaller manufacturers of such food may use independent middlemen in order to have their products distributed across the country. The primary industry often conducts wholesaling through *producers' cooperatives*, which typically are owned by farmer members and assemble produce to be shipped to processors or retailers. In the field of agriculture and fishery, some wholesaling is carried out through auction companies.[67] [68]
Large-sized retailers or groups of retailers often perform central wholesaling activities to order large volumes of goods in a cost-effective manner. As for food distribution, vertical integration of the wholesaler-retailer kind can be found in many countries. In this respect, the wholesaler can be classified by type of ownership and control. Several independent retailers may join to set up a *cooperative wholesaler*, which usually sells only to these member-owners.[69] The central buying organization of the Swedish retail group ICA would fall under this heading, like Japan's Nichiryu.[70] In contrast, *voluntary wholesalers* are independent companies that sponsor and sell to a group of independent retailers without having strict membership requirements. Members of a cooperative or voluntary wholesale network can purchase merchandise from the group wholesaler, but are not limited to that inventory. Countries have different traditions of how food distribution is organized.[71] [72] For related matters on this topic, read about different types of retailers below.

2.4.2.2 Retailing

Retailing refers to the activities involved in selling goods or services directly to final consumers for their personal use. Retailing is conducted by many institutions like manufacturers, wholesalers, and retailers, but most retailing is done by businesses whose sales come *primarily* from retailing activity, called retailers. There are both store and non-store retailing. Non-store retailing of food products may involve automatic vending and door-to-door direct selling, for example.[73] As for store retailing, there are many different kinds and sizes of retail stores. They can be classified by, for example the amount of service they offer, the product line, relative prices, and control of outlets.[74]

[66] Kotler, 1994.
[67] Ibid.
[68] Microsoft Encarta, 2000.
[69] Ibid.
[70] Futagami, 2000.
[71] Kotler, 1994.
[72] Microsoft Encarta, 2000.
[73] Kotler, 1994.
[74] Kotler & Armstrong, 1994.

Retailers vary in the length, breadth, and price of their respective product assortments. Some of the most common types of retail stores are described below, by product line.

Speciality stores: They carry a narrow product line with a deep assortment within that line. For example, stores that sell furniture, books, toys, flowers, or bread and confectionery would fall under this category. There are both low-priced and high-priced speciality stores, and they may come in small and large sizes.[75]

Department stores: Stores that offer a variety of product lines, typically clothing, home furnishings, and household goods as well as food. Each product line is operated as a separate department managed by specialist merchandisers. Usually you can find exclusive, high quality, and often relatively expensive items there. Japan has several department store chains, while such stores are very rare in Sweden. Some of the most well-known department stores in the world are Harrods in the UK and Bloomingdale's in the USA. Department stores are often located in downtown areas.[76]

Supermarkets: Large stores that carry a wide variety of food and household goods. They operate on a low-cost, low-margin, high volume, self-service formula, and come in many different shapes. The concept of supermarkets was developed in the USA during the hard years of depression, in the 1930's, as a way to provide cheaper food products to consumers. Since then, this concept has spread throughout the world. An average supermarket carries a large quantity of edible items including meat, fruits and vegetables, dairy products, canned and frozen foods, bakery items, and beverages. In countries where it is legal, supermarkets may also carry liquor. In addition to foodstuffs, many supermarkets also sell other household products, such as laundry, paper products, health and beauty aids, and housewares. Today, many supermarkets are located on the outskirts of towns and cities, especially large-sized supermarkets. Normally, land is cheaper there, and large parking facilities are easier to arrange there as well.[77] Really large supermarket stores are sometimes known as *superstores* and *hypermarkets*, which offer a wider range of products and services at still lower prices. These kinds of stores may be classified as discount stores. A *discount store* is a retail institution that sells standard products at lower prices, by accepting lower margins and selling at higher volume. A true kind of discount store regularly sells its assortment at lower prices, offering mostly national brands. World leading companies in this segment are the American based Wal-Mart Stores and the French Carrefour.[78]

Convenience stores (CVS): They are usually small stores that sell a limited line of high-turnover convenience goods, such as essential foodstuffs and snacks, toiletries, cigarettes, and newspapers and magazines. These stores are often located near residential areas and remain open long hours, seven days a week. In Sweden, a large part of this retailing is operated by petrol/service stations. Convenience stores often charge high prices to make up for higher operating costs and lower sales volume. They are often part of a corporate chain or a franchise organization. 7-Eleven is one of the best-known examples in this category.[79] [80]

Many retailers are independently owned, but a large number are falling under some kind of corporate retailing, different forms of which are explained below.[81]

Corporate chain: It has two or more outlets that are commonly owned and controlled, employ central buying and merchandising activities, and sell similar lines of products. Thus, the individual retail stores are not independent entities under this system. This type of control is common for clothing stores and department stores.[82]

[75] Kotler et al., 1999.
[76] Ibid.
[77] Microsoft Encarta, 2000.
[78] Kotler et al., 1999.
[79] Kotler & Armstrong, 1994.
[80] Kotler et al., 1999.
[81] Kotler, 1994.
[82] Ibid.

Voluntary chain: It consists of a wholesaler-sponsored group of independent retailers engaged in common merchandising and central purchasing. This form is used by several retailer groups in the USA, especially for groceries.[83] [84] In part, the operations of the companies Axfood and Bergendahls could serve as Swedish examples under this heading, though parts of their retailing fall under the corporate chain as well.[85] [86]

Retailer cooperative: A contractual association, where a group of independent retailers unites to set up a jointly owned central wholesale operation, and conducts common merchandising and promotion efforts.[87] A Swedish example is the retailer group of ICA, which later joined forces with the Norwegian Hakon, and currently is controlled by the Dutch retail giant Ahold.[88] Sometimes, the voluntary chain and the retailer cooperative categories are grouped together.[89] The difference between the two is based on how the wholesaling operation is owned and controlled, which was explained earlier.

Franchise: It is a contractual association between a franchiser (such as a manufacturer, wholesaler, or service organization) and independent businesspeople acting as the franchisees, who invest in the right to own and operate one or more units in the franchise network. It is normally based on some unique product or service, on the trade name, or method of doing business that the franchiser has developed. One of the most well-known franchise systems is McDonald's.[90]

Consumer cooperative (co-op): Retailer that is owned by its customers. Consumer co-ops carry a high percentage of private brand products, as their goal is to offer top value for the best price.[91] The store might set prices low or at normal level. Usually, members receive some kind of dividend based on their individual level of purchases. Co-op stores are normally controlled by a local or regional consumer cooperative society, which together with similar bodies from other regional places may arrange for a central purchasing and merchandising service owned by these associations.[92] [93] In Sweden, one of the largest retailer groups is the consumer cooperative union called KF, which operates several kinds of retail operations. In 2001, it decided to join forces with its corresponding organizations in Norway and Denmark to form Coop Norden.[94]

2.5 Entry barriers

A company entering a new market may face some sorts of barriers or difficulties. A barrier to entry may be defined as a cost, or disadvantage, which must be borne by a firm that seeks to enter an industry, or market, but is not borne by firms already in the industry/market.[95] When it comes to entering a new geographical market such as a country, the barriers could come in the form of various regulations such as laws, standards, and tariffs as well as structural and cultural differences like business practices, language, etc. In the context of this research, the term entry barrier is defined as a cost or disadvantage that is more expensive or difficult to handle for a foreign (non-Japanese), entering firm than for an established company, i.e. one that operates like a domestic, Japanese firm well established in the specific food industry, either by own control or through the help of local partners/middlemen. The perception of the level of a barrier may vary from one company to another depending on its origin, background, and previous knowledge as well as the applied entry strategy.

[83] Kotler, 1994.
[84] Futagami, 2000.
[85] Axfood, 2001.
[86] Bergendahlsgruppen, 2001.
[87] Kotler, 1994.
[88] ICA Ahold, 2001.
[89] Kotler, 1994.
[90] Ibid.
[91] Ni-Ka Online, 1996.
[92] Kotler, 1994.
[93] Microsoft Encarta, 2000.
[94] Kooperativa Förbundet, 2001.
[95] Weizsäcker, 1980.

In order to measure the level of risk of facing entry barriers, the following theoretical concepts may serve as useful instruments of analysis. The theory explains possible causes of entry barriers in two parts – the distance between the home and host country, and various industry structures. Since this study is a general research, it will employ the first model about distance, whereas the second part is mainly for reference to readers who may want to explore this matter with respect to their specific food industry interest.

2.5.1 Distance

With reference to the concept of entry modes, the matter of distance between the home country and the target market is mentioned as a factor influencing the choice of entry strategy. The distance may be of physical/geographical nature as well as psychological/cultural kind.[96] [97] [98] Measuring distance may be used as an instrument to analyse the risks of facing entry barriers in an overseas market depending on the applied entry strategy and other factors. Generally, the greater the distance, the higher the barrier, according to some sources.[99] Studies have shown a relation between poor entry performance and large distance (especially cultural) from parent to host country. However, other studies have not found such support. Differences in behaviour between distant partners could have a complementary effect.[100] The fact that distance has had a negative impact on at least some companies' entries into new markets, makes it important to measure the size of the distance as an indication of a gap that may impose constraints if not bridged.

2.5.1.1 Physical distance

Physical or geographical distance relates to the physical separation of the marketer from potential customers. A longer distance is usually perceived as a higher barrier to pass than the shorter length. Distances between the place of production and markets can often be quite extensive for the international firm using exporting as its primary mode of entry into foreign markets, and this may have many effects, of which pricing is one of the most obvious. Long distance may require the use of more expensive means of transportation to secure availability and proper quality of the export product.[101] Physical distance also involves freight time and time difference. If the distance is long and the transportation is time consuming, a well-planned exporting is required to be able to offer reliable supplies of good quality. The freight time will affect the inventory and capital situation. The problem of high transportation costs can be solved by using other entry modes, applying local manufacturing.[102] The difference in time can result in limited possibilities to cooperate on a daily basis between the head quarter and the target market, because the synchronous working time may be very short.[103]

[96] Bauhr & Martinsson, 1993.
[97] Czinkota & Ronkainen, 1995.
[98] Root, 1998.
[99] Bauhr & Martinsson, 1993.
[100] Hofstede, 2001.
[101] Czinkota & Ronkainen, 1995.
[102] Root, 1998.
[103] Bauhr & Martinsson, 1993.

2.5.1.2 Psychological distance

Physical distance is often accompanied by psychological distance, which manifests itself in cultural differences between the home country and the target country societies. Psychological or cultural nearness to the international market can often play an important part of the overseas activities of a firm. Sometimes cultural variables including language, legal factors, and other societal norms make a foreign market that is geographically close seem psychologically distant. For example, there is evidence that U.S. firms perceive Canada or even England to be much closer psychologically than Mexico.[104] The psychic distance is not a permanent barrier, but is stopped being perceived as such after the entering firm has been active in the host market long enough to manage the differences.[105] Great cultural distance usually causes high costs of information acquisition. Access to vital, local information is often dependent on the ability to understand the language used in that particular country or region.[106]

Differences in values between countries can be explained by five national, cultural dimensions, presented by Hofstede (2001). This model is mainly based on surveys of employees at IBM (International Business Machines) across more than 50 countries, with questions focusing on work-related values. The surveys were carried out between 1967 and 1973, the findings of which revealed four specific value dimensions, published by Hofstede in 1980 (1st ed. of Hofstede, 2001). Later he adopted a fifth dimension that is based on a different survey, and thus independent of the four identified in the IBM studies. Though Hofstede's original research was made some thirty years ago, it may still prove to be useful when exploring and comparing countries concerning the cultural impact on organizations and behaviour. The model has been found to be valid, reliable, and stable over time.[107]
The five value dimensions are: *Individualism* versus *collectivism*, large versus small *power distance*, strong versus weak *uncertainty avoidance*, *masculinity* versus *femininity*, and (later added) *long-term* versus *short-term orientation*. The position of a country on each of the five dimensions can be indicated by an index score ranging from around zero to around 100.[108] High score on the first mentioned dimension indicates an individualistic society, i.e. one that has a preference for a loosely knit social framework where individuals are supposed to take care of themselves and their closest family only. Collectivistic (low score) societies on the other hand, favour a tightly knit social framework in which the individual can count on the support from his/her group (relatives, clan, etc.) in exchange for unquestioning loyalty. This dimension relates to people's self-concept, 'I' or 'we'. The next dimension, power distance, measures the extent to which the members of a society accept that power in organizations is distributed unequally. In large power distance cultures, people tend to accept inequality in power and authority. Everybody has a place in a hierarchical order which needs no further justification. People in small power distance societies seek power equalization and demand justification for inequalities. Subordinates expect their superiors to consult them before a decision is made. Uncertainty avoidance is the degree to which the members of a society feel uncomfortable with situations that are unstructured and

[104] Czinkota & Ronkainen, 1995.
[105] Bauhr & Martinsson, 1993.
[106] Root, 1998.
[107] Hofstede, 2001.
[108] Ibid.

unpredictable. Strong uncertainty avoidance (high score) cultures try to minimize uncertainty by maintaining rigid codes of belief and behaviour, and are intolerant towards untypical acting and ideas. Weak uncertainty avoidance societies tend to have fewer rules and more acceptance of diversity of thought and behaviour. The atmosphere is more relaxed, and practice counts more than principles. This dimension addresses the question of whether a society tries to control the future or to let it happen. As for the fourth dimension, masculinity (high score) stands for a preference in society for achievement, competitiveness, heroism, and material success, whereas femininity (low score) favours relationships, modesty, caring for the weak, and the quality of life. Masculine societies strive for social differentiation between the sexes, in which men are given the more outgoing, assertive roles and women the caring, nurturing roles. Such cultures are performance oriented, seen also from the values of their women. Feminine societies strive for equality between the sexes. Both men and women can take assertive roles if they want to, and likewise for relationship oriented, caring roles.[109] Long-term orientation (high score) cultures foster values oriented towards future rewards, whereas members of short-term orientation (low score) societies are more programmed to focus on the past and present. The former orientation favours, for example persistence, perseverance, and thrift. The latter type of society expects results to come rather soon, and important virtues are personal stability, respect for tradition, and reciprocation of favours. This dimension measures the extent to which a culture fosters its members to accept delayed gratification of their material, social, and emotional needs.[110]
These cultural dimensions of a country have consequences for the way the people build their organizations and communicate with each other, and influence leadership, the decision process, and negotiation styles, among other things. Due to variations in values among different cultures, people have different ways of behaviour in business relations. For example, the attitude towards time and scheduling may be very different from one country to another, as well as the non-verbal communication style (handshake, eye contact, space, etc.), the degree of formality in business, and the priority in business to the task or to the relationship. Great cultural distances may cause barriers to entry.[111] [112]

In order to objectively measure psychological/cultural distance between countries, the following formula will be used on the basis of Hofstede's first four dimensions of national culture (not long-/short-term orientation). The formula was applied by Morosini, Shane, and Singh (1998) in their study about cultural distance and foreign acquisitions. They argue that this measurement is a useful and effective indicator of cultural distance. The formula estimates the distance between a selected country (here Sweden) and any other country along Hofstede's index of individualism/collectivism, power distance, uncertainty avoidance, and masculinity/femininity.

Here, the formula is applied as follows: $CD_j = \sqrt{\sum_{i=1}^{4} \left(I_{ij} - I_{iS}\right)^2}$

where CD_j is the cultural differences of the j^{th} country from Sweden, I_{ij} represents the index score of the i^{th} cultural dimension and the j^{th} country, and S stands for Sweden.

[109] Hofstede, 1984.
[110] Hofstede, 2001.
[111] Hofstede, 1984.
[112] Root, 1998.

2.5.2 Industry structure

As sources of barriers can be very specific to kind of industry, product, and company, this section gives some useful points for a particular company to use in determining the extent of entry barriers with respect to its specific food industry.

Industries vary in how easy new sellers can enter them. In some industries costs for established sellers are lower than they would be for new entrants, because of one or more demanding factors affecting the market structure that must be managed and paid for, in order to be able to start up business and compete with established firms.[113] Michael E. Porter wrote, in his book *Competitive Strategy* (1980), a small part about "threat of entry" (pp. 7-17), where he describes the following major sources of barriers to entry: economies of scale, product differentiation, capital requirements, switching costs, access to distribution channels, and government policy. These will be further outlined in the text below.

Economies of scale refer to decreasing costs per unit produced good as the absolute quantity per period of time increases. These can occur in almost every function of an organization - in manufacturing, purchasing, marketing, etc. Economies of scale may discourage a firm to enter a market by forcing it to either start its operation at large scale and by that risk powerful reactions from existing companies, or come in at small scale and accept cost disadvantages.

Product differentiation means that established companies have well-known brands and enjoy great loyalty among the customers, which originates from past advertising, customer service, product differences, or springs from the fact that they entered the industry early. The differentiation creates a barrier to entry by forcing the entering firms to invest heavily to convince the existing customers to buy the newcomers' goods. Such efforts usually cost a lot and take a long time to succeed.

Capital requirements from the need of large investments to be able to compete sufficiently, create another barrier to entry, particularly if the capital is required to make risky or unrecoverable investments in general advertising or research and development. Capital is necessary, not only for the means of production, but also for customer credits, inventories, or to cover initial losses.

Switching costs occur when a buyer has to change from one supplier's product to the product of another supplier. These one-time costs can stem from expenses for the buyer to retraining his staff, outlays and time for testing the new supplier, new product design, etc. If these switching costs are high, the entering firm has to offer substantial improvements in terms of quality, price, or the like.

[113] Encyclopaedia Britannica, 2001.

A firm entering a new market has to ensure that its product will be properly distributed. It can be a barrier to entry for the firm if it has to convince the members of the channel, also serving the established companies, to accept its products by offering price reductions, discounts, and the like, which will reduce the potential profit. For example, the manufacturer of a new food product may have to persuade a retailer to offer space on the store shelves by promising sales promotion activities or some other measures. If the channels are limited and if they are tied up by relationships with established competitors, it will be tougher to enter the market.

Another major source of barriers to entry is government policies exercised by the authorities. The government can make it difficult or even stop companies from entering an industry by imposing import charges, standard and testing procedures, and other sanction requirements. Standards for product testing are common in e.g. the food industry, which can result in a long period of waiting and thus substantial lead times, which in turn increase the expenses, and give the competitors valuable information and time to take retaliatory measures.[114] Government policies may cause barriers to international trade. *Trade barriers* are defined as restrictions and regulations dealing with a nation's trade or commerce. The most important type of trade barrier has historically been the tariff, i.e. a tax or duty levied on the traded commodity as it crosses a national border. Trade may also be restricted through non-tariff trade barriers, such as import quotas and numerous technical, administrative, and other regulations. The regulations involve safety and health regulations, labelling requirements, etc. Some of these specifications may the international firm regard as reasonable and necessary to comply with, in order to have satisfied customers, no matter if the requirements are stipulated by law or not. Other regulations may be seen as barriers to entry as they are too strict in the eyes of the entering firm. As tariffs gradually have been negotiated down, the importance of non-tariff trade barriers has greatly increased.[115]

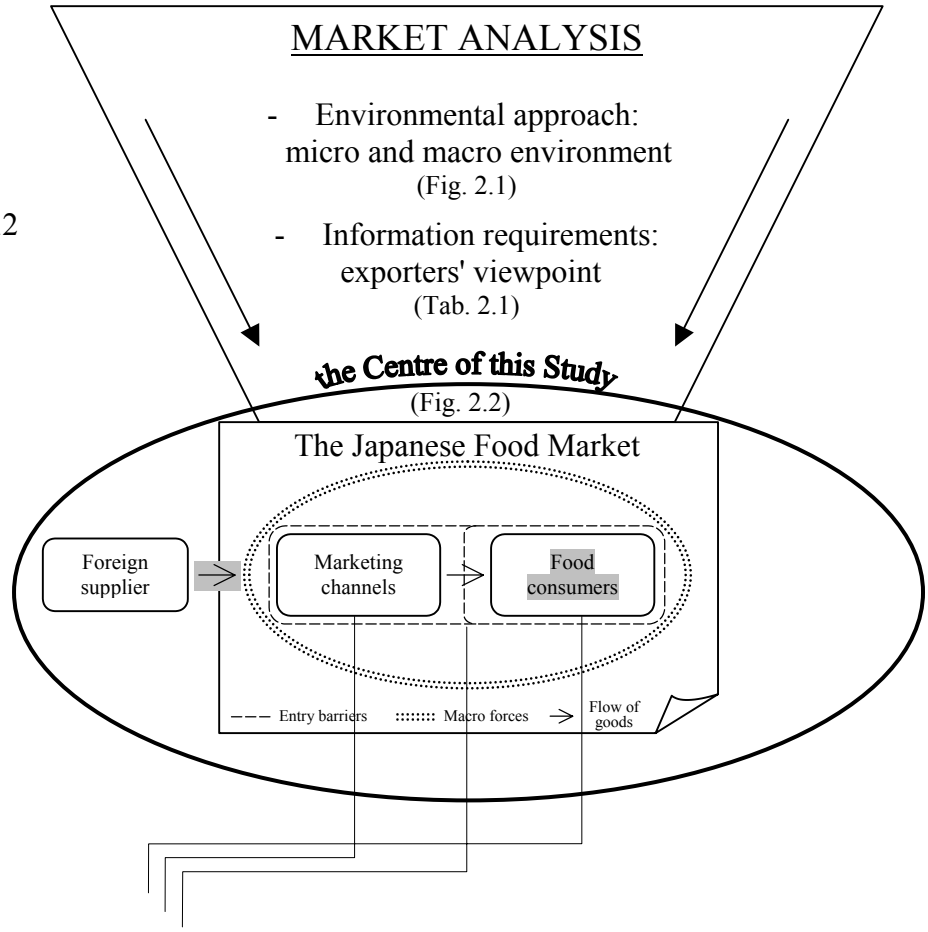
[114] Porter, 1980.
[115] Salvatore, 1995.

2.6 Summary of theory

With respect to the purpose of this study, I have chosen to present a theoretical framework, which I think best supports the research to arrive at the desired results. All theories and models may not match the research questions perfectly, but they should serve well as a basis of reference to this study, though not all components of the chosen models are possible to examine due to limited resources of time and funds. On the next page, the pieces of the theoretical framework are summarized in figure 2.9.

The established research objects of this market analysis, the centre of this study, were set out from an environmental approach which focuses on major actors and forces in the micro- and macroenvironment of a company affecting its business. Together with common information requirements with exporters, the most relevant research objects were finally decided with respect to the purpose of this study. The centre and focus of this study about the Japanese food market is to examine the consumer market situation, plus conditions of foreign entry such as marketing channels for foreign supply, trade data, regulations, and the level of possible entry barriers.
The generated framework concerning the study of the consumer market is dealing with demographics, and social and psychological factors influencing consumer behaviour. Under marketing channels, the primary and secondary channels of distribution were presented in order to define different intermediary links between and within nations. In order to measure the level of risk of facing entry barriers, the concept of physical and psychological distance was explained, and for reference to the individual company, major sources of entry barriers into a specific industry were also explained.

With the help of this theoretical framework, the study will try to find answers to the research problem, which is further analysed in the following part (2.7).



Part 2.3

Consumer market characteristics

- Demographics (Tab. 2.2)
- Social & psychological factors

↳ influencing Consumer behaviour (Fig. 2.4)

Part 2.4

Marketing channels

- Primary marketing channels (Fig. 2.7)
- Secondary marketing channels (Fig. 2.8)

Part 2.5

Entry barriers

- Physical and psychological distance
- Industry structure

Figure 2.9: Summary of theory

2.7 Analysis of the research problem

In order to be able to see the task more clearly, it is important to formulate the precise problem. It is helpful to divide the problem into the main problem and research questions aiming to answer the issues of the former, as is done the following text.

2.7.1 Main problem

The main problem of this study is the question of what the Japanese food market looks like in terms of conditions and characteristics of final demand and foreign supply, respectively. The problem seeks the characteristics of the food consumer market, and the situation of foreign entry into the Japanese food market as a whole. The problem is formulated especially from a Swedish viewpoint. The research questions are illustrated in figure 2.10, which also shows how the questions are linked to each other. The research model presents two main research questions that are the basis of this study.

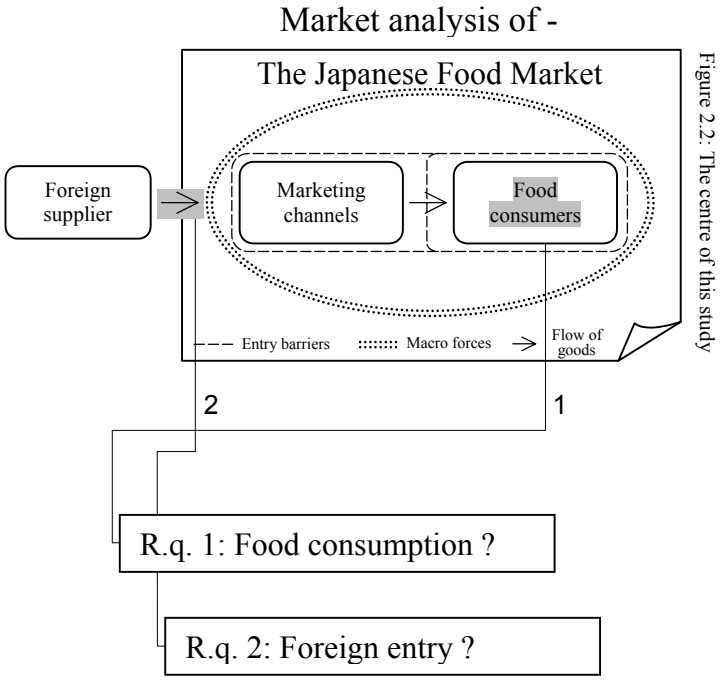


Figure 2.10: Research questions model

2.7.2 Research questions

Here, the two research questions are analysed and related to the theoretical framework. The purpose of this analysis is to create a facilitating structure for the realization of this research.

Research question 1:

What are the characteristics of the Japanese food consumer market –
regarding demographics, social and psychological factors, and their influences on food consumption behaviour?

How big is the Japanese food consumer market, and what are shaping and influencing it? The thesis will try to answer these issues by investigating factors influencing the buying behaviour of consumers. Mainly through secondary material, the research will seek to describe the main outlines of what is characterizing the Japanese consumer market by presenting demographics related material and matters dealing with social and psychological factors influencing consumers. Then, consumer behaviour will be further examined with reference to the Japanese food consumption.

Research question 2:

What is the situation of foreign entry into the Japanese food market, especially from a Swedish standpoint, – regarding modes of entry, imports, regulations, and the risk of facing possible entry barriers?

How do foreign food companies enter the Japanese food market? From where, how much and what kind of food is Japan importing? What Japanese rules are governing foreign trade in foodstuffs? What is the level of risk of encountering entry barriers? By secondary material and some primary research, the paper will try to describe the main primary marketing channels used by foreign food suppliers to enter Japan, the size and structure of food imports into Japan, and important Japanese regulations and tariffs. Moreover, the research will try to estimate the level of possible entry barriers that the Japanese food market may impose on a Swedish company, by measuring the physical and psychological/cultural distance between Sweden and Japan. The first two questions will be answered both in general and with a special focus on Swedish food supply, while the topic of entry barriers primarily will concern Swedish food. The area of regulations is mainly of general relevance. For reference to the import data of food from Sweden, the thesis will seek to make a small highlight on Japanese food imports from other Scandinavian countries.

2.8 Delimitations and explanations

There are delimitations concerning above all the depth and width of an examination, often made for time and cost reasons. It is often recommended to narrow the subject and get more solid and reliable information than taking on too wide a study risking to be without any real results.[116] This study is in some contexts both wide and deep. It is wide by studying the Japanese food market in general and not concentrating on a specific product area or geographic region, which is done because of my suspicion of the fact that possibly interested readers of this thesis are fairly dispersed among different types of food marketers which have interests in Japan as a whole even if they are not likely to enter nationwide. The study is deep by taking on a research into details of the Japanese food consumers and foreign entry, respectively.

Below, the research delimitations of the study are presented, including some explanations of terminology used in this work. By bullets, three sections settle the limits for and explain the research regarding the food area, the focus of the market analysis, and other factors.

2.8.1 Food

This section clarifies matters about food and foreign trade as well as the food industry and food process. (Different definitions may apply in other settings than this study.)

- Here, 'food' refers to all kinds of edible and drinkable items intended for human, personal consumption, including foodstuffs for industrial/commercial use which are destined for personal use after further value added activities. Sometimes a phrase like 'food and beverages' is used to make a distinction between solid and liquid items. The two words, food and foodstuff, are often used synonymously.

- The food area relates to goods of agricultural and marine [117] origin. It involves foodstuffs, and raw material for foodstuffs and other tangent functions. The Swedish Board of Agriculture (Jordbruksverket) includes, in its trade statistics of this field, products listed in any of the SITC-categories mentioned below under foreign trade. Principally, this study covers the food area as comprised by this definition. Thus, the context excludes such agricultural products as trees, flowers, and cotton, but includes live animals, feedstuffs, and tobacco, besides normal foodstuffs. This product area is also known as 'agrofood' (food and related agricultural products). However, this research will have its *main focus* on food for human purposes as defined above. (Presented data will have information, also using vocabulary explained in this part, to indicate the kind of goods included.) This study only deals with food that is traded in monetary exchange, i.e. not foodstuffs that are exchanged in kind or produced/supplied by individuals for their own household use (such as items from a vegetable patch or recreational fishing).

[116] Lekvall & Wahlbin, 1993.
[117] Broadly referring to all waters.

- Foreign trade data comprise categories of goods listed in table 2.4, if not stated otherwise. The numbers refer to commodity codes under the Standard International Trade Classification (SITC) designated by the United Nations. The scope of this research concerns the following categories, or the corresponding classifications (with different codes) under the Harmonized System (HS), an international nomenclature for customs tariff classification. The trade commodity classification used in the European Union as well as in Japan is based on the HS. The system of the EU is called the Combined Nomenclature (CN).[118] [119] The correlation between included commodities by SITC- and CN/HS-codes is described in Appendix 2.

Table 2.4: Categories of goods comprised by this study (codes based on SITC rev3)

00	Live animals other than fish, crustaceans, molluscs, and aquatic invertebrates of division 03
01	Meat and meat preparations
02	Dairy products and birds' eggs
03	Fish (not marine mammals), crustaceans, molluscs, aquatic invertebrates, and preparations thereof
04	Cereals and cereal preparations
05	Vegetables and fruit
06	Sugars, sugar preparations, and honey
07	Coffee, tea, cocoa, spices, and manufactures thereof
08	Feeding stuff for animals (not including unmilled cereals)
09	Miscellaneous edible products and preparations
11	Beverages
12	Tobacco and tobacco manufactures
22	Oil seeds and oleaginous fruits
4	Animal and vegetable oils, fats, and waxes

Source: Based on Jordbruksstatistisk årsbok 1998, 1998, p. 144.
(English terms from: http://reportweb.usitc.gov/commodities/naicsicsitc.html)

Swedish and Japanese data on foreign trade use the same commodity classification for the first six digits by HS-code. Additional digits (two by CN, and three by Japanese HS) are not comparable.[120] [121] Thus, it is possible to have the same definition of commodity groups down to a six-digit detailed level, when using Swedish and Japanese trade data. Swedish export data are available through SCB, Statistics Sweden, and Japanese import data mainly originate from the work of the Japanese Ministry of Finance (MOF). As for officially presented, Japanese data on food imports, there may be some differences to the classification above, which the following paragraph will explain.

Japanese organizations present data on food imports based on different sources and classifications. This paper uses Japanese trade data presented and/or supplied by MOF (Ministry of Finance), METI (Ministry of Economy, Trade and Industry), the Statistics Bureau of the Ministry of Public Management, Home Affairs, Posts and Telecommunications (Soumu), and JETRO (Japan External Trade Organization). In addition, trade data related to Japan are also taken from FAO (Food and Agriculture Organization) of the United Nations, and statistical agencies of other countries.

[118] APEC Tariff Database, 2002.
[119] Taxation and Customs Union, 2002.
[120] APEC Tariff Database, 2002.
[121] Statistiska centralbyrån [SCB], 2002c.

Originally, Japanese trade statistics are compiled by the Ministry of Finance based on data from the Customs and Tariff Bureau. Then, these data are supplied to other organizations, which may have somewhat different definitions of what goods should be included under food imports. Furthermore, these definitions may vary over time. Basically, they cover a similar range of commodities as described in table 2.4. Data on imports of 'foodstuffs' as presented in the material published by the Statistics Bureau (such as Japan Statistical Yearbook) are supplied by the MOF organization, and thus identical to such data presented by MOF itself. METI uses the same classification of goods for data on the same subject, which it supplies to other publications and organizations (mostly translated into US dollars), for example Japan Almanac by Asahi Shimbun and Japan Information Network. These data largely cover the same commodities as in table 2.4, except for most products under SITC codes 22 and 4. JETRO, on the other hand, includes these two groups, but excludes tobacco and some live animals. There are some other minor differences as well. This is according to the commodity classification valid in 2001. JETRO was planning to make some changes to its definition of food imports in 2002. JETRO mostly publishes its data in US dollars. All in all, there are only marginal differences in total figures between the different sources. The import value by US dollar is normally calculated by converting monthly data of the traded amount, from yen into dollar based on the average exchange rate of that period.[122] [123] [124] [125] [126] [127] [128]

– Normally, the value of imports and exports is reported in current prices, based on the terms of delivery: cost, insurance, and freight (c.i.f.) for imports, and free on board (f.o.b.) for exports. The value of imports is often converted from foreign currencies to the local currency, based on exchange rates published around the time of the entry. Quantities are usually given in metric ton (1,000 kg). Principally, the names of countries refer to places of final destination for exports, and places of origin for imported goods.[129] [130] In this thesis, Swedish exports refer to shipments to destinations outside Sweden, including shipments to member states of the European Union.

Because of currency conversions at different exchange rates, the historical trend of trade values may differ between two currencies, e.g. between the US dollar and the Japanese yen. The Japanese yen gained about 200% against the US dollar from 1985 to the peak in 1995, having the price of one dollar change from about 250 yen to as low as 80 yen (compared to the average rate of 122 yen in 2001).[131] Under such conditions, imports are stimulated since foreign goods will be much cheaper to buy from a Japanese perspective. Aside from this fact, it is likely that the changing exchange rate will affect the dollar value of imports paid in yen, as to not reflect the real progress of quantities. Between two years, the same trade quantity and price in yen will generate a higher trade value in terms of the dollar, without any real changes having occurred. However, it is also possible that import data between two years translated into yen, may not reflect a real increase in the volume of imported goods paid in foreign currencies, as the same or even larger quantity can be purchased at a lower price in terms of its yen value. It all depends on the method of calculation that statistics agencies use.

[122] Japan Almanac 2002, 2001.
[123] Japan External Trade Organization [JETRO], 2001a, 2001c.
[124] Japan Statistical Yearbook 2002, 2002.
[125] JETRO, fax, 8 May 2002.
[126] Ministry of Economy, Trade and Industry [METI], e-mail, 10 May 2002.
[127] Statistics, 2002.
[128] Statistics Bureau, mail, 25 December 2001.
[129] Japan Statistical Yearbook 2001, 2001.
[130] Sveriges statistiska databaser, 2001b.
[131] FXHistory, 2002.

If comparing the trend of imported values (in yen and dollar) with imported volumes regarding foodstuffs, it seems that values denominated in Japanese yen are better reflecting the real development by quantity.[132] [133] Of course, one must be aware that total quantities include many sorts of commodities with different prices per unit, which means that the total import value may have increased even though total volumes declined, because of rising demand and/or prices for some included categories (not taking exchange rates into account).

- The food industry roughly covers the industry activities of agriculture (01), fishing (05), food & beverage manufacturing (15), food wholesaling (parts of 51), food retailing (parts of 52), and food service activities (parts of 55). The industry classification codes follow the International Standard Industrial Classification (ISIC Rev.3), which is the basis for the Swedish Standard Industrial Classification – SNI92 (Standard för svensk näringsgrensindelning 1992). The codes are, however, not the same by Japanese standard (Standard Industrial Classification for Japan, JSIC). This definition is based on the tentative definition of the food industry made by Jordbruksverket, the Swedish Board of Agriculture.[134] [135] The primary industry sector involves agriculture (farming), forestry, and fisheries. Agricultural production deals with the cultivation, harvesting, etc. of various grains, vegetables and fruits, potatoes, flowers, tobacco, cotton, wool, natural rubber, and other cultivated and naturally grown items; and the treatment of livestock, contributing to eggs, dairy products, and meat. Horticulture refers to the growing of fruits, vegetables, flowers, or ornamental plants. Sometimes forestry is included into the agricultural category, but not in this paper. Agri- or agro-food, short for agriculture-food, refers to foodstuffs and agricultural products corresponding to items included in table 2.4, above.

- Food may be classified into different categories with respect to the degree of industrial processing. Processed food mainly refers to items other than those of a form delivered by the primary sector. Appendix 2 lists the commodities classified as processed food according to Swedish food trade data. By HS-code trade commodity classification, foodstuffs that have undergone considerable process are known as ‘prepared’ food. That is, food preparations that mainly go on to personal consumption directly, for example canned food. This category of food includes fewer products than that of processed food. The former is a part of the latter. Semi-processed foodstuffs such as chilled, frozen, and dried items of low refinement are not included among the prepared products, for example flour, frozen fruits and chilled carcasses, the industrially worked-up produce of which is largely intended for further industrial process. In this text, items not seen as prepared goods are sometimes referred to as low processed food (which also includes such items delivered by the primary sector). Sausages, ham, canned tuna, pasta, bread, pickles, and fruit juice are some examples of items categorized as prepared food.[136] Here, the term ‘prepared food’ is not used with the same meaning as processed food items ready to eat with no or very little further preparation, such as precooked, frozen meals for example. Such food is better known as convenience, ready-to-eat, or heat-and-eat foods.[137]

[132] FAO Statistical Databases [Faostat], 2002.
[133] Figure 5.2, part 5.2.
[134] Jordbruksstatistisk årsbok 2002, 2002, pp. 308-312.
[135] Ramon, 2002.
[136] SCB, 2002c.
[137] Gullberg, 2000.

Consumer food refers to products prepared for retail sale, whereas industrial food relates to items that will undergo further industrial process. Moreover, fresh food refers to recently supplied food items that are not in a state of long-time preservation (i.e. not frozen, canned, or dried). Perishable foods, or perishables, are articles with rather short shelf life, such as fresh items of bread, milk, butter, vegetables, and fish, which may get spoiled quickly if not stored properly.

2.8.2 Market

- The analysis of the market will focus on two main areas – the consumer market and foreign entry into all of the Japanese food market. It will not examine all parts of the distribution system [138]. Otherwise, this study is general and not company or product specific. It will draw the main outlines of the food market as a whole. This will leave out a presentation of the competitive state of the market, as it may be very different for every individual food product. For the same reason, entry barriers are analysed in general for all food industries combined.

- Concerning foreign entry, this study takes the viewpoint mostly from the export entry strategy. Local manufacturing by foreign affiliates will receive relatively little attention. However, a lot of information concerning exporting may be useful also for firms choosing other entry modes. By a 'foreign' food company, I usually refer to a food marketing firm with a home base in a country outside Japan, i.e. a firm with a non-Japanese origin, who may enter, is entering, or has entered the Japanese food market. Local operations normally refer to activities inside Japan.

2.8.3 Others

- In the text of this thesis, the geographical region of Scandinavia refers to the countries of Denmark, Norway, Sweden, and Finland.

- Here are some explanations to the calculation and presentation of data.

– Line charts are sometimes used to describe certain data. Between the indicated time variables (mostly years) for which data have been obtained and plotted, an extrapolation is made to make the line complete. Thus, one must bear in mind that for a place in time between stated years, for which the particular data is unknown, the true value could differ from what is indicated by the line.

– Numeral data related to price values are presented in nominal terms at current prices, unless stated otherwise. In this case, nominal terms refer to data being presented at the current value for the time they were given, as opposed to real terms when the nominal value has been adjusted for variations due to inflation and floating exchange rates, so as to bring a value at constant prices that is easier to compare over time as it

[138] The term distribution system/channel is mostly used synonymously with market/marketing channel.

tries to exclude some general changes in the economic environment and only focus on changes in volume.

– Sometimes data denominated in one currency (based on the original source) are converted into another one in order to have more comparability between figures. The conversion is based on nominal exchange rates either published by Oanda.com [139] or the same statistical sources from which the original data were obtained. Annual figures are converted, using a yearly average exchange rate provided by the mentioned sources. In real terms at constant prices, a fixed exchange rate is applied from a specific point in time, for example the average exchange rate value in 1990 or 1995.

However, market exchange rates do not correspond to the domestic purchasing power of a currency, as they not only reflect the relative price level between countries, but are also influenced by many other factors. Therefore, cross-national data based on a conversion of market rates are not suitable for comparing real quantities, such as consumption. When comparing income, it is interesting to get an idea of its real value in terms of how much it is actually worth in possible consumer spending to a household in one country compared to that of another country. The real, 'true' exchange rate between countries can be obtained by comparing the ratio between the price of the same goods and services in each country, the relationship of which reflects the equal purchasing power, or the Purchasing Power Parity (PPP), between the currencies of the countries compared. For example, if the price of a McDonald's BigMac hamburger is 294 yen in Japan and 24 kronor in Sweden, the real PPP exchange rate (for BigMac's) between the yen and the Swedish krona would be 12.25 JPY/SEK. If the nominal market exchange rate is lower, let say 11.50 JPY/SEK, it means that the price level of Japan is 6.5% more expensive than that of Sweden, in terms of BigMac hamburgers. Purchasing power parities are mostly used for making real comparisons of countries' GDP values, by eliminating differences in price levels between countries (e.g. that certain goods is more expensive to produce in country A than in country B) in order to reflect only differences in the volume of goods and services produced.
PPP rates vary over time and by kind of product. General PPP's are established by an international project including the UN, OECD, Eurostat, and national agencies, in which regular surveys are collecting price data for a large number of goods and services. As of March 2002, the latest, tested benchmark results including all OECD-members are for 1999, while annual PPP's for the most recent years are based on estimates by the OECD. Purchasing power parities are normally given in national currency units per US dollar. Annual PPP exchange rates between JPY and SEK, used in this paper for making some comparisons of data, are derived from the JPY/USD and SEK/USD purchasing power parities published by the OECD (available in March 2002). For example, the estimated PPP exchange rate in 2000 is 16.39 JPY per SEK.[140] [141] [142]

[139] http://www.oanda.com.
[140] The Economist, 2001.
[141] Organisation for Economic Co-operation and Development [OECD], 2002c.
[142] SCB, 1999a, 1999b.

– The value terms billion and trillion refer to 1,000 million and 1,000,000 million, respectively. The paper will use the common English version of numbering decimals and thousands or larger numbers, using a *dot* to the left of a decimal fraction (like in 2.5 = two point five) and a *comma* to the left of every three digits (from right to left) inside a whole number of four digits or more (like in 15,500 = fifteen thousand five hundred).

– Normally, year refers to the calendar year. Fiscal year (FY) refers to the 12-month period beginning April 1 of the year stated.

– Data on Japanese households normally refer to family households with two or more members. One-person households are referred to as single households, and are not included if not stated otherwise. Likewise, agricultural, forestry, and fishery households are not included if not stated otherwise. Japanese statistics classify households by the economic type of household head, i.e. the main earner in the household. In this respect, all households (still containing two or more members) include (salaried) workers' households and other households, of which the former category is the largest and refers to "households whose heads are employed as clerks or wage earners by public or private enterprises".[143] Other households include among other types individual proprietors' households, "whose heads are merchants, artisans or administrators of unincorporated enterprises".[144] Data will be presented either for all households or for workers' households only.

[143] Statistics Bureau, 2001a, outline 4.
[144] Ibid.

3 METHOD

The design and procedure of the method of how information is gathered and analysed must be consistent with the purpose of the study and make sure that data are collected by accurate and economical measures.[1] A correct method is a necessary condition to attain a scientific result.[2]
In this chapter, the intention is to specify and explain different marketing research methods of interest to this thesis, partly in general theoretical terms, and partly in practical terms with respect to this particular research. The chapter will present different types of research designs and data collection and analysis procedures, and explain how these were applied in this study. Finally, I will evaluate and discuss the applied method used in this research, after briefly explaining some concepts related to the evaluation. The chapter is divided into the three parts – research design, data collection and analysis, and evaluation. The text is not aiming at giving a full account of all the theoretical methodology issues related to this research.

3.1 Research design

The initial steps in the research process are to define the research objectives and specify the information requirements. Next, the research design should be formulated and the data sources should be determined.[3] This is done in order to avoid bias in the research towards irrelevant areas and thus collection of unnecessary data. The research design guides the data collection and analysis of the research, as it connects the study objectives to appropriate methods by which the sought information can be found. It works like a frame, specifying which type of information to collect and which data sources to use. The type of research design used depends on the objectives set for the study and what kind of knowledge the study is supposed to give.[4] However, different designs may reach the same objective.[5] The following section will describe in theory different research designs with respect to the objective set for a study, and the next one will explain possible approaches or technical designs of research. The final section presents the applied design for this particular study.

3.1.1 Objective

Lekvall and Wahlbin (1993) describe four kinds of designs for a study, guiding the research process on the basis of the objectives set for the study. The designs are exploratory, descriptive, causal, or predictive. Which type of research that is the most suitable one for a specific research project is not obvious. A thorough investigation may include all four kinds of research, and many different designs may accomplish the same objective.[6] The different types of research purpose are described in the following text.

[1] Kinnear & Taylor, 1996.
[2] Hartman, 1998.
[3] Kinnear & Taylor, 1996.
[4] Lekvall & Wahlbin, 1993.
[5] Kinnear & Taylor, 1996.
[6] Ibid.

Exploratory research is suitable for preliminary investigation of a situation. It is usually used in the early stages of the research process.[7] When a situation is unknown to the researcher and he/she wants to know what it looks like, this design is suitable. The purpose of exploratory research is to give basic knowledge and understanding of the problem area, as a basis for further, more precisely formulated research, or to identify alternative courses of action.[8] The information that is being used is often secondary, in the form of case studies, expert interviews, etc. The researchers could also conduct their own interviews and make their own case studies and observations.[9]

The purpose of the descriptive design is to describe and chart qualities of the object being studied, for example a market. The main objective is to describe how something looks like without explaining why.[10] However, the descriptive research is suitable when the researcher wants to find possible connections between different factors and in a later stage find out how these are intertwined, e.g. concerning underlying variables of the demand for a specific consumer product, such as demographic and psychographic consumer characteristics. This kind of study along with the causal one is also referred to as a conclusive research design, aiming at evaluating consequences of different courses of action. The researcher often has some prior knowledge about the problem when conducting a descriptive study. Compared to an exploratory design, the objectives must be specified and more precisely formulated when conducting a descriptive research. The information is often taken from secondary as well as primary sources.[11]

The causal research is suitable when the purpose of the study is to establish a cause-and-effect relationship, e.g. why more ice cream is sold in the summertime, perhaps due to weather conditions or perhaps due to other factors. It is a pure description to separately chart, e.g. the income structure and the consumption pattern of a market, but if connecting the two variables to see if income has any influence on the consumption, the research is made with a causal purpose. Studies of this kind are mostly concerned with a small number of variables, whereas descriptive studies have a wider approach.[12]
A causal research demands an extensive, prior knowledge and a well-planned format that will minimize errors so there will be no wrong conclusions drawn from the research, risking to be fatal to a company that changes its marketing according to the incorrect conclusions. The main sources of data are primary, in the form of experiments and questioning of respondents through surveys.[13]

For obvious reasons, the main purpose of the predictive research design is to predict the future development of the research object of interest.[14] This kind of study is also known as performance-monitoring research, where the objectives are to monitor and report changes of research objects, and to predict their development in the future. These objects can be performance measures, future plans, or situational variables, such as sales and economic conditions. This kind of research design is suitable, e.g. when an organization wants to see if its plans are being followed and accomplished by its actions. Appropriate data sources are questioning of respondents, observations, and secondary data.[15]

[7] Kinnear & Taylor, 1996.
[8] Lekvall & Wahlbin, 1993.
[9] Kinnear & Taylor, 1996.
[10] Lekvall & Wahlbin, 1993.
[11] Kinnear & Taylor, 1996.
[12] Lekvall & Wahlbin, 1993.
[13] Kinnear & Taylor, 1996.
[14] Lekvall & Wahlbin, 1993.
[15] Kinnear & Taylor, 1996.

3.1.2 Approach

The approach of a research design relates to the basic technical design, the method, of how the study is carried out. According to Lekvall and Wahlbin (1993), the research approach has three dimensions.
The first one concerns whether the study should be done in depth, breadth, or on the development over time. If you make in-depth studies of a few cases, they are referred to as case studies. If research is done on the breadth at a certain time, or at different times without interest in change over time, it is called a cross-sectional study. This kind of study can be divided into two types – the survey method and the experimental method. The former one means that you observe and register the reality without taking part in it or affect it. The experimental method is suitable when trying to actively influence and create a studied reality in order to highlight the main purpose and interest of the study. If, on the other hand, the main point of interest is the development over time for one or more occurrences, it is referred to as a time series analysis. The second dimension refers to a distinction between quantitative and qualitative research. Quantitative studies can be measured and expressed in figures and analysed quantitatively. Large survey studies, experiments, and time series analyses are mainly of this nature. On the other hand, studies where you collect and analyse data that cannot be expressed in numbers are called qualitative research studies. Examples are studies in the form of case studies and surveys with small samples. The third dimension deals with the issue of which type of data the research should be based on, i.e. if it should be based on already published data (secondary data) and/or data collected in a field research specially for the study in question (primary data). Research projects that mainly use secondary data are called desktop studies. Types of data sources are further outlined under part 3.2.

From these dimensions, Lekvall and Wahlbin list six methods of study with different focus – desktop studies, case studies, surveys, experiments, time series analyses, and qualitative studies. All were mentioned in the text above. Most of these styles of method do not exclude each other. In practice, researchers often use mixed forms of approaches.

3.1.3 Applied research design

According to the purpose of this study and the outline of the research problem, the primary objective of this research project is descriptive. From an initial exploratory standpoint, the intention is to examine and clearly describe specified research objects defined in the frame of reference. Inevitably, there will be some attempts to present possible explanations of situations in a causal manner, but primarily the research design will be descriptive.

Moreover, the study will have a fairly wide approach, describing in broad terms the state of the Japanese food market according to latest available data, though development over time will also be of interest in some cases in order to get facts into perspective.

For the same reason, comparative measures may be presented, for example to highlight differences and similarities between Japanese and Swedish facts. The study is both of a quantitative and a qualitative nature, since the outcome to a great extent will be expressed in numbers, but some parts of the result cannot be presented in such a manner. The focus is on quantitative data. The research design will rely heavily on secondary sources, which will be supplemented with interrogations of knowledgeable respondents. Thus, the method of collection will mainly have the form of a desktop study. More details on the collection procedure are outlined below.

3.2 Data collection and analysis

Here, the method of collection refers to the specific collection procedure, whereas the methods of study described above concern the design and approach of the research. The need for data collection arises as soon as a study begins. The methods by which data are collected depend on what is studied, and can therefore differ to a large extent. The formulated research design can guide the researcher to the appropriate collection procedure. This part will present some possible sources and sampling methods used in marketing research as well as systems of analysis, and then present the way that this study was conducted. The purpose of giving a detailed account of how a study has been carried out is to facilitate replication and evaluation of the research, i.e. to bring about the possibility for someone else to reproduce the study and to assess the research process.[16]

3.2.1 Sources

It is important to make a distinction between different sources of data. There are two main sources of marketing data, primary and secondary. Primary data are collected specially for a given research project. Secondary data consist of already published data, which have been collected for another purpose, for example articles in newspapers and periodicals, books, statistics, reports, and other publications on printed and electronic media. Secondary data can be further divided into sources external to the organization and the person doing the research, and internal sources. If the research is made on behalf of a company, for example, internal data come from within the organization of that company, e.g. annual reports and budgets. External data come from sources outside the company. Moreover, secondary data can be obtained from an original source or an acquired source. The former kind is a source that originated the data, while the latter one is a source that procured the data from an original source.[17] There are three main strategies for searching and identifying secondary sources (mainly of documentary form), namely through *consultations* of experts, institutions, etc. by means of personal conversation and inquiries via meetings, letters, e-mail, and telephone; *manual search* by visiting public and private libraries, and searching for references in books, periodicals, etc.; and local or online *database search*, e.g. via cd-rom or using the Internet.[18]

[16] Backman, 1998.
[17] Kinnear & Taylor, 1996.
[18] Backman, 1998.

Primary data can be obtained through communication with and observation of respondents; studying analogous situations, i.e. examining cases similar to the one actually studied; and experimentation. Questioning is the normal way of communication with respondents.[19] Questions can be asked through personal, face-to-face interviewing and through interrogation by telephone and mail, including e-mail. Written questionnaires are used for interrogations by mail, and formalized schedules like these are frequently utilized in other forms of interviews as well, as a means of attaining a standardized format of the questioning.[20] Interviews can vary in the degree of standardization and structure of the questions. In a highly standardized interview, the researcher decides every aspect of what questions to ask and in which order. Every respondent will receive the exact same questions, in the same sequence. The structure refers to the degree by which the questions limit the room for response. An unstructured response format uses open-ended questions, where the respondent answers freely. More structured formats are using multiple-choice questions, i.e. questions with fixed response alternatives.[21] [22]

When doing a research, the starting-point should always be in secondary data. Since research often is being made under some time and cost restraints, it almost always pays to look at data that already have been collected by others. Furthermore, the secondary data could be so wide-ranging and sophisticated that collecting them by yourself would not be possible with the resources at hand. It is possible to find information answering the whole research problem without doing any primary research at all. However, the secondary data are often collected for another purpose and therefore may not fit the demands of the researcher. Moreover, the data may not be up-to-date enough, or it is hard to determine how accurate the information actually is. It is therefore wise to supplement your study with data from primary sources through interviewing, etc. To what extent the researcher should conduct primary investigation depends on, e.g. the design of the study and his or her luck and/or skill to find good secondary material.[23] [24]

3.2.2 Sampling

After the type of source has been determined, hopefully leading to the sought information, the question is what to look for, for example who to interview or what to observe. Normally, it is not possible to examine the entire population of elements. Thus, it is often necessary to limit the research to a portion of the total by selecting a sample, which should be as representative as possible in order to be able to draw correct conclusions.[25]
The selection procedures by which elements are chosen can be divided into two groups, probability sampling and non-probability sampling. In probability sampling, each population element has a known chance of being selected, and mathematical methods are used to provide the sample. The selection is made randomly. In non-probability sampling, the selection is based on the judgement of the researcher or the interviewer. The chance of an element being selected is unknown, thus the sampling error of the research is not possible to calculate.[26] The advantageous possibility to quantitatively

[19] Kinnear & Taylor, 1996.
[20] Lekvall & Wahlbin, 1993.
[21] Hartman, 1998.
[22] Kinnear & Taylor, 1996.
[23] Ibid.
[24] Lekvall & Wahlbin, 1993.
[25] Hartman, 1998.
[26] Kinnear & Taylor, 1996.

estimate the risks for inference errors when doing probability sampling is partly outweighed by the fact that these samplings have to be done with certain well-defined methods, which can make these costly and time-demanding in practise.[27]

Probability sampling includes methods such as simple random sampling, stratified sampling, and cluster sampling. As was mentioned above, each element or combination of elements has a known chance of being selected, and by these methods it is possible to calculate the possibility for inference errors.
Non-probability sampling methods include convenience sampling, i.e. sampling based on the convenience of the researcher; judgement sampling, i.e. when the sample is drawn on the basis of what an expert might think is the best sample, e.g. company representatives may be chosen as respondents if they are believed to possess knowledge relevant to the research; and quota sampling. The latter method of sampling is used when the researcher wants to examine attitudes of selected groups, e.g. females under the age of thirty.[28]

Sampling is important in any research not examining all elements, but especially in a study using a small sample, for which it is very important to make the selection representative or the results face the risk of being false.[29] Most of the sampling methods described above apply for quantitative studies such as large surveys, where sampling may require much effort and attention. In marketing research, sampling usually deals with elements in the sense of individuals used as respondents in a primary research. In studies of more qualitative nature, samples are often based on judgement so as to find a sample that will fit the research questions. Such samples are also called purposive samples.[30] [31] In a desktop study, it is also necessary to select and limit the focus on what secondary data to search for among the entire size of material. A way to make a selection of secondary data is to focus the documentary research, by specifying a set of criteria that is to be included and excluded respectively. The criteria for which sources to look for could be specified regarding subject, time, language, etc., for example that data on exports of agricultural products from the EU to Japan between 1995 and 2000 are of interest, but not data on tobacco nor documents in languages other than English. This selection method is useful when searching in databases for instance.[32]

Finally, a particular selection of data is often dependent on practical terms of availability, time, and cost, situations of which limit the possibilities of finding information. For example, the researcher may not have access to certain publications and databases, nor have the time and funds to acquire such access.[33]

3.2.3 Data analysis

Once data have been collected and processed, they must be analysed and attain clarity in form, in order to be able to interpret the results of the study.[34] There are different kinds of analysis procedures and techniques depending on the applied research design, for example. Quantitative data are mostly analysed by statistical methods, whereas it is

[27] Lekvall & Wahlbin, 1993.
[28] Kinnear & Taylor, 1996.
[29] Hartman, 1998.
[30] Ibid.
[31] Kinnear & Taylor, 1996.
[32] Backman, 1998.
[33] Hartman, 1998.
[34] Backman, 1998.

more suitable for qualitative data to use a kind of verbal analysis.[35] As for the former type of data, the number of variables to analyse at the same time must be determined. If the researcher wants to examine one variable at a time, a univariate data analysis technique is applicable. If, on the other hand, the attention is to analyse the relationship of two or more variables at a time, the examination should employ means of bivariate (two variables) and multivariate (more than two variables) data analysis techniques. Researchers are usually interested in describing the sample by using statistical measures indicating the central tendency of the collected data (for one variable), such as the mean, median, or mode value. It is also common to have a measure of dispersion, showing the spread of the distribution of recorded data, including relative and absolute frequencies by category, range, and standard deviation.[36] Moreover, the development over time of a variable can be analysed by a measure describing the variation from one point in time to another, e.g. using a measurement expressed as a percentage of the degree of change.[37] Quantitative data are frequently analysed and described in a graphical or tabulated form, for example when presenting the distribution of data by categories and changes of data over time. As for qualitative data, the collected material comes in an exclusively verbal form, e.g. notes of observations and interview transcripts. In this case, there are no fixed guidelines to follow when analysing the data, but they must be sorted out and categorized so as to eventually attain a complete picture and understanding of the studied area. This process can take place after all data have been collected or in the course of the collection procedure.[38] [39]

The data analysis stage is an important undertaking of both primary and secondary data. However, secondary data may come in a form already analysed and ready to apply in a description without any further adjustments. Such a shape can make it difficult to calculate supplementing measurements, since all background data rarely are available when using secondary sources.[40]

3.2.4 Applied procedure

Here, I will describe in detail the practical procedure of this study, with respect to sources and methods of sampling and analysis, that I have applied in my data collection.

The study was made in a time span of several years. I started to take an interest in the topic of this thesis shortly before my exchange study visit to Japan in 1997/98 [41]. In Japan, I was able to screen for possible sources of background information that could provide the basis for a descriptive study. The data I managed to collect there were supplemented with updated and new, deeper information upon my return to Sweden. This work was carried out mostly on a part time basis. One-and-a-half years before the presentation of this study, I began working full time to put all the information together into this thesis, a process during which further data were collected. More specifically, the time span of the total data collection was from October 1997 to January 2003, the first six months of which was conducted in Japan and the following remainder in Sweden.

[35] Patel & Davidsson, 1994.
[36] Kinnear & Taylor, 1996.
[37] Lekvall & Wahlbin, 1993.
[38] Ibid.
[39] Hartman, 1998.
[40] Lekvall & Wahlbin, 1993.
[41] One term from October 1997 to March 1998, at Hokkaido University in the city of Sapporo.

Most of the results in chapter 4 and 5 are based on data available through March 2002 (for chapter 4) and November 2002 (for chapter 5), respectively. These dates represent the cut-off points for most of the data collection. In many cases, this means that the latest data included in the results are describing facts as they were in year 2000 or 2001.

In my research, I have mainly used data from secondary sources supplemented with some primary data. I have used the following search strategy for finding sources of secondary data. I consulted teaching staff at my home university and Hokkaido University, and I made inquiries to the Japanese offices of the Scandinavian trade councils. Moreover, I have visited libraries in Japan as well as in Sweden, and the use of Internet has also been a valuable way to find information throughout my whole research period. Through these channels I managed to obtain appropriate material in the form of statistical publications, market reports, articles, etc. I have secured both original and acquired sources.
In broad outline, my selection of secondary data included sources of subjects answering all or parts of the research questions set up in the beginning of this study. In addition, I have mostly limited the selection to sources not older than five years at the time of each search, and mainly focused on information fully or partly written in English or in any of the Scandinavian languages (except Finnish). The number of sources must be limited with respect to the basic constraints of availability, time, and funds. In theoretical terms, the sampling method is based on a combination of convenience and judgement, as the material had to be readily accessible from my locations in Japan and Sweden, and chosen from a purposive standpoint.

The primary investigation was conducted through questioning of respondents. A few personal interviews were made with organization representatives at management level, in November 1997 and in January and March 1998 at their respective offices in Sapporo, Japan. The purpose of these interviews was to have preparatory information such as comments and insights to supplement other data. The interviews had a conversational style, discussing some general topics (see Appendix 4). These respondents were chosen on the basis of their field of work with relevance to this study, with the help of my lecturers at Hokkaido University. In Japan, I also made visits to a large number of retailers and a couple of food manufacturers for sheer observation. However, the main primary research was made to find information about Swedish food exporters and possible experiences of food trade with Japan. Initially, the total population was unknown regarding the number of Swedish-based companies exporting food to Japan. Therefore, a search was made in the following way and sources. A brief inquiry was sent via e-mail to companies active in the Swedish food industry, on whether they are exporting food to Japan, and if so, what products, how much, and for how long. The search started out from a list of Swedish companies recorded with reference to food exports to Japan, provided by the Tokyo office of the Swedish Trade Council.[42] Additional companies were selected from the *Swedish Export Directory 2001*, published by the trade council (2001); a ranking list of leading food manufacturers in Sweden provided by the Swedish Food Federation[43]; and from the

[42] Swedish Trade Council in Tokyo, mail, 10 May 2001.
[43] Livsmedelsföretagen, 2001.

company directory *Emfas* (2002). The inquiry included companies of all sizes in different kinds of food industry activities, but its focus was on large and middle-sized manufacturing companies.[44] The search could confirm 15 companies having exports to Japan at the time of inquiry of goods included in the trade commodity definition of this study (see table 2.4 and Appendix 2). Among these 15 exporters, a questionnaire about their trade experiences (see Appendix 4) was sent to those who were willing to participate, and had reported an export value to Japan of more than 100,000 SEK. As a result, the questionnaire was sent by e-mail to a total of 10 companies (to representatives at management level), of which all replied (two by telephone). Among these, it was fifty-fifty between large and middle-sized companies, and 6 of 10 were exporting consumer products to Japan. Eight of the ten exporters are in the food manufacturing industry, classified in industry code 15 by SNI92 (Swedish Standard Industrial Classification).[45] The whole investigation regarding Swedish exporters took place between May 2001 and October 2002.

In the end of this period, I was able to supplement the primary research about exporters, with an approximate number of all companies involved in exporting food to Japan (during 2001) from officially registered data supplied by the SCB:s Företagsregister, a company directory service at Statistics Sweden, Statistiska centralbyrån (SCB). This service offers information on Swedish-based companies on a commercial basis, e.g. about exporters and importers. However, the possibility to make inquiries about and order company data on foreign trade was not available until mid-2002, i.e. long time after my investigation was started. Because of cost restraints, I could not order all of the information, including the identity of companies, but a few inquiries were made without charge through which I received some relevant facts (see results in 5.4.3). Data on exports of goods to destinations outside the EU originate from the Swedish Customs, and cover all companies with such exports. Due to rules of confidentiality at SCB, it is not possible to order company data selected by exports to one country only, but the selection must include at least three destinations of the same group of countries.[46] In order to have exporter data for Japan only, I combined Japan with two countries in the same area, to which Sweden had no exports during 2001 (Nauru and Tuvalu), according to SCB's trade statistics.[47] Moreover, my search selection targeted companies with a main activity in one of the industry classifications defined in Appendix 3 as part of the food industry. This selection of industries was guided by the tentative definition of the food industry made by Jordbruksverket, the Swedish Board of Agriculture, specifying certain industries by SNI92.[48] By these conditions, SCB reported 24 companies having a total export to Japan of more than 100,000 SEK each (during 2001), of which 12 were classified within the food manufacturing industry.[49] Thus, the 10 surveyed companies represent a sample of 42% of the estimated total population of 24 exporters.

Most interrogations were performed with fairly high degree of standardization, and by mainly using open-ended questions where the respondent is allowed to freely state an unstructured answer. Oral answers were registered by taking down notes thoroughly. The questions used in the primary research are presented in Appendix 4. As for the questionnaire, the wording of some of the questions was slightly adjusted during the

[44] Here, medium-sized enterprises are defined as those having 10-199 employees (small: < 10; large: ≥ 200).
[45] AffärsData, 2002.
[46] SCB:s Företagsregister, e-mail, April-October 2002.
[47] Sveriges statistiska databaser, 2002a.
[48] Jordbruksstatistisk årsbok 2002, 2002.
[49] SCB:s Företagsregister, e-mail, 11 & 18 October 2002.

course of investigation. Not all questions were answered by every respondent, but the total number of internal non-responses was very few. Like the collection of secondary data, the sampling method of the selection of respondents is based on a combination of convenience and judgement sampling. They had to be readily available from my location in Japan in the case of the personal interviews I made there, and through e-mail/telephone in the other cases. The individual respondents were chosen with respect to their field of work and knowledge, and matching the research objectives. In addition, single inquiries (by e-mail, phone, or fax) have been put to various organizations with possible data of use to this research.

Collected data of quantitative form were analysed by univariate analysis procedures and descriptive statistics. The data were in large part analysed by statistical measurements such as the absolute or relative frequency and variation, for describing the distribution of data and change over time respectively. The arithmetic mean has been the primary measure to describe the central tendency of collected data. Much of the data have been analysed and described in figures and tables to make the facts easier to comprehend. Where data values are compared with other data of the same kind but from another source (e.g. country) using a different calculation-basis, I have tried to increase the comparability between the data by re-calculating one of the data points if possible, so as to have the same underlying basis. For example, this was done regarding household food spending figures in Sweden, for better comparison with Japanese figures.
The analysis of qualitative data can be described as a jigsaw puzzle process where different pieces were put together to create a coherent picture from which some phenomena can be understood. Such results are mostly described verbally, but some issues are also explained in graphical form.

The applied research method is summarized in the table below.

Table 3.1: Summary of applied research method

Research design	Mainly a descriptive objective with a wide study approach, seeking quantitative and some qualitative data, primarily secured by a desktop study.
Research procedure	Mainly a collection of data from secondary sources, supplemented with some primary data through questioning of respondents. Sources were selected with a combination of convenience and judgement sampling, and the collected data of quantitative nature were analysed by univariate procedures and descriptive statistics.

3.3 Evaluation

It is recommended to make an evaluation of possible errors in a research study, as it is difficult to exclude research errors completely. Errors can have the effect that serious misinformation is communicated to users of research results.[50] Below, I will mention some possible sources of errors and explain validity and reliability, the concepts of which are important in the measurement process. Then, I will try to evaluate the work of this study with respect to different methodological aspects from the viewpoint of my personal, subjective reflections.

3.3.1 Sources of errors

Basically there are two types of errors – sampling errors and non-sampling errors. Sampling errors occur when the research utilizes samples of people, companies, etc. Such errors arise from the difference between the value of the selected sample and the underlying value of the total population. Non-sampling errors are all other errors that may occur in the marketing research process, and can be difficult to identify as they are not easily measurable.[51] Examples of non-sampling errors are a faulty problem definition, wrong research design and content, non-response errors affecting the representativity of the selected sample, measurement errors, etc.[52] [53] As for non-responses, a questionnaire may have both external and internal non-responses. The former ones are those recipients of a questionnaire who choose not to respond at all, while internal non-responses are individual questions not answered by some respondents otherwise replying to the questionnaire.[54] Measurement errors may occur in the data collection procedure because of shortcomings in the measurement instrument (e.g. a questionnaire) and/or how it is used, such as low validity and low reliability.[55] [56] These two concepts are explained in more detail below.

3.3.2 Validity

The validity of a measurement is to what extent the measure is free from both systematic and random errors. The former kind of errors are made with the same bias on all errors, e.g. if a stopwatch used at measuring the time of sprinters is systematically incorrect, there would be a systematic error. However, if different stopwatches are used, and if only one is incorrect, there will be a random error. The validity tries to answer the question if we are really measuring what we think we are measuring.[57]
There are four major ways to estimate validity; construct validity, content validity, concurrent validity, and predictive validity. Construct validity involves comparing the results of the study with the theoretical framework developed for the object being measured, and if the results agree with the theory, the research has a high validity. Content validity implies a subjective judgement by an expert as to the appropriateness of the measurement. Concurrent validity is measured by conducting two different measurements with different techniques at the same point in time, and this method is

[50] Kinnear & Taylor, 1996.
[51] Ibid.
[52] Ibid.
[53] Lekvall & Wahlbin, 1993.
[54] Ejlertsson, 1996.
[55] Lekvall & Wahlbin, 1993.
[56] In this context, measurement is defined as the assignment of numbers to characteristics of objects or events according to rules. (Kinnear & Taylor, 1996) For example, using demographic data values to describe some buyer characteristics.
[57] Kinnear & Taylor, 1996.

usually used to control new techniques. Predictive validity is when the research results predict a future phenomenon, and if they correlate, the research has a high degree of predictive validity.[58]

3.3.3 Reliability

Reliability is referring to the consistency, accuracy, and predictability of the research findings. It tries to measure to what extent random errors have occurred in the research process, and it answers the question if the result of the measurement would be the same another time whoever taking the measurement. A study can have a high degree of reliability even though the research findings do not answer the relevant research questions.[59] A low level of reliability can be caused by differences in conducting each interview, factors connected to the particular situation like noise, stress, etc., and too low a stringency when formulating the measurement instruments.[60] There are a few ways to estimate reliability, such as test-retest, alternative-forms, and split-half methods. The test-retest reliability is when the research is conducted repeatedly and the conditions, respondents, methods, etc. are kept as similar to the original research as possible. The studies are then compared to discover similarities and dissimilarities. The main problem with this method is the difficulty of keeping the conditions unchanged. Alternative-forms reliability involves giving the respondent questions in two forms that are judged equivalent, but are not identical. If the answers to the equivalent questions are similar, the research has a higher degree of reliability than if not. The problem is, however, to formulate equivalent questions. Split-half reliability is a version of the former technique, and involves randomly splitting the questions into two equivalent groups and then comparing these groups' answers with each other to see if they correspond.[61]

3.3.4 Evaluation of the study

The purpose of this study was to describe conditions and characteristics of the Japanese food market, regarding research objects that were set out in the frame of reference. The research questions were seeking information about the consumer market and foreign entry, respectively. I find the applied research design suitable for this study's objectives and information needs. The market analysis was aiming at making a descriptive report, and the information requirement was wide, seeking both quantitative and qualitative data, mostly retrievable from secondary sources.

The procedure of the research was carried out on the basis of the formulated research design. The data collection and analysis matched the objectives properly, and supplied information able to deliver some answers to the research questions. Under the constraints of availability and resources in time and money, adequate sources were obtained with appropriate methods of collection. The total level of errors in this research is estimated to be low.

[58] Kinnear & Taylor, 1996.
[59] Ibid.
[60] Lekvall & Wahlbin, 1993.
[61] Kinnear & Taylor, 1996.

The selection of sources was based on an appropriate judgement with reference to the purpose of the study. The sample size of the main primary research (Swedish companies exporting food to Japan) is relatively large in relation to the total population, though the actual number is rather few. With reservations against factors described further down, the representativeness of the sample is high along with very few non-responses (no external), and therefore the sampling error is judged to be low in this case. However, the possible level of sampling errors is not possible to calculate, due to the choice of non-probability sampling.

I estimate the measurement process and research findings to have a fairly high degree of validity and reliability, though this is difficult to estimate exactly as no special tests have been made. The frame of reference for this study is based on established theories and models developed by experts in relevant fields. When measuring consumer characteristics, for example, the research is looking at well-known, established factors used in describing populations. The information requirements with exporters were validated by consulting experts in the field of food trade. The study rests highly on secondary data from several reliable sources, with fairly high accessibility. The primary investigation was conducted in a well-prepared way, interrogating relevant respondents with expertise knowledge, in a highly standardized format. The depiction of the applied procedure above facilitates replication of my work, and a new research with the same objectives, design, and procedure should arrive at similar results. However, some parts of a market analysis can be rather perishable as things change over time, suggesting that the outcome of this study might be slightly different if the research would be done in a few years time. I consider the results of my study to be both valid and reliable. The construct and content supported the validity of the research, and the reliability was maintained by a consistent, accurate, and predictable research procedure. This should indicate that the occurrence of both systematic and random errors is low in this study.

There are some possible sources of errors in this study. Due to difficulties in formulating a practically suitable research design from methodology theory, the applied design may not abide by the textbook definition in every aspect. Moreover, the representativity regarding the main primary research is not totally perfect. As the total population of exporters is rather small, a larger sample size would improve the representativity and the ability to draw more accurate conclusions. Moreover, the sample has an over-representation of manufacturing companies compared to the total population, and the sample may also have a skew distribution of including companies with respect to other factors such as their size, type of product market, etc., as such details are not known for the total population.
This study rests highly on secondary sources, the data from which are collected for other purposes than this thesis. The accuracy of the secondary data is not easily evaluated, and sources may vary in the degree by which their published information has undergone critical review. All of the data do not fit the information needs completely, as some underlying definitions and measurements are different or not clearly stated. For example, data displaying the total value of a food trade statistic with no detailed

definition may include product categories not fitting the information requirement perfectly. In addition, some of the secondary data may be too old to describe present situations. This may slightly lower the validity and the reliability of the results. However, high quality sources have been used as much as possible, and efforts have been made to know the basis of presented information and make necessary corrections. Furthermore, by delimiting the sources by language, there is a risk for bias in the results. For a specific issue, the viewpoint of a Japanese source may differ from that of an English source. I have tried to pay attention to facts and use bilingual, Japanese sources when possible in order to avoid this potential error. Finally, using non-probability procedures when selecting sources implies that the degree and direction of error are unknown, as it is not possible to calculate the sampling error in such cases. Thus, the study results might have some inaccuracies, but overall, my estimation is that this research contains few sources of errors.

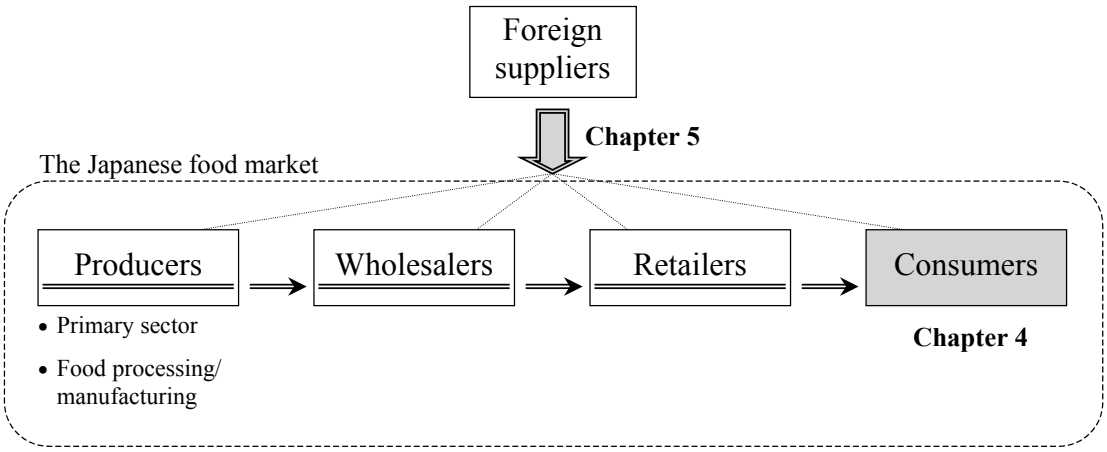
RESULTS – The outcome of the study

In the two following chapters (4 – 5), the results of my research will be presented. This is done in the form of a market analysis, describing different aspects of the Japanese food market. Chapter 4 describes the main characteristics of the consumer market, and chapter 5 reports about foreign entry with a special part on market entry from a Swedish perspective.

Hopefully, the research findings will include material to adequately answer the research questions, and be interesting reading as well.

Chapter 4: THE FOOD CONSUMER MARKET (pp. 57-96)

Chapter 5: FOREIGN ENTRY (pp. 97-143)



4 THE FOOD CONSUMER MARKET

Here, the Japanese food consumer market will be described by presenting different demographic, social and psychological characteristics. The chapter is divided into three main parts. The first part presents the demographic situation of Japan, and the next one deals with social and psychological factors influencing consumers. The final part will try to describe the Japanese food consumer behaviour.

4.1 Demographics

In this part, various aspects of statistical nature concerning the Japanese population will be presented. Data about population size, age, labour, income, etc. will give a clearer picture of the Japanese consumers. A brief description of the present state of Japan's national economy is also included here. Since this part deals a lot with statistics, it handles a great amount of numbers, of which some are presented in figures and tables.

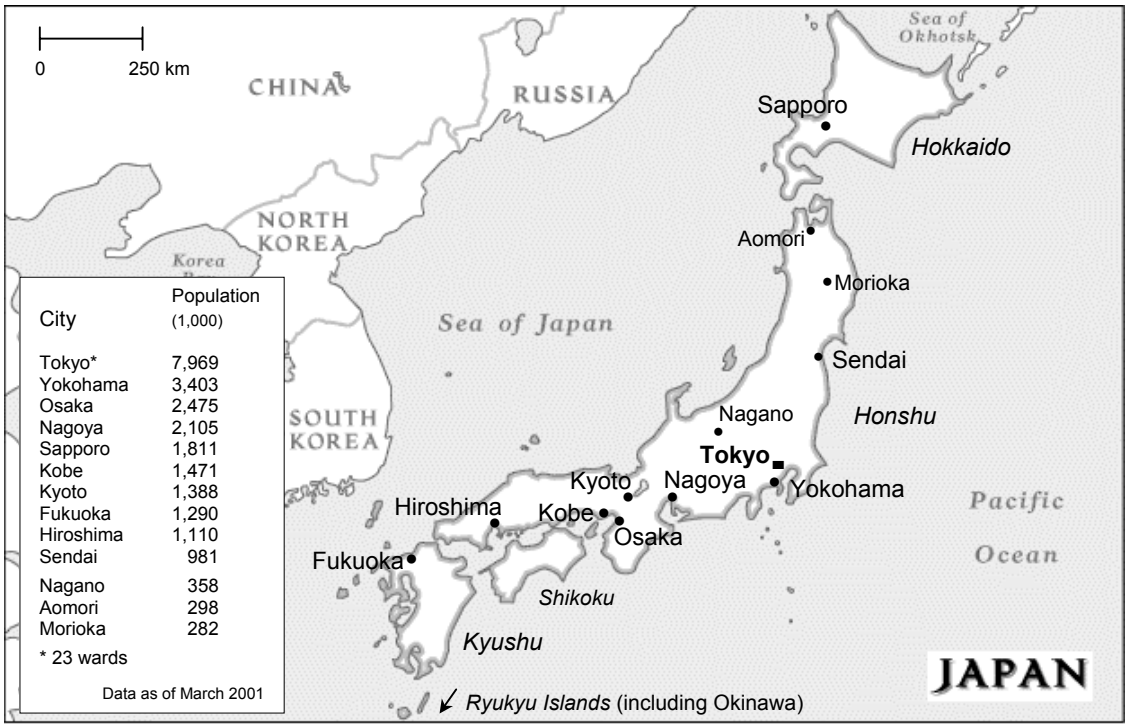
4.1.1 Geography and population size

Japan is a densely populated country with about 127 million people inhabiting a group of roughly 7,000 islands covering an area of almost 378,000 km^2 (or 373,000 km^2 if the disputed Northern Territories are not included). The chain of islands extends in a 3,000-km long arc of mountains along the eastern rim of the Asian continent. It stretches from southwest at the southern islands of Okinawa to northeast at the northern end of Hokkaido. The population is concentrated to four major islands – Honshu, Hokkaido, Kyushu, and Shikoku, where Honshu is the largest one and considered to be the mainland of Japan.[1] [2]

The total land area of Japan (including inland waters) is 0.84 times the land area of Sweden and 1.56 times that of the United Kingdom. This means a population density of 340 inhabitants per km^2 of total land area (excluding the Northern Territories), more than twice that of the EU and 17 times that of Sweden.[3] [4] However, the real population density in Japan is much higher due to the small area of habitable land[5], since two thirds of the land area is occupied by inhabitable woodland and mountains.[6] The population density of habitable land is estimated to 1,046 persons per km^2 (2000),[7] which is by far outnumbered by the density in the metropolitan area of the 23 wards in the city of Tokyo where nearly 13,000 people are living on each square kilometre.[8]

On the next page, there is a small map of Japan, pointing out the major islands and a few large and middle-sized cities. The page also shows all of the administrative divisions, the so-called prefectures, and the major regions of Japan.

[1] Japan Almanac 2002, 2001.
[2] Ministry of Land, Infrastructure and Transport [MLIT], e-mail, 5 March 2002.
[3] Japan Almanac 2002, 2001.
[4] Statistisk årsbok för Sverige 2001, 2000.
[5] Habitable land area is defined as the total land area (excluding the Northern Territories) minus forestry areas and lakes. For 2000, the size of habitable land was estimated to 121,292 km^2. (MLIT, e-mail, 5.3.02).
[6] MLIT, e-mail, 5.3.02.
[7] Ibid.
[8] Japan Almanac 2002, 2001.



City	Population (1,000)
Tokyo*	7,969
Yokohama	3,403
Osaka	2,475
Nagoya	2,105
Sapporo	1,811
Kobe	1,471
Kyoto	1,388
Fukuoka	1,290
Hiroshima	1,110
Sendai	981
Nagano	358
Aomori	298
Morioka	282

* 23 wards

Data as of March 2001

Regions and prefectures (47 administrative divisions):

HOKKAIDO
1 Hokkaido

TOHOKU
2 Aomori
3 Iwate
4 Miyagi
5 Akita
6 Yamagata
7 Fukushima

KANTO
8 Ibaraki
9 Tochigi
10 Gumma
11 Saitama
12 Chiba
13 Tokyo
14 Kanagawa

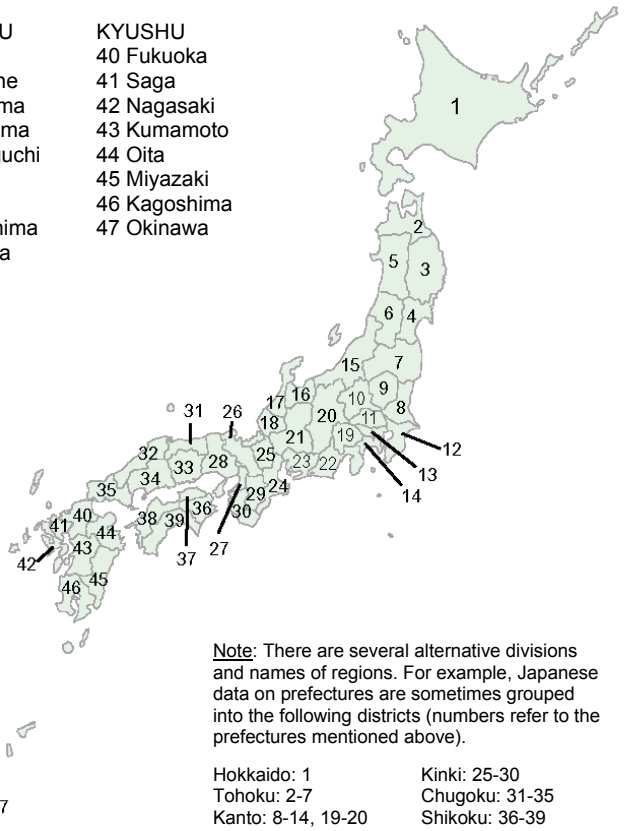
CHUBU
15 Niigata
16 Toyama
17 Ishikawa
18 Fukui
19 Yamanashi
20 Nagano
21 Gifu
22 Shizuoka
23 Aichi

KINKI
24 Mie
25 Shiga
26 Kyoto
27 Osaka
28 Hyogo
29 Nara
30 Wakayama

CHUGOKU
31 Tottori
32 Shimane
33 Okayama
34 Hiroshima
35 Yamaguchi

SHIKOKU
36 Tokushima
37 Kagawa
38 Ehime
39 Kochi

KYUSHU
40 Fukuoka
41 Saga
42 Nagasaki
43 Kumamoto
44 Oita
45 Miyazaki
46 Kagoshima
47 Okinawa



Region	Population (1,000)
Hokkaido	5,675
Tohoku	9,838
Kanto	40,082
Chubu	21,505
Kinki	22,459
Chugoku	7,738
Shikoku	4,191
Kyushu	14,796

Data as of March 2001

Note: There are several alternative divisions and names of regions. For example, Japanese data on prefectures are sometimes grouped into the following districts (numbers refer to the prefectures mentioned above).

Hokkaido: 1	Kinki: 25-30
Tohoku: 2-7	Chugoku: 31-35
Kanto: 8-14, 19-20	Shikoku: 36-39
Hokuriku: 15-18	Kyushu: 40-46
Tokai: 21-24	Okinawa: 47

(The Kinki district is also known as the Kansai area.)

Figure 4.1: Geographical and administrative map of Japan
Source: Japan Almanac 2002, 2001, pp. 4-5, 60, 278-281; National Geographic, 1998; National Personnel Authority, 2000; Statistics Bureau of Japan, e-mail, 29 March 2002.

Around 1960, there was a shift in population to the Tokyo, Osaka, and Nagoya urban areas, with resulting depopulation of other regional areas. From the 1980's, this shift continued only regarding the Tokyo area, but its pace has slowed down. In 2001, these three major urban areas [9] had about 44% of the total population in Japan. About 4/5 of the Japanese population is concentrated in urban centres,[10] and there are 12 cities with a population of one million people or more.[11]

The population trend for the whole of Japan is summarized in figure 4.2.

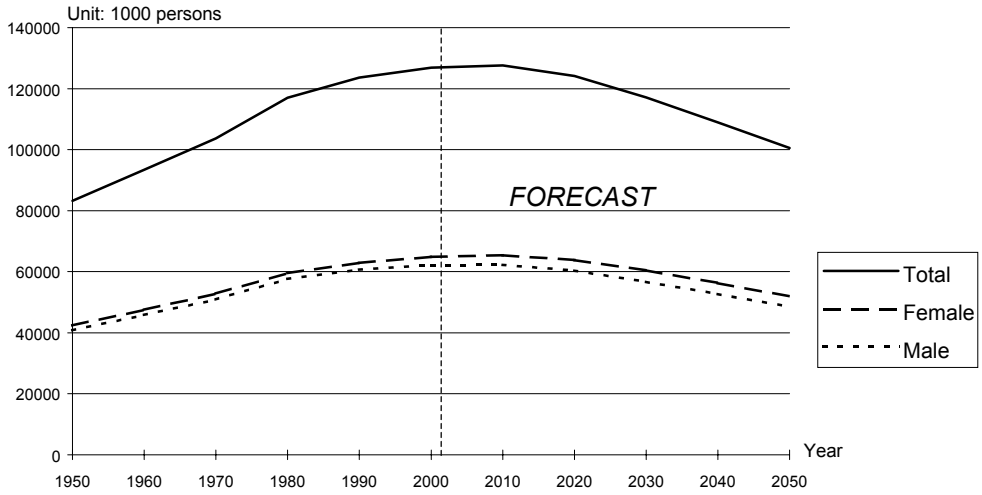


Figure 4.2: Population trend
Source: Japan Almanac 2001, 2000, pp. 284-285; Japan Statistical Yearbook 2001, 2001, table 2-2, Statistics Bureau, 2002d, table 3.

The Japanese population grew rapidly during the post war era, with about five percent increase every five years. The growth came to a slower pace around 1985. By estimated population data for 2000, Japan is now the 9th largest country in the world.[12] The peak is anticipated between 2005 and 2010 approaching 128 million people, before a steady decline will bring the Japanese population to less than 115 million by 2035.

4.1.2 Age and gender

Compared to the situation in 1950, Japan's population structure has changed from a traditional pyramid shape with declining people of older age groups, to a bulb-shaped aspect with fewer people in young age groups and a larger portion in the middle age groups.[13] This shape is not unique to Japan and can be seen in many Western developed countries, but the originality in the case of Japan is the speed by which this changing population structure has taken place.[14] Nowadays, the numbers of people aged 65 years or older exceed those who are 14 years old or younger.[15]

[9] The urban area is within a 50-km radius of the actual city.
[10] 79% 1998 (Statistisk årsbok för Sverige 2001, 2000).
[11] Japan Almanac 2002, 2001.
[12] Statistics Bureau, 2002d.
[13] Japan Almanac 2002, 2001.
[14] Verdier, 1997.
[15] Japan Almanac 2002, 2001.

Figure 4.3 shows the population distribution by age and gender, according to the latest population census in 2000.

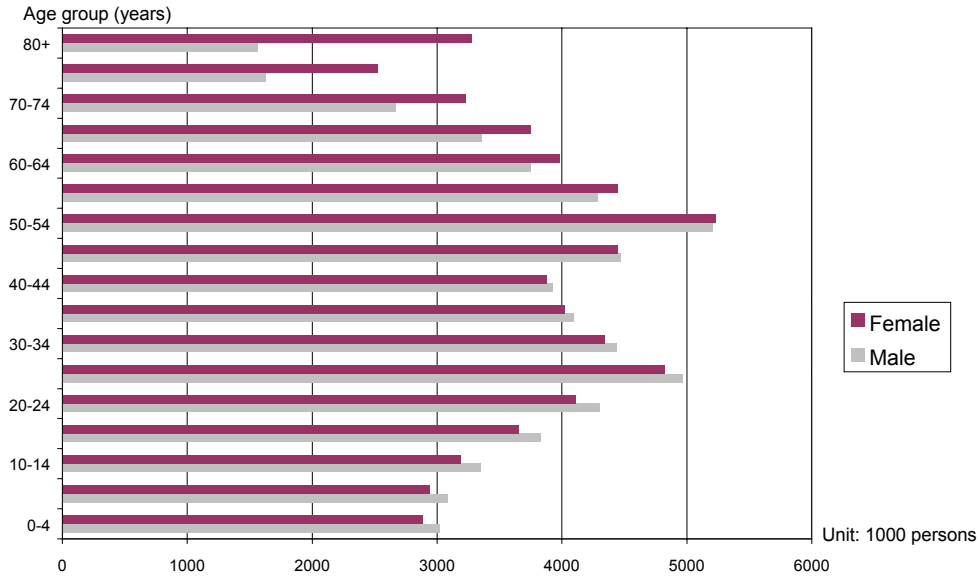


Figure 4.3: Population by age and gender, 2000
Source: Statistics Bureau, 2002d, table 3.

The two most numerous age groups are the 50-54 and 25-29 years age strata. Regarding gender, women outnumber men in total numbers. In 2000, there were about 104.4 women per 100 males, and there seems to be a steady increasing trend toward an estimate of 106.8 women per 100 males by 2035.[16] [17] The population distribution by age group shows an increasing number of women with time. Men are slightly more numerous up to 50 years of age, while women take an advantage from the 50-54 age group and onwards.

The life expectancy at birth in Japan is higher than in most other countries. Women in Japan can on average expect to live up to the age of 84 years. Most of the Japanese people die from cancer, the death rate of which is still increasing and is twice as high as that for heart diseases, the second most common cause of death in Japan.[18]

Table 4.1: Natality, mortality, and longevity in Japan compared with other countries, 2001 (estimates)

Country	Natality (‰)	Mortality (‰)	Above 65 (%)	Average life expectancy (years)	
				Men	Women
Japan	10.04	8.34	17.53	77.62	84.15
Sweden	9.91	10.61	17.28	77.07	82.50
France	12.10	9.09	16.13	75.01	83.01
Germany	9.16	10.42	16.61	74.47	80.92
Italy	9.05	10.07	18.35	75.97	82.52
U.K.	11.54	10.35	15.70	75.13	80.66
U.S.A.	14.20	8.70	12.61	74.37	80.05

Note: These data may differ from those of other sources.
Source: The world factbook 2001, 2001.

[16] Japan Statistical Yearbook 2001, 2001.
[17] Statistics Bureau, 2002d.
[18] Japan Almanac 2002, 2001.

The other side of the ageing society problem is the low birth rate. The Japanese birth rate is among the lowest in the world, and it has showed a rapid decline since the 1970's until it stabilized in recent years.[19] The drop in birth is especially noted in the younger generations and can be explained by longer studies, delaying marriage and family creation, etc. Couples may also take into account the cost of education and the difficulty of being a mother as well as a working woman.[20]

The growing weight of the older group will affect economic and social life as new needs is emerging. The government as well as the industry must deal with problems of how to support the elders and increasing medical requirements. The care of these people toward the end of their life has to be considered. In April 2000, a new nursing care program for elderly was introduced in Japan, financed by the government and insurance premiums people must pay from the age of 40. Under this system, the charge of the care is limited to ten percent of the actual cost.[21]
The index of so-called dependent people (i.e. people aged 14 and younger plus those aged 65 and older, relative to the population in the age of 15 to 64 years) was at 47% in 2000 and is expected to rise toward 60% by 2010.[22] [23] As the upper limit for positive contribution to the economy is said to be about 40%,[24] it is a rising problem the Japanese government must face. It appears that Sweden and Japan share many problems related to the ageing society.

4.1.3 Labour

The composition of Japan's labour force is gradually changing along with other changes in the Japanese society, such as those of the age distribution, industrial structure, values regarding social and professional lives. In October 2002, the size of the total labour force population was 67.2 million people, of which 3,620,000 (5.4%) were reported as being unemployed.[25] By 2020, the total figure is anticipated to be around 63 million, and together with less working time, the total work supply will decrease by about 10% (2000-2020).[26] [27] The decline in number of working hours in recent years is largely due to the implementation of the 40-hour workweek system in 1997, but the effect of the economic recession may also be part of the explanation.[28]

[19] Japan Almanac 2002, 2001.
[20] Verdier, 1997.
[21] Cassel, 2000.
[22] Japan Almanac 2002, 2001.
[23] Japan Statistical Yearbook 2001, 2001.
[24] Verdier, 1997.
[25] Monthly Statistics of Japan, 2003.
[26] Japan Almanac 2002, 2001.
[27] Verdier, 1997.
[28] Japan Almanac 2002, 2001.

Figure 4.4 shows the evolution and recent situation of the industrial distribution of employment.

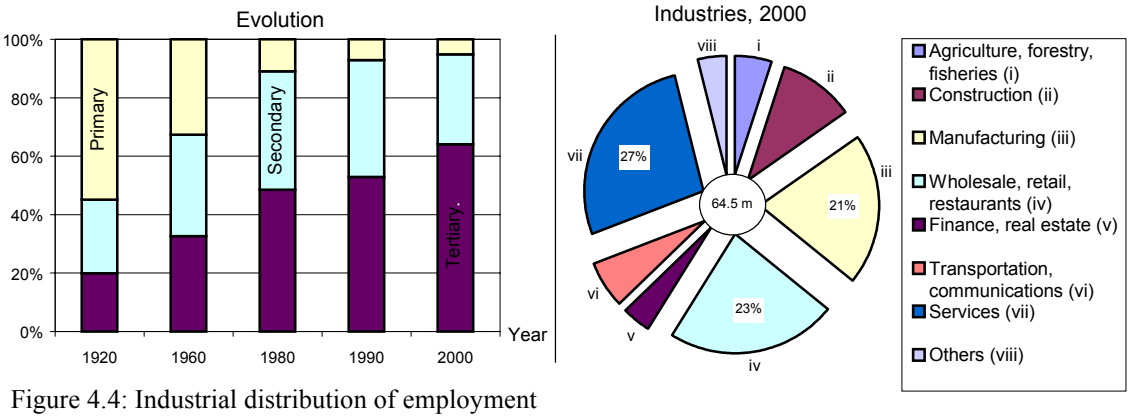


Figure 4.4: Industrial distribution of employment
Source: Monthly Statistics of Japan, 2001, tables C-1, C-2; Verdier, 1997, p. 7.

As the left chart indicates, the majority (64% in 2000) of the employed labour force is now working in the tertiary sector, not unlike many Western developed countries. About 1/5 is employed in the manufacturing industry, the traditional core of the Japanese economy. The tertiary sector is made up of many small and medium-sized companies whereas big corporations stay the characteristics of the manufacturing industry.[29]

The vast majority of the employed work force is in the employee category (4/5), which is made up of a large number of so-called *salarymen* or white-collar workers. The difference between white and blue collars tends to fade with the high level of education of the Japanese work force. Many Japanese firms have a combination of permanently employed core members and temporary workers. Almost three out of ten employees are not part of the regular staff, such as part-timers and temporary workers, many of whom are women.
Self-employed people represent more than ten percent of all employed (2000). In this category, a large part is owner-operators of small incorporated businesses. About 25% hire employees, but many engage family members.[30] [31] [32]

Regarding the age distribution of the work force, there has been an increase of the older age groups' share and a decreasing share of young workers, as a consequence of the overall ageing population. The two most numerous age strata in terms of working population are the 50-54 and 25-29 groups. Together, they represent a quarter of all employed persons (December, 2001). The participation by the elderly (65+) in the employed work force is approaching 8%, and is expected to increase furthermore. Today, the standard retirement age is 60 at most firms, but for economic reasons many continue to work even when receiving their pension.[33] [34] [35]

[29] Verdier, 1997.
[30] Monthly Statistics of Japan, 2001.
[31] Statistics Bureau, 2001b.
[32] Verdier, 1997.
[33] Japan Statistical Yearbook 2002, 2002.
[34] Statistics Bureau, 2002c.
[35] Verdier, 1997.

As for gender, men are in majority among the working population. Women represent 41% of the employed people (2001).[36] More women with higher education and the rising service industry have contributed to a larger portion of women. A large number of the female work force holds part time positions, but the range of employment available to women has broadened. Women's employment curve by age group has an M-shaped form because a lot of women stop working for some years, after getting married and having children to take care of. However, the conception period has been reduced as women marry later in age and have fewer children than before.[37]

The prolonged economic recession has made the ratio of job offers to applicants decline substantially in recent years. This ratio is not expected to improve much in the near future, as Japan is in the process of industrial restructuring.[38] Several big Japanese corporations have announced that they must lay off thousands of workers in order to restructure their businesses into a more economically sound format.[39]
The unemployment rate was at a record high level in March 2002 with 5.7% of the labour force finding no employment.[40] However, a Japanese insurance company reported in 1999, that the real level of unemployment should be around 11%, which was the estimated redundancy among Japanese companies at that time.[41] It is particularly hard for younger people to find work. For the group aged under 25 years, the unemployment rate is almost twice as high as the national average (2001 annual average).[42] By ten regions, the Kinki area had the highest rate of unemployed people in the final quarter of 2001 (6.3%), while the Hokuriku region at the central west coast of Honshu had the lowest rate with only 3.9% of the work force not employed.[43]

4.1.4 Education

Japan is a society where education is highly regarded. Educational achievement is often necessary for success in work and in society at large.[44] Academic achievement of Japanese students is often very high by international standards. According to an international survey by the OECD in 2000 including 31 countries, Japan ranked 8, 1, and 2 by the average test results of 15-year-old students in reading, mathematics, and science (Swedish ranking: 9, 15, and 10). For reference, the variation between the highest and lowest scores is smaller for Japanese students compared to the results of Swedish students. By classroom discipline, Japanese schools have the highest index score for disciplinary climate of all countries compared, while Swedish schools are below the OECD average.[45]

Japanese children begin school at the age of six and have nine years of compulsory education. In 2000, there were 11.5 million students in elementary and junior high schools. Senior high schools enrolled over 4 million students for three years of studies.[46] About 97% of the students go on to senior high schools, and 45% of high school graduates directly advance to university or other forms of higher education (2000).[47]
In Sweden, the corresponding figures were 97.5% and 17.4%[48], respectively (for 2000 and 1999, respectively).[49]

[36] Monthly Statistics of Japan, 2003.
[37] Verdier, 1997.
[38] Japan Almanac 2001, 2000.
[39] Forsberg, 2001.
[40] Monthly Statistics of Japan, 2003.
[41] Japan: 3 miljoner människor utan jobb, 1999.
[42] Statistics Bureau, 2002c.
[43] Ibid.
[44] Library of Congress, 1994.
[45] OECD, 2001b.
[46] Japan Almanac 2002, 2001.
[47] Japan Statistical Yearbook 2002, 2002.
[48] After three years, 41% of all graduates finishing high school 1996 were enrolled in higher education.
[49] Skolverket, 2001.

In addition to regular schools, many Japanese children attend *juku*, special private schools that offer lessons conducted after regular school hours. They provide supplementary education, mostly in order to prepare students for important entrance examinations of senior high schools and universities, but they also offer subjects not available in public schools.[50]

As for higher education, junior college students study for about two or three years, while a degree from a university usually requires four or more years of studies.[51] Universities provide four-year education leading to a bachelor's degree, and some also offer six-year programs leading to a professional degree.[52] In 2000, junior colleges hosted about 330,000 students, 90% of whom were females.[53] At the same time more than 2.7 million students were enrolled in Japan's 649 universities, 478 of which were private. Private institutions account for almost three quarters of all university enrolments, but the public national universities are said to be the most highly regarded.[54] [55] There has traditionally been a close link between university background and employment opportunity. Because Japanese society attaches great importance to academic credentials, the competition to enter the prestigious universities is very keen.[56] The share of female students continuing on to universities has increased steadily.[57] Still, male students are in majority at the universities, with 64% of all enrolled students in 2000. Women's choices of programs of study tend to follow traditional patterns, with most women enrolled in courses of literature, commerce, education, household subjects, and health care. Few female students study scientific and technical subjects like engineering, one of the most popular subjects for male students in Japan (2000).[58]

The average costs (tuition, fees, and living expenses) for one year of university education in FY2000 were 2.1 million yen (or about 150,000 SEK [59]), of which parents paid 75 percent, or close to 1/5 of an average worker's family household income in 2000. To help bear the expenses, students frequently work part-time.[60] [61]

4.1.5 Households

The number of households increased by 15% between 1990 and 2000 to about 46.8 million units. The distribution of households is still centred on couples with children in nuclear families, but the share of this category to all households has declined, while couples without children are increasing as well as single households. In 2000, single households represented close to 28% of all households.[62] There has been an increase in both men and women who will stay single, and the time of marriage tends to be delayed. The average age of first marriage is 28.8 for men and 27.0 for women (2000).[63] Besides single households, also households with elderly people (65+) have showed a high rate of increase over the last two decades. Traditionally, it has been very common for elderly to live together with families of adult children. The tradition has it that it is the obligation of the eldest son to take care of the parents when they grow old. Still, more than 50 percent of all Japanese aged 65 and over co-reside with one of their

[50] Library of Congress, 1994.
[51] Japan Almanac 2002, 2001.
[52] Library of Congress, 1994.
[53] Japan Statistical Yearbook 2002, 2002.
[54] Japan Almanac 2002, 2001.
[55] Library of Congress, 1994.
[56] Ibid.
[57] Japan Almanac 2002, 2001.
[58] Japan Statistical Yearbook, 2002.
[59] Value at 13.63 JPY/SEK exchange rate, 30 Dec. 2002 (FXHistory, 2003).
[60] Japan Almanac (2002 & 2003), 2001, 2002.
[61] Library of Congress, 1994.
[62] Japan Statistical Yearbook 2003, 2003.
[63] Statistical handbook of Japan 2002, 2002.

children's families, but the trend is toward elderly maintaining separate households to a higher degree than before.[64] [65]

Table 4.2 presents the number and distribution of different household categories.

Table 4.2: Distribution of private households

Households (unit: 1000)	1990	1995	2000	1995	2000
Total	**40,670**	**43,900**	**46,782**	**100%**	**100%**
Households of relatives	31,204	32,533	33,679	74.1	72.0
- Nuclear families	24,219	25,760	27,331	58.7	58.4
couple [married]	6,294	7,619	8,835	17.4	18.9
couple with child(ren)	15,172	15,032	14,919	34.2	31.9
father with child(ren)	425	485	545	1.1	1.2
mother with child(ren)	2,328	2,624	3,032	6.0	6.5
- Other relatives households	6,986	6,772	6,348	15.4	13.6
couple & both parents	212	227	238	0.5	0.5
couple & one parent	555	638	699	1.5	1.5
couple, both parents & child(ren)	1,844	1,719	1,442	3.9	3.1
couple, one parent & child(ren)	2,457	2,326	2,084	5.3	4.5
other	1,918	1,862	1,885	4.2	4.0
Single households	9,390	11,239	12,911	25.6	27.6
Other	77	128	192	0.3	0.4

Note: Due to rounded numbers, values may not exactly add up to subtotals and totals.
Source: Japan Statistical Yearbook 2003, 2003, table 2-19.

The average number of family members per household has continued to decrease, and according to the results of the 2000 national census, there were on average 2.67 members of each household. Regarding households with children, the normal family usually had two children, but nowadays, it is equally common for families to have only one child as to have two children. Both categories each represent about 12 percent of all households.[66]

Japanese homes have been infamous of their small spaces, but surveys show steady improvements. In the last 25 years (1973-1998), the total number of homes has increased by more than 60% to about 50 million units, of which 43.9 millions were occupied (95% used exclusively for living) as of October 1998. More than half of all occupied dwellings were constructed in the 1970's and 1980's.[67] [68] In the same 25-year period, the number of rooms per home rose by 15%.[69] In 1998, the average size of a non-vacant home in Japan was 92.4 m^2 measured by its total area of floor space, or 31.8 tatami/straw mat (≈ 52.4 m^2) available in dwelling rooms (excluding bathrooms, entrance halls, etc.). About four out of seven households live in detached houses, and the majority of Japanese households own their homes (60%).[70]

[64] Cassel, 2000.
[65] Statistical handbook of Japan 2001, 2001.
[66] Japan Almanac 2003, 2002.
[67] Japan Almanac 2002, 2001.
[68] Statistics Bureau, 2000.
[69] Japan Almanac 2002, 2001.
[70] Statistics Bureau, 2000.

4.1.6 Income and spending

In 2000, the average monthly pay per employee (in all industries) was 398,100 yen, of which regular wages (fixed wage + overtime pay) represented a little more than 3/4, and the remainder was made up of special wages such as bonus, one-time pay, etc.[71] [72] Normally, the salary is much higher in the final month of the year (about twice as high as the monthly average), because of the extra bonus usually received in the end of the year. June and July salaries are also higher than that of the average month.[73] As for fixed wage per working hour paid to production workers in the manufacturing industry, it was 1,511 yen on average (2000).[74] [75]
During the same time in Sweden, the corresponding hourly pay was 108.20 SEK, and the average monthly salary was 20,500 SEK (all sizes of enterprise).[76] [77] [78] The estimated real PPP (purchasing power parity) exchange rate in 2000 would give the Japanese worker 24,300 kronor for his/her monthly earnings, and the industrial worker would receive 92 SEK for the hourly wage, translated into its corresponding, possible expenditure value in Sweden.[79] The average nominal exchange rate in 2000 would give 33,700 and 128 SEK, respectively.[80]

By gender, male employees were paid on average 336,800 yen in fixed salary, about 1.5 times more than female employees received (2000). The salary increases by age. Males in the 20-24 age group were paid about 200,000 yen in fixed salary, while men in the age of 50-54 years received 430,000 yen. However, women's salaries show much less increase by age.[81] [82]

The following chart shows how the level of monthly wages in Japan has developed since 1980.

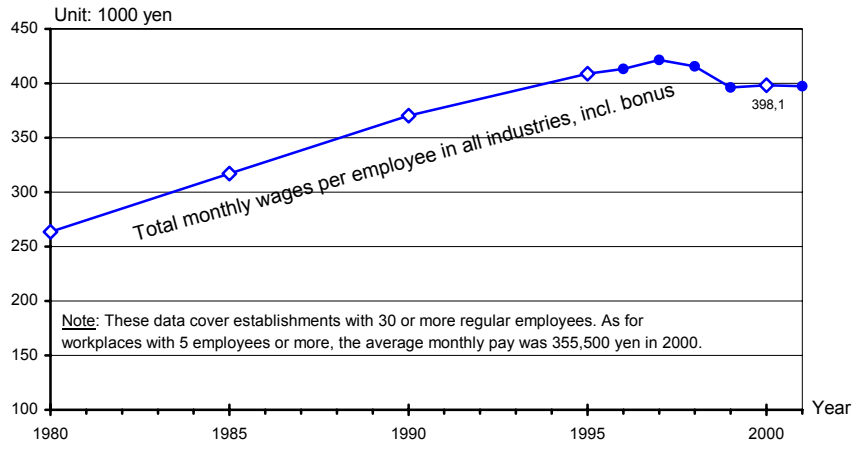


Figure 4.5: Wage level development
Source : Japan Almanac 2003, 2002, p. 84; Monthly Statistics of Japan, 2001, table C-11; Statistical handbook of Japan 2001, 2001, chap. 4.

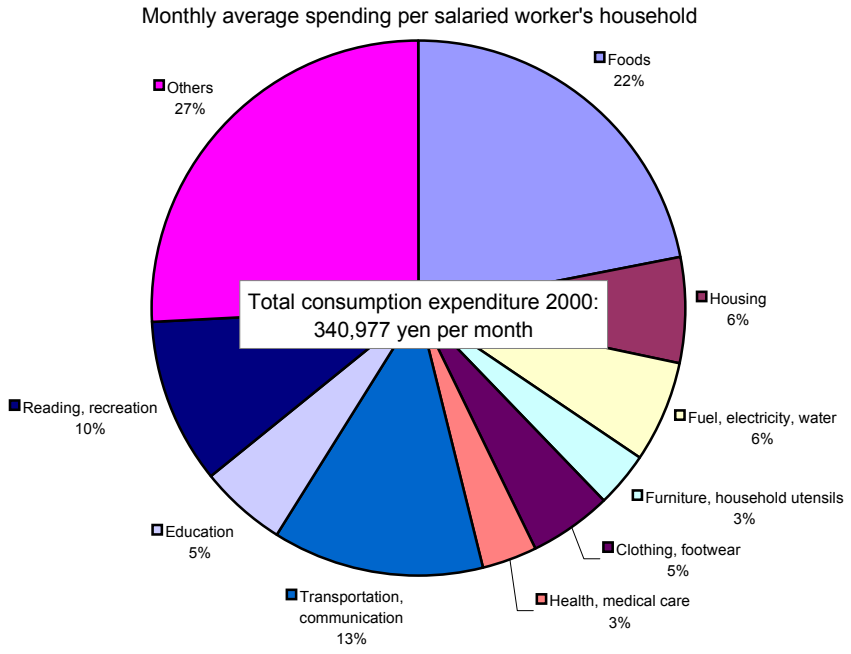
Due to the current recession in the Japanese economy, the rate of yearly increases in total worker wages has declined. From 1997 to 2000, total monthly wages actually decreased by 5.5%.

[71] See note in figure 4.5.
[72] Japan Almanac 2002, 2001.
[73] Monthly Statistics of Japan, 2001.
[74] Covering workplaces with 10 employees or more.
[75] Ministry of Health, Labour and Welfare [MHLW], 2001.
[76] SCB, 2001b.
[77] Sveriges statistiska databaser, 2001a.
[78] Swedish and Japanese data are not fully comparable.
[79] OECD, 2002c (see also section 2.8.3).
[80] FXHistory, 2001.
[81] Workplaces with 10 employees or more.
[82] MHLW, 2001.

In 2000, the monthly average income of a salaried worker's household [83] was 561,000 yen, dropping almost 35,000 yen in three years. After taxes and social security expenses were paid, the disposable income was 472,800 yen a month, equivalent to about 28,850 SEK available for consumer spending according to the estimated real PPP exchange rate in 2000.[84] [85] (40,000 SEK by the average nominal rate in 2000.[86]) The average worker's household spent 341,000 yen on consumption expenditures, which translates into a propensity to consume of approximately 72% of its disposable income. Looking at all family households surveyed in 2000 (i.e. also including households other than those of salaried workers), the level of overall consumer spending was at 317,100 yen. The corresponding expenditure for one-person workers' households was 204,000 yen, or 71% of their monthly disposable income.[87]

In 2001, the income of workers' family households declined furthermore to 551,200 yen per month, the 4th consecutive year of real income loss. The level of monthly living expenditures dropped as well to 335,000 yen, down nearly five percent in real terms since the peak in 1997.[88]

The details of the family household spending in 2000 are displayed in figure 4.6.



Note: Salaried workers' households refer to households whose heads are employed as wage earners by public or private enterprises. Individual proprietors' households are not included, nor agricultural, forestry, and fishery households and single-member households.

Figure 4.6: Household spending in 2000
Source: Statistics Bureau, 2001a, table 1.

The single, biggest item of expenditure is food, which took 22% of the household consumption-spending budget, slightly lower than in previous years.[89] The details of food expenditures will be described later on. Following foods, costs for transportation and communication, and spending on reading and recreation represent the second and third biggest category of household expenses, respectively.

[83] See note in figure 4.6.
[84] Statistics Bureau, 2001a.
[85] OECD, 2002c.
[86] FXHistory, 2002.
[87] Statistics Bureau, 2001a, 2001c.
[88] Statistics Bureau, 2001a, 2002b.
[89] Statistics Bureau, 2001a.

As a result of an increasing interest in leisure among the Japanese people, spending on travel, dining-out, sports, entertainment, etc. since the 1980's, showed a faster rate of increase than that for total consumer spending. However, in the past few years the rate of increase in leisure-related spending has drastically slowed down.[90] [91]

By season, expenditures are highest in winter, followed by the spring period, summer, and autumn. The winter season is made expensive largely because of the high level of spending during December.[92]
By region, households living in the district of Kanto spend the largest amount of money on consumption expenditures, followed by people living in the Tokai, Hokuriku, and Kinki districts (2000). The cost of living is normally somewhat higher in major city areas.[93] The Kanto and Kinki regions include the two largest metropolitan areas centred around Tokyo and Osaka, respectively. The Japanese capital is often ranked high in international cost-of-living surveys. For example, a recent survey had Tokyo as the most expensive city among capitals and other major cities around the world. In the same research, Stockholm was ranked 81.[94]

According to relative price levels, the OECD has Japan as well as Sweden in the so-called high price level group, where the most expensive countries are assembled.[95] Figure 4.11 in section 4.3.4 shows the level of Japanese consumer prices over the last 15 years in general terms and with respect to food products. By comparative price level, measured as the ratio of the purchasing power parity to the nominal exchange rate, Japan was 48 percent more expensive on average than Sweden according to estimates by the OECD in November 2001. Due to exchange rate fluctuations, the comparative price level will change somewhat from month to month.[96] Of course, one must bear in mind that certain particular groups of goods and services, for which the price differentials are substantial between the countries, may have a large impact on the overall average score.
However, in relation to income, as GDP per capita based on PPP data, the OECD ranks Japan in the same group as Sweden as to the amount of goods and services the respective countries' income can buy with respect to their price levels. If the average index value of thirty OECD members is 100, corresponding to an income of 21,500 USD per capita, Japan is in the high-middle income group – the second highest of four, with an estimated index score of 108 in 2001 (104 for Sweden).[97]

Regarding household savings, Japan has a relatively high savings rate compared to some of the Western developed countries. The savings rate, i.e. savings amount relative to disposable income, was at 10.3% in 2000. This rate was 2.8 percent in the USA, 4.2% in the UK, 9.8% in Germany, and 2.3% in Sweden the same year.[98] [99] [100]
For an average salaried worker's household in Japan, the savings amounted to 13.558 million yen (including life insurance, etc.), or 2.3 times its debts in the end of 2000.[101]
In the 1990's, household debts have had a higher rate of increase than that of the savings. Debts as well as savings rose up to 1999, but in 2000 they declined, especially the debts. In bad times, like during the current recession, it appears that the Japanese

[90] Japan Almanac 2002, 2001.
[91] Japan Almanac 2003, 2002.
[92] Statistics Bureau, 2001a.
[93] Japan Statistical Yearbook 2002, 2002.
[94] Rothstein, 2001.
[95] OECD, 2002d.
[96] OECD, 2002a.
[97] OECD, 2002d.
[98] Japan Almanac 2003, 2002.
[99] SCB, 2001c.
[100] The respective countries may calculate the household savings rate by slightly different methods.
[101] Statistical handbook of Japan 2001, 2001.

people tend to keep saving, and possibly use some of their deposits to pay off debts rather than increase their consumer spending.[102] This action, as sound as it may seem, is not likely what the Japanese government would like to see in order to improve the economic situation in the country, since the economic outcome for Japan is very dependent on the value of household consumption.[103] The interest rates are on a very low level nowadays, but this does not seem to work enough as an incentive to borrow money for more consumer spending.[104] [105] Decreasing income levels and an uncertain job market are factors not in favour of such an action.

4.1.7 National economy

Japan is the world's second largest national economy by GDP, with a gross domestic product value of about 4.765 trillion US dollars in nominal terms 2000 (current prices and exchange rates) [106]. The same year, the total added value of goods and services produced in Japan amounted to 15 percent of the world production (nominal GDP). The USA had a share of over 30%, while the EU as a whole produced a value of about a quarter of world GDP. Sweden's share is below one percent.[107] [108] However, if adjusted by the purchasing power parity in terms of US dollars, China becomes the second largest economy in the world ahead of Japan.[109] A broader assessment of a country's prosperity or level of development is the UN promoted Human Development Index (HDI), which measures also other factors besides GDP, such as life expectancy and level of education. By this index, Japan was ranked as the 9th most developed nation in the world as per 1999 conditions, after Norway in the top and Sweden in fourth position.[110]

From the side of final demand, measured by gross domestic expenditure (GDE) [111], private final consumption represents about 55% of the Japanese economy. Meanwhile, net exports contribute to less than two percent of total GDE. The gross value of exports was 10% of GDP in 1999. Compared to the Swedish economy, Japan is more dependent on the consumption of households and investments, whereas government consumption and foreign trade have a larger share of Sweden's GDP relative to the composition of the Japanese economy. As for Sweden, the value of exports to total GDP was 44% in 1999 (net exports: 6%).[112] [113] One can conclude that for Japan, the demand is primarily based on a large domestic market.
Nevertheless, Japan's foreign trade volume is very big and the country's trade surplus is among the largest for any nation in the world. In 2000, exports exceeded imports by 10,720 billion yen, on customs clearance basis. The current account balance showed a surplus of 12,580 billion, while the capital balance was greatly negative. On a yen base, the trade surplus has been on a downward trend since 1998, and in 2001 the surplus decreased by almost 40 percent compared to that of the previous year.[114] For many years, there was a major pressure on Japan from foreign trading partners, particularly the USA, to decrease its great trade surplus by demanding a lowering of various trade restrictions and thereby promoting more imports into Japan.[115]

[102] Statistical handbook, 2001.
[103] Svanström, 2001.
[104] Bank of Japan, 2001a.
[105] Statistical handbook, 2001.
[106] 5.681 trillion USD in real GDP by constant (1995) prices and exchange rates.
[107] OECD, 2002b.
[108] World Bank, 2001.
[109] The world factbook 2001, 2001.
[110] United Nations Development Programme, 2001.
[111] GDE is theoretically equivalent to GDP (Japan Statistical Yearbook, 2002).
[112] Japan Statistical Yearbook 2002, 2002.
[113] SCB, 2001a.
[114] Japan Almanac (2002 & 2003), 2001, 2002.
[115] U.S. Agricultural Trade Office, 1996.

The scale and pace of Japan's post-war economic growth was tremendous. The performance has been referred to as an 'economic miracle'. The reason for this success is complex, but to a large part it can be credited to factors, such as a high investment rate; plentiful and skilful labour; technological borrowings and advances; expanding export orientation; large and powerful business enterprises with wide activities; and agreement and cooperation between government, business, and labour on a hard drive for economic growth. Another important explanation lies in the demand-based growth, resting on a large and relatively homogeneous home market with increased spending power.[116]

After several decades of rapid growth, the Japanese economy slowed down sharply in the early 1990's.[117] From the mid-1980's to early 1990's, an unsustainable spiral of growth in land and stock values was created by wild investment speculation, which in turn was fuelled by a loose money supply and a record low interest rate level. Metropolitan land prices and stocks climbed greatly in value, causing a surge in both corporate and consumer spending. This period is called the 'economic bubble'. However, a steep decline in stock values in 1990 and an increase in the official discount rate put a brake on spending.[118] The result has been a very long period of slow economic growth and recessions, a stagnating condition from which there were no signs of recovery in the end of 2001.
According to a report from Bank of Japan in November 2001 (2001b), almost all indicators were pointing in the wrong direction, following the terror attacks in the USA. Industrial production declined considerably, and private consumption seemed to be gradually weaker, reflecting difficult employment and income conditions. Prices were decreasing on all levels. Corporate profits and business investments kept declining, as well as public investments. Real exports and imports were in a sharp decline. A Japanese economist explained the depressed time as "The world economy is in a downturn so exports are down. Corporate profits are faltering so investments are down. With the economy slowing, incomes are down so consumption is down." [119]
In December 2001, it was officially reported that Japan had entered a state of economic recession, generally defined as two consecutive quarters of negative growth rates.[120]

In 2001, the Japanese government did not expect the economy to start growing for two or three years until reforms have been completed to clean up bad debts with the domestic banks and privatize a large part of the public sector.[121] Corporate bankruptcies have been many in recent years, leaving banks with a huge amount of bad loan claims.[122] However, the government is in for a difficult task. Several stimulus packages worth thousands of billions of yen were offered in the past few years to support domestic consumption, but with little results.[123] The effect has been an increasing public debt, the value of which corresponds to 130% of Japan's annual GDP (2000).[124]
Thus, government spending must be kept tight, and as the central bank already lowered interest rates to almost zero, there is little option to use monetary policy to improve economic conditions. In addition, Japan is burdened with the problem of deflation, making debts heavier and pushing down incomes and spending.[125] [126]

[116] Witherick & Carr, 1993.
[117] Japan Statistical Yearbook 2002, 2002.
[118] U.S. Agricultural Trade Office, 1996.
[119] Japan slips into recession, 2001.
[120] Ibid.
[121] Ibid.
[122] Japan Almanac 2003, 2002.
[123] Svanström, 2001.
[124] Japan Almanac 2001, 2000.
[125] Japan slips into recession, 2001.
[126] See explanation on deflation in the end of next page.

Moreover, Japanese companies are in the process of restructuring their operations to cut costs, leading to a larger number of unemployed people in the need of government support. Corporate investors are not showing much confidence, however, and the Japanese stock market has been in a serious downward trend since early 2000.[127] [128] The Japanese macroeconomic indicators combined did not show any signs of real recovery for the near future, as outlooks were in the end of 2001. A year later, the situation had stabilized, but still there were no clear signs of recovery.[129]

All in all, it appears that Japan has some very difficult years ahead. In September 2002, only four percent of consumers saw better prospects for the coming six months, whereas 35-40% expected the future to become worse in terms of general circumstances and private income.[130] However, the consumer confidence regained some strength in 2002 after the confidence index had declined substantially in the second half of 2001.[131] 80% of managers of Swedish subsidiaries in Japan believed the business situation should improve within three years, when asked by the Swedish Trade Council in 2001.[132] [133]

Note 126: Deflation can cause a transfer of income from debtors to creditors as a result of an increase in the real value of debt due to falling prices. Moreover, as debtors are believed to have higher expenditure propensity than creditors, this will result in a decline of aggregate demand. (Shiratsuka, 2001)

[127] Japan slips into recession, 2001.
[128] Yahoo, 2003.
[129] Bank of Japan, 2003.
[130] Monthly Statistics of Japan, 2003.
[131] Cabinet office, 2002.
[132] Fahlen, 2002.
[133] Myrsten, 2002.

4.2 Social and psychological characteristics

Consumer behaviour is influenced by basic values and perceptions learned from the culture in the social community where you grow up. Different social institutions, like the family and the workplace, exercise influence on a person's behaviour as well as do personal, psychological factors. In this part, social and psychological characteristics of the Japanese people will be described, in terms of predominant values, lifestyle, consumer motivations, and the significance of family and work. A few related aspects are described in parts of section 5.4.4.

4.2.1 Culture – general characteristics

Japan is a very uniform culture with few ethnic minorities, which makes it easier to identify common features of the population. Generally, social orientation is strong with the Japanese, where harmony, order, and self-development are some of the most important values behind their social interaction. It is significant for most Japanese to create harmonious relations with others, for example through the fulfilment of social obligations. They early understand that they are part of an interdependent society, starting in the family and later extending to larger groups, such as school, community, and workplace. The group membership gives emotional security and social identity. The Japanese term '*wa*' describes the notion of harmony within a group, which requires an attitude of cooperation and recognition of social roles. However, an ideology of group harmony does not ensure harmony in reality, though most Japanese clearly tend to avoid open competition and confrontation in relationships with other people. Japan is in fact a very competitive society, when it comes to competition between different groups.[134]

Ranking of roles and a rigid set of rules are ways to create order in the Japanese society. Differences in status define much of social interaction. Age or seniority, gender, educational achievement, and place of employment are common distinctions, guiding interaction in Japan. If the status is unknown, it may discourage a Japanese person from interacting with a stranger, to avoid potential errors in etiquette. This may explain the frequent use of business cards in Japan. They provide enough information about another person to facilitate normal social interaction. The Japanese language is a rich source of expressing status differences, by verb endings and various honorific terms that may be used to indicate relationships of superiority or inferiority.[135]

Relative status as a basis of social organization, and affiliation with other people and group harmony, do not mean that there is no Japanese concept of self. Individual objectives may not always go hand in hand with group goals.[136] The tension between group and individual interest has inspired Japanese drama and literature. This situation of potential conflict is expressed in the terms '*ninjo*', human feelings, and '*giri*', social obligations. The words '*honne*' (a person's real views/intentions) and '*tatemae*' (a person's stated views/motives demanded by his/her position in the group) describe a

[134] Library of Congress, 1994.
[135] Ibid.
[136] Ibid.

similar source of possible conflict between the individual's private and public character.[137] [138] The Japanese attitudes toward individuality and individualism are not the same. Individuality, or the unique character of a person, is tolerated and also admired if the person is seen as sincere. Individualism, however, is viewed more negatively, as it is associated with selfishness. Unlike some Western societies, the Japanese sense of self is defined through the individual's interaction with others and not only through the force of individual personality.[139]

Basic ideas about self and the nature of human society are derived from a number of religious and philosophical traditions, both indigenous and foreign. These traditions may be considered the Japanese worldview, which is a so-called eclectic view or one that unites different ideas of different origins. *Shinto* provided the base. It is the old indigenous religion of Japan, grown out of a reverence for manifestations of nature including the sun, water, rocks, trees, etc.[140] [141] Confucianism, which Japan imported from China, provided concepts of hierarchy, loyalty, and the idea of the emperor as the son of heaven. Daoism, also from China, helped give order and sanction to the system of government implied in Shinto. Buddhism brought contemplative religious aspects and also a developed culture of art and temples, which had a considerable role in public life. Christianity introduced Western ideas, particularly those involving social justice and reform.[142] The number of members of religious organizations in Japan is about 215 million people, or 1.7 times the country's total population (2000). This is explained by the fact that people declare themselves as believers of more than one religion, in most cases both Buddhism and Shintoism. These two religions have 44% and 50% of all members of religious organizations, respectively. The rest is members of Christianity or other religions.[143] However, contemporary Japan is a secular society. For most Japanese, religion works as a base for traditions and social behaviour, rather than an individual's relationship to a transcendent God.[144]

The Japanese share one common standard language. It is written using two systems of orthography, Chinese characters (*kanji*) and syllabaries (*kana*). Kanji is by far the more difficult system because of the great number of characters and the complexity both in writing and reading each character. Each kanji is associated with a meaning, and there are tens of thousands of characters attested, but the Japanese government has made a list in which about 2,000 kanji's are identified for daily use. In addition, there are two types of syllabaries, *hiragana* and *katakana*, containing the same set of sounds represented by 46 basic separate characters each. Each syllabary represents a syllable in the language, but not a meaning unlike Chinese characters. Also Roman alphabets are sometimes used for such things as names of organizations and the like. All types of characters are used in combination, for example a kanji may represent the root of a verb and the inflection is written with hiragana. As in most countries there are some varying dialects throughout the country, but most Japanese speak and understand the common, standard dialect. As partly mentioned, the Japanese language employs much of politeness and honorific markers. It is often important for the speaker to keep in mind his/her social standing to the person addressed and the person being talked about.[145]

[137] Kodansha encyclopedia of Japan, 1983, vol. 3, vol. 7.
[138] Library of Congress, 1994.
[139] Ibid.
[140] Ibid.
[141] Nationalencyklopedin, 1995, vol. 16.
[142] Library of Congress, 1994.
[143] Japan Almanac 2003, 2002.
[144] Library of Congress, 1994.
[145] Miyagawa, 1999.

Like in most cultures, also Japan is experiencing shifts in values influenced by new trends and ideas. The post-war period was one of high economic growth when standards of living rose greatly up to the time of the economic bubble. Since the slowdown of the economy, Japanese feel uneasy about their country's future. Their expectations are changing in light of the recession and as people become more aware of international comparisons. The globalization affects management practices, popular culture, wants and behaviours of the Japanese people. For example, it seems that Japanese values are less materialistic now than before the burst of the economic bubble.[146]
Looking back at the past 150 years, Japan has changed drastically in a relatively short period of time, from a feudal society to a modern and post-modern society. According to Robert J. Lifton, professor of psychology, this development was an extraordinary success externally, but with very confusing psychological and spiritual upheavals. This caused the Japanese people to suffer from an extreme form of, what professor Lifton calls, psychohistorical dislocation, i.e. a breakdown of social and institutional arrangements guiding human behaviour because of change that is too rapid and radical to be readily absorbed. This effect can in its worst form lead to fundamentalism and apocalyptic violence, such as the Tokyo-subway gas attack in 1995 by the religious group *Aum Shinrikyo*. However, it can also lead to positive impulses toward creative renewal.[147]

4.2.2 Family

The family is the starting-point of social life for an individual, and it provides a model for other social organizations. The Japanese family may refer to a nuclear family of parents and unmarried children, or it can also refer to a line of descent or to the household as a unit of production or consumption. Different forms of family have existed historically in Japan. In the late 19th and early 20th century, the Japanese government introduced more rigid family controls, and each family was required to conform to the '*ie*' (household) system with a multigenerational household under the legal authority of a household head. This was influenced by Confucian ideas. The nature of the family has changed in the years after World War II. Under the Allied occupation a new family ideology was established, based on equal rights for women, equal inheritance by all children, and free choice of spouse and career.[148] The process of urbanization, following the industrialization of Japan after the war, led to an increase in smaller households and a decline in the average size of the family.[149] As was described in section 4.1.5, the normal family type of today is a standard nuclear family of a married couple and their unmarried children.

As the Japanese society is changing, some other family/household compositions have gained in popularity. For example, there has been an increase in single households, as well as in two-generation households with only one parent and children. In recent years, the number of divorces has increased substantially. Between 1990 and 2000, the number rose by 68%.[150] The divorce rate was 2.1 per 1,000 inhabitants in 2000, although lower than Sweden's 2.42 the same year.[151] [152]

[146] Verdier, 1997.
[147] Lifton, 1999, 2002.
[148] Library of Congress, 1994.
[149] Verdier, 1997.
[150] Japan Almanac 2003, 2002.
[151] Ibid.
[152] Statistisk årsbok för Sverige 2002, 2001.

Japanese women have come to play a more important role in society, often marrying later and bearing fewer children.[153] In 2000, the average number of children one woman gives birth to in her life was 1.36, among the lowest birth rates ever recorded in Japan. In Sweden, the fertility rate was just below 1.55 in 2000.[154] [155] These changing factors and an ageing society are eroding the traditional functions of the family such as economic, raising and education of the children, and support of the elders.[156] This might suggest a breakdown of strong family authority values. Still though, in many homes strong gender roles remain the basis of family responsibilities. In normal family life, parent-child ties are more important than husband-wife relations.[157]

Hence, several family lifestyles exist side by side in contemporary Japan. One typical example is the family of an urban salaryman. The husband may commute to work and return late at night, having little time with his children on weekdays. The wife might be a full-time housewife, with nearly total responsibility for running the household, raising the children, and managing the family budget. She is also responsible for maintaining social relations with relatives, neighbours, and other acquaintances. It is common for the wife to have a part-time job or participate in adult education or other community activities. The social life of the wife remains separate from that of her husband. Sundays may be the only day of the week, when all family members have time together. The closest emotional ties within such families are normally between the mother and children. However, as more women started to work outside of the home, beginning in the 1970's, there was pressure on the husbands to take on more responsibility for housework and childcare. In other families, where the husband and wife work side by side in a family business or farmer household, fathers are more involved in the development of their children because they have more opportunity for interacting with them.[158]

The materialistic functions of the Japanese family are very important, but in recent years more focus has been put on the family's psychological aspects as a source of comfort and relaxation. For example, children used to play more of an economic role in the household. They looked after their parents and inherited the family house. Nowadays, however, children have lost much of those functions, and are mainly seen as a source of happiness.[159]

4.2.3 Work

Entry into the labour force makes the circle of social relationships wider. For many people, these contacts are important sources of friendships and resources, and for Japanese men especially, the workplace is the focus of their social world.[160] The Japanese workplace is a collective body, i.e. a group that starts from the community and not from individuals as in many Western countries. The key value is inter-dependence, which is supposed to call for cooperation as well as competition.[161] The corporate feeling has traditionally been very strong in Japan. Since workers have showed much dedication and offered much time to their work, its social meaning is perhaps more

[153] Verdier, 1997.
[154] Japan Almanac 2003, 2002.
[155] Statistisk årsbok för Sverige 2002, 2001.
[156] Verdier, 1997.
[157] Library of Congress, 1994.
[158] Ibid.
[159] Verdier, 1997.
[160] Library of Congress, 1994.
[161] Verdier, 1997.

important in Japan than in many other countries. Also after the working day has ended, it is common to spend some time socializing with colleagues and superiors. The social importance of the workplace is usually much greater for Japanese men, whether they like it or not. Women were not expected to and did not participate in the labour force in the same extent. Even though women have increased their share in the labour market, their social life is not as strongly bound to the workplace as for men.[162]

The core elements of the traditional Japanese employment system are lifetime employment and a seniority wage system. These employment practices were introduced by large corporations in order to secure skilled workers, as the result of labour shortages in the 1920's, when companies competed to recruit and keep the best workers by offering better benefits and job security.[163] [164] Growth in company size and stabilization of employment are very important priorities for Japanese corporations.[165] In the 1960's, employment at a large prestigious company became one of the most desirable goals of Japanese children. The high economic growth and high demand for skilled workers made possible the continuation of this employment system.[166] [167] However, these circumstances have changed rather drastically in recent years, seriously challenging the viability of the traditional employment system. As was explained earlier, Japan has experienced a long period of slow or even negative economic growth and increasing unemployment rates. Today, it does not seem to be any labour shortages to speak of, and therefore no need for companies to secure workers like in the past. On the contrary, many companies are forced to dismiss workers when struggling to survive. The traditional employment practices may be seen as too costly a system to retain.

Lifetime employment refers to a period of employment, often starting from school graduation and ending with mandatory retirement.[168] Lifetime employment is not guaranteed by law or contract, but is embedded in the business and human resource policies of large companies.[169] Under such a system, it is common for young people to be hired directly out of school for their potential capacities, and then, large investments are made in training, known as ‘on-the-job-training’ (OJT).[170] The long-term employment gives the employee some degree of job security and expectations of a solid wage growth, good training, and other benefits such as bonuses and pensions, as well as a social position granted by the reputation of the company. In return, employees are expected to work hard and demonstrate loyalty to the firm.[171] [172] Pride in one's work comes through competition with other sections in the same firm and with other companies in similar lines of business. The image of group loyalty may be more a matter of ideology than practice, especially for people who do not succeed in their careers.[173] One must bear in mind that the majority of the workers do not enjoy the benefits of a lifetime employment. It is mainly a large firm phenomenon, especially including the most important employee categories. This employment practice is believed to become less frequent in the future, even though it still has a strong position among many firms.[174] [175]

[162] Library of Congress, 1994.
[163] Ibid.
[164] Verdier, 1997.
[165] Encyclopaedia Britannica Online, 2001.
[166] Library of Congress, 1994.
[167] Verdier, 1997.
[168] Library of Congress, 1994.
[169] Encyclopaedia Britannica Online, 2001.
[170] Verdier, 1997.
[171] Ibid.
[172] Library of Congress, 1994.
[173] Ibid.
[174] Fornander, 2001.
[175] Håstad, 2001.

The traditional practice whereby wages increase by age is known as the seniority system, one of the special characteristics of employment in Japan. Wages normally begin low, but seniority is rewarded with increased salary and promotions based on a combination of seniority and ability.[176] [177] The wage growth continues until the age of 55, which used to be the standard retirement age throughout most of the post-war period.[178] [179] Nowadays, the mandatory retirement age is 60 at most firms.[180] However, under the new laws passed in 2000, the age at which Japanese citizens are eligible to begin receiving pension payments will gradually rise from 60 to 65, and it is likely for the mandatory retirement age to move toward 65 as well. But during the transition period, the ages between 60 and 65 may be a financially insecure period for many workers.[181] With a rising retirement age, however, it may become increasingly difficult to maintain the true form of the seniority-based system, as it would be very expensive for many firms. Therefore, more and more companies are reconsidering this system, and compensation based on the performance of the employees is being introduced.[182]

There is a clear difference between large corporations on one hand, and small and medium-sized firms on the other hand, in what benefits companies can afford to offer their employees. Many workers are employed by small firms, which cannot normally offer the benefits or achieve the successes of the large companies, despite the best intentions of owners.[183] Looking at personnel expenses per employee in all industries, statistics show that companies capitalized at 100 million yen or more, on average, spend 80% more than do firms with less capital (2000).[184] Furthermore, there is a distinction between permanent and temporary employees, even in large corporations. Many temporary workers, often women, are ineligible for benefits and promotions. Normally, this category of workers is also the first to be laid off in difficult business conditions.[185] In Japan, workers do not have the same tradition as in Sweden of membership in labour unions. In 2000, the estimated organization rate was 21.5% in Japan, compared to over 80% in Sweden. The Japanese figure has been on a downward trend since the peak in the 1970's (35%).[186] [187] Most Japanese trade unions are company-based associations, which organize all categories of a particular company's employees.[188]

Japanese workers are known worldwide for their hard work and dedication to their companies. On the following page, figure 4.7 compares the amount of time the Japanese spend at work with that of workers in the USA and four European countries.

[176] Library of Congress, 1994.
[177] Statistical handbook of Japan 2001, 2001.
[178] Japan Almanac 2002, 2001.
[179] Library of Congress, 1994.
[180] Japan Statistical Yearbook 2002, 2002.
[181] Pension system reform in Japan, 2001.
[182] Statistical handbook, 2001.
[183] Library of Congress, 1994.
[184] Japan Almanac 2003, 2002.
[185] Library of Congress, 1994.
[186] Japan Almanac 2002, 2001.
[187] Lindström, 2000.
[188] Fornander, 2001.

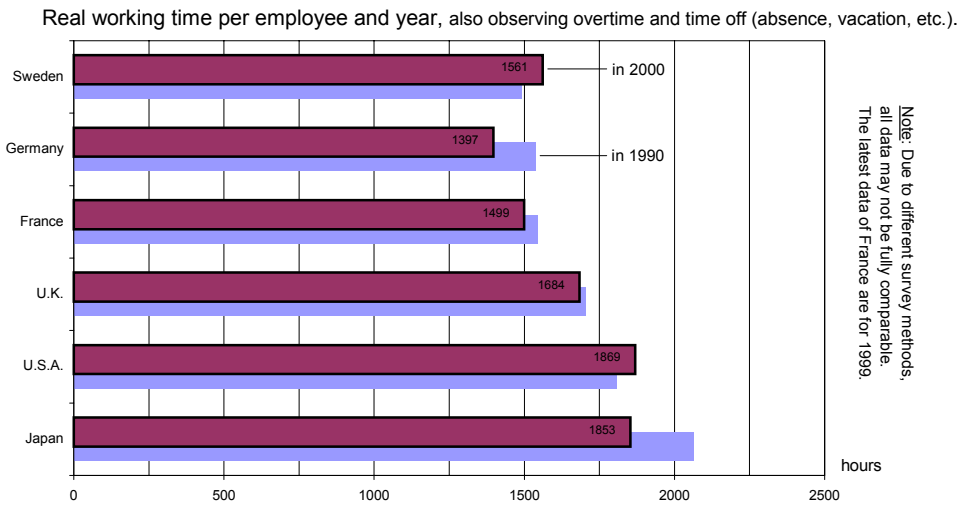


Figure 4.7: International comparison of annual working hours
Source : SOU 2002:22, table 10.

In comparison with other industrialized countries, it used to be that Japanese workers had the greatest number of working hours and fewest annual holidays.[189] In April 1997, the 40-hour workweek system was implemented, which to some part has helped to lower the average annual working time.[190] In ten years time, from 1990 to 2000, Japan has substantially lowered the total working time per employee, and is no longer at the top of the list. However, compared to Swedish conditions, Japanese employees still spend a lot more time at work (on average, nearly 20% longer working hours in 2000). It seems that the attitudes of Japanese workers have changed in the last two decades. In the 1980's and 1990's, leisure and leisure activities became much more important to people, and leisure is still a strong priority in life though its priority ratio has gone down to a slightly lower level in recent years.[191] The proportion preferring free time to increased income is usually greater among white-collar workers.[192] In Japan, employees are entitled to ten workdays of annual paid leave as a minimum (gradually increasing by years of employment to maximum 20 days), while Swedish law stipulates at least 25 days.[193] [194] However, the usage rate of entitled days for leave is only about 50 percent, according to a survey in 1998.[195] Another survey in 2002, asking workers in Tokyo about the length of their planned summer vacation, indicated a similar result, but also revealed that people would like to take more days off. As the reason to why they cannot take longer holidays, workers said they were too busy at work and/or did not want to inconvenience colleagues. In addition, they did not think they would get approval from their employer for a long vacation.[196]

Throughout the high growth period of the Japanese economy, the traditional employment system was able to promote a lifestyle centred on the company. In times of restructuring, it is difficult for companies to repay the commitment made by their employees, which probably is strongly felt among personnel.[197] This adds to the overall changing attitude to work and the workplace. There is also a difference in attitudes between generations. Workers of younger generations seem to attach less importance to

[189] Library of Congress, 1994.
[190] Japan Almanac 2002, 2001.
[191] Japan Almanac 2003, 2002.
[192] Library of Congress, 1994.
[193] SOU 2002:22.
[194] JETRO, e-mail, 21 January 2003.
[195] Ibid.
[196] Full trains, traffic jams at start of Bon, 2002.
[197] Verdier, 1997.

work than does or did their parents' generation.[198] Nevertheless, such trends do not negate the value of work, besides a source of income. For most people, the workplace will continue to be very important in their social life.[199]

4.2.4 Social lifestyle

As was explained in section 2.3.3, lifestyle is a person's pattern of living as expressed in his or her activities, interests, and opinions. The previous text has already touched this subject somewhat. Of course, the lifestyle varies between individuals and between different groups of the population. In general terms, socially minded, or community oriented, people represent the majority of the Japanese population. However, the younger the generation, the stronger the support for an individual lifestyle.[200]

The socio-economic environment, in which people grew up, has changed rather drastically from one generation to another, as indicated in 4.2.1. The pre-war generation worked hard to build up the country after the war, and became the pillars of the high economic growth period. They have experienced a major transformation of the Japanese society. They are said to be careful in relying upon others, and are actually rather individualistic. The baby boom generation grew up under a new democratic and educational system. They are said to take their life very seriously, and are considerably group-oriented. This generation is now facing some difficulties when companies need to restructure their operations, and it is reported that they feel insecure about their future welfare. The generation of the sixties and early seventies came to know Japan as a rich society and a great economic power. A large proportion of them had the opportunity to continue to higher education. They feel a certain sense of community, and are concerned about their image reflected by the group. They show a strong tendency to avoid competition and are rather unlike their more assertive parents. The younger proportion seems to be longing for some individuality in their lifestyle to the extent of being considered interesting. People, now growing up in Japan, see a country with an uncertain identity and future. They will perhaps be allowed more individual freedom than had the previous generations.[201]

Japan is often thought of as a hard-working society with little time for pleasure, but it seems that Japanese seek entertainment wherever they can. For example, it is common to see Japanese commuters enjoying their favourite comic book or listening to popular music on their portable audio-players, if not sleeping, while riding the train to work.[202] Most of the daily time is spent on work-related activities, such as paid work, housekeeping, and schoolwork. Their share, however, has declined somewhat during the 1990's. Much of the free time is spent at home, relaxing and watching television, listening to the radio, and reading newspapers and magazines.[203] In fact, the Japanese read more daily newspapers than do people in most other countries in the world.[204] Furthermore, people spend leisure time engaged in hobbies and amusements, participating in sports, socializing, and studying. Teenagers and retired people usually spend more time on all of these activities than do other groups.[205]

[198] Library of Congress, 1994.
[199] Verdier, 1997.
[200] Ibid.
[201] Ibid.
[202] Library of Congress, 1994.
[203] Statistics Bureau, 1997.
[204] Japan Statistical Yearbook 2002, 2002.
[205] Statistics Bureau, 1997.

By major classifications of leisure activities, light physical exercising (without equipment) and bowling, each with over 33 million enthusiasts in 2000, are the most popular sports activities. The most popular recreation activity is dining-out, with more than 75 million people doing it. Domestic travelling/tourism is also a very popular leisure activity.[206] Individuals can choose from a variety of popular entertainment. There is a large selection of music, films, TV-games, and the products of a big comic book industry, known as *manga* which represent about 40% of all printed matters in Japan.[207] [208]

The overall lifestyle of the Japanese in terms of everyday activities is probably not very different from that of people in many Western countries, though the form and the actual time allocation may not be the same. They also seem to share some priorities in life. According to a Japanese public opinion survey in 2001, leisure and leisure activities are the top priority in people's lives, followed by eating and housing.[209] Consequently, the interests of many Japanese revolve around these matters. Regarding future focus in life, 53% of the people in the same survey planned to "enjoy an enriched life every day", 29% should prepare for the future with savings and investments for example, and 15% did not have or could not identify any focus in their life ahead.[210]
People's opinions about social issues, politics, economics, and other topics are not clearly expressed. Japanese do not typically give high voice to their views. Generally, Japanese have a low confidence in their elected politicians and government agencies as well as in major corporations. They who feel proud of being Japanese refer mainly to the history and tradition, culture and arts, and nature and climate of Japan.[211]
According to a poll in the end of 1998, a majority of the population said they would prefer higher taxes with more government-sponsored health care and social services for everyone, than the other way around. Furthermore, many expressed a view that the lack of expediency in the reform process of the Japanese financial system, was one of the reasons behind the nation's economic difficulties at the time.[212]

There is a market analysis tool developed specifically for understanding Japanese consumers, called Japan VALS. It is a consumer segmentation system, which divides society into groups based on two key consumer attributes – life orientation (focus of a person's interests or meaning of life) and attitudes to social change. Japan VALS defines ten general consumer segments in Japan, each with different lifestyle characteristics.[213] They are briefly described on the following page, in table 4.3.

[206] Japan Almanac 2002, 2001.
[207] Library of Congress, 1994.
[208] Strömberg, 2001.
[209] Japan Almanac 2003, 2002.
[210] Ibid., p. 249.
[211] Yomiuri-Gallup poll, 1998.
[212] Ibid.
[213] SRI Consulting, 2001.

Table 4.3: General consumer segments in Japan (as per 2000)

Consumer segments Share of population: [in total] (in major cities)	Lifestyle characteristics [Data refer to total population]
Integrators (*jizai*) [4.0%] (4%)	Highly active, trend leading, and well informed persons with a high propensity to consume. People with high educational background and high earnings. They have a wide range of interests. They typically like sports, and travel frequently. [Average age: 39.9 years. Female ratio: 46%.]
Self innovators (*jiko-jushi*) [4.9%] (6%)	Self-concerned, fashionable, and fairly young people with a strong desire for self-expression, excitement, and change. They are socially active, and want to enjoy sooner rather than later. These consumers have an inclination towards things that are new, different, or have a nice design. [Average age: 29.2 years. Female ratio: 54%.]
Ryoshiki innovators (*ryoushiki-jushi*) [5.8%] (5%)	Ryoshiki meaning 'good sense', this is the typical elite group of the Japanese society. Social-oriented, intellectual, and assertive people with a focus on subjective goals and career achievement. Their family and social status are important concerns. They have a great interest in Japanese culture and arts, as well as in foreign countries. They have many hobbies, and like social activities. This segment shows a systematic buying behaviour. [Average age: 46.9 years. Female ratio: 60%.]
Tradition innovators (*dentou-jushi*) [4.5%] (4%)	This segment holds conservative views, for example about marriage and family. These people inherit and try to keep Japanese traditions and customs. They are loyal to social obligations. Their leisure activities involve, e.g. weekend carpentry, bonsai planting, taking a trip to a hot spring, singing karaoke. These consumers typically live in a Japanese-style home, and prefer shopping at long-familiar and reliable stores. [Average age: 49.8 years. Female ratio: 34%.]
Self adopters (*jiko-tekiou*) [8.5%] (12%)	People following Self innovators, with the same inclination towards excitement and interest in fashion, but adopting the new trends in a later stage. Their consumer behaviour is more moderate than that of the innovators. Sports and playing *pachinko* (Japanese pinball) are some typical hobbies. [Average age: 30.2 years. Female ratio: 58%.]
Ryoshiki adopters (*ryoushiki-tekiou*) [12.2%] (14%)	This segment has the same life orientation as the Ryoshiki innovator group, but not the same degree of activity in areas of interest. These people accommodate their behaviour to changes as part of the early Japanese majority. They have similar leisure activities as the other Ryoshiki segment. [Average age: 46.7 years. Female ratio: 51%.]
Tradition adopters (*dentou-tekiou*) [7.9%] (8%)	Conservative people, accepting the present conditions. They have the same feeling for Japanese traditions as the Tradition innovators, but a weaker sense of protecting the system. They have a narrower range of interest, and adopt social changes later than is the case for traditional innovators. Durability is their main concern when choosing which goods to purchase. [Average age: 44.4 years. Female ratio: 43%.]
High pragmatics (*douchou-jushi*) [17.1%] (22%)	Middle-class segment at the centre of the Japanese society, realistic and content with much of the present state of things. It follows social trends as a late majority group. It accepts ordinary/common world values, and does not have any strong principles or distinct interests, but respects others' opinions. People's main interest is their children and home. Their buying behaviour shows a clear taste, aiming for the ordinary. [Average age: 36.4 years. Female ratio: 44%.]
Low pragmatics (*douchou-tekiou*) [18.5%] (17%)	This segment is not sensitive to social trends and dislikes changes. Typically, these people are family-centred, not very active, and not well informed. They have few interests, and seem uncommitted or indifferent in their lifestyle choices. This group is very price sensitive, with a low propensity to consume. [Average age: 44.7 years. Female ratio: 52%.]
Sustainers (*inton*) [16.7%] (9%)	People that have retired from the 'front line', and live a quiet and peaceful daily life with limited information access. They focus on the past, and resist social change and innovations. Of all segments, persons in this group show least interest in social trends. They are typically in the older age range, and have low educational background and limited earnings. They like to watch a lot on TV, and their hobbies may include gardening and handicrafts. These persons are distant from the consumption culture. [Average age: 58.4 years. Female ratio: 58%.]

Note: The distribution of segments is based on surveys in 2000, with samples drawn from the Japanese population aged 18 through 69 in all of Japan and in 9 large cities, respectively. Total shares do not exactly equal 100% due to rounding errors.

Source: NTT Data, 2001; SRI Consulting, 2001; NTT Data, e-mail, 28-31 Jan. 2002; SRI, e-mail, 30 Jan. 2002.

The segments are arranged by order of positive attitude to social change. The change leading segments are in the top, while change resisting ones are placed in the bottom. According to the designers [214] of this segmentation system, innovator segments "show a distinct and individualistic self-concept, high levels of involvement and activity in areas of personal interest, and enthusiasm for innovations".[215] Innovators take part in change from early on. Adopter segments tend to follow the trends started by the innovators, but at a more moderate level of involvement and activity. Pragmatic segments have no distinct life orientation, prefer to avoid risk, and have a lower level of activity than the layers above.[216] The table shows that the majority of the population is classified in the lower layers, not very active and not interested in chasing new trends. In major city areas, where people's consumption power is higher, there is a stronger tendency to adopt new trends than in rural areas. During the 1990's, the proportion of innovators declined, while pragmatic segments increased their share of the Japanese population.[217]
Three powerful life orientations are identified, which contrast consumer behaviour – self-expression, achievement (*Ryoshiki*), and tradition. Of the groups with a distinct focus in life, persons adhering to achievement/career-oriented values represent the largest share of the population, followed by self-expressive people and traditionalists. The average age is the youngest with the self-expressive segments, and oldest with the sustainers. By gender and segment, the Ryoshiki innovator group has the largest proportion of women, while men's share is most powerful with the traditional innovators.

4.2.5 Consumer motivations

As explained in theory, there are many things that affect the way consumers behave. Some are linked to personal attitudes and psychological motives. Generally, Japanese consumer attitudes are rather materialistic, even though such preferences have become much less strong since the burst of the economic bubble. Given the changing economic, social, and demographic conditions during the last two decades, consumers are said to think more about the meaning of consumption, and show a growing tendency to prefer spending to achieve psychological goals.[218]

Nowadays, consumer motivations seem to revolve around concepts such as value for money, functionality, and clean and natural. High price used to be associated with high quality, reliability, and status. Today, Japanese are much more price sensitive, especially for daily necessities, encouraged by the economic conditions and marketing policies of new supermarkets and discount stores. Useful products with relevant function that are easy to use and meet real needs, are more important than trendy goods. Moreover, health issues are very important. There has been a growing consumer interest in the content of goods. Artificial ingredients are regarded with some suspicion, and environmentally friendly products appeal to many. The pursuit of leisure is a strong need with impulses towards health. Overall, there seems to be a desire to have more than just material comfort, and to achieve a more fulfilling way of life than before.[219]

[214] SRI International and NTT Data.
[215] SRI Consulting, 2001.
[216] Ibid.
[217] Same sources as for table 4.3.
[218] Verdier, 1997.
[219] Ibid.

The seasonal variations in Japan's climate also affect people's minds and behaviour. As was mentioned in section 4.1.6, the amount of spending varies over the year. Japanese traditions emphasize the succession of seasons through specific events and consumption patterns. For example, there are two main gift seasons in Japan, in summer and winter, when gifts like high quality food items and other products are exchanged. The social code also dictates many other occasions for gift exchange.[220]

Socialization is traditionally strong in Japan, which affects people's consumption patterns. For example, it is popular to spend money on social activities like gatherings around food and drinks. The economic situation, however, may influence the amount of expenses allocated to such occasions. As were indicated earlier, many Japanese are striving for some kind of individuality within their social group. This trend supports a more diversified consumption pattern, with people making greater efforts to reflect their own tastes in their choice of goods and services. Fashion is important in Japan, as individual recognition happens through one's image reflected by the group. As the range of selection widens, the desire for individual self-fulfilment, to strive for personal life goals, is an important point to consider in determining future spending patterns.[221]

[220] Verdier, 1997.
[221] Ibid.

4.3 Food consumer behaviour

With demographic, social and psychological characteristics serving as a background, this part will try to point out some general characteristics of the Japanese *food* consumer behaviour, in terms of both eating and buying related aspects. It will mainly look into details of the Japanese diet, taste, cooking and eating habits, food expenditures, and buying patterns.

4.3.1 Japanese diet

The traditional Japanese diet is centred on rice, vegetables, and seafood. During the last few decades, however, it has been increasingly internationalized through more supplies of foreign products, which has induced a diversification of supplies and eating habits, causing a reduction in consumption of many individual items. General changes in the Japanese society also brought some modifications in food consumption. For example, the increasing number of working women and single households has triggered a greater use of convenience food.[222] In section 4.3.3, some typical Japanese meals are exemplified.

Figure 4.8 shows the consumption data for major food groups over a longer period of time. It illustrates the trend that the Japanese diet is becoming more 'westernized', with less rice consumption and greater intake of meat and dairy products.[223]

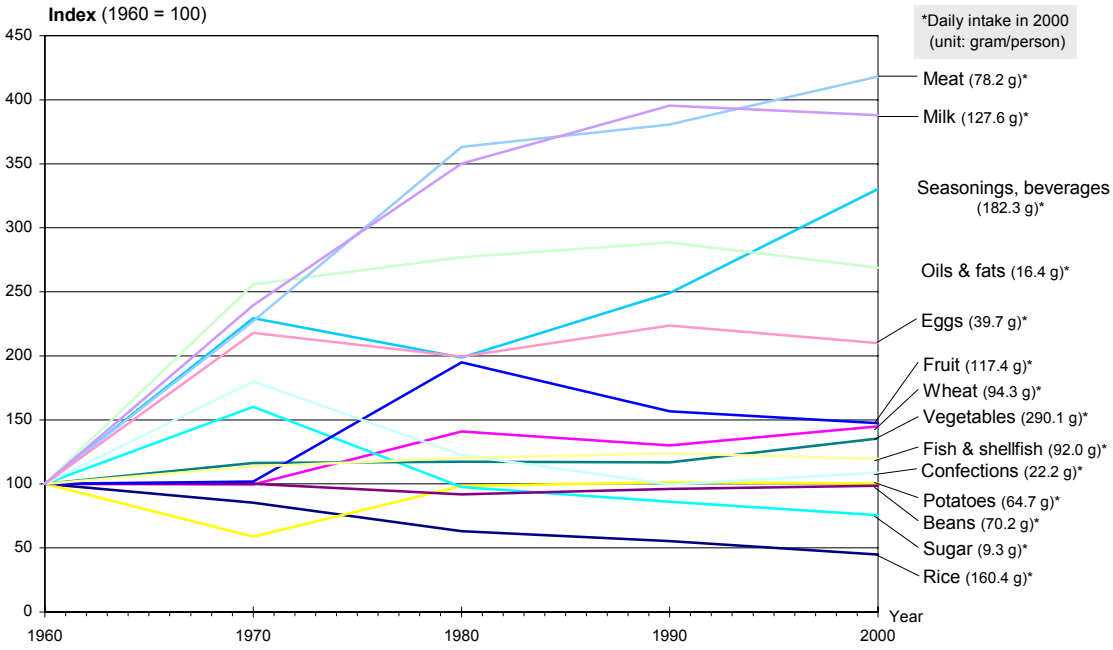


Figure 4.8: Daily intake per person of selected food categories
Source : Japan Almanac 2003, 2002, p. 181; Japan Statistical Yearbook 2003, 2003, table 19-1.

[222] Verdier, 1997.
[223] Japan Almanac 2003, 2002.

The daily per capita consumption of rice, Japan's staple food, dropped more than 45 percent between 1970 and 2000, while the intake of food of animal origin increased by 35 percent in the same period of time.[224] Meat represented the biggest increase, though from a fairly low level, followed by dairy products. Consumption of seafood has for a long time been a more integral part of the Japanese diet than in most Western countries,[225] and kept a stable level in spite of increasing consumption of livestock meat. Vegetables continue to play a very significant role in the Japanese diet, and per capita consumption rose about 15%, but was rather stagnant until the 1990's. A large part of this growth was accounted for by the increasing consumption of yellow and green vegetables.[226] Fruit consumption rose 45% since 1970, but has fallen considerably since the peak around 1980. Today, it appears that the overall consumption patterns are fairly stabilized.

The Japanese diet is substantially lower in calories than many Western dietary patterns,[227] which is partly confirmed by the table below, comparing the average nutritional intake in Japan and Sweden.

Table 4.4: Nutritional value per capita/day in Japan and Sweden, 1999

Nutritional intake	Japan *	Sweden *
Calories **	1,967 kcal	2,919 kcal
÷ Protein	16.5%	13.3%
÷ Fat	27.2%	38.6%
÷ Carbohydrates	56.3%	48.1%
Iron	11.5 mg	13.7 mg
Calcium	575 mg	1,097 mg
Vitamin C	129 mg	111 mg

Notes: * Japanese data are based on the National Nutrition Survey by the Ministry of Health, Labour and Welfare. Swedish data are based on food consumption figures compiled by the Board of Agriculture. These may not be fully comparable. ** Total energy intake. The PFC-ratios, however, do not refer to total caloric intake, but the energy contribution strictly from proteins, fats, and carbohydrates, excluding alcohol. Quantities have been converted into caloric values (kcal) by using the general Atwater factors (4, 9, 4 kcal per gram P, F, C).

Source: Japan Almanac 2002, 2001, p. 225; Statistisk årsbok för Sverige 2001, 2000, table 328.

The average energy value of daily intake is about 30% lower for a Japanese individual compared to that of a Swedish person, according to the data above. This may partly be explained by the difference in physical stature between Japanese and Swedish citizens. The average height and weight for 20~24-year-old Japanese men is 171.9 cm and 65.8 kg, respectively (158.6 cm and 50.6 kg for females), as compared to 179.8 cm and 73.0 kg for 18-year-old Swedish males (1999).[228] [229] Compared to the Swedish diet, the Japanese one is relatively lower in fat and richer in carbohydrates. This diet is seen as a well-balanced diet close to the optimum level according to Japanese authorities.[230] It is also in line with the recommendations from Swedish dietary experts.[231] Its proportion between animal and vegetable origin for protein and fat intakes is more even than in Western diets often high in animal fat, which may lead to cardiovascular diseases. However, the adoption of foreign style eating habits with less rice and more meat has resulted in a gradually changing composition of nutriments, especially for the younger generations interested in trying Western habits.[232]

[224] Japan Almanac 2003, 2002.
[225] Verdier, 1997.
[226] Japan Almanac 2003, 2002.
[227] Verdier, 1997.
[228] Japan Almanac 2002, 2001.
[229] Pliktverket, 2000.
[230] Verdier, 1997.
[231] Livsmedelsverket (2001), the Swedish National Food Administration, recommends a dietary intake (adapted to Scandinavian conditions) of 10-15% protein, maximally 30% fat, and 55-60% carbohydrates of total energy consumption excluding alcohol.
[232] Verdier, 1997.

In 25 years time, the Japanese diet has substantially lowered the intake of carbohydrates from grain and starches, and increased the consumption of animal protein, fat and animal fat, the increases of which have levelled off in recent years.[233] The changes are said to have hit children and young men especially hard, who have more problems with overweight than before.[234] [235] Another characteristic of the Japanese diet compared to many Western diets is a rather modest intake of calcium, explained by a relatively low consumption of dairy products. Seen as positive features of the traditional Japanese diet are the low content of saturated fat; a rather high food variety; and high intake of vegetables, tea (green) rich in antioxidants, and seafood.[236]

Although the balance of the Japanese diet is at just about the right level, there are also some negative health aspects of this diet. Because of an extensive use of salty seasoning or ingredients like soy sauce and *miso* paste, the salt intake is too high, which is implicated in the high Japanese incidence of hypertension, stroke, and stomach cancer. The last mentioned disease is one of the most common causes of death in Japan.[237] [238] [239] Furthermore, the traditional diet is low in calcium and fibre. This deficiency is gradually being compensated by the increased consumption of milk and supplemented food, following the health consciousness trend going on for some years now. On the other hand, the shift toward less rice and more livestock products may come to disturb the ideal balance between proteins, fats, and carbohydrates by excessive intakes of fat, which could lead to increasing health hazards, such as coronary heart disease and diabetes.[240] [241] Moreover, a greater intake of certain alcoholic beverages (especially wine) in recent years can cause negative side effects by increased risk of liver disease, among other things.[242] [243] [244]

At the same time when Japanese seem to eat more of less healthy food, consumers appear to show a greater interest in the food they eat, with rising concern about its quality toward food safety, nutrition, and health.[245]

4.3.2 Taste

One of the main preoccupations of Japanese consumers toward foods is taste and aspect.[246] First of all, Japanese eat with their eyes, and in many cases the appearance of food is more important than taste. People find a certain food item appealing by a combination of its colour and design, and the perception of the external aspect is also linked to the cultural image associated with foods. For example, cherries are found more appealing with their stem still on. Japanese consumers require homogeneity in shape and size for almost all types of products, from fruits to confectioneries. The external parameters are part of people's concern for freshness and quality, the most important factor in deciding which food products to buy. This may explain why packaging is very important in Japan. Processed food is often enclosed in a covering of high quality material and with much attention to detail in design. People avoid dented cans, items with negligent labels, etc., as consumers doubt the safety of such products.

[233] Japan Almanac 2002, 2001.
[234] Murata, 2000.
[235] Negishi, 2001.
[236] Barnett, 1998.
[237] Ibid.
[238] Japan Almanac 2002, 2001.
[239] Verdier, 1997.
[240] Ibid.
[241] Barnett, 1998.
[242] Ibid.
[243] Japan Statistical Yearbook 1998, 1997.
[244] Japan Statistical Yearbook 2002, 2002.
[245] Negishi, 2001.
[246] Verdier, 1997.

Labelling has become increasingly important as well, as consumers want more information about nutritional content and handling/care instructions.[247]

Japanese consumers want genuine foods with real taste. Generally, they continue to prefer milder flavours. For example, many people like the idea of buying cheese for health reasons, but the flavour should be quite discreet as many Japanese cannot handle the characteristically distinct taste of many variants of cheese. Japanese are also sensible toward excessive sweetness, for example regarding confectioneries and biscuits. Moreover, Japanese taste appreciates the texture of food, and sometimes ingredients are added to attain a crunchy, spongy, or gelatinous sensation to chewing.[248]

There are also some regional differences. For example, it is said that people in the north are fond of salty tastes, and around Tokyo and Nagoya they enjoy the taste of soy sauce, while those from Kansai and Kyushu regions like sweet flavours and are more sensitive to taste than smell because of their appreciation of cold foods such as *sashimi* (sliced raw fish) and *sushi*. Such differences are believed to decrease in many of the daily foods because of mass production and globalization of the distribution process, making food products more uniform. However, the structure of the Japanese food industry with a large number of small firms still supports local distribution and therefore adaptation to specific regional tastes. At the same time, people's tastes are believed to become more individualized, following the increasing variety of foods.[249]

4.3.3 Cooking and eating

The average Japanese daily menu consists of breakfast, lunch, and dinner. A large share of the population is favouring the Japanese style breakfast with rice and *miso* soup, but lots of people also have a breakfast with a combination of toast, ham and eggs, cheese, salad, and milk or coffee. A typical lunch consists of noodle, chicken, and vegetables, cooked in soup stock blended with eggs and topped on rice. The dinner could be made of grilled fish, sweet beef and potatoes, boiled greens, miso soup, and rice.[250]

Japanese favourite menus are, for example, *tempura* (deep fried fritters of seafood and vegetables dipped in a mixture of flour, water, and eggs); *sushi* (seafood served with rice in one bite presentation, eaten with soy sauce); *tonkatsu* (breaded pork cutlet); *takikomi gohan* (a mix of rice with various vegetables, meats, and beans); and noodles made of wheat flour or buckwheat, in a soup of bonito stock with soy sauce. Even if some menus may be qualified as simple, a meal is required to have a varied composition of ingredients.[251]

Japanese kitchens are rather well-equipped, with more than 98% of all households owning a refrigerator and 95% having a microwave or electronic oven, for example (2001).[252] Stoves are normally fuelled by gas, often with a very small oven attached to it. The large combined stove and oven normally found in Swedish kitchens is not common in Japan. It is said that baking of food does not have the same tradition in

[247] Verdier, 1997.
[248] Ibid.
[249] Ibid.
[250] Ibid.
[251] Ibid.
[252] Japan Almanac 2002, 2001.

Japanese cooking as in Swedish, why the use of large, ordinary ovens is not needed in Japan so far. Furthermore, since rice is the number one staple food, the electric rice cooker is frequently used in Japanese cooking, a device not as often seen in Swedish kitchens.[253]

Most of the time, women are responsible for cooking and preparing meals, which is especially true for professional housewives. The role of a housewife includes careful meal preparations and an aesthetic presentation of the food. According to the report by the EBC Food Committee, about 30% of ingredients bought to assemble in a meal are processed items, such as bread, sausages, frozen dishes, instant foods, etc. For cooking, most efforts are put into the dinner. It is common to cook different dishes of dinner for the husband and children, where the main dish might be the same but side dishes differ. Menus tend to change as children grow older and their taste preferences change.[254]

Nowadays, few meals are taken with all family members gathered, or about two or three meals per working week while the ratio is higher for weekend dinners. The dinner is the most likely meal gathering all the family. Different time tables of every family member's activities in work, studies, and hobbies often leads to separate meals eaten alone. More individual eating has created a greater demand for prepared convenience foods and individual portions.[255]

There are different eating habits by generation. For example, it is more common for young people to eat snacks between meals. Young married men are often found eating breakfast in stand-up noodle stands, and office workers often eat dinner out with their co-workers when drinking after work, while eating out is usually not the habit of the elderly. Generally, older generations prefer the traditional Japanese meals, while younger people are more prone to adopt Western eating habits. Health and nutritional quality of food is mainly a concern among young women, and mothers regarding their children.[256]

As was mentioned earlier, the Japanese like to eat out. During 2001, 78 million people reported one or more occasions when dining out, an eight percent increase from 1997. On average, they dined out 18.2 times in 2001.[257] [258]

[253] Information based on visits to stores selling white goods and household appliances.
[254] Verdier, 1997.
[255] Ibid.
[256] Ibid.
[257] Japan Almanac 1999, 1998.
[258] Japan Almanac 2003, 2002.

4.3.4 Food expenditures

In section 4.1.6, the overall consumption expenditure level of Japanese households was described. By expenditure category, the average family household spends the largest share of its living expenditures on food, including eating out. A worker's household (of two or more members) allocates about 22% of its consumption budget on food.[259]

Figure 4.9 displays how the proportion of the total household expenditure spent on food, has become smaller and smaller in Japan, in line with many other industrialized nations.

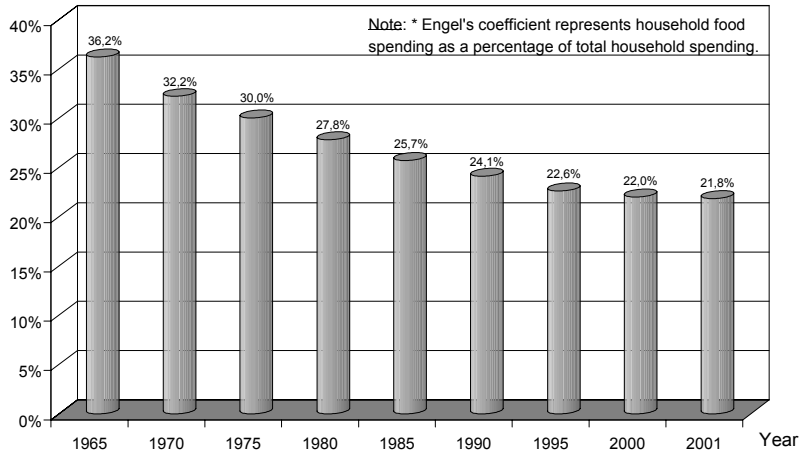


Figure 4.9: Engel's coefficient* trend for salaried workers' households
Source: Japan Almanac 2002, 2001, p. 202; Statistics Bureau, 2002b.

In 25 years time, from 1975 to 2000, Engel's coefficient decreased by eight percentage points to 22% for Japanese salaried workers' households. This trend was influenced by rising standards of living among the Japanese population, with higher income levels and changing consumption patterns. When including other family households, the average ratio of food spending to total consumption expenditures is somewhat higher than the rates shown in figure 4.9 (e.g. 23.2% in 2001).[260] [261] Single-person households of salaried workers tend to allocate slightly more spending money on food than does the corresponding family household.[262] Even though Engel's coefficient in Japan has become smaller over the years, this share is still rather large compared to that of some Western countries. For example, the average private household in Sweden allocates about 21% of total outlays on food-related expenses (1999),[263] or two percentage points less than that of a Japanese household (all households, including single-persons').[264]

In 2001, the average family household (salaried workers' households) spent 73,180 yen per month on food[265], down 2.3% in nominal terms from the previous year (-1.7% in real terms). In nominal terms, food spending grew rather continuously up to 1992, when it began to stabilize and return to slightly lower levels. Since 1999, it has been in a serious downward trend. However, no year has showed any real rate of increase since 1990 (all family households). From 1990 through 2001, food spending of Japanese

[259] Japan Almanac 2002, 2001.
[260] Japan Statistical Yearbook 2002, 2002.
[261] Statistics Bureau, 2002b.
[262] Japan Statistical Yearbook 2002, 2002.
[263] SCB, 2001d.
[264] Japan Statistical Yearbook 2002, 2002.
[265] 71,534 yen/month for all family households.

households decreased by almost 10% and more than 15% in nominal and real terms, respectively (all family households). The trend of food spending is roughly following the trend of overall living expenditures.[266] The burst of the economic bubble in the early 1990's marked the beginning of food expenditure regression, mainly due to declining consumer prices and active attempts by consumers to shop at less expensive stores and search for good value products.[267] In addition, the strain of stagnant income growth, reduced work hours, and increasing unemployment has helped discourage overall consumer spending.[268] According to similar national data from 1999, a Japanese family household spends a slightly smaller amount of money on food consumption than does the average Swedish family household, in relation to their respective purchasing power.[269] Measured by the nominal market exchange rate, however, the food expenditure level of the Japanese household was 12% higher in 1999 than that of the Swedish household (13.78 JPY/SEK).[270] [271] [272] [273]

In 2001, the Japanese food retail market topped 315 billion US dollars in sales, down 3.5% on a yen base from the year before.[274] [275] The downward trend for food spending of Japanese households involves most of the major food items. Since the early 1990's, the major food expenditure categories that showed a real increase were those of beverages (excluding alcohol); prepared food; oils, fats, and seasonings; and dairy products other than fresh milk (excluding eggs).[276] On the next page, table 4.5 shows the Japanese household spending in 2000 by category of food expenditures, and how the categories' shares of the food budget have changed over the years.

[266] Statistics Bureau, 2001a, 2002b.
[267] Verdier, 1997.
[268] U.S. Agricultural Trade Office, 1996.
[269] 4,560 SEK (Japanese hld) to 4,960 SEK (Swedish hld) by the PPP of 16.80 JPY/SEK in 1999.
[270] FXHistory, 2001.
[271] OECD, 2002c.
[272] SCB, 2001d.
[273] Statistics Bureau, 2001a.
[274] FXHistory, 2003.
[275] Monthly Statistics of Japan, 2003.
[276] Statistics Bureau, 2001a.

Table 4.5: Household food spending (monthly average per salaried worker's family household)

Food expenditure category	2000		1990	1965
	Yen	Share (%)	Share (%)	Share (%)
Cereals	7,324	9.8	11.5	23.0
Rice	3,062	4.1	6.2	18.2
Bread	2,452	3.3	2.9	2.1
Noodles	1,496	2.0	1.9	2.0
Other cereals	314	0.4	0.4	0.6
Fish and shellfish	7,788	10.4	12.4	11.7
Fresh	4,878	6.5	7.3	
Salted & dried	1,306	1.7	2.5	
Fish-paste products	757	1.0	1.3	
Other processed fish	848	1.1	1.4	
Meat	6,695	8.9	9.9	8.5
Fresh	5,252	7.0	8.0	
Other meat products	1,442	1.9	1.9	
Dairy products and eggs	3,820	5.1	4.9	8.6
Fresh milk	1,801	2.4	2.5	
Other dairy products	1,268	1.7	1.2	
Eggs	751	1.0	1.1	
Vegetables and seaweeds	8,512	11.4	12.3	12.5
Fresh vegetables	5,323	7.1	8.1	
Dried vegetables & seaweeds	680	0.9	1.0	
Soybean products	1,206	1.6	1.4	
Other processed veg. & seaw.	1,303	1.7	1.8	
Fruit	2,696	3.6	4.4	5.7
Fresh	2,549	3.4	4.2	
Preserved	148	0.2	0.2	
Oils, fats, and seasonings	3,185	4.3	3.8	5.9
Oils and fats	303	0.4	0.4	
Seasonings	2,882	3.8	3.4	
Confections	5,195	6.9	7.1	6.5
Prepared food	8,217	11.0	8.2	2.9
With rice, bread, or noodles	3,224	4.3	2.4	
Other	4,993	6.7	5.9	
Beverages	3,686	4.9	3.8	2.7
Tea	850	1.1	0.5	
Coffee and cocoa	690	0.9	0.7	
Other	2,146	2.9	2.7	
Alcoholic beverages	3,611	4.8	5.0	4.7
Dining out	14,159	18.9	16.7	7.2
General meals	12,751	17.0	14.8	6.0
School lunches	1,409	1.9	1.9	1.3
Total	**74,889**	**100.0**	**100.0**	**100.0**

Total (all family households)	73,844
Total (1-person salaried workers' h.)	47,998
Total (all single households)	42,031

Note: Due to rounding errors, summations of given category values may not exactly equal subtotal and all total values.

Source: Japan Almanac 2002, 2001, p. 202; Japan Statistical Yearbook 2002, 2002, table 16-8; Statistics Bureau, 2001a, table 1.

According to table 4.5, households allocate the largest share of their food budget on dining out (19% for salaried workers' households), followed in order by vegetables, prepared food, fish and shellfish, and cereals products.[277] In a long-term view, the most remarkable changes of total household food consumption are the marked decline in the proportion of spending on rice and the increase in spending on prepared foods and eating out. This seems to represent a change in the Japanese lifestyle, due to among other things the increase in the number of working women and influences of Western eating habits. Furthermore, households now spend a smaller share of their food budget on eggs and fruits compared to 35 years ago, while spendings on beverages and bread have increased their shares.[278] [279] The last decade showed a similar trend, with a strong trend in favour of value-added convenience foods. The share of total food spending allocated to eating or ordering meals out has augmented its position as the top food expenditure category, even though expenses for eating meals out stagnated in the early 1990's.[280] According to a Swedish survey in 1996 (not including prepared food as a separate category), eating out is the top food expenditure category for Swedish households as well, followed by meat, dairy, and cereals products.[281] In 1999, spending on eating meals out represented 14.3% of total food expenditures for the average family household in Sweden (17% if including single households).[282] [283]

The table below presents some quantity and value data of Japanese households' annual food purchases.

Table 4.6: Purchased amount by quantity and value of selected food items per household and year (all family households, 2000)

Food category	Expenditures (yen)	Quantities
Rice	40,846	100.4 kg
Bread	NA	38.5 kg
Fresh fish & shellfish	NA	43.6 kg
Salted fish & shellfish	NA	11.1 kg
Beef	26,140	10.1 kg
Pork	21,546	16.0 kg
Chicken	10,605	11.6 kg
Milk	21,644	107.0 litre
Cheese	3,278	2.3 kg
Eggs	8,931	33.9 kg
Fresh vegetables	NA	190.8 kg
Mandarin oranges	6,186	19.2 kg
Bananas	3,852	18.8 kg
Apples	5,688	14.8 kg
Beer	29,008	60.2 litre

Source: Japan Almanac 2002, 2001, p. 203; Japan Statistical Yearbook 2002, 2002, table 16-4.

Looking at purchased quantities, that the average household carries home from Japanese food stores in one year, vegetables, cereals, and milk products are the most volumed categories. As for meats, pork is the most bought type of meat followed by chicken and

[277] If other family households are included, the share is about 2% lower for dining out, and about 1% higher for vegetables and seafood. (Statistics Bureau, 2001a).
[278] Japan Almanac 1999, 1998.
[279] Japan Almanac 2002, 2001.
[280] Statistics Bureau, 2001a.
[281] SCB, 2000.
[282] SCB, 2001d.
[283] As for all family households in Japan, dining out represented 16.7% of total food expenditures in 1999. (Statistics Bureau, 2001a).

beef. By value, however, beef is ranked at the top. In the last two decades, purchased quantities of pork and chicken have declined in favour of increased consumption of beef. As for fruits, oranges of various kinds are the most popular items, both by quantity and value. Of alcoholic beverages, Japanese drink mostly beer.[284] [285] The total volume of Japanese beer consumption is the fifth largest for any country in the world, while per capita beer consumption is slightly lower than that of Sweden, or ranked 25 in the world (1999).[286] The trend of annual food purchase quantities per household largely corresponds to the expenditure data in money terms described in the previous paragraphs as well as data on daily intakes of food.[287] [288] [289] [290]

Several factors affect the level of a household's food expenditures, for example income, age, gender, place of living, and time of year. Households with low income usually allocate a larger share of their budget on food than do households of higher income levels. In the higher income groups more money is spent on dining out, certain alcoholic beverages, and some meat products than is the case in lower income segments where most of the food budget is allocated to staple and supplementary foods.[291] Furthermore, the buying pattern varies depending on age and the composition of the household. As income rise by age, the level of food expenditures also tend to increase by age up to around 60 years of age. This is further influenced by changing family situations. Generally, the more populated a household, the more it spends. According to the 2000 family expenditure survey, the average household expenditure was spent by a household with 3.24 members and 1.47 earners, and controlled by a family head aged 52.7 years (all family households).[292] Data from mid-1990's show that spending on food is highest with households where the head of the family is in the age from 40 to 55 years. By gender, men normally buy more food than females do. For example, Japanese single males spend on average 50% more money on food than do single women (all single households, 2000).[293] [294] Young, male bachelors allocate a large share of their food budget to eating meals out. As the Japanese society is ageing, the number of young people, who are the most likely to adopt new and different consumption patterns, is declining.[295]

Statistics show that residence, or where people live, also has an influence on the level of household food spending. In 2000, families (all hld) living in major cities (> 1,000,000 inhabitants) spent about 1.18 times more money on food than those living in small cities (< 50,000 inhabitants).[296] [297] Also in relation to total consumption expenses, the amount of money allocated to food is higher for residents in big cities. By district in 2000, the largest food spending amount (almost 78,000 yen per month) was registered for households living in the highly populated Kinki and Kanto regions, while Okinawa households had the smallest amount of food expenses, only 0.70 times that of the former districts. Households of the Kinki district noted the highest Engel's coefficient as well, with 24.7% of total spending allocated to food. The lowest share was registered for the Shikoku district (21.3%).[298]

[284] Japan Almanac 2002, 2001.
[285] Japan Statistical Yearbook 2002, 2002.
[286] Brewers Association of Japan, 2001.
[287] Japan Almanac 2002, 2001.
[288] Japan Statistical Yearbook 1998, 1997.
[289] Japan Statistical Yearbook 2002, 2002.
[290] Statistics Bureau, 2001a.
[291] Verdier, 1997.
[292] Japan Statistical Yearbook 2002, 2002.
[293] Ibid.
[294] Verdier, 1997.
[295] Ibid.
[296] Ibid.
[297] Japan Statistical Yearbook, 2002.
[298] Ibid.

As was described in section 4.1.6, the level of expenditures differs by season. Figure 4.10 illustrates how monthly food spending varies over the year (2000).

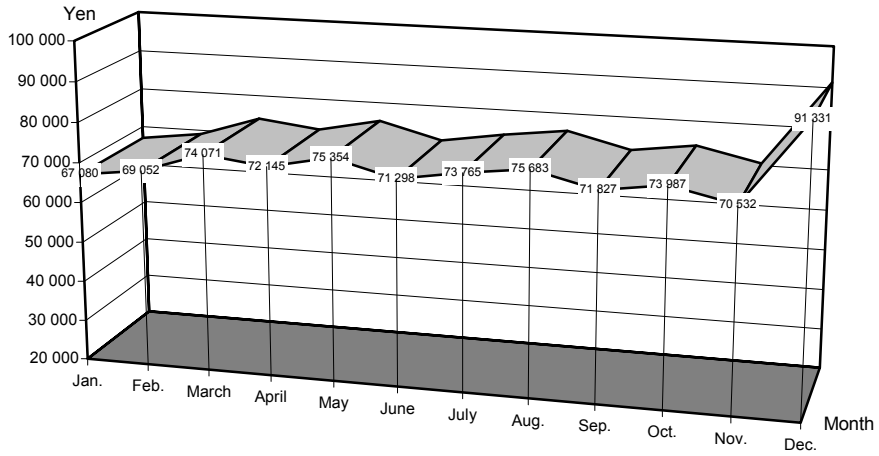


Figure 4.10: Seasonality of food expenditures, 2000 (all family households)
Source : Statistics Bureau, 2001a, table 1.

Japanese households tend to spend gradually more money on food from quarter to quarter, with the highest monthly average for the final three months of the year. Like for overall spending, December is the most expensive month in terms of food expenditures as well. Households actually spent 20 percent more money on food in December than in August 2000, the second most expensive month. People tend to buy more food in times when important festive occasions occur. Later data confirm this seasonal spending pattern, although the level of monthly food expenditures has gone down somewhat.[299]

In Japanese households, the traditional way is that women, or housewives, control and manage the household budget, and are responsible for the shopping and decisions on what to purchase for the family. It used to be that women shopped on almost a daily basis for everyday necessities such as fresh food. Nowadays, they shop two to three times per week, and the trend is leaning toward one-stop shopping (shopping most of household necessities at one place only one or two times per week) to the advantage of large sized and relatively low priced supermarkets in suburban areas. Shopping at convenience stores is popular mainly among single people and other households without children.[300] [301]
Japanese consumers of today are demanding value for their money, but will not purchase poor quality products no matter how low priced. Japanese are known to be among the most discriminating consumers in the world in terms of quality. They want quality products at reasonable prices.[302]

[299] Statistics Bureau, 2003b.
[300] Verdier, 1997.
[301] U.S. Agricultural Trade Office, 1996.
[302] Ibid.

The following figure shows how the level of consumer prices has developed since 1985, both in general terms and with respect to food products.

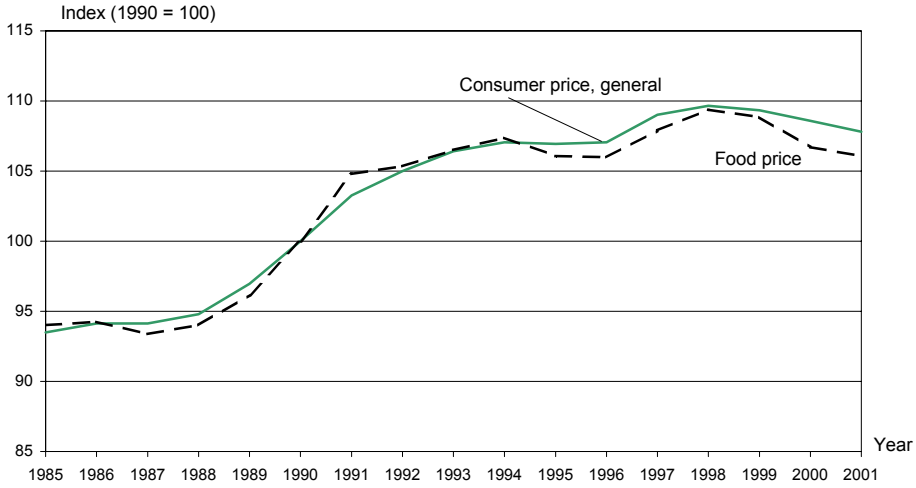


Figure 4.11: Price indexes
Source: Japan Statistical Yearbook 2003, 2003, table 15-9 A.

General consumer prices increased by about eight percent from 1990 through 2001, and food prices showed an increase of six percent in the same period of time. The two indexes largely follow the same trend. Overall, it appears that Japanese prices were fairly stable during the 1990's compared to the conditions of the previous decade, and also compared to the situation in Sweden. Between 1990 and 2001, the Swedish consumer price index increased by 28.5%, even though food prices (excluding alcoholic beverages) were rather stagnant.[303] From the chart above it is clearly illustrated that Japan is dealing with a deflationary situation. The downward price trend since the peak in 1998 is stronger for food products (-3.0%) than for consumer prices in general (-1.7%). In 2001, prices of almost all food categories were at their lowest level since at least three years, some even more than ten years, and the average price index for 2002 declined furthermore. The largest price variations are normally found in fresh foods, such as fresh fish, fresh vegetables and fruits. Besides such items, most of the food categories have showed only moderate price changes since mid-1990's. The most notable changes involve the decline in prices for cereals, especially rice, and rising prices of meats and beverages (excluding alcoholic beverages) until the general downturn started.[304] [305] [306]

Generally, the larger the city the higher the prices. Compared to the national average in 2001, prices in major cities (with more than one million inhabitants) were about 5% and 4% higher in general terms and for food, respectively. Tokyo, Osaka, and Yokohama were the three most expensive prefectural government cities by the average of all sorts of goods and services. The least expensive city was Naha on the island of Okinawa. In 2001, the difference was 13% between the general price level in the Tokyo city area and that of Naha.[307]

[303] SCB, 2002a.
[304] Japan Statistical Yearbook 2003, 2003.
[305] Monthly Statistics of Japan, 2002, 2003.
[306] Statistics Bureau, 2002a.
[307] Japan Statistical Yearbook 2003, 2003.

As for food, Tokyo, Kyoto, and Osaka were in the top, while the cities of Akita and Saga had the lowest price levels. Food prices showed a slightly smaller difference between the cities than did general prices. Food prices were about 10% more expensive in Tokyo than in Akita.[308]

By international standards, the price level in Japan still remains high, also including food products. When comparing food retail prices in Tokyo with those of major city areas in the USA and Europe, the Japanese capital has the highest price listing in most of the food items compared (2001).[309]

[308] Japan Statistical Yearbook 2003, 2003.
[309] Japan Almanac 2003, 2002.

5 FOREIGN ENTRY

This chapter presents the second half of the research results by describing different matters of foreign entry into the Japanese food market, with a special focus on Swedish produced food. The following text is divided into four main parts, of which the last one deals solely with market entry from a Swedish perspective. The first part explores issues related to the question of how foreign food companies enter the Japanese market, i.e. primary marketing channels, and the following part contains an extensive review of Japanese food import data. The third part presents some of the most important Japanese regulations in the field of food trade. The final part will look into these matters specifically regarding Swedish food produce, and in addition it will analyse the level of possible entry barriers Swedish food companies may encounter when trying to enter the Japanese market, by measuring the distance between Sweden and Japan.

5.1 Primary marketing channels

Primary marketing channels transfer products from one nation to another. They work as a link or intermediate, by which a company can sell its products to a foreign market. As explained in section 2.4.1, a company can choose among different options of entry that may differ in potential return and the degree of commitment, risk, and control.
This part will describe how foreign food companies enter the Japanese food market by investigating the main supply channels of foreign made foodstuffs into Japan, and the existence of local processing/manufacturing by foreign implants. Before the main section about entry modes, where some of the leading Japanese intermediating companies are pointed out as well, the text will begin by briefly looking at some of the main motives behind the food trade with Japan. The final section will highlight important requirements of Japanese industrial buyers.

5.1.1 Motivations for food trade

This section will briefly explain the main motives behind the food trade vis-à-vis the Japanese market, partly from the perspective of Japanese importers, and partly from foreign companies' viewpoint.

Based on the results of a survey made by the Ministry of Agriculture, Forestry and Fisheries (MAFF) in Japan [1], it seems that price is the primary reason for a Japanese company to import a food item instead of buying a domestically produced one. Of course, the reasons may vary depending on type of commodity and food industry sector, but overall, the possibility to find cheaper products abroad seems to be the main reason justifying imports. Besides price considerations, the food industry is eager to use foreign supplies in order to compensate for national shortages.

[1] Cited by Verdier, 1997.

As for foreign companies, the size and the potential of the Japanese market appear to be the most important motives, why they want to target Japan. This was confirmed in a report by JETRO (1997b), and by interviews with trade representatives of Swedish food companies, who also stated that their activities in Japan generate a relatively high profitability even though initial investments may be rather expensive.

5.1.2 Entry modes

The same study by MAFF as was mentioned above, found that most foreign produced foodstuffs were supplied via Japanese middlemen before they reached their final commercial user. At the time of the study (released in 1996), close to 70% of surveyed Japanese companies supplied their imported food through channels such as trading companies (mainly dealing with foreign trade), food wholesalers, and food manufacturing companies.[2] Since then, it is believed that the ongoing restructure of the domestic distribution system has made increasing use of a direct link with foreign food exporters, especially among large-sized firms.[3] [4] Among Japanese distribution-channel operators, wholesalers are normally the ones who have most experience in trading directly with foreign companies.[5]

The study showed that intermediating imports mainly go via the help of trading companies. They have much trade experience as well as facilities to import and distribute foreign made goods, which lessens the risk for other companies that procure imported goods. In addition, trading companies are important sources of information on overseas suppliers and products.[6] Some of the best-known trading companies are the so-called *sogo shosha*, or large general trading houses. They have affiliated branches in many parts of the world, and long traditions of assisting Japanese companies in procuring imported goods. The leading Japanese trading companies are Mitsubishi, Mitsui, Itochu, Sumitomo, and Marubeni (by consolidated sales in FY 2001).[7]

From a foreign perspective, the vast majority of overseas food suppliers prefer exporting as a way to enter the Japanese food market and have their products available there. As for direct exports, most goods go through Japanese middlemen, as indicated by the MAFF-survey and also confirmed by interviews with Swedish trade representatives. For the same reason as why Japanese companies think a trading company is a safe way by which they can procure foreign goods, overseas suppliers seem to prefer exporting via the help of an intermediating company because of lack of knowledge, time, and other resources.

On the next page, table 5.1 lists the leading companies of the Japanese food industry, including manufacturers, wholesalers, retailers, and trading companies. Directly or indirectly, a large part of the imported food goes through the hands of these companies.

[2] Verdier, 1997.
[3] Norwegian Trade Council, 2001.
[4] Sweden Food & Forestry [SFF], phone, 12 June 2002.
[5] Verdier, 1997.
[6] Ni-Ka Online, 1996.
[7] Japan Almanac 2003, 2002.

Table 5.1: Top food industry companies (in terms of food sales), by sector, 2000

Manufacturers

Meat	Nippon Meat Packers
	Itoham Foods
	Prima Meat Packers
	Marudai Food
Dairy	Snow Brand Milk Products
	Meiji Dairies
	Morinaga Milk Industry
	Yotsuba
Seafood	Maruha
	Nippon Suisan
	Nichiro
	Kyokuyo
Baking	Yamazaki Baking
	Shikishima Baking
	First Baking
Confectionery	Ezaki Glico
	Meiji Seika
	Morinaga
Others	Ajinomoto (seasonings, frozen foods, etc.)
	Nichirei (frozen foods)
	Q.P. (mayonnaise/dressing)
	Nisshin Seifun (flour)
	Kikkoman (soy sauce)
	Toyo Suisan (instant noodles)
	Nissin Food (instant noodles)
	Katokichi (frozen foods)
	House Foods (spices)
Beverages	
non-alcoholic	Coca-Cola Japan
	Suntory
	Kirin Beverage
	Asahi Soft Drinks
	Ito-en
alcoholic	Asahi Breweries
	Kirin Breweries
	Suntory
	Sapporo Breweries
	Takara Shuzo

General trading companies

Mitsubishi
Mitsui
Sumitomo
Itochu
Marubeni
Nissho Iwai
Tomen
Nichimen

(By non-consolidated, total trading transactions in FY 2001)

Wholesalers

Traditional	Kokubu
	Snow Brand Access
	Ryoshoku
	Itochu Foods
	Meidi-ya
	Sanyukoami
	Kato Sangyo
	Nihon Shurui Hanbai
	Asahi Shokuhin
	Yamae Hisano
Cooperative	CGC Japan
	Nihon Ryutsu Sangyo (Nichiryu)

Retailers

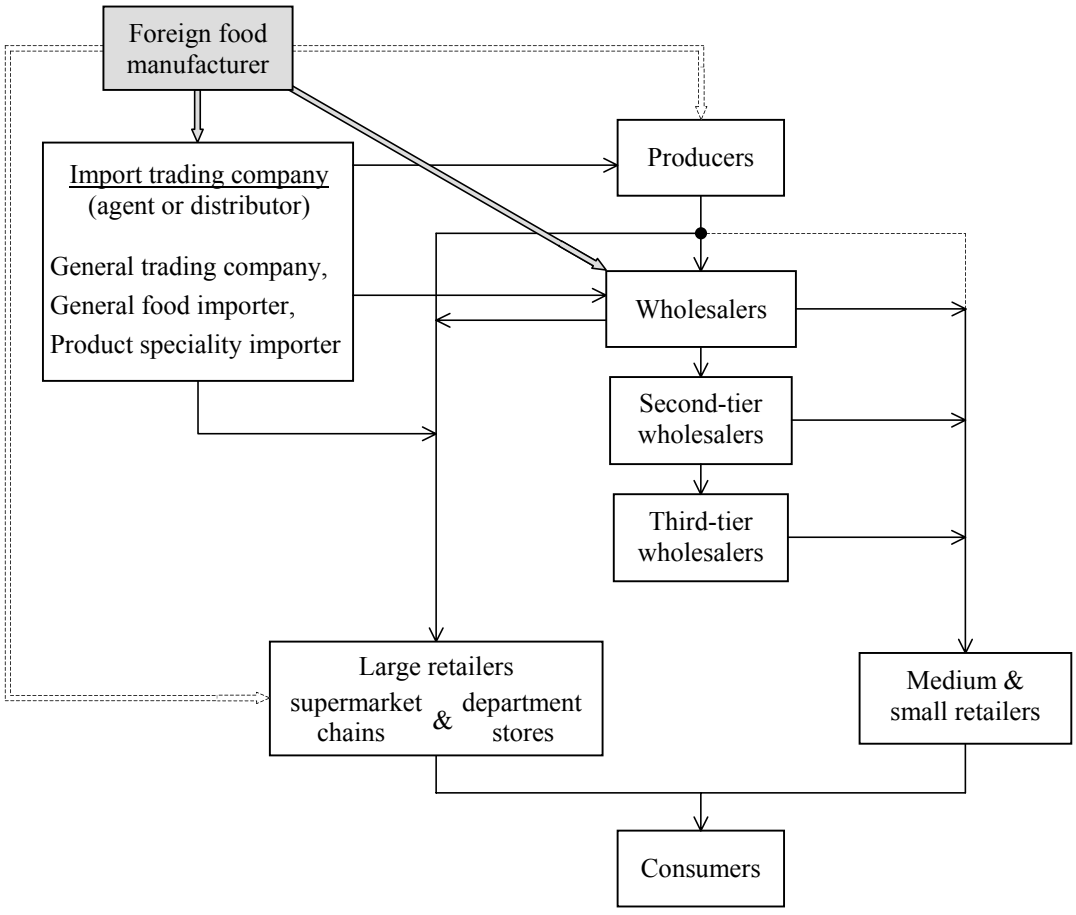
Supermarkets	Coop
	Aeon (formerly Jusco)
	Daiei
	Ito-Yokado
	Uny
	Seiyu
	Life
	Maruetsu
	Izumiya
	Tokyu Store
Department stores	Takashimaya
	Mitsukoshi
	Seibu
	Kintetsu
	Daimaru
	Isetan
Convenience stores	Seven-Eleven Japan
	Lawson
	FamilyMart
	Sunkus
	Circle-K
	Daily Yamazaki
	AM/PM
	Seicomart
	Community Store
	Mini-Stop
Food service	McDonald's Japan
	Skylark
(* Institutional)	Nissin Healthcare Food Service *
	Duskin (Mister Donut)
	Kentucky Fried Chicken Japan
	Royal (Royal Host)

Note: The name of a company in English may differ from that in Japanese. Some of the retailers have only regional operations. Supermarket retailer Mycal, ranked 7th during 2000, is excluded from this list because of its bankruptcy in 2001.

Source: Futagami, 2001, p. 15; Japan Almanac 2002, 2001, pp. 98-101; Japan Foreign Trade Council, 2002a; U.S. Agricultural Trade Offices, 2002, pp. 28-37.

Local manufacturing as a way to enter the Japanese market appears to be the alternative mainly for very large, multinational companies. For example, Coca-Cola and other well-known beverage makers are involved in local production, either through licensing or joint/independent ventures. Within the food service industry, several American franchised restaurants can be found in Japan, such as McDonald's and KFC (Kentucky Fried Chicken).[8] Local manufacturing is for most foreign companies a too costly entry mode to start with, but may be discussed in a later stage of the entry process.[9]

In spite of the trend that the Japanese distribution system is becoming more straightforward, as large retailers are pursuing more efficient distribution channels in response to increased consumer demand for value, the traditional structure is still prevalent for many commodities.[10] [11] Figure 5.1 displays the overall system of the flow of foodstuffs (low-processed as well as prepared products) from original source to final consumers, including both primary and secondary channels. It displays both traditional and new domestic structures, working side by side.



Note: Two-line arrows depict primary channels. Dotted lines indicate channels not as frequently used as routes marked by a full line. The scale of retailers primarily refers to corporate size.

Figure 5.1: Overall primary and secondary food distribution system
Source: Based on Verdier, 1997, pp. 95-130.

[8] Corporate information retrieved 26 June 2002 via Internet from: Coca-Cola Japan [http://www.cocacola.co.jp/index4.html], KFCJ Kentucky Fried Chicken Japan [http://japan.kfc.co.jp], McDonald's Japan [http://www.mcdonalds.co.jp/corporation/index.html].
[9] Moberg, 1990.
[10] Nakamura, 2001.
[11] Verdier, 1997.

The classic Japanese, multilayered distribution system is gradually changing to also include a more direct distribution route between food processors and retailers. Nowadays, large retailers use only a few wholesalers, mainly of primary and large-scale, general type, while smaller retailers may need to supply their food through secondary as well as third-tier intermediaries carrying a limited product range. In section 2.4.2, the term 'channel design' was mentioned, referring to the length and the width of the distribution channel employed. In general, the Japanese food distribution channel must be regarded as both longer and wider compared to that of many Western countries. Traditionally, there are more intermediating operators involved in food distribution in Japan, as well as a greater number of companies of each type in the channel. However, the overall Japanese channel design is becoming shorter and narrower, as the retailing sector is more powerful than before. Retailers are fewer, but have grown in size through mergers and acquisitions, and because of intense price competition, large retailers have made efforts to streamline their distribution, which decreased the number of wholesalers as well. The entry of new, foreign retailers has supported this trend.[12] [13] [14] [15]

Figure 5.1 indicates that most foreign produced foodstuffs enter the Japanese market through some kind of import trading company, i.e. a company whose primary activities deals with foreign trade. However, large-sized retailers, such as national supermarkets and convenience stores, are increasingly importing directly in order to procure products according to their own standards and specifications. Naturally, the import distribution flow differs from one product category to another, and within a category, the import routes vary as well. For example, imported seafood products are mainly supplied by trading companies from foreign fisheries and producers. Most of these products are then passed on to food manufacturers for processing and repackaging. However, a fair share of the seafood is also distributed through the central and local markets in a manner similar to domestic products.[16]

In order to look for market opportunities and connect with the right business partner, many companies use trade fairs to investigate such matters. The leading trade show for food and beverages in the whole of Asia is the annually held International Food and Beverage Exhibition, or FOODEX JAPAN for short. It is usually held for four days in March every year, just outside Tokyo. The 2002 venue had close to 90,000 visitors in total and 2,300 exhibiting companies, two thirds of which were overseas representatives from more than 70 countries. A large number of managers of Japanese food-related companies visit this trade fair.[17] Overseas companies also utilize home-country funded promoting offices in Japan to have important market information. Several countries have specialized promoting offices in the line of food trade, offering support to companies in how to best find their way into the Japanese food market.[18]

[12] JETRO, 1997a.
[13] Norwegian Trade Council, 2001.
[14] U.S. Agricultural Trade Offices, 2002.
[15] Verdier, 1997.
[16] U.S. Agricultural Trade Office, 1996.
[17] Japan Management Association, 2002.
[18] U.S. Agricultural Trade Office, 1996.

5.1.3 Customer demands

For a foreign company interested in entering the Japanese food market, it is important to understand the needs of Japanese customers, who are known to be quite demanding. Foreign food manufacturers must understand their market segment and be completely prepared to tailor their products as to meet the specifications of the Japanese market regarding taste and quality as well as packaging, labelling, and other regulatory requirements.[19] This is not an easy task, when initial orders may be small and there is a limited budget for product development at small and middle-sized food exporters.

Normally, stocking decisions are made twice a year, in March and in September. In general terms, the traditional criteria that influence buying decisions are, in order of importance, quality, delivered price, and other concerns such as packaging and current food trends.[20] [21]
The quality aspect does not only refer to the quality of the food item itself regarding taste and freshness, but also the appearance of the product must be at its top, including packaging and labelling (written in Japanese). The emphasis is placed on uniformity of size, colour, and texture. Products sold at Japanese retailers are usually packed in smaller sizes than corresponding products offered by retailers in Western countries. As for packaging, the quality aspect is very important in Japan, as was explained in section 4.3.2. Regarding taste, there are many separate specifications. Overseas producers of processed food may be required to modify their products to fit the tastes of Japanese consumers before they are accepted by Japanese merchandisers.[22] [23] In addition, there is a growing concern about health and food safety among Japanese consumers.[24]
Therefore, it is necessary for a foreign food company to have the ability to comply with Japanese standards and new trends.

In addition to the general terms stated above, Japanese buyers demand stable trade conditions. For foreign made products, this fact must be carefully considered. Since imported items have to go through several checkpoints, they have a longer order cycle than domestic products. Besides price considerations, which are subject to change due to fluctuating exchange rates, exporters must be able to offer stable supplies in right time and of right quantity. Reliability in volume and time of deliveries is a very important concern with Japanese buyers in general.[25] [26]

Overall, foreign food producers must show reliable supply capabilities and a willingness to meet Japanese market specifications. Attractive products are those that are of high quality, cost competitive, and have special promotional characteristics, as products often need to be differentiated from the competition.[27]
Foreign companies who have had the most success in entering the Japanese food market are said to be those who have taken the time to study the market thoroughly, developing close relationships with local traders. It is important to not just forget about its product after it is sold for export.[28] [29] Although Japanese companies have strict specifications, they are genuinely interested in locating overseas suppliers that are willing to meet their

[19] Ni-Ka Online, 1996.
[20] Ibid.
[21] U.S. Agricultural Affairs Office, 1994.
[22] Ibid.
[23] Ni-Ka Online, 1996.
[24] Negishi, 2001.
[25] Ni-Ka Online, 1996.
[26] Verdier, 1997.
[27] U.S. Agricultural Trade Office, 1996.
[28] Ibid.
[29] U.S. Agricultural Affairs Office, 1994.

standards. If a company is seriously interested in supplying the Japanese market, buyers are often willing to help by sharing their knowledge, e.g. in manufacturing techniques and distribution.[30]

[30] Ni-Ka Online, 1996.

5.2 Food import data

The previous part clearly showed that export is the main entry mode for foreign companies selling to the Japanese food market. This part will look at the size and structure of Japan's agrofood imports with respect to traded commodities and trading partners. A special focus is made on food imports from the Scandinavian countries. Details on Swedish exports are handled separately in part 5.4.
First, some general facts about Japan's overall international trade will be presented, including its food trade and situation of self-sufficiency.

5.2.1 General trade facts

The value of Japanese exports and imports of goods is one of the greatest in the world (3rd after the USA and Germany). In 2000, the total value of Japan's exports and imports of goods amounted to about 480 and 380 billion US dollars, respectively. Japan's trade surplus normally ranks highest of all nations in the world.[31] The big trade surplus vis-à-vis the USA has often caused sourness with the American side.[32]

In the last four decades, the composition of Japan's foreign trade has greatly changed. In 1960, textile products were the biggest export category, but nowadays, Japan's main exports are machinery and equipment, including automobiles and electronic products, which accounted for about 74% of all exports in 2000. Major export destinations are the USA, the EU, and countries in East & Southeast Asia. The composition of imported goods has changed as well. In 2000, the ratio of imports of raw materials and fuel, such as metals and crude oil, was 27%, compared to 66% in 1960. Conversely, imports of finished goods, such as machinery and equipment and textile products have increased. The import ratio of finished goods, all categories, to total imports was 61% in 2000, compared to 50% ten years earlier. As this ratio is lower than that of many Western countries (75-80%), it has led to criticism that Japan's market is closed. Japan may argue that its large imports of natural resources and agricultural products, in which Japan is deficient, statistically lowers the finished product import ratio. Imported goods mainly originate from nearby Asian countries, the USA, the EU, and the Middle East.[33]

Japan cannot satisfy all its food demand with domestic production, but has to import a great amount of foodstuffs to be able to satisfy all needs. Cultivated areas continue to diminish, and the agricultural sector has not been efficient enough to compete with foreign production, even if Japanese production figures increased up to the mid-1980's.[34] [35] Moreover, when trade surpluses began to emerge and were followed by conflicts with trading partners, the Japanese government saw a diplomatic advantage in encouraging heavy importation of food and raw materials.[36] As shown later, the dependence on foreign agrofood products is still fairly high on average.

[31] OECD, 2001a.
[32] Landguiden, 2002.
[33] Japan Almanac 2002, 2001.
[34] Ibid.
[35] Japan Statistical Yearbook 2002, 2002.
[36] Verdier, 1997.

According to latest available trade data from FAO of the UN, Japan's imported volume of foodstuffs is the greatest of all nations. Its value is competing with that of the USA and Germany as the leading import market by US dollar.[37] In 2000, Japan imported foodstuffs worth 46 billion US dollars, or 12 percent of Japan's total import value. At the same time, the country exported foodstuffs to a value of 2.1 billion USD, or 0.4% of the total export value.[38] This makes Japan, by far, the greatest net importer of agrofood products in the world.[39] Figure 5.2 displays how the value of Japan's food imports has changed over the last 15 years.[40]

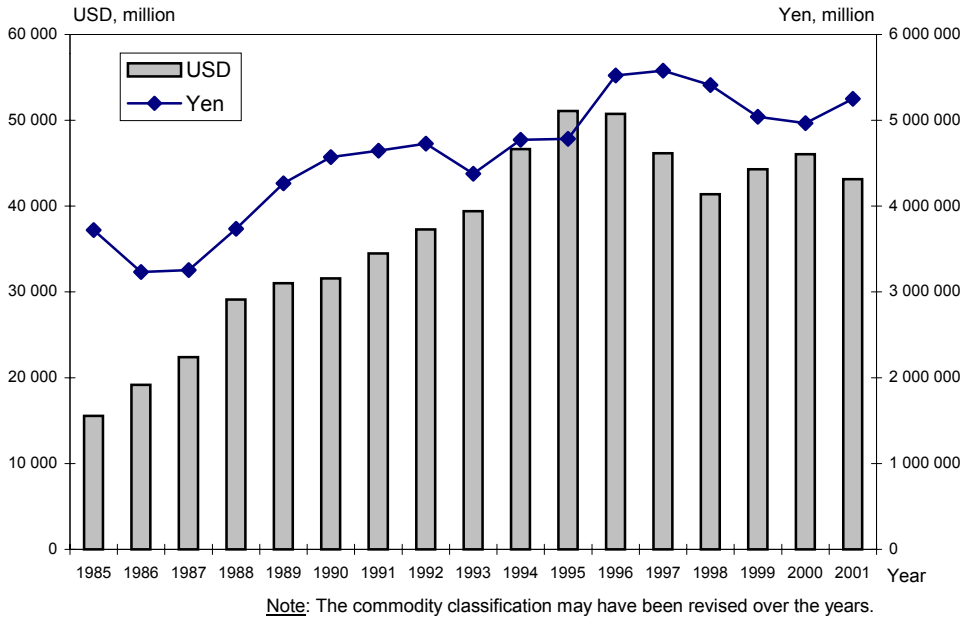


Figure 5.2: Trend of Japanese food imports
Source : Japan Statistical Yearbook (1990-1998, 2002), 1989-1997, 2002; METI, e-mail, 18 July 2002; Monthly Statistics, 2002, table I-5; Statistics, 2002.

On average, the Japanese import of agrofood products increased by 9.5% every year between 1985 and 1997 and almost tripled its value on a US dollar basis. Measured by its yen value, however, the annual average growth of imports was about 3.5 percent, indicating a discrepancy between the two trend series depicted above. This is largely explained by the powerful appreciation of the yen in this period of time. The Japanese yen gained about 200% against the US dollar from 1985 to the peak in 1995, having the value of 1,000 yen change from about 4 dollars to as high as 12 dollars (compared to the average rate of 8 USD in 2001).[41] Apart from the fact that this made foreign goods much cheaper to buy and thereby stimulating imports, the changing exchange rate affected the dollar value of imports paid in yen as to not reflect the real progress of quantities. It seems that the yen value has better reflected the development of imported volumes.[42] This matter was further explained in part 2.8.
After a long period of stable growth in value, food imports came to a halt around 1997 and backed about ten percent on a yen basis before it recently regained some strength. It appears that imports of foodstuffs roughly follow the total import trend. The share of

[37] Faostat, 2002.
[38] Japan Almanac 2002, 2001.
[39] Faostat, 2002.
[40] For definition of products included under food imports, see part 2.8.
[41] FXHistory, 2002.
[42] Faostat, 2002.

agrofood imports of total Japanese imports has been at about the same level for the last 40 years. For example, the share in 2000 is almost exactly the same as in 1960.[43] Since 1985, the share has been ranging from 12 to 17 percent.[44]

Japan's self-sufficiency rate in most food categories has been on a downward trend since 1960. The food self-sufficiency rate is the ratio of total national food consumption supplied by domestic production. There are different ways of calculating this rate (see left chart of figure 5.3). By any calculation method, it seems that Japan's self-sufficiency rate continues to decline.[45]

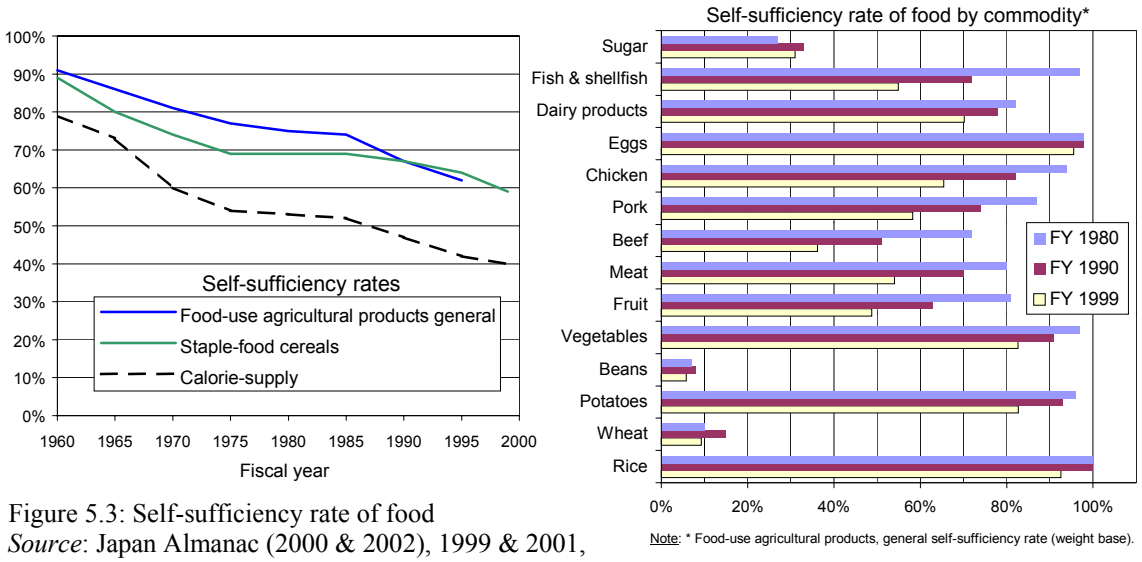


Figure 5.3: Self-sufficiency rate of food
Source: Japan Almanac (2000 & 2002), 1999 & 2001, p. 137; Japan Statistical Yearbook (1998 & 2002), 1997 & 2002, table 6-66 & 6-62.

As the left diagram shows, Japan's food self-sufficiency rate has declined by almost 50% on a calorie supply basis since 1960. After the war, the economic development was focused on manufacturing, mainly of capital goods. The scale of the economic growth exceeded that of any other industrial nation. The modernization of Japan had the effect that cultivated farming areas and the number of people active in the primary sector declined substantially. In addition, the structure of Japanese agriculture with many small entities has made it difficult to improve productivity to a sufficient level.[46] [47] [48]
This direction of declined domestic production vis-à-vis consumption can be seen in most groups of products. Japan used to be self-sufficient in rice, but since rice imports were liberalized, there is no longer a category in which Japan can fully supply the demand by domestic production. The trend was fuelled by a growing food consumption of a more westernized diet, increasingly supplied by cheaper imports due to the appreciated yen.[49] [50] Even though the heavy import dependence has been viewed as a danger among some Japanese, ideas about public benefits from self-sufficiency and agricultural protectionism appear not to have made any substantial impact on the self-sufficiency rate so far.[51] By international standards, the Japanese rates in general are much lower than the world average. As for cereals (including non-food use), Japan's domestic production supplies about 23% of its total consumption, as compared to 112% in the case of Sweden, for example (1999).[52]

[43] Japan Almanac 2002, 2001.
[44] Japan Statistical Yearbook (1990-1998, 2002), 1989-1997, 2002.
[45] Japan Almanac 2002, 2001.
[46] Statistical handbook of Japan 2001, 2001.
[47] Verdier, 1997.
[48] Witherick & Carr, 1993.
[49] Japan Almanac 2002, 2001.
[50] Verdier, 1997.
[51] Ibid.
[52] Faostat, 2002.

5.2.2 Traded commodities

The bulk of imported quantities of agrofood products into Japan are made up of cereals and cereal preparations, whereas by value, seafood is leading the trade. Table 5.2 presents imports by food category.

Table 5.2: Japanese food imports in 2000 by food category, value and volume

Food category	Value		Volume	
	USD, million	Share, %	Metric ton, 1000	Share, %
Meat	8,816	19.1	2,460	4.3
Dairy & eggs	870	1.9	367	0.6
Fish & shellfish	15,461	33.6	3,096	5.4
Cereals	4,771	10.4	28,539	49.9
Vegetables	3,185	6.9	2,758	4.8
Fruits & nuts	3,236	7.0	2,858	5.0
Sugar & honey	499	1.1	1,912	3.3
Coffee, tea, cocoa, spices	1,762	3.8	761	1.3
Feedstuffs	2,068	4.5	6,146	10.7
Beverages *	2,146	4.7	1,177	
Oil seeds	1,955	4.2	7,502	13.1
TOTAL	46,047	100.0	57,176	100.0

Note: Total figures do not include tobacco. The total volume also excludes live animals, beverages, and miscellaneous prepared food. * The quantity of beverages is measured by 1,000 kilolitre. Categories include prepared items.
Source: JETRO, 2001a, table 1.

In 2000, imported products such as cereals, oil seeds, and feedstuffs were dominating the trade by volume. Their combined share of total imported quantities has declined, mainly because of a relatively smaller trade in cereals, the share of which lost about ten percentage units over the last 20 years. During the 1990's, all categories showed increasing imports by quantity except for sugar & honey. Vegetables and meat products had the highest growth figures.[53] [54] By value, seafood takes about one third of the imported amount in US dollars. Meat imports represent close to 1/5 of the total inward trade value, and by ranking, this category is followed by the combined fruits and vegetables trade and imports of cereals.
In 2000, eight food items were registered with an import value of one billion US dollars or more. The ranking was lead by pork meat, shrimps and prawns, beef (excluding offal), tuna, corn, soybeans, salmon and trout, wheat, crabs, and chicken.[55]

The trade is dominated by imports of low processed foodstuffs, which are further processed by Japanese food manufacturers. However, the last decade showed an increasing demand for food processed outside Japan.[56]

[53] Faostat, 2002.
[54] Verdier, 1997.
[55] JETRO, 2001c.
[56] Verdier, 1997.

Figure 5.4 illustrates the present import ratio between prepared and low processed foodstuffs of major categories.

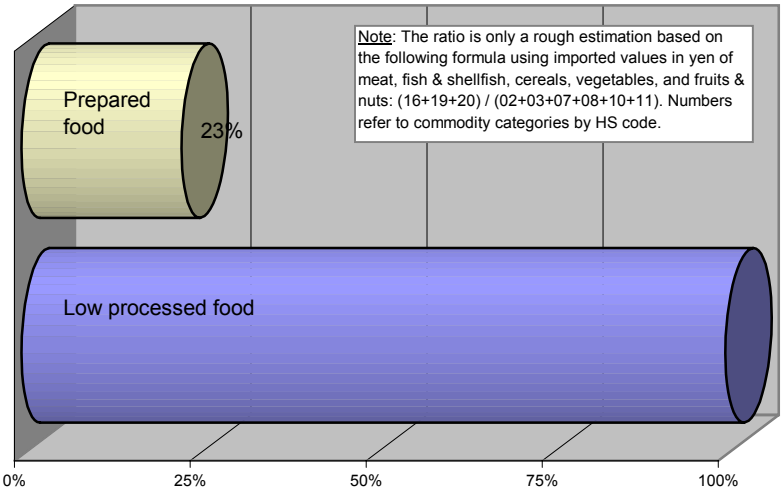


Figure 5.4: Import ratio of prepared food to low processed foodstuffs, 2001
Source : Trade Statistics, 2002.

The following subsections will briefly explore the import structure for some of the main food categories.

5.2.2.1 Meat

Japan is the leading meat importer in the world.[57] Imported quantities of meat products into the country represent close to half (47%) of its domestic meat consumption (food balance data for FY 1999).[58]
Imported volumes (including offal) in 2000 were led by beef trade with about 40% of meat imports (excluding prepared products), followed by pork (1/3) and chicken (1/4). By value (USD), beef and pork accounted for nearly 90% of the meat trade, almost equally split between the two categories.[59] Over the last two decades, the imported quantities grew heavily for most categories of meat, except for mutton. The growth was particularly strong for chicken. By share, beef trade has been very stable around 40%, while trade in pork and especially chicken have taken shares from mutton.[60] Although the bulk of meat imports still are made up of unprocessed or semi-processed products, the quantity of prepared items (such as bacon and sausages) has showed strong growth from the 1990's and onwards.[61] In 2000, this category accounted for ten percent of all imports of meat and meat preparations, both by volume and by value.[62]

The USA is by far the biggest exporter of meat to Japan, as a big trader in most categories and especially in the beef trade. In 2000, meat imported from the USA represented 2/5 of the total value of Japanese meat imports. Other major sources of imported meat products are Australia, Denmark, China, and Canada. Denmark is Japan's leading provider of foreign pork meat, and by far the largest supplier of meat from the European Union.[63]

[57] Faostat, 2002.
[58] Japan Almanac 2002, 2001.
[59] JETRO, 2001c.
[60] Faostat, 2002.
[61] Verdier, 1997.
[62] JETRO, 2001c.
[63] Ibid.

Until 2001, imports of meat products showed strong growth, especially during the 1990's when the domestic livestock production declined and was not able to match the increasing demand for processed meat with the Japanese people, reflecting the increasing westernization of dietary habits.[64] [65] [66] However, due to bans on some foreign meat products in 2001 because of outbreaks of mad cow disease (bovine spongiform encephalopathy, BSE) and foot-and-mouth disease, the volume of imports decreased somewhat in 2001, especially from the EU. Restrictions were imposed on beef and later also pork and mutton from all EU-countries. Bans on pork were soon lifted for some countries, including Denmark and Sweden.[67] [68] [69] In addition, BSE was found in Japanese, domestic livestock in September 2001, the first case of seven as of January 2003.[70] As a consequence, Japanese consumption of beef is down severely. It dropped 18% in 2001, while consumption of pork and chicken rose three to four percent in the same period of time.[71]

5.2.2.2 Fish and shellfish

Japan is the leading importer of fish and shellfish in the world, both by value and by volume (1999).[72] In 2000, Japan's inward trade of seafood was worth more than 15 billion US dollars or about one third of the country's total food imports, the highest valued food import category.[73] By supply and demand balance data, including use for feedstuffs, imported volumes of fish and shellfish accounted for 53 percent of total fishery supplies for domestic consumption (1999).[74]

Fish including prepared products represent the majority of seafood imports, both by volume and by value (69% and 56% in 2000), of which frozen fish accounts for most of the trade. Shellfish, meaning crustaceans (shrimps, crabs, etc.) and molluscs (clams, oysters, squids, etc.) takes 30% of the volume and more than 40% of the imported value of seafood. The rest is mainly made up of edible seaweed. Of all seafood imports, prepared fish and shellfish products represent about 1/10 of the volume and 16% of the value (2000).[75]
By item, the highest valued trade is found in imports of (by order) shrimps & prawns, tuna & bonito, salmon & trout, crabs, and processed eel. In 2000, Japan imported shrimps and prawns worth more than three billion US dollars, while the others were in the range of two billion down to 700 million USD. Next to pork meat, the shrimps segment is the highest valued food import item. Further down the list comes trade in, for example squid (430 m. USD), cod (320 m), flatfish (215 m), mackerel (165 m), and herring with imports of 65 million US dollars in 2000. In quantity terms (not including prepared items), imports of tuna and bonito lead the trade with about 400,000 tons shipped to Japan in 2000, followed by shipments of shrimps & prawns, and salmon & trout weighing about 35 to 45 percent lighter.[76]

The two most important sources of foreign seafood are China and the USA, which together provide about 25% (15 + 10) of Japan's total imports of marine food products, by value as well as volume (2000). Other major suppliers come from Russia, South

[64] Faostat, 2002.
[65] Japan Almanac 2002, 2001.
[66] Verdier, 1997.
[67] EU imports of mutton, pork banned, 2001.
[68] Pork ban eased for three EU nations, 2001.
[69] Trade Statistics, 2002.
[70] Seventh mad cow found in Hokkaido, 2003.
[71] Household spending drops for fourth straight year, 2002.
[72] Faostat, 2002.
[73] JETRO, 2001c.
[74] Japan Almanac 2002, 2001.
[75] Trade Statistics, 2002.
[76] JETRO, 2001c.

Korea, and Thailand.[77] [78] Looking at Europe as an import origin, not counting Russia, Norway stands out as the sole leading supplier with a shipment value of fish and shellfish to Japan in 2000 worth 1.6 times more than that for the entire EU. Within the European Union, Spain is the leading exporter, followed by Denmark and the Netherlands far behind. By value, the EU supplied about 2.5% of Japan's total imports of seafood in 2000.[79]

Seafood still plays a central role in the Japanese diet, although its consumption has been in a gradual downward trend for a long time. Despite this trend, fish and shellfish provide close to 40 percent of Japanese daily, animal protein supply. Japanese people buy mostly fresh and frozen seafood (47%), followed by salted and smoked products (38%) (by quantity in 1999).[80] For a long time, Japan was the top fishing country in the world, but it is now overtaken by China. Japan's fishery production has been falling since the end of the 1980's, due to a decrease in fishery resources in coastal waters, international restrictions, a decreasing and ageing fishery population, etc.[81] Among other things, this made Japan more dependent on imported marine products, as was clearly indicated in figure 5.3. Since the early 1980's, imported quantities have shown a steady increase, with a strong growth for prepared products, but after 1995 the seafood trade slowed down for some years until it started to increase in recent years.[82] [83] [84]

5.2.2.3 Cereals

Like in many other categories, Japan is one of the top destinations of cereals. In fact, Japan imported twice as much cereal products as did the second ranked nation in 2000.[85] These goods account for about half of all foodstuffs going to Japan by volume, corresponding to ten percent of the total value of Japan's food imports (2000).[86] Japan is close to self-sufficient in rice, but for all other grains the country is highly dependent on overseas supplies. By food balance data, imports represent 4/5 of all domestic consumption of cereals, including use for feed (2000). About half of all supplied quantities (including domestic production) are used for food purposes or in further processing, while the rest is mainly made up of feed grains.[87]

Most imported quantities come in the form of raw materials, i.e. more or less unprocessed harvested grains. Cereal imports are dominated by maize (with 56% of all quantities and 40% of the total value in 2000) and wheat (20% and 22%). Maize is mainly imported for later use as feedstuffs (70%), while almost all of the wheat is destined for human consumption. Other kinds of grains, such as barley, rye, and rice, enjoy only a few percent of the trade each.[88] [89] However, there may by high variations of imported volumes depending on weather conditions in Japan and other parts of the world.[90]

The cereal category also includes products from the milling industry, such as malt, flour, and starch. This segment accounted for 3.4% and 6.7% of total imported volume and value, respectively. Malt is the main product of this trade. Prepared cereal products, such as pasta and bakery products, enjoy only a small share of total cereal imports, but

[77] Japan Almanac 2003, 2002.
[78] JETRO, 2001c.
[79] Japan Statistical Yearbook 2002, 2002.
[80] Japan Almanac 2002, 2001.
[81] Ibid.
[82] Faostat, 2002.
[83] JETRO, 1999b, 2001c.
[84] Verdier, 1997.
[85] Faostat, 2002.
[86] JETRO, 2001a.
[87] Faostat, 2002.
[88] Ibid.
[89] JETRO, 2001c.
[90] Verdier, 1997.

showed substantial growth in the 1990's. In quantity terms, these products represent two percent of the entire cereals trade. By value, however, imports of cereal preparations take a share of about 15 percent (2000).[91] [92]

The lion's share of the cereal import comes from the USA, who is the source of about 60% of all grain and processed grain products headed to Japan (by import value in 2000). Australia (13%) and Canada (10%) is the second and third most important supplier of cereals, respectively. As for wheat, practically all imports into Japan come from these three countries only. The European Union is responsible for about 3% and 6% of Japan's cereal imports by volume and value, respectively. The EU is quite a large provider of imported malt (led by the UK), starch (the Netherlands), pasta (Italy), and confectioneries such as biscuits and cookies (Denmark). Italy, the UK, Germany, and France dominate the cereal trade from this zone.[93] [94]

The traditionally rice-centred Japanese diet has been broadened and more diversified. The consumption of rice has been in a steadily downward trend since early 1960's. From the peak in 1962 to 1999, the annual per capita supply for rice consumption decreased by 45 percent.[95] The food consumption of most other cereals has increased in a long-term perspective. Besides temporary up's and down's in production due to changing weather conditions, the domestic production of grains has become smaller over the last four decades, involving most crops but especially rice.[96] Imports of grains, excluding rice, grew up to the 1980's. Since then, the trade has been rather stagnant. The recent liberalization of rice imports has increased the amount of foreign rice shipped to Japan, mainly provided by the USA. Imports of prepared cereal products have grown along with increasing consumption of such goods, e.g. pasta and bakery products.[97] [98] [99]

5.2.2.4 Vegetables and fruits

In 2000, Japan imported vegetables and fruits weighing 5.6 million metric tons, worth 6.4 billion US dollars or 14% of the total value of all foodstuff imports. The two product groups, vegetables (including certain roots and tubers, e.g. potatoes) and fruits (including edible nuts), each generated about the same trade value and volume.[100] Imports of fruits represent about half (53%) of Japan's total fruit supplies for domestic consumption, while the same rate for vegetables is only 17% (FY 1999). However, the consumption of vegetables is nearly two times the quantity of fruit consumption.[101]

Fresh and chilled vegetables account for one third of the import volume of all vegetables (31% by value), just about the same share as for prepared items of vegetables (34% by value). Frozen vegetables take about a quarter of the trade. The leading items by value are imports of frozen potatoes (255 million US dollars), materials for pickles (160 m. USD), processed tomatoes (150 m.), and *matsutake* mushrooms (135 m.). The figures refer to the trade in year 2000.
As for imports of fruits and nuts, the trade was dominated by fresh and chilled fruits representing 64% and 48% of the total volume and value, respectively. Prepared fruit

[91] JETRO, 2001c.
[92] Verdier, 1997.
[93] JETRO, 2001c.
[94] Trade Statistics, 2002.
[95] Japan Almanac 2003, 2002.
[96] Faostat, 2002.
[97] Ibid.
[98] JETRO, 2001c.
[99] Verdier, 1997.
[100] JETRO, 2001c.
[101] Japan Almanac 2002, 2001.

products, such as juices and canned fruit, accounted for 22% of the trade by quantity and 25% by value. Dried and frozen fruits enjoyed only a small share of all imports. Edible nuts, including prepared nut products, represented seven percent of all fruit and nut imports in quantity terms and more than twice the share in value terms. Regarding items, bananas led the trade by volume as well as by value (1,080,000 metric tons and 550 million USD), far ahead of grapefruits (270,000 MT and 255 m. USD) in second position. Chestnuts, orange juice, lemons, cherries, kiwi fruits, and oranges represent other major import products, each with a trade value of 100 to 150 million dollars.[102] [103]

The two leading providers of fruits and vegetables to Japan are the USA and China. In 2000, the USA supplied one third of the import value of all fruits shipped to Japan. The Philippines and China supplied another 18% and 11% of Japan's fruit imports, respectively. The USA is especially dominant in the area of citrus fruits, where US exporters controlled more than 80% of the trade in 2000. As for nuts, Japan used China as its primary source, followed by the USA and South Korea. These three countries are the main exporters in the vegetable trade as well. China is the leading supplier with 47% of Japan's vegetable imports in terms of value, followed by the USA with a 23% share, and South Korea with six percent of the market (2000).[104]
The European Union is a small provider of these kinds of foodstuffs. Imports from the EU account for about four percent of the trade value of both fruits and vegetables. The leading suppliers of fruits from the EU are France, Austria, and Italy; while Italy, the Netherlands, and Germany are the top exporters of vegetables, in terms of import value in 2000.[105]

In Japan, fruits and vegetables are two distinct markets that should be approached separately. Unlike many Western cultures, Japanese consumers seem to see little relationship between the two food groups. While vegetables play an important role in the traditional Japanese diet, fruits have been viewed as luxury food eaten as a desert. The Japanese diet includes a lot of traditional Asian vegetables, for example *daikon* radish, Chinese cabbage, and *goboh* (starchy root).[106] The consumption of traditional vegetables has been rather stagnant over the last twenty years, while yellow and green, more Western-like vegetables have showed strong growth. At the same time, the daily intake of fruits has experienced a gradual decline, and is about 25% lower than twenty years ago.[107] [108] Production-wise, the domestic output of both fruit and vegetables has been in a downward trend for at least 15 years, among other things due to the ageing farm population and alternative demands on the land area.[109] [110] In this period, the imported quantity of fruits and vegetables increased steadily, and the combined imports in 2000 had more than doubled the volume compared to 1985.[111] Imports of fruits as well as vegetables have grown considerably, especially for vegetables.[112] [113] As for vegetables, imports were mostly used to cover the shortage of production due to climatic variations, until the declining domestic production was not enough to satisfy demand. Besides compensating for domestic production shortages, imports are also supplying consumers with a wider variety of goods all seasons.[114]

[102] JETRO, 2001c.
[103] Trade Statistics, 2002.
[104] JETRO, 2001c.
[105] Japan Statistical Yearbook 2002, 2002.
[106] U.S. Agricultural Trade Office, 1996.
[107] Japan Almanac 2003, 2002.
[108] Verdier, 1997.
[109] Japan Almanac 2002, 2001.
[110] U.S. Agricultural Trade Office, 1996.
[111] Faostat, 2002.
[112] JETRO, 1999b, 2001c.
[113] Verdier, 1997.
[114] Ibid.

5.2.2.5 Others

For most other product areas than the ones explained above, Japan is also dependent on foreign supplies to satisfy domestic consumption. The majority of the trade is destined for further process at Japanese manufacturers. The following text will briefly present the trade situation for some food categories other than those previously described.

Dairy products and eggs

This category includes goods such as milk, cream, butter, cheese, egg powder, yoghurt, and ice cream. In 2000, Japan imported dairy and egg products amounting to 870 million US dollars from a quantity of 367,000 tons, of which egg products accounted for ten percent (12% by value).[115] [116] By supply and demand data, imports of milk and other dairy produce account for 30 percent of all dairy supplies for domestic consumption (FY 1999). As for eggs, however, Japan is to 95% self-sufficient.[117] Cheese products represent more than half of the entire trade in this category (56% by volume and 63% by value for imports in 2000).[118] About 4/5 of all supplies of processed cheese in the Japanese market are manufactured abroad.[119] Other important items in this group are the trade in milk powder and ice cream, representing 10% and 7% of the trade value in 2000, respectively.[120] Australia is the leading overseas supplier with close to 30% of Japan's imports in terms of value. It is followed by New Zealand and the USA. Together, these three countries take about 3/5 of the market (2000).[121] The value of imports from all of the EU competes with that of Australia. The Netherlands, France, and Denmark are the leading suppliers from this region, which is particularly important as a source of imported cheese products.[122]

Sugar and honey

This category includes, for example honey, raw sugar, molasses, lactose, and sugar confectionery such as chewing gum and candies without cocoa ingredients. In 2000, Japan imported sugar ware to a quantity of 1.9 million tons, worth almost 500 million US dollars. Raw sugar is the main commodity in this trade, representing 80% of the total volume and 60% of the total value. In value terms, imports of honey take eight percent of the trade, while sugar confectioneries account for 13 percent (2000).[123] Thailand with 30% of the trade value, and Australia (25%) and China (10%) are the three leading suppliers of foreign sugar ware.[124] The EU-countries are providing about one tenth of the import value, mainly through exports of lactose and confectioneries. A large part of this trade originates from the Netherlands.[125]

Coffee, tea, cocoa, and spices

For natural reasons, Japan is highly dependent on foreign supplies of these products, except for tea.[126] 760,500 tons were shipped to Japan in 2000, amounting to 1.76 billion US dollars. Including prepared products, coffee is leading the trade in this category with

[115] JETRO, 2001c.
[116] Trade Statistics, 2002.
[117] Japan Almanac 2002, 2001.
[118] Trade Statistics, 2002.
[119] Japan Almanac 2000, 1999.
[120] JETRO, 2001c.
[121] Ibid.
[122] Trade Statistics, 2002.
[123] JETRO, 2001c.
[124] Ibid.
[125] Trade Statistics, 2002.
[126] Faostat, 2002.

about half of all imports in terms of both quantity and value. Next in rank comes the trade in cocoa (30% by volume and 25% by value), followed by tea and spices. Coffee beans (788 million USD in 2000) and chocolate confectioneries (143 m. USD) are some of the most valued import items in this category.[127] Brazil and Colombia supply a little more than 20% each of the Japanese imported value of coffee products. Many countries are involved in the trade of cocoa products, of which Singapore, the USA, and Ghana are among the leading sources. China supplies the majority of the tea shipped to Japan, especially green tea. China is the leading provider of spices as well. As for European countries, Germany is reported as one of the top suppliers of instant coffee, and the Netherlands is the leading source of imported cocoa butter, just as Italy for chocolate confectioneries. The UK is an important supplier of black tea, where the British have long-standing traditions.[128]

Beverages

This commodity group involves alcoholic and non-alcoholic beverages, such as mineral water, soft drinks, beer, wine, and spirits (e.g. brandy, whisky, rum, gin, and vodka). In 2000, Japan imported 750 million litres of beverages, worth about two billion dollars.[129] Close to 90 percent of the imported value came from alcoholic beverages (60% by volume). By volume and kind of beverage, imports of mineral water take the largest portion of the trade (26% in 2000), followed by wine (23%), spirits (21%), and soft drinks (14%). By value, however, spirituous beverages (41%) and wine (40%) dominate the trade, far ahead of soft drinks and mineral water (6% each).[130] [131] Among distilled spirits, whisky and brandy are the leading import items by value (40% and 30%, respectively), whereas imported *shochu* (Japanese traditional white spirit) from South Korea (known as *soju*) leads the trade in terms of volume. Imported beer only accounts for a few percent of the total beverage trade. More than 99% of all beer consumed in Japan is produced domestically (1999).[132] [133] [134] The import penetration varies from item to item. As for alcoholic beverages in general, less than ten percent of total supplies are imported goods. The main exception is the consumption of wine, which to 3/5 is made up of imports, according to food balance data for 1999.[135] As for mineral water, the Japanese market has grown rapidly in recent years, where imported quantities of mineral water accounted for about 15% of total sales in 1999.[136] [137] Besides exporting, overseas-originated beverages are also produced locally through licensing or joint/independent ventures, for example in the line of soft drinks and beer.

The European Union is the leading source of foreign produced beverages, responsible for almost half of all imported quantities and 70 percent of the total import value (2001). In terms of value, more than 2/5 of the imports are shipped from France, which is dominating the trade in mineral water and brandy. France is also a major supplier of imported wine. The UK, the USA, Italy, and South Korea share another 40% of the overall trade value. Whisky accounts for most of the imports from the UK, while soft drinks, whisky and wine dominates the shipments from America.[138] [139]

[127] JETRO, 2001c.
[128] Ibid.
[129] These figures are different from those presented in table 5.2, which also include preparations containing more than 80% alcohol by volume.
[130] JETRO, 2001c.
[131] Trade Statistics, 2002.
[132] Ibid.
[133] Brewers Association of Japan, 2001.
[134] Ward, 2001.
[135] Faostat, 2002.
[136] JETRO, 2001c.
[137] Murakami, 2000.
[138] JETRO, 2001c.
[139] Trade Statistics, 2002.

5.2.3 Trading partners

As a major trading nation Japan supplies its needs from all over the world. Some of the food-supplying countries were mentioned above. This section will present the leading source markets, from which Japan imports most of its foreign foodstuffs, as well as a special insight into the food import trade with respect to Scandinavia.

5.2.3.1 Major trading partners

Japan sources its foodstuffs mainly from North America and the East & Southeast Asian region, which together account for about two thirds of all imported food, by value in 2000. The countries of the European Union are the third most important region for Japanese food imports, closely followed by the Oceanian area of Australia and New Zealand.[140] The top agrofood providers are listed in the table below, where you also can find the primary food import items from each of the listed countries.

Table 5.3: Major food import markets, value and share in 2000

Country/area	Value USD, million	Share of total food imports %, USD basis	Top import items (by value)
U.S.A.	12,310	26.7	Corn, beef, pork
China	6,097	13.2	Eels, chicken, shrimps & prawns
Australia	3,219	7.0	Beef, shrimps & prawns, wheat
Canada	2,586	5.6	Pork, canola, wheat
Thailand	2,261	4.9	Shrimps & prawns, chicken, squid
South Korea	1,797	3.9	Tuna, clams & oysters, pork
Russia	1,313	2.9	Crabs, cod roe, salmon & trout
Denmark	1,237	2.7	Pork, cheese, salmon roe
France	1,211	2.6	Wine, brandy, pork
Indonesia	1,143	2.5	Shrimps & prawns, tuna, coffee beans
European Union, EU_{15}	4,554	9.9	Pork, wine, whisky

Source: JETRO, 2001c, pp. 10-15; Trade Statistics, 2002.

Like in many other product areas, the USA is Japan's leading source of imported food products, supplying more than a quarter of the total value of Japanese foodstuffs imports (2000). The value of food imports from the USA is two times higher than that of the second ranked source country, China. However, the US share of total imports has declined, while the Chinese share of the Japanese food market has showed strong growth in recent years.[141] Countries in the Asian region have taken shares from the USA, as they have advantages in geographical proximity, which lowers transportation costs and time, and similarities in food culture. Furthermore, they have been successful in tailoring products to meet specific needs of the Japanese market, perhaps helped by the fact that Japanese food manufacturers have invested processing capacity in these countries.[142]

The members of the European Union combined would take the third position in the ranking list above, with total food exports to Japan worth over 4.5 billion US dollars in 2000. Among the EU-countries, Denmark and France are the leading exporters, far

[140] Japan Statistical Yearbook 2002, 2002.
[141] JETRO, 2001a.
[142] U.S. Agricultural Trade Office, 1996.

ahead of the five following countries: Italy, the UK, the Netherlands, Germany, and Spain.[143] Together, Denmark and France account for more than half (54% in 2000) of Japan's total food imports from the EU.

Meat, especially pork meat, and alcoholic beverages are the main categories of food imports from the EU, measured by trade value.[144] The USA is a strong provider in most fields, but particularly in the areas of meat and grain products, while China's best selling products are in the categories of seafood and vegetables.[145] [146] The engine of expansion in overall Japanese agrofood imports is consumer-oriented products, while the portion of bulk imports has declined.[147] As for consumer food products, it is said in very general terms that one can find three different profiles of commodities imported from America, Asia, and Europe, respectively. American imported goods are mainly mass-produced food products, and Asian countries supply labour-intensive foodstuffs, while European food items have a more luxury profile.[148]

5.2.3.2 Imports from Scandinavia [149]

On the whole, Scandinavia appears not to be a major source of imported foodstuffs, with only four percent of all food shipments to Japan, by value in 2000.[150] However, this share would place the region in the middle of the top-10 ranking list of table 5.3. Furthermore, some Scandinavian food items take a much more impressive share of the Japanese import market, especially certain meat products from Denmark and some seafood from Norway.[151] As table 5.4 clearly indicates, Denmark alone generates the majority of the food trade from Scandinavia.

Table 5.4: Food imports from Scandinavia, 2000

Country	Value	Share (%) of total food imports, and from EU and Scandinavia			Major food items (by value)
	USD, 1 000	Total	EU_{15}	Scand.	
Denmark	1,236,765	2.69	27.16	65.01	Pork, cheese, salmon roe
Norway	626,861	1.36		32.95	Salmon & trout, mackerel, cheese
Finland	19,913	0.04	0.44	1.05	Salmon roe, pork
Sweden	18,781	0.04	0.41	0.99	Salmon & trout, pork, egg powder

Note: These data may differ from those of other sources.
Source: JETRO, 2001c, pp. 10-11.

It is evident that Denmark and Norway are playing in a league of its own, accounting for 98% of Japan's food import value from Scandinavia. Imports from Finland and Sweden could only add a few extra percent to the amount of imports from the two former countries. Also from the Nordic community, Iceland and Greenland are important suppliers of seafood to Japan. If Iceland was to be included in the chart above, its food exports to Japan would have placed Iceland on a third position after Norway, with a trade value of 142,000 US dollars in 2000. Greenland, an autonomous territory under the Kingdom of Denmark, would have taken the fourth place behind

[143] JETRO, 2001c.
[144] Trade Statistics, 2002.
[145] Japan Statistical Yearbook 2002, 2002.
[146] JETRO, 2001c.
[147] U.S. Agricultural Trade Office, 1996.
[148] Ni-Ka Online, 1996.
[149] Denmark, Finland, Norway, and Sweden.
[150] JETRO, 2001c.
[151] Ibid.

Iceland, with shipments of foodstuffs worth about five times more than those of Finland or Sweden.[152]

In general, Scandinavia is a very export oriented region as a large part of the countries' production is consumed abroad.[153] Most of the major export markets are located close to the region, while Japan is a relatively small market for Scandinavian goods.[154] In the area of food trade, Denmark and Norway have managed to benefit from the strong growth in Japanese agrofood imports during the last twenty years, perhaps because of a strong export orientation of the food industry in these two countries.[155] [156]
The Scandinavian countries are far from homogenous with respect to the relative size of their respective primary production segments. Regarding the economic structure of the primary industry (excluding mining) of each country, one could roughly say that Finland and Sweden are forestry nations, when Denmark's strength lies in its farming sector, while Norway is characterized by a relatively large fishery sector.[157] [158] [159] [160]
This is clearly shown in the different patterns of exports of primary goods (and merchandise thereof) from these countries, which must influence the size of the respective country's food exports in general as well as to Japan.[161]

The following sub-sections will give a more detailed presentation of three of the four Scandinavian countries' food trade with Japan, including some other related matters. The trade facts of Denmark, Norway, and Finland follow by order of the respective country's size of food exports to Japan. Swedish trade facts will be handled separately in part 5.4.

Denmark

Compared to its population, Denmark is the largest food exporter in the world. With a food production sufficient for about 15 million people and a population of only five million, Denmark exports more than two thirds of its total farm production.[162] As was pointed out above, agriculture and related industries play a much more important role in the Danish society and economic life than is the case for its neighbouring Scandinavian countries. In 2001, agrofood products (as defined by table 2.4) accounted for 22% of Denmark's total export trade. Pork meat is the single most important foodstuffs commodity, representing more than a quarter of the total value of agrofood shipments. Germany is the most important export market for Danish agrofood products, attracting more than 20 percent of the total shipment value. The UK, Japan, and Sweden are the following top destinations.[163]

In 2000, Denmark's total exports to Japan amounted to 14.7 billion Danish kroner (DKK), or about 230 billion yen (according to Japanese import data), which was 3.6% of all exports from Denmark. The Danish trade with Japan recorded a large surplus, with exports to Japan exceeding imports by 2.7 times.[164] [165] The foodstuffs export is the most important category, representing more than half of all Japanese imports from Denmark. By value, it is almost three times as large as the chemicals category, the

[152] JETRO, 2001c.
[153] Nordic Statistical Yearbook 1999, 1999.
[154] The Nordic countries in figures 2001, 2001.
[155] Japan Statistical Yearbook 2002, 2002.
[156] Ministry of International Trade and Industry [MITI], 1981, 1987, 1992, 1996.
[157] Finland in figures, 2002.
[158] Statistical Yearbook 2001, 2001.
[159] Statistical Yearbook of Norway 2001, 2001.
[160] Statistisk årsbok för Sverige 1999, 1998.
[161] Nordic Statistical Yearbook 2000, 2000.
[162] Landbrugsraadet, 2002a, 2002b.
[163] Danmarks Statistikbank, 2002.
[164] The Nordic countries in figures, 2001.
[165] Japan Statistical Yearbook, 2002.

second most valued import commodity group before machinery which comes third in this ranking.[166] However, agrofood products do not take as large share of total trade as they did ten years ago.[167] Japan is Denmark's third most valued export market for foodstuffs, slightly larger than the Swedish market. About 8.5% of Danish agrofood exports in 2001 went to Japan, in terms of value.[168]

Pork meat is the leading export commodity, without competition. By value in 2000, it accounted for 85 percent of Japan's imported foodstuffs from Denmark, well ahead of cheese & curd (3.5%), salmon roe (1.2%), sausages (0.9%), fish meal (0.7%), and shrimps & prawns (0.6%) as the following top-selling items. The same year, Danish pork meat represented close to one third of Japan's total import value of pork, which made Denmark the most important provider of foreign pork meat ahead of the USA and Canada. Denmark is an important supplier in several of its best selling items to Japan.[169]

Denmark has a special Japanese representation in the field of agriculture through Landbrugsraadet, the Danish Agricultural Council, which has an office in Tokyo that provides assistance and promotional activities to support Danish food exports to Japan. Landbrugsraadet is the joint body representing the main organizations of the Danish farming industry in its dealings with the government, other industrial bodies and sections of the Danish community, as well as internationally. The Tokyo office assists Danish companies to establish business contacts in Japan, and takes care of public relations and promotion of Danish food. It also provides information about developments on the Japanese market.[170]

Norway

As for Norway, Scandinavia's second largest supplier of imported food to Japan, the fishing industry is very important. The production of fisheries contributes to the Norwegian GDP by roughly the same amount as does that of agriculture and hunting (2000).[171] Moreover, Norway is one of the ten leading fishery nations in the world, and with a population of about 4.5 million, its seafood production is sufficient enough to supply more than 2.5 times the domestic consumption (including feed use). About 90% of the production is sold for exports, by volume.[172] By total trade figures, Norway is the second largest exporter in Scandinavia, behind Sweden.[173] In 2000, more than half of the total export value came from petroleum products, whereas seafood enjoyed 5.7% of all shipments. In total, agrofood products accounted for 6.5% of all exports.[174] Japan is the most important export market for Norwegian agrofood commodities, followed by Denmark, the UK, France, and Sweden (2000).[175]

In 2000, Norway's total exports to Japan amounted to 8.7 billion Norwegian kroner (NOK), or 1.7% of all shipments, translating into 128 billion yen according to Japanese import statistics. The trade between these countries posted a deficit for Norway of 6.9 billion NOK.[176] [177] Like in the case of Denmark, foodstuffs account for the largest share of all commodity groups that Japan imports from Norway. This category managed to

[166] Japan Statistical Yearbook 2002, 2002.
[167] MITI, 1993.
[168] Danmarks Statistikbank, 2002.
[169] JETRO, 2001c.
[170] Landbrugsraadet, 2002c.
[171] Statistical Yearbook of Norway 2001, 2001.
[172] Faostat, 2002.
[173] The Nordic countries in figures 2001, 2001.
[174] Statistical Yearbook of Norway 2001, 2001.
[175] Statistikkbanken, 2002.
[176] Japan Statistical Yearbook, 2002.
[177] The Nordic countries in figures 2001, 2001.

take over 50% of all imports (by value), far more than the following categories of metals and chemicals.[178] About 13 percent of Norway's total export value of foodstuffs was shipped to Japan.[179]

In terms of import value in 2000, more than 97% of all Norwegian foodstuffs shipped to Japan were some kind of seafood products.[180] By item, salmon (including trout) is the most attractive commodity that year, accounting for 45 percent of the Japanese imported value of agrofood from Norway. Mackerel is the second most popular item, attracting one quarter of the trade, far ahead of cheese, shrimps, and flatfish also ranked among the top five. Norway is one of Japan's leading suppliers of imported salmon and trout, and for mackerel, Norwegian exports dominated the trade totally in 2000.[181]

Also Norway has a special Japanese representation in the field of its speciality – seafood, through Eksportutvalget for fisk, the Norwegian Seafood Export Council, who works in cooperation with the Royal Norwegian Embassy in Tokyo. The council supports Norwegian seafood exporters by arranging joint marketing activities.[182]

Finland

Finland's primary production is economically dominated by its forestry industry, which also is clearly reflected by the large share of the Finnish foreign trade that is generated by forestry and merchandise thereof.[183] [184] As for the agrofood production, most part is used domestically.[185] By total export value, Finland is the smallest exporter of the Scandinavian countries,[186] and the share of food exports is only a few percent of total exports (1999).[187] Pulp and paper, and telecommunication products are the major export commodities from Finland. In 1999, dairy products and eggs made up the largest category of Finnish agrofood exports, with more than 25% of the food trade value.[188] Russia is one of the leading markets for Finnish food exports.[189]

In 2000, Finland's total exports to Japan amounted to 5.1 billion Finnish markka (FIM), or 93 billion yen by Japanese import data. This was 1.7% of all exports from Finland. At the same time, goods worth more than twice as much were shipped from Japan to Finland. The three top-selling, Finnish commodity groups were wood, paper, and machinery products. By value, less than three percent of Japanese imports from Finland came from foodstuffs.[190] [191] [192] These food shipments correspond to about 3% of all Finnish agrofood exports, worldwide (1999).[193] [194]

Within the trade of foodstuffs from Finland to Japan, seafood is the leading category with 40% of Japanese imports, followed by meat products which account for 30% of the trade value (2000).[195] By item, salmon roe and pork were the two most valued commodities of all Finnish foodstuffs shipped to Japan in 2000.[196]

[178] Japan Statistical Yearbook 2002, 2002.
[179] Statistikkbanken, 2002.
[180] Japan Statistical Yearbook 2002, 2002.
[181] JETRO, 2001c.
[182] Eksportutvalget for fisk, 2000.
[183] Finland in figures, 2002.
[184] Nordic Statistical Yearbook 2000, 2000.
[185] Faostat, 2002.
[186] The Nordic countries in figures 2001, 2001.
[187] Nordic Statistical Yearbook 2000, 2000.
[188] Ibid.
[189] Statistical Yearbook of Finland, 1998.
[190] Japan Statistical Yearbook, 2002.
[191] The Nordic countries in figures, 2001.
[192] Finnish Chamber of Commerce, 2002.
[193] Ibid.
[194] Nordic Statistical Yearbook, 2000.
[195] Japan Statistical Yearbook, 2002.
[196] JETRO, 2001c.

5.3 Regulatory environment

When confronting the Japanese food market, foreign food suppliers will have to deal with imposed regulations and procedures linked to the Japanese administrative system, such as food safety requirements, customs clearance procedures, and tariffs. Such regulations represent possible barriers to entry, as explained in section 2.5.2.
In the case of foreign trade, it is formally the responsibility of the importer to make sure that imported goods comply with Japanese regulations, but it is very much in the interest of the exporting company that its products are able to meet local requirements. This part will present the most relevant details of the regulatory environment, to which food exporters and/or foreign affiliates in Japan need to adjust. The first section will present some of the requirements and standards, which Japanese food regulations prescribe. The next following sections will describe the basic trading procedures, relevant for Swedish companies exporting food to the Japanese market, and the level of Japan's tariffs on imported foodstuffs. All information presented here may not be completely accurate and updated. It is recommended that exporters verify all requirements with their Japanese customers who normally have the most updated information on Japanese regulations.[197]

5.3.1 Specifications and standards

For foodstuffs, Japan applies certain regulations with specifications and standards that affect foreign products for sale in the Japanese market. Some of the rules have the purpose to maintain health and public safety, while others are aiming to protect and nurture domestic industries. The following text will present some basic facts of the Japanese regulatory situation in areas, such as food sanitation and labelling. The laws that are mentioned here are given their titles in English.

5.3.1.1 Food sanitation requirements

Regarding safety and sanitation, food for sale in Japan is regulated by the Food Sanitation Law, which is under the jurisdiction of the Ministry of Health, Labour and Welfare (MHLW). The intention of this law is to protect people from health hazards caused by eating or drinking, and to promote public health. It is applicable to imported goods as well as domestic products. The law states the standards that foods, additives, food apparatus, and container packages must meet. It prohibits the production, importation, or sale of foods containing potentially harmful substances, and foods not conforming with established standards of manufacturing, preservation, and packaging.[198]

As for additives, both artificial and natural, there is a so-called positive list of approved additives, allowed to be used in a food product. Only additives approved by the MHLW may be used in foods and beverages sold in Japan. Additives can be used only for a specific purpose (e.g. preservative, antioxidant, etc.), and in a prescribed amount.

[197] U.S. Agricultural Trade Offices, 2002.
[198] U.S. Embassy, Japan, 2001.

It is possible to apply with the MHLW for approval of new food additives.[199] In this area, some critics say that Japanese standards lack international harmonization. Ingredients may not be approved in spite of the fact that they are recognized as safe in many other countries.[200] As for pesticides and other contaminants (e.g. salmonella), the MHLW maintains a list of maximum residue levels (MRL's).[201]

The Food Sanitation Law requires importers of food to submit an import notification prior to shipment arrival. The notification must give a detailed account of the raw materials used, the processing methods, and the packaging. The law also sets the principles of sanitation clearance procedures and methods of testing. Section 5.3.2 will explain more about the import procedure. Moreover, the law also prescribes the standards for mandatory labelling, which is further described in the next subsection.[202] [203]

With the purpose to prevent the entry of pests and diseases affecting livestock and agricultural production, certain products are subject to import quarantine, as stipulated by the Plant Protection Law and the Domestic Animal Infectious Diseases Control Law.[204] These regulations may prohibit imports of certain items from certain areas. For genetically modified foods, the Japanese government requires a special environmental and food safety assessment before such foods are imported into Japan.[205]

Because of recent cases of mad cow disease (BSE) in Japanese livestock, which caused much public distrust, the Japanese Prime Minister has declared that he will seek enactment of a new food safety law in 2003.[206]

5.3.1.2 Labelling requirements

In Japan, there are several laws regulating food labelling. Among others, they include the Food Sanitation Law, the Japan Agricultural Standards (JAS) Law (Law Concerning Standardization and Proper Labelling of Agricultural and Forestry Products), and the Measurement Law. The JAS Law is administered by the Ministry of Agriculture, Forestry and Fisheries (MAFF), and is aimed to help consumers assess the content and quality of goods. The Measurement Law mandates that accurate measurements are used, based on legal units. There are also labelling requirements based on fair trade regulations.[207]

Food products sold in Japan must bear labelling with information, shown in table 5.5 on the next page, written in the Japanese language with fonts in a uniform size of at least 8 points (except in situations where available space is very small). It is recommended to have the labels designed in Japan.[208] [209]

[199] U.S. Embassy, 2001.
[200] Verdier, 1997.
[201] U.S. Embassy, 2001.
[202] Ibid.
[203] JETRO, 1999a.
[204] Ibid.
[205] U.S. Embassy, 2001.
[206] Koizumi to pursue basic food safety law, 2002.
[207] JETRO, 1997a, 2002b.
[208] JETRO, 1997a.
[209] U.S. Embassy, 2001.

Table 5.5: Requested information on food product labels

- Name of product
- Names of ingredients
- Food additives
- Net weight or volume (in metric units only)
- Minimum durability date (e.g. 'Best-before' date)
- Method of preservation (and handling if necessary)
- Biotechnology derived ingredients (limited to 24 foods made from corn and soybeans)
- Organic labelling (certification for products labelled as 'organic')
- Allergen labelling (e.g. for products including milk, wheat, etc.)
- Country/place of origin
- Manufacturer/importer name and address

Note: Further specifications apply for alcoholic beverages.

Source: JETRO, 1997a, p. 23, 2001b, p. 16; U.S. Embassy, 2001, pp. 2-4.

Nutritional labelling is voluntary, but if included, it must follow the MHLW nutritional labelling guidelines. They state that the information must be in Japanese and include five major nutritional facts about the food – calories (kcal), protein (g), fat (g), sugar or carbohydrate (g), and sodium (mg or g), besides any other component the manufacturer wants to label (e.g. vitamin content, calcium, etc.).[210]
Regarding date labelling, it used to be that processing date (importation date for foreign goods) was the mandatory date label. Now, this is only a voluntary mark.[211]

Also voluntary is the so-called JAS Mark, which is a kind of quality stamp. Under the provisions of the JAS Law, products that undergo inspection and are certified according to JAS standards are allowed to display this mark on the product. To use the Organic JAS Mark, products must comply with special JAS standards for organic products, which are mandatory rules for any agricultural product labelled as 'organic'.[212]

In addition to the labelling requirements mentioned above, packaging of certain materials may need to have a prescribed recycling symbol attached. For example, this is legally required for steel or aluminium cans for beverages, PET bottles for beverages, and plastics or paper containers and wrapping (excluding paper drink packs and corrugated cardboard).[213] The following subsection includes further information about Japan's recycling regulations.

Finally, international trademarks are not automatically protected in Japan. Trademarks must be registered by the Patents, Trademarks and Licensing Office in Japan. The first one who applies for a trademark is entitled to its registration.[214]

[210] U.S. Embassy, 2001.
[211] Verdier, 1997.
[212] JETRO, 2001b.
[213] METI, 2002.
[214] U.S. Embassy, 2001.

5.3.1.3 Other regulations

In addition to the specifications and standards stated above, there are some other regulations that may affect foreign food products.

In order to promote stable production and supply of important staple foods to consumers, the Japanese government is empowered to adjust production and prices, as stipulated under the so-called New Food Law (Law Concerning Demand/Supply and Price Stabilization of Staple Food, formerly known as the Staple Food Control Law). This law regulates the distribution of rice, wheat, and barley.[215] [216] As for rice, voluntarily marketed rice through bidding trade is now the mainstream of rice distribution, and the government's purchase of rice is limited to a certain quantity per year.[217]
General principles for policies on Japan's agriculture and food supply are specified under the Basic Law on Food, Agriculture and Rural Areas, administered by MAFF. Among other things, the law states that the Japanese government must take measures to improve the food self-sufficiency rate, to the benefit of domestic agricultural production.[218]

Japan may impose trade restrictions to control imports. The Import Trade Control Order, under the Foreign Exchange and Foreign Trade Control Law, may require that importers of certain foodstuffs must obtain import quota and import approval. As per 2002, various kinds of seafood are subject to import quota, for example some inshore fishes.[219]
The enforcement of customs procedures is regulated by the Customs Law, while the Customs Tariff Law determines the rates of customs duty and other matters regarding duties. Temporary exceptions regarding the adjustment of duty rates are provided by the Temporary Tariff Measures Law.[220] The following sections will include more details about the customs clearance procedure, and Japanese tariffs on foodstuffs.

In order to promote recycling, manufacturers/importers and distributors are legally obliged to reuse specified packaging materials of their products, after sorted collection by municipalities, as prescribed by the Containers and Packaging Recycling Law (Law for Promotion of Sorted Collection and Recycling of Containers and Packaging). However, small-scale businesses are exempt from this obligation. This law applies to recycling of glass bottles and PET (polyethylene terephthalate) bottles, as well as paper and plastic containers and packaging. Outside this law are materials such as steel and aluminium cans, paper drink packs, and corrugated cardboard, for which recycling responsibility of businesses is not legally specified. For required recycling by law, companies may recycle the packaging by themselves, or may transfer this work to the Japan Containers and Packaging Recycling Association by contract (paying a counter value to the association). Other recycling systems are implemented for most materials outside the law, for example regarding steel cans and aluminium cans. The Swedish system of returnable deposit bottles/cans is not generally utilized in Japan.[221] [222] [223] [224] [225]

[215] Law concerning demand/supply and price stabilization of staple food, 1995.
[216] JETRO, 2002c.
[217] Japan Almanac 1999, 1998.
[218] Ministry of Agriculture, Forestry and Fisheries [MAFF], 2002.
[219] JETRO, 1999a, 2002b, 2002c.
[220] JETRO, 2002c.
[221] Japan Steel Can Recycling Association, 2002.
[222] JETRO, 2001b.
[223] METI, 2002.
[224] Verdier, 1997.
[225] METI, e-mail, 23 August 2002.

As explained in the previous subsection, businesses must apply an identification mark on certain packaging materials to make sorting and collection easy (including small-sized businesses). The recycling labelling requirements are specified under the Recycling Law (Law for Promotion of Effective Utilization of Resources). Different identification marks are prescribed, depending on type of material. Not all materials are subject to this law, e.g. corrugated cardboard and paper-packs for beverages, but there are also autonomous indication marks, adopted by related industries.[226] [227] Detailed information on Japan's recycling regulations is available at the Japanese Ministry of Economy, Trade and Industry (METI).

In case of any damage caused to a person's life, health, and property by defects in manufactured products, victims have the right to demand compensation under the Product Liability Law. This law defines the obligations of manufacturers to pay compensation for damages from defects or lack of safety in the process of design and production of their product. It does not cover improper use of a product. The law applies to manufacturers, processors, importers, and sellers of private brands. The right to demand compensation under this law expires 10 years after the product's delivery or the time the damage arose (in case of accumulation effects, e.g. from foods or medicines). Moreover, this right must be exercised within three years from the time when the victim became aware of the damage. Alternatively, liability for defective products may fall under the Civil Code as an illegal act, caused intentionally or negligently. In this case, the liability period is 20 years.[228]

5.3.2 Export/import procedures

Foreign trade in foodstuffs is normally controlled by several regulations, in the exporting country as well as in the importing country.

It is required of an exporter from Sweden, member state of the European Union, to submit an export declaration to the Swedish customs, when exporting to countries outside the EU.[229] For certain agricultural products, the exporting company must have an export license to sell goods above a certain quantity outside the EU-area. This license can be obtained by applying with Jordbruksverket, the Swedish Board of Agriculture. Jordbruksverket also handles matters about export subsidies, which may be granted to exports of agricultural products to countries outside the European Union.[230]

As required by Japanese regulations, importers of all food for sale or business use in Japan must file a notification to the port of entry quarantine station of the Ministry of Health, Labour and Welfare (MHLW). The import inspection at any seaport or airport where foreign foods enter Japan is under the control of a quarantine station.[231]

When submitting a notification, importers have to prepare certain documents for examination by the quarantine station, to determine if the shipment conforms to the Japanese Food Sanitation Law. The importing company must submit two copies of the

[226] JETRO, 2001b.
[227] METI, 2002.
[228] JETRO, 2002a.
[229] Exportrådet, 2002a.
[230] Jordbruksverket, 2002.
[231] JETRO, 1999a, 2002b.

import notification form. This form must include details about additives (other than flavouring), and for processed food, its ingredients and manufacturing process. Documents showing these matters may be needed. In addition, a sanitary health certificate is required when importing meat products and shellfish, for example. Such a certificate must be issued by an official organization of the exporting country, which in Sweden is Livsmedelsverket, the Swedish National Food Administration. For processed foods imported for the first time, documents with more detailed information on ingredients and manufacturing process should be attached.[232] [233] [234] It is recommended to have samples tested by a test facility approved by the MHLW. If the laboratory results are satisfactory, no additional tests will be required when the product is examined at the port of entry.[235]

Certain categories of foodstuffs must be placed in quarantine in order to prevent the entry of diseases. For example, vegetables and fruits are subject to plant quarantine, and meat products are subject to animal quarantine.[236]
If necessary, further inspections are conducted before the quarantine station decides that the goods are accepted for importation or not. Shipments found not complying with the Food Sanitation Law must be re-shipped, destroyed, or otherwise disposed of.[237]

Nowadays, importers can submit import notifications through on-line connections with the MHLW. Several systems have been designed to simplify import procedures for food and other products. For example, when certain foods are repeatedly imported, importers may be exempted from import notifications if they submit an import plan on the initial import occasion, and no problem is found.[238]

Before the shipment is fully accepted for importation, the goods must also be submitted for customs clearance to determine customs duties and compliance with the Customs Law. According to this law, the importer must file an import declaration to the customs, describing the quantity and value of goods as well as any other required matters. The import (customs duty payment) declaration form is to be submitted with the invoice and, if necessary, documents such as packing lists, insurance certificates, a certificate of origin, customs duty payment slips, and documents required by regulations other than the Customs Law. Today, most of the customs clearance is computerized. Besides the conventional system, Japan has introduced a simplified declaration procedure, by which it is possible (for approved importers) to have goods released before the declaration process for customs duty payment.[239]
An import permit is issued when the import declaration has been made in compliance with the law, and when customs duty and excise taxes are paid. In general, the importer must pay tariffs and consumption tax (5%) before the cargo is removed from customs, in addition to other tax items such as liquor tax for alcoholic beverages.[240] [241] [242]
Section 5.3.3 has more details on tariffs. After clearing customs, imported food products are subject to the same regulatory requirements as food produced in Japan at the time of sale, the details of which were described in the previous section.[243]

[232] JETRO, 1999a.
[233] Livsmedelsverket, 2002.
[234] U.S. Embassy, 2001.
[235] Ibid.
[236] JETRO, 1999a, 2002b.
[237] JETRO, 1999a.
[238] Ibid.
[239] Customs and Tariff Bureau, 2001.
[240] Ibid.
[241] JETRO, 2002b.
[242] U.S. Agricultural Trade Offices, 2002.
[243] Verdier, 1997.

The Japanese import procedure has been subject to criticism as a non-tariff trade barrier.[244] However, a country-comparative study, released in 1997, regarding market access for processed foods, found that there were no particular problems in Japanese import procedures when compared to other important markets. The time and costs involved in the import process were about the same in Japan as in the USA and in Europe.[245] Nevertheless, it is highly recommended that products not be shipped to Japan until product compliance with Japanese regulations has been verified.[246] Details on specific items are available on the Internet-site of JETRO (http://www.jetro.go.jp).

5.3.3 Tariffs

As is the case in many countries, Japan imposes tariffs on several imported food items to protect the domestic food industry. Japan mainly applies tariffs based on the value of the imported product (ad valorem tariffs), equal to a percentage of the CIF-value of the product, i.e. the value of the product including costs of freight and insurance onto the Japanese border. However, some products are subject to a specific duty (a price per unit weight/volume/number) or a combination of ad valorem and specific tariffs. The agreed terms of delivery decide if the exporter or the importer should bear the cost of the tariff.[247] [248] In calculating the landed price per case for the importing company, one must take into account the total cost of exporting and importing in addition to the factory price, including freight and insurance, customs duty, and Japanese consumption tax (5%).[249]

Customs duty rates in Japan are divided into two categories. Firstly, there are general or temporary rates, prescribed by the Customs Tariff Law and the Temporary Tariff Measures Law. The temporary rate always takes precedence over the general rate. The former rates are generally lower than the corresponding general rates, and apply for a fixed period of time (normally one year). Secondly, there are WTO (World Trade Organization) agreement rates, which (if lower) have priority over general and temporary rates. In addition, Japan applies preferential rates under the Generalized System of Preferences (GSP). These rates are low or zero tariff rates, given to selected products imported from prescribed developing countries.[250]

In the past decade, Japan made efforts in liberalizing its market to imported food and beverage products. Quantitative restrictions on imports had been applied by Japan for a long time, but almost all commodities are not longer subject to quotas, following the Uruguay Round agreements in 1993 (under the General Agreement on Tariffs and Trade, GATT). It was decided that the accord on agricultural trade was to be implemented in a six-year period from 1995. The accord was based on a tariffication formula, under which each government must replace existing import restrictions with tariffs which should be gradually reduced. Japan agreed to the tariffication of products such as wheat, starch, and dairy products. Since 1999, rice trade is also subject to tariffs. As per 2002, import quotas apply for different types of seafood.[251] [252] [253] [254]

[244] Verdier, 1997.
[245] JETRO, 1997a.
[246] U.S. Embassy, 2001.
[247] APEC Tariff Database, 2002.
[248] Exportrådet, 1998, 2002b.
[249] Ni-Ka Online, 1996.
[250] Customs and Tariff Bureau, 2001.
[251] Japan Almanac 1999, 1998.
[252] Japan Almanac 2002, 2001.
[253] Verdier, 1997.
[254] JETRO, 2002b.

The following table displays the tariff rate for selected foodstuffs, with some relevance to Swedish food exports to Japan.

Table 5.6: Japan's tariff rates for selected agrofood commodities (as per 2002)

HS code	Category/item	Tariff rate	
0201/0202	Beef	38.5%	
0203	Pork		(a)
0207.11-14	Chicken	3-12%	
1601	Sausages	10%	
0401/0402	Milk and cream	21-35%	(b)
0405	Butter	35%	(c)
0406.30	Cheese, processed	40%	
2105	Ice cream	21-30%	
0408.11	Egg yolks, dried	18.8%	
3502.11	Egg albumin, dried	8%	
0303.11-29	Salmon and trout, frozen	3.5%	
0305.41	Salmon, smoked	10.5%	
1604.30	Caviar and caviar substitutes	6.4%	
1001	Wheat and meslin	9.80 yen/kg	(d)
1004	Oats	Free	
1006	Rice	49 yen/kg	(e)
1902.19	Pasta: macaroni & spaghetti	30 yen/kg	
1905.90100	Bread	9%	
1905.31	Biscuits	20.4%	
1905.90319	Cakes	25.5%	
0710	Vegetables, frozen	6-12%	
0811	Fruit and nuts, frozen	6-24%	
2009.60	Grape juice	19-30%	(f)
1702.11	Lactose	8.5%	
1704.90	Sugar confectionery: candies	25%	
0901.21	Coffee, roasted	12%	
0902	Tea	3-17%	
1806.90	Chocolate confectionery	10%	
1517.10	Margarine	29.8%	
2106	Food preparations not elsewhere specified	0-35%	(g)
2201.10	Mineral waters	3%	
2202.10	Soft drinks (flavoured waters)	9.6-13.4%	
2203	Beer made from malt	Free	
2204.21020	Wine	15%	(h)
2208.60	Vodka	Free	

Notes: (a) Specific duty, based on a special price formula. (b) Some items are also subject to a specific duty. For school lunch and feeding purposes, imports of concentrated or sweetened items are free. (c) For some imports: 29.8% + specific duty. (d) Free (20% for meslin) if imported by the government. (e) Free if imported by the government. (f) In one case, the ad valorem rate (%) may apply or a specific duty, whichever is the greater. (g) Some goods are also subject to a specific duty. (h) 15% or 125 yen/litre, whichever is less (minimum 67 yen/l).

Source: APEC Tariff Database, 2002 (based on Customs Tariff Schedules of Japan).

When the situation for imported processed food was compared in 1996, the Japanese tariff rates were definitely higher than the tariffs of the Western countries, especially those of the USA.[255] Since then, Japanese tariff rates on agrofood products have been gradually reduced, but are still seen as quite high for some product groups, particularly dairy products.[256] [257]

[255] JETRO, 1997a.
[256] Customs and Tariff Bureau, 2001.
[257] Food From Sweden, 2000.

5.4 Swedish food supply

The fourth and final part of chapter 5 will look into the subject of market entry from a Swedish perspective, including similar topics as previously described in this chapter. The content is based on primary research, targeting Swedish food exporters, as well as secondary research material.
The first section will briefly explain the entry modes of Swedish suppliers of food products to the Japanese market. The next two sections include a detailed review of trade data regarding Swedish food exports to Japan, and information on market entrants in terms of number, trade size, and other relevant facts. Finally, this part will also analyse the level of possible entry barriers that Swedish food companies may encounter when trying to enter the Japanese market, by measuring the physical and psychological/ cultural distance between Sweden and Japan.

5.4.1 Entry modes

Part 5.1 explored the matter of how foreign food companies enter the Japanese market in general terms, while this section will try to answer this question and related issues regarding Swedish food suppliers, specifically.

The results of the interviews made with trade representatives of Swedish food companies confirmed the situation described in section 5.1.2, that foreign companies mainly supply their foodstuffs through exporting via Japanese middlemen.
Based on the survey results from ten companies subjected to the questionnaire described in Appendix 4, direct exporting (as defined in 2.4.1) seems to be the main choice of entry mode for Swedish food exporters targeting Japan. The majority (9/10) of the responding companies export directly through the help of a Japanese import trading company, for example a trading house, who mostly takes title to the goods and full charge of further distribution to various channel operators inside Japan. At least half of the responding companies are applying parallel export channels, marketing through one or more Japan-based intermediaries and/or directly to end customers. Three of ten exporters reported selling directly to end users/customers only or in addition to other buyers. Sometimes, indirect exporting is used via home-based middlemen. According to all available information, own local representation is very rare, such as a local sales subsidiary. For more details, see section 5.4.3. Likewise, no Swedish food company is known to apply local manufacturing in Japan.[258] Geographically, it is believed that most food products imported from Swedish suppliers are distributed regionally and not nationwide, with a focus on large population centres such as the Tokyo area.[259]
By place of customs clearance, most foodstuffs (excluding fats & oils) shipped from Sweden enter Japan in or around Tokyo. Customs offices in Tokyo, Yokohama, and Kawasaki handle about 70% of this trade by shipment value (2001).[260] More than 90% of the shipment value of 2001 was delivered to Japan by sea container cargo, a means of transportation with a delivery time of around one month from Sweden.[261] [262]

[258] SFF, phone, 12 June 2002.
[259] SFF, e-mail, 14 October 2002.
[260] Trade Statistics, 2002.
[261] Ibid.
[262] P&O Nedlloyd, 2002.

As the reason for companies' choice of entry strategy, the basis is ranging from a random, ad hoc solution to more elaborated planning. As described later, Japan is a small market of low priority to most Swedish food exporters inquired. Several companies did not actively seek to target the Japanese market, but only responded to a request from a Japanese importer, who may stay as the main entry channel without any further evaluation. Some companies seem to operate their Japanese exports only by a demand-based pull strategy, however, with no or very limited promotion efforts of their own, as they do not actively seek sales to Japan. In general, Swedish food companies are not very export oriented,[263] and working through a Japanese middleman is regarded as being more safe and less demanding than to market directly to end customers, because of possible difficulties arising from differences in distribution and communication practices between Sweden and Japan. As was mentioned in 5.1.2, the import trading companies have much experience in communicating with overseas suppliers, and the necessary facilities to distribute foreign made goods. One respondent felt that the leading Japanese trading companies almost have a monopolistic control over agrofood imports into Japan, which makes it difficult to access end users directly, even if you wanted to.
However, it has become more popular for end users to import their food directly from foreign suppliers without using major intermediaries. Swedish companies using this entry mode, claim that a direct contact with the user is vital in order to supply a product, meeting the specific needs of the customer. A direct link gives the exporter more control over the marketing process, than if working via a trading company.

Some companies use trade fairs to find possible clients. However, at the leading food trade show in Asia – the International Food and Beverage Exhibition, FOODEX JAPAN, near Tokyo – there has been very few visits by Swedish companies so far. The 2002 venue had no Swedish representation.[264]

As explained in section 5.1.3, promotional characteristics of a product are important, as products need to be differentiated from the competition. As for consumer products, most Swedish food is positioned at the upper-scale market segments as rather exclusive brands. Respondents marketing consumer food, who had knowledge in local promotion in Japan, stated that the main promotional tool is in-store sales promotion activities, such as demos combined with temporary discounts.

Government-funded support for overseas promotion is supplied by many countries,[265] but in the case of Sweden, the amount of support is relatively limited and by some seen as inadequate. In the period of 2002-2004, the Swedish government will provide five million SEK per year to help promote food exports from Sweden via a program called Food From Sweden, which is run by the Swedish Trade Council. The focus of this program is mainly the German market, while no support has been given to promote exports to Japan.[266] [267] [268]

[263] Söderberg, 1998.
[264] Japan Management Association, 2002.
[265] U.S. Agricultural Trade Office, 1996.
[266] Exportrådet får ansvar för matexport, 2002.
[267] Okonofua, 2002.
[268] Food From Sweden, e-mail, 10 October 2002.

In 1999, together with six major Swedish food corporations and one forestry company, the Federation of Swedish Farmers (Lantbrukarnas Riksförbund, LRF [269]) set up a local company in Japan with office in Tokyo – Sweden Food and Forestry K.K. (SFF) – to look for market opportunities for Swedish agricultural products. The main mission of SFF was to try to promote Swedish food products in Japan, for which it is reported that LRF was to invest 30 million SEK. After two years, the person in charge of the office acquired the ownership of the company from the original founders. Besides a substantial amount of research about the Japanese market situation, the most notable result of SFF's activities so far was the introduction of frozen, pre-baked bread made in Denmark by affiliated operations to the Swedish cereal-product company Cerealia.[270] [271] [272]
Now, SFF operates mainly as an importer and distributor of Swedish-related food. As of 2002, it represents about 15 clients of exporters.[273] [274]

5.4.2 Food trade data

Exporting is the entry mode by which Swedish food suppliers enter the Japanese market. This section will give detailed trade data regarding Swedish agrofood exports to Japan, presented in a context of Sweden's overall foreign trade and primary/food industry activity. The text includes a large amount of facts and figures, also containing some information comparable to data presented for the other Scandinavian countries in 5.2.3.2.

By land use, arable land represents six percent of the total Swedish land area, while forests make up 50% of the land. For reference, Denmark has 54% of arable land (1999).[275] About 3.2% of the economically active population in Sweden works in the agrofood sectors of agriculture, fisheries, and food manufacturing (1.7% including beverages and tobacco) altogether. By contribution to GDP, less than 2.5% of the value added production is generated by these sectors.[276]
The Swedish agrofood production operates at a level, mainly adjusted to the needs of its home market. For most agricultural and food products, Sweden has a self-sufficiency rate between 80% and 120%, except for items not naturally grown here. Most of the production is consumed domestically.[277] [278] Although it is one of the leading manufacturing industries, the food industry exports only about 15% of its output, as compared to 70 percent for most other industries.[279] [280]

In 2001, Sweden's total exports of goods amounted to 781 billion SEK, or 36% of the Swedish GDP, generating a trade surplus (net trade of goods) of 131 billion SEK.[281]
Road vehicles, telecommunications, and paper products were the highest valued export categories. Most goods were shipped to other member states of the European Union (about 55% by value). Germany, the USA, the UK, Norway, and Denmark were the five leading markets by country.[282] In the same period, Sweden exported agrofood products (as defined in table 2.4) worth almost 25 billion SEK, plus 18% compared to exports in 2000 (21.2 billion SEK), representing 3.2% (2.7% in 2000) of total exports of goods from Sweden. However, the overall agrofood trade is largely inbound as imports

[269] LRF is the interest and industry organization for farmers, forestry owners, and the agricultural cooperative movement in Sweden.
[270] LRF satsar i Japan, 1998.
[271] Ruin, 1999.
[272] Svensk mat ska synas i Japan, 2001.
[273] Ibid.
[274] SFF, phone, 12 June 2002.
[275] Nordic Statistical Yearbook 2000, 2000.
[276] Statistisk årsbok för Sverige (1999 & 2002), 1998, 2001.
[277] Faostat, 2002.
[278] Jordbruksstatistisk årsbok, 2001.
[279] Pettersson, 1998.
[280] Söderberg, 1998.
[281] Sveriges statistiska databaser, 2002a, 2002b.
[282] SCB, 2002d.

exceeded exports by nearly twice as much, by value.[283] According to preliminary data for 2001, seafood (20%), beverages (18%), and cereals and merchandise thereof (17%) represent the three most valued agrofood export categories.[284] Shipments of processed foodstuffs (as defined in Appendix 2) enjoyed about 60% of all agrofood exports.[285] By country and order, the five largest export shares were attracted by the USA, Denmark, Finland, Norway, and Germany, which each represented from 16% down to 8% of all agrofood exports in 2001. Shipments inside the EU accounted for about 55 percent of Swedish exports, but the dominant regional market is the nearby Scandinavian countries (Denmark, Finland, Norway), which together attracted more than one third of the total export value.[286]

Japan as a market for Swedish export goods in general is relatively small, though its value has shown a considerable growth. In the last ten years, its export share was ranging from about two to three percent, during which the Swedish export activity to Japan more than tripled its value. In 2001, goods worth just under 23 billion SEK were shipped to Japan, representing 2.9% of the total value of Swedish exports, placing the Japanese market as Sweden's 11th most important export country. The exports exceeded imports from Japan by over 5 billion SEK, while the last previous years posted a deficit. Outside Europe, Japan is Sweden's second largest export destination, far behind the USA but still ahead of the Chinese market.[287]
The Swedish export value to Japan is dominated by engineering products, especially telecommunications equipment and motor vehicles. Machinery and other engineering products take about 63% of all Swedish exports to Japan (2001). Pharmaceuticals, wood, and iron and steel also represent major exports. Agrofood products on the other hand, account for less than one percent of the total export value (0.95% in 2001 compared to 0.72% in 2000).[288] [289]

In 2001 (2000), agrofood to a value of 218 (160) million SEK was shipped to Japan, or about 0.9% (0.8%) of all Swedish agrofood exports, ranking Japan as the 17th (18th) largest export destination.[290] [291] [292] Regarding the overall foodstuffs trade with Japan, annual exports have exceeded imports by 5-15 times over the last five years.[293]

From a Japanese perspective, Sweden is a very small supplier of foreign foodstuffs. According to data from JETRO, Japan imported foodstuffs from Sweden worth 18.8 million US dollars in 2000, ranking Sweden as Japan's 75th most valued food supplier by taking 0.04% of all food imports (compared to 0.72% for all kinds of goods).[294] [295]
By the same commodity classification as in table 2.4, Japanese import data produce a food import value of 2,293 million yen for 2001 (2,041 million yen for 2000), representing 0.86% (0.69% in 2000) of Japan's total import value of goods from Sweden.[296] [297]

[283] SCB, 2002d.
[284] Jordbruksstatistisk årsbok 2002, 2002.
[285] Sveriges statistiska databaser, 2002a.
[286] Jordbruksstatistisk årsbok 2002, 2002.
[287] Sveriges statistiska databaser, 2002a.
[288] Ibid.
[289] Exportrådet, 2002c.
[290] Jordbruksverket, 2001.
[291] SCB, 2002d.
[292] Sveriges statistiska databaser, 2002a.
[293] Exportrådet, 2002c.
[294] JETRO, 2001c.
[295] Japan Statistical Yearbook 2002, 2002.
[296] Trade Statistics, 2002.
[297] The foodstuffs import as defined by MOF (see part 2.8) is smaller than that stated above (1,484 million yen for 2000). (Japan Statistical Yearbook 2002, 2002).

Figure 5.5 illustrates the development of Swedish food exports to Japan over the last twenty years.

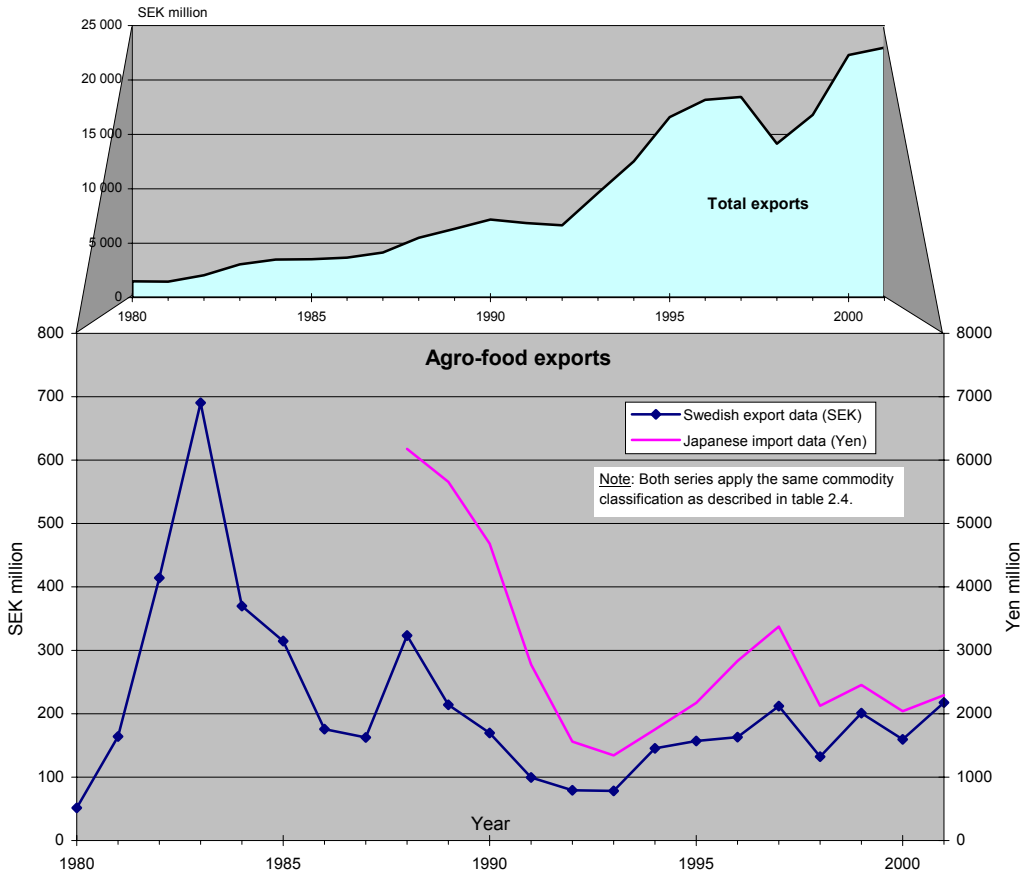


Figure 5.5: Trend of Swedish food exports to Japan, compared to total exports from Sweden to Japan
Source : Sveriges statistiska databaser, 2002a; Trade Statistics, 2002.

In this period, the overall export trade from Sweden to Japan showed a very substantial progress in terms of value. The food trade, however, could not benefit from this growth. In the 1980's, the size of Swedish food exports to Japan reached temporary highs due to a powerful rise in the shipments of meat products (peaking 1983), seafood (1988), and provisional sales of oil seeds, etc. (1982-1986).[298] The trade slowed down seriously in the early 1990's, but since 1993, there is a positive trend suggesting the annual export value to reach 200-250 million SEK in the coming years. From 1995 through 2001, food exports gained 39% in terms of value, showing the very same growth as did the total export value in the same period of time.

The structure of Swedish agrofood exports to Japan is outlined in the following table with respect to traded commodities. Table 5.7 describes the trade structure for the most recent years, according to data from Swedish foreign trade statistics. Besides the miscellaneous products group, the three leading export categories in terms of value in 2001 are those of animal and vegetable fats and oils (20%), meat (15%), and fruit (14%). These groups represent most of the trade by volume as well.

[298] Sveriges statistiska databaser, 2002a.

Table 5.7: Agrofood exports by category

SITC-code	Commodity category	Metric ton 2000	Metric ton 2001	SEK 1,000 2000	SEK 1,000 2001	Share (%) 2001
00	Live animals	–	–	53	36	0.02
01	Meat	780	1,263	26,420	32,166	14.79
	Pork meat, not prepared			17,894	32,110	14.76
02	Dairy produce and eggs	269	166	12,114	8,003	3.68
	Egg albumin, dried			10,991	7,607	3.50
	Egg yolks, dried			1,100	391	0.18
03	Fish and shellfish	228	558	13,834	20,630	9.48
	Salmon, frozen			7,402	10,778	4.96
	Trout, frozen			662	5,561	2.56
	Salmon, smoked			2	3,896	1.79
	Caviar substitutes			424	254	0.12
	Livers and roes of fish			5,183	0	0.00
04	Cereals	49	49	1,458	1,568	0.72
	Sweet biscuits, cookies, etc.			1,189	1,391	0.64
	Cakes, pastry, etc.			17	128	0.06
05	Vegetables and fruit	1,874	1,677	46,026	31,470	14.47
	Vegetables	106	103	1,833	2,073	0.95
	Mixtures of vegetables, frozen			1,107	1,094	0.50
	Mushrooms, frozen			0	410	0.19
	Prepared vegetables, frozen			160	263	0.12
	Asparagus, frozen			472	206	0.09
	Fruit	1,767	1,574	44,193	29,397	13.52
	Bilberries, frozen			37,162	25,580	11.76
	Grape juice			5,511	3,041	1.40
06	Sugar products and honey	387	0	1,715	7	0.00
	Sugar confectionery			66	6	0.00
	Lactose and lactose syrup			1,648	0	0.00
07	Coffee, tea, cocoa, spices	57	59	2,568	3,051	1.40
	Chocolate confectionery			1,761	2,447	1.13
	Tea			298	295	0.14
	Other cocoa preparations			308	170	0.08
	Coffee, roasted			26	107	0.05
08	Feeding stuff for animals	1	26	11	127	0.06
09	Miscellaneous edible products	66	90	18,546	65,075	29.92
	Food preparations, not specified			18,495	63,914	29.38
	Single-cell microorganisms, dead			0	1,135	0.52
11	Beverages	173	150	6,527	6,592	3.03
	Vodka			6,310	6,051	2.78
	Wine			29	298	0.14
	Waters, sweetened (soft drinks)			0	177	0.08
12	Tobacco	12	21	2,955	4,558	2.10
22	Oil seeds and oleaginous fruits	0	0	0	0	0.00
4	Fats and oils	2,830	2,973	27,411	44,225	20.33
	Vegetable fats and oils			18,259	30,033	13.81
	Prepared fats and oils			9,151	14,183	6.52
	TOTAL			**159,638**	**217,508**	**100.00**

Note: The main categories (grey) include preparations.

Source: Sveriges statistiska databaser, 2002a.

Meat and fruit exports are heavily dominated by one kind of trade only, i.e. pork meat and frozen bilberries, respectively. This characteristic is typical for most other categories as well. For example, group 02 is dominated by egg products, cereals by biscuits and cookies, and exports of vodka account for more than 90% of the beverages trade.

Seen over a longer period of time, another characteristic is that the size of the trade for specific commodities may vary greatly from one year to another, as there seems not to be a stable demand for Swedish food and agricultural products from Japanese buyers.[299] By Japanese import statistics, the trade structure has a slightly different look. The main difference is that much fewer products are classified in the miscellaneous group of products, with the effect that most other commodity categories receive higher shares of the total agrofood trade than is shown by the table above, particularly seafood and sugar products. By the yen-value in 2001, shipments of fats and oils lead the trade (24%), followed by meat (19%), seafood (18%), and fruit (16%).[300] Besides different classifications, other factors may also cause some variations between export and import data, e.g. indirect trade via a third country, calculation methods (f.o.b./c.i.f.), the time span between exit and entry (shipments may be recorded on different years), and varying exchange rates.

Processed food (as defined in Appendix 2) accounted for 71% of all Swedish agrofood exports to Japan in 2001, in terms of value by SEK.[301] Figure 5.6 displays the trend of processed food exports since 1995, including the leading products of this trade.

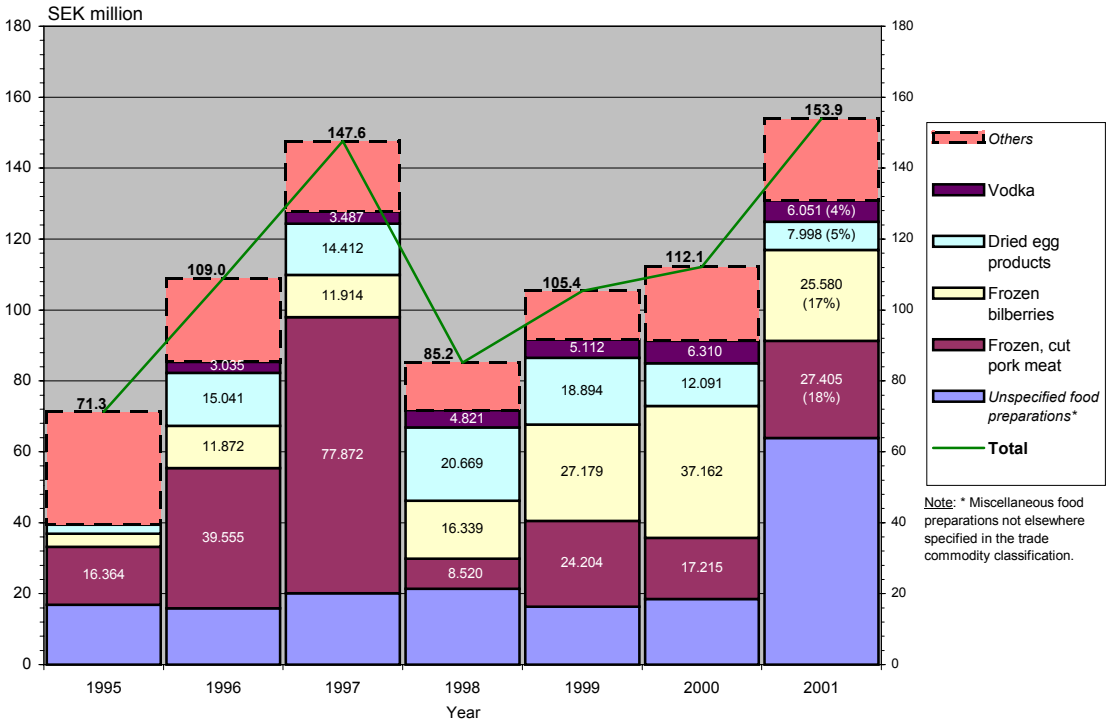


Figure 5.6: Trend of processed food exports from Sweden to Japan
Source : Sveriges statistiska databaser, 2002a.

Based on data for the period given in the chart, products classified as processed food normally represent the majority of the value of all agrofood products exported from Sweden to Japan. Except for 1995 (45%), the share of processed food has ranged from 52% to 71% with an average representation of 66% (1996-2001).[302]

[299] Sveriges statistiska databaser, 2002a.
[300] Trade Statistics, 2002.
[301] Sveriges statistiska databaser, 2002a.
[302] Ibid.

Between 1995 and 2001, the export trend of this group of products was slightly stronger than that of all agrofood exports combined, but not as powerful as that of all export goods in total. However, the 2001 value of processed food shipments was more than two times greater than that of 1995.[303] Exports of processed food in 2001 amounted to 154 million SEK, of which unspecified food preparations claimed the largest share (42%), followed by frozen cuts of pork meat and frozen bilberries. Excluding unspecified preparations, the two latter categories have dominated this sort of trade for most of the whole period along with dried egg products. Bilberries are mainly exported for later use in the manufacturing of health preparations, such as eye medicine.[304] Products classified as 'prepared' food by HS/CN-code represent about half of the processed food segment, by the export value of 2001. Among the leading prepared export products besides those included under unspecified preparations, were vodka, grape juice, chocolate confectionery, and cookies.[305]

5.4.3 Market entrants

In 2001, all industries included, there were about 120 Swedish-owned or Swedish-related companies with own local establishments in Japan, with roughly 12,000 local employees in total, generating combined sales of 56 billion SEK.[306] [307] During the same year, 2,650 companies exported goods from Sweden to Japan worth about 23 billion SEK, for sale in the Japanese marketplace through local distributors.[308] [309]
As was mentioned in 5.4.1, no local manufacturing is taking place in Japan by companies of the Swedish food industry. There are, however, a few Swedish-owned companies in Japan with other local operations. Already mentioned Sweden Food and Forestry K.K. (SFF) is based in Japan, where it represents some of the food products exported from Sweden.[310] The Swedish-Danish dairy maker Arla Foods has a Japanese representation through its local sales office of Arla Foods Ingredients K.K.[311] In 2005, the Swedish-based furniture retailer IKEA plans to open its first of several superstores in Japan since its former Japanese venture was closed down in the early 1980's. In addition to home furnishings, IKEA will also carry some Swedish food products for sale in its stores, creating an indirect export channel for its suppliers.[312] [313]

In 2001, there were close to 50 food-industry-related companies (excluding tobacco) exporting from Sweden to Japan, according to information from Statistics Sweden [314] based on a selection of industry activities approximately following the tentative definition of the food industry made by Jordbruksverket, the Swedish Board of Agriculture [315] [316]. Of 49 exporters, 24 companies were reported with a total export to Japan of more than 100,000 SEK each (2001). The same information had 29 companies classified as some kind of food & beverage manufacturer (industry code 15 by the Swedish Standard Industrial Classification – SNI92), of which 12 companies each shipped goods to Japan worth more than 100,000 SEK in total.

[303] Sveriges statistiska databaser, 2002a.
[304] SFF, phone, 12 June 2002.
[305] Sveriges statistiska databaser, 2002a.
[306] Fahlen, 2002.
[307] Myrsten, 2002.
[308] Sveriges statistiska databaser, 2002a.
[309] SCB:s Företagsregister, e-mail, 23 October 2002.
[310] SFF, phone, 12 June 2002.
[311] Arla Foods, 2002.
[312] Ruin, 2002a, 2002b.
[313] SFF, phone, 12 June 2002.
[314] SCB:s Företagsregister, e-mail, 11/18/31 Oct. 2002.
[315] Jordbruksstatistisk årsbok 2002, 2002.
[316] For selection of industries, see Appendix 3. Methodological aspects are explained in 3.2.4.

The following food-related industries were registered as the main activity of companies involved in exporting goods from Sweden to Japan during 2001.

Table 5.8: Food industry activities of companies exporting to Japan in 2001

Code (SNI92)	Kind of industry activity
01.119	Growing of crops not elsewhere classified (n.e.c.) in 01.11
01.129	Growing of mushrooms, etc.
01.131	Growing of fruit and berries
01.139	Growing of spice crops; and gathering of wild berries
15.112	Production of fresh, chilled or frozen meat, in cuts
15.130	Production of meat products
15.200	Processing and preserving of fish and fish products
15.310	Processing and preserving of potatoes
15.330	Processing and preserving of fruit, berries, and vegetables n.e.c.
15.420	Manufacture of refined vegetable and animal oils & fats
15.512	Manufacture of other dairy products (excluding cheese)
15.810	Manufacture of bread (soft) and fresh pastry goods
15.821	Manufacture of crispbread
15.822	Manufacture of biscuits and preserved pastry goods
15.830	Manufacture of sugar
15.842	Manufacture of chocolate and chocolate confectionery
15.860	Processing of tea and coffee
15.890	Manufacture of other food products n.e.c.
15.910	Manufacture of distilled potable alcoholic beverages
15.980	Production of mineral waters and soft drinks
51.210	Wholesale of grain, seeds and animal feeds
51.320	Wholesale of meat and meat products
51.340	Wholesale of alcoholic and other beverages
51.360	Wholesale of sugar, and chocolate and sugar confectionery
51.370	Wholesale of coffee, tea, cocoa and spices
51.380	Wholesale of other food, including fish, crustaceans and molluscs
51.390	Non-specialized wholesale of food, beverages and tobacco

Source: SCB:s Företagsregister, e-mail, 18 October 2002; SCB, 2002b.

Most business activities with food exports to Japan are in food manufacturing industries, followed by wholesale and agriculture. Because of cost restraints, further details about registered exporters could not be acquired for this study.

The primary research made for some of the other results presented in this part found 15 companies, classified in one of the industry activities defined by the same selection as previously mentioned (see Appendix 3), and with confirmed exports from Sweden to Japan during the last year from the time of inquiry, of goods included in the trade commodity definition of this study (see part 2.8 and Appendix 2). 12 of the 15 agrofood exporters are classified within the food manufacturing industry (code 15 by SNI92).[317] Six (of the 15) exporters are listed among the top-10 food corporations in Sweden with total sales over three billion SEK each, according to the sales ranking for 2000/2001 presented by Livsmedelsföretagen (2002), the Swedish Food Federation. Most of the other nine exporters reported sales below 150 million SEK.[318] The lion's share of all major food companies inquired (with total sales of about one billion SEK or more) reported no exports to Japan of products made in Sweden. Some, however, may export products from production facilities outside Sweden. For example, Cerealia and Arla Foods have exports to Japan from their Danish operations.

[317] AffärsData, 2002.
[318] Ibid.

Among the 15 agrofood exporters, ten companies were subjected to a questionnaire (see Appendix 4), from which the following information could be drawn on their characteristics with respect to their export activities with Japan.[319]

Table 5.9: Characteristics of 10 surveyed companies' (A-J) export activities with Japan

Company	A	B	C	D	E	F
	G	H	I	J		
Type of export product	Export share to Japan (percentage of each company's total exports by value)					
consumer (6 companies)	< 1%	< 1%	< 1%	< 1%	3%	3%
industrial (4 companies)	3%	18%	30%	50%		
	Size of exports (SEK million)					
consumer	0.2	0.4	0.5	2.5	1.2	3.0
industrial	20	12	24	40		
	Experience in terms of time (years)					
consumer	16	9	1	10	4	10
industrial	25	30	5	16		

Note: Data refer to latest available 12-month period between 2000 and 2002 (experience is for 2002).

Six of the 10 companies export consumer food (i.e. products prepared for retail sale), while the other four mainly ship industrial food to Japan for further local preparation. In general, it appears that industrial food exporters have both longer experience and a larger size of exports than do companies exporting food ready for sale in the consumer market. Furthermore, the value of the Japanese market in relation to total exports seems to be more important for exporters of industrial products. For two of the ten companies, the Japanese market was ranked as one of the very best selling export markets, while the other companies had Japan placed low in their ranking of export markets.
As for total export share (of total sales), the average of the surveyed companies is about 40 percent, a higher ratio than the average of 15% for the Swedish food industry in general, mentioned in 5.4.2. Six of ten companies included here, reported a total export share of 50-70% (equal number of consumer and industrial food exporters). However, there is no strong correlation between export orientation in terms of total export share and a large or small size of exports to Japan.

As the main motive behind entering the Japanese market, the respondents stated a presentation of an interesting inquiry from a prospective Japanese buyer, and/or the powerful size and potential of the market. It was said that the market offers a strong purchasing power and a good profitability. Almost all of the respondents reported a profitability of their export sales to Japan as equal or better than the average export market. For most of the surveyed companies, Japan is not a major export market, and of limited priority. However, it seems to offer a strong growth potential to some of the companies. In 1999, the then head of the Swedish Trade Council in Tokyo as well as the Swedish ambassador in Japan cited food & beverages as one of the product areas that have a particularly interesting potential for future Swedish exports.[320] [321]

[319] One must understand that the surveyed companies are few and operate in different product markets, which may have very different conditions, influencing the result of a company's exports to Japan. Therefore it is difficult to draw general conclusions.
[320] Myrsten, 1999.
[321] Persson, 1999.

Half of the companies reported intentions to work for a larger sales volume in the coming years, while three have definitely no plans of investing anything to promote more sales to Japan. Two companies with much exports of industrial food want to reduce the weight of the Japanese market in relation to their total sales, and try to replace some of the usual shipments with more value-added products. There seems to be a tendency that if satisfying results so far, there are also positive plans for the future. Seven companies were clearly satisfied with the results of their export activities with Japan up to the time of inquiry.

5.4.4 Entry barriers

The concept of entry barriers was explained in part 2.5. This final section of the results will analyse the level of possible entry barriers that Swedish food suppliers may risk to encounter, when trying to enter the Japanese market, by measuring the physical and psychological distance between the markets of Sweden and Japan. This is done in general terms for all food industries, and with exporting as the main entry mode. In addition, the text will also include Swedish food exporters' experiences of possible entry barriers.

5.4.4.1 Physical distance

The physical or geographical distance from Sweden to Japan is approximately 8,200 km the shortest route by air (Stockholm-Tokyo), which is equivalent to two round-trip flights from Stockholm to Rome, Italy. By the normal sea route, the distance is more than 2.5 times as long (21,600 km Göteborg-Tokyo).[322] [323] It takes about 11 hours to fly non-stop to Japan from a Scandinavian airport (Copenhagen – Tokyo),[324] and for a cargo to reach the same destination by sea, it takes about 30 days (total transit time for Göteborg-Tokyo via Hamburg).[325] To cover this distance, it is necessary to pass through eight time zones. The time in Japan (Japan Standard Time, JST) is 8 hours ahead of the standard time of Sweden (Central European Time, CET).[326] [327] [328]

The theoretical framework explained that a long distance is often perceived as a higher barrier to pass than a short distance. Between Sweden and Japan, the geographic distance is considerable. Therefore, it may impose a relatively high barrier to entry by the long transportation route, large distance in time, and the stretched-out line of information communication.

The long way from a Swedish food exporter to the Japanese market affects costs of transportation to secure availability and proper quality of the product. The limited durability of many foodstuffs requires the use of appropriate preservation and packaging techniques and/or speedy delivery by air in order to keep the quality across the distance, which will make the product more expensive and perhaps less attractive. Transportation by sea cargo will reduce the shelf life with at least one month from the date of production. The design of some food products cannot easily conform to the necessary

[322] Indo.com, 2002.
[323] MaritimeChain.com, 2000.
[324] Scandinavian Airlines System [SAS], 2002.
[325] P&O Nedlloyd, 2002.
[326] From the end of March to the end of October, Sweden applies daylight saving time (summer time) during which Japan is only 7 hours ahead of Sweden.
[327] Japan Almanac 2002, 2001.
[328] Thorsen, 2002.

requirements for shipment to Japan. However, the actual price of sea cargo transportation from Sweden to Japan seems to be rather competitive compared to the rate to many other destinations, transoceanic as well as European ports.[329] [330]
As was mentioned in 5.4.1, more than 90% of food exports from Sweden enter Japan by sea. This one-month-long transport mode requires the exporter to plan the production and distribution carefully according to the market demand in Japan, in order to meet the needs of reliable supplies with Japanese buyers. It is easier to secure availability closer to the market in question, but this should not be a major problem with Swedish food suppliers, who have a relatively limited demand in Japan. As orders increase, the freight time will affect the inventory and capital situation.

Furthermore, the distance can make it difficult to overlook and control local marketing and distribution, without a subsidiary sales office. In the case of the Japanese distribution system, which by some is regarded as a rather complex structure, the physical length to the market may have an especial effect on how well the exporter will be able to understand the characteristics of local marketing. Some companies may feel that this matter is decisive for the results of a market entry, while others rely on the experience of their Japanese partner. Because of the distance in time between Sweden and Japan, simultaneous working hours are few between the production base and the market, which may delay exchange of information. The physical distance also has some effect on the cost of exchanging information between the two countries, e.g. when using direct telecommunications.

However, it is possible to overcome most of these barriers of physical distance by changing the mode of entry from exporting to local manufacturing, and thereby allowing the product to be produced closer to its users. Most likely, it will be easier to secure availability, and the cost of transportation will be lower. On the other hand, setting up a local manufacturing base may call for heavy investments. The cost of facilities, equipment, and staff does not come cheap in Japan, though the price level is lower than before.[331] Besides licensing, the alternative could be to set up production in another, less expensive country of the same region. Still, however, the distance will remain between a company headquarter situated in Sweden and local units in or near Japan.

5.4.4.2 Psychological distance

Because of cultural differences, the distance between two countries can also be of psychological nature. Great cultural distance may cause a higher risk of facing barriers to entry. The societies of Sweden and Japan have both similarities, reducing the distance, and differences, increasing the psychological distance. The following measurement will estimate the cultural distance between a Swedish food supplier in general and the Japanese market.

[329] Larsson, 2000.
[330] P&O Nedlloyd, e-mail, 9 January 2003.
[331] Ruin, 2002a.

Possible differences in values between countries can be explained by five national, cultural dimensions, presented by Hofstede (2001). These were described in section 2.5.1. They account only for a part of the differences in cultural systems around the world, but this part is important to understand the management and the functioning of work organizations.[332] According to the research of Hofstede, Sweden is an individualistic and very feminine society with small power distance and weak uncertainty avoidance. Japan, on the other hand, is a collectivistic and extremely masculine society with large power distance and strong uncertainty avoidance. Moreover, Swedish values are rather short-term oriented, while the Japanese culture is characterized by long-term orientation values. Explanations of the meaning of these characteristics are found in subsection 2.5.1.2.[333] These findings clearly indicate that Japan and Sweden are highly different, as they contrast each other in every cultural dimension. If measured by the cultural distance formula given in 2.5.1.2, Japan scores as the next most distant country from Sweden, among 49 countries and three multi-country regions, only surpassed by Guatemala. The following figure graphically displays the cultural distance from Sweden to Japan and the five leading destinations of Swedish food exports in 2001 [334].

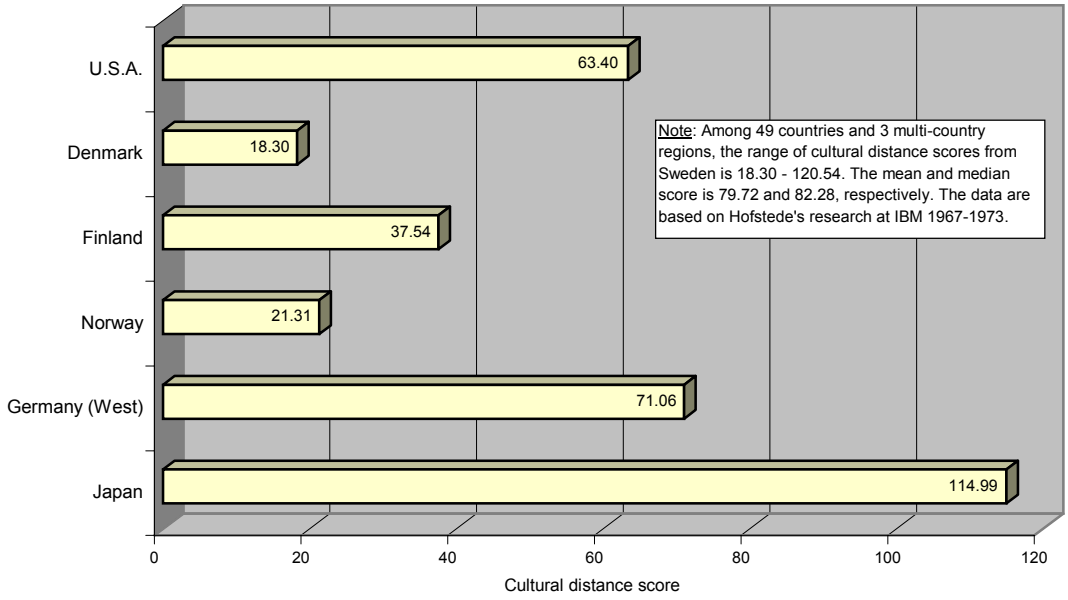


Figure 5.7: Cultural distance from Sweden, to Japan and the 5 leading food export destinations (2001)
Source : Values based on Hofstede, 2001, p. 500; formula based on Morosini, Shane, & Singh, 1998, p. 144.

The top export destinations are all below the average cultural distance from Sweden of those countries surveyed. Japan, on the other hand, is far distant from Sweden. However, the data on which this measurement is based are 30 years old, and later estimates of Hofstede's four original dimensions indicate that Sweden and Japan have moved somewhat closer in cultural values. The most significant changes seem to be that the Japanese society has become more individualistic, and that Swedish values are less feminine or more materialistic than 30 years ago. Still, however, there is a considerable cultural distance between the two countries, also confirmed by empirical studies of Swedish companies' experiences of negotiating with Japanese counterparts.[335] [336]

[332] Hofstede, 1984.
[333] Hofstede, 2001.
[334] See section 5.4.2.
[335] Hofstede, 2001.
[336] Nilsson Molnár, 1997.

Although Sweden and Japan are similar in some respects – highly developed economies, democratic monarchies, high technological standard, similar age structure, consensus-oriented decision making, etc. [337] [338] – the large distance in many cultural values shown above may require much energy and cost of integration to bridge important differences in management and work styles, and thereby be a serious source of barriers to entry into the Japanese market from a Swedish perspective.
Some of the difficulties pointed out by Swedish company representatives, surveyed by Nilsson Molnár (1997), are the Japanese lack of second language (English) knowledge and their limited body language, inflexibility, long and complex decision process, low negotiation pace, and inexplicable negotiation behaviour (e.g. no's are said indirectly). The traditional Japanese decision-making process is called *ringi*. Because of the importance of consensus and emphasis on the group, an important decision usually starts as a suggestion that is then circulated in written form among all persons whom it may concern. It is regarded as very complicated to negotiate with the Japanese. However, the Swedish companies active in Japan seems to be aware of this fact, and plan for this situation to be prepared for potential problems that may occur.[339]

The large cultural distance between Sweden and Japan is clearly shown in the contrastingly different native languages used by their respective peoples. Because of the Japanese relative lack of knowledge in other languages, such as English, this could impose a barrier to entry by impeding access to important local market information. The information needs may be too high, shying away from entry into the Japanese market. Moreover, bridging a language barrier of this kind incurs costs of translation, and may slow down the exchange of information.

A final matter of interest to this subject is the difference in 'food culture'. By visits to food retailers in Japan and Sweden, one will find that the mix of food supplied at a general food retailer is different in Japan compared to Sweden. For example, a Swedish food retailer has in general terms a larger variety of bread and offers a larger share of livestock food such as dairy, beef and pork, and related products. The Japanese store sells more of seafood products and offers many different kinds of vegetables, some not even heard of in Sweden. Moreover, food is normally packaged in smaller quantities in Japan. This also reflects the different pattern of food consumption between the people of the two countries, as was described in part 4.3. The traditional staple food item is rice in Japan and potatoes in Sweden. The Japanese diet is more centred on lower calorie food such as fish and vegetables, whereas the normal diet in Sweden contains a larger portion of high fat/calorie meat and dairy items. Westerners in general eat larger portions of food than do the Japanese. However, eating habits are becoming more internationally influenced in both countries, but Japanese are perhaps a little bit more conservative as they opened up for new foreign influences relatively late, according to interviewees in Japan. Finally, compared to Swedish food spending, Japanese allocate more spending on dining out at restaurants and the like. The difference in the type of food consumed in Japan compared to that in Sweden, can make it difficult and take long time to introduce certain food items with a taste and appearance not customary in Japan.

[337] Landguiden, 2002.
[338] The world factbook 2002, 2002.
[339] Nilsson Molnár, 1997.

5.4.4.3 Encountered barriers

The Japanese food market report by the EBC (European Business Community) Food Committee [340] pointed out several trade impediments facing exporters and foreign affiliates. Among perceived obstacles, some were linked to Japanese law and regulations, e.g. high tariffs on certain items, slow and costly customs clearance, and lack of international harmonization regarding standard approval of food ingredients. The report also mentioned the multilayered distribution system, high cost structure, tight industry circles with established relationships, distinctive or peculiar tastes and preferences, and the language as impediments stemming from structural and cultural differences between the home country market and Japan.
Besides imposed regulations and other external constraints, the report also noted internal company-specific factors hindering successful market entry, originating from a "corporate inability to recognize and deal with the special needs and conditions of the Japanese market" (p. 141). Japan is often seen by foreign management as "just another area of exports, while the potential of its market is comparable to a large part of the European market. Resources allowed to Japan are quite often less than those allocated to one member state of the European Union." (p. 142)

In 1997, the Japan External Trade Organization (JETRO) released a country-comparative survey on market access for imported processed food [341]. Regarding government regulations, it found that Japan had relatively high tariff rates, while Japanese import procedures to ensure food sanitation safety is almost equal in time when compared with European countries and the USA (see also section 5.3.2 and 5.3.3). However, Japanese labelling requirements were found to be more detailed and complicated than those of Europe and the USA, translating into more time and cost to enter the Japanese market.
Regarding distribution and business practices, the survey results confirmed the notion of a complex Japanese distribution system difficult to fully understand. Because of multiple distribution channels available in Japan, it can be difficult to select the best channel for a particular market entry. Commercial practices between retailers and suppliers in Japan were found to be not very different from those of other countries, except the issue of delivery deadlines. In Japan, consumers are very sensitive about best-before dates. Therefore, Japanese retailers often set delivery deadlines significantly earlier than the best-before date of a product, resulting in a relatively shorter sales period in Japan compared to the situation in the USA and Europe. This fact may compose a barrier for imported food vis-à-vis domestic products because of the longer transport time of foreign made merchandise.[342]

As for the Japanese market encounters of Swedish food exporters, the ten companies questioned specially for this thesis, almost all reported at least some difficulty in their dealings with the Japanese market. However, the majority of the companies did not seem to have experienced any major problems threatening to seriously hinder a market entry into Japan. Among the problems or difficulties encountered by the Swedish

[340] Verdier, 1997.
[341] JETRO, 1997a.
[342] Ibid.

exporters regarding the Japanese food market, they mentioned the distribution system; the difference in culture and language; strict and very specific demands regarding packaging, labels, and ingredient information; the long geographical distance and a different climate, increasing transportation costs and shortening the sales period; and that it takes long time to build up relationships. These comments may give some empirical support to the previous theoretical estimation of the risk level of facing possible entry barriers for Swedish food exporters, by the great physical and cultural distance measured between Sweden and Japan. In spite of these possible barriers, most of the surveyed companies were satisfied with their Japanese export activities so far.

6 CONCLUSIONS

In this chapter, conclusions are drawn on the results of this study based upon the research questions presented in part 2.7. The following text has two parts that will sum up and conclude the results on the Japanese food consumer market and foreign entry, respectively. These parts will also include brief personal comments on the results, for example, concerning possible reasons to or implications of the results described, shortcomings in the study, and recommendations for further research.

6.1 Characteristics of the food consumer market

The data presented in the results on demographic, social, and psychological aspects of the Japanese people and their food consumption behaviour, supplied substantial material to answer the question about the characteristics of the food consumer market. These are its main outlines.

The Japanese food consumer market is made up of 127 million people in over 46 million private households. They are concentrated to one third of the land area, of which three major urban areas (Tokyo, Osaka, Nagoya) have close to 45% of the total population. The people are forming a homogeneous culture with one common language, in a group-oriented, secular society where harmony and order are important values. The population has a fairly old age structure in which women outnumber men. Most of the daily time is spent on work-related activities, but people's top life priority is focused on leisure followed by eating. The food diet is well-balanced, traditionally centred on rice, vegetables, and seafood, but increasingly influenced by Western eating habits. Food is the leading category of Japanese households' consumption expenditures. The average household has a relatively high disposable income, and it allocates over 70 percent of this amount on consumption of which 23% is spent on food. Almost one fifth of the food budget is spent on dining-out, taking the largest share, followed by vegetables and prepared food. People of major cities spend more money on food than do people living in small cities. It is mostly the responsibility of women to prepare meals and manage the household budget. They demand value for their money, and can be very discriminating concerning quality. Consumers want high quality at reasonable prices. The price level is relatively high, but has declined somewhat in recent years due to the economic recession in Japan.

This information suggests that the food consumer market is of considerable size, where consumers act fairly uniform. Food is an important part of the Japanese culture, and the consumers seem to have exacting requirements on the food products they are offered. This implies that foreign food suppliers can find a sizeable demand for their products in Japan, but at the same time, they must be persistent and very careful in designing their market entry.

I can understand if this research may be too wide and general to some readers, missing details not included here. However, the purpose of this thesis was to deliver broad background information. Based on this general study, I recommend further research to investigate consumer behaviour for specific product areas of interest to the researcher.

6.2 Situation of foreign entry into the Japanese food market

The research questions set up for the study on foreign entry conditions found satisfactory answers by the results presented on primary marketing channels, the size and structure of Japanese food imports, and the regulatory environment, mostly from both an overall and Swedish perspective. Also, the analysis of the risk for Swedish food suppliers to encounter barriers to entry could deliver a reasonable answer to its part of the problem. This is the principal outcome of these results.

The Japanese food market is highly dependent on overseas supplies to meet the needs of its consumers. As a consequence, Japan imports the largest quantity of foodstuffs of all countries in the world. The annual value of this trade is between 40 and 50 billion US dollars (1996-2001). The trade is dominated by imports of goods for further process by domestic food manufacturers, but the demand for food prepared outside Japan is growing. Cereals and cereal products take about half of the imported volume, whereas seafood and meat lead the trade by value. North America and East & Southeast Asia are the major sources, led by the USA and China. Food from Scandinavia accounts for about four percent of Japan's total food import value (2000), mostly made up of pork meat from Denmark and fish from Norway. Food supplied from Sweden, however, is only of very marginal value to Japan. Conversely, Japan is a very small market for Swedish food exports like the share of food products is minimal in the overall exports from Sweden to Japan. The Japanese market attracts about 200 million SEK of food shipments from Sweden, or less than one percent of all Swedish food exports (2001). This trade has shown strong variations in the past, especially for some specific commodities, as there seems not to be a stable demand for Swedish agrofood products from Japanese buyers. However, this trade has now had a growing trend for about ten years. Low processed foodstuffs make up the majority of the exports, but the share of prepared food is larger for Swedish supplies than the average proportion of prepared food to Japan's total agrofood imports. Some of the most valued export products from Swedish food suppliers are the shipments of pork meat, frozen bilberries, salmon and trout, and dried egg products.
The predominant marketing channel into the Japanese food market is the export entry mode. Most of the Swedish food suppliers seem to apply direct exporting through a Japan-based middleman. Local manufacturing is not used by Swedish companies, but is mainly the alternative for very large, multi-national food corporations. It is estimated that about 50 Swedish companies export agrofood products to Japan (2001), of which half have rather limited sales below 100,000 SEK/year each. Most of the Swedish exporters are in the manufacturing industry. Those shipping consumer food appear to

have their products positioned in the upper-scale market segments. Industrial food exporters seem to have been active in the Japanese marketplace for a longer period of time than the aforementioned exporters, and have a larger size of sales to Japan. In general, the Japanese market is of limited priority to Swedish food exporters involved in trade with Japan, but they are attracted by its size and potential. Japanese customer demands are strict as is the regulatory environment, which may be a source of barriers to entry. However, if foreign suppliers are able to meet Japanese market specifications, their products seem to make profitable earnings. Tariffs are still high for some products, but generally lower than before, and the import procedures are not necessarily more demanding than that of other countries.
From the perspective of a Swedish exporter, the Japanese market is at a great physical as well as psychological/cultural distance from the home market. Culturally, the two countries differ in all of the dimensions included in the estimation. The large distance may require much energy and cost of integration to bridge important differences in business practices. Moreover, the great space can possibly affect costs of transportation, shelf life, and the inventory situation as well as the exchange of information and the control of local marketing. Therefore, the distance may be a source of barrier for Swedish companies wanting to enter the Japanese food market. To some extent, empirical results support such a conclusion. At the same time, the experience of the surveyed exporters indicates that it should be possible to enter the Japanese market without any major difficulties. Most of them are satisfied with the results of their export activities.

This outcome suggests that the market entry situation is powerful but demanding in that it is very voluminous, competitive, strict, distant from a Swedish viewpoint, and not without constraints as possible entry barriers. For Swedish suppliers, this implies that the impressive size of the Japanese food market offers a great potential at heavy competition from a vast inflow of foreign exports besides domestic supplies, which should call for high attention to the capabilities of the market and its specifications necessary to carefully prepare for.
By speculation, I would think that the reason behind the small market penetration of Swedish food supplies is to be found in the generally poor export orientation of the Swedish food industry compared to that of other countries as well as other industries in Sweden, rather than difficult entry conditions of the Japanese market. If the near future was to be projected on the basis of a reflection of the present market situation (and not taking the exchange rate into account), I would think that the demand will remain fairly stable and the low self-sufficiency rate will not rise remarkably, with the effect that Japanese food imports at least will stay at about the same level as today, but the composition may change slightly in favour of more prepared food. The primary sources will probably stay the same, and as for Swedish food exports, they may very well increase but their overall importance will continue to be very marginal.

As was indicated in the evaluation of methodological aspects of this study (section 3.3.4), regarding the investigation of Swedish food industry companies exporting to Japan, related results would have gain more accuracy if the total estimated population of exporters was available for interrogation. The surveyed companies compose an acceptable sample size, but their actual number is small. Therefore, it is difficult to draw precise conclusions on the results based on this sample. Moreover, about the respondents' possible experiences of entry barriers, the results might have been different if the sample not only concerned companies currently exporting to Japan, but also was to include companies who used to export to Japan but stopped this activity for some reason. However, an adequate number of such companies may not be easy to locate. If resources are available, I recommend further research to make a total survey of the whole population of Swedish food exporters with shipments to Japan (selected from official statistics data according to the procedure described in 3.2.4), in order to get more accurate results on the subject of foreign entry from a Swedish perspective.

On the basis of this general study, further research into this topic could focus more on entry strategy and barriers to entry, and perhaps make in-depth studies of a few company cases, trying to determine the criteria for successful entry into the Japanese food market. Furthermore, I would like to see more research on local marketing and distribution of Swedish food products inside the Japanese marketplace.

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APPENDICES

Appendix 1: Collection of basic facts on Japan

Below, some facts and figures of general and economic nature are compiled, in order to give a brief background picture of Japan. Updated data can be found on the Internet, for example at the site http://www.stat.go.jp/english/index.htm.

Table A1.1: General data on Japan, as of 2000 if not stated otherwise

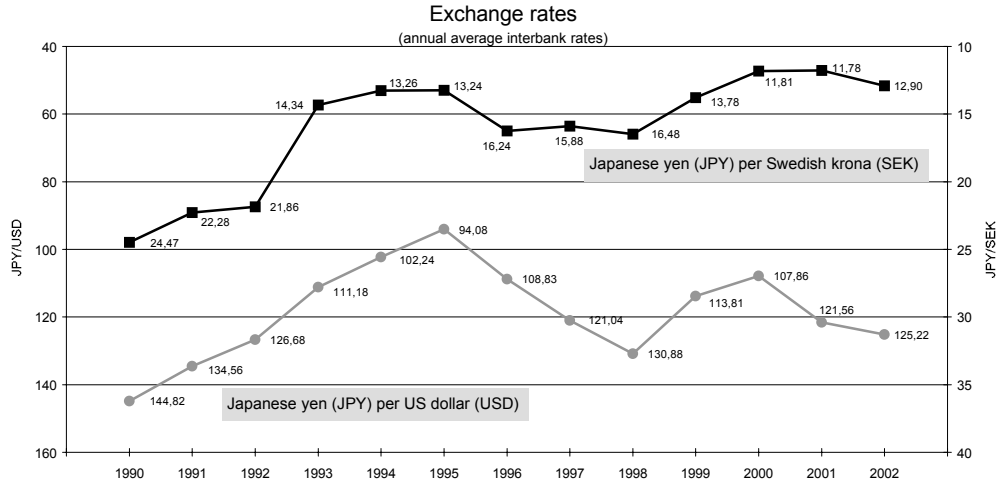
GENERAL DATA			
Population	126.926 million	**Land area**	377,873 km^2
Population density [1] (persons/km^2)	340 of total land area 1,046 of habitable area	**Farmland** **Forests & fields** **Habitable area** [2]	13 % 67 % 32 %
Number of households <of which: single-person>	46.782 million <27.6%>	**Time zone**	GMT + 9 hours
Five largest cities (population ranking 3/02)	Tokyo (capital), Yokohama, Osaka, Nagoya, Sapporo	**Number of administrative provinces**	47 prefectures
Language	Japanese	**Religion**	Shintoism, Buddhism
Head of State	Emperor Akihito	**Prime Minister** (12/02)	Junichiro Koizumi
Seats in parliament, the Diet (8/02)	247 (Upper House) 480 (Lower House)	**Political parties in Cabinet** (12/02)	LDP [3], New Komeito, New Conservative Party
Life expectancy (years, 2001)	84.93 (female) 78.07 (male)	**Birth rate** (2001) **Mortality** (2001)	9.3 (per 1,000 persons) 7.7 (per 1,000 persons)

Note: [1] In calculating population density, the area of the Habomai, Shikotan, Kunashiri, Etorofu, and Takeshima Islands is not included. The first four islands are the southernmost part of the Kuril Islands northeast from Hokkaido, also known as the Northern Territories or *Hoppo Ryodo*, the area of which is under Russian administration, but claimed by the Japanese. Its size of area is equivalent to about 5000 km^2. [2] Habitable area = total area – (forestry area + lakes).
[3] Liberal Democratic Party (largest political party in Japan).

Source: Japan Almanac 2002, 2001, pp. 1, 7, 66, 76, 292; Japan Almanac 2003, 2002, pp. 25, 34-35, 39-40, 203, 242; Japan Statistical Yearbook 2003, 2003, tables 2-3, 2-19; Ministry of Land, Infrastructure and Transport, e-mail, 5 March 2002; Party chiefs refresh governing coalition, 2002.

Table A1.2: Economic figures of Japan, as of 2001 if not stated otherwise

ECONOMIC FIGURES			
Gross Domestic Product (nominal value)	4,141 billion USD	**GDP per capita**	32,600 USD
Trade surplus (customs clearance basis)	6,560 billion yen ≈ 557,000 million SEK	**Most important export items**	Automobiles & parts, electrical/electronic products & parts
Big trading partners	USA, China, South Korea, Taiwan	**Most important import items**	Crude oil, computers, clothes, ICs, fish, gas
Labour force (11/02)	66,840,000	**Working hours** [1]	1,848 h/year (including overtime)
Unemployment (11/02)	5.1 percent	**Average salary** [1 2]	397,400 yen (including bonus, etc.)
Official Discount Rate (12/02)	0.10 %	**Consumer Price Index** (2002)	– 0.9 %
Exchange rates (31 Dec. 2002)	1 dollar ≈ 118.5 yen 1 krona ≈ 13.6 yen	**Nikkei Stock Average 225** (2002)	– 18.6 %



Biggest manufacturing companies (sales FY01)	Toyota Motor, Hitachi, Sony, Honda Motor, Matsushita Electric, Nissan Motor	**Highest valued companies listed on the Tokyo Stock Exchange** (31 Jul. 2002)	NTT DoCoMo, Toyota Motor, Sony, Honda Motor, Mitsubishi Tokyo Financial Group, Takeda Chemical Industries

Industry sector share of real GDP (2000)			
Agriculture, forestry, and fisheries	1.5 %	Manufacturing	22.3 %
Construction	6.6 %	Wholesale, retail	13.3 %
Finance, insurance	6.0 %	Real estate	11.6 %
Transportation, communications	7.0 %	Services	18.7 %

Note: [1] Covering workplaces of all industries with 30 or more regular employees. [2] Total monthly salary per employee in all industries.

Source: Japan Almanac 2003, 2002, pp. 57, 73-77, 82, 84, 89, 92-94; Monthly Statistics of Japan, 2003, pp. 9, 16, 171; FXHistory, 2003; OECD, 2003a, 2003b; Statistics Bureau, 2003a.

Appendix 2: Trade commodity classification

This appendix presents two listings, plus a HS-code reference table.
The first one lists product groups included in foreign trade data of food and agricultural products (agrofood) as defined by Jordbruksverket, the Swedish Board of Agriculture. By SITC-code (rev. 3), 14 different categories of commodities are presented with the corresponding CN/HS-codes of product groups included in each of the categories.
In a similar way, the second list presents products classified as processed food, according to the definition used by Jordbruksverket which was formulated by Food From Sweden, an organization for promoting exports of Swedish processed food. The definitions may change slightly over time.

Table A2.1: Agro-food

SITC	Commodity groups	CN-codes (first six digits comply with HS)
00	**Live animals**	01
01	**Meat and meat preparations**	
	Beef	0201, 0202, 0206.10-29, 0210.20
	Pork	0203, 0206.30-49, 0210.11-19
	Meat of sheep or goats	0204
	Poultry meat	0207
	Other meat	0205, 0206.80-90, 0208, 0210.90, 0307.60
	Prepared meat products	1601, 1602.20-90, 1603
02	**Dairy products and birds' eggs**	
	Milk, cream, yoghurt, etc.	0401-0404
	Butter and other fats/oils from milk	0405
	Ice cream	2105
	Cheese and curd	0406
	Eggs and egg albumins	0407, 0408, 3502.11-19
03	**Fish, crustaceans, molluscs, etc.**	
	Fish, crustaceans, and molluscs	0301-0306, 0307.10-59, 0307.91-99
	Preparations of fish, crust., moll., etc.	1604, 1605
04	**Cereals and cereal preparations**	
	Cereals	1001-1008
	Flour, grain, malt, etc.	1101-1104, 1107
	Bread and other bakers' wares	1905
	Pasta, not cooked nor stuffed	1902.11-19
	Other preparations of cereals and flour	1901.20, 1904
05	**Vegetables and fruit**	
	Fresh or chilled vegetables, tubers, etc.	0701-0709, 1210, 1212.10, 1212.91-99
	Frozen vegetables	0710
	Dried vegetables, etc.	0711-0714
	Preparations of potatoes	1105, 1903, 2004.10, 2005.20
	Other preparations of vegetables	1106, 2001.10-20, 2001.90.20-90.85, 2002, 2003, 2004.90, 2005.40-90
	Fresh, chilled, and dried fruit and nuts	0801-0810, 0812-0814, 1212.30
	Frozen fruit and nuts	0811
	Jams, marmalades, and fruit juices	2007.91-99, 2009
	Other preparations of fruit, etc.	2001.90.10, 2001.90.91-90.96, 2008
06	**Sugars, sugar preparations, and honey**	
	Honey, sugars, and molasses	0409, 1701-1703
	Sugar confectionery	1704, 2006
07	**Coffee, tea, cocoa, spices, etc.**	
	Coffee	0901, 2101.11-12, 2101.30
	Chocolate and other food preparations with cocoa	1806
	Tea, cocoa, and spices	0902-0910, 1801-1805, 2101.20
08	**Feeding stuff for animals**	1213, 1214, 2301-2309
09	**Miscellaneous edible products**	
	Sauces, soups, etc.	2103, 2104.10
	Margarine, etc.	1517
	Certain preparations of cereals, flour, etc.	1901.10, 1901.90, 1902.20-40
	Other food	0410, 1602.10, 2005.10, 2007.10, 2102, 2104.20, 2106.10, 2106.90.10, 2106.90.30-90.98, 2209
11	**Beverages**	
	Spirits	2106.90.20, 2208
	Wine	2204, 2205
	Other alcoholic beverages	2203, 2206
	Non-alcoholic beverages	2201, 2202
12	**Tobacco and tobacco manufactures**	24
22	**Oil seeds and oleaginous fruits**	1201-1208
4	**Animal and vegetable fats and oils**	0209, 1501-1516, 1518, 1521, 1522, 3823.11-19

Source: Based on Jordbruksverket, 2001, pp. 106-108.

Table A2.2: Processed food

SITC	Commodity groups	CN-codes (first six digits comply with HS)
01	**Meat products**	
	Cut beef	0201.20-30, 0202.20-30
	Cut pork	0203.12-19, 0203.22-29
	Cut meat of sheep or goats	0204.22-23, 0204.42-43, 0204.50.13-50.39, 0204.50.53-50.79
	Cut poultry meat	0207.13-14, 0207.26-27, 0207.34-36
	Other fresh, chilled, or frozen meat	0205, 0208
	Salted, dried, or smoked meat	0210
	Prepared meat products	1601, 1602.20-90
02	**Dairy and egg products**	
	Milk and cream in solid forms, consumer packaged	0402.10.11, 0402.10.91, 0402.21.11, 0402.21.91, 0402.29.11, 0402.29.15, 0402.29.91, 0402.91.11, 0402.91.31, 0402.91.51, 0402.91.91, 0402.99.11, 0402.99.31, 0402.99.91
	Yoghurt, curdled milk and cream, etc.	0403
	Butter, consumer packaged	0405.10.11
	Cheese and curd	0406
	Ice cream	2105
	Egg products	0408.11.80, 0408.19.81, 0408.19.89, 0408.91.80, 0408.99.80, 3502.11.90, 3502.19.90
03	**Fish, crustaceans, molluscs, etc.**	
	Fish fillets and other fish meat	0304
	Salted, dried, or smoked fish	0305
	Prepared fish and shellfish	1604, 1605
04	**Cereal products**	
	Mixes and doughs for preparation of bakers' wares	1901.20
	Bread and other bakers' wares	1905
	Other preparations of cereals and flour	1104, 1902.11-19, 1904
05	**Vegetables and fruit**	
	Frozen vegetables	0710
	Prepared potato products	2004.10, 2005.20
	Other vegetable products	0711-0713, 1903, 2001.10.00-2001.90.85, 2002, 2003, 2004.90, 2005.40-90
	Frozen fruit and nuts	0811
	Dried or provisionally preserved fruit, etc.	0812, 0813
	Peel of citrus fruit or melons	0814
	Jams, marmalades, and fruit juices	2007.91-99, 2009
	Other preparations of fruit, etc.	2001.90.91-90.96, 2006, 2008
06	**Sugar confectionery**	1704
07	**Coffee, tea, and cocoa products**	
	Coffee	0901.21-22, 2101.11-12
	Tea	0902, 2101.20
	Chocolate and other food preparations with cocoa	1806
	Other cocoa products	1803-1805
09	**Miscellaneous food products**	
	Sauces, soups, etc.	2103, 2104.10
	Margarine, etc.	1517
	Certain preparations of cereals, flour, etc.	1901.10, 1901.90, 1902.20-40
	Other food	0410, 1602.10, 2005.10, 2007.10, 2102, 2104.20, 2106.10, 2106.90.10, 2106.90.30-90.98, 2209
11	**Beverages**	
	Spirits	2208.20-90
	Wine	2204, 2205
	Other alcoholic beverages	2106.90.20, 2203, 2206
	Non-alcoholic beverages	2201, 2202
4	**Animal and vegetable fats and oils**	
	Hydrogenated fats and oils	1516

Source: Based on document received by e-mail from Jordbruksverket, 27 August 2001.

Table A2.3: Reference of main HS-code intervals involved in classification tables A2.1 and A2.2

Live animals and animal products	
0101-0106	Live animals
0201-0210	Meat and edible meat offal
0301-0307	Fish and crustaceans, molluscs and other aquatic invertebrates
0401-0410	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included
Vegetable products	
0701-0714	Edible vegetables and certain roots and tubers
0801-0814	Edible fruit and nuts; peel of citrus fruit or melons
0901-0910	Coffee, tea, mate and spices
1001-1008	Cereals
1101-1109 (1108-1109)	Products of the milling industry; malt; starches; inulin; wheat gluten
1201-1214 (1209, 1211)	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits; industrial or medicinal plants; straw and fodder
Animal or vegetable fats & oils	
1501-1522 (1519-1520)	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
Prepared foodstuffs, beverages, tobacco, etc.	
1601-1605	Edible preparations of meat, fish, crustaceans, molluscs or other aquatic invertebrates
1701-1704	Sugars and sugar confectionery
1801-1806	Cocoa and cocoa preparations
1901-1905	Preparations of cereals, flour, starch or milk; bakers' wares
2001-2009	Preparations of vegetables, fruit, nuts or other parts of plants
2101-2106	Miscellaneous edible preparations
2201-2209 (2207)	Beverages, spirits and vinegar
2301-2309	Residues and waste from the food industries; prepared animal feed
2401-2403	Tobacco and manufactured tobacco substitutes
3502.11-19	Egg albumins
3823.11-19	Industrial monocarboxylic fatty acids; acid oils from refining

Note: The codes noted in parenthesis are not at all included in the two food classification tables.

Source: APEC Tariff Database, 2002; U.S. International Trade Commission, 2002.

Appendix 3: Selection of food industries

This appendix connects to some of the results presented in 5.4, and their applied method described in section 3.2.4. The table below lists the industry activities that were selected with respect to the research on Swedish agrofood exporters with sales to Japan. The selection is guided by, i.e. based on but not fully according to, the tentative definition of the food industry made by Jordbruksverket, the Swedish Board of Agriculture.[1]

The industry classification codes are based on SNI92 – Swedish Standard Industrial Classification 1992 (Standard för svensk näringsgrensindelning), which is linked to the EU system NACE Rev.1 and the International Standard Industrial Classification (ISIC Rev.3) of the United Nations.[2] The selection excludes most of the tobacco trade.

Table A3.1: Selection of food-related industries, possibly involved in exporting of foodstuffs

Code (SNI92)	Kind of industry activity
01 (all subcategories)	Agriculture, hunting and related service activities
05 (all subcategories)	Fishing, operation of fish hatcheries and fish farms; service activities incidental to fishing
15 (all subcategories)	Manufacture of food products and beverages
51.110	Agents involved in the sale of agricultural raw materials, live animals, textile raw materials and semi-finished goods
51.170	Agents involved in the sale of food, beverages and tobacco
51.210	Wholesale of grain, seeds and animal feeds
51.230	Wholesale of live animals
51.310	Wholesale of fruit and vegetables
51.320	Wholesale of meat and meat products
51.330	Wholesale of dairy produce, eggs and edible oils and fats
51.340	Wholesale of alcoholic and other beverages
51.360	Wholesale of sugar, and chocolate and sugar confectionery
51.370	Wholesale of coffee, tea, cocoa and spices
51.380	Wholesale of other food, including fish, crustaceans and molluscs
51.390	Non-specialized wholesale of food, beverages and tobacco
52.210	Retail sale of fruit and vegetables
52.220	Retail sale of meat and meat products
52.230	Retail sale of fish, crustaceans and molluscs
52.241	Retail sale of bread and pastry goods
52.242	Retail sale of confectioneries
52.250	Retail sale of alcoholic and other beverages
52.271	Retail sale of health foods
52.279	Other retail sale of food in specialized stores

Source: Based on Jordbruksstatistisk årsbok 2002, 2002, pp. 308-312.
(English terms from: http://europa.eu.int/comm/eurostat/ramon)

[1] Jordbruksstatistisk årsbok 2002, 2002.
[2] Ibid.

Appendix 4: Questionings

This appendix lists questionings made by personal interviews with organization representatives in Japan (a), and questionnaires to some Swedish food exporters (b), respectively. Each interrogation was largely conducted in the same manner and with the same questions, every time.

❑ (a) Personal interviews in Japan

Starting with a short presentation of the researcher and the topic of the study, and asking for / receiving background information regarding the organization of the respondent (such as its major activities).

Thereafter, questioning and conversation about the following issues:

- Historic background (development from W.W.II. to present date), current situation, and future trend as to Japan's food industry/market in general, especially concerning the consumption and supply situation, and the competitive nature of the market. (The focus is on the present situation.)

  - Food consumption level (in both money and quantity terms).
  - Consumer priorities, between price, quality, and other factors.

  - Domestic food production level.

  - Importance of foreign supply.

  - The marketing channel structure: number and size of producers and intermediaries.

- Regional differences within Japan as to the food consumption and the price level.

- Presence of Scandinavian food in the Japanese food market.

- Respondent's view of the level of entry barriers (tariff and non-tariff measures, and other possible impediments).

In the end of the interview, an inquiry is made as to if the respondent could present or refer to any other sources of information.

❑ (b) Questionnaire by e-mail to Swedish food exporters

The following questions are sent by e-mail, in two formats depending on whether the company is exporting consumer goods or industrial goods, the indication of which was given by the foregoing inquiry. Below, the questions are marked with a subsequent [note] where they differ between the two forms. Before the questionnaire was sent, the company's permission was asked, with the same introductory information you see prior to the questions. The questionnaire is in Swedish. A translation into English is directly following the original version below.

Till: Företaget
Att: Exportansvarig (eller motsvarande)

Hej!

Jag studerar vid Handelshögskolan i Göteborg, och jag håller för närvarande på med en uppsats om Japans livsmedelsmarknad. Jag är bl a intresserad av svenska livsmedelsföretags erfarenheter av denna marknad. Här följer en del frågor som jag hoppas Ni kan ge svar på. Frågorna är uppdelade i tre delar. Liknande frågor ställer jag även till andra svenska livsmedelsexportörer. Syftet med frågorna är att få reda på betydelsen av livsmedelsexport till Japan ur svensk synvinkel, tillvägagångssätt vid marknadsetablering och eventuella marknadshinder.
Beskrivningen kommer att vara generell, och kommer ej i detalj att ta upp varje enskilt företags erfarenheter.

BAKGRUNDSFAKTA:
(Ange för vilket år svaret gäller där sifferuppgift eller liknande efterfrågas.)

* Hur stor del av Er totala försäljning härrör från export (avser total exportförsäljning från Sverige till alla länder utanför Sveriges gränser)?

* Hur stor andel av Er totala export (samma som ovan) härrör från försäljning till Japan?

* Sedan hur lång tid tillbaka har Ni exporterat till Japan?

* Varför är/blev Ni intresserade av den japanska marknaden?

* Vilka produkter och varumärken saluför Ni i Japan? [för konsumentprodukter]
* Vilka produktslag exporterar Ni till Japan? [för industriprodukter]

* Hur stor är Er export till Japan, i volym respektive värde?

* Hur viktig är den japanska marknaden för Er i relation till Era övriga exportmarknader (om möjligt ange ranking och för vilket år denna gäller)?

* Är exporten till Japan lönsam (mer eller mindre än andra exportmarknader)?

* Funderar Ni på att utvidga Er satsning mot Japan?

* Vilken är Er framtida målsättning med denna exportmarknad?

TILLVÄGAGÅNGSSÄTT m m:

* Här följer fyra alternativa exportvägar. Välj den/de som gäller för Er japanexport i dagsläget (genom att ange tillhörande siffra/or). Om nödvändigt, förtydliga/precisera gärna med egna ord (t ex om inget av alternativen passar in riktigt bra).

(1) Indirekt export via mellanhand baserad i Sverige.
(2) Direkt export, via japanskt importföretag (som sedan säljer varorna vidare såsom agent eller distributör).
(3) Direkt export, via ett eget lokalt säljbolag i Japan.
(4) Direkt export utan mellanhänder, direkt till slutkund (t ex japansk detaljistkedja [för konsumentprodukter] / t ex japansk tillverkare av förädlade matvaror [för industriprodukter])

* Om Ni angett alternativ 2 ovan, agerar Er importör/representant på agent-basis (d v s säljer Era varor på provision el dyl) eller på distributörs-basis (d v s köper, äger och säljer varorna i egen regi)?

* Om Ni använder och angett flera olika exportkanaler, vilket alternativ står för den största andelen av Er export?

* Motivera varför Ni har valt den modell (kanal/er) som Ni nu använder?

* Har Ni använt någon annan försäljningskanal än den/de Ni använder idag, och i så fall vilken/vilka?

* På vilket sätt började Ni exportera till Japan, och varför på detta sätt (om annan kanal än nuvarande)?

* Vad heter det ev. företaget som idag representerar Er i Japan?

* Hur marknadsförs Era produkter i Japan – vilka är de huvudsakliga marknadsföringsmetoderna (såsom annonsering, personlig försäljning eller andra säljfrämjande åtgärder)?

* Marknadsförs Era produkter i första hand mot tillverkningsindustrin, detaljhandeln eller mot servicesektorn (t ex restaurangnäringen)?

* Om Era produkter säljs som råvara för vidare förädling, känner Ni till vad för typ av produktion Er råvara huvudsakligen används till (och i så fall vilken)? [för industriprodukter]

* I vilken typ av affärssegment finner man Era produkter i första hand (t ex lågprismarknad, varuhus, etc.)? [för konsumentprodukter]

* Kan Ni ge exempel på japanska företag som saluför/använder Era produkter?

EVENTUELLA HINDER:

* Har Ni stött på några problem eller svårigheter när Ni försökt etablera Er på den japanska livsmedelsmarknaden?

    - Om ja, i så fall vilka?
(t ex avseende lagar & regler, tullar, kostnadsnivå, konkurrenssituation, distributionssystem, tillgång på information, språk, kulturskillnader m m) Beskriv gärna så detaljerat som möjligt.

    - Om nej, varför tror Ni att så ej skett?

* Hur har Ni förberett Er marknadssatsning mot Japan?

* Har Ni anlitat någon extern hjälp (t ex konsult)?

* Skulle Ni beteckna Er export till Japan hitintills som lyckad?

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Jag vore mycket tacksam om Ni har möjlighet att besvara dessa frågor inom kort. Den information Ni kan tillhandahålla är av största intresse för mig. Tack på förhand!

Med vänliga hälsningar / Henrik Klintenberg
Studerande vid Handelshögskolan, Göteborgs universitet

<English translation>

To: The Company
Att: Export manager (or other with similar authority)

Dear Sirs,

I am a student at Handelshögskolan, Göteborg University, currently writing a thesis about the Japanese food market. Among other things, my interest is to study the experiences of Swedish food companies regarding the Japanese market. I hope you are able to supply me with some answers to the following questions, which are in three parts. This questionnaire is sent to other Swedish food exporters as well. The purpose is to find information on the relative importance of Japan as a market for Swedish food exports, and furthermore, entry strategies and possible barriers to entry.
The results from this research will be described in general terms, and will not include all details of every company.

BACKGROUND DATA:
(Please, state the year for which the data concern.)

* How much do you export (total shipments from Sweden to all destinations outside Sweden), as a percentage of total sales?

* How large is the Japanese market as a percentage of your total export sales?

* For how long time have you been exporting to Japan?

* Why are you/did you become interested in the Japanese market?

* Which products and brands do you market in Japan? [consumer goods]
* Which kinds of produce do you export to Japan? [industrial goods]

* How much do you export to Japan, by value and volume?

* How important is the Japanese market in relation to your other export markets (if possible, state ranking order and its date)?

* Is the export to Japan profitable (more or less compared to other export markets)?

* Do you have any plans to expand your business towards Japan?

* What is your future goal regarding the Japanese market?

ENTRY MODE, etc:

* Among the following four alternative export channels, choose the one/s that you are applying today regarding Japan (state the attached number/s). If necessary, explain further with your own words (e.g. if none of the alternatives fits your way of export).

(1) Indirect exporting via middleman based in Sweden.
(2) Direct exporting, via Japanese importer who sells the goods to local buyers as agent or distributor.
(3) Direct exporting, via your own local sales branch if available.
(4) Direct exporting without middlemen, directly to final users (e.g. Japanese retailer [consumer goods] / e.g. Japanese manufacturer of processed food [industrial goods])

* If you stated no. 2, does your importer/representative act as agent (selling your merchandise against commission) or distributor (buying and taking title to the goods)?

* If you use several export channels, which one accounts for the largest share of your exports?

* Why did you choose the entry mode(s) currently being applied by you?

* Did you use any other marketing channel than the one/s you currently apply, and if so, which one/s?

* When you started to export to Japan, which entry mode did you choose and why (if other than today)?

* What is the name of your representative company in Japan?

* Which promotional tools are mainly used in the marketing of your products in Japan (such as advertising, personal selling, sales promotion, and public relations)?

* Do you (your representative) market your products primarily towards the manufacturing-, retail-, or food service industry?

* If your products are sold as raw material for further process, what kind of production are they mainly used for? [industrial goods]

* In what kind of retail segment can I mostly find your products (e.g. discount stores, department stores, etc.)? [consumer goods]

* Can you mention any Japanese company, offering/using your products?

POSSIBLE IMPEDIMENTS:

* Have you encountered any problems or difficulties when trying to enter the Japanese food market?

    - If yes, what kind of problems?
(e.g. concerning laws & regulations, tariffs, level of expenditures, the competitive situation, the distribution system, access to information, the language, cultural differences, etc.)
Please, describe in detail as much as possible.

    - If no, why do you think this is not the case?

* How did you prepare your entry into the Japanese market?

* Did you use/engage any external assistance (e.g. expert consultant)?

* Would you describe your Japanese export activities so far as successful?

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I would be very grateful if you could answer these questions and send a reply shortly. All information you can supply is much appreciated. Thank you for your assistance!

Yours sincerely / Henrik Klintenberg
Student at Handelshögskolan, Göteborg University