

Entry into Japan – a strategic approach

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Note: this presentation is modified so that our client cannot be identified.

Preface – initial thoughts

- ▶ 1. Brand concept
 - Products should presumably be sold in the high-end market.
 - Avoid mass market – There is a severe competition in the mass market with Japanese manufacturers, where the company may not be able to compete against them because of the lack of cost advantage.
 - Differentiation is a key – it is required to establish a differentiated concept in which price, package, service and products should be different.
- ▶ 2. Target timeline
 - Establish brand recognition by the end of 2009.

Approach

- ▶ 1. Determine the market segment to target
 - ▶ Conduct a group interview and questionnaire – collaborate with the market research company (www.macromill.com)
 - Taste
 - Examine whether existing products appeal to Japanese consumers
 - Price
 - Analyze the break-even point and determine the selling price.
 - Identify the market segment to target considering the quality of the products
- ▶ 2. Entry preparation
 - Package, advertisement
 - Design a new package and advertisement, if necessary, to match/target the aforementioned market.
 - Retail, distributors
 - Identify the first store to promote the product.
 - Shop should fit with the target market segment to target
 - Develop a Web site
 - For direct marketing

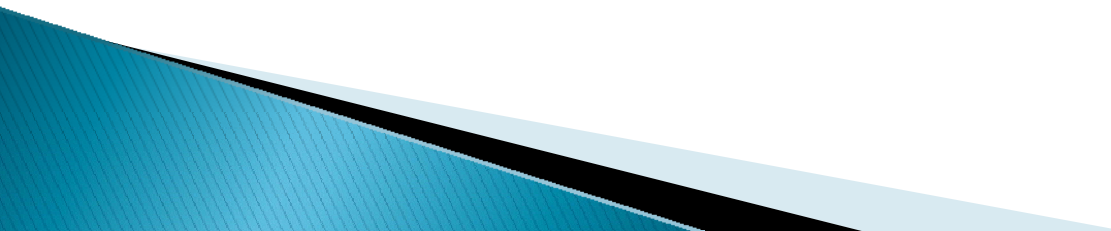
Approach (cont.)

- ▶ 3. Form a contract with retailers
 - Promotion
 - First, target an exclusive Tokyo metropolitan area
 - Promote the products
 - Campaigns, events
 - Build reputation – expand to the other areas
- ▶ 4. Expand the market
 - Expand the business to throughout Japan
 - Build a distribution network
 - Build a strategy to sell in bundling with other products

Japanese chocolate market

»» Mature and concentrated

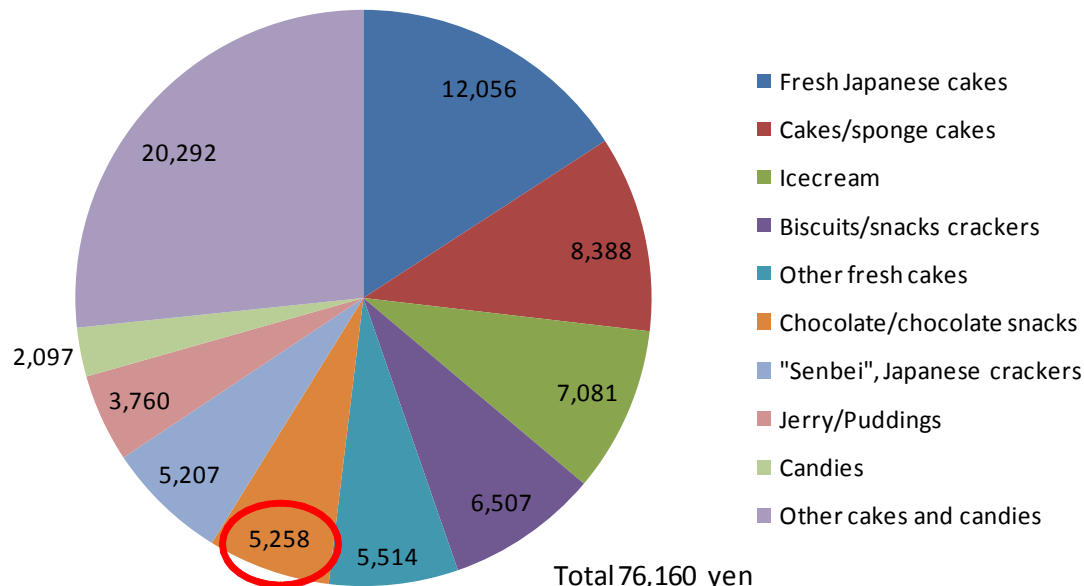
Summary

- ▶ The has almost reached saturation point in the last several years.
 - ▶ Market is relatively concentrated, although there are many manufacturers. The distribution of market share has not changed in the last few years.
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Chocolate is one of the popular confectioneries in Japan

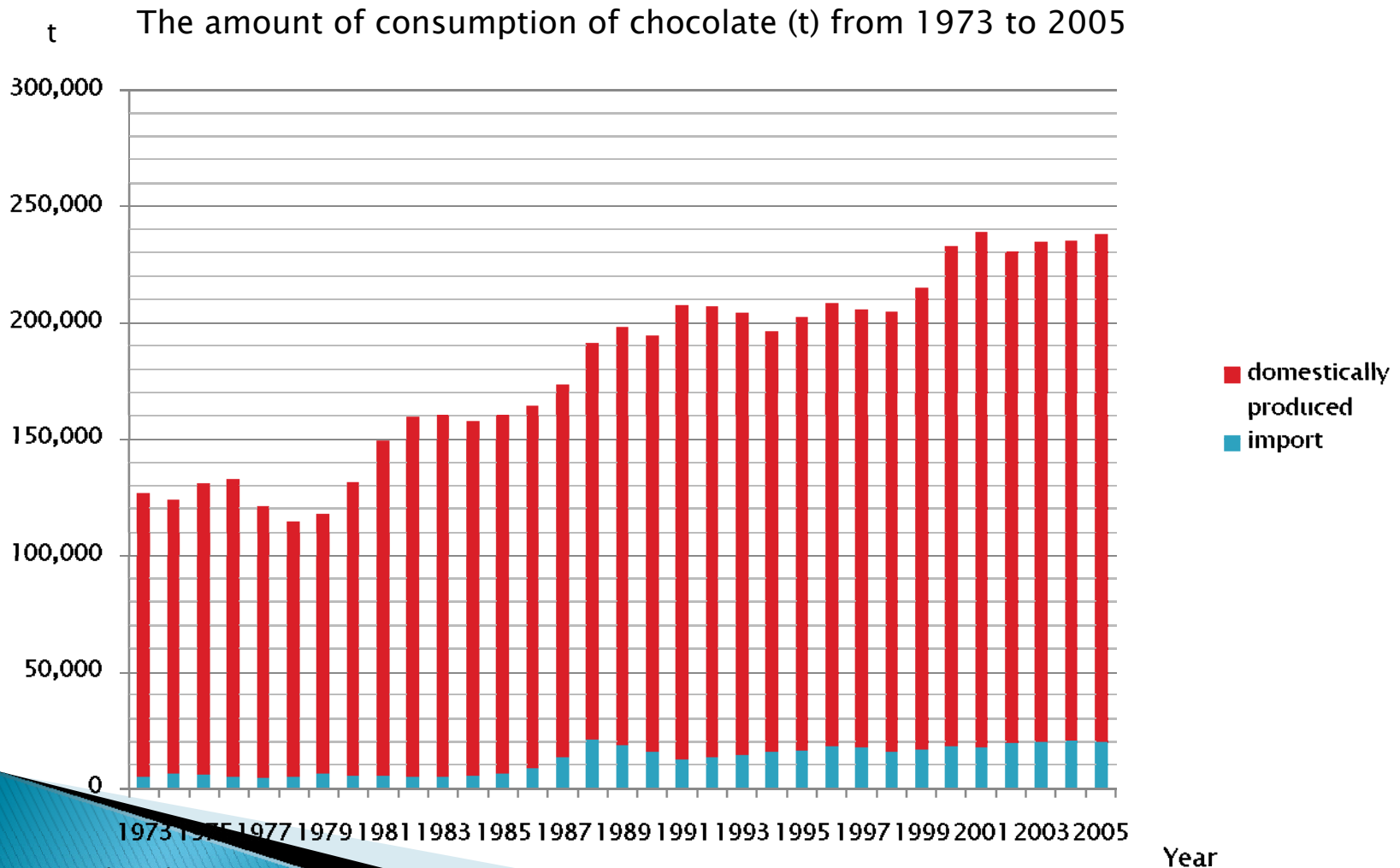
- ▶ Market size of chocolate amounts for ¥268B in 2007.
- ▶ Various other confectioneries exist.
 - Combination of those confectioneries can create new products.

Yearly amount of expenditures per household (2007.¥)



Total 76,160 yen
number of households: 51,102,005
market size of chocolate: ¥268.7B

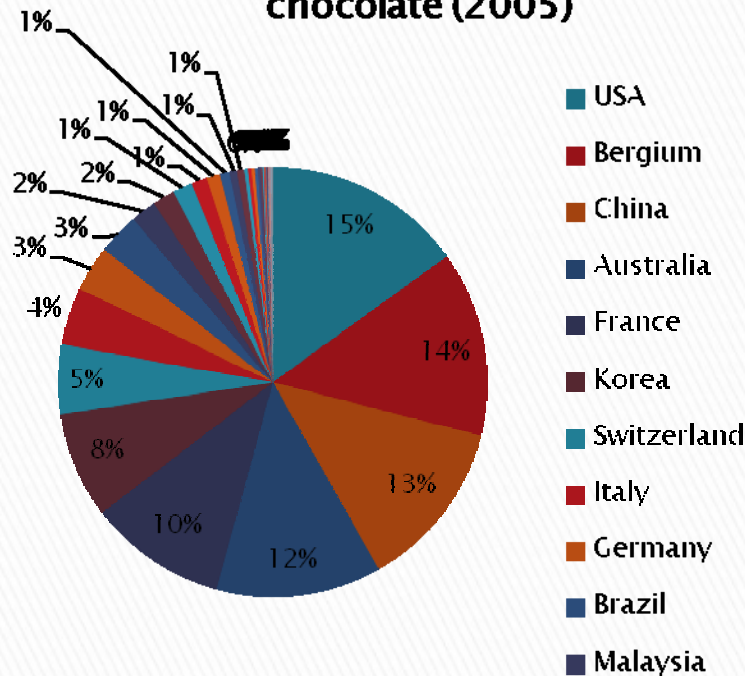
The amount of consumption of chocolate is almost saturated. 91% of the chocolate are produced within Japan



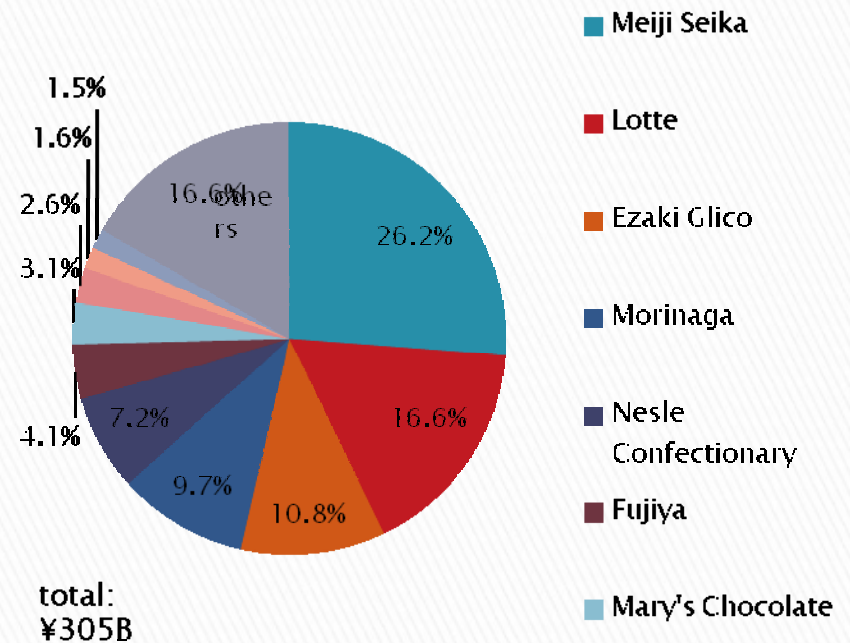
Source : Chocolate & Cocoa Association

The chocolate market is concentrated.

Countries from which Japan imports chocolate (2005)



Market share (2006) among the Japanese produces by sales (yen)

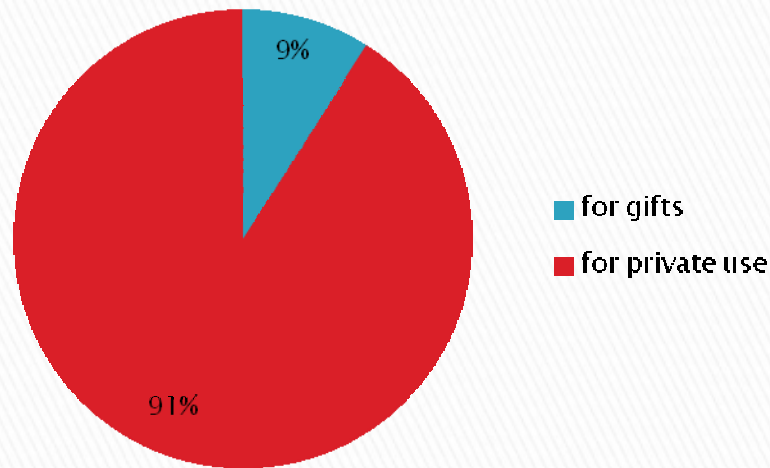


Japan imports chocolate from over sixty countries, but only several countries dominate.

Market share of the total of Meiji, Lotte and Glico amounts to more than 50%.

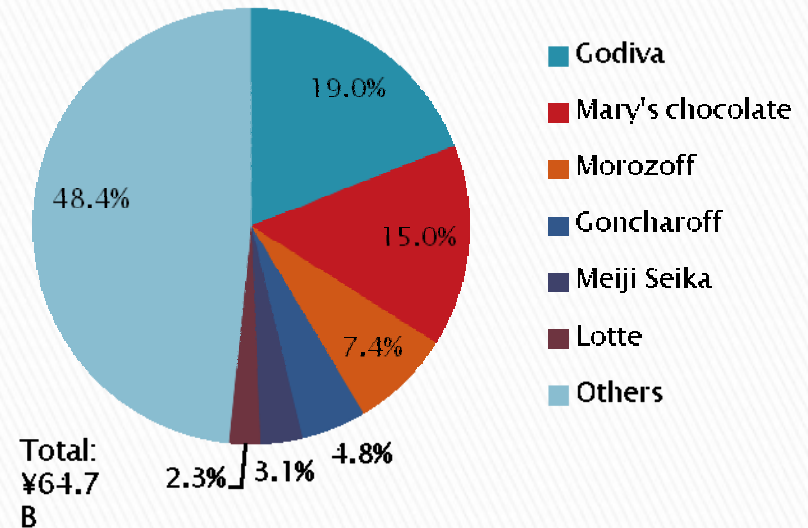
The Gift market accounts for only 9% and it is relatively concentrated.

use of chocolate in 2006 (t)



Total:
23.8t

Market share of chocolates used for gifts
(¥, 2007)



Total:
¥64.7
B

Most consumers purchase chocolates for their own use.

The distribution of overall market share has not changed in the last 5 years.

Estimated market size by area

Yearly amount of expenditures of chocolate and chocolate snacks per household in 2007

Area	Chocolate	Chocolate snacks	Total	
	¥	¥	# of households as of 31.3.2006	market size (in ¥B, est.)
All Japan	4,280	978	51,102,005	268.7
Kanto	4,487	764	17,359,720	91.2
Ku-area of Tokyo	4,655	655	4,198,256	22.3
Cities				
Chiba-shi (Chiba pref.)	4,508	959	380,140	2.1
Yokohama-shi (Kanagawa-pref.)	4,631	663	1,545,089	8.2
Kawasaki-shi (Kanagawa-pref.)	4,328	504	597,441	2.9
Nagoya-shi (Aichi Pref.)	4,471	991	934,324	5.1
Osaka-shi (Osaka pref.)	3,486	764	1,229,485	5.2
Kobe-shi (Hyogo pref.)	3,198	682	662,984	2.6

Consumers prefer safe and healthy food.

- ▶ Consumer tastes always change –with the rise in the health consciousness, people prefer safer and healthier confectioneries.
- ▶ This survey should be updated in this project.

Taste for confectioneries by housewives in 2002

Safety

- Less additives
- Need information on the GM food

Health consciousness

- Prefer healthier food if tastes are same
- Prefer salt–reduced diet
- Sweets = gain weight

Package

- Package should assure the safety of leftover food.
- Package should be environmentally friendly
- Prefer a package for one meal

Psychological benefits

- Confectioneries enrich the daily life.
- Prefer confections with seasonality
- Like products with high quality and rich variety.

Distribution channel of confectioneries

