

TRICOR PERSPECTIVES

Top 5 Challenges of Doing Business in Japan for US Companies



SCOTT SATO – CEO, TRICOR JAPAN

With one of the largest and most mature economies in the world, Japan is an attractive market to do business in. The Japanese market is characterized by consumers with high levels of disposable income who are drawn to premium, high-end goods and services. Japan also boasts a highly developed, modern infrastructure of roads, highways, railroads, subways, airports, harbors, warehouses and telecommunications for the distribution of all types of goods and services.

While there are many strategic advantages to investing in Japan, there are challenges that US businesses may face when expanding into this market. These challenges include large amounts of local or third-country competition, regulatory hurdles and cultural factors. Any business entering Japan will want to work with a consulting partner with local expertise to develop an expansion strategy that addresses these factors.

This article identifies the top 5 challenges that US investors should prepare for before entering Japan.



#1: BUREAUCRACY IN STARTING UP A BUSINESS

The process for registering a business in Japan can be arduous, requiring several layers of bureaucracy to be navigated before a company can enter the market. Organizations are required to communicate with the Ward office, the Legal Affairs Bureau of the Ministry of Justice, the District Tax Office, the local tax office, the Labour Standards Inspection Office, the Japan Pension Service and the Public Employment Security Office before other start-up procedures can even be considered.

#2. MANY COMPLEX RULES & REGULATIONS

Japan has many regulations and rules specific to respective industries that some US companies may find unfamiliar and difficult. Regulation-heavy industries include healthcare, pharmaceutical, medical devices, cosmetics, food, energy and finance, just to name a few. The regulations can vary across national, prefecture or local jurisdictions. Moreover, many business activities are regulated by license and require the submission of documents to a related government agency for approval.

Because many businesses report that it is not always easy to understand the rules and regulations that apply to them, it is recommended that investors work closely with a consulting partner that has expertise in this regulatory environment.

#3. A COMPETITIVE & UNIQUE MARKET THAT REQUIRES LOCALIZATION

The Japanese economy is very mature with established domestic markets in most sectors. Therefore, Japanese consumers are accustomed to products tailored specifically for them. For foreign investors, this will mean having to understand the

local needs and demands of the Japanese market and then designing products/ services, sales efforts and marketing campaigns meet these needs. This will likely be different than in the US. Due to high levels of competition from both domestic and third-country companies, it is very difficult for a foreign brand to penetrate the market without a precise localization process.

#4. OVERCOMING THE CULTURAL CURVE

In addition to product and service localization, the culture of Japan can be quite different from the US, particularly when it comes to conducting business. Relationships drive business in Japan and it is critically important to show the right level of respect and to be polite and diplomatic at all times. It is recommended that US investors respect, research and familiarize themselves with Japanese customs when it comes to greetings, giving out business cards, offering gifts, setting an appointment and arranging a lunch or dinner meeting.

#5. DISTINCT COMMUNICATION STYLE CAN HINDER CONNECTIONS

Mastering the communication style in Japan is a major challenge that many US investors face, but it is very important if you are looking to connect with business partners and consumers. This is not simply overcoming the language barrier between Japanese and English. The Japanese embrace a 'silence is beauty' approach and have a preference for indirect, high-context communication based on implications and inferences rather than direct verbalization.

Body language, paraverbal features, relationships, emotions and other non-verbal communications are

of very high importance. For example, Japanese will rarely directly say 'no' to an offer. US business people are often left confused and struggle to communicate effectively, both in business meetings and in marketing their brands to the larger Japanese market.

HOW TRICOR GROUP CAN HELP IN JAPAN

Japan is a leading center for innovation and is a highly attractive market for foreign investors. However, it has repeatedly ranked one of the lowest in the world for ease of doing business and there are numerous challenges and potential pitfalls to navigate. So despite the many advantages of investing in the Japanese market, having local help on board from a consulting partner like Tricor Group is essential to the smooth running of an overseas venture. Whether you are looking to set up shop or streamline your current operations, we can help you capitalize on the growing opportunities Japan has to offer.

Tricor Group (Tricor) is the leading business expansion specialist in Asia, with global knowledge and local expertise in business, corporate, investor, human resources & payroll, corporate trust & debt services, and strategic business advisory.

Strategically headquartered in Hong Kong, we operate out of 21 countries / territories and across a network of 47 offices. Tricor serves 50,000 clients, including ~2,000 companies publicly listed in Asia and over 40% of the Fortune Global 500 companies. With 2,700 employees, of which 630 are certified professionals, we deliver critical functions to help ambitious companies accelerate their growth in Asia and beyond.

To learn more about expanding your business into Japan, please contact one of our advisors.

CONTACT US



Michael Fisher
Sales Executive, Tricor US
Email: michael.fisher@us.tricorglobal.com
Telephone: (973) 780-0105



Scott Sato
CEO, Tricor Japan
Email: scott.sato@jp.tricorglobal.com



Kevin Smythe
Director, Sales and Marketing, Tricor Japan
Email: kevin.smythe@jp.tricorglobal.com

