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Swedish designers go Nippon

An empirical study of small Swedish design firms'
entry to Japan

Bachelor thesis within EMM

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Abstract

Internationalisation is today part of every firm's reality and impossible to deny. Researchers have developed several models and theories concerning this topic describing firms internationalisation in terms of innovation models, behavioural-, sequential-, and learning processes. However, there is a lack of export research for small firms that are practically oriented towards a specific market. Small firms often lack the resources and time to investigate new markets. We have seen an empirically driven need for research about entry strategies due to a request from a Swedish design company.

The Japanese economy is the second largest in the world with a population interested in consumer goods such as design products and services. During the last years, the fascination for western cultures, Swedish design and lifestyle has grown. Due to this, it is interesting for small Swedish design firms to examine the Japanese market.

The purpose of the thesis is to empirically examine small Swedish design firms' internationalisation process to Japan. Appropriate export entry strategies will be evaluated in order to find suitable suggestions for other design firms with similar characteristics that wish to expand to Japan.

To fulfil this purpose, a qualitative method with an orientation towards induction was used. Primary data was gathered by interviews with five Swedish design firms with experiences from Japanese market penetration. To approach the Japanese market and entry strategies from another perspective, complementary information and interviews were conducted with for example the manager at Swedish Trade Council Japan, and the founder of the agent association Japan Porten.

Internationalisation theories, export entry strategies, and theory about the Japanese market have also been presented. As a result of the theory chapter, research questions rose concerning what international entry strategy this type of companies should use. What entry mode and distribution channels are most appropriate, how should the marketing plan be composed and what other things should to be considered before a Japanese market entry? A cross-analysis was then made contrasting and comparing theory and empirical data in order to reach conclusions.

The conclusion gives suggestions about what steps small Swedish design firms should take after they have decided to enter Japan. We have found evidence during this research pro-

ess that suggests them to use a direct entry mode, contracting an agent or distributor. To get in contact with business partners, the companies can participate in trade fairs or events, promote themselves through magazines, and take help from the Swedish Trade Council. Products should be slightly adjusted to the Japanese market, especially in terms of physical size and packaging materials that has to be flawless and professional. The price can be set higher than in Sweden and the company should position themselves as high quality producers. Swedish design, originality, and handicraft tradition should be promoted. Further, the Japanese business culture has to be respected, where negotiation manners, honesty and politeness should be considered. The companies also have to bear in mind that things take time in Japan and it is important to develop personal life-lasting relationships.

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1 Introduction

This thesis is an empirical study of the internationalisation processes of Swedish design firms with a focus on export to Japan. The aim is to find entry strategies for small Swedish design firms that want to enter the Japanese market. The first chapter will introduce the background of the field of internationalisation and previous research. With this background as a basis, the chapter will proceed with a problem discussion resulting in the purpose of the study.

1.1 Background

Sandberg is a Swedish company with 22 employees, producing and selling high-end jewellery. The company is facing a wish to expand to Japan but lack the resources and time to investigate the market (M. Winfridsson, personal communication, 2006-01-25). They asked for help to evaluate export entry strategies into Japan and an examination of market specific features.

In the past, internationalisation was for large firms with a great collateral of resources. Today, the international environment affects more or less all companies and also small and medium sized firms enter new markets (Lascu, 2005). Engagement in international activities has become important for survival and growth, and is often a natural sequence in a firm's development phases (Kjellman, Sundnäs, Ramström & Elo, 2004). Small local firms are dependent on raw materials, parts, and equipment from all around the world and cannot stand the loss of not involving internationally. By denying internationalisation, firms could miss opportunities that arise due to changes in the environment as well as lose market share to competitors (Lascu, 2005).

The common view of internationalisation as a process was established by Vernon in 1966, describing internationalisation as a sequential process. Also the Uppsala model constructed by Johanson and Wiedershiem-Paul in 1975 is a sequential one, describing how commitment increases over time with the different steps of the internationalisation. This model has historically received much attention but it has also been criticised as it does not explain how the firm move between the stages (Kjellman et al., 2004). As a response to the critique, the model was developed further in 1977 by Johanson and Vahlne. The recreated model includes a description of the state of the firm and factors affecting the change of the firm. The name "Uppsala model" is used interchangeably for both models (Agndal, 2004).

Another way of looking at internationalisation is the innovation models, which look upon internationalisation from an export related perspective. These models open up for the view that internationalisation may be driven by factors such as environmental pressures, and they also deal with the characteristics of the decision makers (Agndal, 2004). The innovation related models contributed with an important development in the field of internationalisation, focusing on the process of learning and experience in the export development process (Kjellman et al., 2004).

This is also in line with Albaum, Strandskov & Duerr, (1998) who claim that there has been an increased focus on the behavioural determinants of the internationalisation process in the 1980's. The influence of the decision maker's perception and expectation of foreign markets, and the company's ability to enter that market has been suggested to impact the export behaviour of the firm. This can be seen in the research of Cavusgil (1980). Cavusgil claimed that the international marketing decisions are approached by the management in

stages and the international commitment increases with experience. This is not seen as sequential and planned steps, but rather it depends on the personality of the decision maker, the risk perception, and uncertainty. Other well known researchers contributing with innovation related models are Czinkota (1982), Reid (1981), and Bilkey and Tesar (1977). Ried (1981) built his research on the Uppsala model and marketing theories about customer adaptation. His theory emphasises the importance of the characteristics of the decision maker's attitudes, motivations and experiences (Kjellman et al., 2004).

Also international new ventures have gained much attention in recent years as they are international from the start-up and raises capital, produces and sells its products world wide (Kjellman et al., 2004).

1.1.1 The Japanese market

Following the Second World War until the 1990's the Japanese economy became the second largest in the world, known for its hardworking employees and competitive companies supported by the government. What almost no one realized at that time was that a big "bubble" was created in Japan due to speculations and over investments driven by generous credits from banks (Woronoff, 2001) (Swedish Trade Council, 2006). During the 1990's the bubble burst and Japan fell into one of the worst post-war recessions in modern economy (Woronoff, 2001).

In recent years the Japanese economy has recovered and is expected to continue doing so. Economic growth has improved and unemployment has decreased due to increased export, investments and consumption (Swedish Trade Council, 2006). According to Woronoff (2001), consumer spending in Japan is the second highest in the world and there are 126 million consumers spread to a relatively small space.

However, Japan still has some problems to solve. The aging Japanese population will lead to increased public spending and the country has a large national debt. The government agenda therefore includes economic reforms with decreased state expenditures, increased tax incomes, deregulations, and increased decentralisation. Competition will be increased with changed legislation, supervision, openness for foreign direct investment and bilateral free trade agreements (Swedish Trade Council, 2006). The economy has been forced to open up due to economic circumstances and pressures from trading partners, disappointed of the former Japanese export surplus (Woronoff, 2001). Japan is today the thirteenth largest export market for Sweden, and the third largest outside Europe (Swedish Trade Council, 2006).

Swedish Trade Council presents markets in which they predict large changes and opportunities to arise in the future (Swedish Trade Council, 2006). One of these markets is the one of design products and services. The Japanese people are very design and style conscious and many Japanese, especially younger, are fascinated by Sweden and Swedish design (Wahlberg, 2005).

1.2 Problem Discussion

As mentioned in the background, we were contacted by Sandberg in order to help them evaluate export entry strategies into Japan. However, we believe that Sandberg is unlikely to be the only company facing this problem.

Japan is an interesting market for small Swedish designers to evaluate, but small firms often lack the time and resources to conduct the preparatory research work. Today, there is no research done with applicable contextual characteristics for small Swedish design firms in terms of size, geographical location and industry. Researchers tend to neglect the distinction between small and large firms, or to focus on particular countries in their studies. Several models are also more oriented towards theoretical descriptions than practical suggestions.

When firms go through the internationalisation process they start out with little knowledge. Therefore they have to learn from the operations of other firms. Through reflecting upon the company's own as well as other companies' experiences, trials, and errors, firms develop a knowledge and base for making confident solutions (Blomstermo & Sharma, 2003). Thus, an empirically driven study would be a suitable way to learn from companies' mistakes, experiences and achievements.

As seen in the discussion above, there is a general need for more empirical research about export strategies for small Swedish design firms who want to enter the Japanese market. This study will try to fill this gap.

1.3 Purpose

In this thesis we are going to empirically examine small Swedish design firms' internationalisation process to Japan. Appropriate export entry strategies will be evaluated in order to find suitable suggestions for other Swedish design firms with similar characteristics that wish to expand to Japan.

2 Methodology

In this chapter we will present what approach was taken when collecting and analysing data. Qualitative and quantitative methods, inductive and deductive reasoning, as well as primary data, will be discussed. Next, the method with data collection, data quality and limitations, and data analysis will be presented.

There are two main methodological ways to approach information gathering. Qualitative methods are not very formalised and do not aim at generalising the subject, but to reach a deeper understanding of a complex issue. The quantitative method on the other hand, is more formalised and structured. Here, the researcher keeps his or her distance to what is being studied in order to achieve an answer that might be more generalising. Statistics constitute an important part of quantitative methods. Shortly, one could describe a quantitative method as describing and explaining a phenomenon, whereas the qualitative method describes and tries to create an understanding of a phenomenon (Holme & Solvang, 1996).

The method used in academic writing is a problem solving tool used to reach new knowledge, and everything used to achieve this knowledge may be seen as a method. Still, different research requires different methods and the one chosen should suit the problem and purpose of the study (Holme & Solvang, 1996). The purpose of this thesis required a qualitative approach. We did not wish to conclude that a certain entry mode into Japan is the most common one. Instead, we aspired to go deeper and interview small Swedish firms with similar target consumers about their entry into the Japanese market. We believed that this approach would give a number of good advice, as not only the common aspects would be studied in a quantitative way. Instead, the qualitative method gave us the opportunity to find unique lessons learned from companies in a similar situation.

According to Ryen (2004), deductive research is connected to quantitative research, whereas inductive research is connected to qualitative research. Deduction means that you can logically draw conclusions and test connections between phenomena. Here, the theories form the ground for the hypothesis and the study strives at proving existing theory or falsifies it. We believed that actors in the Swedish design industry would not gain much on testing whether companies are following existing theory or not. Therefore a strictly deductive approach was not chosen for this thesis as the theory rather serves as an analytical framework.

Research conducted in a strictly inductive way does not start with a well defined research question. Instead, understanding in forms of new theoretical ideas is generated and conclusions are drawn from your observations. The empirical data constitutes the foundation on which the analysis builds. Strong inductive reasoning believes that generalising conclusions can be drawn based on the observations made (Ryen, 2004). However, there are different levels of inductive orientation, where conclusions can not be seen as universal until all elements in the population have been observed.

This study is oriented towards induction as it aimed at reaching suggestive conclusions generated from empirical data. Further it hoped to reach generalising conclusions but only to a certain extent. We did not go so far that we believed that it would generate one single conclusion that could be applied on all firms that will expand to Japan. Conclusions were seen as applicable for a certain sample within the population. Moreover, we started out with a defined purpose and research questions. Therefore the study can not be seen as strictly inductive but rather leaning towards abduction, a mid-way between induction and deduction (Holloway, 1997).

Since this is an empirical study, the main information used has been primary. Primary data is information gathered through interviews, direct observations, and surveys (Lekvall & Wahlbin, 2001). We have conducted interviews with five design companies as well as other organisations with experience of trade with Japan. It can be argued that primary data is costly and time consuming to collect. Still, we believe primary data to be crucial for this type of study. An empirical approach gives us the opportunity to collect the data vital for a rewarding study as primary data gives us access to more recent data. Secondary sources, such as the Internet sources, have been used to complement our empirical findings of company information.

To sum up, this thesis uses a qualitative method with an orientation towards induction. Through empirical studies, primary data from other companies, and additional secondary sources, conclusions will be reached.

2.1 Data Collection

When selecting companies to empirically examine, companies with similar contextual characteristics were chosen due to size and industry. We decided to contact small designer firms (firms with less than 50 employees) engaging in trade with Japan. To increase the validity of the study, the selected respondents are active in different design areas. Among the interviewed companies there are producers of furniture, textile, interior design, and jewellery. Small firms were chosen as they were assumed to have the same prerequisites for expansion. They are all at different stages in their internationalisation process which will give us a broad spectrum of information. To further expand the empirical data section, we have also chosen to approach other sources of information regarding the Japanese market. Supporting trading companies engaging in trade with Japan were interviewed to deliver a broader picture. We believe this is rewarding since they have experienced and supported several Swedish start-ups in Japan.

In the process of locating and selecting companies to interview, we consulted the homepage of Swedish Trade Council in Japan. At this homepage we found a list of Swedish subsidiaries in Japan as well as a link to the event “Swedish Style Tokyo” arranged by the Swedish embassy in Japan. As the participants at Swedish Style were all design companies, ten were contacted, but only Capti Design and LOD replied. Among the companies having subsidiaries in Japan, the company Klässbol was chosen as it is a design company that is well-established in Japan. Klässbol further recommended us to contact Östergötlands Ullspinneri as this company has reached success with different types of exports to Japan. In an article in Göteborgs Posten, we found the company Juup of Sweden. This company was interesting since it is a small design company that entered the market through another type of channel, the international fair 100% design. The companies LOD, Juup, Capti Design and Östergötlands Ullspinneri are all small companies where the interviewees were founders of the company as well as designers and in charge of export activities. In Klässbol, the vice president and foreign trade director, was interviewed.

In order to prepare the questions for the interview discussions, relevant internationalisation theories were scanned. As this thesis is oriented towards induction, we wanted to keep our minds open without restrictions by existing theories. Therefore, main topics and questions were formulated in beforehand, resulting in discussions with the respondents. The interviews can be seen as semi-structured, with basic questions serving as a guide but open for emerging following-up questions in order to keep flexibility high and to find out nuances

and as much unique information as possible from each company. The interview guides can be found in appendix one and two.

As a qualitative method was used for collecting the primary data, interviews were, if possible, conducted in person. In other cases contacts were made by phone with a pre-sent questionnaire preparing the respondent for the interview. Interviews were held in person with Capti Design and Klässbol. LOD and Juup were interviewed over phone due to geographical distance and time limitations. The interview with Östergötlands Ullspinneri was conducted by phone as well, as their contact person did not have time for a personal interview. All these mentioned interviews have been recorded in order to increase the reliability of our data.

To gather information about the Japanese market from an additional angle, primary data was also collected from the manager of Swedish Trade Council in Tokyo, the founder of Japan Porten which serves as an agent for the Japanese market, and Ingrid Andersson a business woman with experiences from business activities in Japan. The interview with Japan Porten was conducted by phone and recorded due to the distance to the interviewee. On May 3rd 2006, a seminar about Japan was held at Jönköping University at which Swedish Trade Council and Andersson lectured. After the seminar, complementary questions were posed to Swedish Trade Council. These two lectures were not recorded.

2.2 Data quality and limitations

Due to time and budget constraints, possible weaknesses with our study can exist. The number of respondents could have been larger and other types of organisations could have been approached. The study could have been improved if more well-established companies had been found and selected. On the other hand, it was interesting to investigate companies in different stages along the way towards success. Another angle that could have been taken is to approach both succeeding and failing companies to learn from their mistakes. However, the time has been a limiting factor restricting a more extended study.

Regarding the personal interviews, the validity and reliability of the data is important to discuss. Validity is concerned with if the data collected and measured is the data that you were actually supposed to measure and collect, i.e. the data relevant for your study. Reliability has to do with the way you collect/measure your data. A result is reliable if the measure used would yield the same result again (Patel & Tebelius 1987).

The problem of validity is smaller in qualitative research than in quantitative. Still some problems exist. The researcher may perceive the situation differently from the person interviewed, or the researcher may create a situation where the interviewee starts to act in a way he/she believes the researcher wants him/her to. Researchers must be aware of possible problems and try to reduce them. This can be done by having the person interviewed controlling the validity of collected data (Holme & Solvang, 1996). Possible misunderstandings in this thesis work are reduced by having the interviewees read through the reproduced interview before submitting the thesis. To complement our initiating interviews, supplementary questions were sent by e-mail to all respondents. Also, all interviews besides the information from the seminar about Japan, have been recorded in order to capture the entire conversation with words, phrases and nuances.

2.3 Data analysis

Miles and Huberman (1994) discuss the analysis of qualitative data to consist of three flows of activity, all occurring at the same time. These activities are data reduction, data display, and drawing conclusions/verification.

Data reduction is about selecting, simplifying, rewriting, and sharpening the collected data so that final conclusions can be made. The process of reducing data start even before the data is collected as the researcher decides which research questions and conceptual framework to use (Miles & Huberman, 1994). This can be seen in our work as well, as we scanned the field of internationalisation and export theories in order to find suitable research questions to serve as a base for our study. This helped us to select, focus, structure, and simplify our data. In line with what Miles and Huberman (1994) argue, our data reduction has been a continuous process. A broad array of information has been narrowed down, unnecessary information was excluded and new was retrieved, consciously and unconsciously, until the completion of the report.

Data display is the organised gathering of information that allows conclusions to be drawn. We have chosen to display our data by using extended text, which is the most common way to display qualitative data. Extended text has its drawbacks as it might be scattered, poorly structured and massive, and may result in that the reader draw quick and unsupported conclusions, as humans tend to reduce complex information into something manageable (Miles and Huberman, 1994). However, we believe an extended text to be more suitable for this report than a data displayed in graphs, plots and tables. Since we have not asked the exact same questions to all the interviewees, but rather had a conversation, it is hard to gather all the data in a chart. Instead, we want to give a broad picture of companies' internationalisation process and allow differences and similarities in the interviewees' personal perceptions to appear. Important aspects are presented by citations, to highlight interesting thoughts and to avoid a too massive text flow.

As the theoretical and empirical data was gathered, data processing and analysis continued towards verifications and conclusions. A cross-section analysis was made based on the theoretical framework where the models for market entry and the Japanese market were related to the empirical findings. Different parts of the empirical findings were compared and contrasted to each other in order to find similarities as well as unique lessons to learn.

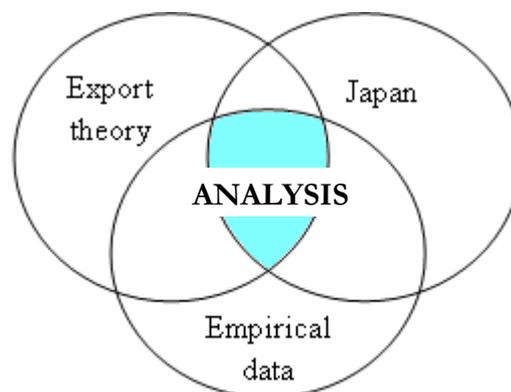


Figure 2-1 Building the analysis

According to Miles and Huberman (1994) there will always be some underlying conclusions which will grow stronger throughout the work. Thus, entirely inductive research is very hard to conduct. Anyway, a good researcher should keep his or her mind open and be sceptic (Miles and Huberman, 1994). The first interview conducted gave us insight in the reality of internationalisation but we tried to be as open-minded as possible when conducting the following interviews and different opinions were revealed. Before making any conclusions in our research, the empirical data and analysis were once again examined in order to make as relevant conclusions as possible.

3 Market entry theories

In this chapter the theoretical framework will be presented. This will constitute the foundation on which the empirical data will be collected and analysed. The chapter is divided into three main parts; internationalisation, export entry strategies, and market entry in Japan. The outline below will create an overview of this chapter and illustrates how the different sections are related.

3.1 Chapter outline

The figure below demonstrates the design of this chapter and its three main sections. As illustrated, section 3.2 presents internationalisation as a broad concept. Triggers and impediments for expanding abroad in relation to an organisation's prerequisites and means will be discussed. Further, the underlying factors to various entry modes and approaches to the internationalisation process will be presented.

Section 3.3 narrows down the concept of internationalisation and focuses on particular dimensions that have to be considered in the process. Since this study concerns export expansion, the design of export entry strategies will be presented for a more deepened and valid theory section. The section about international entry strategy is divided into two dimensions, entry mode and international marketing plan. This has to be considered in relation to a specific country of interest which leads to the third part of the theory. Section 3.4 will present specific market information about Japan that has to be analysed before entering the Japanese market. The frame of references will result in a number of research questions building the base for the empirical part of this thesis.

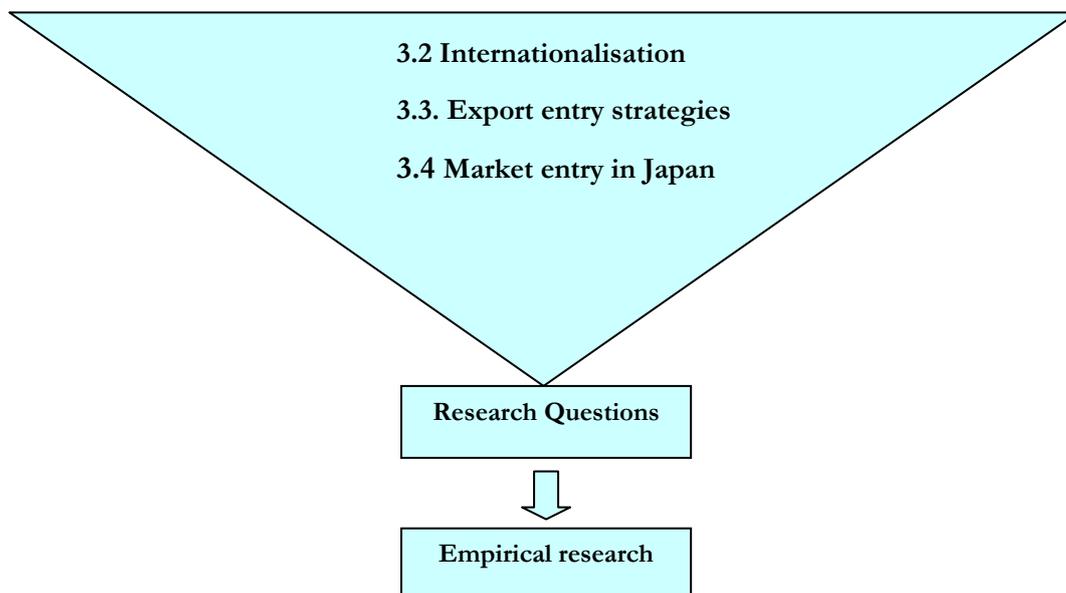


Figure 3.1. Theory outline

3.2 Internationalisation

It is more and more common that companies with stable operations in their domestic market challenge their comfortable situation to face risks and competition abroad. Pushes and pulls from foreign markets seem strong enough to motivate management to start an inter-

nationalisation process of their firm. Professor Theodore Lewitt argued in 1983 that companies that do not adjust to global realities do not survive (Lewitt, 1983). Accelerating rates of globalisation, technological change and the pace of innovation force companies to cut their lead-time, improve their availability, cost-effectiveness and international communication (Root, 1994).

There are many motivations interconnected with opportunities to expand abroad. Traditionally, companies set up plantations and plants in foreign countries to secure their key supply of rubber, oil, and other crucial resources. Another resource-seeking behaviour is the desire to control and access low-cost factors of production. For companies with intrinsic advantages, the trigger to internationalise could instead be to expand the market for their well-established brand or top-of-the line technology. Emerging motivations in the 21st century are the need to obtain scale and scope economies, competitive positioning, and the opportunity of global scanning and learning (Bartlett, Ghoshal & Birkinshaw, 2004).

Albaum et al. (1998) describes motivations from the internal and external perspective, which can be seen in the figure below. Further, they categorize the stimulus in terms of *proactive* and *reactive*. Proactive is based on the firm's interest in exploiting unique competences or market possibilities i.e. pull factors. Reactive is the firm's respond to external or internal pressure, i.e. push factors (Albaum et al., 1998).

	Internal	External
Proactive	Managerial Urge	Foreign market opportunities
	Marketing advantages	Change agents
	Economies of scale	
	Unique product/ Technology competence	
Reactive	Risk diversification	Unsolicited orders
	Extend sales of a seasonal product	Small home market
	Excess capacity of resources	Stagnant or declining home market

Figure 3.2. Proactive and reactive motivations, Albaum et al., 1998

There are many barriers and obstacles to overcome before reaching competitiveness in a foreign country. The means of internationalisation and the firm's prerequisites have to be evaluated. Initially, a foreign company is often disadvantaged vis-à-vis domestic competitors that have more knowledge about the national culture, governmental policies and requirements, industry structure, and established relations with key players. To counteract the liability of foreignness, the foreign company has to possess unique strategic competencies and organisational capabilities. If the company's strategic capabilities are not sufficient, it is hard to justify an internationalisation of their operations. Instead of setting up their operations offshore, they can consider selling or licensing their technology/products or franchise their brand name (Bartlett et al., 2004).

3.2.1 Entry mode

What entry mode a company settles for is a fundamental part of the internationalisation process. This decision may result from coincidences and luck, rational analysis, or a combination. However, there are some patterns of behaviour in firms' internationalisation that have been identified (Bartlett et al., 2004). Johansson and Wiedersheim-Paul (1975) state that the firms start out by exporting to neighbouring countries or countries that are similar in the way business is conducted. This to reduce uncertainty in the early stages. The internationalisation process is often a gradual process, with the international involvement increasing with time as the unfamiliarity with the foreign country decreases. Looking at the internationalisation as a learning process, initial investment in a foreign market generates market knowledge which is followed by increased investment and commitment (Johanson and Vahlne 1977). According to this theory, establishment changes through the following stages:

1. No regular export activities
2. Export via independent representatives (agents)
3. Establishment of an overseas sales subsidiary
4. Overseas production/ manufacturing units

(Johansson and Wiedersheim-Paul 1975).

However, internationalisation is not always a sequential process. Another approach defines two other important factors that are decisive for the choice of entry mode: the level of resources a firm wants to commit, and the level of control over foreign activities they want to maintain (Bartlett et al., 2004). Other factors that influence this decision are the urgency of expansion, the size of the potential market, the degree of opportunity, and the risk the company can afford (Johanson & Wiedersheim-Paul, 1975). Advanced entry modes, such as franchising, strategic alliances and subsidiaries, require more resources, which can be seen in the model below.

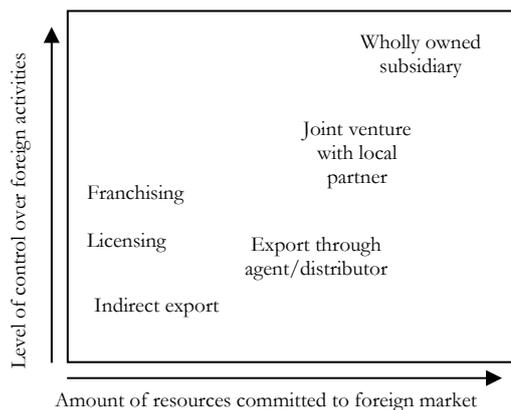


Figure 3-3. Approaches to foreign market entry, Barlett et al., 2004.

The process might be seen as a gradual one with companies moving up the scale, or, companies can enter the market directly as an actor with high commitment and control (Barlett et al., 2004). Export does not require a large incremental investment in terms of fixed capital, few risks, and low start-up costs. However, exporting may require a high level of re-

sources if locating, developing and maintaining relationships with partners abroad are costly (Dimitratos, 2004).

3.3 Export entry strategies

After the decision to go international is taken, there are some crucial dimensions to consider in the internationalisation process. A company has to develop an international entry strategy accounting for managerial and marketing issues in the new market (Root, 1994). Entry mode and marketing plan are two major components of a market entry strategy (Albaum et al., 1998). These two dimensions are in this chapter especially considered in regards to export expansion.

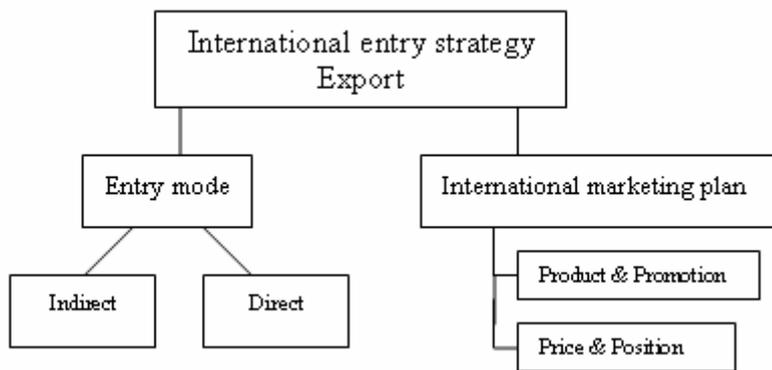


Figure 3-4. Visualisation of international entry strategy

3.3.1 Entry mode- Export

In the early stages of the internationalisation process export is the most common way for manufacturers to do business in a foreign country (Root, 1994). As argued by Johansson and Vahlne (1977) export can be seen as an experimental phase of foreign commitment and part of a learning process. By time, a company can build on its prior success and increase its export commitments in terms of new product lines, target new customers, or engage in direct export (Root, 1994).

When a company has decided on export of particular products to a specific country, the right export entry mode has to be considered. Each entry mode has its requirements and advantages and main decisions to take are whether to use indirect or direct export and in case of direct- whether to export to a foreign branch/subsidiary or to an agent or distributor (Root, 1994).

Export can be divided into direct and indirect, with the location of the agent as a difference, which can be seen in the model below.

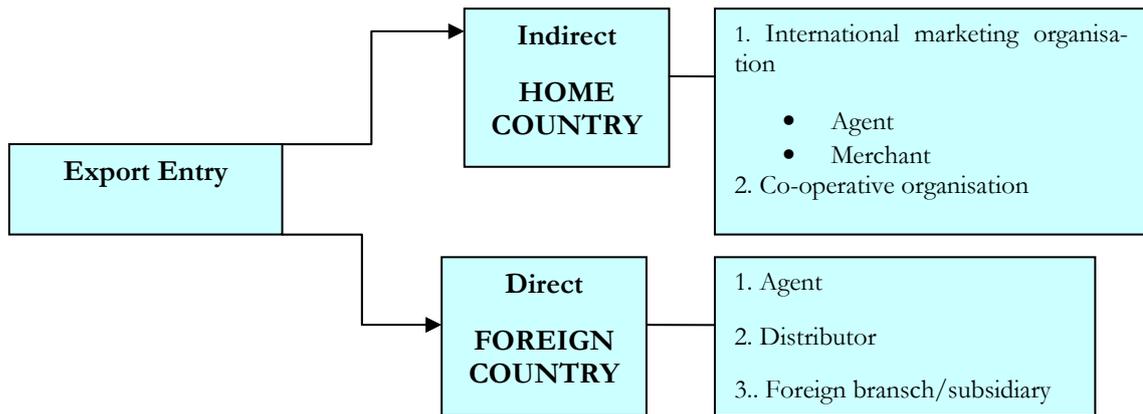


Figure 3-5. Description of direct and indirect export channels

The chain of distributors between the manufacturer in the domestic country and the final buyer in the foreign country can be called marketing agencies or export channels e.g. agents, distributors, sales subsidiaries, sales branches, retailer and wholesalers (Root, 1994).

When deciding on the channel to use, the company has to consider trade-offs between profitability, control, performance specifications and risks. The choice also depends on the target market; its governmental policies and regulations, competition, and channel systems. The performance specifications include analysis about the geographical market coverage and intensity the company seeks, promotion and selling efforts, and pre- and post purchase and physical supply services desired. The process of determining the right channel is complicated since it is hard to attain reliable and sufficient information about costs, control and sales potential of alternative channels. It often turns into a screening process relying on judgement and qualitative assessments (Root, 1994).

3.3.1.1 Indirect export channels

In indirect exporting, the firm uses a larger company in its domestic market (Dimitratos, 2004). The major advantage with indirect exporting is that it does not require any expertise of the foreign market as the company sells its product to intermediaries in the home country who in turn sell the product abroad (Lascu, 2005). The risk with indirect exporting is small and there is no need for any international entry strategy. This might be a good alternative for a company without international experience (Root, 1994). On the other hand, the control over its own operations abroad is small since the firm lack control of marketing and sales (Lascu, 2005).

When a company has chosen to export indirect there are two main ways to follow: Working with an international marketing organisation (merchant or agent) or to use a co-operative organisation (piggyback marketing) (Albaum et al., 1998).

When a company choose an international marketing organisation they have to consider whether they want merchants that take title to the goods to be sold, or agents that do not. An export merchant is a large corporation that operates like a regular domestic wholesaler but is engaged in importing and exporting behaviour. The manufacturer only has to consider product modifications, package, and quantity to meet local demands. The merchant takes care of all aspects concerning the international marketing, foreign channel selection, sales, merchandising, delivery and other services. The merchant also control what they want to buy , when and to what price. In some countries, this type of export merchants are

called trading companies. Trading companies exist in several countries and can be powerful enough to dominate entire nations. In some cases, a trading company has to be contracted in order to penetrate the target market (Albaum et al., 1998).

Piggybacking is an example of a cooperative organisation. This is an agreement where a company uses another firm's distribution system that is already established abroad (Lascu, 2005).

3.3.1.2 Direct Export Channels

When using direct exporting, the company makes use of an agent or distributor or foreign branch/subsidiary in the foreign market (Dimitratos, 2004); (Root, 1994). The company has its own in-house exporting knowledge, usually in an exporting department. This gives the firm greater control over the marketing mix efforts in terms of distribution, promotion, pricing and product services (Lascu, 2005). Another advantage with direct exporting is the closeness it creates between manufacturer and customers. The manufacturer can respond quicker to buyers' demands in terms of product adaptation, responsive pricing and protection of intangible property. However, direct exporting also results in higher costs, risk and knowledge requirements. The exporter has to learn the international payment arrangements, documentation of shipments and other export procedures (Root, 1994).

The final decision whether to use a distributor, agent or a branch/subsidiary often depends on the level of control the company wants to maintain and the type of costs they can handle. If they decide to export to a branch/subsidiary they still keep partial control over marketing but they will have both fixed and variable costs to cover. With an agent or distributor they leave the control of for example promotion but they will only have variable costs depending on sales volume like commissions. A company decides to choose the channel with the lowest cost per unit sold that match their performance expectations (Root, 1994).

Foreign distributors are independent traders who take the responsibility for the manufacturer's goods for resale to final buyers and other middlemen. In difference to an agent, the distributor account for the stocking inventory, promotion, order processing, extending customer credit and also takes care of delivery and maintenance. This in exchange for margin profit on goods sold (Root, 1994).

An agent is a foreign middleman who represents the firm overseas. In general an agent does not extend credit to buyers or hold inventory, but establish contacts and works as a sales agent with other middlemen (retailers, wholesalers etc.). The agent receives an order from a buyer, transfers it to the manufacturer who performs and ships the order and bills the buyer. When considering all the costs that may appear in the marketing channel, the costs of choosing an agent may be larger than the costs of choosing a distributor even if the direct commission to the agent is lower than the functional discounts given the distributor (Root, 1994).

There are several ways to obtain a distributor or an agent. Some examples are government agencies, trade associations, banks, manufacturers exporting complementary lines, trade fairs, chambers of commerce, personal visits, and trade publications to mention a few. When the firm has a number of distributors/agents to choose between the final decision should not be done before personal interviews and the future partner is carefully evaluated. "*Your line is only as good as your distributor or agent*" (Root, 1994, p.88). The manufacturer's contract with the chosen agent or distributor should be written and clearly state obligations and rights such as duration, extent, exclusive rights, conditions on sale, delivery and refusal,

responsibilities, payment arrangements, and confidentiality. The three main conditions that have to be states are 1. competitive lines, 2. sole and exclusive rights, and 3. termination and cancellation (Root, 1994).

Another alternative is today possible in cases of mail-order and internet exporting where the manufacturer has direct contact with the final customer (Root, 1994).

3.3.2 International marketing plan

Companies that operate in more than one market must decide how much to adapt their marketing strategy to meet local preferences (Kotler, 1997). The design of their marketing concept should assert long-run profitability and a stable position in the new market. The future survival depends on if the company can give their customers more benefits to a competitive price (Root, 1994).

Product, promotion, price and position are major components of an international marketing plan (Kotler, 1997).

3.3.2.1 Product and promotion

One part of international market entry strategies is to plan how to make the products/services more competitive for the foreign market. Management should construct a consumer profile, and determine the characteristics of potential customers to understand what will appeal to them (Root, 1994). Keegan (Kotler, 1997) describes a number of strategies designed for product and promotion to a foreign market.

Straight extension implies no changes in the product (Kotler, 1997). Or, product standardisation as it can be called, prepare a product for global market conditions where consumers are adopted to new products instead of the other way around (Root, 1994). This strategy can lead to an efficient production with scale and scope economies, but on the other hand, promotion costs will increase (Barlett et al., 2004)

A reverse strategy calls for product adaptation where the product is adjusted to meet local conditions or preferences (Kotler, 1997). It can also imply a change in the way the product is presented and packaged, or modifications in the services surrounding the product. The new target group and their buying behaviour have to be analysed. Who will buy and who will use the product in the new country? Which style and performance will appeal to the new customers? Three main-areas can be evaluated: The physical attributes; size, material, design and colour; packaging attributes; brand name, protection, design; and service attributes; instructions, spare parts, and installations (Root, 1994).

Often the promotion has to be more intensive abroad to avoid ignorance of the company or product (Root, 1994). Export management has to consider what message to deliver, what media to use, and how much resources to devote (Albaum et al., 1998). The firm can choose to keep the same advertising and promotion as they use in their home country or change them for each local market, this is called communication adaptation. If both the product and communications are changed it is called dual adaptation (Kotler, 1997).

3.3.2.2 Price and position

Depending on the product differentiation achieved in the new market a pricing strategy can be developed. The price decision should enable the firm to attain its objectives in the foreign market such as sales volume and market share. Demand and competition in the for-

eign market are variables to consider as well as production, promotion and distribution costs that the sales revenue has to cover. The price strategy has to be an integrated part with the rest of the marketing plan, leveraging a message about the company's market position, in accordance with brand name and reputation (Root, 1994).

Entry pricing strategies include for example full-cost pricing, where the sum of the costs of all units plus a profit margin equals the price. Incremental-contribution pricing where the price is set depending on the demand elasticity and the amount that can be sold to a certain price. High-quality product/image which suits companies that want to use their pricing strategy to enhance their image and position in the market. This works if they have highly differentiated products and operate in a market segment with customers willing to pay (Root, 1994).

Some country specific factors have to be considered while pricing products for a foreign market. Foreign exchange risks, export price quotations, trade barriers and terms of payment can influence the price strategy (Root, 1994). Some of the determinants for export price are the following ones:

- a. Costs
- b. Market conditions
- c. Competition
- d. Legal an political issues
- e. General company policies

An exporter can consider their pricing strategy in relation to its domestic policies. They can choose to price their products lower than in home country to secure initial sales volumes and market acceptance in a country where their product is less known. However, more frequently, export price is set higher than at home due to increased costs of selling to a foreign country (Albaum et al., 1998).

3.4 Market entry in Japan

The previous part of the thesis dealt with the internationalisation process with a specific focus on exports. In this section, we will narrow down the focus even further and discuss export to Japan, and specific characteristics of the Japanese market.

The market in Japan attracts many actors and companies due to its size and high per capita income, but it is also known for having high competition (Lothia & Subramaniam, 2000). Many problems can occur and Collinson (1996) claims that the barrier to doing business in Japan is “*our own lack of understanding about the fundamental differences between Westerners and Japanese*” (Collinson, 1996, p. 13). Thus, marketing to Japan has shown to be difficult and three areas are particularly cumbersome due to their differences. These are the areas of non-tariff barriers, negotiation and consumer culture (Maguire, 2001).

3.4.1 Tariff and non-tariff barriers

Japan has reformed its customs clearance and made it more efficient with information technology (IT), and longer service hours. The improved efficiency has facilitated the process and the time needed for importing is shortened. Customs procedures are now usually handled by using the Internet and the system called Nippon Automated Cargo Clearance System (NACCS) (JETRO, 2006-04-20). Today more than 90 percent of the import and export procedures are computerized (www.customs.go.jp, 2006-04-20).

Import declaration is made by the person who is importing the goods. The formalities starts with an import declaration and ends with an import permit after examination and payment of custom duty and tax on the goods for the domestic market (www.customs.go.jp). Who is paying the tariffs and charges is decided by the delivery terms. The Swedish Trade Council recommends the exporter to avoid conditions making them pay the import value added tax, since it is not tax-deductible if you are not registered for value added tax in Japan (Swedish Trade Council, 2006-04-19).

Japanese custom fees are calculated on the CIF value, which is the cost of insurance and freight. The tax added value in Japan is 5 percent which is paid when the goods are imported. Most of the goods also have a turnover tax (Swedish Trade Council, 2006-04-19).

A new system, allowing most customs procedures to be handled before the goods arrive, has also made the process easier and quicker. Now the person importing can submit a preliminary import declaration when the goods leave the home country. When the goods arrive in Japan it is placed in a bonded site while the final import declaration is automatically processed and inspections are carried out (JETRO, 2006-04-20); (www.customs.go.jp, 2006-04-20).

After World War II, GATT (General Agreement on Tariffs and Trade) succeeded in reducing the tariff barriers in Japan. Still, the number of non-tariff barriers increased (Maguire, 2001). The Foreign Exchange and Foreign Trade Control Law controls imports to Japan but the law was amended in the 1980's to decrease the number of non-tariff barriers. Today there are generally no restrictions on imports with a few exceptions in some branches. To ease the procedure of imports, documentation requirements were simplified, and an organisation in the Ministry of International Trade and Industries (MITI) was established (Price Waterhouse, 1996). According to Maguire (2001), the guidance from MITI has sometimes had negative influences on imports to Japan. This guidance is not as powerful as the law but the government expects companies to follow it and in most cases it is obeyed.

Because of this, MITI can exert strong power and it has been used in different ways to help Japanese companies to achieve competitive advantage (Maguire, 2001).

Another non-tariff barrier that companies may face is that the cost of labour is high and a large part of the production costs (Price Waterhouse, 1996). Foreign companies often face problems in hiring staff in Japan. This as the Japanese market has a tradition where staff is recruited straight from universities or schools, to companies offering an employment for a lifetime where promotion comes with age. But since the 1990's this problem has diminished and is likely to be less important in the future (Maguire, 2001).

3.4.2 Distribution

The Japanese distribution system is complex and the product has to go through several layers, each adding to the final price, before reaching the customer. This has been seen as an obstacle and a non-tariff barrier for entering the Japanese market but this is starting to change. The market consists of several actors, such as the keiretsu families, sogo shosha, wholesalers, and retailers, all with their complex relations (Woronoff, 2001).

3.4.2.1 Keiretsu

The phenomena of Keiretsu can be explained as groupings of integrated businesses with cross-shareholding and regular meetings between top management (Collinson, 1996). By being a member of a keiretsu you may reach major customers within that keiretsu, but you may face problems dealing with companies in other keiretsu groups (Woronoff, 2001). According to Maguire (2001), there are two different kinds of keiretsu, the ones with a manufacturing company as the most important company, and the ones with a bank as the most important. The keiretsu with a manufacturing firm controls a large part of the distribution system which impedes or excludes foreign competitors from entering the market (Maguire, 2001).

3.4.2.2 Trading companies

Japan's imports are often handled by large trading companies called Sogo Shosha, or small trading companies called Senmon Shosha. These trading companies are linked to different Keiretsu families. Once goods are dealt with in a certain Shosha, it sets limits for what distribution routes are open and what routes are excluded (Maguire, 2001).

A Sogo Shosha provides all services required for imports and sale such as shipping, warehousing, finance and other deal making activities resulting in reduced costs for the exporter (Albaum et al., 1998). The advantages of using Sogo Shoshas are their large recourses, established relationships within several business areas, and contacts with government agencies. The main disadvantage is the exporter's loss of control and flexibility. Also, if the volume is not big enough the trading company may not commit the resources and effort to sell the product (Marwick, 1993).

The Senmon Shosha have expertise in the product line and deal with smaller volumes, and are therefore more effective in getting the product into an established distribution system. The disadvantages of a smaller trading company are that they may not have enough resources in terms of manpower and finances to fulfil the exporter's long term goals. Also a communication problem may arise due to possible language problems (Marwick, 1993).

In a survey of 30 British companies trading in Japan, Sogo Shosha was commented as the best-known way of exporting but not the best. These British managers preferred the Sen-

mon Shosha since they are smaller, specialised and more effective. The Senmon Shosha is most suitable for specialised or customised goods in need of technical expertise and for companies demanding small sales volumes according to the British managers (Collinson, 1996).

Another alternative can be a foreign-controlled trading company, thus indirect export. Language and communication might be easier but the depth of personal contacts and access to the distribution system may not be as sufficient to gain maximised results (Marwick, 1993).

Choosing the right agent is important and soon as an agreement is made, you lose the control over a large part of the decision making to the agent. This includes the choice of distribution channels and marketing plan (Woronoff, 2001).

3.4.2.3 Wholesalers and distributors

Also the Japanese wholesale sector differs from that of North America or Europe by being larger and with more layers before the goods reach the consumer. Goods are distributed in small amounts and on short deadlines and therefore economies of scale are not reached. Relations in the system are of long term and it is hard for newcomers, and thus also many foreign firms, to enter (Woronoff, 2001).

The retail sector is often regarded as an obstacle for foreign firms. The Japanese distribution system has been described as complex, inefficient, confusing and old-fashioned (Lothia & Subramaniam, 2000). The Large-Scale Retail Store Law of 1974 places restrictions on how large firms are allowed to become. This has protected the small family owned businesses against large retailers and has led to an abundance of small firms. The strong influence of small stores has implications on what and how things can be sold in the market. As small stores need higher profit margins on their products, goods aimed to be low priced are set to a higher price. Therefore, goods competing mainly with price will lose that advantage. Contrary, goods intended for the high end of the market, sold in speciality outlets or department stores will do better with their emphasis on quality (Maguire, 2001). However there is evidence that this is changing. During the last years the total number of retail stores has declined and is expected to continue doing so. Large retailers stand for a small percentage of all establishments, but they stand for a high percentage of the total sales (Lothia & Subramaniam, 2000).

Furthermore, a growth in mail and catalogue sales is predicted. The reason to this is the increasing numbers of working women allowed to shop regardless of time and place. This is a low cost channel compared to the high costs of owning a store in Japan (Lothia & Subramaniam, 2000).

3.4.3 Negotiation

Personal relationships and connections are much more emphasised in Japan than in Western societies. When it comes to negotiating, the Japanese standards are much different to Western. Etiquette plays a vital role and one crucial thing to remember is that Japanese always try to avoid losing face. The top management in Japan does not negotiate as embarrassing situations may cause them to lose face. Instead, they are present for the signing ceremonies where deals are closed. The important part of the management hierarchy is the middle level, which takes care of most negotiation. Still, in negotiations where disagreement occurs or is likely to occur, the lower, junior management communicates so that the senior middle management will not lose face (Maguire, 2001).

Negotiations have four layers. The first stage is about non-task related information. Japanese like to know who they do business with and feel comfortable with them (Maguire, 2001). Socialising in business is very important in Japan and if given an invitation, it is wise to accept it (Price Waterhouse, 1996). The second stage is exchanging task-related information, where the company and its long history are presented (Maguire, 2001). The third stage is persuasion. Westerners are used to compromise during the persuasion but in Japan, compromises are saved to the end. This often results in Westerners making unnecessary allowances. The fourth stage deals with settlement. Deals are settled by a signing ceremony with the senior management. Japanese consider contracts as a start of a long term relationship rather than as something closing a deal or an agreement of how to resolve disputes (Maguire, 2001).

A good manner in the business climate is important and Japanese greet by bowing. Non-Japanese are often addressed with a handshake, but may as well be addressed with a bow. The exchange of business cards is very important and business meetings are started with the exchange of these, called *meishi* in Japanese. The cards can then be used under the meetings as a reminder of positions and names of those present during as well as after the meeting. The cards are preferably printed on both sides, one in English and one in Japanese (Price Waterhouse, 1996).

3.4.4 Consumer culture

The Japanese lifestyle is dominated by the ‘groupism’ and collectivism and the Japanese tend to belong to several clubs, societies and specialist organisations both in and outside work. In each type of grouping, there is a hierarchical ranking between the participants, where age and experience account for differences (Collinson, 1996). The entire Japanese society is hierarchal and people are accustomed to behave in accordance to it (Maguire, 2001).

Most Japanese regard themselves as middle-class (Maguire, 2001) but these days, the term “lower class” is increasingly used (A divide of the income gap, 2006-04-04). It is usually the women that are in charge of the household expenditures. Consumers in Japan often make purchase decisions according to product or price value for money and are less likely to buy a brand due to brand loyalty (Maguire, 2001). In general, Japanese customers demand high quality products and have high expectations on their purchases. Japanese customers are interested in luxury and branded consumer goods from outside Japan. On the other hand, regular products are preferred to be originated from Japan since they are seen to have a superior quality. However, this is changing and the Japanese customers are becoming more and more aware of the fact that they are paying overprices for the domestic products due to the structure of the market (Collinson, 1996).

Fundamental changes in the Japanese society, due to overseas influences, have caused a tension between traditional values and modern life-styles. The buying patterns of Japanese consumers are indicating trends of the consumer preferences changing towards Western tastes. The social change includes the ageing population, new attitudes to work and leisure, declined moral values, rising crime rate and changing diet and health problems (Collinson, 1996).

Young working people have become an important group in Japan today. Marriage is increasingly postponed and young girls may have a good job and still live at home. This group uses their disposable income on brand name clothes, electronics and foreign holidays. Another important group is the growing elderly population (Maguire, 2001).

3.4.4.1 Product modification

As the Japanese people are different from Westerners, foreign products might need to be modified, and companies in Japan quickly get a reputation of being or not being well adapted (Woronoff, 2001; Collinson, 1996). Physical size is important to consider as the average Japanese is smaller than many other nationalities. Japanese people also have different taste when it comes to colours and fabrics. Further, Japanese people care about the packaging a lot more than consumers in general, as many products are bought as gifts (Woronoff, 2001).

Japanese customers search for products that are better and different from the standard requirements. Therefore, products should have added features in regard to the competition, and these added features should be advertised. High quality in the product is important and this should also be emphasised through the promotion and information materials (Collinson, 1996).

3.5 Research questions

Relating the purpose of our study to the theory given above about internationalisation strategies as well as Japanese market information, research questions were created.

1. What entry strategies are appropriate for small Swedish design companies when approaching the Japanese market?

- Export entry mode and distribution channels
- International marketing plan

2. In relation to this, barriers and opportunities in the Japanese market will be discussed.

The empirical data has been gathered in order to answer these research questions. This will be presented in the following chapter.

4 Swedish export to Japan

The following sections will present empirical data about Swedish firms in different stages in their internationalisation process. This primary information, gathered through interviews with each respondent, will be presented as a continuous text. To broaden the empirical chapter, section 4.6 will present information retrieved from Swedish trade, Japan Porten and Inger Andersson, all with experience of trade with Japan.

4.1 Klässbol Linneväveri AB

Klässbol is a small family business with 22 employees. As the third and fourth generation they manage the company as well as the tradition and belief in natural linen. Through collaboration with successful designers they weave tablecloths, napkins, kitchen towels and other furnishing linen. The manufacturing is based on a cultural heritage of linen production. Existing for almost a century, Klässbol has reached the honourable position of being supplier to the Swedish royal household, and Swedish and Norwegian embassies all over the world. Their linen is also used on the annual Nobel banquet. Klässbol is today present in Denmark, Germany, England, Australia, and Japan.

April 3rd 2006, personal interview with vice president and foreign trade director Dick Johansson.

4.1.1 Market entry process

Japan was the first foreign market that Klässbol entered. A Swedish businessman was working in Japan selling components to Swedish mobile phones. His interest in selling another Swedish product in Japan grew and he started to work with Klässbol.

Before launching Klässbol's products in Japan, the businessman found help from the Swedish Trade Council, who executed an extensive market research for the company. The vice president of Klässbol says that Swedish Trade Council can be helpful to open the first door to Japan, generate contacts, and serve with market information. It requires some capital though, but on the other hand this money can turn out to be an important investment for a successful future.

When Klässbol entered Japan, there was a "Swedish house" in Tokyo incorporating offices for Swedish companies. In the year of 1995, the businessman managed to rent an office for Klässbol. This office was designed to generate the right Klässbol atmosphere e.g. with the use of their products. The man "rented" the brand Klässbol and together with a Japanese agent Mr Kinogasa, the Japanese subsidiary Klässbol Export Ltd. was founded. An important contract was signed permitting Klässbol to take part of the business agreement without countering for risk or recourses in cases of failure. Since the businessman was too interested in making quick businesses, he did not manage to create a successful subsidiary in Japan. Therefore, Mr Kinogasa became the director of the project instead. He was better suited for the long-term philosophy of Klässbol and Japan and managed to build long-lasting relationships. During these years the Japanese economy still flourished and Klässbol Export Ltd. expanded in a promising way, entering the shelves of a large number of department stores like Saiwo and Wako.

Japan's economic crash a few years later echoed all the way to Sweden. However, Klässbol managed to remain on the market and is today a well-established brand. The vice president of the company believes their competitive advantage to be their sense of honesty, well de-

veloped relationships, history, and the quality of their products. Further they have learned how to treat and take care of customers and partners in a good and personal way. They do not only visit Japan regularly, they also invite partners and customers to Sweden. As they arrive they try to give them a “Swedish experience,” hosting them in typical Swedish red cottages next to a lake, serving them Swedish dinner and are not afraid of getting personal with them.

The advantage of having a subsidiary in Japan is that they account for the entire cost. Klässbol has decided to use as few number of channel agencies as possible, and they are very careful with whom they co-work and employ. They do not only want to sell their products, but also generate the tradition and history behind the linen and the company. Each buyer has to receive the right information and care instructions to help them to maintain the linen’s quality and look. Kinogasa is selling the entire story about Klässbol and Sweden, not only the Klässbol products. He is currently developing relationships with the Japanese emperor with hopes to become his supplier. Mr Kinogasa has played a major role for Klässbol’s success in Japan.

4.1.2 International marketing plan

The subsidiary Klässbol Export Ltd. controls its own marketing. For example, Klässbol products are used in TV-shows by a famous chef. However, some marketing is naturally coming from Sweden as some powerful customers use their products. Media is often interested in the Nobel banquet resulting in TV coverage and transmissions. The fact that they are the supplier of the Swedish royal family generates a certain reputation and PR itself. Klässbol has also made use of newspapers and journals both in Sweden and Japan.

Klässbol states that the Japanese interest in Swedish design is high, and the vice president believes that this trend will last in the future as well. Japanese customers prefer simple and clean design, in conformity with Swedish customers. The Swedish philosophy of life is popular since we are letting the nature influence us and we are striving towards a healthy lifestyle. However, there are some cultural differences between the nationalities forcing Klässbol to make some adjustments in their products. To begin with, the packaging of products and presentation materials has to be very professional and luxurious. Japanese people are interested in things that are top of the line, judging the product already on the packaging at the moment as they enter the store. An advertising agency prepared a new presentation for Klässbol and brochures in Japanese. The products were dressed in silk and nicely packaged before sent to Japan. Klässbol also had to redo the end-product that had to be washed, shrunk and hemmed up to suit the demanding Japanese taste.

The fact that the company name is rather difficult for foreigners is not seen as an obstacle but as an advantage. It generates certain uniqueness and is a symbol that their products come from an exotic country like Sweden.

The subsidiary is also entitled to decide on price setting. Normally, products are sold to a higher price than in Sweden due to custom tariffs and shipping costs. It is important to decrease the volume and use good packages. Klässbol does not see the higher price as a disadvantage for their sales. The Japanese people have good buying power. However, they have limited living space and do not consume products like for example the Americans.

4.1.3 Barriers and opportunities

Some cultural aspects might constitute barriers if the company does not adjust to new market realities. One of the main differences that Klässbol has encountered is the importance of respect for people. Other things related to Japanese business culture are hierarchy and dress codes.

“Remember to be professional in all aspects”.

Trust and honesty is also very important for successful businesses in Japan.

“Do never cheat!”

Product controls are very comprehensive in Japan and they will detect every detail mismatching their expectations. This was shown during Klässbol’s first delivery to Japan as all the products were unwrapped and carefully examined. The packaging materials were destroyed and Klässbol had to send new ones.

Further, the Japanese people fear to be fooled or disgraced. If you have any problems in your production -be open and honest about it. Another thing to consider is time perspective. It takes time to establish relationships in Japan. It has taken ten years for Klässbol.

“The Japanese people do not engage in short term business, they want to create life-lasting relations where you almost have to become part of their families”.

This suits Klässbol well since they are providing classic products that are popular today as well as in 50 years time. A company with short product-life-cycle should consider this before entering the Japanese market.

From personal experiences, the vice president of Klässbol has discovered that Swedes and Japanese are different on the outside but very similar on the inside. When it comes to design, both nationalities prefer simple design patterns.

“The Swedes are like the Nordic countries’ Japanese”

Klässbol has participated in trade fairs in Japan as well as in other countries and they believe this is a good way for inexpensive promotion. However, the fair has to be chosen carefully as not all fairs generate the value expected. Instead of the rather limited event Swedish style, the vice president recommends companies to search for larger fairs with the right target group. Companies should have a clear goal with the participation as well. If the objective is to search for a trustable agent, be careful in your choice of partner and execution of contracts, do not sell to the first person that wants to buy.

Considering tariff barriers, the vice president says it is the receiver of the goods who is in charge of paying customs and therefore this is rarely a problem. Instead, potential problems are eventual delays of deliveries.

4.2 Capti Design

Capti Design is a company designing furniture for the private home as well as for public spaces. The ambition is to create clean and simple design with elements of colour. The distinguishing feature is the combination of wood and aluminum details. The company was founded in 2003 by Bengt Persbratt. Today the company has a turnover of about 3 million SEK, and is operated by Persbratt, who designs the furniture, and his wife who is in charge of the company finance.

March 23rd 2006. Personal Interview with Bengt Persbratt, founder and designer at Capti Design.

4.2.1 Entry process into Japan

The first step in the internationalisation process was exporting to Denmark. But the owner became interested in Japan and had an intuition that his products were suitable for this market. He describes Japan as a large market with potential.

"In Sweden you might get an order of 5, in Japan you can get an order of 500. It is better to start your business in a large market in order to get things going."

There is plenty of money in the Japanese market and people can afford to spend. Further, going into a new market is an adventure.

In November 2005, Capti Design attended the event Swedish Style in Japan for the first time, after an invitation from the Swedish Trade Council. This was the company's first encounter with the Japanese market and the purpose with attending the event was to establish new contacts. Swedish style aims at promoting Swedish design in Japan and as the event is sponsored by Swedish Trade Council, participating firms get help to cover their expenses. For Capti Design, the event led to that a Japanese store placed an order, which has just recently been shipped. The goods have not yet arrived in Japan and the two business partners have not truly built a relation yet.

"Things take time in Japan, and maybe in a year business will be running."

For the entry into Japan, the company bought a consulting package from the Swedish Trade Council called Business Opportunity Project, BOP. The package is according to the owner one of the first things a company should do when expanding to Japan and is definitely worth the cost of 40.000 SEK. The price includes an interpreter, arranged business meetings with potential customers, and market research. Of this information, the company had most use of the business meetings and the interpreter and says the package is a good help in making new contacts.

"BOP can serve as an autobahn into Japan"

The BOP package has not yet led to an order but as things take time in Japan the owner expects money to be made two to three years after establishment. Further, the company has not found an agent or distributor but is looking for one. The company plans to actively search for further distribution channels in the future, mainly at trade fairs. The owner mentions that other fairs to participate in can be 100% Design and EU Gateway to Japan. 100% Design is quite expensive, 5000 SEK/m² but last year the fair had 70.000 visitors and potential buyers. For the trade fair EU Gateway to Japan, Swedish companies are selected by Swedish Chamber of Commerce and are given a full grant in which as good as all expenses are covered.

Another interesting thing for Capti Design's future in Japan is that the company just recently started to cooperate with a Japanese designer. However, the owner says that they will stick to export as an entry mode and the company sees possibilities with other markets as well, such as Taiwan and China.

4.2.2 International marketing plan

Capti Design does not handle its own marketing but this is taken care of by the retailer. Neither does the company decide on the pricing of products in Japan. The price of Capti Design's products in Japan is higher than in Sweden due to the extra costs of exporting. The store in Japan is informed of how the products are priced in Sweden, and based on this they set prices for the Japanese market. However, as the company is quite unknown in the market they cannot charge overprices.

Some modifications of the products had to be done to suit the Japanese standards and preferences. An example is that the coat hangers designed to be put on the wall had to be rebuilt as you are not allowed to screw in the walls, and as they were too high. Japanese people are generally shorter than Swedes and products therefore have to be adapted. Further, one has to remember that Japanese homes are smaller than Swedish ones and products taking up a lot of space are therefore hard to sell. Capti Design has not done any adaptations in terms of logotype, colours and symbolic meanings but the owner of the company admits that this is something the company might have to look into.

4.2.3 Barriers and opportunities

Capti Design can see a future in Japan even though there are a number of Swedish designers in the market already. It is all about making the right design, and Capti Design claims its' products to be unique.

"Swedish design is really cool in Japan and Swedish lifestyle in general is trendy. Japanese and Swedish consumers are similar and they both like simple and clean design with no extra fuss..."

The company has not noticed any larger difficulties with their export, which is handled by shipping. The store in Japan takes care of everything. However, there are other hindrances when entering the Japanese market. It is therefore wise to learn about the market before going there. This can be done through guidebooks, a good one is "Time Out", and there is plenty of information on the Internet. The largest barrier is the language as few speak English. Further, business in Japan takes time and travelling between the two countries and participation in trade fairs is costly. On the other hand, when making business in Japan, one must go there.

"You cannot sit in your house in Åsa and sell."

The owner of Capti Design is prepared to invest a lot of money in order to ensure sales in Japan. He has not calculated how much the expansion will cost, but takes it step by step.

4.3 LOD

LOD is an economic association composed of six independent designers. Erik Tidäng is one of these designers who create jewellery and other products of metal. He has been a designer for six years and his products are exposed at galleries in Sweden as well as abroad. LOD was one of the participants at the event Swedish style in Tokyo last autumn.

April 5th 2006. Telephone interview with Erik Tidäng, designer.

4.3.1 Entry process into Japan

The designers in LOD started out with exports within the European Union and to the USA before entering Japan. The first time the designers in LOD visited Japan was during the event Swedish style Tokyo, in which they participated after an invitation. Before the exhibition, the designer had established contact with the Japan Jewellery Designer Association, an association interacting with foreign individual designers. Their relationship evolved from an exhibition in Stockholm and was further developed in Japan. This contact helped the company and today, a Japanese firm is interested in selling Tidäng's products. This contact was created one year ago and the development of a relation and some sort of co-operation takes time. Hopefully this contact will create further sales in Japanese stores in the future as he is engaged in both agent activities and post ordering.

The event Swedish style Tokyo is a good way to interact with Japan for the first time if the company lacks knowledge about Japan. It is not that expensive (around 35.000 to 40.000 SEK) and can serve as a window to the Japanese market and generate contacts with buyers and retailers. This exposure can show signs whether the products are appreciated in Japan or not. However, the fair is rather a gallery for Swedish design and products than a place to be for sales. The event did not generate that much for LOD and took up quite a lot of time. LOD suggests using another exhibition and to bring a complete product line ready to be sold to retailers or stores.

Another expectation with the fair was to reach out to Japanese gold and silver smiths in order to develop some kind of co-operation. This direct engagement with competitors could give the opportunity to expose art products at galleries in each country.

4.3.2 International marketing plan

The designers in LOD did not adjust their products when entering Japan. To maintain the uniqueness with selling Swedish products may be an advantage, especially as the company participated in an event about Swedish design. According to a journal survey investigating the preferred lifestyle among Japanese women in the age of 25, Sweden was voted to be the number one lifestyle with 78% of the votes, before Italy with 16%.

The only marketing has been through trade fairs, and the company has no plans on putting resources into marketing in Japan. Instead, they will try to follow up the contacts already established.

4.3.3 Barriers and opportunities

Since the population is big and there is a lot of money in Japan, the purchasing power is high. However, it might be hard for unique individual designers from Sweden to succeed. LOD has experienced a tendency that Japanese people prefer familiar brands. There are already a large number of silver and gold smiths in Japan satisfying the demand for unique jewellery and art products. Further, they question whether the jewellery tradition is long or not.

It is seen as a great advantage to interact with someone who is familiar with both the language and the culture, but getting in contact with this person was not easy. A hierarchical structure is still present in the Japanese business culture and it is hard to reach high ranked persons. LOD has received help from the Swedish Trade Council, and especially a woman that specialised in design and art. Export is a complicated process, and in cases of exhibitions, the process can be even more complicated since it may concern both export and import. Entering Japan with the products implies export from Sweden, but when the fair is over and unsold products should be brought home to Sweden again it is a question of export. The company got help from Swedish Trade Council or the freight companies they were going to hire at first. Further, LOD has heard that Japanese customs officials are very thorough in their examinations which can be a problem if you are in a hurry or if you have made any mistakes.

4.4 Juup of Sweden

Juup of Sweden is producing home decorations such as bowls, vases, and cushions using leather as a main material. The products are made in Asia, predominately in India and Vietnam and are sold to a number of retailers in Sweden and Europe. The company was founded in 2004 and has three employees.

April 11th 2006. Telephone interview with the founder of Juup, Ulf Pyke.

4.4.1 Entry process

In November 2005 the company attended the trade fair 100% Design in Tokyo. This was Juup's first contact the company experienced with Japan. Swedish Trade Council selected 10 Swedish companies to attend the fair and Juup was one of these. Thus, the company had not applied to participate but was chosen as Swedish Trade found their products to be interesting. The trade council supports the trade fair and the participating companies do not have to pay for all expenses. According to Juup, 100% Design is a good fair but as it was quite recently they participated they still have not seen the results of it. They believe the fair to be worth the money invested since it creates new contacts with various actors. At the fair, the company was contacted by a distributor in charge of a few other Swedish design companies. This distributor later on visited the company in Sweden to discuss the guidelines for their cooperation. However, Juup has not proceeded very far with their entry into Japan as the distributor just recently placed its first order.

According to Juup, Japanese are not very quick in their way to conduct business, they like to contemplate a deal before settlement. Personal relationships are important and must be established before business can be made. On the other hand, Juup is in no rush with their expansion to Japan. They have a representative responsible for the Japanese market but at present they want to build their market in Scandinavia and later on Europe. The Japanese market will be dealt with when time is ready.

"We really don't have any particular goals regarding the Japanese market but it is a fun market to be in. We don't expect anything of it for the time being."

When choosing a distributor it is important to take time and evaluate alternatives. This, due to the complexity of the Japanese market.

"To have a good distributor is important in all markets but especially in Japan."

Juup does not suggest companies to choose the big distributors, as there are plenty of these in the Japanese market. With a large distributor, your company will be only a very small part, not receiving enough capital or engagement. Instead, it may be better to choose a middle sized distributor who really engages in your brand. The distributor they have contact with puts up a stock of the product and takes care of the invoicing of customers. Thus, when Juup use this distributor, they export to him and then he handles the rest.

4.4.2 International marketing plan

The distributor used by Juup in Japan takes care of all the company's contacts in the country and Juup has no contact at all with the final customer. Also the marketing is handled by the distributor but in the future Juup wants greater insight in this matter as their involvement increase. Today, the company has certain requirements on how their distributors in adjacent markets, such as Norway, handle the marketing.

The company can see a number of advantages with the Japanese market. It is a large market and the Japanese like design and are able to pay for it, something that is not always true for Swedes.

“The Japanese are not afraid of high prices and are prepared to pay for products if they like them”.

Swedish lifestyle, such as Swedish music, is exotic in Japan. Swedish design overall is popular outside Sweden but especially in Japan as Swedes and Japanese are attracted by the same kind of design where products should be simple. The company has the same target group in Japan as in Sweden, 30-60 year olds, well established people who want to make something fun and special of their home. Juup has not made any changes in their products for the Japanese market and believes that its products are suitable as they have simple design and materials.

4.4.3 Barriers and opportunities

The main difference Juup has noticed with Japan is that things are allowed to take longer time. A company thinking of entering the Japanese market does not require a significant amount of resources but as the business climate is slow, there will be a long and costly starting period before money will be generated. Since the first contacts were made with the distributor at the fair in Tokyo, there were a few months of dialogue before the first order was placed. Swedish companies with a wish of expanding into Japan must be patient and adapt to the Japanese way of doing business. Juup suggests that Swedish companies make contact with Swedish Trade Council as they can offer a lot of help regarding the Japanese business life. Juup has not been in contact with any other organisation but Swedish Trade, which according to the company makes sure everything works fine.

4.5 Östergötlands Ullspinneri AB

Östergötlands Ullspinneri was founded in 1981, and today three people are working in the company. The company produces unique quality wool products in close cooperation with designers. Traditional handcraft and new design is combined in products such as yarn, knitted sweaters, textile and blankets. Everything is produced in their own factory in Ödeshög, Sweden. The wool is carefully chosen and spun on a Spinning Jenny and woven in a traditional way. The company has received the price “Utmärkt Svensk Form” four times, in 1993, 1994, 1995 and 1998.

The company also arranges courses and trips. One of their projects at present is Do- redo, which aims at inspiring young people to start with handicraft. Östergötlands Ullspinneri, has a turnover of about 1.5 to 2 million SEK. The products can be bought in shops in Sweden and through their own webpage. However, 40 percent of their sales are export to Japan and their aim is to keep this high percentage.

April 26th 2006. Telephone interview with Ulla-Karin Hellsten, owner and designer.

4.5.1 Entry process into Japan

Before entering the Japanese market, Östergötlands Ullspinneri exported to England, Germany and the United States. Japanese people interested in handicraft had heard about the traditions in Sweden and came to visit Östergötlands Ullspinneri to see their products. People also wanted to visit Sweden in order to learn how to make lace.

Östergötlands Ullspinneri started its exports in 1993-94 after an article about their handicraft and yarn in a Japanese journal. This article resulted in attention from an art studio in Yokohama as well as Japanese customers arriving to their workroom in Sweden. They arrived to learn about Swedish handicraft and showed a special interest in the yarn for knitting.

In 1997, the owner of Östergötlands Ullspinneri visited Japan and showed a children's blanket at a fair called Swedish Goods Design in Tokyo arranged by Svensk Form. At the fair media became interested. A Japanese professional journal later came to the shop in Ödeshög and wrote an article about the company and its products. In the article, the company invited Japanese people to Sweden to experience the nature and learn how to knit, and 20 people came. At this time Östergötlands Ullspinneri understood that their high quality products suited the Japanese market and they got several inquiries.

In 2000 Östergötlands Ullspinneri attended another exhibition at the Swedish embassy in Tokyo, called “Alltid Ull”. Eight designers made products out of materials made by Östergötlands Ullspinneri and the company also presented their products and production. A lot of people were invited and new contacts were established.

The distribution system in Japan is tricky but the company has not experienced the difficulties as they have not actively searched for an agent or distributor. Today the company sells its products directly to retailers in Kobe, Osaka and Tokyo. They have also been contacted by distributors, but have not actively searched for one themselves. One of the retailers, who present Scandinavian products to other retailers, acts like an agent reselling the products but without commission.

“It is important to decide how to sell in Japan and then work for it”

At present Östergötlands Ullspinneri does not search for new export channels as they do not have the capacity to increase their production. When the company started to export to Japan they used the free information offered by Swedish Trade. However, no extended consulting was bought, and no market analysis was done.

4.5.2 International marketing plan

The company has not done any advertising in Japan. Instead they have arranged exhibitions at the Swedish embassy in Tokyo as well as at other places around the capital. The company also has courses in handicraft in Sendai.

Östergötlands Ullspinneri has made special yarn for a customer in Northern Japan, but besides that no changes in the products have been done. This as the company considers it an advantage to be Swedish. However, the average Japanese has little knowledge about Sweden and Swedish design. They might know more about Scandinavia and Scandinavian design, which has been of current interest in Japan.

When it comes to pricing, the company considers the expenses of exporting and the cost of maintaining the established relationships and trips to Japan. Besides that, pricing is done from a gut feeling of what is suitable for the market. Something positive with the Japanese market is that you always get paid in time often even in advance.

4.5.3 Barriers and opportunities

Nothing is simple in Japan. You have to make a decision and work towards the goal. It is all about being patient, things take time. It is also important to be accurate, and to take responsibility for promises. Business moral in Japan is high and when you have established a contact it is important to take care of it. With time, familiarity has developed and the owner of Östergötlands Ullspinneri is very pleased with how the cooperation looks today. Further, she claims that going to Japan is important to maintain business contacts as well as see how your products are being presented. The company does not consider tariffs as problem or a barrier.

“When you have done it once, you just go on”

For other Swedish companies who want to enter the Japanese market, the owner gives the advice to use the free information available from Swedish Trade Council. Also, companies should go to Japan and see how their products are presented and sold. In Japan it is more common with business houses than department stores. It is important to choose the right partner from the beginning, someone that works well considering what kind of products you have.

“Once you have chosen a partner it is hard to change.”

4.6 Swedish Trade Council, Japan Porten, and Andersson

Japan Porten is a Swedish company with agents, helping Swedish companies with imports and exports from Japan. On April 11th a telephone interview was conducted with the founder of Japan Porten, agent Jerker Bergström. Further, on May 3rd presentations of Japan were held by Johan Rugfeldt, manager of Swedish Trade Council's office in Tokyo, and Ingrid Andersson, a business woman with 15 years of personal experiences of business in Japan. The information gathered from these three sources is presented in the text below.

4.6.1 Entry Process

Swedish company owners must be aware of the differences in the economic structure in Japan compared to Sweden. Due to the complexity of the Japanese market, Swedish Trade Council suggests only companies with previous export experience to enter. According to Andersson, the distribution system is complex with several layers to go through. A company will meet 10-15 layers before reaching the final one and this makes the end product more expensive. On the other hand, Swedish Trade Council claims that foreign companies do not meet the distribution system that much as agents and distributors usually handle this. Therefore, companies need only knowledge in the part of the distribution system relevant for their company.

To help Swedish companies with the complexity, the founder of Japan Porten suggests the company to contract an agent or someone that has already been part of the Japanese distribution system.

“A small Swedish firm has to make use of a Japanese importer to have any chance at all.”

According to him, the advantages of contracting an agent are knowledge in the language and culture. As the Japanese market structure is complicated, it is crucial to have both oral and written skills in Japanese. Japan Porten's agents work on a commission fee and to be able to contract them as an agent a company has to have a solid production and functioning business activities in Sweden. Japan Porten offers help with translation, contacts with advertising agencies in Japan, supports the company to find agents/distributors in Japan, and helps them to participate at trade fairs. The company allows Swedish firms to place their products in a part of Japan Porten's stand in some large fairs in Tokyo. Instead of paying for an individual place, which can be expensive, Swedish firms can participate by using a part of Japan Porten's space.

Japan Porten's number one suggestion for someone who wants to export to Japan is to have complete products prepared for sales, and bring them to a fair. Also Swedish Trade Council agrees that a trade fair is a good tool for finding distributors and agents. The manager there further claims that a fair can be a way for Japanese distributors and agents to find Swedish companies to represent, instead of the other way round. He suggests companies to carefully examine available distributors/agents and select a suitable one. A good distributor is crucial in all markets but especially in Japan as the market is complex. Further, no exclusive contracts should be written at an early stage. This is in line with Andersson, saying that trade fairs may lead to a contract that appears promising but may not result in a long lasting relationship. Companies may receive an initiating sample order to deliver, but then nothing more happens.

Swedish firms exporting to, or already established in Japan can also get help from the Swedish Trade Council with various questions about export to Japan. The office in Tokyo

can give information specific for Japan, such as marketing research, information on required export documents, taxes and fees, and so on. The council also supports different trade fairs and events such as EU gateway to Japan and Swedish Style Tokyo. EU Gateway to Japan is a program helping European SME's in seven selected branches to sell in the Japanese market, whereas Swedish Style Tokyo aims at presenting Swedish culture and life-style in terms of design, music, architecture, film, art, and food.

Small companies with a maximum of 50 employees and a turnover of € 10 million can purchase the Business Opportunity Project, BOP, from Swedish Trade. This package offers help in three steps:

1. A check of market feasibility, the distribution system, and pricing.
2. A check of suitable distributors and arranged meetings with interesting ones.
3. One (or more) of the distributors is chosen and a contract is settled. Goods are delivered.

For companies who want to establish their own subsidiaries in the Japanese market, Swedish Trade Council can offer companies an office with a secretary.

Japan Porten claims that it has been hard to approach and receive any support from Swedish Trade Council as the organisation seems to be more helpful to larger companies and persons with whom they already have an existing relationship. Japan Porten's advice is to arrange a personal meeting with Swedish Trade Council as this can be more rewarding and hopefully generate more individual information than a contact over phone. Japan Porten has also been in contact with Japan External Trade Organisation (JETRO) with which he has regular meetings in Osaka. The workers at JETRO are not consultants that help companies to find business partners as Swedish Trade, but they can assist with general research advice and information.

4.6.2 International marketing plan

When it comes to the product, high quality is mentioned as crucial by both Swedish Trade Council and Andersson. According to the Tokyo manager of Swedish Trade Council, products must be perfect as the Japanese are the most demanding customers in the world. Andersson agrees, stating that the Japanese people have extremely comprehensive product controls to make sure they only buy high quality goods. When Swedes buy a table they judge it by the appearance of the upside. In contrast, when Japanese buy a table they start with checking the downside of the table, to see if it is as well done as the upside. Further the entire Japanese society is built upon reliability, everything is on time, criminality is low, and people trust each other. Due to this, also products and companies must be reliable and of high quality to suit Japanese tastes.

Another thing that has to be considered is the physical size, as it sometimes has to be decreased in order to suit the Japanese people. Japan Porten agrees that some product adjustments might be necessary but emphasises that it might be of higher importance to stick to the original products. The Swedish concept and originality is crucial, otherwise they might end up in a grey zone with all other companies that want to enter the Japanese market. Packaging is extremely important and must be flawless. Still, if you deliver what you have promised, the Japanese people are willing to pay. Price setting is dependent on the quality the product has to offer as well as the appearance of the package.

“The question is whether you want to have a low price and sell a large volume, or if you want to have a high price and sell a small volume”

4.6.3 Barriers and Opportunities

According to the manager of Swedish Trade Council in Tokyo, the import process to Japan is not very difficult and companies usually learn taxes and tariffs fairly easily. There are many regulations concerning product requirements to consider. Further, Andersson says that there are different rules protecting national goods.

The Japanese market has experienced an upswing since 2002 and private consumption has increased. Some market specific features to bear in mind are that women are responsible for the household expenditures, and that the market is homogenous in contrast to Europe and the U.S. Further, 80% of the market can be reached within two to three hours. As expressed by the founder of Japan Porten, the Japanese market has an enormous potential, but this also leads to great competition.

“The Japanese population is the richest on this planet! No one else has more to spend than the Japanese... But, three billion people from all over the world are pushing and eager to enter the Japanese market.”

According to Swedish Trade Council, now is a good time for Swedish companies to enter the Japanese market, especially with consumer oriented products. Sweden has a positive image in Japan and the magazine Elle Deco recently had an entire issue about Swedish design and lifestyle. Also, IKEA just opened their warehouse in Tokyo.

“Japanese who buy a Volvo are keen to put a Swedish flag on it.”

On the other hand, Japan Porten argues that many people want to believe that Sweden has a great reputation in Japan, but the knowledge is only a fraction of the one of other countries like France and Italy. Sweden is a very small country and our bargaining power is low. It is due to the success of the Swedish music industry the first barriers to the Japanese market were overcome, and the Japanese market is today more receptive to Swedish products.

Both the manager of Swedish Trade Council in Tokyo, and Andersson bring up long term focus, endurance, and commitment to the market as important factors in Japan. According to Andersson, Japanese companies focus on market share and not short term profits. Swedish firms must never give up in the market. The Swedish Trade manager says

“If entering the market one must do it 100%.”

Further, Andersson claims that personal presence is very important. Firms should have the same key persons coming back to Japan for business, and the Japanese must also come to visit the Swedish company in their home market. Therefore, companies wishing to start exports to Japan must be prepared for travel expenses. Swedish Trade Council says that the amount of initial resources needed to enter Japan does not have to be very high.

Andersson continues to say that it is important that the business partners meet half way in order to create a balance between them. To succeed with negotiations and compromises, try to meet half way- offer yourself to take care of some things in order to make the Japanese partner take care of other. A joint venture may be a good solution for reaching this balance. However, Swedish firms must make sure the venture does not result in a loss of their Swedish originality.

5 Analysis

In this section we have conducted a cross-section analysis of general internationalisation theories, Japan specific information, and empirical findings. The empirical data were analysed and contrasted in order to discover unique information as well as similarities between the cases. Further, barriers and opportunities that have appeared in our findings were considered and embedded in the discussion.

5.1 Internationalisation process

When assessing the similarities and differences between the theory and the empirical data collected, we sometimes get the feeling that theory is not always in line with the reality for our small Swedish design companies. According to theory, internationalisation of firms seems to include a long planning process and a lot of calculations, something that might be more true for large firms. The small firms interviewed for this thesis appears to have acted to a great extent upon opportunities that arise. This thesis show that many of the decisions the firms have taken are conscious, but the planning is not that extended and does not necessarily follow what is suggested in theory. This can also be due to lack of time and resources for small firms.

Johansson and Wiedersheim-Paul (1975), claim that companies start to export to markets geographically close to their home market. This is something we have seen to a great extent also in our empirical findings. Capti Design entered Denmark, Östergötlands Ullspinneri entered Germany and Great Britain before considering the Japanese market, and LOD exported to the EU region and the U.S. Juup of Sweden wants to expand in Scandinavia and Europe before extending the export to Japan. Klässbol is an exception, with Japan as the first market to enter. However, Klässbol was contacted and introduced in Japan by a businessman together with a Japanese agent, both with knowledge in the Japanese market on beforehand.

Further, when analysing the companies after the four steps in the model by Johansson and Wiedersheim-Paul, we find different companies to be in the first three steps concerning the Japanese market. In the first step where the company has no regular export activities, we find LOD and Capti Design. Capti Design has received one order but does not know what the future looks like, and LOD has attended the event Swedish style and he hopes for an established contact in Japan to generate sales in the future. In the second step, exports to a representative, we find Juup who has a distributor in the Japanese market, and Östergötlands Ullspinneri with both retailers and a distributor. In the third stage, having a subsidiary overseas, we find Klässbol. The last stage, overseas production in Japan, is not achieved by any company. What is interesting by mapping the interviewed companies into these stages is that we find the companies to be in many different stages. This means that the empirical findings generate viewpoints on Japanese market penetration from different stages in the internationalisation process.

The manager at Swedish Trade Council claims that previous experience in exporting before entering the Japanese market is important due to the complexity of the market. All the interviewed companies had previous export experience except Klässbol. Yet, the company has had a great success in Japan. We believe that this might be due to the knowledge of their Japanese agent, knowing the market and the complex distribution system. Further advantages seem to have been that Klässbol's business philosophy and classic products are suitable for the Japanese market where the entry process is slow.

5.1.1 Motivations for entering Japan

Even though most of the companies had export to countries geographically closer to Sweden before going to Japan, the Japanese market was entered at an early stage for all companies. We believe that this is due to the fact that the Japanese market is considered to be too large to omit for design companies, as a majority of the companies stress the potential of the market. With similar customer tastes and preferences as in Sweden, the Japanese market is not as different from the Swedish and Scandinavian one.

Studying the interviewed companies' motivations for the Japanese market penetration, it appears that Swedish Trade Council has given incentives for going to Japan. The fact that Swedish Trade has invited companies to events and actively promoted the appreciation of Swedish Design in Japan has indirectly resulted in export for some of the companies.

None of the companies appears to have taken the first step towards Japan by themselves. They have all responded to external push factors as they have been found by different actors, either through an invitation to events or fairs; as Capti Design, LOD and Juup, by Japanese interest in the products; Östergötlands Ullspinneri, or from a businessman believing the product to be suitable in Japan; Klässbol. Looking at the motivations from an internal, external, proactive and reactive perspective (Albaum et al. 1998) we can see that both Klässbol and Östergötlands Ullspinneri responded to unsolicited orders, thus external and reactive push effects. In the case of Capti Design we can also see a managerial urge with the owner of the company having an interest in Japan and seeing an opportunity in the Japanese market. Also in the case of LOD we can see a managerial urge with the designers working towards the hope of future co-operation with Japanese gold smiths.

According to Japan Porten, there are millions of people from all over the world pushing to enter this high-potential market. However, this vivid competition among overseas companies as well as market regulating policies for export do not appear to have been a problem for the firms interviewed. The fact that they were pulled to Japan must be a sign that Swedish design is popular and appreciated. This is a true motivation for Swedish designers and an opportunity to explore.

5.2 Entry Mode

Advanced entry modes are claimed to require a lot of resources while export does not require large investments in terms of fixed capital, risks, and start-up costs (Dimitratos, 2004). In line with theory we can see that the interviewed companies, which are small and have limited resources, have chosen export as their entry mode. Theory by Root (1994) claims foreign business involvement to be constituted by exports in the early stages, something that is true also with our empirical data. The exception is again Klässbol. But, even though they established a subsidiary, they signed contracts which entitled a businessman and agent to "borrow" their brand name but also to answer for costs and risks. This limited the amount of resources they had to invest and made the choice of entry mode even less capital demanding than an entry as an exporter. Export can be costly as companies have to locate, develop and maintain relationships overseas. Japan is a country where relationships are very important, and as the market is geographically far from Sweden this maintenance can be costly. The empirical data shows that the two most established companies in Japan, Klässbol and Östergötlands Ullspinneri, both are aware of the importance of regular personal meetings in Japan as well as in Sweden. This has to be taken into consideration for other firms when they calculate their resources available for internationalisation.

5.2.1 Indirect exporting

Although indirect exporting might be seen as a rather simple way for a company with no earlier experiences or knowledge from the foreign market (Root, 1994) none of the interviewed companies has used this entry mode. As mentioned, all companies in the empirical data were contacted by actors in Japan introducing them to the Japanese market. An indirect exporter, a Swedish trade company, gives advantages in terms of communication since negotiations are made in Swedish. On the other hand, these trade companies' network in Japan and knowledge about the distribution system may be less developed. Due to the complexity of the Japanese market and the complicated distribution system, we believe there might be more advantages with contracting a Japanese agent.

Japan Porten can work as an indirect export channel. The advantage with them is that they are cooperating with Japanese agents and therefore decrease the drawbacks with indirect export in terms of knowledge and contacts in Japan.

The impression we have got from Japan Porten is that there are few agents for Japan in Sweden. This may be one of the reasons why an indirect mode has not been used. All companies have been contacted by actors, implying a direct entry mode. The results might have been different if the companies had been contacted by actors implying an indirect entry mode. The big drawback with indirect exporting is that companies lose control over its products. Still, we don't think this is why an indirect entry mode has not been used. Neither Capti Design nor Juup, who have used direct exporting, have a great control of how their products are presented to the final customer.

Among the companies interviewed, Klässbol has an entry process reminding of an indirect mode. This as the company had a Swedish businessman contact the company to bring their products to Japan. However, this contact was abandoned quite early for the benefit of a Japanese agent, and thus direct export.

5.2.2 Direct exporting

All the interviewed companies used direct exporting as their entry mode into Japan. According to Lascu (2005) this gives the firm greater control over the marketing mix efforts and a quicker responsiveness in terms of product adaptation. However, this is not always true. Neither Capti Design nor Juup has a great control over their end product and its marketing mix even if a direct entry mode has been used. If Capti Design creates a good relation with the store in Japan, they can be given feedback on how its products are perceived by the final consumer.

There are three channel alternatives for a direct exporter; foreign branch/subsidiary, distributor, or foreign agent. Another alternative is today possible in cases of mail-order and internet exporting where the manufacturer has direct contact with the final customer (Root, 1994). This is something that LOD's contact might be able to generate in the future. If theory (Lothia and Subramaniam, 2000) is correct, catalogue sales will increase in Japan in the future and would thus be a good channel for LOD to use.

Klässbol, who is the only interviewed company with a subsidiary in Japan, has a higher control over the end product than the other companies. They have been in contact with an advertising agency regarding product packaging, and they have also brochures in Japanese. On the other hand, theory says that having a subsidiary implies a greater risk than many

other entry modes. In this case, empirical data suggests otherwise. Klässbol arranged a contract which meant the company did not have to take the responsibility of the risk.

Juup has not yet come very far in their internationalisation into Japan but there are indications that control and risk are factors they have considered. The company claims they are not entirely ready for the Japanese market at present, but want to fully expand in Scandinavia and Europe before Japan. Today, the company has a distributor taking care of everything for them in this market, something that may be an advantage as the company is not very committed to the market yet. This implies a small risk but also lack of control. The company says that when time is ready, they will deal with the Japanese market and have a dialogue with the distributor about how to market their products. This is also somewhat in line with Johansson and Vahlne, saying that firms' commitment increase with time and knowledge. When discussing what distributor to use, Juup suggests companies not to choose a very small or too large distributor but a midsized one that really engages in your brand. Thus, a sogo shosha should not be chosen. The senmon shosha have expertise in the product line and deal with smaller volumes. This is also seen in the survey of 30 British companies trading in Japan, who preferred the senmon shosha for specialised or customised goods (Collinson, 1996).

Also Östergötlands Ullspinneri has used the help of distributors in Japan, as well as retailers. Using retailers gives a higher control over the marketing mix to the end consumer. By this, you omit a number of layers between the company and the end consumer and therefore a better insight in how the goods are presented to the final consumer is given. The company also emphasises that going to Japan is important and they go there at least once a year to overlook their products. This might be a sign of a wish of keeping the control.

As shown above, risk and control seems to have been considered by the companies. There seems like no company has done an in depth analysis and calculations over what channel to use as they were contacted by other actors and seized the opportunities that arose. Thus, most companies have not actively chosen their distribution channels, but the channels have more or less found them. However, empirical data suggests that companies do think the choice of distribution channel to be important. According to Juup, one should find a medium sized distributor who really engages in your brand. Also, Klässbol has decided to use as few number of channel agencies as possible and they are very careful with whom they co-work and employ.

Assessing the empirical data, we see that agents are a popular help for exports to Japan. Klässbol has used one to build up their sales, Capti Design does not have an agent but is looking for one to build their exports, and LOD has a Japanese representative that works on establishing further contacts for selling their goods. The founder of Japan Porten claims that small companies entering Japan cannot do without an agent or a distributor as the distribution system is too complex. However, both Östergötlands Ullspinneri and Capti Design have managed to sell directly to a retailer without using an agent. On the other hand, both companies were contacted by the retailer and did not actively search for retailers to sell through themselves. How easy it is for companies to sell directly to retailers is therefore not possible to say.

Even if our empirical data suggests that companies can manage without an agent or distributor in Japan, there are also a lot of arguments for the benefits of agents and distributors. Japan Porten claims that the Japanese market is complex and this is also mentioned by Östergötlands Ullspinneri, Juup, Swedish Trade Council and Andersson. Because of this, it is fair to believe that that an agent or a distributor can be a good help. Capti Design men-

tions that the language can be hard for foreigners and therefore it can be good to have someone as a help. Capti Design, LOD, and Klässbol have not mentioned anything about a complex distribution system. However, Capti Design and LOD are at an early stage in their internationalisation process and might not have encountered the market in that way. Klässbol is not at an early stage in their internationalisation but they received much help from their Japanese agent with their exports. This is somewhat in line with the manager at Swedish Trade Tokyo, saying that as agents/distributors take care of everything, one does not have to understand all parts of the complex system.

5.2.3 Fairs and events

More or less all companies have brought up fairs and events as a part of their entry into Japan. Also, this seems to be a part of the process at an early stage. Capti Design, and LOD attended the event Swedish style, and Juup attended the fair 100% Design. All three companies were satisfied with the participation and say that it was worth the money. They say it is a good way to establish contacts, to see how the goods are perceived, and get a glance of the Japanese market. Japan Porten use trade fairs as an important forum, and Swedish Trade Council helps support some fairs and events.

As all interviewees have mentioned trade fairs, we have understood that this is important in the Japanese market. We believe the tradition of fairs is stronger in Japan than in Sweden. Trade fairs have shown in our empirical data to be a good way for finding agents and distributors and we therefore suggest companies to attend a fair at an early stage in the internationalisation process.

There are many fairs to choose between and some fairs have large numbers of participants and visitors whereas some fairs are smaller. Also, there are differences in the cost of exhibiting and the focus of the fairs. Therefore, companies must evaluate the different fairs to find a suitable one that gives value for money, both in terms of price and customers that visit the fair. To decrease the price of a stand at a fair, Japan Porten can offer space in their stand without charging for the help. Other suggestions appearing in our data is that companies should be prepared with a product line ready to sell as they participate in the fair. Further, the participant should have a goal with the trade faire and actively promote their products and search for partners.

5.3 International marketing plan

The interviewed companies have not put great effort into market research or profiles of the consumers. Companies have used mainly the free information about Japan that can be obtained through Swedish Trade and different sources on the Internet and books. However, Klässbol had Swedish Trade Council to do market research before their entry into Japan. This is the only company that has done an extensive research before their entry and they are also the company that has proceeded the furthest with their expansion. Moreover, Capti Design bought the BOP package which gives market information. This might be a good way to obtain market research without having to spend a lot of time on market investigations. Since all companies have been found by other actors and given the opportunity to enter the market, market research may be seen as costly and time consuming and less important than otherwise.

5.3.1 Product

Of the interviewed companies, Östergötlands Ullspinneri, LOD and Juup have not made any changes in their products, thus a straight extension. If the product has a simple design it might not have to be changed as it seems to be in line with what the Japanese people ask for. The empirical data suggests that Swedish design is popular in Japan due to the similar tastes of simple and clean design. Sweden is mentioned as exotic and Swedish products can be sold by promoting the Swedish origin as a uniqueness.

Capti Design and Klässbol have done what theory calls product adaptation. Here, the product is adjusted to meet local conditions or preferences in terms of physical attributes and packaging attributes. Klässbol also had to rethink their end-product that had to be washed, shrunk and hemmed up to suit the Japanese taste.

5.3.1.1 Physical size

In line with Woronoff, (2001) who claims that physical size is important to consider as the average Japanese is smaller than many other nationalities, Japan Porten claims that products such as jewellery should be small. Capti Design did consider the physical size and their furniture had to be rebuilt to suit the small Japanese homes and the regulations that screwing in the walls is forbidden.

5.3.1.2 Packaging attributes

In line with Woronoff (2001), the Tokyo manager of Swedish Trade Council, and the founder of Japan Porten, stresses the importance of a nice packaging. On the account of Klässbol a Japanese advertising firm made new packaging materials, dressing the linen in silk. Also the brand name should be considered according to the theory (Root, 1994). Klässbol claims that even if their name is hard for Japanese to pronounce, it stands for something exotic which can be an advantage.

5.3.2 Promotion

Theory states that export management has to consider what message to deliver, and how much resources to devote (Albaum 1998). However, we can see that the interviewed companies do not have much control over their marketing message due to the fact that this is handled by distributors and retailers. Another reason can be the limited resources available for promotion, as the companies are small.

Both Klässbol and Östergötlands Ullspinneri have had the opportunity to have articles written about them in magazines in Japan. Klässbol gives Swedish companies the advice to reach the press and look for free advertising. The Japanese people are interested in Sweden and can be reached already from Sweden by magazines. Also, the fact that the magazine Elle Deco recently had an entire issue about Swedish lifestyle and design, as Swedish Trade pointed out, shows the interest of Sweden and Swedish products in Japan.

Further, Klässbol's products are used by a Japanese TV chef and their reputation is improved as their products are used on the Nobel banquet. Östergötlands Ullspinneri has also had some exhibitions and courses in Japan. What all companies have in common is that they have, as mentioned before, exhibited their products at fairs, and events.

Juup claims they want better control of their promotion in the future when they will increase their commitment to the Japanese market. This may also be true for the other companies once they have further expanded.

5.3.3 Price

According to Albaum et al (1998) most often price is set higher than at home due to increased costs of selling to a foreign market. Looking at the interviewed companies we can see that this is true. When pricing the products towards retailers and distributors the companies consider extra costs of exporting, such as shipping, travels and maintaining relationships, this is called full cost pricing strategy (Root, 1994). It seems like no one has made any extensive calculations, but rather follow their instincts and adjusted the home market price for exporting.

Besides the cost of entering a foreign market, the complex distributions system in Japan also influences the final price. Theory states that the price becomes higher due to all layers the product has to go through before reaching the end customer (Collinson, 1996). Andersson describes this problem, but none of the companies mentions it. We believe that this is due to the fact that they sell directly to the retailer or to a distributor, not knowing the final price or being aware of the following layers. None of the interviewed companies have control over the final price. Capti Design informs the store in Japan about the price in Sweden and based on this the store sets prices for the Japanese market.

To become a bit more expensive is not to consider as a problem, since they all sell quality products and design, which are added value products. Although the companies are careful about their price setting it seems like there is a general view, both in the empirical data and in theory, that Japanese people have a lot of money and are willing to pay, especially for luxury goods.

The Japanese are not afraid of high prices but buy products because they like them and are prepared to pay for it”.

“The Japanese population is the richest on this planet! No one else has more to spend than the Japanese...”

To some extent this might be true, but it is more likely for really famous brands such as Dior, Gucci etc., and might not always be the case for unknown brands. LOD has experienced that Japanese people prefer familiar brands. It can therefore be assumed that the combination of anonymity and a too high price is a bad choice.

Klässbol says that it is fine with high prices as long as they are reasonable. There must be a balance between product value, quality and price. Capti Design says that they can not take too high prices since their brand is not established in the market yet. The founder of Japan Porten further claims that as always the question is

“...whether you want to have a low price and sell a large volume, or if you want to have a high price and sell a small volume”

There is a huge competition in Japan, with many companies wishing to enter the market. However, the interviewed companies do not compete with price. Instead they emphasise quality, uniqueness and tradition. This seems to be a good choice for a small company when exporting to Japan.

Therefore, goods competing mainly with price will lose that advantage. Also, the large number of layers contributes to the higher end price. Theory says that there is a huge amount of small retailers in Japan and as small stores need higher profit margins on their products, goods aimed to be low priced are set to a higher price in Japan.

5.3.4 Position

Analysing the companies and theory we can see that it is wise for a small Swedish design company to position its products as high quality products, stressing the Swedish origin and traditions. This is in line with Andersson, who claims that Japanese product requirements are among the hardest in the world and the Japanese people are extremely picky. This is something that Klässbol has experienced the first time they delivered. The product package was ripped up and the goods were scrutinised.

When conducting the interviews almost all companies mention that Swedish design and lifestyle is trendy in Japan. The empirical data suggests that Swedish design is popular in Japan due to the similar tastes of simple and clean design with no extra and unnecessary details. This statement is agreed by Juup, LOD, and Klässbol. Swedish Trade Council says that Sweden has a positive image in Japan, and that now is a good time for entering the market.

The exceptions are Japan Porten and Östergötlands Ullspinneri, who claim Swedish lifestyle is not that well known. Japan Porten points out the low awareness about Sweden in contrast to French and Italian lifestyle and culture. The owner at Östergötlands Ullspinneri suggests Scandinavian design to be better known than Swedish. However, they agree that Swedish companies should emphasise their origin.

Klässbol and Östergötlands Ullspinneri, have both stressed the history and handicraft tradition of their products. We believe that this could be a contributing factor to their success.

5.4 Business culture

That personal relations are important in Japan is mentioned by all companies in the empirical data, and it is also mentioned in the theoretical framework by Maguire (2001). Klässbol mentions that it has taken the company ten years to establish the relationships they have today and they tell about a relationship that is life-lasting and where you almost become a part of the business partners' families. From this they have learned to take care of the customers and partners in a personal way. Also Capti Design, LOD, and Juup says that it can take a few years before export to Japan generates any money as business must be built and relations established. Further, Östergötlands Ullspinneri says that it is important to find the right persons to cooperate with as business partners is not something you change. Contracts are according to theory by Maguire (2001) the start of a long term relationship for Japanese people. Theory (Root, 1994) further says that contracts should bring up if there are any exclusive rights. This is also mentioned by Andersson and Swedish Trade Council, saying that exclusive contracts should not be signed at an early stage. None of the interviewed companies has signed any exclusive contract.

Theory by Price Waterhouse (1996) suggests that it is wise to accept an invitation if given one. Our empirical data takes this one step further and suggests that it is also important to invite the Japanese business partners to Sweden. Andersson discusses the importance of balance in the business relations and says that Swedish companies should not only go to

Japan but the Japanese partners should also come to Sweden. This is something we see in Klässbol and Östergötlands Ullspinneri who have both had their business partners and customers over for enjoyable stays in Sweden. This has enabled them to share the understanding of the production, history and tradition behind the products, and strengthens the personal relationships between Sweden and Japan. We have seen signs that handicrafts, tradition and pure materials are important and might generate more sales, maybe also to a higher price (further discussed below). Moreover, in the negotiations theory (Maguire, 2001), it is said that Westerners are used to compromise during the persuasion whereas Japanese save the compromises until the end. Also, this can be related to Andersson, who emphasise the balance between the business partners. To compromise is a way to achieve this balance and it is therefore important to understand that this stage in Japan is done differently from what one might be used to.

Juup describes, in line with theory by Maguire (2001), deals as having several stages of discussion and contemplation before settlement. This theory also describes Japan to be hierarchical where age and experience makes the distinction. Further, it discusses the importance of not making the Japanese loose face. Klässbol and LOD have said that Japan is a hierarchical society and LOD claims it to be hard to get hold of high ranked persons. Klässbol says that one has to be professional in all aspects and that the Japanese fear to be fooled or disgraced.

5.5 Export tariffs

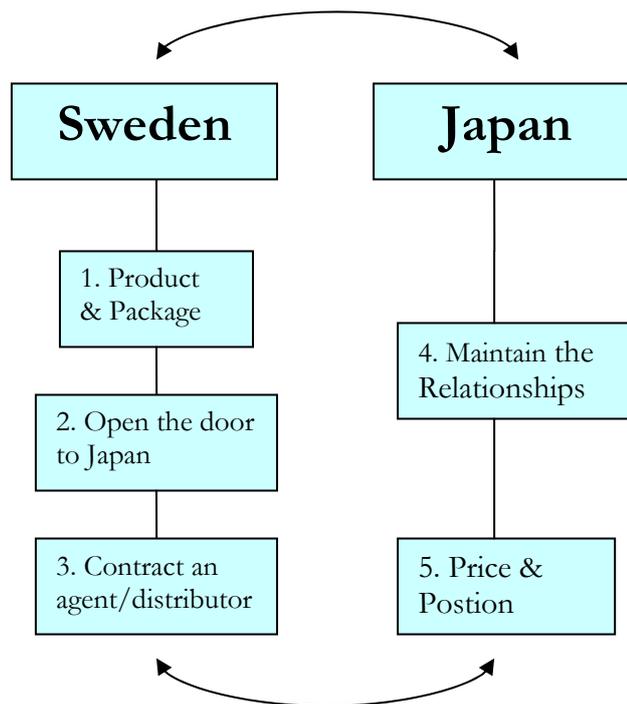
Another thing that might constitute a problem when entering a new country might be export rules and tariffs. Root (1994) mentions in theory that the exporter has to learn the international payment arrangements, documentation of shipments and other export procedures. However, we believe this is depending on which distribution agency that is used. As many of the companies in the empirical findings have contracted Japanese distributors they do not have to be concerned too much about Japanese export legislation. The shipment company used and the Swedish Trade Council may also help out with taxes and legislation. Capti Design say that they do not handle any part of the actual shipment as the goods are collected by the shipping company in Sweden and then the entire process is taken cared of. On the other hand, LOD experienced some problems when participating at the event Swedish Style. This as they first had to export the products to Japan and then import the unsold goods back to Sweden. Klässbol and Östergötlands Ullspinneri did not see tariffs and taxes as an obstacle as once you have gone through the process you know how to do it the next time. This is in line with the manager of the Tokyo office at Swedish Trade, who says tariffs and taxes are not harder to learn in Japan than in any other country. Also, as heard in the theory section, Japan tries to simplify the procedure. But, as with other things concerning business in Japan, Japanese customs officers are careful in their investigations and procedures may take time.

6 Conclusions

In this section the final conclusions answering to the purpose will be presented. The analysis resulted in a number of suggestions regarding entry strategies for small Swedish design firms. The final part of this chapter proposes topics for further research.

The Japanese market has great potential due to the large population and its buying power. Now is a good time to enter since the economy has recovered and the interest in Swedish life-style and design is high. The Japanese market is best suited for companies with a hand-craft tradition incorporated in high quality products with simple design and a long lifecycle.

The empirical investigation of internationalisation processes and entry strategies resulted in a number of suggestions for small Swedish design firms entering the Japanese market. We have divided the considerations and activities in chronological phases that have to be accomplished before and after establishing contacts in Japan. Since small firms often have limited resources and cannot afford failure, the model describes an incremental entry process into Japan, where activities can increase as knowledge is acquired. However, it has to be kept in mind that the entry process is a dynamic and ongoing course of action where the company may have to go back and forth between the different phases.



6-1. Suggestions for Japanese market entry.

1. Make sure that your production is solid and that you have a complete product line ready to sell as orders arise. Maintain the originality of your products, but make small adjustments in terms of physical size and other attributes to suit the Japanese

tastes and regulations. Packaging and presentation materials should be assessed and improved to obtain a professional appearance.

2. Open the door to Japan and establish contacts by attending fairs or events. There are many fairs to choose between so evaluate carefully which one suits your product and customer profile. Be well prepared, and search for future partners during this event. To obtain more market knowledge and research arrange a personal meeting with the Swedish Trade Council. If needed, buy the BOP-package which can generate meetings with potential customers/partners. Another way to reach Japanese customers and get attention from potential partners is to promote yourself through Swedish and Japanese magazines.
3. Establish relationship with an agent or distributor. Direct exporting and a Japanese business partner is preferable due to the complexity of the Japanese market. A medium sized distributor is preferable that engages in your brand and has an established network in Japan, i.e. a senmon shosha. A retailer or a subsidiary can be options if you are looking for high control over the marketing strategies in Japan, and are prepared for higher risks and resource commitment. In case you have very few resources and time to commit, an indirect exporter such as Japan Porten can be contacted.

Be careful with who you choose to employ, give the relationship time to develop, and write good contracts without any exclusive rights. Adjust to Japanese customs and negotiations and be honest and polite.

4. After the market penetration is done and relationships are developed, invest in the maintenance of these relationships and meet half way to achieve balance. Visit Japan regularly and invite you business partners and customers back for a pleasant stay in Sweden. Show them the production and the company traditions.
5. If you are in control of the price setting, use your Swedish price as a base, and increase it to cover export-, distribution-, and other additional costs. There is no advantage with a low price, a higher price reflects a quality product and brand. Thus, position yourself as a high quality brand. Promote the uniqueness of your Swedish products. Keep your exotic originality. If possible, stress the historical handicraft tradition inherited in your products.

It has to be remembered that these suggestions are developed for the current economic/political situation in Japan, where market and export conditions may change. These are not generalising suggestions for any Swedish firm. They are developed to suit small firms with similar prerequisites; producers of designed products having few resources to commit to Japan. The next step for firms to take is to increase the control over the international marketing plan, and consider new distribution channels.

6.1 Suggestions for further research

This thesis has dealt with practical suggestions for export expansion into Japan for small Swedish design firms. As mentioned in the introduction of this thesis, internationalisation is no longer only for large firms with great collateral of resources, but something more or less all companies face today. Thus, internationalisation is a highly relevant topic to conduct research within and also a subject that needs to be developed with the changing market conditions of today. This research has dealt with Japan but there are many other markets arising as viable markets for internationalisation depending on the industry the company operates in.

Another interesting approach to take in the research of internationalisation would be to examine companies that have failed in their internationalisation process. This thesis has not dealt with any failing companies, but studying this would give a better understanding of the hardships of internationalisation.

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Appendix 1: Frågor, Svenska

1. Företagsfakta

- A. Kan Ni kort beskriva företagets verksamhet?
- B. Hur stort är företaget? Antal anställda och omsättning?
- C. Företagshistorik? När, var och hur grundades företaget?
- D. Företagsform?

2. Internationaliseringsprocessen

- A. Varför valde ni att börja exportera?
- B. Vilket var det första landet ni exporterade till?
- C. Var det ett medvetet val? Övervägdes andra marknader?
- D. Hade ni någon form av import innan ni började exportera?
- E. Var tillverkar ni era varor?
- F. Hur reducerade ni den risk och osäkerhet det innebär att expandera?

3. Japan

- A. När gick ni in på den Japanska marknaden?
- B. Beskriv er verksamhet i Japan idag.
- C. Varför gick ni in på den Japanska marknaden?
- D. Vilka var era mål och förväntningar?
- E. Har de uppfyllts, till vilken grad?
- F. Har ni undersökt och analyserat den Japanska marknaden? Om ja, i vilket stadium av processen?
- G. Varifrån har ni fått kunskap om den japanska marknaden?
- H. Vilka var de första kontakterna som knöts?
- I. Tog ni hjälp av andra svenska företag i Japan, exportrådet eller andra organisationer? I så fall vilka?
- J. Har ni haft några partners? Leverantörer, etablerade butiksägare eller agenter? Om ja, vad tycker du att de bidrog de med?
- K. Vilka har varit de största hindren när det gäller kultur, språk och avstånd till marknaden?
- L. Har ni gjort några förändringar i produkten? I så fall varför och vilka?
- M. Studerade Ni och tog hänsyn till symbolik, färger och kultur vad det gäller produkt, företagsnamn och logotype?
- N. Vad anser ni att ni har för konkurrensfördelar? Varför väljer de japanska kunderna er?
- O. Har ni haft någon marknadsföring? Om ja vilken form och vilka erfarenheter gav det er?
- P. Hur ser er målgrupp ut?
- Q. Hur vill ni uppfattas av kunden?

- R. Hur satte ni pris? Vad anser Ni att man bör tänka på vid prissättning i Japan?
- S. Resurser? Hur mycket satsade ni för att expandera?
- T. Hur anser du att svensk design uppfattas i Japan?
- U. Vad är det som tilltalar japaner med just er design?
- V. Vilka fördelar och nackdelar anser du att det finns med att vara svensk på japanska marknaden?
- W. Vilka råd har Ni att ge svenska designföretag som vill etablera sig i Japan?
- X. Vilka är era bästa respektive sämsta erfarenheter från etableringen i Japan?

Går det bra om vi nämner Dig och företaget vid namn i rapporten?

Appendix 2: Questions, English

1. Company facts

- A. Can you give a brief description of your business activities?
- B. How big is the company? Number of employees and turnover?
- C. Company history? When, where, and how was the company founded?
- D. Company form /Type of association?

2. Internationalisation process

- A. Why did you choose to export?
- B. Which was the first country you exported to?
- C. Was this a conscious choice? Were other markets considered?
- D. Did you have any imports before you started up your exports?
- E. Where are your goods produced?
- F. How did you introduce the risk and uncertainty that an expansion implies?

3. Japan

- A. When did you enter the Japanese market?
- B. Describe your current business activities in Japan?
- C. Why did you choose the Japanese market?
- D. What were your goals and expectations?
- E. To what extent were they fulfilled?
- F. Have you examined and analysed the Japanese market? If yes, in which stage during the expansion process?
- G. From where did you receive your information about the Japanese market?
- H. Which were the first contacts that were created?
- I. Did you search for help in other Swedish companies, Swedish Trade Council, or other organisations? Which ones?
- J. Did you have any partners? Suppliers, established store owners, or agents? If yes, what did they contribute with?
- K. What have been the biggest obstacles when it comes to culture, language, and distance to the market?
- L. Have you done any product adjustments? What, why?
- M. Did you consider symbolism, colour, and culture in terms of product, company name and logotype?
- N. What do you consider as your competitive advantages? Why do you think Japanese customers choose your products?
- O. Have you done any marketing? If yes, what kind, and what experiences did it generate?
- P. What target group do you have?
- Q. How do you want to be perceived by customers?
- R. What did you consider in your price setting? What is important to consider?
- S. How much resources did you commit to your expansion?
- T. How do you think Swedish design is perceived in Japan?
- U. What appeal to Japanese customers with your design?

- V. What are the advantages and disadvantages of being Swede in the Japanese market?
- W. What advice can give other Swedish design companies that want to establish their business in Japan?
- X. Give your best and worst experiences from your establishment in Japan?

Would it be OK if we mention you and your company by name in the thesis?