

Distribution System

As a generalization, the Japanese distribution system can be described as considerably more complex than the Canadian, with multiple tiers of wholesalers and distributors providing such services as packaging, warehousing, delivery, financing and sales promotion. In practice, of course, complexity varies according to product. Consumer and food products are perhaps the extreme example, passing through a highly layered system which meets the needs of a market where most retail outlets are small neighbourhood stores, vendors maintain very low stocks, relying instead on "just in time delivery" and consumers prefer to shop daily, storing little at home, but demanding a high level of service, including home delivery. On the other hand, a single agent or distributor may be the only intermediary necessary between a supplier of a specialized industrial product and his ultimate customer.

The complexity, inefficiency and expense of the system is increasingly recognized by Japanese consumers, business and Government and changes, even if gradual, are likely in the future. The emergence of major supermarket chains, seeking direct imports, is simplifying the distribution even of consumer and food products. A similar phenomenon is occurring in the building products sector. For now, the distribution system is something foreign suppliers generally must accept and deal with.

The distribution system decisions Canadian exporters need to make will vary according to the product, the market and the business style of the exporter. In selecting an agent or distributor, however, there are certain common factors which should be considered in all cases.

Choice of distributor - large firm or small: Japan's large trading houses (a list of those with Canadian offices is contained in Appendix C) have traditionally been Japan's commercial window on the outside world, handling export marketing for Japanese manufacturers and sourcing foreign products for Japanese importers. These firms, most of which have annual revenues well over \$100 billion, have offices throughout Japan (and worldwide), tremendous financial resources and enormous staffs which include specialists in all significant industrial and commercial fields. In addition, through their large networks of affiliated commercial and manufacturing corporations, they have direct ties into all aspects of business in Japan. While they can be formidable business partners, the trading companies also have weak points. Handling many accounts and dealing in volume business, they can sometimes overlook the needs of their smaller partners. Frequent personnel shifts add to this problem. As well, because