

## 1 Introduction

Changing consumer consumption habits, increased use of packaging as a means of product differentiation and a trend toward centralization of product distribution — these factors have combined to create significant opportunity in Japan for Canadian manufacturers of selected types of packaging equipment.

While the strength of the yen has facilitated these changes, Japanese consumers are also becoming increasingly sensitive to value for money. Therefore, the relatively advantageous position of the Canadian dollar, coupled with increasing Canadian competitiveness, opens a number of new and potentially rewarding export possibilities.

In January 1990, on behalf of External Affairs and International Trade Canada, Saican Consultants Inc., a member of the Strategy Analysis International consulting group (SAI), undertook a study to examine the market for Canadian packaging equipment in Japan. Data for the study was obtained from interviews with Japanese industry associations, government agencies and companies involved in the industry. In addition, information on internationally competitive Canadian-made products was obtained during interviews with representative Canadian manufacturers, industry associations and government officials.

The objectives of this guide are twofold: to provide Canadian packaging equipment manufacturers with sufficient market data to determine the feasibility of developing sales in Japan and to assist them in developing a market strategy. For Canadian exporters already established in Japan, the study serves to review current strategies which, hopefully, will lead to future expansion of sales.

This guide describes the current state of the Japanese packaging equipment industry, reviews the Japanese import business and sets out the principal factors that will help increase the likelihood of successful market penetration.

The statistical data presented covers the period from 1982 to 1988. Figures for 1989 are estimates only.

## 2 Summary

The Japanese market for imported packaging equipment has gradually evolved from one focussing on packaging for western-style speciality products such as chocolate bars to one serving the growing convenience-driven packaged goods market where performance and price are becoming increasingly important. The major users of packaging equipment are the food (55 per cent), consumer products (25 per cent) and pharmaceutical (20 per cent) industries.

While imported packaging equipment represents only approximately 4 per cent of the total ¥364 000 million domestic market, in some sectors — the pharmaceutical industry being a case in point — imports account for up to 50 per cent of total sales. Western Europe, which claimed an 88 per cent share of the import market in 1988, remains the dominant foreign supplier. For the same year, North America's share of the market was just over 10 per cent.

With the absence of formal trade barriers — import duties have been removed and North American and Japanese standards are compatible — and a willingness on behalf of the Japanese to do business with Canadian suppliers, successful penetration of the Japanese packaging equipment market comes down to two basic factors: the right type of machine and the right partner.

Machines that are currently unavailable on the Japanese market or that are faster, more durable and less expensive than domestic counterparts offer the greatest opportunities. Since American-made machinery is highly regarded in Japan, Canadian manufacturers should concentrate on imports that have already been accepted in the market. In addition, equipment that has been successful in Europe offers even stronger prospects in Japan. The greatest opportunities for Canadian manufacturers lie in the area of specialized or customized machinery and, in particular, handling, filling, cartoning and labelling equipment. Opportunities for less specialized packing, cartoning and filling machines depend more upon price.

Considered to be among the best choice for partners — whose role is to provide market access and after-sales service — are manufacturers, importers/distributors or, lastly, "sogo shosha" (trading houses).

While it is often difficult in Japan to protect technology, being identified as the "first" in the market with a new product is frequently sufficient to fend off subsequent lower-priced competitors.