4 The Import Business

A Growth Sector

As Japan diversifies its food consumption habits and opts for increasing varieties of western-style convenience foods, it is expected that the demand for imported packaging equipment will grow. Imports have steadily increased over the last several years — in 1988, imports of packaging machinery reached ¥13 000 million, nearly doubling the 1983 level — and this growth is expected to continue at least until 1991.

Close to 90 per cent of all imports originate in Europe. Typically, these are niche-market machines that do not compete directly with domestic equipment. Examples include American-made "hot-melt" carton sealing equipment, which takes almost a 100 per cent market share, Sweden's tetra pak and SIG's chocolate-cartoning machines. In each case, the equipment was unique to the market or was introduced early in the industry's development.

Exceptions include machines that perform better than domestic equipment currently available. An example is the Italian CAM cartoning machine imported by Mutual Corporation. It has a comfortable market position because of its unmatched speed, durability, compactness and low price.

Distribution Channels

Packaging machinery is normally imported by either domestic manufacturers seeking to complete their product line or by import houses. The latter include both the large general trading companies (sogo shosha) and specialized smaller companies that also act as distributors.

Tokyo Automatic Machinery (TAM), a domestic packaging machinery manufacturer, maintains successful partnerships with three foreign firms. It imports equipment from Rose-theegarten and IPS of West Germany and maintains a technology transfer agreement with the Packaging Machinery Company of the United States. The latter agreement is a "cross licence" that allows TAM to import and export machinery and technology through their connections with Packing Machinery Company. Rose-theegarten was orginally represented by an importer-distributor that did little to promote the company. After being approached by TAM, Rose-theegarten agreed to a partnership and was rewarded by a substantial increase in sales.

Domestic manufacturers. A significant number of domestic manufacturers currently offer imported machines as part of an existing system. Several domestic pharmaceutical packaging machinery manufacturers, for example, import filling machines as a system core. This permits expansion or enhancement through the use of domestic machinery or other units specified by end users.

The strength of the yen has bolstered this practice which has gained momentum over the last three years and is expected to continue as Japan adopts measures to relieve friction with its trading partners.

As partners, manufacturers have a number of advantages over importers. Most importantly, they offer after-sales service and maintain and operate service networks unmatched by trading houses and general sales representatives. They are also capable of in-house production of replacement parts for imported machinery, thus limiting the need for large inventories — a practice that leads to reduced overheads.

Packaging machinery manufacturers are already well-positioned with an established clientele in specific sectors such as the food and pharmaceutical industries. However, this could prove to be a disadvantage as it may limit market exposure for equipment with wide-range applications.

Most domestic manufacturers use sogo shosha as a go-between to handle import and shipping procedures. However, in recent years, several domestic manufacturers have begun to import equipment directly from the foreign manufacturers, thus eliminating the need for sogo shosha altogether.

Specialized importers-distributors. Since importers-distributors are considered second only to domestic manufacturers in terms of after-sales support and overall quality of service, they are considered advantageous partners to import packaging equipment to Japan. Generally, they have well-established customer bases in a wide variety of industry sectors and, therefore, can represent packaging equipment with extensive applications to a wider range of prospective buyers. However, like sogo shosha, they fall short in the areas of promotion and technology protection.

Sogo shosha. Because they do little product promotion and offer little after-sales service, the general trading companies (sogo shosha) are known as little more than licence collectors. Although there are some very capable sogo shosha, great care should be taken in their selection. It is often better to tie up with a manufacturer and use a sogo shosha as a go-between to perform specific rather than a full range of services.