

## 6 Distribution

The distribution system for pet food in Japan is fairly straightforward, although it may involve one more step in Japan than is common in North America. The system has been handling imported goods for many years and is comfortable and skilled at it. Wholesalers and retailers will be more than happy to consider a new product line that gives them an advantage.

The majority of Japanese pet food manufacturers import some of their products as ingredient costs are far lower overseas. The strong yen has caused the rapid expansion in imported products. The c.i.f. value at import is typically 30 per cent of retail value.

Distribution generally goes through one more stage than in North America. Manufacturers or import agents generally sell to specialist pet food/product wholesalers around the country. There are reputedly over 200 of these, though the National Pet Food Wholesalers' Association only has 47 members. The traditional wholesalers are being pressured by new wholesalers entering the market.

The number of steps that a product must go through varies. The pet food wholesalers may directly supply large supermarket chains or DIY centres. Secondary wholesalers generally supply local stores with all of their products. They are notorious for having long-term relationships with stores which are very hard to circumvent. Very small local stores may go through a third stage of distribution on occasion.

Industry experts estimate that supermarkets account for 40 per cent, DIY stores 30 per cent, convenience stores 10 per cent, and all others, including specialty pet shops and hardware stores, 20 per cent of pet food sales.

DIY stores generally have the lowest regular prices, but supermarkets have more special offers. Convenience stores are far more expensive as they stock only the smallest sizes and have the largest mark-ups.

The majority of pet owners live in the large cities. Tokyo, Osaka and Nagoya together account for about 80 per cent of all pet food sales. Industry experts distinguish two separate markets, urban and suburban.

In urban areas cat food sales are proportionately much stronger because most people live in apartment blocks. People living in these areas tend to make small purchases regularly, so smaller packages that do not take up much space are popular.

In suburban areas there is more space in the home and larger dogs are common. Supermarkets and DIY centres are the common sales outlets and purchases are less frequent, but larger. The proportion of dog food and of larger packages is higher than in the urban markets.

## 7 Regulations and Tariffs

There are no regulations of relevance on pet food. Tariffs are zero, except on products containing more than 10 per cent lactose, which are subject to a tariff of ¥70 per kg.

## 8 Opportunities for Canadian Exporters

The pet food market in Japan offers excellent opportunities for Canadian pet food manufacturers. It is an open, rapidly growing market for imported products and Canada is a cost competitive supplier. Newcomers in the market should, however, be prepared for stiff competition from a large number of capable, well-financed manufacturers.

Development of Canada's excellent reputation for setting pet food standards may facilitate access to the luxury/scientific segment of the market. As noted above, this segment is growing quickly.

Whichever method is chosen to enter the market, Canadian manufacturers should be willing to modify products as necessary and package them professionally. Japanese consumers and distributors are very demanding.

It is suggested that Canadian firms wishing to export identify an appropriate Japanese partner (importer, distributor or manufacturer) to handle the marketing and distribution in the complex Japanese system.