DISTRIBUTION CHANNELS

IMPORT AGENTS

A contract with an import agent is a common method for distributing products in Japan. Import agents normally have specialized skills or expertise in dealing with certain products, and often work on an exclusive basis when representing an exporter in Japan. An import agent will handle customs clearance, transportation and arrangements for delivery to wholesalers, dealers, or directly to users, depending on the product and the domestic distribution channel available.

TRADING HOUSES

Japan offers many challenges to the prospective Canadian exporter. Problems of language, differences in customs and complexities of distribution, as in most foreign markets, require a minimum level of commitment and investment. Trading companies can help to reduce the required investment in the early stages of market entry by acting as the distributor in the Japanese market. There are over 8,500 organizations in Japan classified as trading companies which engage primarily in the business of exporting and/or importing. The largest nine of these are called general trading companies, or *sogo shosha*.

A large percentage of Japan's trade is handled by the "big nine". However, smaller companies, because they are able to specialize in one area, also play an important role in the import, export and distribution of many products. The small specialized trading companies are active in importing goods which move in smaller volume or which require extensive planning for marketing, or the provision of after-sale service. There are for example approximately 1,000 smaller companies importing food products. The large trading companies have recognized the potential advantages of such specialization and have set up independent companies to trade in more specialized fields.

The trading companies have two principal roles. They act as trade intermediaries and they develop trade flows. In the first capacity, trading companies work between someone who wants a product and someone who can supply it, providing trading services to facilitate the movement of the product. In the second role they develop trade flows by engaging in various activities which increase the supply of products and create additional demand. These include risk absorption, financing, resource development, offshore trade, investment, organizing, investment and the provision of market information.

The major trading companies have a long tradition of overseas activities. They maintain more than 100 offices in business centres around the world. This infrastructure allows them to supply market intelligence and other information on international markets to both their Japanese and overseas clients. Trading companies have also been active in developing Japan's food service industry. Kentucky Fried Chicken in Japan is operated as a 50/50 joint venture between KFC's American parent, R.J. Reynold's Co., and the Mitsubishi Corporation.

GENERAL MERCHANDISE STORES (SUPERSTORES)

The general merchandise stores, also known as superstores, differ from department stores in that they offer lower prices, and the merchandise they carry is used for day-to-day living. They combine a typical food supermarket with a high-volume, low-priced department store. The food floor is usually the first floor, however, food sales generally only account for between 30% and 35% of total sales.