

## CHALLENGES OF WORLD MARKETS -WITH A FOCUS ON JAPAN

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### Introduction

When Dr. Paul Morris asked me to speak on the subject of challenges that we face in dealing with customers overseas I was a bit hesitant and still am because in the competitive world today you never want to give your competition an advantage. Therefore in my presentation I will be speaking in general terms. Still I hope that there will be value in understanding some of the challenges that you will face in doing business in foreign countries. I say challenges but at times they could be called frustrations. However, I prefer to look at them as challenges as I believe it is easier to overcome obstacles when you are challenged and not frustrated. There are opportunities in the export market place to be sure, however, they are not without some risk and all require a lot of hard work.

There are two categories of challenges in supplying world markets;

1. Sales and Marketing of Products,
2. Production

#### 1. Sales and Marketing Challenges:

- Business Protocol Differences
- Language
- Meeting High Standards
- Distances
- Customer Relationships
- Regulations
- Time Zones

#### **Business Protocol Differences**

Until you actually do business in foreign markets most of us are unaware of the differences in business protocol. We are familiar with our type of business culture and unknowingly we make the mistake of assuming that our business methods will be adopted by our customers. We will be faced with entirely new business methods, different thinking and different philosophies. To give you an example: In a typical North American business meeting problems can be solved and objectives reached in an hour or less in most cases. In Japan these meetings can take two or more hours and often with no definitive results. There is usually a prescribed manner in which the participants sit in the meeting and the senior host converses with the senior representative of the visiting company. The junior representatives do not participate but are there to observe and learn.

**Language:**

This obstacle can be overcome with good interpreters, however, you need to have a high level of confidence in your interpreter as everything does not translate well. As an example, in some of our promotional literature to Japan the word pressure was translated as “crushed” which can create false impressions.

**Meeting High Standards:**

In Japan there is a very high level of attention to detail in their way of life. The average age of the first time home buyer is thirty seven years, with the average first mortgage around \$410-\$415,000 cdn. When building a new home in Japan the builder invites the home buyer to visit and inspect the home as it's being built. When the price of the new home is so high, the buyer is used to and expects to see nearly clear lumber in his home. Therefore, when buying wood products the Japanese are very particular with quality. This attention to detail is evident in the amount of grade, size and moisture checks that are performed on all of the wood products, especially those which are imported from outside the country. There seems to be less tolerance allowed for products that are imported than those produced domestically. The domestically produced products come with a 100% yield guarantee.

**Distances:**

The geographical distance between your production facility and your customer can be very large. Even with the more modern modes of transportation it still takes approximately one month or more for delivery to the docks in foreign markets. It can then take several weeks to actually arrive at the customer's yard. This lapse of time between where and when the product was produced and where and when it is delivered can be a critical period. There are many things that can happen to your product beyond your control. In most cases the customer will view the product as yours until he actually takes delivery, so any problems with the product in transit will be your responsibility.

**Customer Relationships**

Building a good relationship with foreign customers is probably the most difficult of all the challenges due to the topics previously mentioned, i.e. protocol, language, high standards and distance. If you can accept and work with these obstacles you have a firm foundation for building a long term business partnership. The Japanese, in particular, like to establish high confidence levels before they commit to a long term relationship. For example, they like to receive at least three trial shipments before they do long term business. By visiting their environment and having them visit yours you begin to understand what the customer really wants because he may not always verbalize this correctly.

## **Regulations:**

This challenge can be the most frustrating because usually you have no input into what the new change will be and how it will impact your products. A case in point was the new regulations to the ground water run off for the domestic treaters in Japan on March 1 of this year. It in effect forced Japanese domestic treaters to stop using CCA. On first glance this would appear to be a great opportunity for North American CCA treaters shipping their products into Japan. Not so, in fact the domestic treaters switched to two alternative chemicals and did such a good job of promoting the negative aspects of the arsenic in CCA that most of the Japanese builders also switched away from CCA. It is not against the law to use CCA products there it's just difficult to treat with CCA domestically and meet the new standards. Therefore the domestic treaters solution to the new regulation which measures arsenic in the ground water runoff was to use a preservative with no arsenic component. Simple. For North American exporters not so simple as we now have to convince our customers that CCA treated products are in fact environmentally safe.

## **Time Zones:**

As we move into the new millennium time zone's are becoming less and less of an obstacle . With faxes, computers, cellular phones, etc. we are seeing efficiencies that are overcoming the differences in time.

## **2. Production**

The challenge of production will be to make and do what you said you could. If you are producing an existing product to acceptable standards then you may have little or no problems. If you are starting with a new product or working with new or different standards then you will find all kinds of new challenges to face. You will find that Customer relationships will start here, during production, and how you perform in this area will be the deciding factor on how long term the relationship will be.

## **Closing**

In closing let me repeat myself that there are opportunities in world markets and they can be profitable; however, they seem to be less in the last few years as we find that the world is a smaller place and our competition is not local but the world wide. I would also like to leave you with this quote from Fred Shero,

“Success is not the result of spontaneous combustion. You must set yourself on fire.”