

# **Consumer Concerns in Japan and the Response of Agribusiness, Food Industry and Government**

## **An Exploratory Inquiry**

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- Chains
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This report presents the findings of an exploratory inquiry on consumer concerns in Japan. The objective is providing an initial insight into how Japanese consumers perceive health, environmental and ethical issues in relation to food products. Furthermore, it aims to give examples of the way trade and industry in Japan deal with it: on the one hand how Japanese companies manage it, and on the other hand how foreign companies contend with it.

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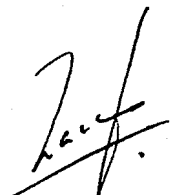
## Preface

The Ministry of Agriculture, Nature Management and Fisheries has commissioned the Agricultural Economics Research Institute (LEI) to conduct an exploratory inquiry into consumer concerns in Japan and the response of agribusiness, food industry and government. These issues were explored through in-depth interviews in Japan with experts and with stakeholders involved. The interviews formed the basis of this report. It should be noted that this report is exploratory in nature and is intended to be the basis for more detailed investigations on this topic. This project aims to provide Dutch agribusiness and food industry as well as Dutch policy makers with examples that they may use for their own strategy or policy development towards Japan.

The research was executed by LEI researcher Mr. Theo H. Jonker. During two weeks of interviews in Japan in April 2000, he talked to many experts and stakeholders who generously shared their professional views. We cannot thank them personally here, since the author has guaranteed them not to mention their names nor organisations. However, please note that their time, support and frankness were indispensable and are greatly appreciated. We owe many thanks to them.

We especially would like to extend our gratitude to the Agricultural Counsellor - Mr. H.R. Toxopeus - and his staff - Ms. A.V. Dolgoff, Mrs. N. Sawada, Mrs. C. Boonstra and Mr. Y. Akimoto - at the Royal Netherlands Embassy in Tokyo for their co-operation and commitment.

The managing director,

A handwritten signature in black ink, appearing to read 'Zachariasse', written over a horizontal line.

Prof. Dr. L.C. Zachariasse



# Summary

## *Introduction about the project*

This report on consumer concerns in Japan and the response of agribusiness, food industry and government is targeted at the Dutch agribusiness and food industry as well as Dutch policy makers. It is the intention that they use the observations of this report for their own strategy or policy development. Due to the nature of this project - it is an exploratory inquiry - further research would be required in order to draw more precise conclusions.

The objective of this exploratory inquiry is providing an initial insight into how Japanese consumers perceive health, environmental and ethical issues in relation to food products. Furthermore, it aims to give examples of the way trade and industry in Japan deal with it: on the one hand how Japanese companies manage it, and on the other hand how foreign companies contend with it. The main conclusions are offered in the following.

## *Consumer concerns in Japan*

Consumer perceptions are classified into three groups, namely health, environmental and ethical issues. We studied the perceptions of Japanese consumers regarding these three groups of issues in relation to food products.

Principal concepts in Japanese consumer perceptions in relation to food products are the following. Good taste and high quality, which includes safety, are the consumer's first priorities - or even prerequisites - when he chooses a food product. Issues of great significance to Japanese consumers in their purchasing behaviour are the product's freshness, appearance and place of origin.

Health issues play a more significant role in the consumers' purchasing decisions than environmental and ethical issues. Different motives are behind this consumer behaviour. They are, among other factors, concerns about the future and cultural aspects. We can conclude that the key words in the consumer perceptions regarding health issues are 'nutritional balance' and 'natural products'.

## *Response of Japanese agribusiness, food industry and government*

Japanese trade and industry are well aware of the Japanese consumer concerns. They use the commercial opportunities these concerns offer and respond to them in various ways. Since the Japanese market is highly saturated and competitive, Japanese manufacturers and retailers are continuously looking for additional or new features to make their products stand out and catch the eyes of the consumers.

Product development leads to innovative products, which often fall within the category of functional foods. On the one hand, Japanese food manufacturers develop products that are less-bad for one's health. On the other hand, products are created which are actively-good for one's health. When the health claims are scientifically proven, the Japanese government can certify the latter as FOSHU-products.

In the Japanese marketplace, communication to consumers - especially in the form of informative television programmes and newspaper or magazine articles - has a tremendous influence on consumers. The booms - sudden interests for certain products - regularly occurring in Japan illustrate this. Japanese agribusiness and food industry know well how to use the promotion variable of the marketing mix and create an appeal for certain food products. Sometimes honesty to the consumer is secondary to possible commercial gains and the message of the company is not entirely correct. At least it appealed to the health-conscious consumers.

Japanese government more or less responds to the perceptions of Japanese consumers. In the case of the consumers' health concerns, the government has enacted laws. The government has created, for example, labelling regulation for organic products. Since the environment is of no great concern to the Japanese consumer, the government is being an initiator by enacting environmental legislation.

#### *Opportunities for foreign agribusiness and food industry*

Foreign agribusiness and food industry in the Japanese marketplace face these consumer perceptions as well. Since Japanese consumer behaviour differs significantly from the behaviour of Western consumers, a specific approach (i.e., strategy and marketing mix) to the Japanese market is required. It is difficult, but the great opportunities offered by the current and increasing demand for especially health-related food products may be highly encouraging.

# 1 Introduction

## 1.1 Background

The Japanese market for agricultural and food products is important to the Netherlands. In 1998, exports of Dutch agricultural products to Japan amounted to USD 468 million. Dutch agribusiness and food industry seek to increase their business activities in Japan. They consider the Japanese market as difficult to export to and invest in. One of the difficulties that is often mentioned is getting insight in the preferences of Japanese consumers. Japanese consumer preferences and attitudes differ significantly from those in Western countries. The concept of 'consumer concerns', in particular, is a topical subject in Japan. It bears upon the perceptions of Japanese consumers regarding health, environmental and ethical issues in relation to food products.

Several different reports on the Japanese market are available. The Agricultural Economics Research Institute (LEI), for example, recently published the report 'Agri-food supply chains and consumers in Japan; an inquiry into the current situation and the opportunities of five Dutch product groups on the Japanese market'. However, many of these reports focus on the production and distribution structure as such and not on how consumer concerns influence the organisation of the agri-food supply chain. An overview of Japanese consumer concerns and their significance to the marketing of food products is presently not available. The current report is intended to fill at least part of this gap.

## 1.2 Project objective and research questions

The objective of this exploratory inquiry into consumer concerns in Japan and the response of agribusiness, food industry and government is providing *an initial insight* into how Japanese consumers perceive health, environmental and ethical issues in relation to food products. Furthermore, it aims to give examples of the way trade and industry in Japan deal with it: on the one hand how Japanese companies manage it, and on the other hand how foreign companies contend with it. The research project will eventually provide recommendations that Dutch food industry and Dutch policy makers can use to determine their strategy or policy towards the Japanese market.

The research project comprises four different research questions, each of which will be dealt with in a chapter. These questions are as follows:

1. which perceptions of Japanese consumers regarding health, environmental and ethical issues are considered relevant in the decisions they take to purchase food products;

2. how do the different links in the agri-food supply chain in Japan (i.e., domestic companies, such as manufacturers, wholesalers, trading companies and retail companies) respond to such consumer perceptions? How do these companies adjust their corporate strategies (including supply chain organisation and marketing mix). We focus on the two product groups, namely fresh vegetables and confectionery;
3. how does the Japanese government respond to these perceptions;
4. how do different Dutch and other foreign companies in the Japanese market deal with these perceptions?

### **1.3 Starting point for further research**

Due to various constraints, namely budgetary and time restrictions, the report is exploratory. As the four research questions cannot be answered completely, this project will only provide a first observation of the Japanese developments on consumer concerns. Furthermore, it has not been the intention to provide a comprehensive overview of the Japanese market situation. The second and third research questions will be answered principally by means of examples gratefully received from the organisations interviewed, and two different product groups are selected, namely fresh vegetables and confectionery. It should be noted that - due to budgetary and time constraints - this report will provide a first observation only and that it should be seen as the starting point for further and more detailed research on this topic.

### **1.4 Contents of the different chapters**

Chapter two will provide an overview of literature and opinions of Japanese trade and industry concerning the perceptions of Japanese consumers regarding health, environmental and ethical issues in relation to food products, using Blandford's classification of consumer perceptions (Blandford, 1999). Within each group, sub-issues can be distinguished. Only the perceptions that most significantly influence the Japanese purchasing decision of food products-as identified by the opinions of Japanese companies-will be discussed in chapters three through five.

Chapter three will discuss how different players in the agri-food supply chain (i.e., domestic companies) in Japan deal with these perceptions. Since it is a general understanding that companies-in any country-adjust their corporate strategies to consumer behaviour, consumer perceptions regarding health, environmental and ethical issues have implications for their strategic choices. This chapter will show how different domestic companies adjust their corporate strategy, including their supply chain organisation and their marketing mix. Chapters three and four will mainly focus on the selected product groups, viz. fresh vegetables and confectionery.

In chapter four we will study how Japanese trade and industry experience the way Japanese government deals with consumer concerns. This chapter is not based on interviews with representatives of Japanese government, so that it is not the intention to provide detailed

information about governmental policy and legislation. We look at selected topics from the viewpoint of Japanese trade and industry and from the viewpoint of the Japanese consumer.

Chapter five will discuss the way foreign companies on the Japanese market contend with the consumer perceptions regarding health, environmental and ethical issues. It will present examples of the adjustment of their corporate strategies and their marketing mix to Japanese consumer behaviour. Dutch agribusiness and food industry as well as Dutch policy makers can use these examples - in addition to the examples from chapters two through four - for their own strategy or policy development.

## **1.5 Sources**

In Japan, we held in-depth interviews with representatives of different companies, organisations, research institutes and universities during two weeks in April 2000. Experts of the following organisations were consulted:

- two major Japanese trading companies;
- two specialised import and trading companies;
- one major Japanese confectionery manufacturer;
- two food manufacturing multinationals;
- one confectionery multinational;
- three Japanese major supermarket chains;
- one Japanese supermarket chain specialised in delicatessen;
- five Japanese consumers organisations;
- six Japanese research institutes;
- two Japanese universities;
- one marketing consultancy company;
- two Japanese publishing companies focusing on the retail and distribution sector;
- one Japanese newspaper for the agribusiness and food industry.

The total number of interviews was higher than the sum of the above-mentioned organisations, because we regularly had consecutive meetings with different expert at the same organisation. It also occurred that we visited the same specialist once again for a further explanation of what he had previously said or for his reaction on another expert's opinion.



## 2 Overview of literature and opinions on consumer concerns in Japan

### 2.1 Introduction

This chapter provides an overview of literature and opinions of Japanese trade and industry concerning the perceptions of Japanese consumers regarding health, environmental and ethical issues in relation to food products, using Blandford's classification of consumer perceptions (Blandford, 1999). Within each group, sub-issues can be distinguished. Only the perceptions that most significantly influence the Japanese purchasing decision of food products-as identified by Japanese companies' opinions-are discussed in the following chapters.

In chapter two we aim to answer the first research question, namely: 'Which perceptions of Japanese consumers regarding health, environmental and ethical issues are considered relevant in the decisions they take to purchase food products?' Before zooming in on the consumer perceptions regarding health, environmental and ethical issues, we will mention some general aspects of the Japanese consumer. Many books and reports have been written on consumer behaviour in Japan. It is not the intention to extensively cover all ins and outs in this section. We touch on a few of the characteristics of Japanese consumers that are relevant to the topic of this research project. They were selected to serve as background information to the sections that follow.

### 2.2 Trends and conformism

Many of the interviewees indicated that Japanese consumers are highly susceptible to information from, among other sources, the media and that, as a consequence, booms (regarding any type of product) occur frequently. Especially, 'in the case of health and food, the influence of mass communication is very strong' (Saison Research Institute, 1998, p. 79). The mainstream Japanese consumers follow trends. A boom can start very fast, but consumers can lose interest in the particular product just as fast. Often, emotional aspects play a role in connection to these trends.

The presence of these strong trends in the Japanese marketplace is sometimes used as an argument to show that Japanese consumers become more individualistic and wish to show their individuality. However, experts do not agree with this. Henshall (1999, p. 157), for example, writes the following:

'Yet someone who simply wears or acquires the latest fashion - which is overwhelmingly the case in fad-obsessed Japan - is simply following the crowd, and is surely demonstrating the inadequacy of their individuality rather than the strength of it. (...) By identifying with a fad they are really stating that their "individuality" conforms to a group preference. It is just another form of group identity.'

Although on first thoughts the Japanese following trends is an argument for saying that the Japanese are becoming more non-conformist, but, in fact, it is just another argument for the conformism of the mainstream Japanese consumers. Henshall (1999, p. 116) puts it as follows:

'Displays of deliberately outrageous non-conformist behaviour are also quite common. However, such behaviour is usually selectively outrageous, sufficient to send a protest message of defiance to teachers, parents, and other elders and figures of authority but not sufficient to incur peer disdain or serious and permanent marginalisation by mainstream society. Typically it involves such statements as orange-dyed hair, body piercing, or 'way out' clothes. Paradoxically, some of this "non-conformist" behaviour is patently conformist, but to a different set of norms. (...) In other words, in this and similar cases, the youth who appears to eschew the "system" is not a true free-wheeling rebel, but one who has simply - and almost always temporarily - chosen an alternative set of norms to follow.'

Schütte (2000, p. 199) of INSEAD Business School agrees with Henshall about the conformist behaviour of the Japanese. He also argues that the supposed Americanisation of the Japanese society is doubtful:

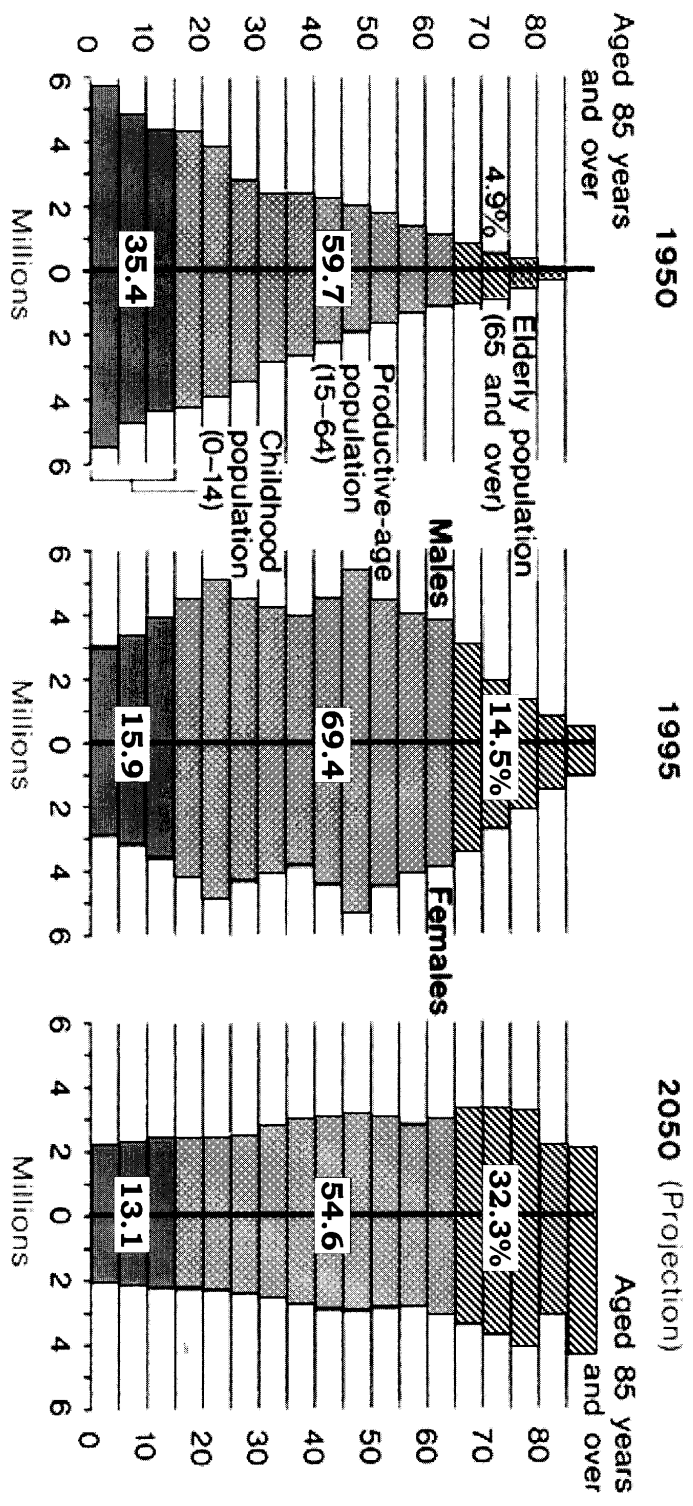
'Despite 50 years of a pervasive American influence in Japan, Japanese remain "Japanese" in thought, behaviour and lifestyle. Although there is much talk about a societal move from *hitonami* (alignment with society) towards *seikatsusha* (designing one's own personal lifestyle to reflect one's values), Japan remains a highly conformist society.'

### **2.3 Japan's population by area and age groups**

Japan's population is mainly concentrated in several large urban agglomerations, which are the major markets. Japan's total population amounted to 125.57 million people and the number of households was 44.07 million on 1 October 1995 according to the 1995 population census (Management and Co-ordination Agency). The three major markets cover over 60% of Japan's total population. These markets are:

- Kanto (Tokyo): about 30% of total population;
- Kinki (Osaka): about 18% of total population;
- Chubu (Nagoya): about 12% of total population.

# Changes in the Population Pyramid



Source : Statistics Bureau, Management and Coordination Agency;  
Ministry of Health and Welfare

Figure 2.1 Changes in the population pyramid

Source: Statistics Bureau, Management and Co-ordination Agency, Ministry of Health and Welfare (provided by marketing consultancy company).

The Japanese society is ageing rapidly. It is a concern for Japanese policy makers and it is an influential consideration for corporate strategies. The elderly are more often seen as a separate target group. The figure below shows the changes in the population pyramid.

## **2.4 Trends in Japanese eating habits and food expenditures**

A leading marketing consultancy company indicated, that the Japanese meal is basically composed of staple food (i.e., rice or bread) and side dishes (i.e., salad, cooked vegetables, cooked meat or fish, pickles and soup). Japanese food has westernised greatly - for example bread has become part of the daily menu - but the concept of the composition of the Japanese meal has not changed and rice still remains the main staple food. Dinner is the most important meal among the three meals the Japanese take in a day.

Convenience stores became an influential player in the distribution system in the mid 1990s and their share of the market is large in comparison to supermarkets. This development has created a more competitive condition for manufacturers. The smaller sales area of a convenience store means limited shelf space, so that the product selection is severe. In this respect, the name of the manufacturer can play a significant role in the selection process. Furthermore, convenience stores offer many seasonal products.

Changes in lifestyles and family structures affect the food market, in particular the demand for convenience or prepared food products (i.e., ready-to-cook and ready-to-eat products). The size of households has been decreasing over the last decades. The number of single person and two-person households has increased. Henshall (1999, p. 136) provides background information about that development:

'Reasons underlying the trend towards increased numbers of single-member households include a later average age of marriage, an increase in the number of people not marrying at all, an increase in the divorce rate, a decrease in the number of children (to keep a couple together), and an increase in the number of old people living alone. Though many of these may be small factors in themselves, the cumulative effect is significant.'

In 1995, about half of all households had two or fewer family members, according to the population census by the Management and Co-ordination Agency. The census shows two other developments affecting the demand for convenience food products as well, namely:

- housewives are ageing: in 1995 almost 50% of all housewives are 50 years or older;
- there is a substantial number of housewives who have jobs, namely more than 60% of housewives in their 40 and 50s have jobs.

Eating habits shift from meals with all family members to the consumption of meals individually. Also in non-single households, family members eat alone more often, because, among other factors, there are more occasions for each person to buy his food provided by a variety of shops. Furthermore, many Japanese men come home late and do not eat together with their family. Figure 2.2 shows this structural change. The share of dining out and consumption of prepared foods as a percentage of total food expenditure has increased, according the Household Spending Survey by the Management and Co-ordination Agency.

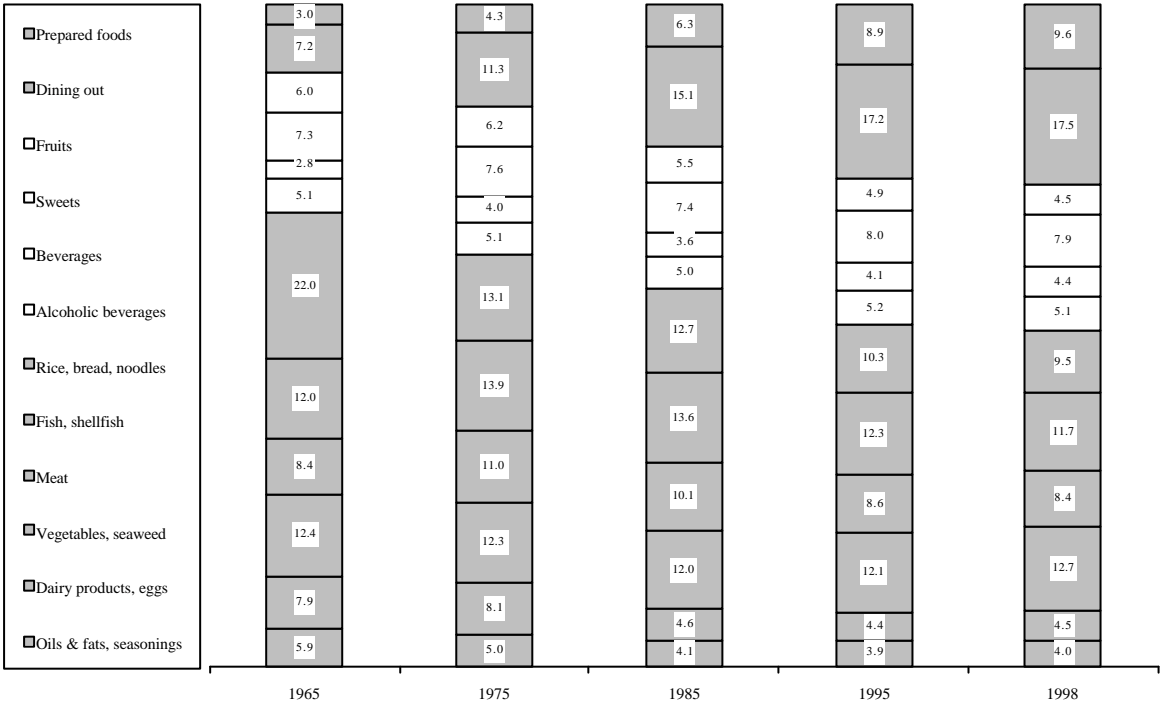


Figure 2.2 Food expenditures: changes in the food expense ratio by food type (per household, nationwide, by food type)

Source: Household Spending Survey, Management and Co-ordination Agency.

Looking at the current conditions regarding food expenditures shows that the market is mature and that the food expenditures are stagnant. The Household Spending Survey demonstrates that the food expenditure per person per year has not changed significantly in the 1990s. In 1998, the annual food expenditure was JPY 310,360 <sup>1</sup> per person. The household food expenditures as a percentage of total household spending has decreased over the last decades. In 1970, the ratio was 34.1%, in 1980 it was 29% and it continued to drop in the 1990s. In 1990 the percentage was 25.4% and in 1998 it was 23.8%.

Data from the National Nutrition Survey (1997) by the Ministry of Health and Welfare show that the nutrient intake amount of the Japanese consumer has remained nearly unchanged

<sup>1</sup> In December 1998, JPY 1,000 was USD 8.53 (source: ECB).

from the 1980s. The intake of oils and fats has been increasing and the use of livestock products along with oils and fats compensates for the decline in rice consumption.

## **2.5 General consumer perceptions in relation to food products**

### 2.5.1 Principal concepts in Japanese consumer perceptions

In section 2.5.1, we touch on a number of the principle concepts in Japanese consumer perceptions in relation to food products. It allows us to put the report in context. Some of the basic perceptions of Japanese consumers will be elaborated in more detail in the subsequent part of the report.

Good *taste* and high *quality*, which includes *safety*, are the consumer's first priorities - or even prerequisites - when he chooses a food product. Issues of great significance to Japanese consumers in their purchasing behaviour are the product's *freshness*, *appearance* and *place of origin*.

As stated by many of the interviewees, freshness is by far the most important issue. It even plays a role in the case of long-life products. Japanese consumers also connect freshness to health.

Packaging and wrapping relate to a product's appearance and, thus, they are important. For example, in the case of confectionery, items should be wrapped individually (in high quality paper). Other reasons for the individual wrapping are safety and freshness, but it may also be connected to Japan's cleanliness culture.

Japanese consumers attach importance to the region or country of origin, since knowing the origin of a product gives consumers more confidence about the safety of a product. In the case of many food products, the fact that it is domestically produced gives the consumer a positive feeling about its quality and safety. Recent food-poisoning scandals caused by domestic food manufacturers, however, may affect the consumer's attitude. Further research is required to determine whether it diminishes the confidence in domestically produced food products.

### 2.5.2 Consumer perceptions in relation to foreign versus domestic food products

#### *Quality differences*

Although it is not generally applicable, mainstream Japanese consumers have the idea that the quality in its broadest meaning of domestic food products is higher than foreign products. Quality stands for product characteristics like freshness, safety, taste, wholesomeness, etc. Interviewees mentioned the following reasons behind the mainstream consumers' belief of quality differences between foreign and domestic food products:

- Japanese farms are small-scaled, so that farmers can pay more attention to their products and take better care of it;

- domestic products generally cost more than imported products and consumers perceive a higher price with higher quality;
- due to the long transportation time required for foreign fresh products, Japanese consumers think they are treated with chemicals or preservatives and, consequently, are not natural.

### *Country image*

The image of the country as a food producer influences the Japanese consumer's perception. It can roughly be said that the countries that are best known as food producing nations also have the highest image. Interviewees mentioned the following ranking: France, Italy, United Kingdom, Germany and Spain. The Netherlands is not very well-known among Japanese consumers as a manufacturer of food products and does not really stand out. In the case of vegetables, for example, the Netherlands is perceived similarly as any other Western country.

### *Results from consumer survey*

A survey of the Japan Consumer Co-operative Union among 295 Co-op members in October 1999 about their perceptions of domestic versus imported food products brought forward the following conclusion. The majority (namely 58.3%) of the respondents are conscious about buying domestic products. The percentage of consumers that is always conscious of the domestic origin was 28.1 and 30.3% regularly pays attention to it. For 34.6% of the respondents, their consciousness depended on the product.

In general, Japanese consumers prefer buying domestic food products. The results of the survey provides insight in the image that these consumers have about domestic perishable food products (vegetables and fruits in particular) in relation to foreign products<sup>1</sup>. The percentages below show how many consumers responded 'I agree' or 'I agree to some extent' to the questions. The opinions of these Japanese consumers are as follows:

- domestic perishable food products are somehow safe: 90.9%;
- domestic perishable food products are fresh: 81.7%;
- domestic perishable food products are of high quality: 77.9%;
- domestic perishable food products are expensive: 74.6%;
- domestic perishable food products are tasty: 74.2%;
- Japanese agriculture and manufacturers are protected: 66.5%;
- domestic perishable food products do not have 'posuto haabesuto' (post-harvest)<sup>2</sup>: 62.8%;
- domestic perishable food products have only limited residue of agricultural chemicals (pesticides): 60.7%;
- Japanese manufacturers operate strict production control: 49.5%;

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<sup>1</sup> Note that this survey deals with the *image of the consumer*. The responses do not have to agree with *reality*.

<sup>2</sup> Post-harvest is a vague concept; it means that products are not treated in any way after harvesting and that no chemicals are added after harvesting.

- ingredients containing GMO are not used in domestic perishable food products: 34.2%;
- domestic perishable food products have a high-class appearance: 31.8%.

On the basis of the responses to other questions in this survey, one can draw the conclusion that these consumers do not feel reluctant to buy foreign food products if they have experience purchasing the particular product from abroad. The percentage of consumers who responded, for example, that they do not mind about the foreign origin of garlic, asparagus, paprika, orange and cherries - as long as the quality is good - were high, namely 37.6, 37.6, 45.4, 50.2 and 31.2% respectively. For many other fresh foods, consumers indicated that they buy - if possible - domestic products. Forty-nine per cent of the respondents indicated that they buy only domestic apples and 41.1% only domestic poultry. The reason behind the latter responses is the fact that consumers think domestic apples and poultry are safer. It relates to post-harvest chemicals and salmonella.

The same conclusion - namely that these consumers do not feel reluctant to buy foreign food products if they have experience purchasing the particular product from abroad - is applicable to processed food products. Consumers do not mind about the foreign origin of cheese (60.7%), wine (62.4%) and canned tomato (58%), since they have experience purchasing these products from abroad.

## **2.6 Consumer perceptions regarding health issues**

### **2.6.1 Health issues are a major concern**

Japanese consumers are far more concerned about health issues than about environmental and ethical issues. This conclusion could already be drawn from the first few interviews and the following interviews confirmed it. Additionally, different publications, such as a report by Saison Research Institute (1998) on reassurance and safety of food, show that consumers are most concerned about their health. In section 2.6, we elaborate this health concern and provide an insight in consumers' motives. Moreover, we zoom in on the topic of genetically modified organisms (GMO) and concerns in the field of confectionery.

The notion that health is a major issue for Japanese consumers also becomes evident from the fact that Japan is the biggest spender of over-the-counter (non-prescription) medicines in the world. According to *The Economist* (3 June 2000, p. 122), citing Euromonitor, the sales of over-the-counter health-care products in Japan in 1999 amounts to USD 153 per capita. Sales per capita in the USA is USD 97. In the EU, Britain and German consumers spend most, both around USD 50 per head. Vitamins and dietary supplements made up over a third of the world market in over-the-counter products.

Health issues are a major concern of Japanese consumers in relation to food products and they play a significant role in the consumers' purchasing behaviour. However, it is difficult to pinpoint what health concern actually means and what the specific concerns are. On the one hand,



there are experts who wonder whether the current consumer attention on health is nothing more than a fad, especially in the case of young women. On the other hand, most interviewees were of the opinion that there is more to it than that. Both agree that the image of health in its broadest meaning plays a role and that presently consumers are highly influenced by the media and opinion leaders. For example, several television programmes almost exclusively focus on health issues.

### 2.6.2 Pin-pointing specific health concerns by consumer surveys

Consumer surveys reveal the specific concerns. Below, the results of different consumer surveys are provided.

#### *Anxiety about health in the future*

A representative survey by the Japan Consumer Co-operative Union (February 2000) among Co-op members concludes that 52.2% of the respondents are often or sometimes anxious about their health in the future. People in their thirties worry more often than people in their fifties or sixties. The anxieties with the highest scores are:

- lack of physical exercise: 58.7%;
- lack of sleeping time: 30.7%;
- mental stress at home or in the office: 26.7%;
- eating too much between meals: 23.1%;
- mental or physical stress due to housework: 17.9%;
- not enough consumption of vegetables: 16.6%.

Furthermore, in connection to this survey, it was concluded that consumers in their late teens and twenties realise they have bad eating habits and are anxious about it, but do not actively do anything about it.

#### *Survey on 'To what do you pay attention in relation to your daily eating habits?'*

Amemiya (2000) writes about the results of a consumer survey. Seventy-two per cent of the respondents answered to the question 'To what do you pay attention in relation to your daily eating habits?' that they find the balance of nutrition important. The other issues they find important are: having vegetables (68%), not eating too much (55%), not eating too much salt containing products (50%) and producing less waste of not eaten food products.

### *Major health concerns*

According to the conclusions of a (internal) market research on Japanese consumers' health awareness by a large food manufacturing multinational, their major concerns are stress (58% of the interviewees) and fatigue (66%). This market research also concluded that Japanese women experience more stress and fatigue than men.

### *Other concerns*

In addition to the results of the above-mentioned consumer surveys, interviewees mentioned other concerns in relation to health issues, namely allergies for 'artificial' ingredients and food safety in general. One should realise that Japanese consumers set high standards for the quality level of any product, consequently, of food as well. From this point of view, safety, wholesomeness and appearance of a product are elements of quality.

### 2.6.3 Key words 'nutritional balance' and 'natural products'

We can conclude that the key words in the consumer perceptions regarding health issues are 'nutritional balance' and 'natural products'.

#### *Nutritional balance*

There is an ambivalence in the attitude of consumers concerning the importance of nutritional balance. Due to the large number of fast-food restaurants, the high consumption of instant and convenience food products and the lack of space to cook (viz., kitchens are small), consumers - especially in urban areas - realise that their intake of fat and calories is higher than several decades ago. They become more sensitive to wholesome food and the balance of nutrition, but consumers continue their eating pattern, although they are aware of the fact that is not optimal for their health. Nonetheless, Amemiya (2000) noted that consumption of salty snacks ('sunakku-gashi') has decreased, because it negatively affects one's health.

#### *Natural products*

The Japanese consumer has a preference for 'natural' products and worries about artificial ingredients. Whether that is connected to the Japanese culture, as a few interviewees claimed, cannot be said with certainty. Possibly, the preference for natural products relates to importance of purity in Japanese culture. Henshall (1999, p. 179) indicates it as follows: 'Aesthetics, particularly of purity, have a far greater importance in Japanese life than in the west (...) Purity in Japan does not just mean undiluted or clean, it can include such concepts as perfection and normalcy.'

One specialised import and trading company mentioned that consumers even intend to give natural food to pets. This company was looking for foreign suppliers of natural pet food.

#### 2.6.4 Influence of the media

Coverage of recent scandals (e.g., several dioxin affairs and an accident of leaking radioactivity from an atomic power plant in Ibaraki Prefecture in 1999) in the media made consumers more aware of food safety. Mass communication and articles greatly influence consumers. Saison Research Institute (1998, p. 79) concludes that 'in the case of health and food, the influence of mass communication is very strong'. Publicity on health issues has enormous impact. Well-known examples are the cocoa (for chocolate milk) boom in 1995 and the banana boom in 1999 after television programmes featuring these products.

#### 2.6.5 Japanese-style food in connection with health

According to an internal consumer survey by a food manufacturing company, the mainstream Japanese consider Japanese-style food as more wholesome than non-Japanese eating styles. This thought is also promoted by different publications. The book 'Soshoku no susume' (Plain food recommended) by Makuuchi (1995) has been a best-seller. Makuuchi promotes a drastic change in eating habits and argues that the Japanese should only consume traditional Japanese food on the basis of the argument that it is better for their health. Traditional Japanese ingredients are rice, vegetables, seaweed, fish and soybeans. Products, such as oil, fat, sugar, milk, pork, eggs, flour, bread and pasta, originate from abroad. Makuuchi (p. 87) indicates, for example, that Japanese alternatives exist for Western products, such as rice for bread, soy milk for cow milk, sake for whiskey and etc.

In March 2000, the Japanese Ministry of Agriculture, Forestry and Fisheries proclaimed new guiding principles for dietary life (i.e., eating habits). They are directed to the general public and replace the previous guiding principles dating from 1985. The new guiding principles call on, among other things, paying attention to one's health, but also - indirectly - promote the consumption of Japanese-style food. It should be noted that they are by no means as extreme as Makuuchi's publication.

#### 2.6.6 Motives for Japanese consumers' health concern

Attempting to find the causes and motives for this consumer attitude leads to the following points.

### *Worries about the future*

The Japanese life-expectancy is among the highest in the world. According to a food manufacturing multinational, it is the mainstream Japanese's concern to live his long life *in a healthy condition*. He wants to maintain his good health as long as possible.

A number of anxieties many Japanese presently suffer from, play a role as well in this respect. They worry about the consequences of the ageing society and are uncertain about their financial position after retirement. They worry whether their future pensions will suffice and they wish to avoid personal medical expenses (in addition to the health insurance fee).

Furthermore, the economic depression - and the attention about it in the media - contribute to their feeling of uncertainty. So is the fast change of Japanese society. The life-time employment system is being replaced by an employment system that is driven by skill and competence.

The concerns are present in all age groups, since the younger generation perceives their parents' worries. On the one hand, the young Japanese experience more opportunities to achieve their ambitions due to the changing employment system. On the other hand, however, the education system does not fully encourage individual ambition yet.

A publication by Saison Research Institute confirms the views of the food manufacturing multinational. Saison Research Institute (1999, p. 58) cites a survey by the Economic Planning Agency which indicated that the Japanese anxieties about their old age have changed significantly between 1986 and 1998. Japanese consumers worry in 1998 most about the economic situation (such as living expenses), their health and their care or nursing when they become elderly. In 1998, the percentages of respondents who worried about these issues were 52, 50.2 and 29.5% respectively. It is a drastic change to the responses in 1986, because then the percentages of interviewees who had worries about it were 26.5, 33.6 and 8.6%.

### *Strive for personal satisfaction: increase of self-centredness*

In connection to the economic development, the mainstream Japanese more and more realises it is himself who controls his own life. It results in a more self-centred attitude and in the consumer's consideration to select the items that gives him the highest personal satisfaction. Consequently, the notion of 'value for money' has become important, but it should be looked at with care. A consumer may consider a luxury branded food product or an expensive branded fashion item as value for money.

### *Additional motives*

One expert mentioned two other reasons behind the significance of health concerns that played a role until the beginning of the 1990s. Firstly, the Japanese have no religion in the Western sense that can provide consolation, so they worry about their health. Secondly, the Japanese did not suffer from major problems (i.e., economic depression, political instability, and etc.), so one of the only topics they could worry about was their health.

### 2.6.7 Concerns about genetically modified organisms (GMO)

GMO is a concern of consumers in Japan, like in several other countries. In this section, we will elaborate on the consumer perceptions. In section 3.4.2 we look closer at the response of agribusiness and food industry and in section 4.3.1 we zoom in on the Japanese legislation.

#### *Consumer surveys*

The outcomes of different consumer surveys demonstrate that Japanese consumers are very much concerned about GMO, although the exact percentages of respondents indicating that they are worried differ. According to a random sample survey in November 1999 by the Nôrin gyogyô kinyû kôko (Agricultural, forestry and fishing industry credit bank) among 600 people, 45.7% of the respondents felt very concerned and 41% a bit concerned about GMO. When they were asked about their reluctance to buy products containing GMO, 45.3% responded that they feel reluctant to buy them and 37.4% of the respondents felt little reluctance. The conclusion was that consumers find it important that food products are labelled and that they try to avoid as much as possible buying products containing GMO. The Japan Agrinfo Newsletter (April 2000, p. 6) refers to two different surveys and writes the following:

'A consumer survey conducted by the Agriculture, Forestry and Fisheries Finance Corp. of Japan in November 1999 has found that more than 80% of respondents were reluctant to purchase and eat GMO foods. The finding reinforce those of a survey conducted in October by the Tokyo Metropolitan Government (TMG).'

The TMG survey found that 90% of the respondents felt either strong or mild reluctance.

#### *Motives for consumer concerns about GMO*

The reluctance is connected with the Japanese consumers' worries about artificial ingredients. However, it is principally based on the fact that consumers are uncertain about the long-term health effects. The Secretary General of the NO! GMO Campaign writes about consumer concerns and expresses the concerns as follows (Japan Resources, number 110, p. 8):

The Ministry of Health and Welfare of Japan has approved 22 varieties of 6 crops (soybeans, rapeseed, corn, potato, cotton and tomato), and 7 more varieties will be approved in the near future. Japanese people have traditionally eaten a variety of types of processed soybeans, such as tofu, miso, and shoyu. However, the degree of self-sufficiency in soybeans is 3 and 80% of consumption is imported from the United States. This year, 57% of soybeans grown in the United States are genetically modified. The degree of Japanese self-sufficiency in corn is 0%, and Japan imports 10 million tons of the corn (mostly for livestock feed) from the United States, of which 70% is genetically modified. Therefore the Japanese are now eating the greatest amount of GMOs in the world because their food self-sufficiency is very low. Japanese consumers are therefore extremely concerned about being treated as guinea pigs.'

GMO is an important issue for the consumers' organisations. For example, in Japan Resources (number 110, October-December 1999), the English-language magazine of the Consumers Union of Japan, open letters appear to American farmers and agribusiness and to Australian and New Zealand farmers and agribusiness. Furthermore, the Shôhisha ripooto (Consumer report), the Japanese-language magazine of the Consumers Union of Japan, of 7 April 2000 shows photographs of consumers demonstrating against GMO. Actually what they demonstrated for was 'freedom of choice'. Hence, they request labelling of products, but they are not satisfied with the new labelling system that will be effective from April 2001. The argument is that the 'Japanese government devised a rule whereby only foods for which DNA is detectable would be labelled. According to this system, oil and animal fats will not be labelled GMO. 90% of imported GM crops will therefore be unlabelled' (Japan Resources, number 110, p. 8). According to the Secretary General of the NO! GMO Campaign the Japanese Committee on Labelling made labelling mandatory only for certain limited products, because the Japanese government was 'influenced by remarks by the USA' (Japan Resources, number 110, p. 8).

#### 2.6.8 Consumer concerns in the field of confectionery (on the basis of a consumer survey)

The results from a consumer survey <sup>1</sup> among 200 woman with children aged between 30 and 50 years in the metropolitan area of Tokyo in December 1999 provides insight in the concerns of Japanese consumers particularly in the field of confectionery.

##### *Concerns about indications on qualities*

On the basis of this survey, the concerns about indications on qualities of products can be summarised as follows:

- the interviewees showed more concern about indications on fresher products than on dry products;
- their highest concerns about indications were 'best before time' and 'food additives'.

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<sup>1</sup> One of the leading Japanese confectionery manufacturers provided these data.

Other high concerns were 'price', 'date of manufacturing' and 'raw materials'. They were less concerned about the indications of 'function', price per gram and 'country of origin'.

### *Concerns for calorie control*

The main points about concerns for calorie control were as follows:

- 91% of the interviewees find calorie control necessary and the number of mothers who are concerned about it have increased in three years;
- however, only 50% of the aforementioned 91% actually achieves calorie control and that number has decreased in a three-year period;
- about 79% of the respondents are moderate in eating confectionery in order to control their calorie intake. Women in their thirties showed the highest concern about calorie control and the women who have jobs are paying more attention to their calorie intake than full-time housewives.

### *Concerns about genetically modified ingredients*

The concerns about genetically modified ingredients in food products were as follows:

- 99% of the women know the meaning of GMO and 27% (of the 99%) 'precisely' know what it is;
- 45 of this 99% connected soy beans with GMO;
- as for the application GMO in food, over 70% of the interviewees were negative.

### *Concerns about allergies*

When asked about allergies, 44% of the interviewees indicated that family members suffer from allergies. They related the cause of their allergies to artificial food additives, dioxin, pesticides, hormones affecting chemicals, radioactivity and stress.

## **2.7 Consumer perceptions regarding environmental issues**

Environmental issues refer to a wide range of topics. They relate to nature protection on the one hand and pollution on the other hand. The consumer perceptions can be viewed in a number of ways. In section 2.7, we will zoom in on two matters. Firstly, we discuss environmental concerns in general and, secondly, we look at packaging in detail.

### 2.7.1 Environmental concerns in general

#### *Government as driving force*

The environmental awareness of mainstream Japanese consumers is increasing, but it is significantly lower than in the Netherlands. In Japan, the government is the driving force behind the consumers' environmental concerns. It becomes evident, for example, from new legislation on recycling of packaging material. This will be discussed in section 4.6.1.

#### *Environmental concerns resulting from public health concerns*

Although certain actions of consumers may in the first instance seem to stem from environmental concerns, they are in fact a result of human health concerns. Consumers' personal health, and not the environment, is their motive to buy organic (i.e., pesticide- and fertiliser-free) or low-pesticide vegetables and fruits. The reason behind the discussions on waste incinerators and their dioxin emission is the fact that consumers more and more suffer from allergies and bronchial and pulmonary symptoms. The announcement of the 'NO! PVC (polyvinylchloride) Campaign' by the Consumers Union of Japan in Japan Resources (number 110, October-December 1999, p. 10) clearly mentions that it is directed against 'dioxins (hormone disrupting chemicals)'.

#### *Consumer survey*

Although the following data are by no means representative for the total Japanese population, Asahi Evening News (5 April 2000, p. 2) published the results of a poll conducted by Nippon Fire and Marine Insurance Co. among 500 young university graduates (250 men and 250 women) in the Tokyo area. It showed that Japanese women are more ecology-conscious than men. Of the female respondents, 72.1% said they were interested in ecological issues, compared with 45.7% of the men. The survey found that 33.8% of the women wanted to be active in protecting the environment, compared with 12.6% of the men.

#### *Environmental awareness in different consumer groups*

As for the level of current (and future) environmental awareness, a rough distinction can be made by four different consumer groups. They are as follows:

- children at primary and secondary schools;
- people in their late teens, twenties (and - partly - thirties);
- middle-aged and elderly people;
- housewives raising children.

Although it is a generalisation, we can conclude that children at primary and secondary schools learn about the environment at their schools. Middle-aged and elderly people and



housewives raising children care - to a certain extent - for the environment. Mainly people in their late teens, twenties (and - partly - thirties) are not concerned at all. They are occupied with their starting careers and do not yet have the responsibility for raising children.

## 2.7.2 Packaging

### *Appearance exceeds environment*

Japan is known as a country where the consumer finds the appearance of product and, as a consequence, its packaging and wrapping essential. On the one hand, several interviewees indicated that they experience 'surplus' packaging to be slightly decreasing and in several supermarket chains, re-using shopping bags is promoted. On the other hand, gift packaging is still considered important.

One food manufacturing multinational mentioned that they have not decreased the amount of packaging of their products for many years and they have not had demands from consumers for less packaging. According to the experiences of another food manufacturing multinational, Japanese consumers generally do not care about reducing packaging, especially in the case of gift items. The distinction should be made between different types of products, namely ordinary products for personal consumption in a private area and gifts. For the former, packaging may decrease. For the latter, the appearance will continue to be very important. Moreover, consumers are not concerned about environmental issues, but about how they will be perceived the recipient of the gift. One could say that social rules or virtues exceed environmental concerns. This notion also applies to products that one consumes in public. Then the appearance (i.e., packaging and brand name) plays a role.

### *Consumer survey on confectionery*

The consumer survey mentioned in section 2.6.8 on the concerns of Japanese consumers in the field of confectionery also discussed the concern about recycling of packaging. The conclusions were as follows:

- 67% of the interviewees indicated they were concerned about recycling of packaging material and 12% were strongly concerned about it;
- the women in their forties and the women with jobs showed higher concern than the women in their thirties and full-time housewives.

## **2.8 Consumer perceptions regarding ethical issues**

### 2.8.1 Ethical issues equals animal welfare

In this research project, ethical issues are considered in the context of animal welfare concerns. Japanese consumers are hardly concerned about ethical issues in relation to food products. Welfare issues related to raising animals are not considered to be issues of significant importance, consumers are rather indifferent to it. One reason may be the fact that animal welfare is hardly observed in the context of the final product. It does not directly affect product quality, but only relates to the production method applied. Interviewees mentioned that the only argument Japanese consumers may have to buy meat of free-range chicken or pigs, is a (purported) better taste, but not the welfare of the animal.

An example heard several times related to the British cosmetics chain 'The Body Shop'. When it entered the Japanese marketplace, it was one of the first times a company used animal welfare and environmental concern in their communication to the consumers. However, consumers' main argument to buy products from The Body Shop was the fact that it was a *new brand* - and consequently attractive - and not because of the corporate policy.

### 2.8.2 Vegetarianism

The idea of having a vegetarian diet as a consequence of animal welfare arguments is hardly existent in Japan. There are a limited number of people who only eat the traditional Japanese-style products, as mentioned in Makuuchi's book 'Soshoku no susume' (Plain food recommended), in connection with the Buddhist religion. Furthermore, there are special Buddhist-style restaurants (in cities like Kyoto and Kamakura) where vegetarian meals are served. However, the mainstream Japanese sees them as an alternative to other restaurants (e.g., Indian or Mexican) and does not visit them out of pity for animals.

### 2.8.3 Outlook

In the near future, there is a chance that animal welfare may become an issue among Japanese consumers. This contemplation is based on the fact that more attention may be paid to the topic of animal welfare. For example, the Japan Consumer Co-operative Union recently published a short column on animal welfare in a magazine for its members.

## 3 Consumer concerns and the response of Japanese agribusiness and food industry

### 3.1 Introduction

In this chapter we discuss how different players in the agri-food supply chain in Japan (i.e., domestic companies) respond to the perceptions of consumers regarding health, environmental and ethical issues. This chapter shows whether and how different Japanese companies adjust their corporate strategy, including their supply chain organisation and their marketing mix.

Chapter three starts with remarks related to the corporate strategy as a whole. Then, observations related to the marketing mix variables will follow and they are classified among the four Ps of marketing, viz. product, promotion, place (i.e., distribution) and price (Kotler, p. 15). Since the interviews were directed at two different product groups, namely fresh vegetables and confectionery, the observations which are applicable to one of these product groups only, are grouped accordingly.

We can conclude from the previous chapter that the significance of health as an issue for consumers has a greater significance than the environmental and ethical issues. As a consequence, this chapter focuses on health issues.

### 3.2 Corporate strategy

#### 3.2.1 Japanese consumer behaviour rooted in Japanese tradition

On the surface, the Japanese consumer, especially in the major urban areas, shows many characteristics that one recognises from the West. However, in reality traditional Japanese values maintain and the consumer's behaviour and mentality are still rooted in the Japanese tradition.

Schütte warns in his book 'Consumer Behaviour in Asia' (1998) that the 'danger, however, is to imagine that, as companies and competition globalise, consumers are globalising as well' (p. 194). It has been Schütte's argument throughout his book 'that culture ensures that *consumers are not the same*. They are fundamentally different in their tastes and preferences, perceptions, ordering of needs and motivations to consume' (p. 194). Therefore, it is his 'strongly held belief that the fundamental differences underlying Asian and Western cultures make an alternative consumer behaviour theory specific to Asia a necessity' (p. 195). Schütte noticed that some 'commentators have suggested that the emergence of a global mass culture signals the homogenisation of cultures around the world' (p. 195). However, it is a misconception, since 'the availability of similar products in different countries does not mean the same culture, consumers or consumer behaviour' (p. 196). In order to explain why, superficially, characteristics of Japanese and other Asian consumers resembles the ones in the West, Schütte refers to the modernisation in

these countries, namely: 'What Asian countries are experiencing is not "Westernisation" or even "globalisation"; they are experiencing modernisation' (p. 197). Therefore, one has to conclude that it is 'incorrect to assume that what is occurring in Asia is Westernisation, which will make Asian consumers identical to Western consumers' (p. 198). An example from the food sector confirms this conclusion: 'Even with the fame of McDonald's and Domino's pizza in Asia, 98 per cent of all restaurants in Asia serve the food indigenous to the local region' (p. 198). Henshall (1999, p.79) agrees with Schütte on this matter, because he states: 'Nevertheless, there is undoubtedly still much that is American about present-day Japan. It would be a mistake, however, to see this as an indication of Japan's wholehearted endorsement of internationalisation.'

### 3.2.2 Marketing mix specific to the Japanese market

The implication of the cultural differences between the West and Japan for corporate strategies is the necessity of designing a marketing mix specific to the cultural context. A product's marketing mix needs to be adjusted to the specific Japanese situation.

The following three points are examples of this conclusion. Firstly, an element of the corporate strategy of a large food manufacturing multinational which was interviewed for this research project clearly reads 'understand local consumers'. Secondly, in an interview with the Far Eastern Economic Review (20 April 2000, p. 64), the new CEO of Coca-Cola indicates that 'as a company we must think locally and act locally (...). The way we're structured has to recognise the essentially local nature of our business.' He continues: 'we're now placing decision-making and responsibility closer to the front lines. We've given local managers the authority to make decisions about products, advertising and other functions that were previously controlled from Atlanta.' Thirdly, a food manufacturing multinational explained during an interview that Japanese consumers wish to see the Japanese language on the packaging. Explanations and other information should be in Japanese. The fact that one often sees Roman letters on packaging is misleading and should not be interpreted that communication in English suffices to Japanese consumers. The Roman letters are not for communicating a message, but they are part of the design and contribute to the appearance. This also explains why frequently the English text on the packaging does not make any sense.

### 3.3 'Something extra' or 'something new' as an added value

During interviews it was often mentioned that a product needs to have 'something extra' or needs to be 'something new' for being successful in the Japanese marketplace. The Japanese market is highly saturated and competitive. Thus, manufacturers and retailers are continuously looking for additional or new features to make their products stand out and catch the eyes of the consumers. High quality, good taste, perfect appearance and good service are prerequisites, a product needs something in addition. The example of a Japanese confectionery manufacturer shows how it deals with these circumstances. It mentioned the following ways:

- continuously researching consumer trends and behaviour;
- making use of information about foreign countries and consumers: therefore, this manufacturer is closely observing the developments in the USA and the EU;
- looking for new ingredients. The most recent big hit was xylitol. It is paramount that the new ingredients taste well;
- looking for new production processes (machinery).

## 3.4 Product

### 3.4.1 Functional foods

The fact that Japanese consumers are most concerned about health issues makes food producers look for or develop features in line with this consumer perception. It leads to, on the one hand, innovative products (i.e., functional foods) which have a function or which make health claims. On the other hand, manufacturers and traders highlight existing features of certain products. We will give examples of the latter in section 0, since it is related to the promotion variable of the marketing mix.

Eurofood (2000, p. 16) refers to a publication by Euromonitor indicating that if one closely looks at the product development and labelling in the food sector world-wide, one notices the following:

'A shift away from "lesser evil" goods - with lower fat, less cholesterol or reduced salt - towards "good" foods, that is those which actively enhance health. The report suggests that 'these positively promoted "actively good" foods have taken over from the "less bad" products', since 'reduced-fat foods may be "less-bad", but they do not promote health in the way that functional foods can lower cholesterol or provide added vitamins.'

Current marketing approaches of Japanese food manufacturers are still directed towards 'less bad' products, such as reduced-salt soy sauce, less-sugar confectionery and less-bad oil. However, also 'actively good' foods are developed.

In Japan there is a legal term classifying certain foods which make health claims, namely FOSHU. It stands for Food for Specified Health Use. In accordance with the pharmaceutical legislation, producers cannot claim that a product is good for one's health, but in accordance with the Nutrition Improvement Law, the government authorises certain food products to get the FOSHU-certificate. According to Eurofood (2000, p. 16), the leading sector of FOSHU-products in Japan is probiotic dairy: sales increased from USD 22.1m in 1995 to USD 823.3m in 1999<sup>1</sup>. The market for both 'less-bad' and 'actively good' foods will increase in Japan. AgraFood Asia (February 2000, p. 7) cites an American market survey on the opportunities for functional

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<sup>1</sup> The data for 1999 is estimated based on half-year results for 1999.

foods in the 'potentially lucrative Japanese market' which sees a 'massive potential of the coming decade'.

Looking for examples of product innovations with consumers' health concerns in mind leads to surprising discoveries. AgraFood Asia (February 2000, p. 7) mentions there are Japanese consumers who 'are eating soup with collagen to moisturise and help heal damaged skin, and they are consuming soft drinks and chewing gum made with blueberry extract to relieve eye strain'. There are also breweries marketing wholesome beer.

### 3.4.2 GMO

In 1999, when GMO came up for discussion among a broader public and when the subject of labelling was introduced, several manufacturers selected GMO-free ingredients, so that they could communicate that their products are 100% GMO-free. Although labelling for some of these products would not be required according to the new legislation, manufacturers chose other ingredients and indicated their products were GMO-free. It is remarkable that items not requiring labelling also were adjusted to become completely GMO-free. As indicated by one of Japan's major trading companies, it is an added value if a product is GMO-free and, consequently, more attractive to the consumers.

The Japan Agrinfo Newsletter (March 2000, p. 3) mentions that 'major Japanese trading companies are rapidly expanding importation of non-GMO grains (grains produced without recombinant-DNA technology). Their actions respond to growing demand from the Japanese food industry'. Many food companies have switched or consider switching to GMO-free ingredients. AgraFood Asia (December 1999, p. 12) provides figures on this development:

'According to the results of a recent survey conducted by the leading economic daily newspaper Nihon Keizai Shimbun, 66% of food companies asked have either switched or are considering switching to using non-GM ingredients. 43% of companies also said that they would pass on the increased costs to consumers, either in whole or in part.'

The Secretary General of the NO! GMO Campaign states in Japan Resources (number 110, p. 8) why manufacturers select GMO-free ingredients even for products that do not require mandatory labelling: 'Due to the serious concern of the general public and in order to meet consumer demand, soy sauce and beer makers (non mandatory labelled products) have begun to decide to switch to non-GMO ingredients.' Although the price of GMO-free cornstarch is 15% higher than ordinary cornstarch, three major beer breweries changed to GMO-free ingredients. AgraFood Asia (February 2000, p. 9) mentions Sapporo, Asahi and Kirin. A confectionery manufacturer indicated during an interview that they have decided not to use genetically modified raw materials and related products until they are proven to be safe. Although this will be more costly for the manufacturers, the strong buying power of their clients forces them to do so.

### 3.4.3 Response to the environmental issue

In 1993, the Law for the Protection of the Environment, which was based on the Law for the Prevention of Environmental Pollution, took effect instigated by the increase of pollution in air and water, emission from industries, acid rain, etc. The Japanese manufacturers are required to fulfil their own social responsibility. According to this interviewee, many manufacturers do not use chloridised plastics for packaging material to prevent the emission of dioxin at incinerators and they do not use plastics that release hormone affecting chemicals. Furthermore, a movement of 'zero emission' is spreading among Japanese industry to promote recycling and increase environment-friendly corporate behaviour. The aim to achieve ISO-14001 certification is also increasing among Japanese manufacturers.

As for retail chains, previously only Co-op supermarkets paid attention to the environment. Nowadays, one notices that a few other supermarket chains charge for plastic bags or encourage using other shopping bags, instead of giving plastic bags freely.

### 3.4.4 Fresh vegetables

Two example of the development of a new product instigated by consumer concerns on health issues are vegetable juice and yoghurt containing fruit. Currently, food manufacturers market different types of vegetable juice, like one especially for women. The present popularity is connected to the fact that Japanese consumers realise that they do not eat enough wholesome food and that they do not cook proper meals (including vegetables). Hence, vegetable juice is perceived as a good alternative. Furthermore, a mix of vegetable and fruit juices is an alternative for those who do not eat enough fruit as well.

According to AgraFood Asia (January 2000, p. 9), the dairy companies Morinaga, Meiji Milk, Kyodo Milk and Glico Dairy have all added new lines to their ranges of yoghurt products 'containing pieces of fruit, which particularly appeal to health-and-beauty conscious young women'<sup>1</sup> and 'Morinaga and Meiji have launched products containing blueberries, which are purported to be beneficial to improving eyesight'.

### 3.4.5 Confectionery

#### *Functionality versus taste*

A Japanese confectionery manufacturer mentioned during an interview that they pay a lot of attention to the trends and demands of consumers on health issues to meet the needs of and anticipate on a strong rise of health consciousness. It resulted in the release of many types of 'enriched foods' and 'functional foods'. Enriched foods are products rich in vitamins and minerals. Functional foods have characteristics like low-calorie, low-fat, non-oil, low-cholesterol, sugar-free, polyphenol/natural anti-oxidant combined or flavonoid-combined. However, few products

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<sup>1</sup> Yoghurt is associated with the beauty of a lady's face.

are surviving, except for sugar-free and vitamin- and mineral-rich products. The principal reason is that many functional foods and confectioneries were not accepted by the consumers, because of their taste. In general, presently, raw materials developed for functional foods are not tasty enough as a substitute for traditional ingredients like sugar, butter, milk, vegetable oils and starch. It shows that functionality is a less important factor to consumers than taste.

### *Food safety*

The food safety issue in general is considered the most important one for this confectionery manufacturer due to the rapid rise of consumer concerns, the strong demand from clients (national supermarket and convenience store chains) and the Product Liability Law. Another concern for this manufacturer is the country of origin of raw materials and products. In order to prevent problems in their finished products, it is important to see and know the 'growing and treating methods' of raw materials. Therefore, food manufacturers dispatch a quality control person to suppliers to confirm their quality level before they purchase ingredients.

### *Perfection*

Even in the case of confectionery items of JPY 100, Japanese consumers expect very high quality. In other words, the product must be perfect. If there are minor quality problems, such as candy rolls of which the packaging is slightly open on one of the sides or cracked candy, consumers phone to the manufacturer's service telephone number to complain.

### *Product development in confectionery: an example*

A marketing consultancy company explained how a new type of product was developed on the basis of current consumer trends. The two main considerations were:

- consumers' health consciousness. It refers to balance of nutrition (adding of vitamins, calcium and etc.) and dieting (low calories and sugarless);
- environmental factors, namely long working and commuting hours and a busy lifestyle, so that time to eat is lacking. Consequently, the packaging should meet the requirements that the product is easy to eat anytime and that it is easy to carry (small).

It resulted in a new type of product: a 'nutritious balanced bar or jelly.' It is a confectionery containing many vitamins and minerals.

## **3.5 Promotion**

### 3.5.1 Factors of promotion



Promotion consists of different factors, among other things the mode of promotion and the contents of the message. Both will be discussed below.

### *Mode of promotion*

It depends on the specific product which mode of promotion is most suitable. During the interviews three different modes were discussed, namely television, newspapers or magazines and promotion at the point-of-purchase (POP). We concluded that the interviewees found commercials and advertisements less effective than informative television programmes and articles (or article-advertisements) in newspapers and magazines.

In the case of television, informative (cooking or health) programmes are influential. These programmes have a significant effect on the product concerned. Authorised information in particular, like statements by doctors, has an effect on consumers. At the POP one often sees certificates, but a message at the POP that the product has appeared in a television programme was said to affect sales more. Food manufacturers and retail companies make effort to ensure that there is enough supply of the products featuring in that day's television programmes otherwise their stocks may not suffice.

According to the interviewees, direct sponsoring of television programmes by food manufacturers does not occur. However, indirect sponsoring takes place.

Many of the booms in the previous years, like the red wine and cocoa booms, were the result of informative television programmes or articles in newspapers and magazines.

### *Contents*

The other factor promotion consists of, is the contents of the message. We will closely look at which information Japanese consumers require. They desire abundant background information about a product and base their purchasing decision on this information. Amemiya (2000) formulates it as follows: 'present-day Japanese consume information (instead of food).' The food manufacturers realise it and provide the consumers with detailed background information and easy-to-understand explanations.

The topics relate to certain features of the product that highlight its exclusivity (e.g., brand, special production method or source of origin) or - currently - its positive effect on health. Of course, manufacturers or retailers cannot allege this with scientific proof in most cases. However, they can stress the fact that the product contains certain ingredients of which most consumers know they have a positive effect in one way or another to their health. Through - among other media - informative television programmes, articles in magazines and highly-popular non-specialist literature on food and health, consumers are relatively well-aware of the (purported) effects of certain ingredients to their health.

An example of how manufacturers deal with it is an instant cocoa drink. The manufacturer - a food multinational - changed the packaging of the product. Now, it is conspicuously mentioned in the centre of the package's front side that the product contains polyphenol and dietary fibre. On

the back side, a radar chart (i.e., a chart in the shape of a spider's web) shows details about the other ingredients. Another example relates to blueberries. Since consumers have learned that blueberries are supposedly good for their eyes, manufacturers and retailers stress that a product contains blueberries whenever possible and add products containing blueberries to their assortment.

In addition to the two topics mentioned above - namely features highlighting a products exclusivity and its positive health effect - freshness is important theme in a promotion message. Even for products that last long, this theme is used. For example, one of the leading beer manufacturers refers to freshness in television commercials. Also for other products, like canned food and chocolates, freshness is an issue, according to a specialised import and trading company.

It occurs that companies (especially smaller companies) follow their competitors (mainly large companies) in announcing certain positive characteristics or effects of their products, since they expect that these competitors have done sufficient analysis. It was said that this happened in the case of pomegranates (see below).

### 3.5.2 Fresh vegetables

#### *Association of vegetables with health*

According to a large Japanese food manufacturing company, Japanese consumers associate vegetables to health and vice versa. On the basis of this experience, 'vegetables' has been a key word in their marketing strategy for the past three to four years. In the case of instant soup, seasoning, easy-to-prepare dishes and etc., the manufacturer communicates - on the packaging, in the advertisement and for in-store promotion - that the products contain a lot of vegetables. In the case of frozen food products, it is communicated that it contains green vegetables. Therefore, the consumers conceive these products to be wholesome.

#### *Bananas*

Focus Japan (2000, pp. 10-11) gives an account of the strategy of the Japanese banana importers. In this article we recognise many elements that are mentioned elsewhere in this report in more detail. It shows how effective a good marketing strategy in the Japanese marketplace can be.

The spokesperson of the Japan Banana Importers Association (JBIA) indicates that 'in a bid to lift the level of consumption, we've been playing up the properties of bananas as a "miracle fruit"'. The strategy of JBIA is using research results that 'eating bananas enhances immunity and makes people less susceptible to arteriosclerosis and cancer (...) ability to hold down blood pressure, stabilise blood-sugar levels, and catabolize cholesterol'. Furthermore, bananas do not only 'have high nutritional content, but they are rich in sugar (which quickly turns into energy),

potassium (which lowers blood pressure), and magnesium (which steadies nerves)' and 'also contributing to their popularity is their value in a non-fattening diet'.

Consumers learned about the positive effects. The media provided this information to the consumers, since 'TV programs and newspaper and magazine articles have been spotlighting bananas from time to time, and with their help, bananas have gained wide recognition as a food that is good for health'. The importers have already successfully influenced the image of bananas and created a new function, for 'scenes shown on TV of tennis players, golf professionals, and other athletes snacking on bananas during breaks have sharpened the image of this fruit as handy nutrition booster for people engaged in sports activities'. Moreover, they intend to focus on even other functions for bananas, as the JBIAs spokesperson explains: 'We aim to broaden our campaign to get people in the habit of seeing the banana as more than a dessert dish; it can also be a handy substitute breakfast for those who often start the day without a morning meal.'

The marketing efforts of the banana importers have resulted in double-digit rates of import growth, namely 13.7% in 1999, and have created another boom. It becomes evident from what happened at a certain moment: 'So hungry were consumers for bananas that then stores ran out of inventories despite efforts by importers to increase supplies.'

The approach of the importers and manufacturers was highly demand-oriented and the preference of Japanese consumer was their starting point. Manufacturers breed varieties that suited to the tastes of Japanese consumers, who prefer products with higher sugar content. So, new varieties of bananas appeared and they were marketed as Super Sweet and Premium One. These brands 'began arriving in the Japanese marketplace some five years ago, and importers have played them up as the leading brands in the rising trend of banana consumption'. The popularity of bananas resulted in the development of other products and new processed products were developed 'like banana chips, banana drinks, and banana jelly and jam, whose imports are steadily growing'.

### *Pomegranate and oestrogen*

An example dating from spring 2000 indicates that among Japanese companies opportunities for short-term commercial gains sometimes dominate over honest information to consumers. It also illustrates that referring to health issues is commercially attractive. Manufacturers communicated that certain processed food products in which they used pomegranates, contained oestrogen. That was mentioned on pamphlets as well as the fact that the products would be helpful in the case of menopausal problems and in the case of menstrual irregularities.

The Japan Consumer Information Center <sup>1</sup>, a governmental organisation, tested ten different products and published in a scientific test report - entitled 'Jishu chōsa tesuto No. H12-1; esutorogen wa hontō ni fukumarete iru no? zakuro wo tsukatta kenkōshikōshokuhin' (Independent research test H12-1; Do they really contain oestrogen? Health aimed food products with pomegranates as ingredients') - that oestrogen was not detected. Newspapers also wrote articles on the test results. For example, the Nikkei Shimbun newspaper published an article in 7 April 2000 entitled 'Zakuro, kōnenkishōgai ni kikanai?' (Pomegranate, is it not effective against menopausal problems?).

The consequence for the companies concerned depends on what exactly they communicated. In the case their communication referred to medical topics, the legislation of the Ministry of Health applies. Otherwise, the Fair Trade Commission can take measures, since their labelling and messages were false.

### 3.5.3 Confectionery

#### *Marketing of chocolate products*

Several years ago, the Japanese chocolate industry made use of the consumers' awareness of polyphenol. In connection to red wine, consumers had previously learned about the positive health effects of polyphenol. Then, the chocolate industry used that awareness when they communicated that chocolate also contains polyphenol.

According to a large confectionery manufacturer, advertisements are considered important. Television commercials have the most significant impact. This company has experienced that when the advertisement budget decreases, sales drops immediately. In a one-year period about 30 to 50 different new chocolate items are introduced. Their advertisement messages depend on the nature of the different products, so one cannot say that there is a uniform message. For some products, the manufacturer communicates health aspects, but for other products, the taste is the main topic. Dentsu (2000, p. 72) also mentions that health was one of the topics of communication to the consumer: 'manufacturers of chocolates, chewing gum, and snacks revitalised demand by focusing their messages on health and other product-related benefits.'

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<sup>1</sup> The Japan Consumer Information Center is the main organisation to look after the interests of consumers and solve consumer complaints. It was established in 1970 by the Japanese government in accordance with the Japan Consumer Information Center Law, in order to 'provide such services as the education of consumers, the solution of consumer complaints and product testing related to people's life', as its brochure explains.

## 3.6 Distribution

### 3.6.1 Ready-to-cook and ready-to-eat food in convenience stores

As mentioned in the publication 'Agri-food supply chains and consumers in Japan' (Jonker, 1999, p. 40), the importance of convenience stores has increased significantly. Convenience stores are becoming the principal food distribution channel, according to many Japanese experts. In their assortment, convenience stores offer a large share of ready-to-cook or ready-to-eat food products. Japanese consumers wonder whether they are wholesome. Other retail companies try to distinguish themselves from convenience stores. In case supermarkets or deli-stores carry prepared food, they indicate the wholesomeness. Since a supermarket usually prepares food in the shop itself, their ready-to-eat food products are fresher and consequently - according to the Japanese perception - more wholesome. Furthermore, supermarkets can change their manufacturing process more easily.

### 3.6.2 Functional foods and dietary supplements in convenience stores

Manufacturers of functional foods and dietary supplements see convenience stores as a more important distribution channel for their products. Although the sales space is limited, convenience stores generally offer a wide assortment of functional foods and dietary supplements. One interview made the remark that convenience stores resemble drugstores in that respect.

### 3.6.3 Fresh vegetables

Consumers feel more confident about the safety of a product when they know its origin. The 'sanchoku' system, which is rather popular, provides this confidence. It means that consumers purchase the products directly from the farmer. Especially consumers who intend to purchase organic (or low-chemical or low-pesticide) products buy it through the sanchoku system. It can be organised in different ways, such as for example by mail-order, but the concept remains the same. Different initiatives in this field are being established. For example, the Japan Times (30 April 2000) wrote an article about a citizen group that 'provides members with information on farmers whose agricultural products and techniques are environmentally-friendly. To purchase such goods, farmers' names can be found on the Web at <http://www.seikatsu.org/>'.

Organic farms (or farms using few chemicals) also used to supply their products to Co-op supermarkets, since the Co-op supermarkets traditionally feel very strongly about this. Presently, other supermarket chains offer organic (or low-pesticide) produce too. In order to give the consumer the feeling of confidence, the retailer communicates that the product is grown with great care by the farmer. It is the retailer's aim to make the consumer feel more familiar with the farmer. As a means to that, photographs of the farmer in his field are shown over the shelves in Japanese supermarkets.

### 3.6.4 Confectionery

#### *Efficiency of the distribution process*

A confectionery manufacturer indicated that they currently focus on three points in order to increase the efficiency of the distribution process. These three points are concentration on less distribution centres, joining hands with competitors (for distribution) and computerisation of the distribution network.

#### *Freshness*

Responding to the consumers' 'obsession with freshness' (Food and Agriculture Policy Research Centre, 1997, p. 8) makes high demands on the distribution strategy of the different companies in the agri-food supply chain. The case below illustrates this.

Retail companies aim at providing the freshest products to their consumers and make high demands to wholesale companies concerning delivery frequency. For example, a convenience store chain requests its suppliers to deliver bakery products twice a day, to deliver lunch boxes three times a day and to deliver milk twice a day. In the case of milk, it should be delivered in the retail shop on the same day as its production day or one day after its production, not later.

#### *Delivery sequence and sell-by date*

The attention of consumers and, consequently, retail companies to the sell-by date <sup>1</sup> is connected to the obsession with freshness. According to a trading company, retail companies have strict requirements concerning delivery sequence and sell-by dates from their supplier's stock, even in the case of products that have a long shelf life, as the following two examples show.

The trading company delivered chocolates to a supermarket company with a sell-by date of many months in the future - say January 2001. The trading company's next delivery contained the same type of chocolates, but their sell-by date was earlier - but still many months ahead - than the date of the previous delivery - say December 2000 - and the retail company complained about this reversed sequence.

Another case related to a complaint from a supermarket company to a wholesale company when they received products with the same sell-by date at different sequential deliveries out of the wholesale company's stock. Consequently, the wholesale company requested the import company to supply smaller quantities of the particular product, so that they could decrease their level of stock. Also in this case, there was no question of expiry of the consumption date or lower quality.

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<sup>1</sup> Japanese regulation requires a production date on all food products, and a sell-by date on some products. Amemiya (2000) indicates that Japanese consumers are very sensitive to the consumption date. Fifty-six per cent of the respondents check the date for any product and 35% check it for some products.

The reason behind this strict attitude of the retail chains is the fact that they wish to adjust to their most critical consumers. Some consumers apparently care about it.

#### *Strict sales targets of convenience stores*

According to a confectionery manufacturer, about 500 manufacturers of candy products introduce about 3000 new confectionery items in the Japanese market every year. Many of these new items disappear after six months, but it shows the competitiveness of the market. Roughly half of all gum and candy is sold through convenience stores. They have strict views on which products they allow on their shelves. In one week, five pieces of a confectionery item must be sold in each outlet of the convenience store chain, otherwise the product will be removed from the shelves. Two types of products have the best chances to be put on the shelves, namely:

- items that have been selling well for many years. These products have proven to be successful;
- new products, because they will be put on the shelves without sales history.

Once a retail company has decided to discontinue selling the product, it will not receive a second chance. In order to get sales space again, the manufacturer has to offer a new product (or a slightly altered product). Furthermore, a strong message (promotion) is important.

#### *Return cargo system*

The so-called 'return cargo system'<sup>1</sup> is generally applied in Japan. It means that retailers (both large supermarket chains and small shops) can return unsold products to the manufacturers. Although the latter find it unreasonable requirements, they have to oblige to this custom, which probably stems from the notion that customers are entitled to a high level of quality and service.

### **3.7 Price**

Many things can be said about the marketing variable 'price' in the Japanese context, but these remarks do not relate to the perceptions regarding health, environmental and ethical issues. Therefore, we only focus on the matters that do relate to this topic.

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<sup>1</sup> See also 'Agri-food supply chains and consumers in Japan (Jonker, 1999, p. 61).

### 3.7.1 Reasonable price

Interviewees say that Japanese consumers are generally looking for a reasonable price and not for the lowest price available. Therefore, a price competition strategy does not always have the desired results.

### 3.7.2 Fresh vegetables

When organic products were rare items in Japanese supermarkets, consumers were willing to pay a high premium for organic vegetables, since these products were exclusive. However, now organic vegetables have become less special, consumers also expect lower prices.

### 3.7.3 Home cooking

Presently, cooking at home is in fashion. The popularity stems from - among other factors - the consumer's desire to economise on their food expenses. It is also related to the wish to eat more often with the family. However, that seems not consistent with the present trend of more consumption of meals individually.



## 4 Consumer concerns and the response of Japanese government

### 4.1 Introduction

In chapter four we study how Japanese trade and industry experience the way Japanese government responds to the perceptions of the consumers. This chapter is not based on interviews with representatives of Japanese government<sup>1</sup>, so that it is not the intention to provide detailed information about governmental policy and legislation. Although we describe new legislation, we look at a number of selected topics mainly from the viewpoint of Japanese trade and industry and from the viewpoint of the Japanese consumer.

### 4.2 Labelling: new JAS Law

The Japanese government is aware of the perceptions and attitudes of Japanese consumers regarding food safety and has responded to it by means of the new JAS Law. The Annual Report on Food, Agriculture and Rural Areas in Japan (MAFF, 2000, p. 14) summarises the contents as follows:

'In response to growing demands for appropriate and easier labelling and a standardisation system, the revised Japanese Agricultural Standards (JAS) Law was enacted in July 1999, which covers the improvement of the food labelling system such as mandatory description of country of origin for any perishable foods as well as the establishment of a system for inspection, certification and labelling of organic foods.'

#### 4.2.1 Enhancement of food labelling system

One major point in the revised JAS Law concerning food labelling relates to the enhancement of the food labelling system. Previously, only 64 food items were covered. After the amendment, the covered items are all foods and beverages for general consumers. Moreover, the rule of origin is applicable to all perishable foods.

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<sup>1</sup> The reasons are budgetary and time constraints.

#### 4.2.2 Labelling of organic products

Another major point is the establishment of an inspection and certification system for organic foods. Japan Agrinfo Newsletter (February 1999, p. 7) indicates the motive, namely:

'Amid mounting consumer concern about food safety, the ministry (of Agriculture)'s action responds to growing demand for organic farm crops and foods, as well as increasing confusion caused by labels such as "chemical-free" or "chemical-reduced".'

MAFF Update (31 March 2000, number 353) explains about the new inspection and certification system for organic products:

'In line with a revision to the Law Concerning Standardisation and Proper Labelling of Agricultural and Forestry Products (the JAS Law) in July 1999, MAFF has established Japan Agricultural Standards (JAS) for organic agricultural products and processed foods made from organic agricultural products. Under this system, products that do not meet the appropriate JAS may neither bear the Organic JAS mark nor be labelled as organic products in Japan.'

Third party certification institutions certify producers in the field. Producers of products certified by these institutions are allowed to use the label 'organic' and distribute the product as such (no other products are allowed to use such labelling). So, all organic food products sold in Japan have to be certified by a MAFF-registered (approved) third party organisation. According to World Food Law (June 2000, p. 14) the certification enforcement will be complete by 1 April 2001. Labelling takes into account the two- to three-year period it takes to convert from conventional to organic agriculture. Then the term 'tenkankikan-chu' (transitional) should be included. Presently, there is a discussion between Japan and the EU about equivalency of certification.

### 4.3 GMO

In this section we will provide brief information about the legislation concerning GMO. Additionally, we will discuss the opinions on the government's response to the consumer concerns about GMO.

#### 4.3.1 Legislation: labelling of GMO

The Annual Report on Food, Agriculture and Rural Areas in Japan (MAFF, 2000, p. 14) gives in short the background of the GMO labelling system:

'As for the labelling of genetically modified organisms (GMO), the "Council on Food Labelling" had been discussing the subject in consideration of consumer demands, the current situation at the production and distribution stages, and global trends. The resulting report was prepared in August 1999. After the required proceedings including discussion by the JAS Research Committee and one-year grace (moratorium) period, the labelling system of GMO is planned to start in April 2001.'

The Japan Agrinfo Newsletter (April 2000, p. 2) explains that the new assessment system at this moment 'legally requires all importers to have their GMO foods examined under the Food Sanitation Law's standards for foods and food additives', and that, in addition, 'beginning in April 2001, importation, manufacturing and sales of unauthorised foods will be prohibited. If sold within the domestic market, such foods will be subject to recall by the MHW (Ministry of Health and Welfare), and penalties will be imposed on intentional violators'.

The Japanese Committee on Labelling made labelling mandatory only for certain products. This number of products is rather limited, because the Committee was 'influenced by remarks by the USA', according to the Secretary General of NO! GMO Campaign (Japan Resources, number 110, p. 8). She continues to explain the lenience of the labelling requirements, for the 'Japanese government devised a rule whereby only foods for which DNA is detectable would be labelled. According to this system, oil and animal fats will not be labelled GMO. 90% of imported GM crops will therefore be unlabelled'. As for processed products, the 'Japanese government is committed to the mandatory labelling on foods containing more than 5% GM content. (Mandatory labelling in the EU is required on foods containing more than 1% of GM material.) Foods containing less than 5% of GMO may be labelled non-GMO'.

#### 4.3.2 Response of the Japanese government

According to consumers' organisations, consumers are very sensitive to food safety issues and, thus, GMO is a concern of consumers. From the viewpoint of the Japanese consumer, the present situation is dominated by two topics.

The first relates to the labelling regulations, namely that consumers' organisations find them too lenient. The NO! GMO Campaign strives for freedom of choice for the consumers, but they find that it 'is only possible if the consumer is adequately informed of the presence of GMOs in a particular food by labelling' (Japan Resources, number 110, p. 9).

The second topic is the uncertainty whether GMO affects one's health or not. Although the government and manufacturers have stated that GMO is safe, consumers expect information from independent sources. Their approach when the subject of GMO appeared in the media has led to distrust among Japanese consumers and the Secretary General of the NO! GMO Campaign concludes the following in Japan Resources (number 110, p. 9):

'Suspensions of consumers are likely to be raised by attempts to provide only information that is favourable to the promotion of this new technology. (..) At present, commercially-

mindful scientists and government act in concert with manufacturers to slander and pressure researchers and hide or bury their work whenever real concerns are indicated.'

The distrust of the Japanese consumers resulted from the lack of information in the period when the topic of GMO was raised. Neither the government nor manufacturers explained clearly to the general public what GMO was. Then the media paid attention to it - in a negative way - and consumers based their opinions on that information. Also the fact that GMO was discussed in connection with legislation made the general public perceive it in a negative way. So, it is the unawareness of Japanese consumers that led to the initial distrust.

#### **4.4 Food self-sufficiency**

The new Basic Law on Food, Agriculture and Rural Areas, that was enacted in July 1999, strives for an increase in the Japanese food self-sufficiency ratio. This may affect the Japanese consumer's eating habit and, consequently, affect Japanese food imports.

The food self-sufficiency ratio in Japan showed sharp decreases during the period from 1965 to 1998, down from 73 to 40% on a calorie supply basis and 62 to 27% on a grain basis according to the Annual Report on Food, Agriculture and Rural Areas in Japan (MAFF, 2000, p. 8). The Basic Plan - which is an integral part of the new Basic Law - for Food, Agriculture and Rural Areas is to set up specific targets of food self-sufficiency ratio. The Annual Report on Food, Agriculture and Rural Areas in Japan (MAFF, 2000, p. 8) continues to explain the following:

'(That in) the Basic Plan developed in March 2000, major target food self-sufficiency ratios (2010 as a target year) were set up; 45% on a calorie supply basis, 30% on a grain basis, and 62% on a grain-for-staple foods basis respectively. Although it is essential that more than 50% of all calories supplied by foods should be covered by domestic production, these ratios were determined in light of the attainability by 2010.'

Furthermore, the Annual Report on Food, Agriculture and Rural Areas in Japan (MAFF, 2000, p. 8) indicates that domestic agricultural production will be promoted:

'The national government assumes great responsibility in assuring the availability of the food supply to its people. Since there are certain limitations on stockpiling and importing, it is important to increase domestic agricultural production as much as possible in order to secure a stable food supply.'

#### **4.5 Guiding principles for dietary life**

As mentioned in section 2.6.5, the Ministry of Agriculture, Forestry and Fisheries, in co-operation with the Ministry of Welfare and the Ministry of Education, proclaimed new guiding principles for dietary life (i.e., eating habits). They are directed (and will be promoted) to the general public and replace the previous guiding principles dating from 1985. The new guiding principles - indirectly - promote the consumption of Japanese-style food. That could also serve as a means to increase the self-sufficiency ratio.

The guiding principles promote better dietary patterns and the more effective usage of agricultural resources. They are embedded in the legislation, because they are mentioned in the new Basic Law on Food, Agriculture and Rural Areas. Article 16 (2) reads as follows:

'The State shall take necessary measures such as developing guidelines for healthy dietary pattern, broadening the people's knowledge of food consumption, and providing relevant information, in order to promote better dietary patterns and the effective use of agricultural resources.'

MAFF Update (21 July 2000, number 368) provides an English translation of these dietary guidelines, which appears below, and explains the background of these dietary guidelines:

'The eating habits of the Japanese people have changed in recent years. These changes have brought problems, including poor nutritional balance, attributed to a higher average fat intake, and greater waste of food, a consequence of people preparing more food and throwing away more leftovers. Other changes in eating habits reflect lifestyle changes. These include skipping meals; eating alone; separate meals for individual family members, with each member eating when he or she likes; and inadequate instruction of children on recommended eating habits, owing largely to fewer opportunities for family members to eat together.'

The dietary guidelines are as follows.

*Enjoy your meals*

- Have delicious and healthy meals that are good for your mind and body.
- Aim to achieve a longer, healthier life through your daily meals.
- Enjoy communication at the table with your family and/or other people and participate in the preparation of meals.

*Establish a healthy rhythm by keeping regular hours for meals*

- Have breakfast to make a good start of the day.
- Avoid large snacks before bedtime and between meals.
- If you drink alcoholic beverages, do so in moderation.

*Eat well-balanced meals with staple food as well as main and side dishes*

- Make a good combination of various foods.
- Try to cook in various ways.
- Wisely combine home-made meals with eating out and eating processed and prepared foods.

*Eat enough grains, such as rice and other cereals*

- Eat grains at every meal to maintain sufficient intake of energy from carbohydrate.
- Make the best use of grains, such as rice and other cereals, suited to Japan's climatic and soil conditions.

*Combine vegetables, fruit, milk products, beans and fish in your diet*

- Eat enough of vegetables and fruit everyday to get vitamins, minerals and fiber.
- Drink milk and eat green and yellow vegetables, beans and small fish to get a sufficient amount of calcium intake.

*Avoid too much salt and fat*

- Avoid salty foods and reduce the amount of salt intake to less than 10 grams per day.
- Avoid oily and fatty foods and make a balanced choice of fat from animals, plants and fish.
- Check nutrition labels in choosing foods and setting menus.

*Learn your healthy body weight and balance the calories you eat with physical activity*

- Weigh yourself as soon as you feel like you have gained some weight.
- Have a habit of appropriate physical exercise.
- Good health is essential to beauty. Do not attempt to lose too much weight.
- Chew your food well and do not eat too quickly.

*Take advantage of your dietary culture and local food products, while incorporating new and different dishes*

- Enjoy nature's bounty and the changing seasons by using local food products and ingredients in season and by enjoying holiday and special-occasion dishes.
- Respect your dietary culture and apply it to daily diet.
- Acquire knowledge of foods and cooking.
- Be open to trying new foods and dishes.

*Reduce leftovers and waste through proper cooking and storage methods*

- Avoid buying and cooking too much food. Try to gauge how much food you need to avoid leftovers.
- Pay attention to 'best by' and 'consume by' dates on food products.
- Check the contents of your refrigerator and cupboards on a regular basis and try to create menus that maximise what you have.

### *Assess your daily eating*

- Set your own healthy goals and have a habit to assess your diet.
- Think and talk about your diet with your family and friends.
- Learn and practice healthy eating habits at school and at home.
- Promote appreciation of good eating habits from an early stage of life.

## **4.6 Environment**

### 4.6.1 Recycling

Mainstream Japanese consumers are not very much concerned about the environment. It is the Japanese government that is the driving force and initiator for environmental measures. Recent legislation, for example, was enforced in April 2000, namely the Law for Promotion of Sorted Collection and Recycling of Containers and Packaging (Clean Japan Center, 1995). This law covers small- and medium-sized enterprises thus far exempt from the mandatory recycling and it covers containers and packaging in both paper and plastic (MAFF, 2000, p. 12). From 1997, the Law for Promotion of Utilisation of Recyclable Resources (Clean Japan Center, 1991) took effect. This legislation applied to all kind of different material and products, such as packaging (i.e., glass, paper and cans), automobiles, electric appliances and etc. Basically, enterprises, consumers and local public bodies are strongly required to accomplish their individual responsibilities to promote recycling. In 2001, new legislation will take effect regarding waste of fresh and prepared food products. Then, food products that retailers cannot sell must be used, for example, as fertiliser.

The costs of these environmental measures are initially borne by Japanese manufacturers and traders. According to different interviewees, it is, in the short term, difficult for manufacturers to increase consumer prices, because of the current deflationary economic situation and the competitive market.

### 4.6.2 Dioxin

Several accidents and scandals concerning dioxin in the recent past has led to the Japanese government's intention to close a number of waste incinerators. The Annual Report on Food, Agriculture and Rural Areas in Japan (MAFF, 2000, p. 14) indicates that the Japanese government takes action to decrease dioxin emission:

'In dioxin control measures, there are several ongoing actions in accordance with the Guidelines for the Promotion of Dioxin Control Measures (Developed by the Ministerial Committee on Dioxin Control Measures), such as collecting scientifically justified information through researches and studies and understanding the current situation in the

field of agriculture and animal products. Also, reductions in food waste disposal and recycling are being promoted as part of the efforts to reduce dioxin discharge.'

#### **4.7 Views of consumers' organisations**

According to a consumers' organisation, the interests of the different consumers' organisations can be divided in two various ones. On the one hand, consumers' organisations recognise that the main concern of consumers is food safety and they find that the Japanese government should pay more attention to consumer concerns. Under pressure by the US government, the Japanese market has opened and deregulation has taken place. It results in consumers worrying about the safety of imported products and the request of consumers' organisations for strict import regulation. On the other hand, the aim of consumers' organisations is lower retail prices. Therefore, an open market is in the interest of the consumers' organisations, because it reduces prices.



# 5 Consumer concerns and the response of foreign agribusiness and food industry in the Japanese market

## 5.1 Introduction

Chapter five discusses the way foreign companies on the Japanese market contend with the consumer perceptions regarding health, environmental and ethical issues. It presents a few examples of the adjustment of their corporate strategies and their marketing mix to consumer behaviour. Since most interviews were held with Japanese companies and organisations, the number of examples on foreign products in the Japanese marketplace is limited in this report.

## 5.2 Product

### 5.2.1 Opportunities for foreign products

Since Japanese consumers are often looking for 'something new' or for tastier alternatives to existing food products, there are still opportunities for foreign products on the Japanese market. The originality of the foreign product is a strong product characteristic. If necessary, adjustments to Japanese regulations should be made, but preserving the originality is important. Then, a product can be marketed as a luxury imported product. If a product is completely adapted to the Japanese market, it loses its original characteristics and has to face the competition with domestic products. Schütte (1998, p. 81) sees other opportunities as well:

'These extreme concerns for cleanliness, freshness, perfection and safety create marketing opportunities that may not exist in other cultures. The marketer who can appeal to and exploit such concerns may find success with the Japanese consumer.'

### 5.2.2 Adaptation to the Japanese quality level

Although the strong point of a foreign product is its originality (for it is non-Japanese), it should meet the Japanese consumers' requirements of quality. It means that, for example, when the packaging looks careless, the foreign manufacturer should improve it. One food manufacturing multinational mentioned that the Japanese consumer requires the highest level of quality in comparison to all other countries where this company has branches.

The following exemplifies this observation. According to the experiences of a trading company, European exporters do their best, but their packaging of confectionery is often not luxurious enough or disorderly. Gift packaging in particular has to have a luxury image and Japanese consumers require the packaging to be perfect. However, it often happens that ribbons

are not nicely knot or labels are not stuck in a straight way. Although the European origin of a product is beneficial in the case of gift products, because it increases its exclusivity, the packaging is often not satisfactory.

#### 5.2.3 Contact address or telephone number for consumers

According to the experiences of a food manufacturing multinational, they have relatively many consumer contacts in Japan. Relatively many Japanese consumers send letters or make telephone calls about the products. Therefore, this manufacturer finds it important to mention a contact address or a telephone number on the packaging.

#### 5.2.4 Speed of product development

An American confectionery manufacturer interviewed, holding global brands, produces their confectionery for the Japanese market in Japan. The argument is that speed of manufacturing is highly important in Japan. It is essential to respond quickly to new trends. Japanese consumers like 'something new', so that speed in R&D, production and marketing is indispensable. In order to benefit from starting booms, the manufacturer needs to respond as quickly as possible to consumer developments. Anything facilitating speed in the product development, production and marketing processes is focused on. Furthermore, good inventory control is required, since their customers (i.e., wholesale and retail companies) will never accept the product to be out of stock.

Also a major Japanese trading company indicated that a fast response to market developments is important. If one of their clients demands, for example a new ingredient for a processed product, the trading company has to take immediate action and must try to meet their client's requests as fast as possible.

#### 5.2.5 Importance of appearance in the case of impulse-buying products

Although the above-mentioned American manufacturer experiences that the environmental awareness is becoming a bit stronger among Japanese consumers, only appearance is an important consideration in this company's product development. They depend on impulse buying, so that the product's appearance must attract consumers. It means that the 'environment-friendliness' of packaging is secondary to colourfulness and fanciness.

### **5.3 Promotion**

#### 5.3.1 Communication to the customer

As mentioned in section 3.5.1, Japanese consumers require abundant information about many different aspects of the product. It was mentioned during several interviews that foreign

companies in the Japanese market tend to underestimate the importance of providing information to the consumer. It can negatively affect the products market share.

According to the recommendations of a marketing consultancy company, for marketing of food products, the topics that play a role are the nutritional data and the product's safety. The latter is connected to the origin of the product. As mode of communication to consumers, advertisements and in-store promotion do not suffice. Articles in magazines and appearance in television programmes are necessary.

The Danish campaign for Danish pork is often mentioned as an example of a successful foreign approach to the Japanese market <sup>1</sup>. Their strategy consists of two elements. Firstly, the Danish logo is put on all products and manufacturers and exporters co-operate in Denmark. Secondly, they actively promote Danish pork and the main aspect of the campaign is to communicate Danish pork's safety. Since Japanese consumers pay attention to the place of origin, the brand name, namely 'Danish', is connected to the origin of the product.

## **5.4 Distribution**

### **5.4.1 In general**

The remarks on freshness and delivery sequence of section 3.6.4 also apply to foreign product in the Japanese market.

The increasing significance of convenience stores, which have very limited storage space, as distribution channel calls for smaller packaging. The experience of a trading company exemplifies this. Due to limited storage space, a convenience store chain requested smaller boxes, so that the foreign supplier of chocolate bars was required to pack 20 bars per box instead of 100 bars per box.

## **5.5 Price**

### **5.5.1 Price competition**

In section 3.7.1 was pointed out that Japanese consumers are looking for a reasonable price and not for the lowest price available. Many different interviewees indicated that they strongly dissuade foreign suppliers of, for example, Dutch vegetables from price competition in the Japanese market. This advice can be seen in light of the fact that - in the case of foreign (exclusive) products - other product characteristics are considered more important than the price.

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<sup>1</sup> Actually, it is remarkable that the Danish have established this strategy, since Danish pork is mainly used as material for processed meat products and not directly by consumers as table meat.

## 6 Conclusions

### 6.1 Consumer concerns in Japan

Consumer perceptions are classified into three groups, namely health, environmental and ethical issues. We studied the perceptions of Japanese consumers regarding these three groups of issues in relation to food products.

Principal concepts in Japanese consumer perceptions in relation to food products are the following. Good taste and high quality, which includes safety, are the consumer's first priorities - or even prerequisites - when he chooses a food product. Issues of great significance to Japanese consumers in their purchasing behaviour are the product's freshness, appearance and place of origin.

Health issues play a more significant role in the consumers' purchasing decisions than environmental and ethical issues. Different motives are behind this consumer behaviour. They are, among other factors, concerns about the future and cultural aspects. We can conclude that the key words in the consumer perceptions regarding health issues are 'nutritional balance' and 'natural products'.

### 6.2 Response of Japanese agribusiness, food industry and government

Japanese trade and industry are well aware of the Japanese consumer concerns. They use the commercial opportunities these concerns offer and respond to them in various ways. Since the Japanese market is highly saturated and competitive, Japanese manufacturers and retailers are continuously looking for additional or new features to make their products stand out and catch the eyes of the consumers.

Product development leads to innovative products, which often fall within the category of functional foods. On the one hand, Japanese food manufacturers develop products that are less-bad for one's health. On the other hand, products are created which are actively-good for one's health. When the health claims are scientifically proven, the Japanese government can certify the latter as FOSHU-products.

In the Japanese marketplace, communication to consumers - especially in the form of informative television programmes and newspaper or magazine articles - has a tremendous influence on consumers. The booms regularly occurring in Japan illustrate this. Japanese agribusiness and food industry know well how to use the promotion variable of the marketing mix and create an appeal for certain food products. Sometimes honesty to the consumer is secondary to possible commercial gains and the message of the company is not entirely correct. At least it appealed to the health-conscious consumers.

Japanese government more or less responds to the perceptions of Japanese consumers. In the case of the consumers' health concerns, the government has enacted laws. The government has created, for example, labelling regulation for organic products. Since the environment is of no great concern to the Japanese consumer, the government is being an initiator by enacting environmental legislation.

### **6.3 Opportunities for foreign agribusiness and food industry**

Foreign agribusiness and food industry in the Japanese marketplace face these consumer perceptions as well. Since Japanese consumer behaviour differs significantly from the behaviour of Western consumers, a specific approach (i.e., strategy and marketing mix) to the Japanese market is required. It is difficult, but the great opportunities offered by the current and increasing demand for especially health-related food products may be highly encouraging.

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