

Pavilion Organizer - AUSTRIA

AN INTERVIEW WITH MR. MARTIN GLATZ, COMMERCIAL COUNSELLOR, HEAD OF COMMERCIAL SECTION, AUSTRIAN EMBASSY

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Q: Please introduce yourself and your mission in Japan.

My name is Martin Glatz and I've been the head of the commercial section of the Austrian Embassy in Tokyo for about 3 and a half years. My previous postings were in Germany, Canada, Egypt and in China.

Our mission is probably not so different from other commercial sections who view themselves as trade promotion organizations. Our source of finance, however, is quite unique. Our activities are funded by Austrian companies who are members of the Austrian Federal Economic Chamber. Membership in the chamber is compulsory for all Austrian companies. Therefore, we can truly claim that we represent Austrian business abroad. Since our budget is provided by our companies, we are very close to them. Our activities are promotional and service oriented in nature. Political and macro-economic issues are of secondary, supportive

relevance. That I believe makes us different.

Japan is our 3rd most important market outside Europe after the United States and since 2003 China, which then overtook Japan as the second most important market. Nevertheless, Japan has been growing in importance. We had a record year in exports to Japan in 2012. The demand for Austrian products is increasing in Japan due to the strong competitiveness of Austrian companies even in the face of an ever cheaper yen. When you look at the structure of most Austrian enterprises, they are small and medium sized, specialists and niche players. SMEs need more help than larger businesses, especially in a country like Japan with its intercultural challenges. This is what makes working here in Japan very interesting.

I have a great team here. Our food and beverage expert, Ms. Matsumoto, dedicates much of her time to promoting Austrian food specialties. Our office also represents the Austrian Wine Marketing Board in Japan. Our efforts are bearing fruit: Exports last year doubled from the year before

Q: What is the reason behind the growth of the Austrian wine market?

The curiosity of Japanese customers is amazing: They are constantly in search of new products. While wines of the large wine producing countries have been in Japan for many years and are very well known, Austrian wines, however, is something new. This curiosity of consumers is what helps Austrian wineries. The fact that they are new to the market is not necessarily a disadvantage as long as their market entry is supported by a knowledgeable and enthusiastic local partner. The curiosity that you would find among educated and sophisticated Japanese customers helps Austrian wineries.

Recently, we have been looking for Japanese enthusiasts who would share their interest in Austrian wine with others inviting them to enter the 3rd "Austrian Wine Ambassador" competition. The last two rounds of this competition had really helped us establish a network of Austrian wine aficionados in the industry. These wine ambassadors are not wine consumers, but professionals such as traders, importers, sommeliers, restaurant owners and restaurant managers.

Q: Are your promotion activities directed both to B2B and B2C?

Our main focus is on B2B. A good example is the Austrian wine ambassadors. They are from

the business sector and not consumers. It's up to them to spread the news to the consumers. Of course, every now and then we have activities in the food area that directly target consumers. 2011, we organized a Mitsukoshi Ginza event, which was very successful. We had more than 50 companies participating in the Austrian fair. With Mitsukoshi being a demanding partner, it was not an easy task, but it was worth the effort. In general, however, we refrain from organizing B2C events.

We rely on multipliers in the industry, and fortunately, Japan has many of them. The love for food of the Japanese people is second to none worldwide. They enjoy high quality items that are prepared in a sophisticated way. This is definitely an advantage for small and medium sized Austrian companies that are offering high quality food items. The awareness of organic Austrian food is also growing in Japan, but it is not yet as much in demand as in Europe.



Q: Do you find any difficulties or barriers when entering the Japanese market?

The Foodex is very important and valuable for us. In 2014, the ICE-Italian Trade Promotion Agency participated to the fair with 176 companies in 125 stands from 15 regions, over an area of 2,185sqm.

Japan is at the same time a very sophisticated and a very exotic market. There are cultural barriers and challenges with language being one example, but also with the ways of doing business and the decision making process. It takes some time to enter the market since there are many questions being asked. This is understandable since food is one of the most sensitive products, but making preparations to enter the Japanese market may be cumbersome.

In addition to cultural issues, there is a legal framework which is different from Europe. It takes extra certifications, especially for organic foods and this can be complicated. Also, there are some areas with high custom duties making products more expensive and less affordable. Wine, for example, is quite costly in Japan. This is a shame because I think lowering customs duties would allow a wider range of people to enjoy wine and specialty food items from abroad.

Despite all this, we encourage and help Austrian companies to meet these challenges. None of the Austrian companies we have supported has actually regretted going through that process to enter the market.

Q: What are your opinions over the discussions for EPA or FTA?

Removing or at least lowering non-tariff barriers to trade is a very important objective of the FTA, and a few of such barriers exist for foodstuff. We are now working on lifting the ban on beef from Austria. It is an ongoing process which still requires a lot of work. Bureaucracy has to be involved and interest groups have to be consulted on both sides. We've gone through very long questionnaires and it takes time, but we'll get it done. We'll keep trying until we succeed. Lowering import barriers would allow more people to enjoy imported food on a less expensive footing. As I have said earlier, the Japanese market is worth the effort.

Q: Japanese faces a serious demographic crisis where the working population is declining and the aging population is increasing. The eating habits will most likely change. How do you view this situation and do you have any answers or strategies to overcome these challenges?

Our strategy is not to feed Japan, but to make life more enjoyable by offering specialty products. We are never looking at the mass market. For example, it probably would not matter to an Austrian supplier of high quality chocolate whether Japan has 125 million people or 115 million people because the target is not to reach all of these people, but to reach a limited population that would really appreciate the product. Simply put, we're not trying to supply Japan with rice.

When you look at the changes occurring in Japan, it is not just about the declining population, but also about women entering the work force. About 3/4 of the clients at chocolate shops are female. As more women enter the work force, their disposable income increases. This would help some market segments, especially for specialty items. Of course there are problems with

demographic changes, but there are accompanying changes from which the market profits.

Also, when companies enter the Japanese market, they are not just looking at the Japanese market. Japan serves as reference for other markets. An Austrian company already successful in Japan will generally find it much easier to enter other Asian markets. We're not too worried about the declining population.

As far as the aging is concerned, older people have more disposable money and they travel a lot. Most of the Japanese traveling to Austria are elderly people. They enjoy the food there, and they come back with new impressions. So, demographic trends would also work in favor of foreign suppliers of specialty food items.

Q: How do you take advantage of Foodex?

We have been participating for more than 20 years. It is first of all a showcase for Austrian food items. Secondly, it is also a platform for Austrian companies who enter the Japanese market to find importers. Thirdly, Foodex for us is a way to measure ourselves against our competitors by seeing what the others are doing and what they are offering. We are just one of many countries participating in the Foodex, so it is nice to see that it is a truly international event. It is really a meeting point of the international food industry in Japan which I think is very useful. In a few days, you really know about the latest trends, and you can exchange views with business people from other countries and of Japan.

Q: How many Austrian companies participate in Foodex?

There are about 15 to 25 companies participating each year. It is a mixture of new companies and companies that have already entered the Japanese market. We would like to maintain that mix of established companies and newcomers because newcomers can learn from established companies. Often, Japanese importers who already import from Austria would take on new items from new suppliers.



Q: Do you set up a promotional plan and other activities on a single year business? What are your strategies?

We, of course, have a promotion strategy when it comes to positioning Austrian foodstuff in Japan. Generally, we want to increase market share and have a few focus areas such as establishing more organic products, wine, and chocolates in the market. The challenge is also to identify Austrian companies with interest to export to Japan. There are also Austrian companies that we have never heard of, so we have some work to do at the home front, too. At the same time, we have to convince and persuade Japanese importers to take on Austrian products. So we do have a strategy and we try to establish a network based on that strategy covering the focus areas.

Then, we implement these strategies through activities. We use events as a tool and coach Austrian companies by advising them on market conditions and matching them with Japanese companies. A third very important tool in our tool box is public relations including the maintenance of networks and publishing market news both at home in Austria and here in Japan.

Q: What are your goals in Japan?

As I have mentioned earlier, we don't want to feed Japan. We want to make life more enjoyable for those who appreciate quality food. One of the challenges is to mobilize Austrian companies and to persuade them to go to Japan. It is much easier to export to Germany since it is right next-door and tastes are similar. This is also true of countries like the UK, France and the US, which are probably much easier to enter than Japan. So our aim is to increase the number of Austrian companies in the market, and not just the number of food items. When I said that the quantity of Austrian wine being exported to Japan doubled, this was

mainly due to an increase of Austrian wineries in the market. It is therefore not surprising that in Japan, the variety of Austrian wines available is amazing. There are almost a hundred Austrian wineries in the Japanese market. There is probably no other market in the world like this.

Our aim is to expose our companies to one of the most demanding food markets because they can learn a lot from sending their items to Japan in terms of quality and presenting the products. How you present foodstuff is very important in Japan. In many cases, Austrian companies have to adapt their packages to the local market. The Japanese way of packaging is so attractive that in the end, Austrian products in packaging developed for Japan would do better in other competitive markets. There might, for example, be a chocolate manufacturer who produces the best chocolate in the world, but when you look at the package, it is too crudely presented for the Japanese consumer. So again, it's worthwhile to enter the Japanese market since you can learn a lot from it.

Q: When you export Austrian food products to Japan, do you choose the retailers?

In general, we leave the selection of retail stores to the importers. Of course, we would only recommend importers who have a proper retail channel. Recently, in a case with an Austrian spice exporter, we explained that it doesn't make sense to approach the 3 big companies in the Japanese spice sector supplying supermarkets and convenience stores with ordinary spices. As a specialty provider, it is much more conducive to concentrate on distributors which cater to consumers are not just looking for run-of-the-mill spices, but for the extraordinary. We bear that in mind when we establish contacts, but, in general, we do not pick the retailer, rather leaving that to the importer.