

Possibilities to the Finnish ICT companies to enter to the Japanese market

Japanese economy has been facing critical situation for a long time (since early 1990's), and it dose not bring back its former influence yet. However, the potentiality of Japanese manufacturing industry and/or market itself still appears promising. Among the various industries, the Information and Communication Technology (ICT) Industry is one of prospective industrial segments in Japan.

In fact, ICT industry is one of main driving force of Japanese manufacturing industry. In addition, Japanese customers are getting ready to make use of ICT equipment and services in their daily life. In this sense, both market and industry for ICT related business in Japan has to be attractive for domestic/foreign players. So, in that sense, The Japanese ICT market/industry is worth entering for Finnish ICT companies.

Nevertheless the potentiality of Japanese market/industry is big, the entering process to Japan seems not to be necessarily an easy start-up. For example, recent trends of inquiries from Finnish companies to FINPRO Tokyo office are as follows;

- ✓ number inquiries from traditional industries (lumber/timber, paper, building materials) are reducing year by year
- ✓ more than 1/3 of inquiries we get recently from Finland are from ICT sectors, and it is increasing year by year
- ✓ most of the Finnish ICT companies who contacted FINPRO Tokyo are quite young and small size companies.

According to the Finnish Chamber of Commerce in Japan (FCCJ), the accomplishment made by Finnish traditional industries in Japan has been up and running. Most of the sales amount in Japan, made by Finnish organisation, is from the traditional industries like pulp and paper, forestry and so on. These facts show that the Finnish ICT industry do not establish a firm position in the Japanese market.

Finpro Tokyo has been conducting "Mobile Internet Project", where we help Finnish mobile related companies to enter into co-operation with Japanese mobile Internet related companies both in terms of business and development and research. Throughout the project, we come to see the Japanese market entry process in a new light.

On the whole, the development of partnership in Japan is a very long process and thus the Finnish companies need to be patient in their Japan operation. It may be required for Finnish companies to assign dedicated person in charge of Japan operation and "beef" in budget wise. However, once the process has been set into motion and the discussions are continuing between the Finnish companies and their prospective partners, the business development in Japan become a real possibility. For example, one of the participant companies of the project was able to start intense co-operation with a Japanese partner and even develop a pilot product for the Japanese market within the project.

On a more general level, during the project it was noticed that a slight gap exists between Finnish participants' products/services and Japanese mobile market needs/usage. The gap seems not to come from technical side only. Of course, the technology for the mobile telecom network and services in the current generation are totally different between Europe and Japan, but also the way the mobile communication industry in each country has evolved plays a significant role in this. For example, Finnish mobile industry has been developed steadily in a comparatively free-competition environment where each player can create unique applications on their own while Japanese mobile operators, having a strong leadership and influence on all the players in the industry, have brought up the industry quite rapidly. As a result, a centralized business structure has been established in the Japanese mobile industry.

Unfortunately, that trend is likely to continue in the next generation of mobile services and the unified mobile communication environment won't be realized that easily in the next generation world. Thus there will remain a strong need for interaction between mobile industry players of different countries.

Consequently, for the further action of each participant, it is necessary to keep in mind these different business circumstances and to remember the following matters:

- ✓ adaptability of products/services to the Japanese business model,
- ✓ suitability of products/services to mass-marketing concept,
- ✓ attractiveness of products/services to personal users