UNIVERSIDAD DE VALPARAÍSO
FACULTY OF ECONOMICS AND ADMINISTRATIVE SCIENCE
INTERNATIONAL BUSINESS MANAGEMENT

STRATEGIC PLAN FOR THE PENETRATION OF CHILEAN SALMON INTO THE RETAIL INDUSTRY OF JAPAN FOR AGROSUPER

Author:

MAGALI JARA UGARTE

INTERNSHIP REPORT SUBMITED TO THE CAREER OF INTERNATIONAL BUSINESS MANAGEMENT OF UNIVERSIDAD DE VALPARAÍSO TO OBTAIN THE DEGREE OF BACHELOR OF INTERNATIONAL BUSINESS, PROFESSIONAL DEGREE OF INTERNATIONAL BUSINESS MANAGER

ADVISOR: TERESA PINO V., Ph.D.

Viña del Mar, December 2017

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Dedication

"The more generous we are, the more joyous we become.
The more cooperative we are, the more valuable we become.
The more enthusiastic we are, the more productive we become.
The more serving we are, the more prosperous we become."

William Arthur Ward

This report is dedicated to all who believe in a cooperative, long and bright future.

Acknowledgements

My deepest gratitude goes to my parents Juan Jara, Magali Ugarte and my grandmother Berta Rodríguez, who have been remarkably persistent in life, for making a world of love and optimism for me and my sister, and for supporting and encouraging me to follow my dreams no matter how far they may seem.

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Abstract

New technology and the restructuring of the economy are transforming the world in ways that were unimaginable just a generation ago. The commercial strategic priorities have changed from the simple "what to sell" to "where to locate operations, what customers to serve, and how to do it." In the recent decades, the demand of products has shifted to Asia. The continent is in high demand of Chilean salmon, and even though Chilean Salmon has arrived to those markets, there are still big challenges in creating more added value to increase the degree of differentiation, and in doing so, improving the mind positioning of the consumers and generating a degree of loyalty that in turn could make a demand less sensitive to the price.

This research establishes strategies for the penetration of Chilean Salmon into the retail industry of Japan by analyzing the current situation of the salmon international market, its particular situation in Japan, and both – Chile and Japan - different cultural criteria through Hofstede's cultural dimensions model, identifying the diverse tendencies and objectives when doing business.

The data obtained shows that the Chilean Salmon needs to enter into the retail and that the products need to be presented in different colors and shapes to respond to the Japanese consumer's taste.

Key words: Chilean Salmon; Japan; Retail; Culture; Long-term relationships

Resumen

Las nuevas tecnologías y la reestructuración de la economía están transformando al mundo en uno inimaginable para la generación anterior. Las estrategias comerciales prioritarias han variado desde el simple "qué vender", hacia "dónde ubicar las operaciones", "qué clientes atender y cómo hacerlo". En las últimas décadas, la demanda de productos ha aumentado en Asia. El continente tiene una gran demanda de salmón chileno, y aunque el salmón chileno ya llegó a esos mercados, aún existen grandes desafíos para crear más valor agregado que aumente el grado de diferenciación, y al hacerlo, mejorar el posicionamiento mental en los consumidores y con aquel desafío resuelto, sería posible generar un grado de lealtad y demanda cada vez menos sensible al precio.

Esta investigación establece estrategias para la penetración del salmón chileno en la industria del Retail de Japón, mediante el análisis de la situación actual del mercado internacional de este pescado, su situación particular en el país Nipón, junto a los aspectos culturales de éste y de Chile, vistos a través del modelo de dimensiones culturales de Hofstede, identificando las diversas tendencias y objetivos al hacer negocios.

Los datos obtenidos muestran que el salmón chileno necesita penetrar en el Retail, y que los productos deben presentarse en diferentes colores y formas para responder al gusto del consumidor japonés.

Palabras clave: Salmón chileno; Japón; Retail; Cultura; Relaciones a largo plazo.

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Introduction

As moving further into the 21st century, there is a sense that society is rapidly changing. New technology and the restructuring of the economy are transforming the world in ways that were unimaginable just a generation ago. At the present time, traders frequently focus their attention on the high increment of uncertainty and risks that comes from the constant changes on the prices of commodities and currencies. But, as Lowell Bryan (2010) explains, traders now need to prepare for a different world that is coming with an unsustainable set of economic relationships that will have serious long-term implications for the strategic priorities, and this not only includes the products, more than that, it is about where to locate operations and what customers to serve. While the Chilean society seems to be headed towards a new global equilibrium, the transition to that future world may not be smooth and gradual.

An example of this new situation is the actual struggling that Chile is going through, facing a severe economic downturn due the devaluation of copper, key industrial sector of the economic development of the country. Hence, it has become urgent for the nation to diversify its exports and establish new global competitive industries. Chile already has been doing so with a particular industry, but its success is still not defined.

Over the last few decades, the country became the second largest salmon producer in the world, and this product has become its second main export, influencing positively in the economic development of the region. Its outstanding performance through the years expanded the expectations of many people, hoping to get a prosperous future. Unfortunately, the turbulent global changes have placed the industry on a crucial stage deciding whether to go forward or backwards with investments due to an unexpected undergoing of low demand and falling prices, putting at risk the source of income of many Chileans.

The protein industry is very dynamic, with new resources and developments based on existing ones, regularly appearing and replacing the traditional systems. This dynamic is constantly impacting the demand, affecting the eating habits of consumers, who might prefer other foods or partially replace consumption of a specific product. To mitigate this effect, the industries develop strong and high-quality products brands, in order to build loyalty in their customers and minimize potential problems of demand. The salmon producing processes of the Agrosuper Company have remained the same since its international approval in each buying markets. However, due to a strong campaign on the sanitary conditions of the use of antibiotic, the Agrosuper Company, with its brand Super Salmon, is now fading in the western markets, meanwhile the Asian markets still conserve a pushing demand but the price of the Chilean fish is going cheaper in comparison to the price of its Norwegian competitor (Aqua, 2015).

Agrosuper still has not understood the Asian Markets, specifically the Japanese market, which is the most important consumer of salmon in terms of demand and sophistication. Because Chile has not developed an efficient strategy to conquer the Japanese market, its major competitor, Norway, has been recently easily eroding the Chilean participation in the country.

General Objective

The General Objective of this research is to propose a strategic plan for the penetration of the Chilean salmon into the retail industry of Japan for the agribusiness company, Agrosuper.

Specific Objectives

- To define the situation of the salmon unit business of the Agrosuper Company in Japan through its historic development.
- To identify and analyze the salmon market.
- To identify and analyze the Japanese culture
- To describe the current market forces in Japan influencing the business.
- To define the Japanese market profile through its cultural aspects when doing business.
- To define the factors that influence the Japanese consumption.
- To identify key elements when selling salmon in the retail in Japan.

Hypothesis

The short-term profit business orientation of Chile's industries in general and Agrosuper in particular, is provoking a lack of competitive strength in the relevant markets for selling salmon.

Justification

After the author of this report did her internship in the agribusiness company Agrosuper, and noticed the current environment of the salmon meat sales, she found the inspiration of producing a new strategy for the company to meet effectively with the major demanding market of salmon, Japan, with the purpose of creating a healthy and solid long-term business relationship that could operate efficiently in the new challenging global era.

Theoretical Frame

The Salmon's industry anticipated that the preference and changes in the consumer habits, in developed and some developing countries, incremented the demand of white meats and fish; and, as expected, the sales of the industry had not stopped growing. It was 2011 when Chile and Norway concentrated 76.2% of the salmon's world production. The favorable oceanographic and climatic conditions presented by these countries for the production of these species represent a significant comparative advantage over other competitors. While Norway led the way, Chile still had enormous advantages that left it in a privileged position. This is because Norwegian exports focus on product and destination. But Chile on the other hand, reached a large number of markets and had a diverse range of fresh and frozen products, variables that account for the competitive advantages in costs, all aspects leading to think that this strategy eventually would become in a successful consolidation for the Chilean salmon industry (Agrosuper, 2012).

Unfortunately, in August 2014, Russia hit the European Union and United States by banning food imports, affecting strongly the Norwegian fishing industry. This unwanted circumstance led Norway to develop a new setting of markets starting eroding profoundly the Chilean selling markets (Birnbaum, 2015).

Chile, meanwhile, began to put its efforts on occupying the Russian market but soon witnessed how weak commodity currencies hit that country. On reaching new markets a subsequent drop started to carve the Chilean industry with a strong campaign on the sanitary conditions of the use of antibiotic in the production method headed by the Norwegian who instead uses vaccines. Drago Covacich (2016), producer of salmon said in an interview: "It was the worst year for the commercial salmon industry since it exists". By the end of 2015, the fortunes have diverged between the two largest exporters of Salmon, Norway and Chile. The first is now enjoying record level of prices, while the South American country is suffering from lack of demand and low prices (Terazono, 2016).

The Agrosuper Company, according to a study presented by AQUA (2015) , with its brand Super Salmon, is also fading in the western markets, decreasing in 39.7% its sales in 2015 compared to the same period last year. Meanwhile, the Asian markets still conserve a pushing demand; however, in those markets the price of the Chilean fish is cheaper in comparison to the price of its Norwegian competitor.

Methodological Framework

The study considers the following Methodological Framework:

- PESTL analysis address the Japanese market environmental forces when doing business, “a tool used by companies to monitor the environment in which they are operating or are planning to launch a new project, product or service”. PESTL is an acronym that means analysis of the Political, Economic, Social, Technological, and Legal forces (pestleanalysis.com, 2016).

- Hofstede’s Cultural Dimensions Model determines the social values that affect the culture of the selected markets. This model consists on comparing the culture, defined as “the collective programming of the mind distinguishing the members of one group or category of people from others”, of one country with another through six dimensions: Power Distance; Individualism v/s Collectivism; Masculinity v/s Femininity; Uncertain Avoidance; Long term orientation v/s Short term orientation; and Indulgence v/s Restraint.

- Kotler’s Product Variables identifies the key elements for Salmon products adaptation for retail, there will be an exposition of intangible and tangible aspects of the product following the Kotler’s Product Variables Theory. According to Kotler, a product appearance, function and support makes what the customer will finally buy. As a result, it is vital for managers to pay close attention to the preferences and tastes of their product packages in addressing their customer’s tastes. Further, in managing product components, product planning and development entails careful planning with the customer in mind (Marketing Internacional, 2007).

Chapter 1

Internship description

1.1 General description of the internship

The author of this report, Magali Jara Ugarte, did her professional internship in the International Commercial Office of the Agrosuper Company located in the city of Rancagua, Sixth Region of Chile. The Professional internship tasks were mainly updating customer database, preparing business reports, and helping in the initial process of creating new values for the company, focusing on its international customers along with Executives and Export Managers of the South American, African and Asian departments.

Agrosuper is the leading agribusiness company in Chile with already more than 60 years of experience. Was in 1955 when the company started its operation with the production of eggs, and a few years later it expanded into the production and sale of chickens. Finally, in the 80', Agrosuper began diversifying from its poultry operations into the production of pork, sausages, turkey meat and salmon for exports (Agrosuper, 2015).

> Agrosuper's vision (2015) is "to be a leading company worldwide for its outstanding products, good practices, innovation, experience and excellence in its processes. Characterized by the seriousness and sustainability of its managements and desired as one of the best places to work".

> Agrosuper's mission (2015) is "to procure food for Chile and the world in a sustainable and innovative way, creating value with its customers, employees, investors, neighbors and suppliers, under the highest standards of quality, safety and excellence".

As a modernizing process that the company was committed in 2015, the student of International Business Management was required to help in the duties of the initial process of creating new values for the company's international customers located in the South American, African and Asian markets. For that purpose, the student had to develop commercial reports with analysis of the products and customers buying behaviors, along with the executive managers of each market. The data collected at the end of the internship suggested that one of the most critical Business Unit was the salmon exporting system, main reason that inspired the elaboration of this report's investigation.

1.2 The International Business of Agrosuper

1.2.1 Agrosuper Commercial Offices

As it is reported in the prospect of the company (Agrosuper, 2012), in the recent years, the increased level of exports has allowed to Agrosuper to grow substantially in sales and to diversify its markets and customers.

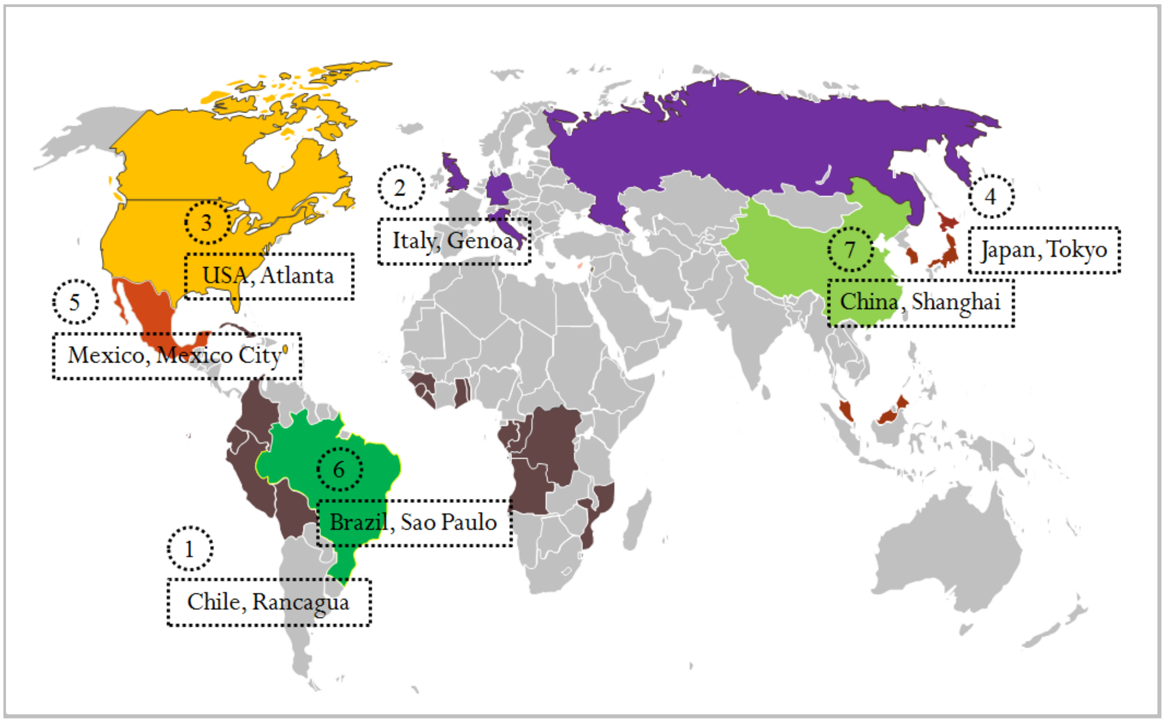
As exports have been increasing, Agrosuper opened Commercial Offices in its major consumer markets. Each commercial Office work along with the same aim:

> "To be responsible for creating, maintaining and developing relationships with its clients, procuring to make the best opportunities of business for each market, differentiating of others as a quality supplier, opportune, trustful and flexible" (Desarrollo de Cartera de Clientes, 2009).

1.2.2 Distribution and composition of the area

The company currently has seven Commercial Offices, one of them is located in Chile since 1990, and six professionals are responsible for the Latin American markets located in Dominican Republic, Colombia, Ecuador, Peru and Bolivia, and also in charge of the African markets in Guinea, Sierra Leone, Liberia, Ghana, Gabon, Congo, Belgian Congo, Angola and Mozambique. The six others Commercial Offices are abroad; the second Office created is placed in Italy since 2002, in which fourteen professionals of different nationalities are responsible for the European markets situated in the United Kingdom, Italy, Germany and Russia. The third Office created is located in the United States since 2003, and sixteen people work for covering the markets of Canada and the United States. The fourth Commercial Office is placed in Japan since 2004, and is in charge of eleven people that cover the markets of South Korea, Japan, and Malaysia. The Office number five is located in Mexico since 2005 in which six people are responsible for the Mexican market. The sixth Office developed is placed in Brazil since 2012, in where one professional covers the market. Finally, the last Office created is situated in China since 2012, and three professionals work there for covering the Chinese market. For better reference see Figure 1 shown below.

Figure 1: Distribution of the area



Source: Own elaboration with data from (Agrosuper, 2015).

The Business Model of Exports that Agrosuper has developed is to focus on the niche markets with Chilean products through brands developed by the company. Given the above, future growth will guide to enhance this strategy on continuing to create strategic alliances with major distributors, food service chains and retail companies.

1.2.3 Duties of the Commercial Office

The characteristics required from the professional that works for the International Business area of the Agrosuper Company are:

> "Professionals with conflict resolution skills, proactive attitude, analytical skills and leadership. In addition, the professionals must have advanced English proficiency. The job basically consists in coordinating and leading the requirements of the International Commercial Offices and to contribute to the development of new businesses, products and customers", (Agrosuper, 2015).

The Export Manager of Asia, Rubén Rodríguez (2015), explained:

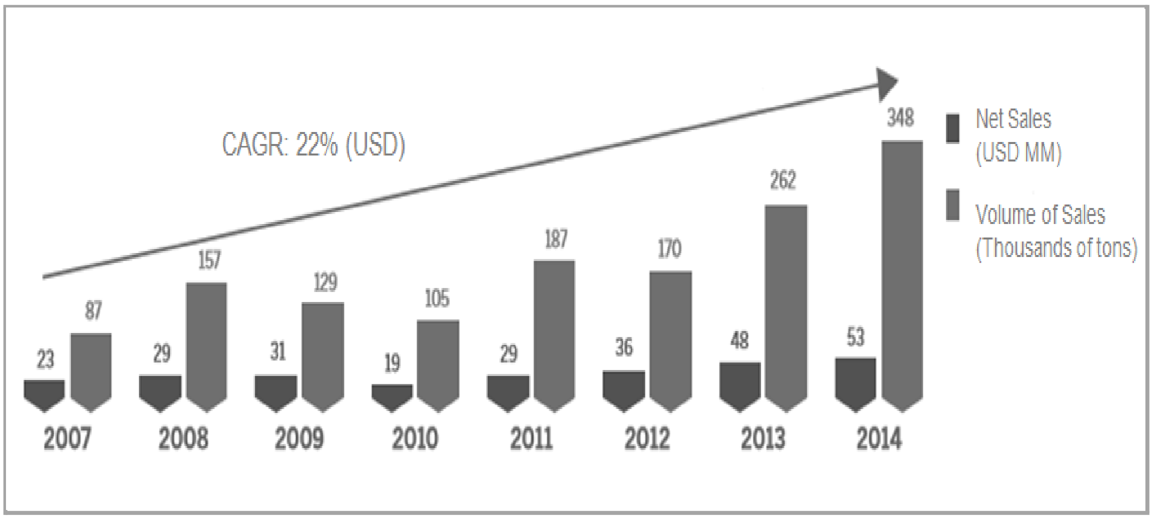
> "Exports are very important for the company, they are a source of growth so, a constant search is needed for new opportunities in the international markets and to enhance the customer network. We are in charge of making a constant improvement to the company's margins, accessing to the right markets at the right time; it is a very competitive job that demands an open mind to deal with clients of different cultures around the world, and full commitment into this process".

1.2.4 The evolution of the company's export of Salmon

Since 2000, Agrosuper enhanced its internationalization plan that has allowed it to increase by nearly 7 times its sales abroad between 2001 and 2014, from 47,000 to 283,000 tons (Agrosuper, 2015).

The salmon meat exports represent a big margin of sales for the company, and thanks to the improvement of the system of production and the effective work of Agrosuper's Commercial Offices abroad, the salmon exporting evolution has maintained a steady increase over time as seen in the following Table 1.

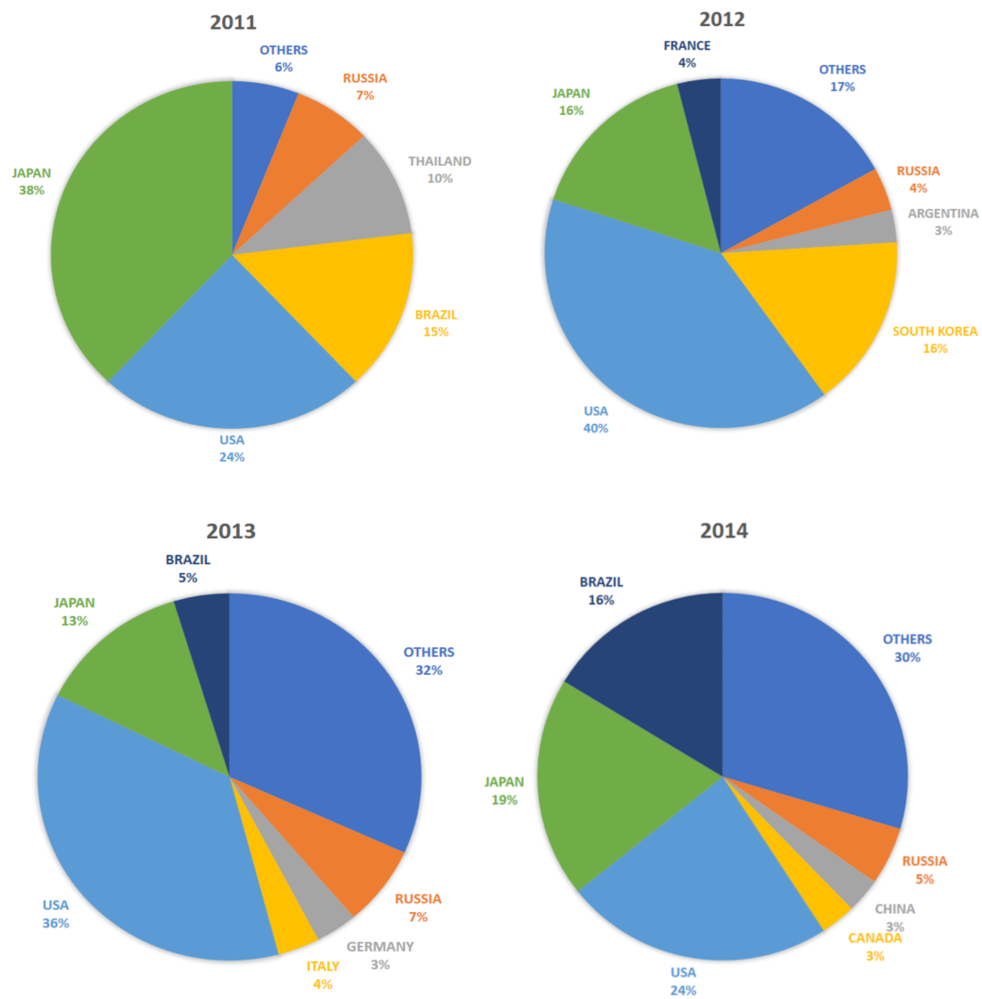
Table 1: Agrosuper's Salmon's exporting evolution



Source: (Agrosuper, 2015). (Exchange rate used: USD $ 606.75 CLP / US).

As the distribution of sales is concentrated in the international market, Agrosuper comes with salmon products to many markets abroad. However, as Rodríguez (2015) declared, behind these good annual results, the fact is that the company itself has always been struggling in changing environments inside of its targeted markets. Therefore, each year Agrosuper presents big changes in sales and costumers, as shown in the next Table 2, costing great amounts of money and time for the Chilean company.

Table 2: Agrosuper's Markets Changes



Source: Own elaboration with data from Agrosuper reports (2012), (2013), (2014), (2015).

Chapter 2

Theoretical Framework

2.1 The company's Salmon Business Unit

2.1.1 The salmon's producing history

In 1989, Agrosuper founded Los Fiordos, a producer, processor and distributor of several kinds of salmon farmed in salt water located in the south of Chile. Thanks to gained experience, the company was able to rapidly build a highly successful salmon production operation. Today, Los Fiordos is completely vertically integrated and is one of the world's leading salmon companies. Its farming centers are located in Aysén Region, Puyuhuapi Channel and Guatecas Archipelago, and counts with a processing plant in Quellón (Agrosuper, 2013).

Agrosuper participates in the international market through its brand "Super Salmon". Through the years, the company has received a good consumer response. Since its creation, it has achieved a dramatic increase in its production levels, largely through the strengthening of its fresh and salt water farming operations (SUPER SALMON, 2015).

Los Fiordos Salmon plant in Quellón, processes 100% of its fish pre-rigour, with fresh products harvested, processed and packed in less than two hours and frozen products in less than 4 hours. These production times are unique in the industry and allow the company to supply its clients around the world. Through its three filleting lines, IQF tunnels, technology and high added-value production capacity, the plant produces Whole, Headed and Gutted salmon, salmon fillets, portions and loins, and other products.

Since December 2002, Los Fiordos has been awarded with the certification of its Operational Integrity, Management System, based on ISO 9001, ISO 14001, OHSAS 18001, HACCP, BRC and IFS standards.

To keep pace with the growing world demand for salmon, Los Fiordos and its brand “Super Salmon” have taken a major step forward in their development. As a result, Los Fiordos is today the most advanced salmon farming company in the southern hemisphere. However, due to a strong campaign on the sanitary conditions of the use of antibiotic, the Agrosuper Company, with its brand Super Salmon, is now weakened in the western markets, meanwhile the Asian markets still conserve a pushing demand but the price of the Chilean fish is going cheaper in comparison of the price of its competitors (Aqua, 2015).

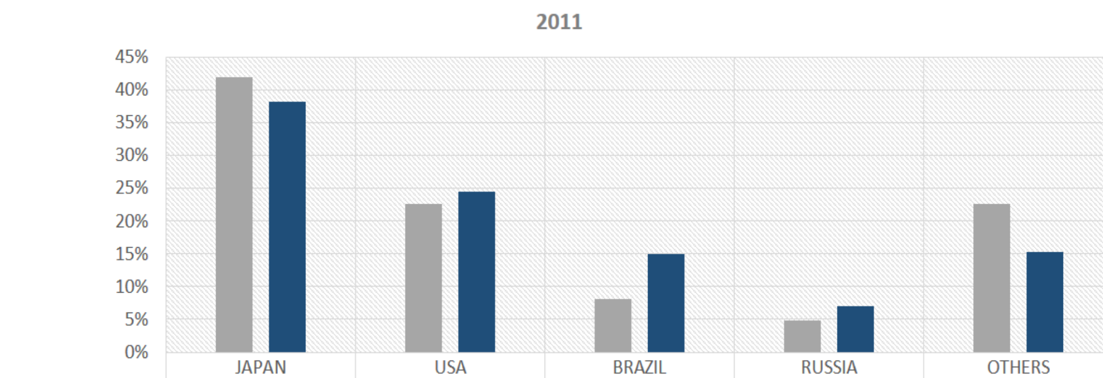
2.1.2 Agrosuper’s salmon business v/s Chilean Salmon Industry (2011-2015)

Since its inception, the Chilean Salmon industry has strived to export Salmon products to more than 70 countries, including leading markets such as Japan, United States and Brazil (SalmonChile, 2016).

As the distribution of salmon sales is concentrated in the international market, Agrosuper comes with salmon products to many markets abroad. However, as Rodríguez (2015) declared, behind of these good annual results, the fact is that the company itself has been always struggling in changing environments inside of its targeted markets.

The next tables represent the amount of sales that Agrosuper and the Chilean Industry did on specific markets between the years 2011-2015, based on their own production.

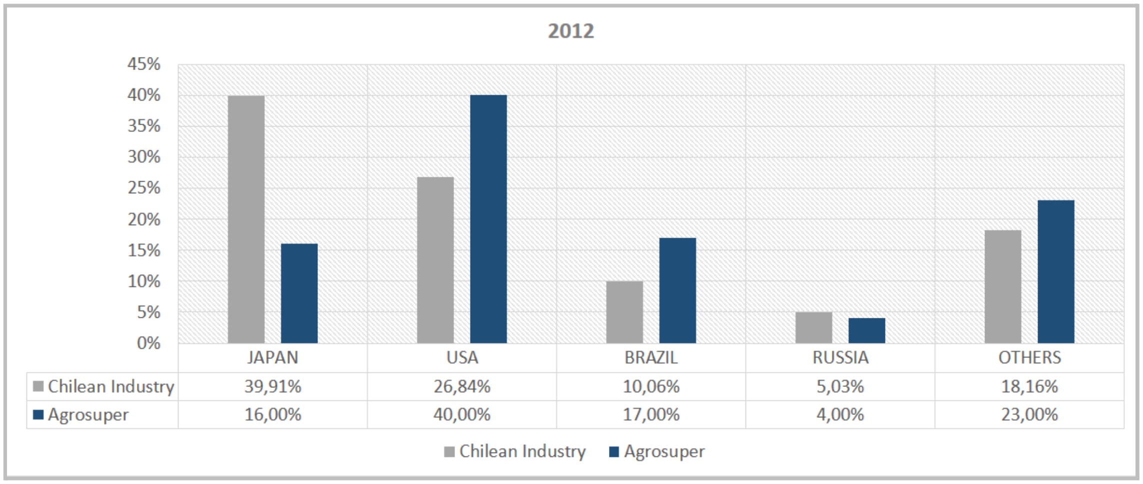
Table 3: Agrosuper v/s the Chilean Industry 2011



	JAPAN	USA	BRAZIL	RUSSIA	OTHERS
Chilean Industry	41,93%	22,58%	8,06%	4,83%	22,60%
Agrosuper	38,12%	24,50%	15,00%	7,10%	15,28%

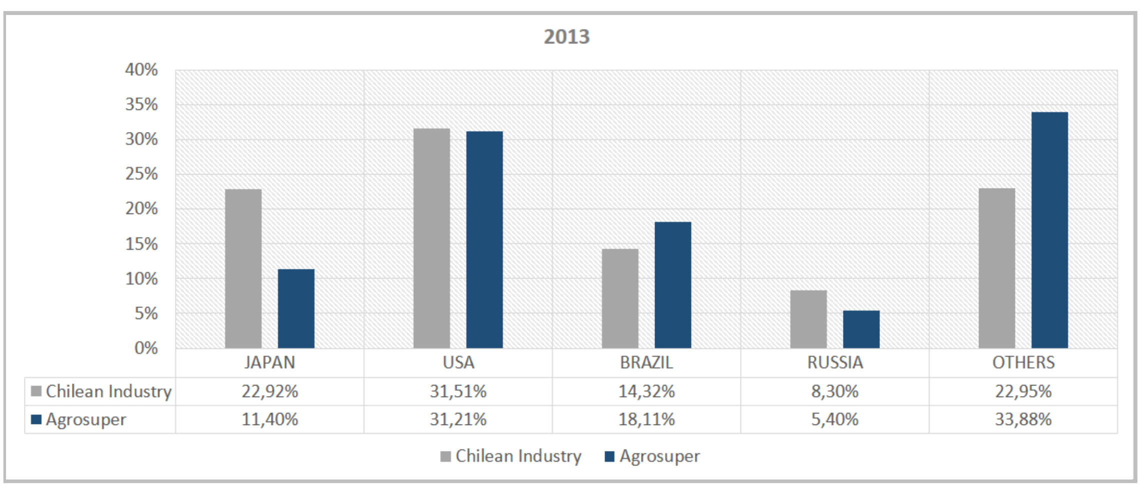
Source: Own elaboration with data from (Agrosuper, 2012) y (Aqua, 2015).

Table 4: Agrosuper v/s the Chilean Industry 2012



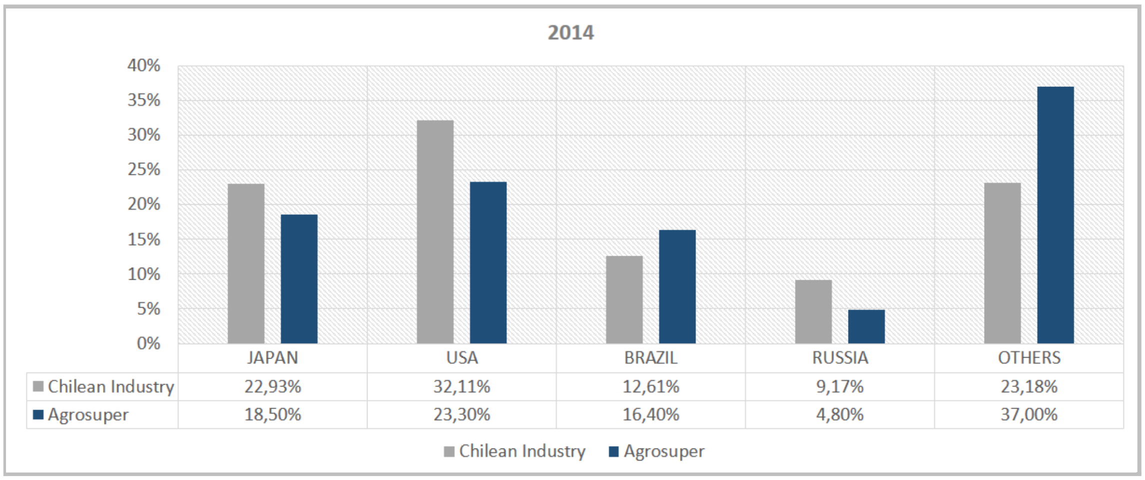
Source: Own elaboration with data from (Agrosuper, 2013) y (Aqua, 2015).

Table 5: Agrosuper v/s the Chilean Industry 2013



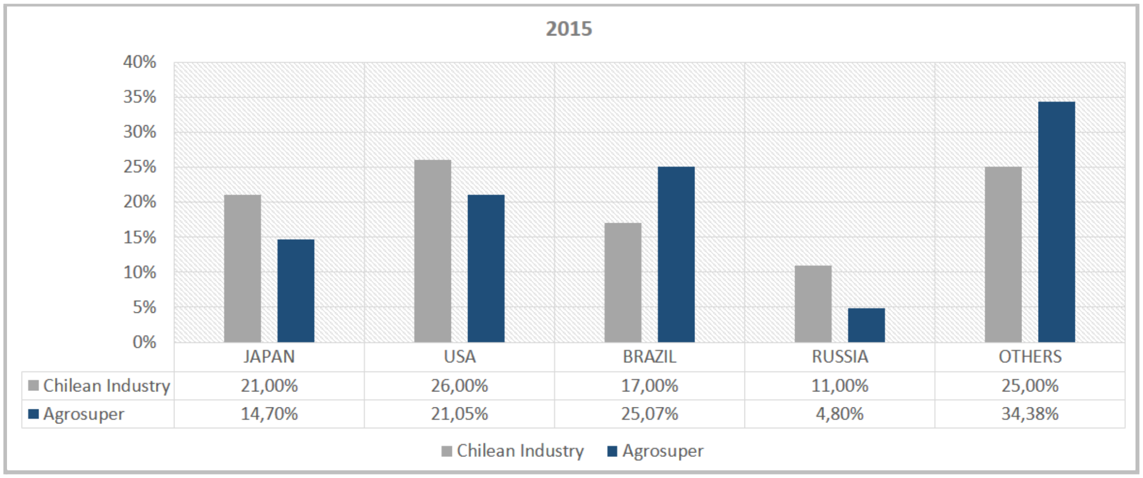
Source: Own elaboration with data from (Agrosuper, 2014) y (Aqua, 2015).

Table 6: Agrosuper v/s the Chilean Industry 2014



Source: Own elaboration with data from (Agrosuper, 2015) y (Aqua, 2015).

Table 7: Agrosuper v/s the Chilean Industry 2015



Source: Own elaboration with data from (Agrosuper, 2016) y (SalmonChile, 2016)

The main reason for these big ups and downs on offered volumes for each international market, is the advantages in costs that come from the wide number of markets that consume Chilean Salmon. Unfortunately, since 2014, Chile has been witnessed a new setting of markets led by Norway who instead focus on product and destination.

The president of the distributor of sea products, SeaCorp Seattle Inc., and salmon business analyst, Alfredo Ovalle, expressed: “It is a great dissatisfaction going to the supermarkets and noticing big price differences for almost US$3.00, between Chilean and Norwegian salmon”. He also emphasizes on returning to the model that was installed at the beginning of Chilean Salmon business and what currently other producing nations are doing, that is, forgetting the Urner Barry[1] as the only reference and to boost marketing (Aqua, 2016).

Arturo Clement (2016), director of SalmonEx, referring to this disparity between the prices of Chilean and Norwegian salmon, explains:

[1] Urner Barry is a business publisher which focuses on providing market information related to red meat, poultry, egg and seafood through its reports and websites as well as administrating the sale of ancillary products and services.

> “There is not hidden science on why Norwegians sell salmon to a better price, and therefore have better margins than the Chilean industry. The Norwegian industry conducts permanent marketing campaigns in their markets. For example, in Spain, fish selling points have propagandas with the virtues of the Norwegian salmon. Similarly, in the emerging markets of Asia, can also being seen attractive promotional strategies”.

Marketing strategies took a major relevance in August 2014, when Russia hit the European Union and United States by banning food imports. The Norwegian fishing industry was strongly affected. This unwanted circumstance led to this country to develop a new setting of markets; therefore, it started eroding profoundly the Chilean salmon markets (Birnbaum, 2015).

The Chilean salmon industry began to put its efforts on occupying the Russian market but soon witnessed how weak commodity currencies hit that country. By the end of 2015, the fortunes have diverged between the two largest exporters of Salmon, Norway and Chile. The first is now enjoying record level of prices, while the South American country is suffering from lack of demand and low prices (Terazono, 2016).

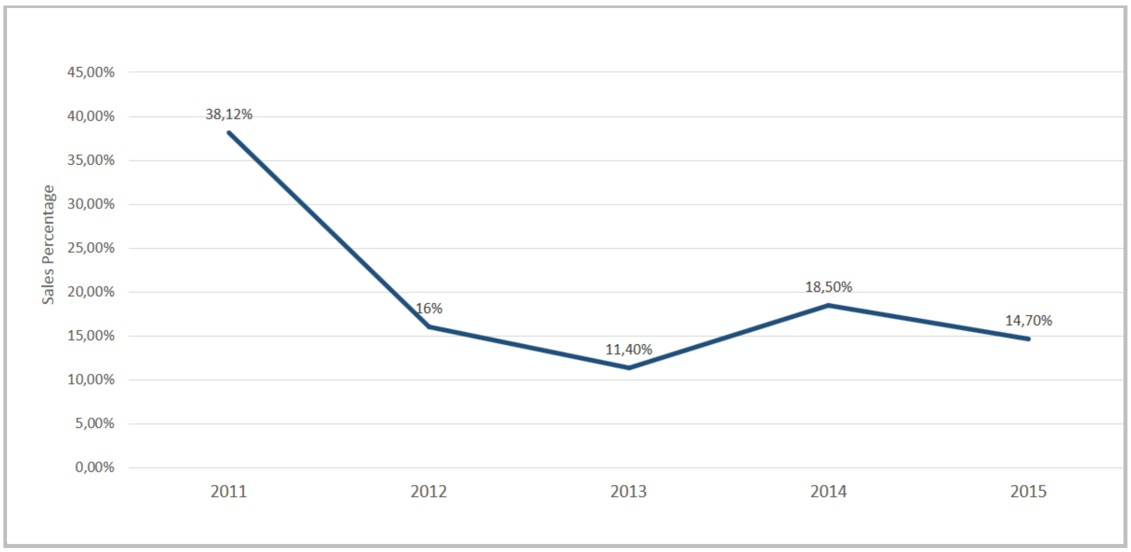
Agrosuper, according to a study presented by Aqua (2015), with its brand Super Salmon, has faded in the western markets, decreasing in 39.7% its sales in 2015. The Asian markets still conserve a pushing demand; however, in those markets the price of the Chilean fish is cheaper in comparison to the price of its Norwegian competitor due to its lack of added value.

See annexes 1 and 2, pages 612-65

2.2 Agrosuper’s salmon’s business in the Japanese Market

Japan has been a major importer of several premium cuts of Salmon meat of Agrosuper. Even in the year 2011, when the consumption per capita of fish and seafood declined in Japan, caused by the safety concerns of the consumer following the earthquake, tsunami and nuclear power plant meltdown, the demand for the Chilean salmon did not fall back during that year. The entry of new participants to the market and the aperture of other markets have shifted gradually the participation of Agrosuper in the Japanese market.

Table 8: Agrosuper's Salmon meat sales in the Japanese Market



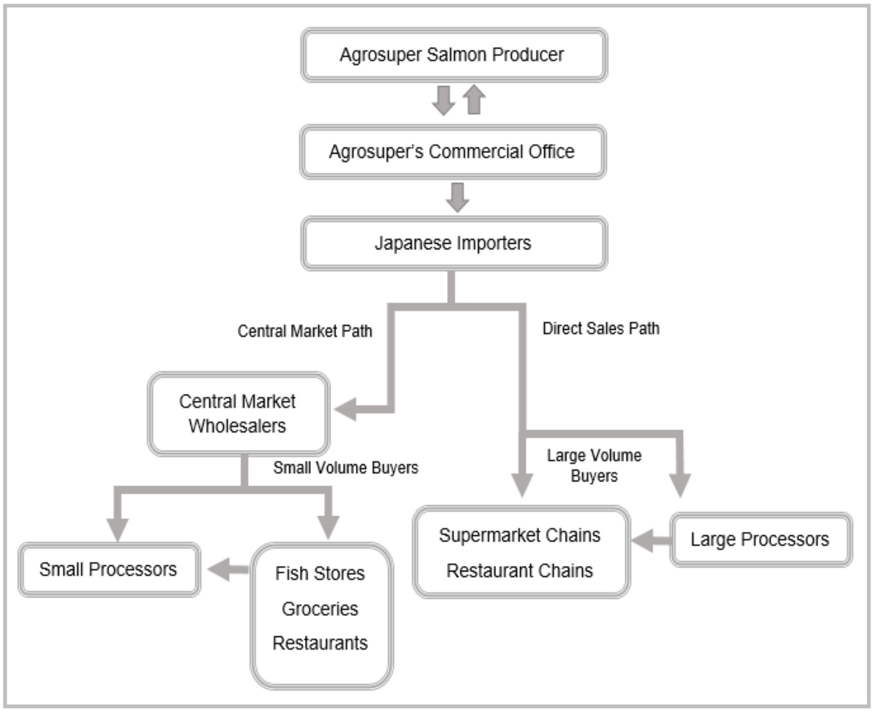
Source: Own elaboration with data from Agrosuper reports (2012), (2013), (2014), (2015) and (2016).

Still, under the eventualities of the Chilean salmon crisis, while Russia's ban on seafood imports from the United States, Canada, the EU and Norway provoking changes in the salmon trade flows, the demand for the Chilean salmon did not changed much in Japan (seafoodsource.com, 2015). The Japanese market signifies an important consumer of salmon in terms of demand and price. Penetrate effectively into the retail industry has become in one of the goals of the company.

2.3 Agrosuper's salmon's trading system for the Japanese Market

Each day of the year, The Agrosuper's commercial Office located in Japan, contacts the importers or trading companies of Salmon who have their own logistics and networks within the country, and offers to them the volume of product that the production of salmon of Agrosuper in Chile is allowed to sale according to the current profit strategy of the company. The Japanese importers buy and resell the salmon to Central Market Wholesalers who lastly resell the products to small processors, fish stores, groceries and restaurants. But mainly, the production goes on a direct path to large retailers and restaurant chains, a business that needs to be consolidated due the reduction of costs by using less intermediates and the increasing demand of this chains of salmon fillets (AGROSUPER, 2015).

Figure 2: Salmon Sales Distribution System

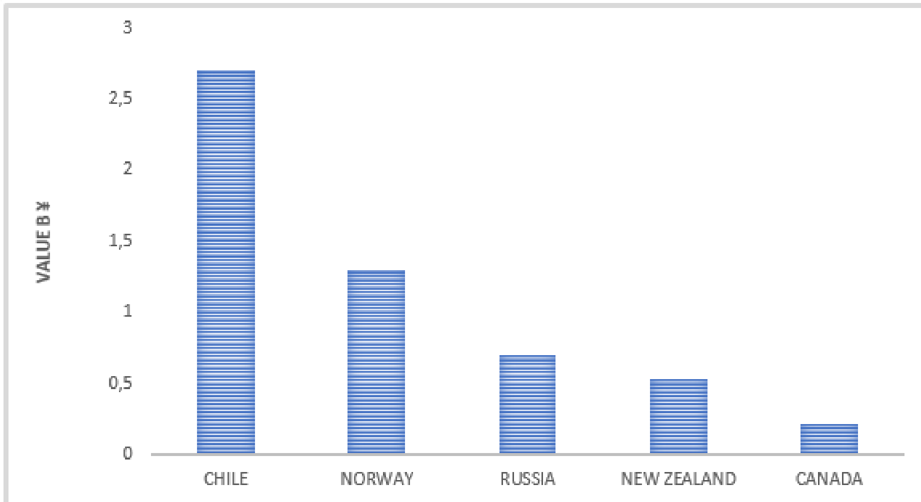


Source: Own elaboration.

2.4 Top exporters of Salmon to the Japanese Market

The principal exporters of salmon to Japan are Chile, Norway, Russia, and New Zealand. Chile is the main supplier of frozen salmon to the Japanese market. In the case of the Pacific salmon, Chile had a market share of 98.8% as of December 2015, with its competitors Russia, the United States and Canada, which together has a share of 0.79%. In whole frozen trout, Norway had a 29.8% market share in fines of 2015. However, Chile is by far the main supplier with a 68.8% market share at the same date. However, by 2013, when Chile has a market share of 85.5%, it is clear that Norway with a share of 16.1% by 2013 has gained considerable ground in the market (PROCHILE, 2016).

Table 7: Main exporters of Frozen Salmon to Japan 2015



Source: Own elaboration with data from (Japan Customs, 2016)

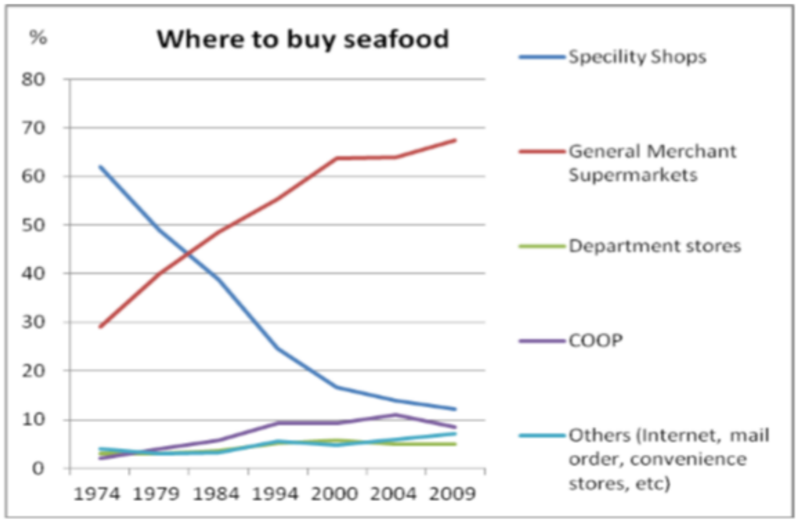
2.5 The distribution system of Japan

Distribution relationships in Japan are characterized by a close personal relationship that emphasizes long-term stability over short-term transactional advantage. The Japanese distribution has historically been controlled by wholesalers through vertical integration, financial linkage and reciprocity dealings. But, since 2000, the wholesaler dominance has been changing due to changes in the retail structure, the introduction of information technology such as point of sales data management, and new distribution strategies such as supply chain management, with the appreciation of the YEN and wage increases in the early 1990s, the use of foreign suppliers became more common, thereby increasing competition between Japanese manufacturers, reducing their supplier power, and tipping the balance in favor of the retailers. The retailers now are clearly favor the trend towards more direct distribution of seafood (Morten H. Abrahamsen, 2007).

2.5.1 The retail channel in Japan

In 2009, nearly 70% of consumers bought seafood at General Merchandise Stores. On the other hand, specialty shops have shown a sharp decline as a place to buy seafood since consumers find it convenient to be able to buy seafood and other foodstuff at the same place and time and shifted to retailers. The merits for buying at these places are: the availability of various quantities in packs, so consumers can buy necessary quantity only; Easy-to-understand labelling on the packs, which provides necessary information that consumers would like to know: i.e., price, place of catch and best-before date; Overall, convenience is the main reason (Yanagisawa, Hasegawa, & Ohsumi, Overseas Market Introduction Service On Japanese Seafood Market , 2012).

Figure 3: Where do Japanese consumers buy seafood



Source: (Yanagisawa, Hasegawa, & Ohsumi, Overseas Market Introduction Service On Japanese Seafood Market , 2012)

2.5.2 Main food and drink retailers in Japan

AEON Co Ltd.

Web: http://www.aeon.info/en/

Profile: AEON is the largest retailer in Asia. It is a retail network comprising around 300 consolidated subsidiaries and 26 equity-method affiliated companies ranging from convenience stores, and supermarkets to shopping malls and specialty stores, including Talbots. AEON is Japan's single-largest shopping mall developer and operator (AEON, 2011).

Seven & I Holdings Co Ltd.

Web: http://www.7andi.com/en/index.html

Profile: Holding company of mainly retail companies, but also food service, banks, IT services, etc. It is a Japanese diversified retail group headquartered in Nibancho, Chiyoda, Tokyo, Japan. Seven & I was founded in 1920 as Ito-Yokado, and is now the fifth largest retailer in the world, with 54,000 stores in approximately 100 countries.

UNY Co Ltd.

Web: http://www.uny.co.jp/corporate/ir/annualreport.html

Profile: It is a company that operates a chain of supermarkets in Japan. Most of the stores are mainly located in the Chubu and Kanto regions. Operator of retail chain stores (227 outlets as of February 2012) such as supermarkets (UNY), GMS and shopping malls.

The Daiei, Inc.

Web: http://www.daiei.co.jp/about-daiei/en/

Profile: Daiei Inc. currently runs more than 3,000 stores under the *Daiei* name as well as through its subsidiaries. In addition to groceries, Daiei is also a department store, selling electronics, home furnishings, and clothes.

IZUMI Co Ltd.

Web: http://www.izumi.co.jp/

Profile: Operates large malls and supermarkets in Japan, including the “You Me” branded supermalls. The company operates 85 malls/stores in Chugoku, Kyushu, and other regions.

CGC Japan Co Ltd.

Web: http://www.cgcjapan.co.jp/english/index.html

Profile: Cooperative chain with a membership of 220 small to medium supermarket chains 3,700 outlets and annual dealings worth 808,013.27 million yen. They engage in merchandising, distribution, development of IT infrastructure, sharing of information and providing various types of support to the member companies.

2.6 Going into the Japanese Retail

There is a trend of the exporters to put efforts on establishing the sale of salmon through a direct system which is now increasing its importance. These changes are initiated by the large supermarket chains who have fixed contracts with their suppliers and buy large volumes with the advantage of reducing margins.

2.6.1 How to negotiate with the Japanese Company

As it is explained by Kuroda (2005), Incomplete knowledge and misperceptions regarding the negotiation style and tactics of Japanese companies will lead to difficulty, frustration or even failure in the negotiation process. This is because Chile and Japan have different cultures, languages and negotiation styles. Although Japan is a Western industrialized nation, it is a country where people still maintain strong traditional beliefs that have been embedded in Japan for centuries. These includes concepts such us order, hierarchy, seniority, and social harmony, which in turn have formed the unique Japanese negotiation styles of negotiation and consensus decision making.

The Japanese company in international negotiations is seeking a long-term relationship characterized by friendship, trust, and respect between the negotiating parties. When a

Japanese company negotiates an agreement with a foreign party, it will not only look for profits but also will strive to achieve a business relationship based on the spirit of harmony. The Japanese believe that an agreement encompasses a moral as well as a legal obligation. In many cases, when a Japanese company seeks to reach an agreement with a foreign party, it will stress the importance of establishing goodwill and a good working relationship more than agreement itself.

Since the main objective of a contract to a Japanese corporation is to establish a relationship with the other party, the Japanese believe that it is not necessary for the contract to be too specific. The companies, in general, believe that if problems arise in the future, the strength of the relationship and the goodwill that supports it will solve them.

2.6.2 Negotiating step by step

To understand the Japanese negotiation style, some knowledge of Japanese cultural tradition is necessary. Order and harmony are highly respected. The concept of order can be tracked back to Confucianism, a system of ethics and philosophy introduced from China. This philosophy suggests hierarchy of order which establishes a vertical relationship in a society. As a result, order and social harmony are achieved when each person acknowledges and behaves according to the requirements of his appropriate rank.

A Japanese company always begins the negotiations with lower ranking company staff who are responsible of the projects involved. Following this stage, the middle ranking managers in charge of relevant sections of the company will follow up and continue to negotiate. Finally, the senior executive of the company will appear and make a final decision or sign the agreement.

The notion of harmony is another important value. The Japanese believe that an individual is not self-sufficient and that each person's life is only made meaningful and useful to the society when he or she is put in an appropriate position to perform a portion of a collective task. Harmony, therefore, stems from proper participation by individuals in group activities. In order to achieve this, Japanese companies often invest considerable time and money to build appropriate morale among their employees (Kuroda, 2005).

2.6.3 The Japanese businessperson

When dealing with a Japanese businessperson, it is necessary to realize that they take with great consideration elements that for a person from the West would not have greater importance. Everything related to formalities in previous communications, during meetings and subsequent conversations to agree business from, for example, how to deliver a business card to the fact of answering all the questions that Japanese usually asks. The Japanese will not give more interest to an interlocutor who does not seem reliable, even if the company's products are good.

Another characteristic of the Japanese businessperson is his/her interest in establishing bonds of trust that ultimately lead to a long-term relationship. This trust is earned, along with the delivery of a high-quality product, healthy, and at an appropriate price, with a regular and continuous flow of previously agreed shipments, complying with the specifications and requirements.

The Japanese are not interested in short-term business. They interest is in the long term. This also explains that when analyzing the possibility of starting a commercial relationship, it takes a longer time than the standards observed in the West.

The above, explains the difficulties to start a business with a Japanese, even offering better conditions than those with his or her current suppliers. It means that the priority is placed on the reliability of their suppliers, in a way that ensures the permanence of the business. They look at the marketing chain forward, taking care not to fail their buyers, who are the source of their income and success in the market or in what they prefer, neither in their quality nor in the opportunity. These considerations are what mainly determine the choice of the provider (s).

If, finally, commercial relationships are achieved, after a long process that requires a lot of patience, it is possible to consider that it will be for life, unless inexcusable errors are made that affect the basis on which the commercial relationship was built (PROCHILE, 2016).

2.7 Japanese salmon consumption trends

Japan is the top consumer of fish and seafood in Asia and the second-largest importer of these products worldwide behind United States. Even though, per capita consumption of fish and seafood declined in Japan from 40 kg in 2007 to 32 kg in 2014, due to the influence of demographic decline and the internationalization of the Japanese diet, the fish and seafood industry is still confident (Agriculture and Agri-Food Canada, 2016). According to a research conducted by Ministry of Internal Affairs and Communications of Japan (Statistics Japan, 2016), the price of salmon is highest within the last 40 years.

See Annex 3, page 66.

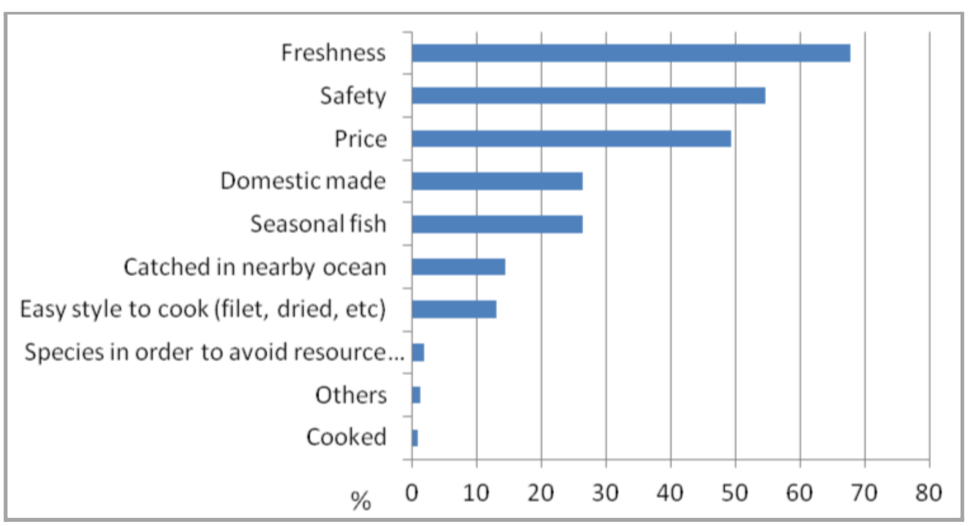
Products with more added values are influencing the demand and the price as the Japanese government and the fishing industry are struggling to reverse the meat consumption trend in favor of increasing fish and seafood in the diet. To that end, the fish processing industry needs to improve its product, along with a change in how fish and seafood is sold and packaged (Aquaculture, 2016).

The lack of ability to prepare and cook fish and sea food of the younger generations, is the reason why the demand for easy to prepare, ready-to-eat, and processed seafood products is growing rapidly. Consequently, whole fish is being displaced by fillets/cuts and ready-to-eat formats in retail outlets (Agriculture and Agri-Food Canada, 2016). During 2015, Japan has increased the import of salmon by 13% (Iwaki, 2016).

There is a growing concern for health issues. The population in general has shifted away from salty fish products to less salty ones. There is also increased awareness of genetically modified products, and people are willing to pay a premium price to eat ‘safe’ food (Asche & Bjorndal, 2011).

The Ministry of Agriculture, Fisheries and Forestry reports that consumers are most concerned about freshness – followed by safety – when buying fresh seafood, as shown in the chart below. Suppliers are expected and required to secure safety managing production process and also provide consumers with comprehensive information about how they are ensuring safety.

Table 9:Major factors when Japanese consumers buy seafood



Source: (Yanagisawa, Hasegawa, & Ohsumi, 2012)

As said earlier, safety is a growing concern. This is related to the growing health-consciousness and also nuclear issues following the earthquake in March 2011. These subsequents nuclear problems have affected consumers' perception about "value for money". Price is not a relevant factor – People tend to attach more importance to quality or other factors and pay more for products they think they worth it.

It is clear that the Japanese salmon market will remain very large and very important. Although total salmon consumption may not rise as rapidly as in other markets, the Japanese market will provide very important opportunities for those salmon producers able to produce high-quality products that respond to the demands of Japanese consumers (Asche & Bjorndal, 2011).

2.8 Key elements when selling salmon in Japan

Today, the salmon offer in Japan comes mainly from three places: domestic production, salmon from Chile and salmon from Norway. The quality and safety requirements of the three options are virtually at the same level since to import a food product to Japan, it must meet the same standards of safety and quality required for Japanese products.

The effect of "country of origin" has a high influence in the Japanese consumer, they would charge the products quality based from where is made, therefore the importance of highlight the good aspects from the country of origin. In the world, consumers have different feelings towards products made in their home country versus a foreign country. Those feelings have been found correlated with personality variables like level of dogmatism and conservatism. Kathy Chen (2008) examined consumers' attitudes toward home country products in Japan. Her findings show that Japanese consumers buy home products regardless of whether they are superior or inferior to the competition.

Another critical component to marketing food products in Japan rests on proper packaging. Consumers place high importance on quality packaging, they are very engaged in the presentation of products and need to be convinced that the packaging is flawless with particular regards to detail, color, and labelling (Yeomans, 2014). The packaging needs to consider the object unique to be valorized, therefore colors need to be coordinated with the object and sometimes contrasting to surprise with unexpected matches of colors (Canovi, 2015). Regarding to salmon, the more appropriate colors would be black, green and pale blue (Marine Harvest, 2015).

Food retailers and manufacturers have invested to develop several product lines that accommodate Japan's younger customers who are always on the go. Euromonitor (2016) predicts that store-based retailers will continue to dominate value sales of food. Due to growth in the number of single-person households, smaller-sized products are being launched by major manufacturers and distributed. The container of seafood must be simple and contain small cuts and portions.

2.9 Chile v/s Japan thorough PESTL analysis

2.9.1 General presentation of the Chilean and Japanese Markets

Chile is a South American country occupying a long, narrow strip of land between the Andes to the east and the Pacific Ocean to the west. It borders Peru to the north, Bolivia to the northeast and Argentina to the east. Chile is today one of South America's most stable and prosperous nations. It leads Latin American nations in rankings of human development, competitiveness, income per capita, globalization, state of peace, economic freedom, and low perception of corruption. It is considered an upper-middle-income economy, Emerging Financial Market. Chile is a World's leading exporter of copper and salmon (BBC, 2016).

Japan is an island nation in East Asia, located in the Pacific Ocean, it lies to the east of the Sea of Japan, China, North Korea, South Korea and Russia, stretching from the sea Okhotsk in the north to the East China Sea and Taiwan in the south. Japan has the third largest economy in the world in terms of purchasing power parity, behind the United States and China. Japan's industrialized economy relies on such factors as a well-educated work force, high level of technology, high savings, and investment rates. Since Japan has few natural resources, it has to import most of the raw materials (Doing Business and Investing in Japan Guide, 2016).

2.9.2 Political System

Chile is a Republic based on parliamentary democracy where the President enjoys considerable powers. According to Freedom House (2016), Chile scores 95 on freedom rating which 0=Worst and 100=Best. On Press freedom rating of the same study, the country scores 29, 0=Best and 100= Worst. According to Transparency International (2015), the corruption perception index of Chile is 70, in which 0=Worst and100=Best.

In Japan, the head of State is the Emperor and the role is largely ceremonial. The leader of the majority party or leader of the majority coalition in the parliament is designated as the Prime Minister for a four-year term. The Prime Minister is the head of the Government and enjoys executive powers, which include implementation of the law and running of day-to-day affairs. The Cabinet is appointed by the Prime Minister. According to Freedom House (2016), Japan scores 96 on freedom rating, 0=Worst and 100=Best. On Press freedom rating of the same study, the country scores 26 on which

0=Best and 100= Worst. According to Transparency International (2015), the corruption perception index of Japan is 75, which 0=Worst and 100=Best.

2.9.3 Economic System

Chile, unlike other major economies in Latin America, has managed to remain economically stable. However, after years of steady growth, Chile experienced a sharp economic slowdown in 2015, due to the fall in international copper prices, given that it is the number one copper exporter worldwide. Due to falling demand in major emerging markets, growth is also expected to slow in 2016 (2.5%). Nonetheless, prospects for 2017-2020 are brighter, with growth expected at around 4%. Still, this rate remains relatively sluggish compared to the commodity boom years (Santander Trade, 2016).

Table 8: Chile's main economic indicators

GDP (Billions USD)	240.31
GDP per Capita (USD)	13,207
Real Growth Rate	0.84
Inflation Rate (%)	3.7

Source: (Santander Trade, 2016)

Japan, the world's third largest economy, is highly exposed to external shocks because of its strong dependence on exports. This vulnerability has been on display in recent years, as its economy experienced periods of recession alongside the slowdown in the global economy. Natural disasters and backlash to the 2014 VAT increase have furthered this recessionary trend. In 2015, growth remained sluggish (0.6%), driven by foreign trade and public consumption. It is expected to rebound slightly in 2016, led by strong exports and household consumption (Santader Trade, 2016).

Table 9: Japan’s main economic indicators

GDP (Billions USD)	4,170.64
GDP per Capita (USD)	33,010
Real Growth Rate (%)	-0.13
Inflation Rate (%)	0.4

Source: (Santader Trade, 2016)

2.9.4 Demography

Chile is in the advanced stages of demographic transition and is becoming an aging society. Nevertheless, with its dependency ratio nearing its low point, Chile could benefit from its favorable age structure. It will need to keep its large working-age population productively employed, while preparing to provide for the needs of its growing proportion of elderly people, especially as women increasingly enter the workforce. Over the last two decades, Chile has made great strides in reducing its poverty rate, which is now lower than most Latin American countries. However, its severe income inequality ranks as the worst among members of the Organization for Economic Cooperation and Development. Unequal access to quality education perpetuates this uneven income distribution. Chile has historically been a country of emigration but has slowly become more attractive to immigrants since transitioning to democracy in 1990 and improving its economic stability. Most of Chile's small but growing foreign-born population consists of transplants from other Latin American countries, especially Peru (IndexMundi, 2016) .

Table 10: Chile’s main demographic indicators

Total Population	17,948,141
Natural Increase	1.0%
Density	24 inhabitants/km^2
Urban Population	89.5%

Source: (IndexMundi, 2016)

Japan's population began falling in 2004 and is now ageing faster than any other country on the planet. More than 22% of Japanese are already 65 or older. A report compiled with the government's co-operation two years ago warned that by 2060 the number of Japanese will have fallen from 127m to about 87m, of whom almost 40% will be 65 or older. Immigration is being approached as a last resort. Even so the Prime Minister faces tough choices. The United Nations estimates that without raising its fertility rate, Japan would need to attract about 650,000 immigrants a year. There is no precedent for that level of immigration in this country, which is still a largely homogenous society. Roughly 2% of Japan's population is foreign. And even this figure includes large numbers of permanent residents—mostly Chinese and Koreans—who have been here for generations (The Economist, 2016).

Table 11: Japan's main demographic indicators

Total Population	**126,958,472**
Natural Increase	-0.1%
Density	348 inhabitants/km^2
Urban Population	93.5%

Source: (IndexMundi, 2016)

2.9.5 Technological Forces

Chile

Table 12: Chile's communication & technology indicators

Innovation Index	**41.2**
Information & communication Rate	50.0
Logistics Performance Rate	55.8
General Infrastructure Rate	34.7

Source: (Innovation, 2016).

Japan

Table 13: Japan's communication & technology indicators

Innovation Index	54.0
Information & communication Rate	63.1
Logistics Performance Rate	89.4
General Infrastructure Rate	48.2

Source: (Innovation, 2016).

2.9.6 Political-Legal Forces

Chile and Japan have a Strategic Economic Partnership Agreement Signed in Tokyo, Japan, on March 27th, 2007, promulgated in Chile by Supreme Decree Number 143 of the Ministry of Foreign Affairs on August 14th, 2007, published in the Official Journal on September 3rd, 2007, and it began to govern on September 3rd, 2007.

The Agreement is divided into 19 chapters, Customs Procedures (Chapter 5), Sanitary and Phytosanitary Measures (Chapter 6), Investment (Chapter 8), Cross-Border Trade in Services (Chapter 9), Public Procurement (Chapter 12), Intellectual Property (Chapter 13), Exceptions (Chapter 18), and the Final Provisions (Chapter 19).

The Agreement eliminates tariffs in more than 90% of trade between nations, although it does not include Japanese agricultural products such as rice.

The tariff reduction program was established in 8 categories, which are free of customs duties in 1, 6, 8, 11, 13, 16, annual stages since the treaty entered into force, special tariff reductions for certain products, and a list of exclusions. The above applies to products originating in Chile and Japan (Aduanas Chile, 2016).

Chile exports salmon to Japan with a tariff of 1,9% (JAPAN CUSTOMS, 2012).

The necessary certifications for the import of frozen salmon imported to Japan are the following:

1. Certificate of origin

2.Certification or export authorization issued by the food safety agency
of the exporting country.

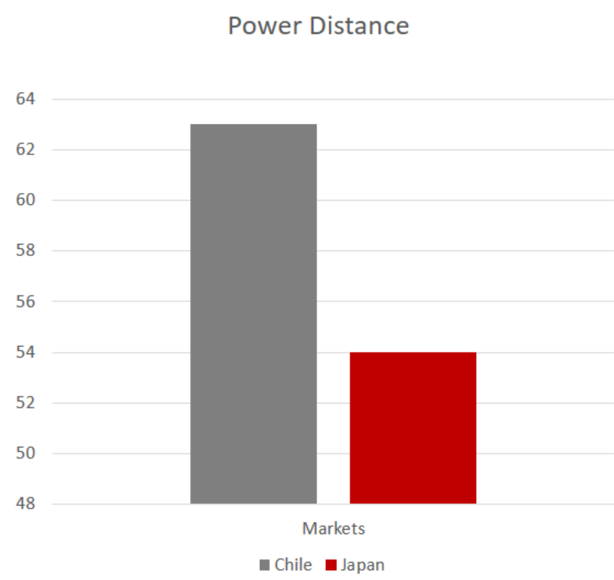
Other additional certificates (such as HACCP) do not apply to frozen salmon or, where appropriate, other certificates (eg. FairTrade, Organic, etc.).

Japan does not require such certifications at the time of import a product. The Japanese authorities place greater emphasis on the country of origin of the product that is able to certify that these products are suitable for export and human consumption (PROCHILE, 2014).

2.10 Chilean vs Japanese culture through Hofstede's model

2.10.1 Power Distance

Table 14: Power Distance between Chile and Japan



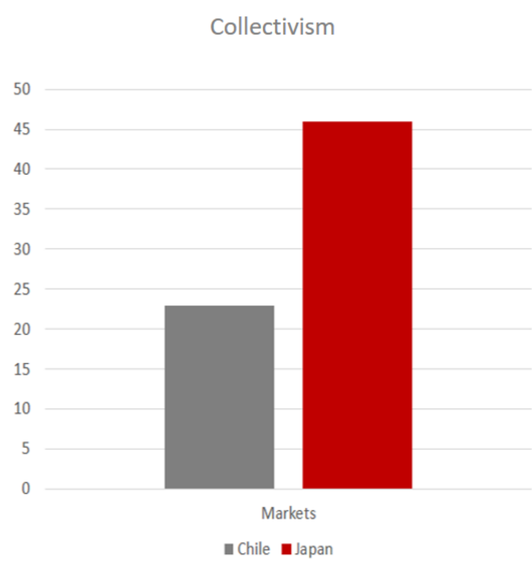
Source: (Hoftade Insights, 2016).

Chile has a lower score on Power Distance than most other Latin American countries. Offcuts of Chile´s authoritarian past appear in various fields. Organisational hierarchies present taller pyramids and low degrees of delegation. Status codes are used to highlight power differences. A hierarchical social structure and rigid social classes are current; common cafeterias are rare, privileges for the power holders are common (Hofstede Insights, 2016).

Japan is a hierarchical society and the Japanese people are aware of their hierarchical position in any social setting and performance consequently. However, it is not as hierarchical as most of the Asian countries. Some foreigners experience Japan as extremely hierarchical because of their business understanding of a slow decision-making process in where all the decisions must be confirmed by each hierarchical layer. But, an example of not so high-Power Distance is that Japan has always been a meritocratic society. There is a strong notion in the Japanese education system that everybody is born equal and anyone can get ahead and become anything if works hard enough (Hofstade Insights, 2016) .

2.10.2 Individualism vs collectivism

Table 15: Individualism vs collectivism between Chile and Japan.



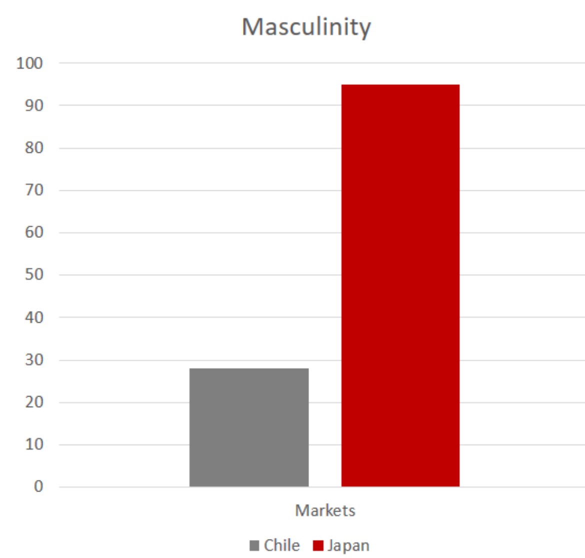
Source: (Hoftade Insights, 2016).

Chile has a low score on this dimension, in the same way with most of the South American countries. Professional workers tend to look for more autonomy and variety in their positions, are currently more assertive than in the past and do not hesitate to change employers. These changes can be expected given the remarkable increase of Chile´s GDP and the fact that economic development fosters individualism. However, some paternalistic practices still remain in place, particularly outside Santiago (Hofstede Insights, 2016).

The Japanese society shows many of the characteristics of a collectivistic society, such as putting the harmony of the group above the expression of individual opinions and the strong sense of shame for losing face. Japan has been a paternalistic society and the family name and asset was inherited from father to the eldest son. The younger siblings had to leave home and make their own living with their core families. Company loyalty is something, which people have chosen for themselves, which is an Individualist thing to do. Japanese are experienced as collectivistic by Western standards and experienced as Individualist by Asian standards. They are more private and reserved than most other Asians (Hofstade Insights, 2016).

2.10.3 Masculinity vs femininity

Table 16: Masculinity vs femininity between Chile and Japan



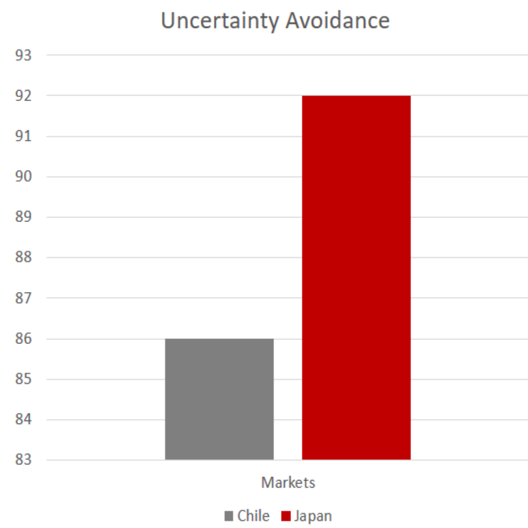
Source: (Hoftade Insights, 2016).

Evidence reveals that the Chilean society has a Feminine character. Both Chilean men and women show a modest behavior or attitude. People need to feel a sense of belonging within a social group; they place value on warm interpersonal links and tacitly search for the approval of their group. Consequently, they tend to be supportive team members and managers strive for consensus. People value equality, solidarity and quality in their working lives. Conflicts are resolved by compromise and negotiation. Incentives such as free time and flexibility are favored. Focus is on well-being and status is not shown or emphasized (Hofstede Insights, 2016).

Japan is one of the most Masculine societies in the world. There is a severe competition between groups. From very young age at kindergartens, children learn to compete on sports day for their groups. In corporate Japan, employees are most motivated when they are fighting in a winning team against their competitors. Another expression of Masculinity in Japan is the drive for excellence and perfection in their material production and in material services such as hotels and restaurants and presentation, like gift wrapping and food presentation, in every aspect of life. Notorious Japanese workaholism is another expression of their Masculinity. It is still hard for women to climb up the corporate ladders in Japan with their Masculine norm of hard and long working hours (Hofstade Insights, 2016).

2.10.4 Uncertain Avoidance

Table 17: Uncertain Avoidance between Chile and Japan



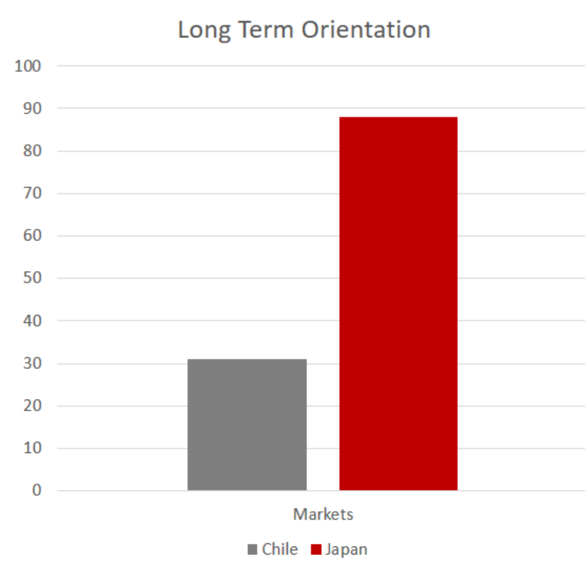
Source: (Hoftade Insights, 2016).

Chile has a high score on Uncertainty Avoidance – and so do the majority of Latin American countries that belonged to the Spanish kingdom. These societies show a strong need for rules and elaborate legal systems in order to structure life. Contrary to general practice in other Latin American countries, Chile shows rather low corruption indices (Hofstede Insights, 2016).

Japan is one of the most uncertainty avoiding countries on earth. This is often attributed to the fact that Japan is constantly threatened by natural disasters from earthquakes, tsunamis, typhoons to volcano eruptions. Under these circumstances Japanese learned to prepare themselves for any uncertain situation. This goes not only for the emergency plan and precautions for sudden natural disasters but also for every other aspects of society. Life is highly ritualized and you have a lot of ceremonies. For example, there is opening and closing ceremonies of every school year which are conducted almost exactly the same way everywhere in Japan. At weddings, funerals and other important social events, what people wear and how people should behave are prescribed in great detail in etiquette books. School teachers and public servants are reluctant to do things without precedence. In corporate Japan, a lot of time and effort is put into feasibility studies and all the risk factors must be worked out before any project can start. Managers ask for all the detailed facts and figures before taking any decision. This high need for Uncertainty Avoidance is one of the reasons why changes are so difficult to realize in Japan (Hofstade Insights, 2016).

2.10.5 Long term orientation vs Short term orientation

Table 18: Long term orientation vs Short term orientation between Chile and Japan



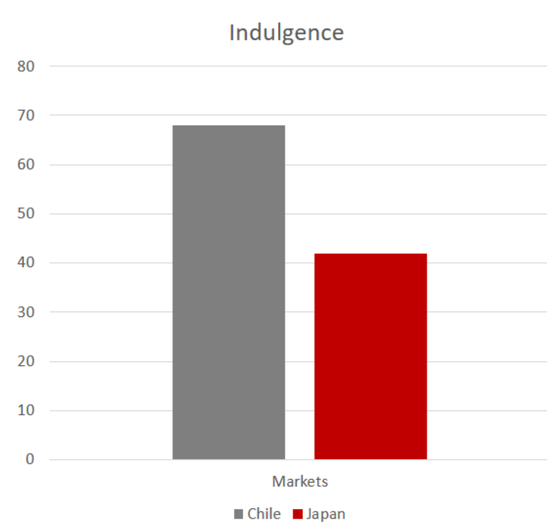
Source: (Hoftade Insights, 2016)

Chile is said to have a normative culture. People in such societies have a strong concern with establishing the absolute Truth; they are normative in their thinking. They exhibit great respect for traditions, a relatively small propensity to save for the future, and a focus on achieving quick results (Hofstede Insights, 2016).

Japan is one of the most Long-Term oriented societies. The Japanese people perceive their life as a short moment in a long history of mankind. From this perspective, some kind of fatalism is not strange to the Japanese. People live their lives guided by virtues and practical good examples. In corporate Japan, long term orientation is practiced in the constantly high rate of investment and even in economically difficult times. They all serve the durability of the companies. The idea behind it is that the companies are not here to make money quickly for the shareholders, but to serve the stakeholders and society at large for many generations to come (Hofstade Insights, 2016).

10.5.6 Indulgence vs Restraint

Table 19: Indulgence vs Restraint between Chile and Japan



Source: (Hoftade Insights, 2016).

Chile has a relatively Indulgent orientation. People in societies classified by a high score in Indulgence generally exhibit a willingness to realize their impulses and desires with regard to enjoying life and having fun. They possess a positive attitude and have a tendency towards optimism. In addition, they place a higher degree of importance on leisure time, act as they please and spend money as they wish (Hofstede Insights, 2016).

Japan is shown to have a culture of Restraint. Societies with a low score in this dimension have a tendency to cynicism and pessimism. Also, in contrast to Indulgent societies, Restrained societies do not put much emphasis on leisure time and control the gratification of their desires. People with this orientation have the perception that their actions are Restrained by social norms and feel that indulging themselves is somewhat wrong (Hofstade Insights, 2016).

2. 11 Theoretical foundation of a strategic plan for the penetration of the Chilean salmon

Despite the impact of globalization, as far a market convergence in concerned, distances, especially economic and cultural, challenge to the international business managers and marketers to put attention to factors that may request for an adaptation of the products or services that they offer. The target market will influence the decision of adaptation of the product through factors as government regulations and costumers' preferences and expectations. Sometimes, the product itself may not be in a form ready for an international market entry in terms of its brand name, its packaging, or its appearance. Czinkota & Ronkaine (2007) explain :

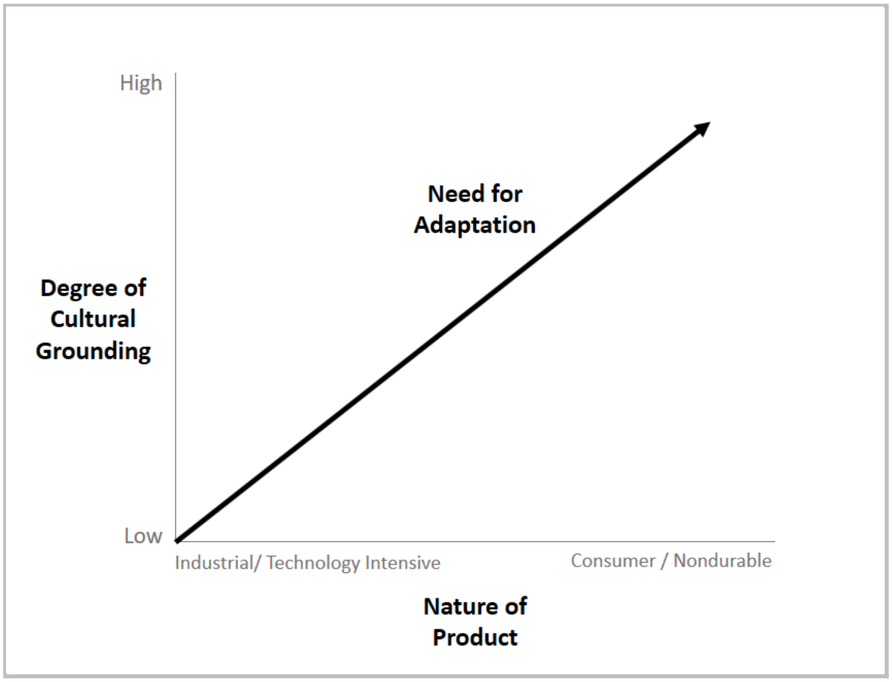
> The question, after the internationalization decision has been made, concerns the product modification that are needed or warranted. A firm has four basic alternatives in approaching international markets: (1) selling the product as is in the international marketplace, (2) modifying products for different countries and or/regions, (3) designing new products for foreign markets, and (4) incorporating all the differences into one flexible product design and introducing a global product. (p.328)

Standardization is the process of implementing and developing technical standards. It can help to maximize compatibility, interoperability, safety, repeatability, or quality. It can also facilitate commoditization of formerly custom process (Blind, 2004).

Adaptation is the product strategy which focuses on cross-border differences in the needs and wants of the target customers, appropriately changing products in order for them to match local market conditions for increasing customer satisfaction by adapting the company's products to local needs (M. & K., 2007).

As a response to integrations efforts around the world, many international companies are deciding on standardizing many of their marketing approaches, such as branding and packaging. However, there are cases that the demand and the usage conditions differ amply to require some changes in the product or service itself, depending on the product’s markets and where they are marketed. Consumer goods generally require product adaptation because of their higher degree of cultural grounding. The amount of change introduced in the consumer goods depends not only on cultural differences but also on the environmental conditions in the target market. For example, low incomes may cause pressure to simplify the product to make the product affordable in the market (Czinkota et al., 2007).

Figure 4: Need for Adaptation to Foreign Markets



Source: (Czinkota & Ronkaine, 2007, p. 329)

Chapter 3

Research Methodology

3.1 Methodological process

The following section shows how the process of data collection, categorization of the variables and the methods conducted for this research were carried out.

3.1.1 Type of project

For setting out a strategic plan for the penetration of the Chilean salmon into the retail industry of Japan for the Agribusiness Company Agrosuper, the type of project developed was an exploratory research for discovering the ideas and insights needed for this purpose.

3.1.2 Type of investigation

Two types of investigation were used for this project: Quantitative and Qualitative research.

For defining the situation of the salmon unit business of the Agrosuper company, the study was based on the review of published data and statistics made by the Agrosuper Company and other industries of salmon in Chile. Data and statistics elaborated by renown international institutions, permitted the description of the current market forces in Japan influencing the business. Encompassing the data collected, consultations to agents implied on the specific field of the industry of salmon and Japanese culture specialist, helped on the process of defining the Japanese market profile through its cultural aspects when doing business; identifying the key elements when selling salmon in the retail, the factors that influence the Japanese consumption of this fish and supported the information for producing a practical advice to the Salmon producing unit of the Agrosuper company to improve the business at the Japanese market.

3.2 Research Structure

The first approach was the analysis of the dynamics and attractiveness of the salmon markets thorough collected data from local and international contributors of the business, and by showcasing the different results of the participants on the salmon commerce.

After stating the attractiveness of the Japanese market, there is a definition of the situation of the salmon unit business of the Agrosuper Company in Japan, through data provided by the company from 2011 to 2015.

The base of the analysis of the Japanese Culture relies on the Hofestede's Cultural Dimensions Model, and its results are compared with those of Chile, in order to contrasts the differences so to clarify the dissimilar mindsets.

A review of relevant literature provided by Japanese, Norwegian, Canadian and, Chilean participators was made to describe the current market forces in Japan influencing the Salmon business. As well, to define the Japanese market profile through its cultural aspects when doing business and the factors that influence the Japanese consumption.

Review of renown Japanese data makers where examined to identify the present-day key elements when selling salmon in the retail in Japan.

All these, so finally, give a practical advice to the Salmon producing unit of the Agrosuper company to improve the business at the Japanese market.

Chapter 4

Results

Japan has been a major importer of several premium cuts of Salmon meat of Agrosuper. Even in the year 2011, when the consumption per capita of fish and seafood declined in Japan, caused by the safety concerns of the consumer following the earthquake, tsunami and nuclear power plant meltdown, the demand for the Chilean salmon did not fall back during that year. The entry of new participants to the market and the aperture of other markets have shifted gradually the participation of Agrosuper in the Japanese market.

Still, under the eventualities of the Chilean salmon crisis, while Russia's ban on seafood imports from the United States, Canada, the EU and Norway provoking changes in the salmon trade flows, the demand for the Chilean salmon did not changed much in Japan. The Japanese market signifies an important consumer of salmon in terms of demand and price. Also, despite the fact that Chilean salmon is appearing in the retail market, the absence of promotions and limited product identification means that the general public does not make the Salmon - Chile association. Norway and Canada, have more recognition for their salmon since they carry out more attractive promotional campaigns and the country of origin is clearly marked on the label of their product or, if applicable, they promote it in conjunction with the retailers.

For this reason, it is necessary to create new agreements directly with the retail industry, start facing the final consumer and begin to highlight the origin through the promotion of the similarities between Chile and, give added value to the presentation, characteristics of the container, type of cut and, packs.The Japanese is a demanding consumer, who is attentive not only to the content, but to the ways in which a product is sold. The packaging, its design, the material used, are all elements that are taken into account at the time of the purchase decision.

The price is important, but the quality and health of the products, as well as their contribution to preserving the environment, are very important.

In line with the above, it makes more sense to the Japanese consumer the concepts of functional or healthy products as these are related to their special contribution to different biological functions or are beneficial to health in general. The Japanese are not interested in short-term business. Their interest is in the long term. This also explains that when analyzing the possibility of starting a commercial relationship, it takes a longer time than the standards observed in the West.

They look at the marketing chain forward, taking care not to fail their buyers, who are the source of their income and success in the market or in what they prefer, neither in their quality nor in the opportunity.

If, finally, commercial relationships are achieved, after a long process that requires a lot of patience, it is possible to consider that it will be for life, unless inexcusable errors are made that affect the basis on which the commercial relationship was built.

Japan is considered a mature market for salmon. The consumption Per-capita is high, salmon is widely available, and consumers are very familiar with the product. Currently, Japan is undergoing significant demographic transitions, including the decline of multi-generational families and the subsequent move towards nuclear families and one-person households, as well, as the rapidly aging population. These demographic changes have brought about changes in food consumption patterns.

It is clear that the Japanese salmon market will remain very large and very important. Although total salmon consumption may not rise as rapidly as in other markets, the Japanese market will provide very important opportunities for those salmon producers able to produce high-quality products that respond to the demands of Japanese consumers.

Today, the salmon offer in Japan comes mainly from three places: domestic production, salmon from Chile and salmon from Norway. The quality and safety requirements of the three options are virtually at the same level since to import a food product to Japan, it must meet the same standards of safety and quality required for Japanese products.

The effect of “country of origin” has a high influence in the Japanese consumer, they would charge the products quality based from where is made, therefore the importance of highlight the good aspects from the country of origin. Therefore, promote the similarities between Chile and Japan is recommended to target the Japanese consumer.

Another critical component to marketing food products in Japan rests on proper packaging. Consumers place high importance on quality packaging, they are very engaged in the presentation of products and need to be convinced that the packaging is flawless with particular regards to detail, colour, and labeling. The packaging needs to consider the object unique to be valorized, therefore colors need to be coordinated with the object and sometimes contrasting to surprise with unexpected matches of colours. Regarding to salmon, the more appropriate colours would be black, green and pale blue.

Due to growth in the number of single-person households, smaller-sized products are being launched by major manufacturers and distributed. The container of seafood must be simple and contain small cuts and portions.

Conclusion

The center of gravity of the consumer products has shifted to Asia, and Agrosuper needs to balance many contradictions to generate growth and stay profitable in the future. It is important to manage its decisions with a long-term business perspective, so they can go local and adapt sooner to local changes.

It is necessary to disrupt their operating model on sale to importers or trading companies of Salmon who have their own logistics and networks within the country, and start offering its products directly to the retailers, to gain cost advantages with economies of scale and for meeting closely with the final consumers, so the company can rebuild itself to be more locally relevant, and for understanding faster current and future profit pools.

In terms of the product, marketing is very important. Agrosuper needs to get down into the details and manage all the different printing profitability drivers, such as the importance of promoting Chile as the country of origin by clustering synergies based on common characteristics between the Chilean and Japanese cultures; adapt cuts and portions to the trends of cohabiting of the Japanese consumers; develop a high quality packaging by putting attention to detail, color, and labelling; and finally, create a culture that mandates disciplined execution, the ability to execute that is critical to long term health consumer products business and therefore they need to invest in talent to make it happen.

Incomplete knowledge and misperceptions regarding the negotiation style and tactics of Japanese companies will lead to difficulty, frustration or even failure in the negotiation process. This is because Chile and Japan have different cultures.

The Japanese company in international negotiations is seeking a long-term relationship characterized by friendship, trust, and respect between the negotiating parties. When a Japanese company negotiates an agreement with a foreign party, it will not only look for profits but also will strive to achieve a business relationship based on the spirit of harmony.

It is important for Agrosuper to put efforts on narrowing the differences by recognizing, understanding, and tolerating these differences, on this way both parties will be able to negotiate fair agreements.

Discussion

The lack of competitive strength inside of the relevant markets for selling salmon comes mainly due to the short-term profit business orientation of Chile's industries that focus on selling products on a specific market on a specific moment with the pursuit of getting advantages in costs. Although this strategy has shown effectiveness through the years, short term strategies are giving now less commercial opportunities because of the new setting of commercial relations among the international markets that come from a dramatical shift of the attitudes and behavior of consumers, presenting opportunities and challenges for companies.

Today, therefore, it is vital for the Chilean companies to adapt themselves into the model of long-term business relationships that markets such as the Japanese value most. It is important to start decoding the ethics and conducts that are currently leading the markets in order to create new and adequate penetration strategies with the purpose of developing a long-term orientation business culture that means buying an insurance for the future and for the next generations who will not have the chance of relying on a primary economy.

It is necessary to invest on positioning Chile and start playing a role inside of the international markets who are our customers.

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Annexes

Annex 1: Salmon, Farm Bred Norwegian Salmon, export price, US Dollars per Kilogram.

MONTH	PRICE	CHANGE
2011/01	6,74	-3,99%
2011/02	7,08	5,04%
2011/03	7,28	2,82%
2011/04	7,92	8,79%
2011/05	7,17	-9,47%
2011/06	6	-16,32%
2011/07	5,7	-5,00%
2011/08	5,23	-8,25%
2011/09	4,71	-9,94%
2011/10	4,13	-12,31%
2011/11	4,38	6,05%
2011/12	4,56	4,11%
2012/01	4,31	-5,48%
2012/02	4,93	14,39%
2012/03	4,95	0,41%
2012/04	5,08	2,63%
2012/05	4,99	-1,77%
2012/06	4,45	-10,82%
2012/07	4,44	-0,22%
2012/08	4,74	6,76%
2012/09	4,59	-3,16%
2012/10	4,52	-1,53%
2012/11	4,72	4,42%
2012/12	5,5	16,53%
2013/01	6,25	13,64%
2013/02	6,57	5,12%
2013/03	6,53	-0,61%
2013/04	7,24	10,87%
2013/05	7,31	0,97%
2013/06	6,98	-4,51%
2013/07	7,27	4,15%
2013/08	6,69	-7,98%
2013/09	5,62	-15,99%

2013/10	6,32	12,46%
2013/11	6,41	1,42%
2013/12	7,91	23,40%
2014/01	8,06	1,90%
2014/02	7,79	-3,35%
2014/03	7,43	-4,62%
2014/04	7,56	1,75%
2014/05	7,07	-6,48%
2014/06	6,19	-12,45%
2014/07	6,39	3,23%
2014/08	5,93	-7,20%
2014/09	5,49	-7,42%
2014/10	5,37	-2,19%
2014/11	5,75	7,08%
2014/12	6,15	6,96%
2015/01	5,95	-3,25%
2015/02	5,58	-6,22%
2015/03	5,14	-7,89%
2015/04	5,12	-0,39%
2015/05	5,12	0,00%
2015/06	5,16	0,78%
2015/07	5,29	2,52%
2015/08	5,45	3,02%
2015/09	5,03	-7,71%
2015/10	5,02	-0,20%
2015/11	5,02	0,00%
2015/12	5,79	15,34%
2016/01	6,45	11,40%
2016/02	6,14	-4,81%
2016/03	6,91	12,54%

Source: (Index Mundi, 2016)

Annex 2: Chilean Salmon, export price, US Dollars per Kilogram.

MONTH	PRICE	CHANGE
2011/01	3,72	-2,11%
2011/02	4,07	9,41%
2011/03	4,13	1,47%
2011/04	4,28	3,63%
2011/05	4,08	-4,67%
2011/06	3,84	-5,88%
2011/07	3,71	-3,39%
2011/08	3,74	0,81%
2011/09	3,5	-6,42%
2011/10	4	14,29%
2011/11	3,54	-11,50%
2011/12	3,41	-3,67%
2012/01	3,91	14,66%
2012/02	3,84	-1,92%
2012/03	3,92	2,09%
2012/04	3,73	-4,73%
2012/05	3,74	0,34%
2012/06	3,74	-0,20%
2012/07	3,76	0,60%
2012/08	3,54	-5,85%
2012/09	3,34	-5,72%
2012/10	3,20	-4,05%
2012/11	3,25	1,56%
2012/12	3,36	3,38%
2013/01	3,68	9,45%
2013/02	4,06	10,33%
2013/03	4,60	13,37%

2013/04	5,11	11,03%
2013/05	5,16	0,93%
2013/06	5,45	5,72%
2013/07	5,33	-2,20%
2013/08	5,31	-0,33%
2013/09	4,87	-8,33%
2013/10	4,81	-1,23%
2013/11	4,79	-0,42%
2013/12	4,82	0,63%
2014/01	4,98	3,32%
2014/02	5,16	3,51%
2014/03	4,89	-5,14%
2014/04	4,89	-0,10%
2014/05	5,31	8,70%
2014/06	5,16	-2,87%
2014/07	4,69	-9,02%
2014/08	4,50	-4,10%
2014/09	4,54	0,94%
2014/10	4,46	-1,93%
2014/11	4,11	-7,80%
2014/12	3,83	-6,88%
2015/01	3,91	2,29%
2015/02	4,06	3,83%
2015/03	4,16	2,34%
2015/04	4,28	2,83%
2015/05	4,05	-5,20%
2015/06	3,80	-6,29%
2015/07	3,79	-0,26%
2015/08	3,57	-5,81%
2015/09	3,71	3,92%
2015/10	3,84	3,57%
2015/11	3,52	-8,27%
2015/12	3,38	-3,97%
2016/01	3,63	7,39%
2016/02	4,02	10,74%
2016/03	4,12	2,49%

Source: (SalmonEx, 2016)

Annex 3: Changes in the price indexes of salmon between 1970 and 2014, if the price in 2010 is taken as 100.

Year	*Price of 100g salmon (yen)*	*Index (2010 = 100)*
1970	90	40.4
1971	89	39.9
1972	90	40.4
1973	121	54.4
1974	147	65.7
1975	167	74.8
1976	178	80.0
1977	222	99.5
1978	246	110.5
1979	252	113.1
1980	235	105.2
1981	245	109.7

1982	252	112.8
1983	235	105.3
1984	228	102.3
1985	238	106.7
1986	226	101.3
1987	224	100.5
1988	243	109.1
1989	240	107.5
1990	236	105.8
1991	229	102.5
1992	237	106.1
1993	224	100.3
1994	209	93.9
1995	200	89.5
1996	199	89.3
1997	208	93.2
1998	210	94.2
1999	217	97.3
2000	213	95.6
2001	202	90.7
2002	202	90.6
2003	201	90.1
2004	199	89.1
2005	199	89.1
2006	217	97.3
2007	226	101.2

2008	223	100.2
2009	222	99.5
2010	223	100.0
2011	230	103.2
2012	223	99.8
2013	231	103.7
2014	283	127.0