



**UNIVERSIDAD DE ESPECIALIDADES ESPÍRITU SANTO**

**FACULTAD DE ECONOMIA Y CIENCIAS EMPRESARIALES**

**“MARKET STUDY AND CULTURAL ANALYSIS FOR THE  
COMMERCIALIZATION OF PAN DE YUCCA IN JAPAN”**

Trabajo de Investigación que se presenta como  
requisito previo a optar el grado de

**Ingeniería en Ciencias Empresariales, concentración en Negocios  
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## **Dedication**

I dedicate my graduation project to my family and close friends. To my loving parents, Angel and Patricia, whose words of encouragement and support throughout my entire university life helped me to accomplish my goals. My older brothers Xavier and Aldo, whose lives serve as examples for me to follow. My grandmother Lady, who always showed a special support and care for me and my professional growth.

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# General Index

Introduction .....	1
Chapter I: The Problem .....	3
<b>1.1 Background</b> .....	3
<b>1.2 Description of the problem</b> .....	4
<b>1.3 Research Objectives</b> .....	6
<b>1.3.1 General Objective</b> .....	6
<b>1.3.2 Specific Objectives</b> .....	6
<b>1.4 Justification</b> .....	7
<b>1.5 Scope of the Study</b> .....	7
Chapter II: Frame of References.....	9
<b>2.1 Japan’s Profile</b> .....	9
<b>2.1.1 Geography and population</b> .....	9
<b>2.1.2 Government System</b> .....	9
<b>2.1.3 Language</b> .....	10
<b>2.1.4 Currency</b> .....	10
<b>2.1.5 Market opportunities</b> .....	10
<b>2.1.6 Infrastructure</b> .....	11
<b>2.1.7 Major exports and imports</b> .....	12
<b>2.1.8 Japan’s 3 main import partners</b> .....	13
<b>2.1.9 Japan’s balance of trade</b> .....	15
<b>2.1.10 Investment government support</b> .....	15
<b>2.2 Culture</b> .....	15
<b>2.2.1 Elements of Culture</b> .....	16
<b>2.2.2 Hofstede’s National Cultural Dimensions</b> .....	18
<b>2.2.2.1 Power Distance (PDI)</b> .....	18
<b>2.2.2.2 Collectivism vs. individualism (IDV)</b> .....	18
<b>2.2.2.3 Femininity vs. masculinity (MAS)</b> .....	19
<b>2.2.2.4 Uncertainty avoidance (UAI)</b> .....	19
<b>2.2.2.5 Long-term orientation (LTO)</b> .....	20
<b>2.2.2.6 Indulgence vs. moderation (IVM)</b> .....	20
<b>2.2.3 Culture in Japan</b> .....	20
<b>2.2.3.1 Power Distance (PDI)</b> .....	21
<b>2.2.3.2 Individualism (IDV)</b> .....	21
<b>2.2.3.3 Femininity vs. Masculinity (MAS)</b> .....	21
<b>2.2.3.4 Uncertainty Avoidance (UAI)</b> .....	22
<b>2.2.3.5 Long-term Orientation (LTO)</b> .....	22
<b>2.2.4 Culture in Ecuador</b> .....	23
<b>2.2.3.1 Power Distance (PDI)</b> .....	23
<b>2.2.3.2 Individualism (IDV)</b> .....	24
<b>2.2.3.3 Masculinity/Femininity (MAS)</b> .....	24
<b>2.2.3.4 Uncertainty Avoidance (UAD)</b> .....	24
<b>2.3 Market</b> .....	25
<b>2.3.1 Market Forces</b> .....	25
<b>2.3.2 Demand</b> .....	26
<b>2.3.3 Supply</b> .....	27
<b>2.3.4 Market Segmentation and Target Market</b> .....	28

2.3.5	Segmentation Variables .....	29
2.3.6	Consumer Behavior .....	30
2.3.6.1	Actors in consumer behavior .....	31
2.3.6.2	Consumer decision process .....	32
2.3.7	Market Study .....	33
2.3.8	Marketing Mix (4Ps) .....	34
Chapter III: Market Research .....		36
3.1	Methodology .....	36
3.2	Sample Selection .....	36
3.3	Survey Instrument .....	36
3.4	Survey Questions and results .....	37
3.4.1	Sex .....	37
3.4.2	Age .....	38
3.4.3	Quality and freshness .....	39
3.4.4	Taste .....	40
3.4.5	Healthy and low calories/fat .....	41
3.4.6	Presentation or packaging .....	42
3.4.7	Habit or routine (Snacks) .....	43
3.4.8	Try something new/different .....	44
3.4.9	Preparation convenience .....	45
3.4.10	Availability and location .....	46
3.4.11	Price or value .....	47
3.4.12	Recyclable/environmental packaging .....	48
3.4.13	Tradition (culture) .....	49
3.4.14	Recommendation from friends/family .....	51
3.4.15	Popular or trendy .....	51
3.4.16	Produced/manufactured locally .....	53
3.4.17	Only eat what family eats .....	54
Chapter IV: Proposed Cultural Approach and Strategy .....		55
4.1	Proposal .....	55
4.2	Cultural Exchange .....	55
4.2.1	Cultural Understanding .....	55
4.2.2	Language Differences .....	56
4.2.3	Business etiquette .....	58
4.3	Market strategy .....	60
4.3.1	Product .....	60
4.3.2	Price .....	62
4.3.3	Place .....	62
4.3.4	Promotion .....	63
4.4	SWOT Analysis .....	63
Chapter V: Conclusions and Recommendations		
5.1	Conclusions .....	66
5.2	Recommendations .....	67
References .....		69

## Index of tables and figures

### List of Tables

<b>Table 2.1: Japanese Yen Exchange Rate (1 USD)</b> .....	<b>10</b>
<b>Table 2.2: Japan’s Balance of Trade</b> .....	<b>15</b>

### List of Figures

<b>Figure 1.1: Total Balance of Trade Ecuador – Japan (Millions of USD FOB)</b> .....	<b>3</b>
<b>Figure 1.2: Total Non-Oil Balance of Trade Ecuador – Japan (Millions of USD FOB)</b> .....	<b>4</b>
<b>Figure 1.3: Main Export Products from Ecuador to Japan (Millions of USD FOB)</b> .....	<b>5</b>
<b>Figure 2.1: Main Exports from Japan to the World (Thousands of USD FOB) 2012</b> .....	<b>12</b>
<b>Figure 2.2: Main Imports to Japan from the World (Thousands of USD FOB) 2012</b> .....	<b>13</b>
<b>Figure 2.3: Japan’s Imports from China</b> .....	<b>13</b>
<b>Figure 2.4: Japan’s Imports from United States</b> .....	<b>14</b>
<b>Figure 2.5: Japan’s Imports from Australia</b> .....	<b>14</b>
<b>Figure 2.6: Japan’s National Cultural Dimensions</b> .....	<b>20</b>
<b>Figure 2.7: Ecuador’s National Cultural Dimensions</b> .....	<b>23</b>
<b>Figure 3.1: Survey question No. 1 – Sex</b> .....	<b>37</b>
<b>Figure 3.2: Survey question No. 2 – Age</b> .....	<b>38</b>
<b>Figure 3.3: Survey question No. 3 – Quality and Freshness</b> .....	<b>39</b>
<b>Figure 3.4: Survey question No. 4 – Taste</b> .....	<b>40</b>
<b>Figure 3.5: Survey question No. 5 – Health and Low Fat</b> .....	<b>41</b>
<b>Figure 3.6: Survey question No. 6 – Presentation</b> .....	<b>42</b>
<b>Figure 3.7: Survey question No. 7 – Habitual or routine snacks</b> .....	<b>43</b>
<b>Figure 3.8: Survey question No. 8 – Try something new or different</b> .....	<b>44</b>
<b>Figure 3.9: Survey question No. 9 – Preparation Convenience</b> .....	<b>45</b>
<b>Figure 3.10: Survey question No. 10 – Availability and Location</b> .....	<b>46</b>
<b>Figure 3.11: Survey question No. 11 – Price or Value</b> .....	<b>47</b>
<b>Figure 3.12: Survey question No. 12 – Environmental Packaging</b> .....	<b>48</b>
<b>Figure 3.13: Survey question No. 13 – Tradition and Culture</b> .....	<b>50</b>
<b>Figure 3.14: Survey question No. 14 – Family and Friends Recommendations</b> .....	<b>51</b>
<b>Figure 3.15: Survey question No. 15 – Trendiness</b> .....	<b>52</b>
<b>Figure 3.16: Survey question No. 16 – Locally Produced</b> .....	<b>53</b>
<b>Figure 3.17: Survey question No. 17 – What Family Eats</b> .....	<b>54</b>

## **Abstract**

Ecuador and Japan have maintained commercial relations for a long time, making it the most important market in Asia. Due to Ecuador's lack diversity on its export products, the amount of trade hasn't increased considerably and the Japanese market remains relatively new to the majority. A product like pan de yucca, with the correct strategic and cultural approach, can open the way for the diversification of Ecuador's export products with a higher value added and increase the trade between Ecuador and Japan. For this purpose it is not only necessary to be familiar with market strategies but also submerge into the other country's culture and learn to deal with their people to build long-lasting business relationships. This will not only increase the trade, but will create new jobs and incentivize others to do the same with other products and export them to other countries as well.

## Introduction

During the past decades, Japan has become one of the greatest economic superpowers not only in Asia but globally as well. Currently is the third biggest economy in the world after China and United States, making it a perfect target for commerce from investors from all over the world. As of now, Japan represents the most important Asian market for Ecuador, but remains relatively low when comparing to other trading partners like United States, Colombia, Peru and European Union countries.

Today, Japan is one of the biggest food importers of the world. Due to its irregular geography it is not possible to grow enough food to supply more than 127 million habitants. That is why most of the food supply must come from overseas, primarily fruits, vegetables and other agricultural products. This opens a great window of opportunities for exporters interested in entering the Japanese market with Ecuadorian products.

*Pan de yucca* is a Latin American product known by that name in Ecuador, *pan de queso* in Colombia, *chipas* in Paraguay and Argentina, and *pão de queijo* in Brazil. It is prepared with flour made from yucca, cheese, butter and eggs. This is considered a light food or snack. The dough that is prepared can be stored and frozen for days, and only put in the oven just before serving. When pan de yucca is becomes cold it turns hard, but a few minutes in the oven will soften it again. These characteristics make it very versatile and a perfect candidate product for exporting.

The first chapter of his thesis project gives an insight to the current commercial situation between Ecuador and Japan. This chapter tries to emphasize the necessity to expand Ecuador's export products portfolio in order to increase the amount of trade between these two countries, and convey evidence that by doing so, the business opportunities are endless.

On chapter two, Japan's country profile is thoroughly disclosed to provide an accurate overview of the nation's economy, politics, demographics, infrastructure, and market opportunities for foreigners supported by the Japanese government itself. The frame of references shows as well the key concepts for understanding any culture and the prominent characteristics of the Japanese and Ecuadorian culture through Social Psychologist Gerard Hendrik (Geert) Hofstede's cultural dimensions. Also in this chapter important aspects of markets and market research, and consumer behavior are presented.

The third chapter of the project presents the survey instrument that was used to determine an existing demand for pan de yucca in Japan. Each question is analyzed along with the findings.

The fourth chapter is a proposal to any entrepreneur that wishes to venture in the export and commercialization of pan de yucca in the Japanese market. It presents a correct cultural approach, Japanese business etiquette, and a market strategy with marketing mix and SWOT analysis.

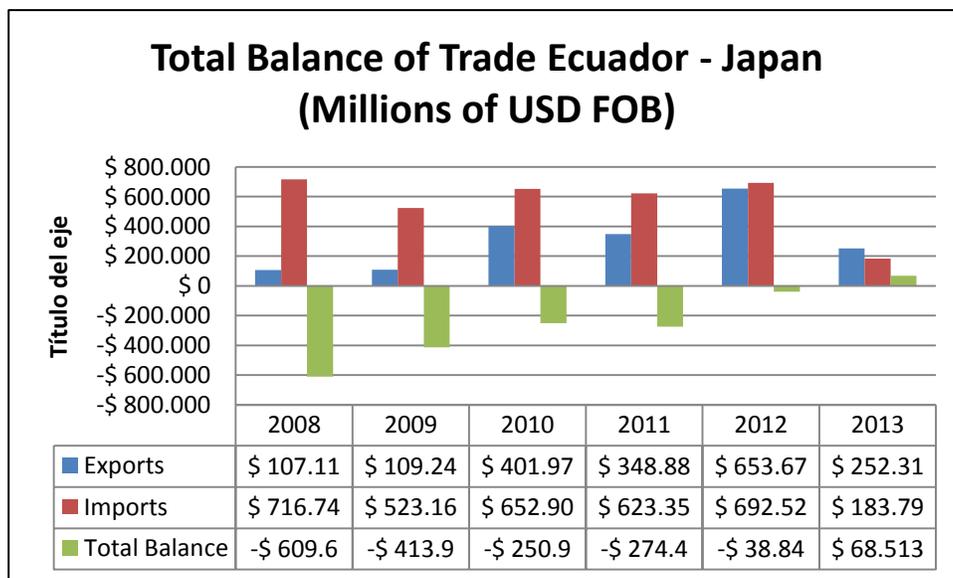
The final chapter contains the conclusions that were drawn from the analysis and the author's recommendations on how to approach the Japanese market and establish a valuable business relationship according to the cultural factors and survey results.

# Chapter I: The Problem

## 1.1 Background

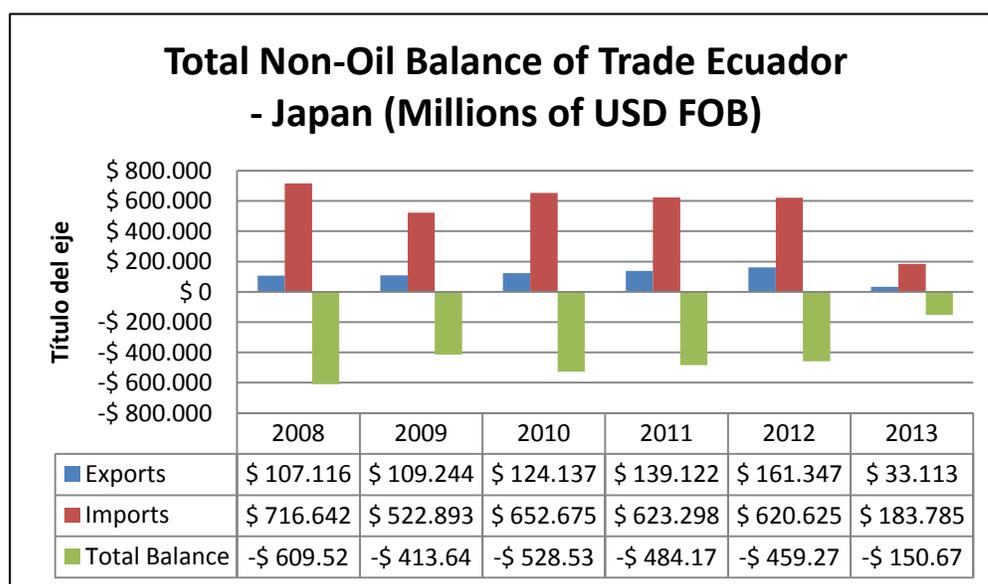
Japan represents one of the most important markets in Asia. With a population above 127 million people with high purchasing power, the Japanese market is very attractive for Ecuadorean exporters. The Japanese PIB exceeds the amount of \$5.9 Trillions of USD, basing its economy mainly in services (71.4%), industry (27.5%) and agriculture (1.2%). Nowadays, Japan has become one of the biggest importers of food around the globe. Food imports make up 60% of the supply of the Japanese market, and only 40% is produced internally. On the last decade, Ecuadorean exports to Japan have maintained relatively steady with its traditional export products (bananas, fish, shrimps, coffee, wood, etc.). According to CORPEI (2009), “Corporación de Promoción de Exportaciones e Inversiones del Ecuador”, Japan constitutes the 8th most important export market for Ecuador after United States, Colombia, Panama, Venezuela, Peru, Chile and Korea, receiving 2.62% of the total amount of exports in 2003, and 4.31% of the total tariff items exported.

According to figures provided by ProEcuador (2013), Ecuador currently has a positive trade balance with Japan, achieved in 2013. Ecuador’s exports have been increasing steadily for the last 4 years; from USD 107.1 million in 2008 to USD 653.7 in 2012 (see figure 1.1).



**Figure 1.1: Total Balance of Trade Ecuador – Japan (Millions of USD FOB)**  
**Source:** Author’s adaptation from ProEcuador (2013)

On the other hand, imports have maintained on an average of USD 500 million, leading to a positive trade balance at the beginning of 2013. Nevertheless, when the non-oil trade balance is analyzed, Ecuador is still at a deficit of USD 459.3 million. Logically, the reason is that Ecuador's main export product is oil, and Japan is not an exception. Besides oil, Ecuador exports to Japan are agricultural products such as bananas, fish flour, wood, legumes, shrimps and cacao; while Ecuador imports vehicles and vehicle parts from Japan leading to a negative non-oil trade balance (see figure 1.2).



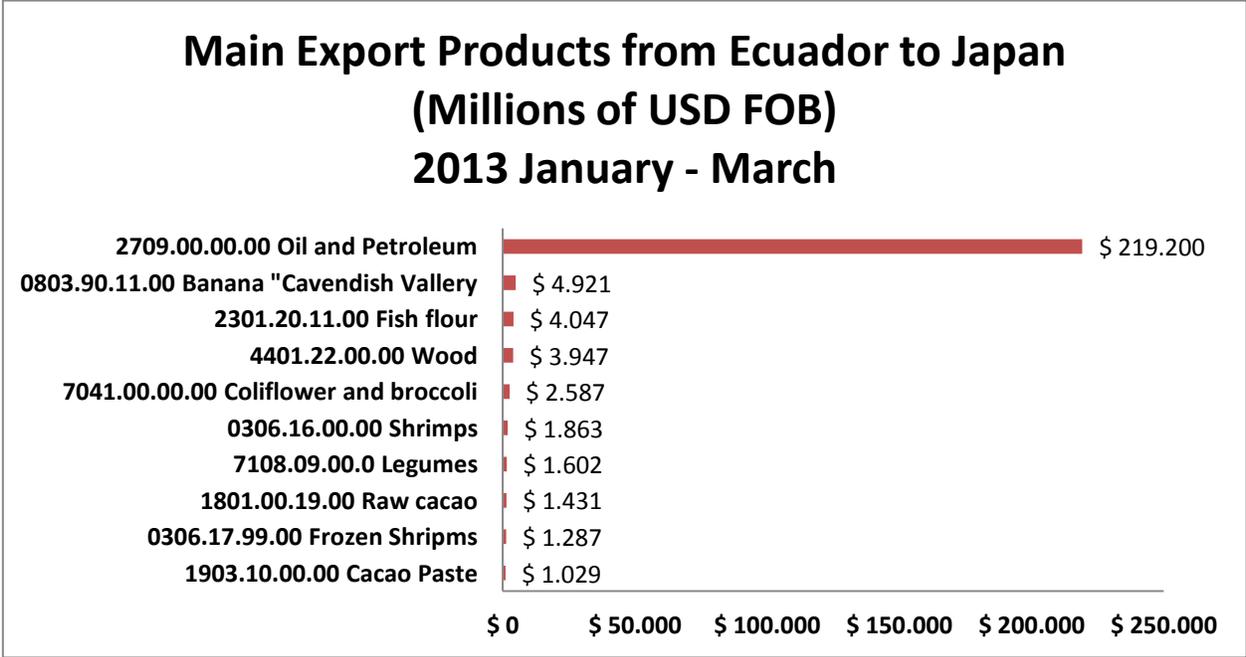
**Figure 1.2: Total Non-Oil Balance of Trade Ecuador – Japan (Millions of USD FOB)**  
**Source:** Author's adaptation from ProEcuador (2013)

There is the possibility to increase the trade between these two countries and achieve a positive trade balance introducing new products with higher added value. Japan's lacking resources to produce all the food that its inhabitants consume, forces this nation to import around 60% of it. This opens the gate for new food products from abroad to come and supply the increasing demand.

## 1.2 Description of the problem

Throughout history Ecuador has been a country which its economy is based in agriculture. Ecuador's primary export products come from agriculture and oil byproducts. Data from ProEcuador (2013) shows that Ecuador's main export products are oil, frozen shrimps, fish

flour, frozen tuna, cacao, coffee and frozen flowers. None of these products have a high end value and small competitiveness against other agricultural countries (see figure 1.3).



**Figure 1.3: Main Export Products from Ecuador to Japan (Millions of USD FOB)**  
**Source:** Author’s adaptation from ProEcuador (2013)

It is very important for Ecuador’s international trade to diversify its productivity matrix in order to become more competitive and to enter new markets with higher end products. Yucca bread is an example of an agricultural product, high end value, and most of all represents our culture and region. According to the National Statistics and Census Institute INEC (2010) Santo Domingo is the biggest yucca producer in Ecuador, having 2,594 hectares of yucca plantations and producing approximately 18,469.28 tons a year (21.69% of total national production). The yucca is exported mainly to Colombia, United States and some countries in Europe, competing fiercely with Costa Rica for a higher market share.

Having this amount of production, Ecuador has lots of opportunities to enter many potential markets with a yucca byproduct with a higher end value such as pan de yucca. Yucca flour or other derivatives are very common in South American, African and South-East Asian

countries which are yucca producers, but to a country like Japan, which imports about 60% of the food that is consumed by its people, it is a new concept and a market with great potential.

During recent years, Japan's market for agricultural food products has been increasing thanks to a rise in consumer income and demand. As the market grows the supply for agricultural food products and processed food comes from abroad as well; Japan External Trade Organization JETRO (2012) shows that for 2010 the imports of agricultural food products were USD 40,616.31 million, showing an 11.6% increase compared to the year before. This means there is a big market opportunity for countries that can supply the Japanese demand for agricultural food products.

Japan is very different from Ecuador in terms of language, demographics, culture, consumer behavior, restrictions, quality standards and negotiating protocols. These various differences most certainly will be a thick barrier, and difficult to overcome for someone who is not aware of them. These cultural factors can affect the demand of a certain product and the way it is supplied to its consumers.

Establishing cultural differences and common grounds, and getting acquainted with them are a high priority at the time of engaging business with the Japanese in order to develop valuable business relationships and ensure the success of a business venture.

### **1.3 Research Objectives**

#### **1.3.1 General Objective**

Propose a market and cultural study for the commercialization of pan de yucca in Tokyo, Japan through an analysis of its cultural factors and the existing demand.

#### **1.3.2 Specific Objectives**

- 1.** Describe the most important concepts for cultural factors, market forces, market strategy, market study, and consumer behavior.
- 2.** Identify the existing demand for food products from Ecuador in Japan (2013-2014) through a survey instrument.
- 3.** Analyze the survey instrument results.
- 4.** Propose a market strategy and cultural approach for the introduction of pan de yucca in the Japanese market.

## **1.4 Justification**

Japan is an archipelago which 70% of its surface is mountainous, restraining drastically the production of agricultural products and raw materials, therefore 60% of the demand for food must be supplied with imported products.

Currently in Japan there is no such product as pan de yucca, therefore this market study is focused on identifying the plausible existing demand of this product in Japan and will propose a market strategy for its commercialization. Due to Japan's position as a huge food importer, vast opportunities are currently available for Ecuadorean agricultural products, but it is also important to take into consideration to build a diversification of the export products.

The Japanese government offers support for new businesses and exporters trying to reach Japan. Through institutions such as JETRO, the government is aiming to promote the import of organic and agricultural products from South America. These programs consist in introducing new products to Japanese distributors, and make market information accessible for South American exporters in order to build business partnerships and strong commercial relationships.

Other mechanism which can be extremely useful for exporters is the Generalized Preferences System (SGP) for promoted by the United Nations Conference on Trade and Development (UNCTAD) having as an objective the economic growth and the expansion of exports in developing nations. This adopted system reduces tariffs for certain products that can be exported to Japan, mostly agricultural (CORPEI, 2009).

Through polls and samples of the product to establish a possible demand and an analysis of the cultural factors that affect consumer's behavior of Japanese society this study pretends to complete its objectives successfully. By achieving the objectives this study will be able to serve as a tool for new exporters to be able to enter the Japanese market with this high added value product, and be aware of all the cultural elements that could interfere in the process of doing business.

## **1.5 Scope of the Study**

The scope of this investigation is propose a market study for the commercialization of pan de yucca in Tokyo, Japan, taking into account cultural and economic variables in order to

provide current or future exporters a useful tool to enter the Japanese market with Ecuadorian food products.

## Chapter II: Frame of References

### 2.1 Japan's Profile

Japan, also known as the land of the rising sun, is currently the third thriving economy after the United States and China. With a nominal GDP 5.9 Trillion USD, Japan ranks 12<sup>th</sup> in terms of GDP per capita as of 2012, at about \$47,024 USD. A high purchasing power is shown by The Big Mac Index<sup>1</sup> determining that the wages in the capital city of Tokyo are among the highest from cities all over the world. After 30 years of rapid growth, Japan experienced an economic stagnation during the 90s and later hit by the 2008 world financial crisis. Today Japan is reemerging from its worst economic recession since World War II.

#### 2.1.1 Geography and population

Japan is located in north eastern Asia between the North Pacific Ocean and the Sea of Japan. The land has an area of 337,873 Km<sup>2</sup>, an area slightly smaller than the state of California. The archipelago consists of 6,852 islands, but 4 major ones than make up 97% of the territory which are: Honshu, Hokkaido, Kyushu and Shikoku (PKF International, N.D.).

The estimated population for 2013 is about 127,253,075 habitants residing in highly populated urban areas, with a yearly decreasing growth rate of -0.08%. The capital city of Tokyo has an approximate population of 13 million people in the core of its urban area, but along the suburban prefectures of Kanagawa, Saitama and Chiba, reaches an impressive 35 million. Tokyo is undoubtedly the heart of government, business, education, information, media, fashion and culture, accounting for almost one third of the country's GDP (US Commercial Service, 2011).

#### 2.1.2 Government System

Japan possesses a constitutional monarchy where the power held by the emperor is very limited. The constitution defines the emperor as “the symbol of the state and the unity of the people”, and most of the power is held by the prime minister. According to the United States Department of State (2012), Japan is one of Asia's most successful democracies. Japan's head of

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<sup>1</sup> Big Mac Index was invented by The Economist in 1986 as a guide to whether currencies are at their “correct” level. It is based on the theory of Purchasing Power Parity (PPP), the notion that in the long run exchange rates should move towards the rate that would equalize the prices of an identical basket of goods and services (in this case a McDonald's Big Mac) in two countries. (The Economist, 2013).

state is the prime minister exercising the executive power. The legislative power is vested by the government and the National Diet, which consists of a bicameral parliament, with a House of Representatives and a House of Councilors. The judiciary is independent form the executive and legislative powers.

### **2.1.3 Language**

The official language spoken in Japan is Japanese. Though, nowadays many Japanese (especially the young) are able to understand English since is the main foreign language taught at schools and universities.

### **2.1.4 Currency**

The currency used is the Japanese Yen (JPY)

#### **Exchange Rate (1 USD)**

2010	87.78 JPY
2011	79.70 JPY
2012	79.82 JPY
2013	97.60 JPY
2014	103.81 JPY

**Table 2.1: Japanese Yen Exchange Rate (1 USD)**

**Source:** Federal Reserve (2014)

### **2.1.5 Market opportunities**

Japan is characterized for being one of the greatest centers of new trends and creativity around the globe and it has become a testing ground for new products. Many companies from all over the world are partnering with local companies to develop groundbreaking products, services, innovative technology, and conduct research and development projects. This creates industries that are globally competitive; one remarkable example is the automotive sector from which companies like Toyota and Honda are well-recognized global brands.

The economic increasing integration occurring in the Asia-Pacific market is strengthening Japan's economy. The role of Japan is becoming more important for international

companies from overseas as a strategic place to center their headquarters to support their introduction to the Asian market.

According to the US Commercial Service (2011), the Japanese market offers various opportunities for foreign companies in a wide variety of sectors like:

- Aerospace
- Agricultural
- Biotechnology
- Computer Software
- Cosmetics & Toiletries
- Education & Corporate Training
- Electronic Components
- Healthcare IT
- Medical Equipment
- Nanotechnology
- Pharmaceuticals
- Renewable Energy
- Senior Management
- Safety & Security
- Soil Remediation & Engineering Services
- Telecommunications Equipment
- Travel & Tourism

### **2.1.6 Infrastructure**

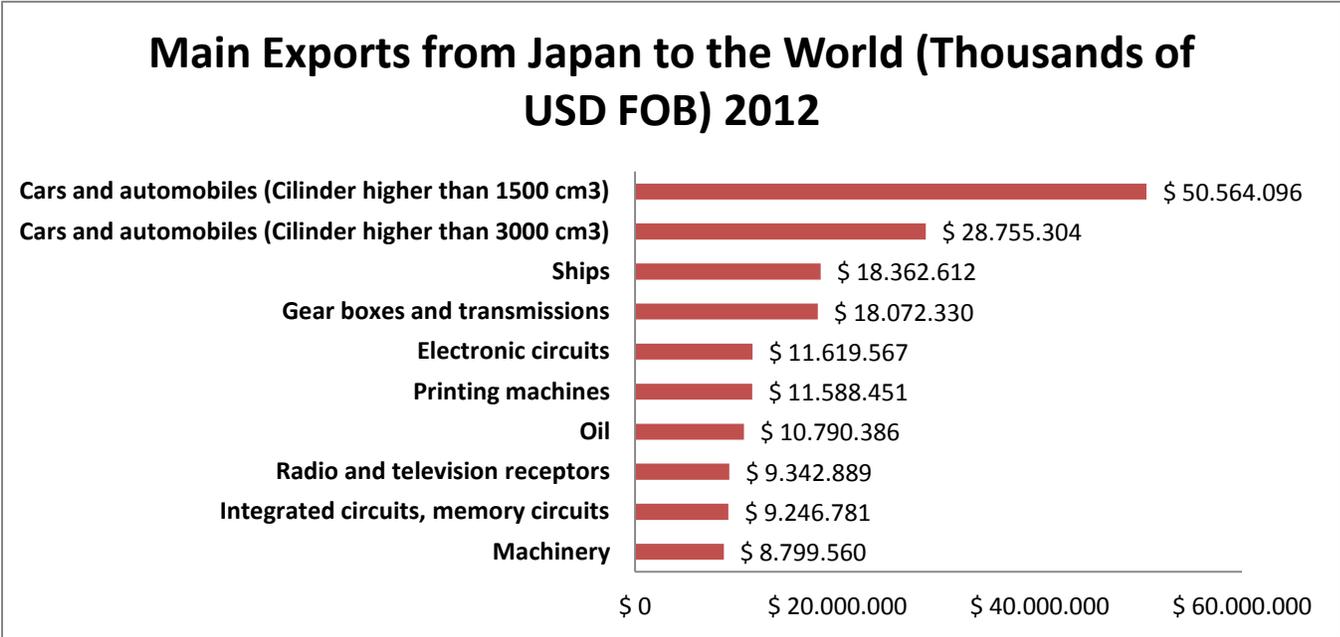
Japan is a country which has fully developed its physical infrastructure for roads, highways, railroads, subways, airports, harbors, warehouses, and telecommunications for distribution of any kind of goods and services. Though toll roads are expensive they offer premium quality roads for transportation. Recently, the government has been working on initiative to reduce the cost of certain tolls. According to the US Commercial Service Guide (2011), a large truck will pay the equivalent of \$400 USD solely in tolls each way between the city of Tokyo and Osaka (roughly 592 Km). Though advanced in some ways, Japan still falls

behind against standards from other developed countries in the matter of port practices and import processing which remains relatively slow.

**2.1.7 Major exports and imports**

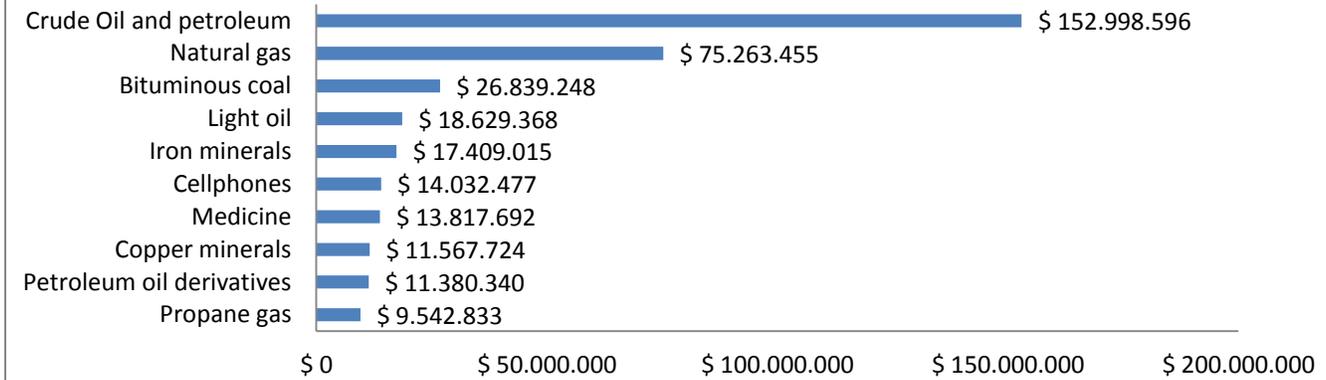
Japan’s main trading partners for exports are United States, China, South Korea, Taiwan and Hong Kong; exporting cars, electric appliances, and machinery (see figure 2.1).

Around 50% of all Japan’s imports come from only 6 countries, which are China (21%), United States (9%), Australia (7%), Korea (5%), Indonesia (4%), and Malaysia (3.6%); only 0.07% is imported from Ecuador to Japan. mainly importing natural resources such as oil, gas and other derivatives from petroleum, machinery, transportation equipments, iron ore, agricultural products, and various types of food (see figure 2.2).



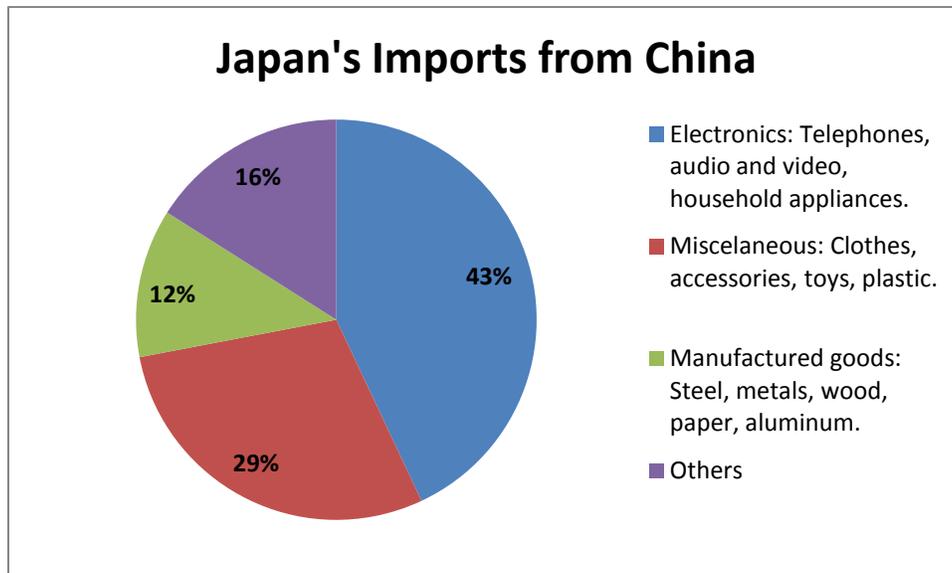
**Figure 2.1: Main Exports from Japan to the World (Thousands of USD FOB) 2012**  
**Source:** Author’s adaptation from ProEcuador (2013)

## Main Imports to Japan from the World (Thousands of USD FOB) 2012

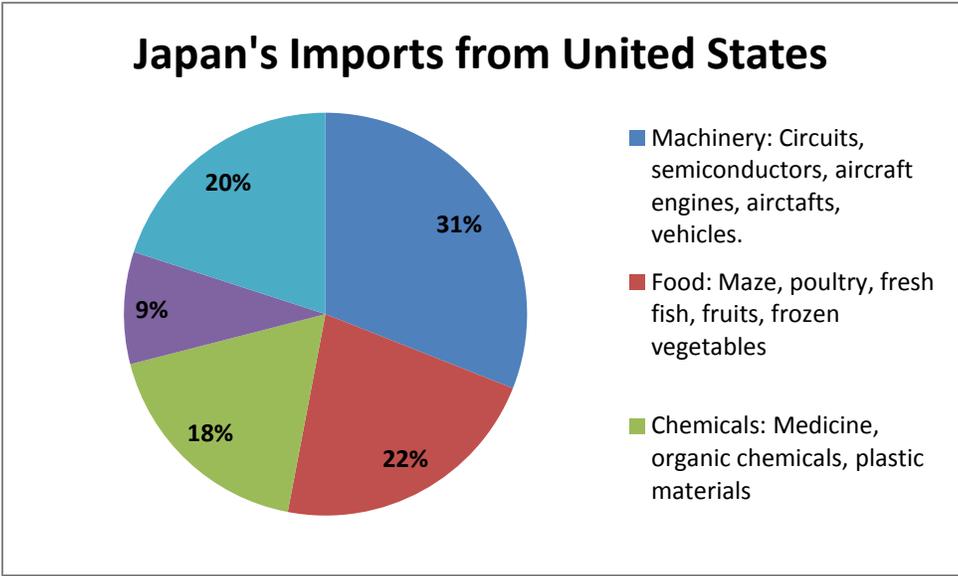


**Figure 2.2: Main Imports to Japan from the World (Thousands of USD FOB) 2012**  
**Source:** Author's adaptation from ProEcuador (2013)

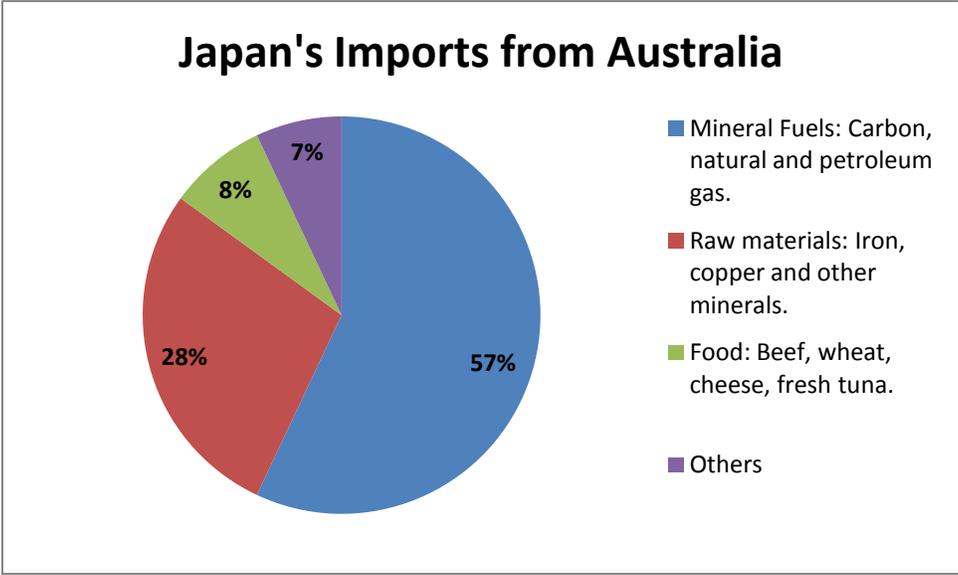
### 2.1.8 Japan's 3 main import partners



**Figure 2.3: Japan's Imports from China**  
**Source:** Author's adaptation from Japan's Ministry of Finance (2013)



**Figure 2.4: Japan's Imports from United States**  
**Source:** Author's adaptation from Japan's Ministry of Finance (2013)



**Figure 2.5: Japan's Imports from Australia**  
**Source:** Author's adaptation from Japan's Ministry of Finance (2013)

### 2.1.9 Japan's balance of trade

Data from Japan's ministry of finance revealed that the country has experienced the longest period of monthly deficits on their balance of trade since 1979; 17 months in a row. This record deficit shows the cost of the Yen slid against the US Dollar into a five-year low of 103.92 JPY for 1 USD at the beginning of December 2013.

The huge increase of imports can be explained by the extra energy imports needed after the nuclear disaster in 2011 and the nuclear industry shutdown. Imports of petroleum and natural liquefied gas climbed 34.9% and 37.4%, respectively, compared to the year before. In the same way, shipments of electrical machinery to Japan increased by 22.6%.

#### Japan's Balance of Trade (millions of JPY)

	December 2013	December 2012	Percent Change
Exports	1,729,679	1,490,188	16.1
Imports	2,532,568	1,833,405	38.1
Balance	△802,889	△343,217	133.9

**Table 2.2: Japan's Balance of Trade**

Source: Japan's Ministry of Finance (2013)

### 2.1.10 Investment government support

Foreign businesses interested in operating in Japan are eligible to borrow loans from government-affiliated financial institutions for the purpose of acquiring land, infrastructure, machinery and equipment, and research and development programs. In order to improve the procedure for investment each institution related has established a single contact point to indicate which government division is in charge of any particular procedure. Moreover, local governments help businesses to set up operations in their correspondent regions with local tax abatements or exemptions, subsidies and other incentives (PKF International, N.D.).

## 2.2 Culture

The authors Hofstede, Hofstede & Minkov (2010) describe culture as the software of the mind. Every person on this planet carries their own patterns of thinking, set of feelings and

course of actions which are learned throughout their lifetime. These patterns are often acquired during early childhood, when the brain is in an absorbing and assimilating state, and by the time these patterns are established deeply in the person's mind, the individual must "unlearn" them in order to assimilate something new, like a new culture. Of course the "unlearning" process doesn't come as easy as learning for the first time. In this way, it is important to notice that culture derives from the social environment within a group, and is not inherited through the genes.

Similarly Samovar, Porter & McDaniel (2009) use Harry Triandis concepts to define culture as a set of human-made objective and subjective elements that increased the probability of survival in the past, resulting in satisfaction for the participants, thus is shared between individuals who can communicate with each other because they had a common language and lived in the same time and place. This definition clearly sets apart culture from biological behaviors that are innate and don't have to be learned such as eating, sleeping, crying, fear, etc. These subjective elements like values, attitudes, beliefs, orientations and assumptions are learned and most likely change the individual's interpretation of the world.

Culture is the collective set of thinking, feeling, behaving and acting that distinguishes societies from one another and although is installed in an individual's mind similarly to a computer program, "A person's behavior is only partially predetermined by her or his mental programs." (Hofstede, Hofstede, & Minkov, 2010), meaning that a person can deviate from this program, act in whole new ways, creatively, destructively or unexpectedly.

Culture manifests through the knowledge, experiences, beliefs, values, attitudes, meanings, religion, timing, roles, spatial relations, understanding of the universe, and material objects acquired by a large group of people in the course of generations. Language habits, friendships, communication, social practices, economic and political activities, and even technology all follow the patterns of culture, because it conditions the individuals towards a particular mode of behavior and communication practices in a particular social environment.

### **2.2.1 Elements of Culture**

Samovar, Porter & McDaniel (2009) point out the most important elements that make up the culture of a society:

## **History**

History is a very important part of culture; it often provides a guidance and direction of how to live in the present. As many other elements of culture, history is transmitted from generation to generation, thus helping to perpetuate the worldview of that particular culture. Through stories from the past, members of the group are exposed to their own identity, values, rules of behavior, and the like. Individuals are able to know their origins, which members were important, identify the accomplishments of their culture and feel proud about them. History is unique to a particular culture and most of the time explains contemporary perceptions of individuals in that culture.

## **Religion**

All cultures throughout the planet possess a form of religion which contains rites, rituals, taboos and ceremonies. The impact of religion can be observed all over the culture serving as a base for social control, conflict resolution, reinforcement of group solidarity, explanation of the unexplainable, and emotional support. Religion functions on a conscious and unconscious level influencing business practices, politics, and individual behavior.

## **Values**

Values are intrinsically part of every culture. The values of a culture are standards of desirability, goodness, and beauty that serve as a broad guideline for social living. They help to determine how people ought to behave, thus becoming critical for the maintenance of the culture as a whole.

## **Social Organizations**

Social organizations include all social systems and structures that represent the various social units inside a culture. Institutions like family, government, schools, etc, help the individuals to organize their life through norms of familial and social conduct. The way these institutions work is a reflection of the culture itself, assigning roles and expectations for each player of the group.

## **Language**

Language is a crucial element of culture for it gives individuals not only the capacity of sharing ideas, feelings and information, but the transmission of culture itself. Every existing language on the planet carries the identification marks of a specific culture on its words, grammar and meanings.

### **2.2.2 Hofstede's National Cultural Dimensions**

Hofstede (2010) defines dimension as a characteristic of culture which can be measured in respect to other cultures. During the 1980s, the Dutch anthropologist Geert Hofstede with the data from 50 different countries from the multinational IBM named four basic areas: 1) power distance; 2) collectivism versus individualism; 3) femininity versus masculinity; and 4) uncertainty avoidance. As a set, these four dimensions formed a model of cultural differences between nations. In 1991, a fifth dimension was added to the model, being 5) long-term orientation. And lastly in 2010, with the help of his co-author Michael Minkov the sixth dimension was included; 6) indulgence versus restraint.

#### **2.2.2.1 Power Distance (PDI)**

This dimension refers to the acceptance and expectation of unequal distribution of power from the less powerful members of a society. A 'low power distance' means that the culture tries to minimize inequalities inside the society. Inside the workplace, employees feel the same type of person as the employers and vice versa. Countries like Sweden and New Zealand fall in the category of low power distance. On the other hand, high power distance exists where the less powerful members of a society look for powerful members to make important decisions, and the inequalities are more accepted. Normally, the society is structured in hierarchies believing that not all members are equal, therefore member up high on the hierarchy are never questioned. Latin American and Latin European countries fall into this category. (Hofstede, 1983)

#### **2.2.2.2 Collectivism vs. individualism (IDV)**

According to Hofstede (1983), a culture can be collectivistic or individualistic depending on the dynamic between the individual and the rest of the society. In a more collectivistic

society, people are based in cohesive groups such as the family, and each individual reflect more concern for the other members. Hofstede points out countries like Ecuador and Indonesia as highly collectivistic societies where the community, collaboration and harmony are most emphasized. United States, Canada and Australia are examples of individualistic nations where the predominant figure is the individual, its rights for freedom, privacy and uniqueness.

### **2.2.2.3 Femininity vs. masculinity (MAS)**

This dimension is the degree to which gender roles are marked and adhered in a society. Masculine societies mark gender roles of what is expected from a male or female individual. In this type of societies, values such as assertiveness, ambition, competitiveness, and aggression are highly valued and rewarded. It is expected from men to behave within these values on a daily basis. Japan and Mexico are examples of high masculinity nations.

Whereas in high femininity societies equality in gender roles is encouraged; there is no defined gender model. These societies value cooperation, modesty, empathy, protection to the environment, protection of the feeble, and life quality. Brazil and Finland are among high femininity nations.

### **2.2.2.4 Uncertainty avoidance (UAI)**

This refers to how individuals from a culture function under unknown and uncertain situations; living and accepting them or avoiding them. In low uncertainty avoidance societies, people don't mind ambiguity and uncertainty; new ideas and innovation are encouraged most of the time, their open-mindedness allows them to have practical rules instead of strict ones, people are more tolerant to differences among members of the society and don't feel threatened by their ideas. Decision makers and risk takers are highly rewarded, and precision and punctuality are less important. Countries like Singapore and Sweden can be considered low uncertainty avoidance nations. On the contrary, high uncertainty avoidance societies do not tolerate ambiguity and are resistant to change. These nations tend to live in high stress and anxiety and its people in fear of dangerous scenarios. They control unexpected scenarios with strong norms, organization, rituals, planning, precision, and punctuality. Japan and Greece are examples of high uncertainty avoidance.

### 2.2.2.5 Long-term orientation (LTO)

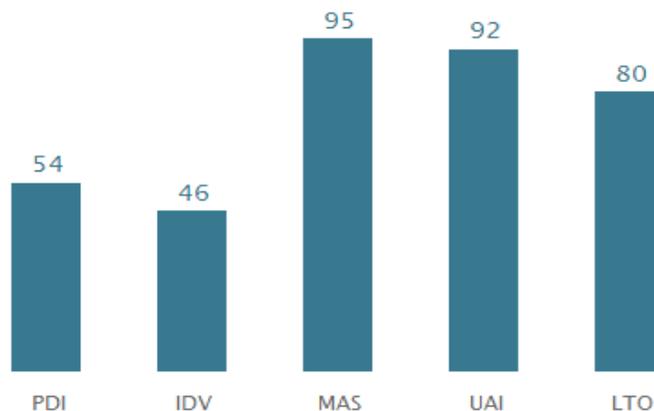
Long-term orientation concerns to the degree which long or short-term approach is dominant in a culture. Long-term oriented cultures are based on teachings similar to Confucianism where respect for the family, discipline, perseverance, investment, resources, loyalty and community are the most important. Chinese, Japanese, South Korean and Taiwanese cultures are based on these principles. A short-term oriented culture stresses on quick results. Individuals don't think too much on saving for the future, they need results and gratification right away. Countries like United States, Canada and the UK fall into short-term oriented societies.

### 2.2.2.6 Indulgence vs. moderation (IVM)

Similar to short-term oriented cultures, indulgent cultures seek for quick rewarding and gratifying activities that involve little effort. This portrays their feelings and desires to enjoy a life full of joy. English-speaking countries fall into the indulgent side of this dimension. On contrast, cultures with high moderation regulate desires and impulses of its individuals with strict social norms. Muslim and theocratic nations tend to fall into moderation.

## 2.2.3 Culture in Japan

When analyzing Japan through Hofstede's National Cultural Dimensions model it is easier to grasp the essence of its culture, and a better overview when comparing to Ecuador's cultural aspects.



**Figure 2.6: Japan's National Cultural Dimensions**

Source: Hofstede (The Hofstede Centre, 2012)

### **2.2.3.1 Power Distance (PDI)**

As mentioned before, the power distance dimension deals with the perception of power among the people and the attitude they take against the inequalities of such power. Hofstede (2012) describes Japanese society as “mildly hierarchical” earning a score of 54, but in reality its structure it is not as hierarchical as its Asian counterparts. It is very common for a foreigner to experience Japanese companies as extremely hierarchic, because for example decision making process takes a long time to go through each hierarchic layer within the company until it reaches the top management. But, it is important to notice that there is no top member who can take a decision like in most hierarchical ladders, but decisions must be taken as a group.

Japan is also a meritocratic society where everyone is born equal, and by taking advantage of opportunities and working hard enough, one can be successful.

### **2.2.3.2 Individualism (IDV)**

The individualism dimension addresses the interdependence among the members of a society. Hofstede (2012) gives Japan 46 on his scale. Even though from a western perspective Japan can be seen as a collectivistic society, it is perceived as individualistic by Asian standards. Japan shows many collectivistic traits such as group harmony for instance, but its Asian counterparts China and Korea for example, have larger families which is a more solid ground for building a collectivistic society.

Westerners view Japan’s company loyalty as a high collectivistic trait; however it is just something that they choose to do as individuals. In most collectivistic societies the individual is loyal to his group by birth, like his family or his community.

### **2.2.3.3 Femininity vs. Masculinity (MAS)**

This dimension indicates whether a country is driven by competition, success, and achievement (high score) or values as caring for others and quality of life are the predominant ones. Hofstede (2012) gives Japan a 95 on his scale, making it one of the most masculine societies on the planet. But, due to its moderate collectivism it is more common to see existing competition between groups instead of single individuals.

From early age children are taught to compete fiercely in sports for their own team, and when it comes to corporations employees are motivated for the fighting and the winning against the competition. This translates into Japan's drive for excellence and perfection, but to "workaholicism"<sup>2</sup> as well. As a result, Japanese women still struggle to climb up the corporate ladder in this masculine society.

#### **2.2.3.4 Uncertainty Avoidance (UAI)**

Knowing that the future cannot be predicted, this dimension assesses each culture's reaction to ambiguous or unknown situations. Whether they avoid them or accept them. With a score of 92, certainly Japan is one of the most uncertainty avoiding countries. Hofstede (2012) attributes this result to the reason that Japan is constantly threatened by natural disasters such as earthquakes, tsunamis, typhoons, etc. A country living under such circumstances is likely to have developed a tendency to prepare for almost anything. From birth to death, the life of a Japanese is highly ritualized, classes, weddings, funerals, everything has its ceremony or protocol often described on etiquette books.

In the workplace is no different. Employees are often reluctant to do something without precedence or a manager cannot make any decisions before all risk factors are put into consideration. This high uncertainty avoidance makes changes difficult to occur in the Japanese society.

#### **2.2.3.5 Long-term Orientation (LTO)**

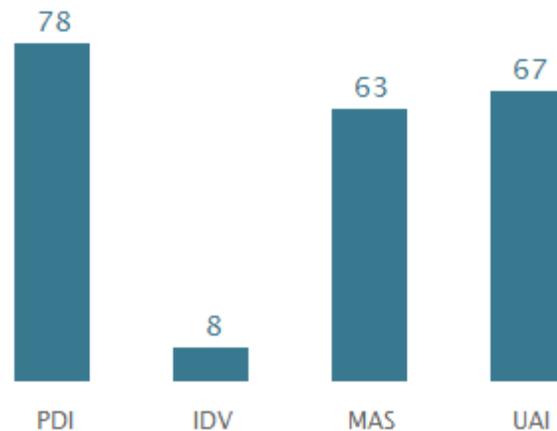
This dimension is related to the whether a society is future-oriented or just only view things on the short-term perspective. Also, this dimension is closely attached to Confucianism teachings and the society's search for virtue. At 80, Hofstede (2012) describes Japan a long-term oriented country. Every person live their own lives guided by ethics, virtues and practical examples instead of with the notion of an almighty god; they will do the best in their lifetime in order to serve society. For companies, it is very common to see high investment on Research and Development even during harsh economic times. Businesses envision the idea that a company

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<sup>2</sup>Workaholic: A person who compulsively works excessively hard and long hours. (Oxford Dictionaries, 2013)

should not profit only for the shareholders<sup>3</sup>, but for the stakeholders<sup>4</sup>, the community, and the generations to come.

## 2.2.4 Culture in Ecuador



**Figure 2.7: Ecuador's National Cultural Dimensions**  
Source: Hofstede (The Hofstede Centre, 2012)

### 2.2.3.1 Power Distance (PDI)

According to Hofstede (2012), Ecuador sits at a high level of the power distance dimension with a score of 78. Ecuadorian society is characterized for believing that power inequalities among them it's simply natural and accepted; whether in the workplace or other organizations. In all layers of society it can be seen that these inequalities are most often related to race or social status, where individuals with European extraction feel superior to their local Indian extraction counterparts.

Moreover, the public force and the military often hold certain political power as they have played important roles in various "coup d'états" throughout Ecuador's sociopolitical history.

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<sup>3</sup> Shareholder: An individual, group, or organization that owns one or more shares in a company, and in whose name the share certificate is issued. (Business Dictionary, 2013)

<sup>4</sup> Stakeholder: A person, group or organization that has interest or concern in an organization. Stakeholders can affect or be affected by the organization's actions, objectives and policies. Some examples of key stakeholders are creditors, directors, employees, government, owners, suppliers, unions, and the community from which the business draws its resources. (Business Dictionary, 2013)

### **2.2.3.2 Individualism (IDV)**

At 8, Ecuador lies as the second least individualistic society in the world, only beaten by Guatemala with a score of 6. In other words, Hofstede (2012) describes Ecuador as one of the most collectivistic societies on earth. For Ecuadorians, belonging to an in-group is highly important, and these groups' identities are most often tied to social classes and race. Within the group, conflicts are avoided in order to preserve the harmony. On the other hand, struggles for power among political or social groups occur very often. Anyone who doesn't belong to the in-group would be considered "outsiders" and enemies.

Ecuadorians perceive relationships much more important than tasks (which will often be completed with the effort of the whole group or not completed at all). Paradoxically, the group acts as a whole, but the power holders are the only ones who will decide any outcome or decision.

### **2.2.3.3 Masculinity/Femininity (MAS)**

Ecuadorian society is a masculine one. At a score of 63, Hofstede (2012) indicates that its people are very competitive and success driven. Competition and struggle for status is very common but towards other group member or social classes rather than members of their own in-group. Normally, people will seek membership in groups that guarantee high status and rewards for their performance, this way they often sacrifice leisure for long working hours.

### **2.2.3.4 Uncertainty Avoidance (UAD)**

Ecuador has a high uncertainty avoidance score. A score of 67 means that this society does what they can to avoid ambiguity. Ecuadorians have a context-rich communication, often speaking abundantly and express their emotions openly. Legislation is written in a very elaborate, extensive and detailed fashion. However, rules are not always followed; this lies on the power holders' (who make their own rules) criteria of whether the rules are applicable to their group members or not.

People in Ecuador are very religious and superstitious. Traditions of views are respected by members of the same in-group but not necessarily by other groups. High uncertainty avoidance, high power distance and collectivism in Ecuadorian society make the status quo only

change when there is a shift in the figure of power that will lead the large majority of followers towards change.

## **2.3 Market**

### **2.3.1 Market Forces**

According to Mankiw (2002), Harvard economics professor, to understand the forces that affect markets is crucial in order to figure out how competitive markets work. First of all, Mankiw defines market as a group of sellers and buyers of a certain product or service. Within this market, buyers and sellers interact with each other, exchanging goods or services for money, and it is then that the concepts of supply and demand come into existence as the forces determining the price of the offered good. The terms Demand and Supply refer to the specific role that people have when interacting inside a market. The buyers of a good altogether will determine the demand, while the sellers, the supply.

In order for a market to be competitive, there must be a vast number of sellers and buyers of the same good or service. Each seller will possess only a limited control over the market prices that is almost insignificant, because the supply is so big that there is no incentive for the seller to set a price below the market price. By charging a higher price, the buyers will simply switch to the competition (other sellers of the same good). At the same time, buyers have limited and insignificant amount of control over the market prices as well, as each of them only buy a small quantity of the good.

But, markets can behave differently depending on the forces that affect them. As stated before, when the market has a vast number of sellers of the exact same good, and as well a vast number of buyers, a *perfect competition* exist. In this scenario, nor the sellers or buyers have control over the market price. In reality not all goods and services are sold in perfect competitive markets, but rather *imperfect competition*. There are markets where there is only one seller, and he alone sets the price, this practice is known as *monopoly*. A common example of monopoly is what happens when there is only one Cable Company in a city, and high prices will be charged because there is no competition. One market type lies just between monopoly and perfect competition, *oligopoly*. Here there are a few sellers that not always engage into a fierce competition, a common example is how airlines offering the same flight routes will avoid competition and agree on maintaining high prices. Another is *monopolistic competition*, when

there are a vast number of sellers offering similar goods with a product differentiation, this way, as products among sellers are not exactly the same each of them have the capacity to fix their own price disregarding the competition. This will occur normally among software developing companies.

As seen above, the markets inside an economy are driven by the forces of the individuals interacting within. The forces of demand and supply shape these markets into a diversity of forms and behaviors, fixing high or low prices for different type of products and services.

### **2.3.2 Demand**

Mankiw (2002) explains that the size of the demand is determined by the quantity of buyers that are willing and capable of buying. At the same time, that quantity is determined by some factors influencing the decision of the individual. The most common factors are: price, income, price of related products, taste, and expectative. In order to understand how the demand curve is affected by these variables, it is necessary to analyze them taking into consideration the concept of *Ceteris Paribus*<sup>5</sup>, keeping everything else constant.

#### **Price**

Normally if the price of a good rises up, the demand for the product will fall, this means that the quantity demanded is inversely related to the price. Most economists call this the *law of the demand*, *ceteris paribus*, when prices increases the demanded quantity decreases.

#### **Income**

If income decreases, and there is not enough money to afford a certain good, the demand decreases as well. Goods that have demands acting this way are considered *normal goods*. When there is a demand that increases when income decreases, it is considered an *inferior good* (bus rides when a car is not afforded).

#### **Prices of related products**

Considering a market for ice cream, if the price of frozen yoghurt drops, the law of the demand says that the quantity demanded of frozen yoghurt will increase, and therefore

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<sup>5</sup> *Ceteris Paribus*: Expression in Latin often used by economists that means “keeping everything else constant”, employed to clarify that the rest of the variables, except for the one studied, maintain the same. (Mankiw, 2002).

the demand for ice cream will decrease as the two are *substitute goods*.<sup>6</sup> On the other hand, if we consider a market for Bluray DVD players, if the prices of Bluray discs decrease, the demand for Bluray DVD players will increase as they are *complimentary goods*.<sup>7</sup>

### **Taste**

One of the most determining factors of demand is taste. If the buyers like the product, naturally they will want to buy more of it. Most of the time, consumer taste is based on history and culture, making it vary slightly or dramatically among societies and countries. What is relevant to the economics field is the consequence of a change in taste.

### **Expectative**

What consumers expect from the future can affect the demand of a good at present time. If a buyer expects to receive a higher income next month, it is likely that he will be willing to buy more today and spend some of his savings. Similarly, if a buyer thinks that the price of an item will decrease in the future, he might hold back and not willing to pay today's price.

## **2.3.3 Supply**

The supply regards the sellers of a good or service. Mankiw (2002) describes the quantity supplied as the quantity of sellers that are willing and capable of sell. Similarly to the demand, the supply is subject to certain elements affecting the behavior of suppliers. Those are: price, price of factors of production, technology, and expectative.

### **Price**

When the price of a good is high, selling this good becomes very profitable therefore the suppliers increase the quantity of this product to sell. Oppositely, when prices are low, the business becomes less profitable and suppliers produce less. Price and supplied

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<sup>6</sup> Two goods are substitutes when the increase on the price of one leads to an increase of the demand of the other (Mankiw, 2002)

<sup>7</sup> Two goods are complimentary when the increase on the price of one leads to a decrease of the demand of the other. (Mankiw, 2002)

quantity directly related, meaning that when the price increase, the quantity supplied increases as well. For economists, this is known as the *law of the supply*.

### **Price of factors of production**

In order to produce a good, the seller must consider factors as land, labor, machinery, components, raw material etc. If any of these factors of production experience an increase on their prices, production becomes less profitable and therefore the quantity supplied will decrease.

### **Technology**

The existent technology to transform the factors of production into the final good is a determining factor for suppliers, Technology that reduces production costs will make businesses more profitable and therefore incentivize suppliers to produce and sell more of their products.

### **Expectative**

The same way that future expectations of buyers affect the quantity demanded, expectations of suppliers can affect the quantity supplied. If a seller believes that the price of his product will increase in the future, he might store some of his present production and supply less today.

## **2.3.4 Market Segmentation and Target Market**

According to Czinkota & Kotabe (2001), market segmentation can be defined as the process of dividing the whole market for a product or service into smaller groups of clients with different preferences and needs, by doing this, the segmentation becomes a strategy used by companies to focus and optimize resources and efforts within a general market. Similarly, the authors Kotler & Armstrong (2001) mention that market segmentation is dividing bigger and heterogeneous into smaller segments which can be identified and reached more easily with products and services adapted to their unique needs. In this way, market segmentation holds great importance for the study of particular markets because it helps create the correct marketing

mix<sup>8</sup> to satisfy customer needs with the right amount of resources adjusting prices, distribution channels and publicity.

Stanton, Etzel & Walker (2007) affirm that market segmentation can be organized in three steps:

1. Identify current and potential desires of a market.
2. Identify which are the characteristics that distinguish one segment from the other.
3. Determine the potential of the segments and degree of satisfaction that can be achieved.

The final outcome of market segmentation is the definition of a target market, on which businesses are to focus their efforts and resources to reach. Therefore it is important to know which are the variables and limitations of that target market. These could be given by geographic location, product type or even productive capacity of one's business.

### **2.3.5 Segmentation Variables**

There are several variables that can be taken into consideration when segmenting a market. The more variables are used to divide markets, the better are the conclusions that can be obtained and more accurate the segmentation is, but it is recommendable to only work with a few at a time to avoid errors and handling information easily.

Nevertheless, it is important to know which ones are the variables that can be used for market segmentation. The most common categories for segmentation variables are geographic, demographic, psychographic and behavioral.

These are the most common variables to be considered in a study:

#### **Geographic**

- Geographic zone (urban, rural, big city, etc.)
- Weather (hot, humid, rainy, cold, etc.)

#### **Demographic**

- Sex
- Age

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<sup>8</sup> Marketing mix management paradigm has dominated marketing since 1940s and McCarthy (1964) further developed this idea and refined the principle to what is generally know today as the 4Ps (Product, Price, Place, and Promotion). (Goi, 2009)

- Ethnicity
- Relationship status (single, married, divorced, etc.)
- Family size
- Income
- Social class

### **Psychographic**

- Occupation
- Level of education (high school, college, university, etc.)
- Hobbies (sports, intellectual, music, etc.)
- Shopping habits
- Lifestyle

### **Behavioral**

- Brand loyalty
- Benefits desired

There are additional variables that could be considered as well such as political ideologies, religion, environment, personality, etc., depending on the nature of the market. But, the more precise the variables are, the more complex the study becomes. These variables should only be used when the tools and time for analyzing complex data are available.

### **2.3.6 Consumer Behavior**

Consumer behavior makes up an important part of people's everyday lives, involving all psychological and social processes that occur when buying and consuming goods and services. Wilkie (1994) describes consumer behavior as mental, emotional, and physical activities that individuals engage in when selecting, purchasing, using and disposing of products and services so as to satisfy needs and desires. Professors Priest, Carter & Statt (2001) use this approach to determine that all behavior has identifiable causes and effects, which can be isolated, studied and measured. Individuals when facing a problem or a decision, people process all the relevant information available to deal with it to make a rational decision about the best choice to take or decision to make.

When studying the process of buying goods or services, it is important to have a look beyond the person who is doing the purchase. As Solomon, Bamossy, Askegaard & Hogg (2006) indicate consumers can take many forms, ranging from 6-year-old child asking his mother for candy to an executive in a large corporation deciding on an extremely expensive computer system. People don't always buy goods and services for their own consumption. A perfect example is a mother grocery shopping for her whole family. Most of the time she will be influenced in some extent by the eating preferences of her partner and children; and probably she will end up purchasing items that she herself will not consume.

In a similar way, consumption items can come in a wide range, anything from candies to a massage in a spa, rock music, and even other people (artists, shows, etc.). Needs and desires to be satisfied range from hunger and thirst to love, status or even spiritual fulfillment.

### **2.3.6.1 Actors in consumer behavior**

Solomon et al., (2006) explain that the activities related to consumer behavior involve several actors. The *consumer* is generally the person who identifies a need or a desire to be satisfied, makes a purchase and then disposes the product during the stages of consumption. As explained earlier, the *purchaser* and *user* may not be the same individuals. In some cases, the other person may exercise a role as *influencer*, providing recommendations for certain items without being the actual buyers, or users. In other situations, consumers may not even be persons but organizations or groups, where one person acting on behalf of the group makes the purchase decision and there are many users.

Even if buyers are different from users, they will continue to be exposed to the same influences at the time of purchase as individuals buying for their own consumption. These highly influential elements are price, quality, packaging, and so on, and they will at some extent affect his or her buying decision. That is the reason why it is important for businesses to know who will be the users of their products and understand their actors in order to reach the market effectively.

As Adam Smith (1982) cited by Solomon et al., (2006) put it:

**“Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer ... But in the mercantile system the interest of the consumer is almost certainly sacrificed to that of the producer;**

**and it seems to consider production, and not consumption, as the ultimate end and object of all industry and commerce.”**

### **2.3.6.2 Consumer decision process**

The decision-making process consists of a series of steps that consumers undergo during a purchase. According to Lee (2005) here are several models regarding the consumer decision process (e.g. Necosia 1966, Engel, Kollat and Blackwell 1968, Howard and Sheth 1969), though they are variations across these models, 5 similar stages come consistently into place. These are: problem/need recognition, information search, alternative evaluation, purchase, and post-purchase/outcomes.

#### **Stage 1: Problem/Need Recognition**

This is a crucial stage for the consumer. Problem recognition often occurs due to changes in desired states and depends on the balance between the actual state or status quo and the desired state. If the individual doesn't realize there is a need to be fulfilled, the purchase will not occur.

#### **Stage 2: Information Search**

On this stage, the individual retrieves all the information possible to satisfy the recognized need. This search for information can be divided into internal and external search. The internal search occurs when the consumer searches information via recalled memory and existing knowledge about products. On the other hand, external search is used when the internal information obtained is not enough, and involves largely personal interaction by word of mouth or advertising.

#### **Stage 3: Alternative Evaluation**

Alternative evaluation is the process by which consumers evaluate similar alternatives to meet their needs. They will use prices, brands, place of origin, and other criteria to conduct this evaluation.

#### **Stage 4: Purchase**

The fourth stage is the actual purchase of the product. Engel, Black & Miniard (1993) identify 3 different types of purchases: *fully planned purchase*, where both product and

brand were chosen before visiting the store; *partially planned purchase*, when there is an intention to buy the product but the brand is not chosen until shopping; and *impulse purchase*, where both product and brand are chosen in the store at the time of shopping.

### **Stage 5: Post-Purchase/Outcome**

The final stage of the decision process is the outcome of the purchase, where the consumer evaluates his or her purchasing decision. The satisfaction or dissatisfaction generated by this purchase will have an influence on the decision of the next similar purchase at the stage of need recognition and information search.

### **2.3.7 Market Study**

The Merriam-Webster Online Encyclopedia (2013) defines a market study or market research as:

**“Study of the requirements of specific markets, the acceptability of products, and methods of developing and exploiting new markets. Various strategies are used for market research: past sales may be projected forward; surveys may be made of consumer attitudes and product preferences; and new or altered products may be introduced experimentally into designated test-market areas. Formal market research dates back to the 1920s in Germany and the 1930s in Sweden and France. After World War II, U.S. firms led in the use and refinement of market-research techniques, which spread throughout much of Western Europe and Japan.”**

The European Center of Businesses and Innovation (N.D.), CEEI in Spanish, says that a market study is precisely that, the study of a market. This involves a whole research on characteristics and variables related to a specific market. Market studies are important for businesses because they simplify the decision making process, and helps to figure out the correct alternatives, increasing the probabilities of success of a particular product or service. A similar concept that is relevant to market study, is the concept given by Zikmund (2003) to marketing research, as the systematic and objective process of generating information to aid in making marketing decisions. This process includes specifying what information is required, designing the method for collecting information, managing and collecting of data, analyzing the results, and communicating the findings and implications.

Zikmund (2003) emphasizes the meaning of research as “*re-search*”, to search again, implying that a person conducting a research must be patient and take always another, and more careful look at the data to discover all that is known about the subject.

### **2.3.8 Marketing Mix (4Ps)**

Modern marketing is made up by 4 variables or elements that allow businesses to focus their economic activities more effectively according to the needs of their target markets. These are known as the 4 Ps of marketing or marketing mix. According to Kotler & Armstrong (2004), companies use the marketing mix as combined tools to achieve desired results within a market. These elements are: Product, price, place, and promotion.

#### **Product**

The only way a business can reach their sales objectives is by adapting their product or service to the consumers’ desires and needs. Therefore, it is important that the characteristics, attributes and benefits of the product are defined, and allow their customers to identify them easily. It is also important to establish a differentiation from the competition and a brand positioning with the product.

#### **Price**

Normally, the price must be set above the total costs in order to receive profits, but companies have to consider the competitive environment that exists and the attitudes of the consumers within the market. Therefore, a market research is necessary to identify an existent demand, trends, consumer behavior, tastes and other influent factors in the market. Only this way a correct pricing can be achieved, one that makes up for the costs of production and increasing revenues but also one that the consumer is willing to pay.

#### **Place**

This is also known as distribution. This includes the distribution channels that will be used to reach the final customer. These can be through wholesalers, retail stores, agents, distributors, etc. Timing is also an important factor that goes along with the placement of the product, because it must be available at the right time, at the time when the customer needs it.

**Promotion**

The primary objective of promotion is to increase the sales of a product through communication. A business must design publicity and public relations activities to reach the consumers and inform them about their product or service. These activities are also useful to consolidate a brand image and identity of the company. Common promotion strategies are publicity, direct marketing, public relations, telemarketing, etc.

## Chapter III: Market Research

### 3.1 Methodology

The methodology for gathering information will depend on the type of data that is needed for the study. In this market study, in order to identify a possible demand for pan de yucca in Japan, a quantitative method is much more effective. A quantitative method will allow this study to measure or quantify the number of individuals from determined groups with similar demographic characteristics, who are willing to consume the product, their preferences and what influences drive them to purchase. The instrument that will be used to collect this data will be surveys.

The surveys will consist on 15 different questions to analyze the possible demand for pan de yucca in Tokyo, Japan.

### 3.2 Sample Selection

In order to gather valuable data that will present reliable information, the sample that will be study must be selected carefully. The sample must have an appropriate size and be representative of the entire population; but at the same time it must be selected randomly. In this case, it was possible to collect 493 responses which are more than enough to provide the information that is needed.

### 3.3 Survey Instrument

The set of questions for this study have been constructed using the British Social Attitudes Survey that contains a self-completion attitudinal questionnaire as part of a survey instrument titled, “The Psychological Restraint Questionnaire (Eating Habits)” based on the research by Reinne, Siervo, et al. (2006). Limitations to this questionnaire include *telescoping* (Sudman & Bradburn, 1982), recall and saliency. The questions are reflective of a general trend of food purchasing and consumption, thus not reflective of a specific time period.

This survey instrument aims to map out and identify which are the most important variables that influence the attitudes and intentions that trigger behavioral changes on consumers, and to determine their attitudes toward the introduction of a cross-cultural snack food item from Ecuador, called *pan de yucca*. Using the gathered information, it will be possible to narrow down

the best target market and strategy for the commercialization of this product. Before submitting the survey to the public, two additional variables were introduced at the beginning of the original questionnaire in order to obtain necessary demographic information (sex and age) from the surveyed subjects to allow a ground for variable comparison and determine a potential market more accurately.

All of the questions below were translated from its original language (English) into Japanese, and were conducted via internet using a Google Docs platform specialized in surveys and polls. The main target for the survey instrument was young male and female adults residing in Japan. The survey collected 493 responses from September to December, 2013; all of the respondents are Japanese citizens, currently living in Japan.

Below, each question found in the survey is given a cultural background of its importance regarding this market study, the responses obtained from the subjects and an analysis of the significance of such results and how may affect to the success of the introduction of the *pan de yucca* to the Japanese market.

### 3.4 Survey Questions and results

#### Food Product Survey

#### 食料の調査

##### 3.4.1 Sex 性別

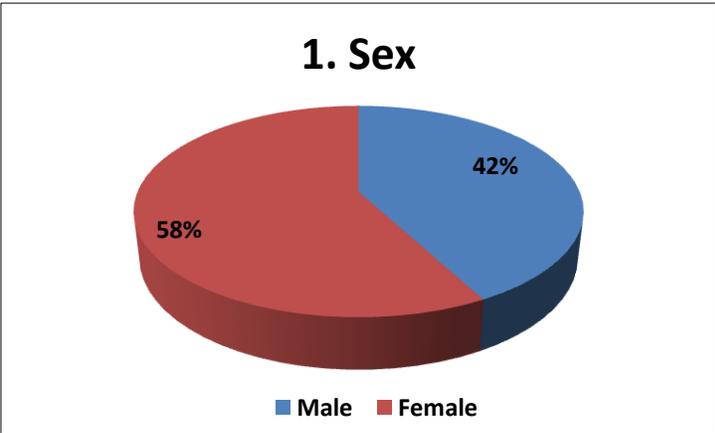
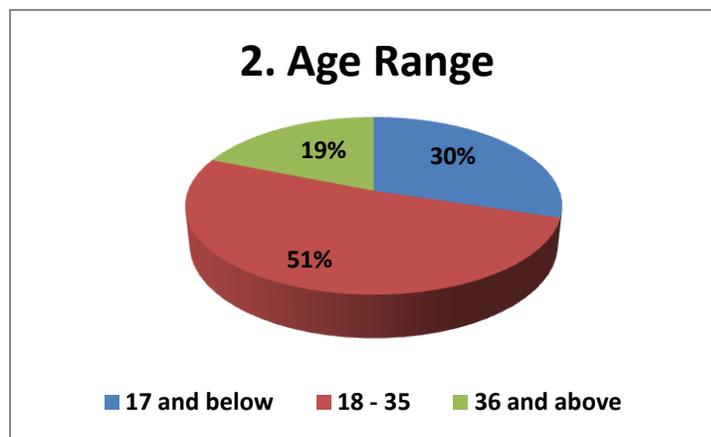


Figure 3.1: Survey question No. 1 - Sex  
Author's own elaboration

The first question of the survey was to determine the sex of the individual. By segmenting the whole sample into two genders, it will be easier to see a clearer picture and build a profile of the subjects. Gender differences can develop different attitudes and behaviors on each individual at the time of purchasing food items. Due to different gender roles that exist in masculine societies like Japan, it could be possible to find marked differences on the subjects' approach and intentions. Out of the 493 sample, 208 individuals (42%) were males and 285 (58%) were females (see figure 3.1)

### 3.4.2 Age

何歳ですか？



**Figure 3.2: Survey question No. 2 - Age**  
Author's own elaboration

Age plays an important role in affecting behavioral patterns and attitudes as well as sex. In this case, less traditional young adults may have a different attitude towards new and different products than their older counterparts. A younger market will be more likely to accept other cultures more easily and will be prompt to consume more foreign goods. Taking that into account, it was clearly important for this matter to consider age as one of the variables for this survey instrument. The survey collected 147 responses (30%) from individuals younger than 17 years old; 253 (51%) young adults between the ages of 18 and 35; and 93 (19%) individuals older than 36 years old (see figure 3.2).

By having the first two demographic variables on the questionnaire, it will become easier to construct a better analysis on each of the next influential elements considered on this survey. Through an analysis along with sex and age, a more defined target market can be mapped out

from the sample studied. Different genders and age range will probably have a different approach and opinion about foreign cultures, food and other goods in general and the level of influence will vary significantly.

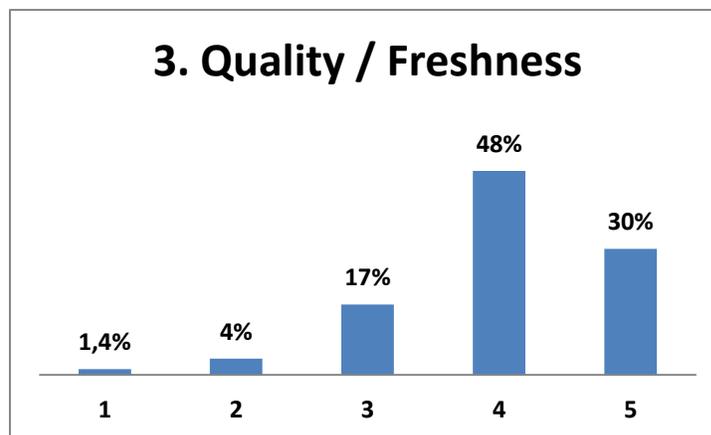
From the next question onward, the individuals judged the level of importance of the variables presented using a scale of 1 to 5, in order to determine how much are their choices influenced by those same variables at the time of grocery shopping at a supermarket or convenience store. 5 represents the highest level of influence of a variable on the purchase decision, 4 is a strong influence, 3 is a mild influence, 2 is weak and little influence, and 1 is the variable not having any influence at all on the consumer's choice.

**At the time of grocery shopping, what is the most important influence on your choice of food? Please choose from the scale of 1 to 5. (1 is not important at all and 5 very important)**

**食品を買う時、何を重要視しますか？1から5まで一つ選んでください。(1番はあまり重要でないで、5番はとても重要です。)**

### 3.4.3 Quality and freshness

#### 品質



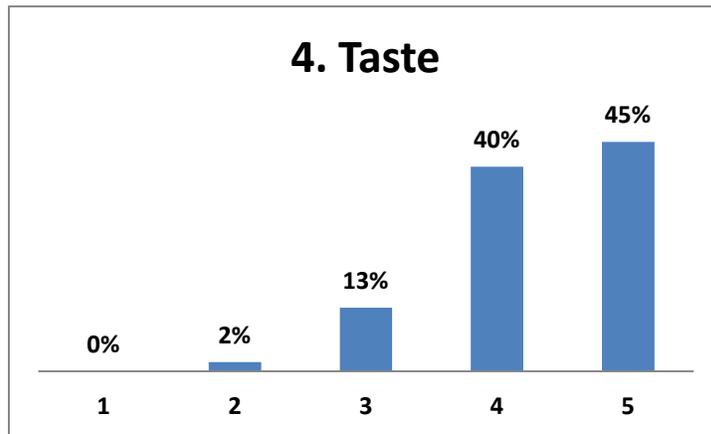
**Figure 3.3: Survey question No. 3 – Quality and Freshness**  
Author's own elaboration

The quality and the freshness of the food product demonstrated to be a very influential variable, where 385 individuals (78%) considered it very and highly important to consider about a food product at the time of buying. Only 7 people (1.4%) considered quality as not important at all (see figure 3.3). This result shows that most of the time when buying food items the consumers will definitely consider which are the most reliable brands transmitting good quality on their products, and which have the freshest appearance before putting their money down.

On average, respondents younger than 18 years old rated the importance of quality and freshness at 3.72, right between mildly and very important. The group between 18 and 35 years old, it is women (4.20) that are more influenced by this variable than men (3.97). But, on the age range of above 36 years old, the average influence level is 4.14 but women’s average increases considerably to 4.36 and men’s remains about the same. In this particular case these differences among sex and age reveal a difference in approach to this variable. As the age of the individual is increased, the level of influence increases too. But, in a broad view, it can be said that the great majority will always prefer a better quality and fresh product for consume and the final decision of purchase is in fact influenced by the quality of the product.

### 3.4.4 Taste

味



**Figure 3.4: Survey question No. 4 – Taste**  
Author’s own elaboration

Taste is one of the most important variables to consider when studying a market for food products. Taste proved to be one of the most influential elements at the time of grocery shopping. Only 9 individuals (2%) considered taste as a poor influential variable, 13% as mildly influential

and the rest of the sample (422 – 95%) are highly influenced by taste when doing grocery shopping (see figure 3.4). Thus it is very important for consumers to have a taste of a product before they are convinced to buy it.

The average male response on the age range of 17 and below was 4.16; the average for the 18 to 35 years old group was 4.36; and 4.06 for the group above 36 years old. This means that younger male adults will care more about the taste and pleasure of eating, but as they get older, good taste is just enough. For women, there was only a small change from 4.41 to 4.40 on the group of 36 and above. Overall, women will be slightly more influenced by taste than men and will not change significantly with age in the adulthood.

### 3.4.5 Healthy and low calories/fat

健康的(体に良い) / 低脂肪であること

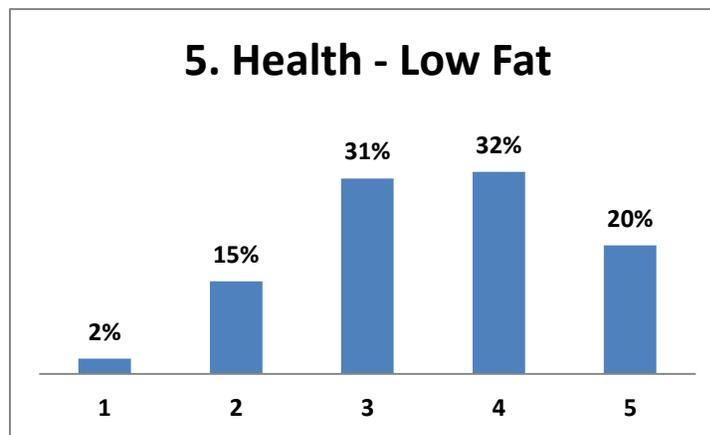


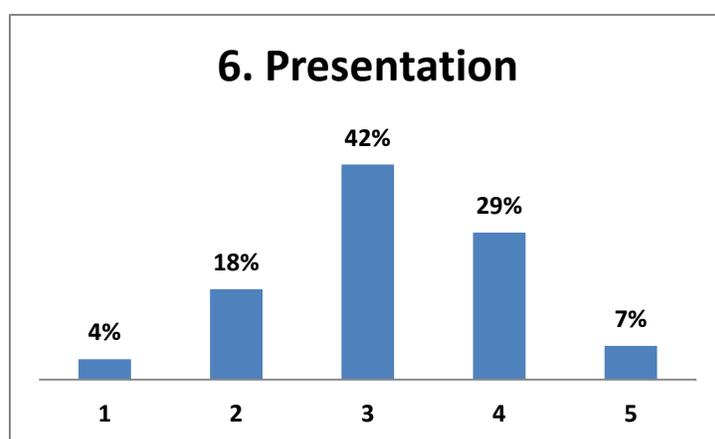
Figure 3.5: Survey question No. 5 – Health and Low Fat  
Author's own elaboration

According to ABC News (2012), Japan tops the charts for being the healthiest country with the highest life expectancy in the world and the lowest obesity rate. This healthy life expectancy is the result of different factors that might include genetics and healthy behaviors such as diet. The vast majority of Japan's population has a genuine concern for eating healthy and eating right. From the sample, 100 individuals (20%) considered that healthy products and consuming low-fat foods are highly influential on their food choices. 309 subjects (63%) answered that this variable has a moderate strong influence on their decision, and only 12 (2%) thought it was not influential at all (see figure 3.5).

There was a difference between the average rating for men and women disregarding the age (3.33 for men and 3.67 for women), this shows that even though women are more concern about healthy and low calorie products, both show to have some consideration and incline to this sort of items. The group that showed the highest average (4.22) was the group of women at the age of 36 and above. The concern for healthy intake of food can be seen as a cultural factor amongst the population taking into account that the general average was 3.53 on the scale of 1 to 5.

### 3.4.6 Presentation or packaging

#### 見たい目 / パッケージ



**Figure 3.6: Survey question No. 6 – Presentation**

Author's own elaboration

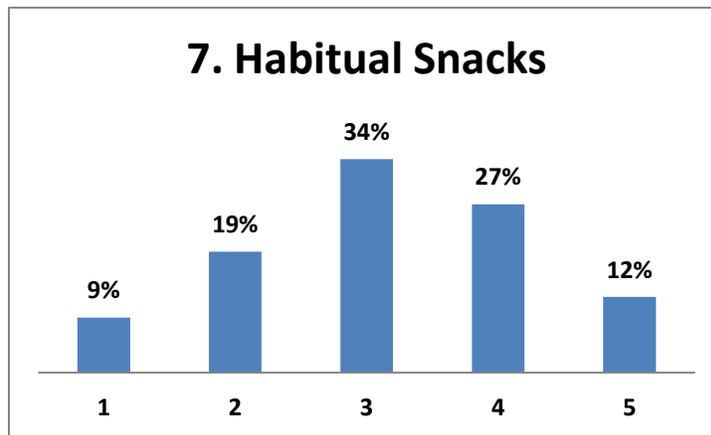
The presentation or the packaging is one of the main attributes of the product's marketing plan. Besides from protecting a product from damage in transportation and handling, this is the element that will catch the eye of the consumers and persuade them to buy. The type of packaging will also convey the quality of the product itself. On this survey, only 33 individuals (7%) answered that the packaging was highly influential on their food choices, while 352 (63%) stuck around the middle in mildly influential (42%) and very influential (29%). The other 108 surveyed subjects (22%) claimed that presentation does not have much influence or any influence at all when buying their food products (see figure 3.6).

The general average of presentation or packaging influence over the group below 18 years old was 3.24, but it goes down to 3.14 in the 18 to 35 age range, and finally reaches 3.11 at the oldest age range. In this case it is possible to state that younger individuals can be more

susceptible to the external appearance of the product and their choice may be influenced by the packaging, design, slogan or other presentation elements at the time of purchase, while older and more mature individuals may think more about taste, freshness, brand, and quality of the product, because they are not entirely convinced by a flamboyant wrapping.

### 3.4.7 Habit or routine (Snacks)

習慣(いつも買う) / スナック / おかし



**Figure 3.7: Survey question No. 7 – Habitual or routine snacks**

Author's own elaboration

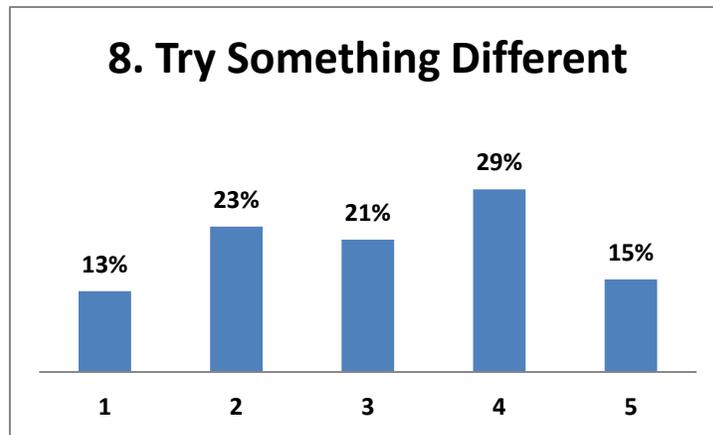
Japan has a culture rich in food and lots of different types of snacks and sweets (okashi - おかし). Along with traditional festivals these sweets and snacks are sold by the thousands to by-passers. But in the common daily life, it is still very common to see people buy quick snacks for the go or “food for walking” (tabearuki - 食べ歩き) in convenience stores near train or bus stations on their way to school, work, etc. That is why this variable was considered for this study in order to determine the influence of this habit or routine of buying snacks for the go. 59 respondents (12%) qualified this element as highly influential on their food choices and habits. 297 (61%) considered the habit of buying snacks as moderately and very influential. But, still a strong 28% said that the influence was minimal or nonexistent on their daily life (see figure 3.7).

With these results it is possible to assume that while not every person will be influenced by the habit of buying certain types of snacks, there is still a 73% that will consider it and be prompt to do it. And while the rest won't be influenced at the time of grocery shopping, they might be in other occasions. The average influence level on males from 18 to 35 years old was 2.89, and drops to only 2.77 as they pass the age of 35. Women's average influence level is 3.07

and 2.96 on the range of above 36 years old. This means that women will be more likely to buy more snacks and sweets than men. The age group that rated the highest the influence of the habit of buying snacks was the individuals below 18 years old with an average of 3.53.

### 3.4.8 Try something new/different

新商品(今までにないもの)



**Figure 3.8: Survey question No. 8 – Try something new or different**

Author's own elaboration

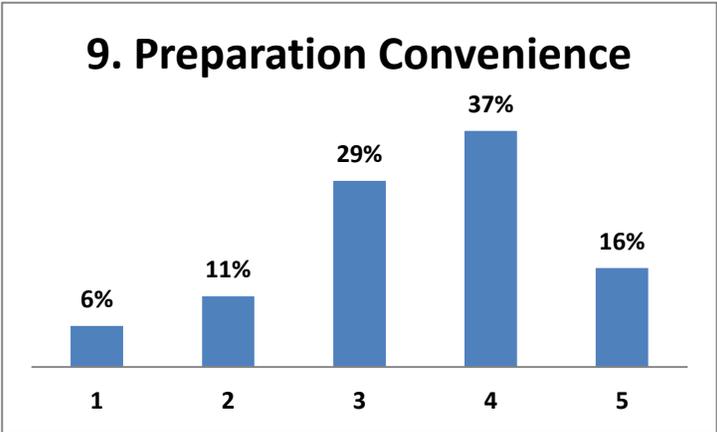
As this study deals with the introduction of a new product in the Japanese market it is important to find out the consumers' level of openness to new products from a different country. Japanese companies are becoming more globalized everyday as well as their employees and the population in general. Tokyo has become one of the capital cities of the world where you can find people from all nationalities, restaurants from all over the world, as well as a large quantity of imported goods. 15% of the surveyed sample admitted that they are highly influenced by the want of trying something new or different from what they usually buy at the time of grocery shopping. 245 respondents (50%) considered this as a mildly or very influential variable. While another 13% said that they wouldn't be influenced at all (see figure 3.8). This shows a somewhat divided opinion among the sample.

Even though Japan has been known for being very traditional and closed to other cultural influences, nowadays things are shifting to a new scenario. Although new generations inside the Japanese society are now significantly more open to the world and willing to accept new products, it doesn't mean that Japan has lost its cultural traditions.

Basically after breaking down the responses by sex and age, it is possible to understand the cause of this division on opinion. On average, both men and women rated the influence of trying new products as mildly influential (3.14 and 3.06 respectively), but by separating these results by age it is more clear what the tendency is. On average young males less than 18 years old rated the influence of wanting to try new things at 3.59, the 18 to 35 years old group averaged at 3.41 and the group of 36 years old or above 1.40. For females, the average for the youngest group was 3.40, 3.11 for the middle, and 2.40 for the group above 36 years old. This certainly shows exactly what is happening nowadays in certain groups of the population. There is a paradigm shift towards new and undiscovered things that come from different cultures, and it is but the newer generations the ones embracing it, whilst the older generations stick to known traditional goods. This tendency definitely opens a window for opportunities and new ideas from abroad.

**3.4.9 Preparation convenience**

**利便性**



**Figure 3.9: Survey question No. 9 – Preparation Convenience**  
 Author’s own elaboration

Most of eastern cultures value their time greatly, and that is why it was important to consider if Japanese consumers are influenced by the preparation convenience of the meals they buy when grocery shopping. While the Japanese live their lives under a concept of time pretty similar as other cultures, what set them apart is the way they handle it and the level of efficiency they have managed to achieve. One of the greatest examples that show their low tolerance for

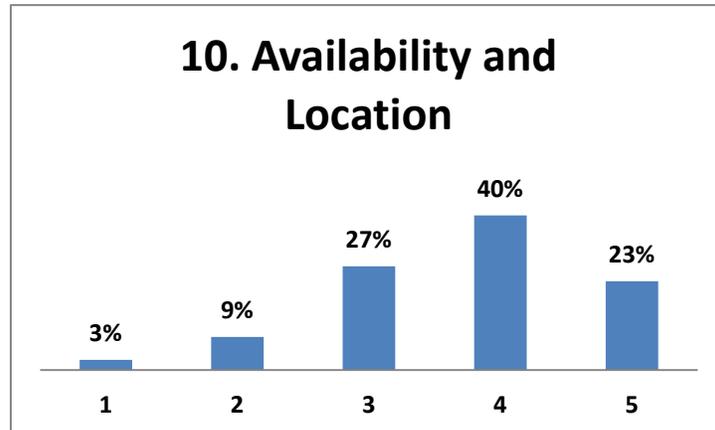
lateness is the train and metro system. The majority of European or American railway systems consider that a train which has a delay of 10-15 minutes still “on time”, while the Japanese consider that a train that is 1 minute behind schedule is delayed (but most likely, they are the ones who need to adjust their watches).

161 respondents (53%) assured that the convenience and ease of preparation of a meal has a fair or strong influence on their choices. 29% still considered the convenience as a mildly influential element, and only 32 (6%) rated it with no influence at all (see figure 3.9). This shows that the majority of individual will prefer a simple meal that is easy and quick to cook, or that is already prepared. One can see this preference for convenience when the nation is known for their “box lunches” (obento - お弁当), a complete meal ready to eat, or other precooked items.

These types of products are not only healthy under the eye of the consumers, but also they make their lives easier just in a few minutes. Both men and women agreed on a average around 3.44.

#### 3.4.10 Availability and location

入手のしやすさ / 場所( コンビにかやスーパー)



**Figure 3.10: Survey question No. 10 – Availability and Location**

Author’s own elaboration

The convenience of availability and location to find your food 24/7 is not a strange concept to Japan. From the 1970s convenience stores started with a struggle to localize their services, but managed to evolve so much, that by 1991 one of the biggest chains, 7-Eleven, bought its American parent company. Other couple American convenience store chains that made it across the ocean like Circle K, ampm, Lawson, etc, have also been absorbed by Japanese

companies. This makes Japan as one of the countries with the largest amount of convenience stores in Asia and the world, and its influencing other nations such a South Korea, Taiwan and Thailand. According to the Japan Franchise Association (2009), there are about 42,345 stores and increasing.

Convenience stores rely mostly on a point of sale strategy, where they charge a slightly higher value for their items, but in exchange for the convenience of the location, 24 hours attention and other services. Japan evolved this concept even further, currently in a typical convenience store one can find courier and postal services, photocopying, ATM, pay for utilities, tickets for buses, planes, concerts and theme parks, some even sell clothes and other wares. But most importantly foods like candy, chips, and fresh made food like “rice balls” (onigiri - おにぎり) and box lunches.

As an intrinsic part of the Japanese modern culture, this convenience of availability and location showed to have a strong influence on its population. The survey shows that 23% is highly influenced by it. Meaning that if the product they want is available 24/7 at a convenient location they will rather spend a little more, instead of going to a bigger supermarket that is far from where they are. 226 respondents (67%) will still be fairly or very influenced by the availability and location of the item before buying it. Only 3% of the surveyed subjects said it did not influence them (see figure 3.10).

**3.4.11 Price or value**

値段 / 価値



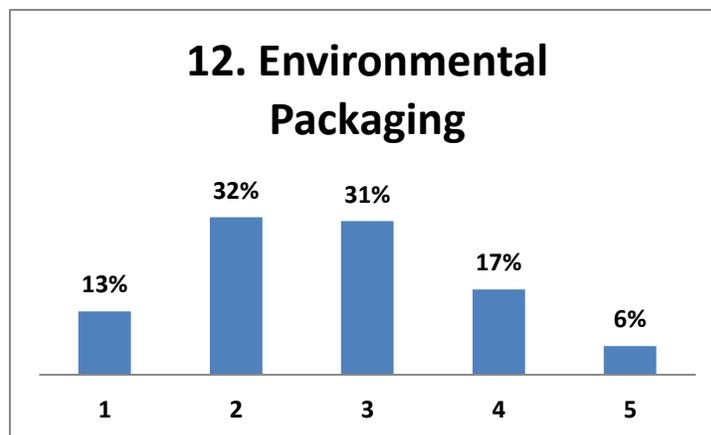
**Figure 3.11: Survey question No. 11 – Price or Value**  
 Author’s own elaboration

As one of the major ingredients of the marketing mix of a product, the price is a decisive element at the time of buying a product of any kind. In order for a product to be accepted, the price shouldn't be higher than the value or benefit that the consumer is expecting to receive for their purchase. As expected, the largest majority, 256 individuals (52%), admitted that the price of an item had a strong influence on their decision to buy it or not. 43% of the surveyed rated the influence of price as very and fairly influential over them, and only 25 respondents (5%) said that the price of an item has little or any influence at all on their final choice (see figure 3.11).

By analyzing these results, it can be said that the customers are very price sensitive and will definitely take into consideration the value and the quality of the food they are receiving against the price printed on the tag. This sensitivity varies very little among genders or age, so it is clear that all groups are motivated or discouraged to buy a certain item by its price. Whether it is for a value-price comparison or just simply choosing the lowest price, it has a strong influence over the behavior of consumers.

### 3.4.12 Recyclable/environmental packaging

#### 環境への配慮



**Figure 3.12: Survey question No. 12 – Environmental Packaging**

Author's own elaboration

In the last decades Japan has become a role model for other countries in terms of recycling. Through the government's efforts, a number of laws have passed enforcing recycling and environmental packaging to reduce waste and space on disposal landfills. This way, Japan has sends only 16% of its solid wastes to landfills, and manages to recycle the rest. Recycling in

the Japanese society has become efficient and an important part of everyone's life. Each household throughout the country must attend strict rules of garbage classification before disposing it. The waste should be classified by type: plastic bottles, plastic, paper, glass and organic; if one fails to classify the garbage correctly, the collector will not take it away and the owner will deal with a fine. By collecting the successfully classified garbage the government saves money and thus the recycling process becomes more effective.

One remarkable example of how well recycling works in Japan is the introduction of the Home Appliance Recycling Law in April 2001, dealing with the disposal of home appliances like television sets, refrigerators, air conditioners and washing machines. This law promoted the recycling of useful parts of household appliances. Consumers pay a fee at the time of the disposal, the retailer takes them back to the manufacturer, and they are the ones who recycle them by reusing pieces in good conditions. Sony Corporation is one of the companies that best has achieved the law's requirements with one of the highest recycling rate. The Home Appliance Recycling Law requires the recycling of at least 55% of televisions. According to Sony Corporation (N.D.), in fiscal 2004, the recycling rate for Sony televisions was 86%.

Survey results of how influential is the environmental packaging of a product at the time of purchase, showed that only 6% thought it was highly influential. 155 people (31%) responded that it is mildly influential, and 223 individuals (45%) admitted that environmental packaging on a product was very slightly or no influential at all (see figure 3.12).

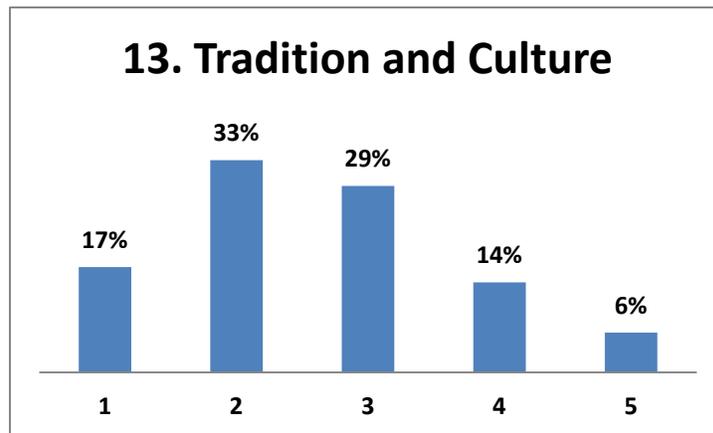
Although at first sight these results may seem contradictory to what happens in reality, the best explanation for this might be that recyclable and environmental packaging cannot longer be used as a marketing promotion like in other countries where these processes are not as developed yet. Also, with so many recycling enforcing laws, is manufacturers and producers responsibility to make environment friendly packaging to facilitate its disposal and reuse. This variable will not have a strong influence in consumers when most of the products available present a recyclable packaging.

### **3.4.13 Tradition (culture)**

#### **伝統的ものである**

Japan is a country that possesses a culture enriched by more than two millennia of history and tradition. Although the cultural essence has roots on Chinese traditions, after a long period of isolation from the outside world these cultures differed so much from one another. Nowadays

Japanese modern culture has become a hybrid influenced by their Asian neighbors, Europe and the US, and in the same way, Japan is influencing the rest of the world with their food, art, fashion, music and language. Today Japan has become an economic superpower as well as cultural.



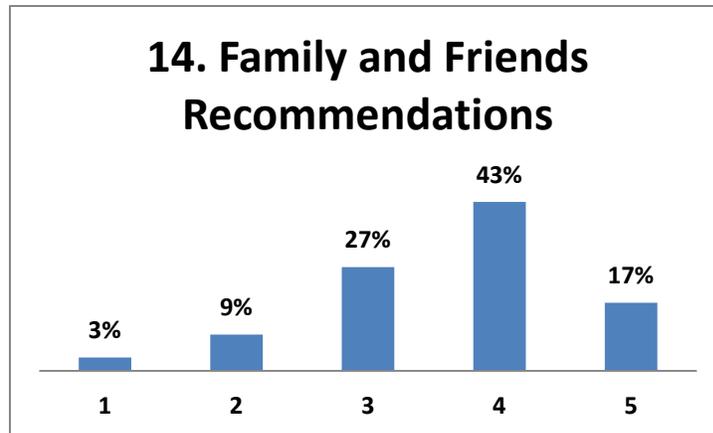
**Figure 3.13: Survey question No. 13 – Tradition and Culture**  
Author's own elaboration

Using this survey instrument it was possible to tackle the question whether tradition and culture has an influence over people when buying their food products or not. Shockingly, in a country perceived as very traditional, nationalistic and conservative, only 20% of the respondents affirmed having a fair or strong influence of culture and tradition on their choices for food. 145 individuals (29%) rated the influenced as mild, and the majority (50%) was more inclined to say that tradition and culture doesn't have much or any influence over their decisions when buying food (see figure 3.13).

Similar to New York, London or Paris, Tokyo and Osaka have become cultural hubs of the world. After being closed for many centuries in the past, modern Japan is open for the rest of the world and embracing new cultures. It is possible to find people from any nationality and restaurants serving food from every place in the planet. New generations of Japanese are becoming more and more accustomed to this cultural crossover and are willing to experience new flavors, new people and new places. Western cultures have brought fundamental changes in the behavior and attitudes of the Japanese people, especially in the newer generations, leaving a two face society which is modern and traditional at the same time (De Mente, 2004).

### 3.4.14 Recommendation from friends/family

#### 家族や友人がすすめるもの



**Figure 3.14: Survey question No. 14 – Family and Friends Recommendations**

Author's own elaboration

As a highly collectivistic culture, Japanese citizens may be influenced not only by their own preferences, but friends and family also play an important role on their lives and even food choices. Whether is from a word of advice or just someone else's preference, this will likely stay on the mind of the consumer and influence their behavior and own preferences.

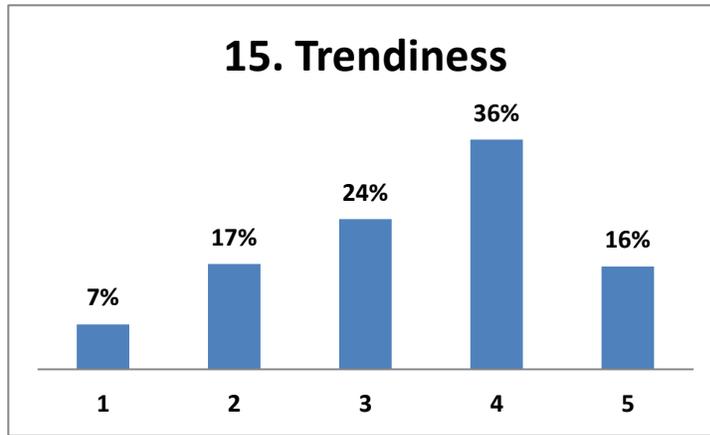
17% of the individuals studied claimed that the recommendations from friends or their families about a product will have a strong influence on their buying decision. 213 people (43%) rated the influence of their friends and family as strong as well. Only 17 respondents (3%) claimed that recommendations had no influence at all on their final choice (see figure 3.14). This means that about 97% will be influenced in some way by the recommendations of their acquaintances and their circles, and this will affect their food choices.

### 3.4.15 Popular or trendy

#### 商品の人気 / 話題性

Similar to being influenced by the recommendations of friends and family, following trends is a major characteristic of collectivistic societies. Japan is a country that is revolutionizing in many areas like fashion, architecture, music, TV shows, art, cuisine, technology and everyday life things. Big cities like Tokyo or Osaka often show and inspire new

trends that not only people inside Japan will gladly follow, but the rest of the world as well. This nation has become an icon of new trends and breakthroughs.



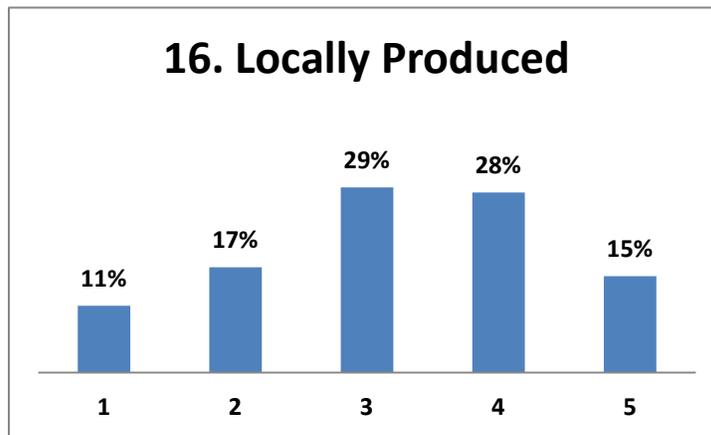
**Figure 3.15: Survey question No. 15 – Trendiness**  
Author's own elaboration

Using the survey instrument to determine the level of influence of popularity and trendiness of a product on their choice of foods, it was found that 16% of the sample will be highly influenced to buy a product that is significantly more popular than others or trendy. 179 individuals (36%) admitted to feel much influenced by the popularity of an item, another 41% will still feel a little of fair influence and only 7% no trendiness or popularity influence at all (see figure 3.15).

By separating the results on age and sex, it was determined that the average influence of trendiness or popularity over men was 3.25 and the average for women 3.47, so in general both sexes will be significantly influenced by the popularity or trendiness of a product. But there is a more clear difference when separating results by age range. Below the 18 year old mark the average was 3.79, the young adults group averaged 3.46 and lastly the group of ages of 36 and above rated 2.60. This shows that teenagers and young adults will be more susceptible to trends and the popularity of a certain item, while older individuals will care less about it, and perhaps have already developed loyalty to a specific brand which they will not be willing to change for just another trend.

### 3.4.16 Produced/manufactured locally

国産である



**Figure 3.16: Survey question No. 16 – Locally Produced**

Author's own elaboration

History shows Japan as a nation often taking great pride on its culture and uniqueness of their people. A term often used by the Japanese people to describe their sense of nationality was 大和魂 (yamato damashii) which means “Yamato Spirit” or “Japanese Spirit”, this refer to their own essence of culture, values and spirituality that distinguish them from the rest. Coming from the Heian period (794 – 1185 AD), to express their singularity against the Chinese influence, it was used as political propaganda for the Sino-Japanese war and Russo-Japanese war and later became almost a battle cry in World War II (Miller, 1982).

Nowadays, though this idea of uniqueness and patriotism still exist is not as strong as before the end of WWII, and this term is mostly associated with nationalistic political parties. This still existent ideal of “Japanese spirit” may have some influence on people’s everyday lives; therefore it is important to measure its influence level of local products against imported items at the time of grocery shopping. A high 28% of the surveyed considered that a locally produced food items will have a strong influence on their final choice, 226 individuals (46%) claimed that this variable is at least fairly or very influential on their decision, and 11% said that it didn’t have any influence at all (see figure 3.16).

Though in reality about 60% of the food consumed in Japan is imported, but in their minds, consumers are still persuaded by a sense of nationalism and cultural pride, resulting in preference for local products.

### 3.4.17 Only eat what family eats

普段家庭で食べているものである

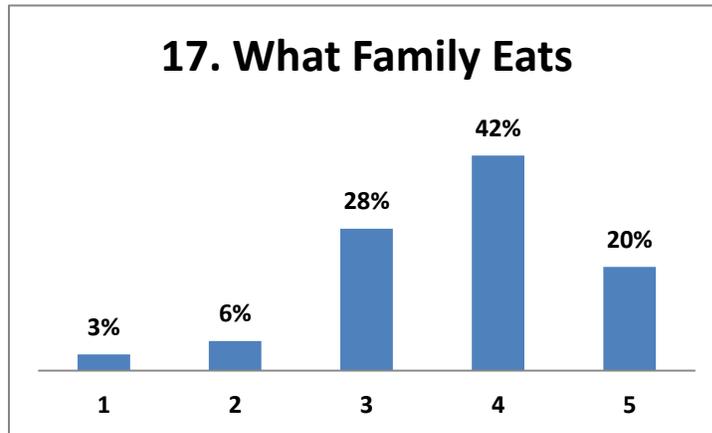


Figure 3.17: Survey question No. 17 – What Family Eats  
Author's own elaboration

In a collectivistic nation, society is based on a number of cohesive groups such as family. As a member of a group, each individual must show concern and respect for each other in order to keep the harmony inside the family. To the Japanese, family is an important part of their lives and this translates to a high influence over the individual throughout his life. From several centuries ago until a few decades from now, the influence of the family over the individual was so strong that almost everything was decided for that member, studies, job, and even who they should marry; all these for the greater good of the whole family.

Though modern Japan is different from feudal Japan, some remnants of the strong influence of the family still exist. That is why it is important to analyze this level of influence over the consumer. 310 individuals (62%) claimed that they are highly influenced by their own family's eating habits. 28% of the respondents say that this variable is mildly influential, and only 3% of the sample is not influenced at all (see figure 3.17).

While underage and younger adults who are single and still live with their families will obviously eat whatever is bought for the house, these eating habits will remain and transfer to new homes as sons and daughters grow up and have families of their own.

## Chapter IV: Proposed Cultural Approach and Strategy

### 4.1 Proposal

This project presents a current market study taking into account not only the economic variables that affect the supply and demand for the Ecuadorian product, pan de yucca, but also some of the cultural aspects that might have an influence on the behavior of the typical Japanese consumer. This research is aimed to both current and future business people that seek a market opportunity in Japan. Hopefully, this will serve as a guide to orient entrepreneurs throughout the difficult stage of entering unexplored markets and new cultures, and will enlighten them to the best business practices for their endeavor.

### 4.2 Cultural Exchange

#### 4.2.1 Cultural Understanding

Most of the time we construct images of other cultures that are not necessarily accurate. Those images are often built from our viewpoint and other biased information that later is filtered by our own culture and influenced by ethnocentrism<sup>9</sup>. Therefore, it is important to learn to accept the fact that the way we see other cultures may not be always wrong, but it is a subjective view.

In order to really learn and understand other cultures, such as the Japanese, first we must see it as a body of knowledge that can be studied and learned. It is necessary to dig deeply inside the history, philosophy, social structures and interactions, art, values, technology, etc. To complete this with a millenary culture like the Japanese it is not an easy task and certainly will take a lot of time to trespass the surface of a culture and grasp its core. The level of success in the understanding of a new culture will depend on the quality of information that is obtained. The sources are countless, textbooks, statistics, travelers' reports, polls, international students, and others. The important thing is to choose the ones that are not biased and from a reliable source.

Yu-Kuang Chu (1974) gives six suggestions to achieve a good cultural understanding. First of all, one should be careful from stereotypes. They work as shortcuts in our minds giving

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<sup>9</sup> Ethnocentric: Having or based on the idea that your own group or culture is better or more important than others. (Merriam-Webster Dictionary, 2014)

us easy guides to actions in a determined situation. Though they might come in handy sometimes, most of stereotypes fall into overgeneralization, oversimplification or just are completely false. Second, always seek for the common humanity of people and avoid emphasizing the differences that exist between western and eastern cultures. Third, cultures have different set of values and one must be aware of that when dealing with non-western cultures. For example, the Japanese people will value more social stability over social change or group solidarity over individual freedom. Fourth, through knowledge and education one must develop human empathy and true concern for others. It is important to recognize the accomplishments of other cultures and their contributions to the world. Fifth, be aware of the link between language and culture, as the language is closely involved with feeling, thinking, and acting. Studying the language is like opening a window to the culture that uses it. For example, when we hear someone say “disculpe” (pardon me) the common response would be “está bien” (ok or surely) acknowledging a negative behavior and granting a forgiveness, while in Japanese one would respond with いいえ (iie – no or not at all) not even acknowledging an error. In both cultures languages is a polite response defined by its own culture. Lastly, it is important to get acquainted and get used to different cultures by interacting with individuals from other cultures in a daily basis and see their richness in human thought and life will help reduce ethnocentrism and develop a higher empathy.

#### **4.2.2 Language Differences**

A culture’s language works not only as a mean to communicate and report experiences, but also as a very special way of defining and interpreting those experiences for its speakers, thus shaping the culture’s world as well. As a language describes thoughts and perceptions of a determined culture, the translation of one language into another becomes far more complex than people believe. Direct translations in many cases are nearly impossible because words can have more than one meaning; they may be bonded by the culture and have a special meaning for that group; leading to a nonsensical result of translation.

The Japanese language is mainly characterized for having an agglutinative structure and pure vowel system; this means that there is not only one correct form or word order and they are typically placed together one after the other, and each of the symbols represent a single vowel to form a word. The most common word order is *subject – object – verb* and glued altogether with

grammar particles. All sentences end with a final particle to add emotional or emphatic impact, or make questions. Nouns have no number or gender so articles do not exist. Verbs are conjugated on tense and not person; in a simplistic view, it can be said that verbs have only two tenses: present (future uses the same conjugation) and past. In the same way as verbs, adjectives are also conjugated depending on the tense. This turns Japanese into one of the highest context languages where one as a listener must be aware of the current situation, the topic of the conversation and pay a lot of attention in order to avoid misunderstandings. This is very different from western languages like Spanish or English where the context can be easily picked up during a conversation.

Originally the Japanese language started only as an oral way of communication. It wasn't until the 3<sup>rd</sup> century that exist records of written language derivate from Chinese; and substantial texts didn't appear until the Heian period in the 8<sup>th</sup> century. The writing system is composed by three different systems. The ひらがな (hiragana) used for Japanese words; カタカナ (katakana) for borrowed words from different languages such as English, Spanish, Dutch, etc; and 漢字 (kanji) which are Chinese symbols or ideograms each representing a single word or idea. Latin letters are sometimes used for acronyms, brand names, and company names; Arabic numerals are very common as well.

One major difference between Japanese and occidental languages, is the complex system of honorific forms for verbs and vocabulary. This is used to indicate the relative status of the speaker, the listener, and persons that are mentioned in the conversation. This honorific form is a clear reflection of the culture's strong hierarchical system, where those who are in lower positions have to refer to themselves and their group humbly and exalt those who are above them.

In order to overcome language differences and barriers it is important to have some knowledge about the language first and to show respect for it and the people who speak it. One must make at least an effort to learn basic words, greetings and other useful phrases; this will demonstrate the locals that you are not only interested in doing business with them but also in knowing the culture. Nowadays, technology can come in handy for translation purposes. Many foreigners use electronic dictionaries that can even speak for them, but a simple dictionary application for smartphones will work just as fine.

### 4.2.3 Business etiquette

To successfully interact with the Japanese culture and establish trust for working together and building a business partnership, it is important to take into account these cultural considerations first. By following these suggestions many inconveniences and misunderstandings can be avoided and the interaction will go flawlessly.

- Previous cultural knowledge is ever appreciated.
- When greeting, handshakes are acceptable but bows are more commonly used. The higher respect is showed with a deeper and lower bow.
- Always respect hierarchy levels (one should never question the boss). Address superiors using honorific forms of language if possible.
- High ranked people as Bosses, Professors, Doctors, Politicians and Lawyers are highly respected and will be normally addressed as 先生 (sensei – teacher). Young children are taught that when talking to a superior thy must avoid eye contact and lower their gaze to the neck.
- When negotiating, personal opinions are not valid. Japan is a collectivistic society where only the company’s opinion as a whole would be taken into consideration after a consensus.
- It is always better to engage negotiations with persons on the same hierarchy level, position on the company, years of service, and age.
- The exchange of business cards is an important part of a business encounter. It is almost a ceremony and should be done correctly.
- Double-sided business cards with English (or Spanish) and Japanese on the other side are a must for a business encounter.
- Business cards should be held with two hands extending it towards the other person in the correct position for them to read. After the exchange one must read it and examine it carefully showing interest in the other person’s company and his position.
- NEVER put the business card you received in your pants’ back pocket. If it is a more informal setting, you can put it away somewhere suitable after looking at it, but tossing it into a pocket may be perceived as rude.

- Japan is a DO NOT TOUCH culture oppositely to Latin American cultures. When meeting someone a simple bow will suffice. Moreover, personal space is highly valued so it is not recommendable to stand too close to the other person because this could be interpreted as being pushy or overbearing and even sexual harassment.
- It is extremely important to be on time for meetings whether they are for business or just social. Generally, a person with a higher hierarchy will try to be a few minutes late to show their position, while the person with a lower rank will have to wait for the other. If you are late, you are implying that you are superior to the other person.
- In Japan time must be exact, because they rely on punctuality in order to maintain their rhythm of life.
- In the Japanese culture not everything that is wanted to be said is actually said. One is expected to know what the other person wants.
- Japanese people don't like to say NO, so often they will use the word ちょっと (chotto) that means "a little", used to say "I'm a little busy", "This is a little inconvenient", or "I'm a little in a hurry". So it is important to be aware that a NO can come in various forms.
- Direct confrontations are commonly avoided, so sometimes YES means NO.
- When one is listening it is important to nod, as it shows that you are listening carefully and understanding the message.
- The base structure for all businesses is trust.
- Most of Japanese workers see their own companies as a family, therefore the commitment and loyalty they have towards them is incredibly high.
- A typical businessman in Japan will work around 12 hours a day and he will only leave the office after his superiors have done so. Drinking after office hours is part of the everyday routine.
- When dining and drinking, never pour your own drink, pour others' and let others pour yours.

- During business meetings or negotiations is common to talk first about family or other personal topics that doesn't seem related to the business matter but is used to build up trust.
- All business decisions are made by a consensus between the authorities and the negotiation group. This decision-making process can take a while, but ensures that everyone's voice is heard.
- Patience is extremely important for the decision-making process. Processes take time, meetings and correspondence.
- One must show patience and compromise to the business during the process of negotiation because it can be determinant to the outcome.
- Always ask questions and show genuine interest in the other party. For this it is necessary to invest time in order to build up strong relationships with key people.
- Avoid hasty conclusions or decisions, and don't pressure others.
- A business contract is seen as an expression of will to do business with the other person and not as a set of promises and limitations.
- Commercial relationships should be seen as other personal relationships instead of a legal contract.
- Be sure that all terms and conditions in a contract can be translated effectively into Japanese, avoiding direct translations that may lack meaning or sense.
- Business practices in Japan are governed by principles of the old Bushido Law or the Warrior's code. This ethic code is still kept by many Japanese and serves as a basis for the moral values of the society. The principal virtues are: Rectitude, courage, benevolence, respect, honesty, honor, and loyalty.

### **4.3 Market strategy**

Based on the findings of the survey instrument it is now possible to outline a marketing mix for the commercialization of pan de yucca in Japan.

#### **4.3.1 Product**

In order to gain acceptance from the consumer, pan de yucca should have certain characteristics to meet the preferences of the typical Japanese consumer.

### **Freshness**

According to the survey, 78% of the sample (385 individuals) admitted to be strongly influenced by the quality and freshness of the product at the time of buying. Therefore it is important not only to offer fresh and quality products, but also to transmit a brand image of quality and freshness to the customers.

### **Health**

Health is another big characteristic that the product should have. Concern for healthy and low caloric foods seem to be a very strong cultural factor among the population no matter what gender or what age. The overall influence over the population was 3.53 on the scale of 1 to 5. As pan de yucca is not deep fried nor contains saturated fat, this is a perfect product than can be perceived as a healthy snack for children or adults. Due to its subtle flavor it can be accompanied with typical drinks as green tea or any other drink.

### **Flavor**

The Japanese cuisine is characterized for its simplicity and balance in colors and flavors. Generally Japanese food is not spiced in excess, and combines subtle flavors with strong elements to enhance the taste and highlight such balance. One example of this mixture is the extremely popular たこ焼き (Takoyaki) which combines a wheat-flour based batter cooked in a special pan filled with diced octopus, on top is covered with Takoyaki sauce and mayonnaise. This snack combines the strong flavor of octopus and the sauce with a subtle flavored wheat flour batter. In a similar way, pan de yucca combines a subtle flavor on the outside mixed with the stronger flavor of cheese inside.

### **Convenient preparation**

Most eastern cultures value time greatly; especially the Japanese who have managed to achieve excellent time efficiency. That is why the Japanese consumers are strongly influenced by the ease of preparation of the products before buying them. It is important for the product to be perceived as simple and easy to prepare, but tasty.

### **Packaging**

The first contact that consumers have with a product is with the packaging. This not only protects the product from damage during handling and transportation, but also is the

element that gets the attention of potential customers. The survey showed that younger individuals can be more susceptible to the external appearance of the product and their choice may be influenced by the packaging, design, or slogan, while older and more mature individuals may think more about taste, freshness, brand, and quality of the product.

It is also important to consider that Japan is one of the role models in terms of recycling. The government has passed a number of laws enforcing recycling and environmental packaging to reduce waste and space on disposal landfills. Only 16% of solids go to landfills, the rest is recycled. As this becomes part of everyone's lives, all manufacturers and producers have the responsibility to make environment friendly packaging to facilitate its disposal and reuse.

#### **4.3.2 Price**

By analyzing the results of the survey instrument, one can notice that customers for this market are very price sensitive and will definitely take into consideration the perceived value and quality of the food they are receiving against the price on the tag. The price sensitivity varies very little among genders or age, so it is clear that all groups are motivated or discouraged to buy a certain item by its price, whether it is for a value-price comparison or just simply choosing the lowest price.

On average these types of snacks when sold individually cost from 100 JPY, and depending on the size and ingredients up to 500 JPY. If the pan de yucca is sold by medium and large size units the price should be somewhere around 150 to 300 JPY. In the case that is sold by smaller sizes and in packages of 10 or more, the price can go up to 500 JPY or 600 JPY.

#### **4.3.3 Place**

The convenience of availability and location is very important in Japanese modern culture. Japan is one of the countries with the largest amount of convenience stores in Asia and the world making them as the perfect distribution channels for food products. There are more than 42,000 convenience stores in the whole country and increasing numbers every year.

Convenience stores rely on a point of sale strategy, where prices tend to be a little higher than conventional large supermarkets, but in exchange for the convenience of the location, 24/7

attention and other convenient services. 7/11 Japan is one of the leaders among the incredible high number of existing chains. One can find foods like candy, chips, and fresh made food like “rice balls” (onigiri - おにぎり) and box lunches. The most amazing part is that most of the fresh food that is sold doesn't have more than just a couple of hours and they have established a extremely efficient SCM (Supply Chain Management) System to offer only the freshest products to their customers.

Many companies have laid their eyes on convenience stores for their practicality, versatility and the fact that people prefer them. This has led to the further evolution of these stores where is also possible to find postal services, photocopying, ATM, utilities payments, tickets for buses, planes, concerts and theme parks, and even clothes or other wares.

#### **4.3.4 Promotion**

The objective of the promotion at the entrance stage would be to let people know the product and incentivize them to try it. When a new product is launched, it is very common to find people offering free samples near train stations of shopping malls in order to gain attention from the potential customers and let them try the new product. This strategy can be used for pan de yucca so people can experience it for free for the first time and later decide if they wish to buy it.

As more and more people are getting acquainted with new cultures, pan de yucca can be advertized as an exotic and cross-cultural snack that can get the attention of younger adults and persuade them to buy it. It is also important to exploit its healthy characteristics, that it contains little calories and can be consumed by people of all ages.

### **4.4 SWOT Analysis**

#### **Strengths**

- Currently there is no such product as pan de yucca.
- Healthy snacks are preferred among consumers.
- Pan de yucca has a soft taste coping with the Japanese cuisine.
- 61% of the surveyed population admitted to be highly influenced by their snack eating habits when grocery shopping. 73% will consider buying a snack on the go.
- Versatile and convenient product.

- New generations are now significantly more open to the world and willing to embrace new products.
- Young adults are willing to try new flavors and less traditional dishes coming from various countries.

### **Weaknesses**

- The Japanese market has not been explored by many exporters, so many business people are still afraid to enter such a relatively new market.
- People don't know much on how to do business with Japanese.
- Little is known about Ecuadorian products in Japan.
- Japan is a very traditional country in some aspects.
- There is a large quantity of traditional Japanese snacks to compete with.
- The Latin American way of doing business is not compatible with the Japanese way.
- Costs can be high.
- Environment and recycling laws for packaging are very strict.
- The Japanese appreciate more products that are locally produced.

### **Opportunities**

- Japan is a developed country with a population with high purchasing power.
- Economical and social stability.
- Prices can be set relatively high.
- Japan imports 60% of all their food products. There is an important demand of food that needs to be supplied with foreign products.
- Vast numbers of agricultural products are imported.
- The Japanese government offer supports for new businesses to enter with organic or agricultural products from South America.
- Reduced tariffs for exported products to Japan.
- The United Nations Conference on Trade and Development (UNCTAD) promotes the Generalized Preferences System (SGP) to incentivize the economic growth and the expansion of exports in developing nations.
- High quality infrastructure for transportation and logistics.

- Convenience stores are perfect for the distributions of this product.

### **Threats**

- The export process to Japan is long and very strict.
- Quality standards are extremely high.
- Cultural barriers that exist.
- Different language.
- Difficulties to adapt to a new culture.
- Culture shock.

## Chapter V: Conclusions and Recommendations

### 5.1 Conclusions

After analyzing the Japanese culture and conducting a food survey on the Japanese population on preferences and what influences them when purchasing food items, the following conclusions were drawn:

1. The most important concepts and relevant theory about culture, cultural components, cultural factors, market forces, market study, market segmentation, market strategy, and consumer behavior were exposed, together with a broad description of the country profile of Japan, including socioeconomic variables and cultural characteristics. These showed to be extremely helpful to the process of developing this project and understanding key elements for the development of a successful approach to enter the Japanese market with an Ecuadorian food product.
2. There is a segment in the Japanese market that could become consumers of pan de yucca. The perfect target for this product would be young adults between the ages of 18 and 35, males and females, where individuals have a job and acquisition power and possess a consumer mentality that is not as traditional as their previous generations. In this group the consumer decision process leads them to a different variety of products, while their older counterparts will prefer more traditional items.
3. Pan de yucca is a “on the go product” adapting perfectly to Japan’s rich variety of snacks and sweets (okashi - おかし). These sweets and snacks are sold by the thousands to festival by-passers, but also it is still very common to see people buy quick snacks for the go or “food for walking” (tabearuki - 食べ歩き) on a normal day in convenience stores near train or bus stations on their way to school, work, and daily activities.
4. Japanese modern culture has become a hybrid influenced by their Asian neighbors, Europe and the US, and in the same way, Japan is influencing the rest of the world with their food, art, fashion, music and language. Today Japan has become an economic superpower as well as cultural. It is important for Ecuadorian entrepreneurs to extend their horizons to reach a market that is becoming more and more accustomed to cultural crossovers and are willing to experience things. Western cultures have brought fundamental changes in the behavior and attitudes of the Japanese people, especially in

the newer generations, leaving a two face society which is modern and cosmopolitan while the other traditional and conservative, both coexisting at the same time.

With the correct business strategy and cultural approach for negotiations, the commercialization of pan de yucca in Japan is very likely to become a success.

New generations inside the Japanese society are now significantly more open to the world and willing to accept new products. Currently there is an existing paradigm shift towards new and undiscovered things that come from different cultures, whether is food, fashion, TV shows or music, it is but the newer generations the ones embracing them.

Existing cultural barriers between Ecuador and Japan can be overcome by acknowledging the differences and do one's best to understand and respect a culture that is not our own, but more importantly embrace similarities and the fact that we are all human beings, we are all the same, and there should be no room for ethnocentrism.

## **5.2 Recommendations**

To achieve success in the introduction and commercialization of pan de yucca in Japan, the following are the recommended actions to develop an effective market strategy and achieve cultural understanding to overcome cultural barriers.

1. It is very important to be familiarized with basic concepts as market forces, supply and demand, and culture before starting a project of this nature. More advance theory about market segmentation, consumer behavior, consumer decision processes, and cultural understanding must be studied and understood as well in order to perform a precise market analysis and have no troubles in overcoming cultural barriers for the introduction of new products into other countries.
2. In order to determine a target market correctly for the commercialization of pan de yucca, the process of market segmentation should be conducted thoroughly and carefully. One must be aware of which are the most significant variables and the most useful way to separate a market using demographic, geographic, psychographic and behavioral variables
3. Once the market segmentation process is done and the target market is determined, the development of a marketing mix is extremely important. These 4 elements will allow the

business to focus their activities effectively and efficiently to the needs of the target market. The characteristics of the product, prices, channels of distribution, points of sale, advertising, and promotions must be constructed according to the attitudes of the consumers inside that niche.

4. Get acquainted with the Japanese culture. When individuals interact with other cultures that they know nothing about, feelings of uncertainty, anxiety, and rejection will surely arise. This is caused by ethnocentrism and not acquiring a culturally neutral stand. The Japanese culture is enriched with more than 2000 years of history which can teach us a lot. Show interest in learning about it; appreciate and respect its elements and people; interact with others in a non-judgmental way. At first sight cultural differences between Ecuador and Japan can be so pronounced that it can be difficult to find common grounds (eating raw food for example) and even when respect may not be possible, tolerance is the way to go.

Values are not universal. One must be neutral about their own values when dealing with people of other cultures to avoid misunderstandings. Value and recognize sources of beauty other than visuals. Respect the existing diversity and value the uniqueness of every individual inside a culture.

Beware of exaggerated beliefs associated to a group of people. Whether stereotypes can be positive or negative, they are an obstacle in cross-cultural understanding. Without much thought people draw hasty conclusions about an entire ethnicity or nationality. To avoid this, one should search for accurate knowledge of a culture and practice objectivity towards others.

The key to create a long-lasting business relationship with a Japanese partner is to first establish trust and cooperation. It is important to show availability when needed, be able to give and receive criticism, always be honest, show commitment, be open to all subjects and respect other people's thinking. For the Japanese business relationships is the same as personal ones, therefore one must acknowledge the importance of loyalty, politeness and the great opportunity to become part of a larger group.

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