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Will an NFR program work for you in Japan?

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Key Points:

- *BOTH NFR and OTG are viable options for building and expanding direct sales business in Japan.*
- *In fact, many companies use BOTH NFR and OTG programs simultaneously*

Misconception to Missteps...

3 Crucial Clarifications about Japanese NFR Programs

By Kurt Haug, Chief Operating Officer, Access Technology Solutions

Let's start by just laying some groundwork about Not-For-Resale programs in general, and the Japanese market overall.

BACKGROUND

Japanese Market. As everyone knows, the Japanese market is a HUGE nut to crack. Potentially confusing, mysterious—even frightening—but HUGE, just the same. There are many successful local Japanese network marketing companies, but even so, Japan is probably the single most important non-U.S. market for a network marketing company to penetrate if they have any hope whatsoever of becoming a truly global powerhouse in their respective fields. We all know of several of the largest, most successful companies that have been built largely on the backs of their Japanese operations and continue to get the majority of their sales in Japan.

Not-For-Resale (NFR).

That's exactly what it is—NOT FOR RESALE. If anyone tells you that you can set up a NFR or personal import program just to get goods into Japan (or any other country for that matter) but that once the goods are received customers can do whatever they want with those goods, THEY'RE WRONG.

plete local Japanese operations that probably include full product localization (potentially including reformulation, etc.) and registration, customer service, warehousing, marketing support and potentially even manufacturing in country.

So what are the biggest misconceptions about Japanese NFR?

MISCONCEPTION #1:

In the long run, OTG is "better" than NFR

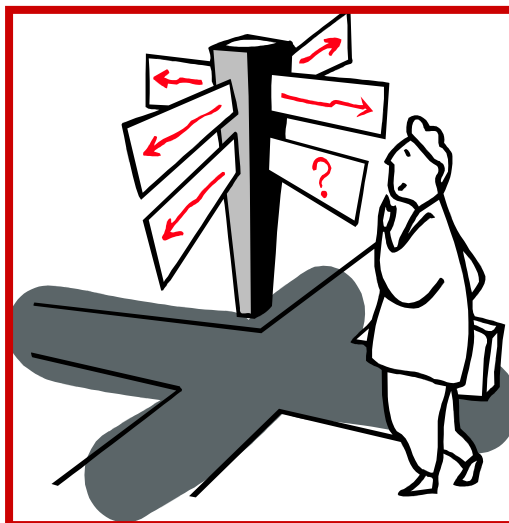
At first blush, on the ground manufacturing, distribution and logistics may be the most traditional and sound like the most efficient way to supply and dominate the Japanese market. But consider the following:

Huge capital investment.

Expect nearly every aspect of OTG Japanese operations to cost 3-5 times what you would pay for the same services in the U.S. Now double it again. And maybe again. NOW you're looking at a realistic estimate of your REAL costs. Seriously question anyone who tells you otherwise.

These goods cannot be resold and are for personal consumption only. But that doesn't mean you can't build a multi-level recruiting organization. More about this later.

On the Ground (OTG). This is where you have com-



NFR makes a lot of sense:

1. When first starting up a Japanese operation
2. When regular volumes are relatively low
3. To “test” market acceptance of a product before going to the effort and expense to register the product for OTG distribution in Japan
4. For products that do not have (or cannot get) registration for OTG sales

(cont.) Misconception to Missteps...

Slow ramp-up and response. If time is money, building a Japanese OTG operation is even MORE expensive than the money you will spend. At a recent international conference, I heard the leading international executive for one of the world’s biggest direct selling companies say that they expect to spend about 3 months to “enter” a new international market. I’m not sure what countries he’s referring to, but it’s definitely not Japan. If you’re starting from scratch, expect to spend 12-18 months to really launch your Japanese operations. Just registering your product can take 6-9 months alone! Again, take your time estimates for roll-out and double them. Yes, and maybe again.

Got a hot new product that you’d like to test in Japan? With an NFR program, you can start market testing and even promoting that product almost overnight. If you are exclusively OTG, you are still several months and lots of money away from testing the market due to all of the registration, manufacturing and other support issues.

**MISCONCEPTION #2:**

NFR is nothing more than a stepping stone to eventually going OTG.

In most cases, NFR is indeed the safest and most logical “first step” to Japanese market entry. Compared to launching a full-blown OTG operation right out of the gate, NFR is a fast, inexpensive and relatively simple way to begin building the foundation for your Japanese logistics. However, even after many years as dominant forces in the marketplace, many of Japan’s most successful direct sales companies maintain BOTH NFR and OTG businesses. And in fact, unfortunately some major direct sales companies have actually seen a significant decrease in their overall sales and organizational development when they abandoned NFR and went to a solely OTG model. With a truly efficient NFR program that is truly transparent for your distributors and customers (more on that another time), you may never feel the need to establish an OTG operation. And if you do, you’ll find that continuing your NFR as well gives both you and your customers additional flexibility with very little effort.

And now the BIGGEST misconception of all:

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QUESTION:

“Have any of the really successful direct sales companies had NFR programs (directly or indirectly) in Japan?”

ANSWER:

YES. In fact, most of them, including:

- Neways
- Tahitian Noni
- Xango
- NuSkin
- And many, many others

(cont.) Misconception to Missteps...

BIG MISCONCEPTION #3:
Japanese NFR programs are somehow “shady” and not really “legitimate.”

Patently not true. A properly configured NFR program is based firmly on Japanese personal import law that provides for Japanese citizens in Japan to import goods from overseas for personal use.

I was shocked to hear this repeated recently by an otherwise extremely well-informed and highly respected industry figure at a recent conference. It just illustrates how deeply some of these misconceptions are held.



For half a dozen years “rumors” have circulated that the Japanese government is going to change the personal import laws. Nothing could be further from the truth. Most of the people who perpetuate this misinformation have a vested interest in getting you to spend a lot of money with little immediate return. Again, buyer beware. The fact is, many large retailers in Japan (both foreign and domestic) are seriously looking at expanding personal import programs to create greater value and selection options for their customers.

BOTTOM LINE

A high quality Japanese NFR program is almost always the fastest, easiest, most flexible, least expensive and SAFEST way to enter the Japanese market and can remain a crucial part of your overall Japanese strategy even after you’ve established an OTG organization.

Which begs the question, “what are the key ingredients of a high quality Japanese NFR program?” Let’s just quickly address one of the major critical issues you need to address to have any hope of a successful Japanese venture—NFR or otherwise...

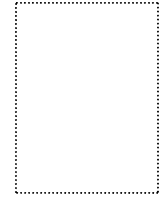
KEY SUCCESS FACTORS

One of the real keys to a successful Japanese NFR program is developing a system that is indeed not just a poor substitute for a fully functional solution. For any sales/operational system to be successful in Japan it must provide an “experience” that is fully localized and meets local market expectations. A properly configured NFR program will provide:

- a) **localized content** (website, brochures, forms, etc.)
- b) **order processing** (local currency payment systems, bonus/commission management, support for payment methods other than credit card, etc.) and
- c) **support** (toll-free fax and phone support for product-related questions as well as business management issues— operating on Japanese business hours).
- d) Delivery in a time and cost-effective manner by leading local carriers with strong Japanese reputation.

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(cont.) Misconception to Missteps...

These are hallmarks of all successful Japanese direct sales organizations and have traditionally been seen as benefits that were unavailable unless you had an OTG operation. Not true.

In fact, it is likely that not only can you launch a Japanese NFR program more quickly, easily and cheaply than you imagined, you can have a system that is totally transparent to local Japanese distributors— looking, feeling and performing exactly as if you had a local headquarters in downtown Tokyo.

Access Technology Solutions is the leading company providing technology solutions for international logistics for U.S. direct sales and eCommerce companies expanding overseas.

With over 80+ combined years in international technology, logistics, shipping, and operations, the principals at Access Technology Solutions can answer any questions you may have about growing your business pretty much anywhere outside of the continental United States

How can you have a fully localized Japanese NFR program that in many ways outperforms an OTG operation for a fraction of the risk in time and money?

While the process is generally fairly straightforward and not difficult for someone with the necessary expertise to implement, there are a number of significant pitfalls out there that can cause considerable problems if not addressed properly.

More on that next time...



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