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*If you are convinced you have a product of value with sufficient margin, stop listening to everybody else*



### Taking on the Big Boys in Japan – When to Charge Ahead, When to Run for Cover?

*Being a little guy competing in a market as big as Japan's is a daunting task at the best of times. But is it impossible to challenge a long established competitor and snare market share? SanSonoma Wine Company CEO Robert Eberhart has withstood a competitive broadside and explains it is not as difficult as it seems...*

SanSonoma can count Costco and Wal-Mart/Seiyu among their many customers and remarkably, their efforts now allow wine lovers in Japan to purchase excellent Californian wines for less than they can buy them in the U.S.

#### Competitors not trained to offer a product of value

When the SanSonoma team decided to take on their Japanese competition, they discovered two key factors in their favor:

- *Large traditional companies are usually tied up by their own methods.* “They cannot offer discount prices on wine portfolios because they cannot compete with other parts of their other customers’ businesses. They also cannot compete with their own retail chain so they are tied up by the pricing strategy and the way they operate.”
- *They have not been trained to offer a product of value to the customer.* “What they offer is a company - a relationship.

We go in and we sell the wine – the product. We never think about selling SanSonoma. We *focus on the product* and what it is going to do for the customer.”

What were the most important criteria that existed in their business when they started competing?

- **desirable product**
- **sufficient margin**

“It always comes down to the right products. Alternatively, if you have a great product people desire but you can’t make money out of it, then the competitor can outlast you. If you have these criteria and understand you are going to be attacked, great, go for it – you will win!”

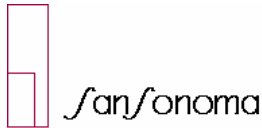
#### Accurately assess your product and ability to sell it.

*“If you are convinced you have a product of value with sufficient margin, stop listening to everybody else* because when you go and take on a large competitor in this market, everybody from your investors to your employers will tell you ‘Don’t do that, it’s stupid.’ It’s important to have a good ‘I can!’ attitude and a realistic assessment of your product. Then make a decision and go with it.”

#### Research & strategy important

*“We research the market and find out what Costco customers want to buy. We get one wine in there, it sells fast and Costco orders more and asks us to suggest others! We are always paying attention to the customer at the end of the chain. We studied our competitors’ products and estimated their pricing structure.”*

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“Next we looked at the product offerings versus the market. We knew the market and asked ourselves ‘Do we have sufficient product and margins to go way under the big guy and still be flexible?’ The second thing is we were able to show our customers where they were underrepresented in these wines, and said ‘Let us help you.’”

**Price war**

*Large competitor companies generally don't have commitments to their shareholders like young entrepreneur companies do.* “Because of this, many major Japanese companies have more freedom to drop prices even below cost, as a method of competing. If they want to price compete, it becomes a contest between my margins and their willingness to not make money. If you get caught in a price war, it is a big issue. How long can you last? Can you out compete them? They will not ignore it. They will think about it and they will come back at you.”

**Red flags**

- *How close is your buyer to your competitor?* “Be careful your buyer is not sharing your information directly with your competitor. A lot of the time when you are talking to your buyer you are talking to your competitor. This is a big issue and entrepreneurs should never underestimate just how common this is.”

- *Being afraid of the competition.* “There’s nothing to be afraid of – they are just big, lumbering old companies, and you are a live little rabbit. These large companies have a very difficult time changing their procedures, that’s their weak spot! Go in there and exploit it. Don’t be afraid.”

**Knowing when to back away**

- *Price competing with large competitors futile without funds.*

“Big competitors know how to price compete, and that’s going to be their main weapon of choice against you. Back away if they are going to price compete if you don’t have big enough margins available because you are going to lose. Alternatively, if you have lots of money or margin, go for it.”

- *Ensure all your operating processes are functioning smoothly so that weaknesses do not show.*

“Unless everything in the company is running well, ie: if I get an order and I know I can fulfill it, invoice accurately and do everything else, I’m not going to take on a large competitor because if things don’t work well they are going to find out and they will spread that weakness throughout the marketplace. The first time you are wrong everyone will know it. If you think you have problems in some area of your system, back away until you fix them.”

**KEY LEARNINGS:**

- 1/ Ensure you have a desirable product and sufficient margin.
- 2/ Back away if a price war erupts.
- 3/ Be careful your Buyer is not sharing your information with competitors.
- 4/ Don't be afraid to compete!

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