



## 2016 Top Markets Report **Cold Chain** Country Case Study

### Japan

Japan’s cold chain system is well-established. Cold chain suppliers will be watching for new opportunities that may develop through the ratification of TPP and resulting expected increases in international trade.

Overall Rank  
**5**

High-Income  
Category  
Ranking  
**5**

Japan has an estimated GDP of \$4.6 trillion, making it the third largest economy in the world. Exports of goods and services from the U.S. amounted to \$114.7 billion in 2015. U.S. majority owned foreign affiliate sales in Japan were \$235.9 billion, and distribution services accounted for more than \$65 billion in 2013.<sup>1</sup>

The population of Japan is considered high income, with a per capita income of about \$37,920 (PPP) per year. Unemployment has steadily decreased for several years to 3.7 percent in 2014, and inflation was 1.6 percent in 2014<sup>2</sup>

Japan’s food and agriculture market is estimated at nearly \$1 trillion, spurred on by the importance of food in the Japanese culture. Japanese spend, on average, 23 percent of disposable income on food. Food spending is expected to reach nearly \$354 billion by 2020.<sup>3</sup>

Consumers in the Japanese market tend to be obsessed with the quality and the taste of food over the quantity, but recent trends have shown that the importance placed on food value is increasing. Branding is important to consumers as is the appearance of food products, increasing the importance of high quality cold chain operations.

Japan has a highly developed consumer driven economy based on a large and very broad middle class

Figure 1:

Competitiveness Index	Score
Government/Regulatory	5.1
Labor Force	4.7
Infrastructure	6.0
Demand	5.6
Industry Interest	4.0

World Economic Forum and Global Cold Chain Alliance

Economic Statistics	
Population	127 Million
Cold Storage Capacity	32.6 M/m <sup>3</sup>
Pharmaceutical Sales	\$95 Billion
Food Spending	\$311 Billion
Food Spending per Capita	\$2,455
Agribusiness Market	\$68 Billion
Agriculture Imports	\$64 Billion
Agriculture Exports	N/A

BMI and Global Cold Chain Alliance

with a high per capita income. Therefore, catering to consumer preferences, rather than competing on price alone, presents an opportunity for U.S. exporters. U.S. brands in particular have an advantage due to their reputation for safe, high value products.

With more than 1,300 chains, the franchise sector in Japan is well-developed and growing. Sales from the more than 250,000 stores in the franchise industry amounted to over \$208 billion. The largest category of franchise establishments was in convenience stores at 41 percent followed by food service chains at 17.2 percent.

Japan's 90 percent Internet penetration and a culture that prides itself on technology have led to outstanding growth in e-commerce. According to the Ministry of Economy, Trade and Industry (METI), e-commerce sales to consumers have increased at double digits annually since 2012, when the industry saw growth of over 110 percent. Japan has more active cell phones than citizens at 120 percent, according to the World Bank; therefore, it should be no surprise that m-commerce is the fastest growing segment of e-commerce, with more than 50 percent growth in the first quarter of 2015. Food and beverage sales currently account for around 12 percent of the \$107 billion consumer e-commerce industry.<sup>4</sup>

Japan spends more on health per capita than any other country in the world. Pharmaceutical sales in Japan are estimated at \$95 billion in 2015 and are anticipated to increase to \$108 billion by 2020, due in part to Japan's aging population.<sup>5</sup> Imports account for 31 percent of the market, and U.S. market share is around 20 percent when accounting for licensed compounds to Japanese manufacturers. Japan represents an attractive opportunity for refrigerated logistics service providers to serve the growing pharmaceutical industry.

Japan imports more food products than any other country in the world at \$64 billion. The United States is the largest single supplier of food to the country with \$13.9 billion in exports. Consumer ready foods account for \$6.5 billion, which makes Japan the largest destination for these U.S. exports.

Japan is ranked fifth out of 124 countries in the World Economic Forum's Human Capital index 2015. The population has a median age of 45 and a labor participation rate of 59.2 percent. More than 29 percent of the population is tertiary educated, and the country is ranked 23<sup>rd</sup> in ease of finding skilled employees.<sup>6</sup>

Japan has a physical infrastructure that is very well-developed and extends across the country. Japan's quality of transport infrastructure is ranked fifth out of 140 countries in the World Economic Forum Global Competitiveness index. Port and air infrastructure are the only categories that are not in the top 10 in the world, but these have improved since 2011.<sup>7</sup> Upgrading aging infrastructure has been a fiscal stimulus priority for the government since 2012.

Supply chains in Japan have experienced a lot of consolidation, though there is still much room for further streamlining. U.S. cold chain service providers may find great opportunities in further consolidation and incorporation of new management and operation practices.

Japan ranked 10<sup>th</sup> out of 160 countries in the World Bank's 2014 Logistics Performance Index (LPI). The LPI is an indicator of key dimensions of a country's logistics performance, including Customs, Infrastructure, International Shipments, Competence, Tracking and Tracing, and Timeliness. Overall, the country has shown slight declines in most categories since 2007.<sup>8</sup>

**Figure 2: World Bank Ease of Doing Business Ranking**

Country	Ranking (2016)	GDP Per Capita (PPP, 2014)
<b>Japan</b>	34	\$36,426
<b>Russia</b>	51	\$25,635
<b>China</b>	84	\$13,206
<b>Brazil</b>	116	\$15,838
<b>India</b>	130	\$5,701

Japan has a well-established rule of law and is a large player in international trade with strong protection for property rights, including intellectual property rights. Despite this, Japan ranks 34<sup>th</sup> on the World Bank's Ease of Doing Business Ranking for 2016. Primary challenges include paying taxes, getting credit and starting a business.<sup>9</sup> In addition, the United States continues to call on the Japanese government to improve its regulatory environment, which can often be overly burdensome toward business. Tariffs are low but complex, and the country has numerous restrictions, including a bureaucracy that limits openness to foreign participation.

Japan is a party to the recently negotiated Trans-Pacific Partnership (TPP). Upon ratification, U.S. businesses may find increased potential for growth and more opportunities to participate in trade. The agreement will eliminate tariffs, lower service barriers and increase transparency, while also increasing competitiveness by supporting strong intellectual property rights protection and establishing enforceable labor and environmental obligations.

The TPP will promote fairness by ensuring non-discriminatory treatment of U.S. goods and services, establishing rules for fair competition with State-owned enterprises and providing the same rights and protections for U.S. investors that foreign investors currently enjoy in the United States while protecting the inherent right of governments to regulate.

#### Resources:

U.S. Commercial Service:  
<http://export.gov/Japan/>

Japan Country Commercial Guide:  
<http://export.gov/ccg/japan090820.asp>

Japan External Trade Organization (JETRO):  
[http://www.jetro.go.jp/en/invest/setting\\_up](http://www.jetro.go.jp/en/invest/setting_up)

Foreign Agricultural Service (FAS), U.S. Embassy, Tokyo  
<http://www.usdajapan.org>

#### Events:

Event: INTERPHEX JAPAN  
Date: June 29-Jul 1, 2016  
Venue: Tokyo Big Sight  
Web: [www.interphex.jp/en/Home/](http://www.interphex.jp/en/Home/)  
Event: BioJapan 2015  
Date: October 14 - 16, 2015  
Venue: Pacifico Yokohama  
Web: <http://www.ics-expo.jp/biojapan/index.html>

Event: Medical Japan 2016  
Date: February 24 – 26, 2016  
Venue: Intex Osaka  
Web: <http://www.interphex-osaka.jp/en/>

Event: CPhI Japan 2016  
Date: April 20 – 22, 2016  
Venue: Tokyo Big Sight  
Web: <http://www.cphi.com/japan/home/>

#### Industry's Take:

**Japan is a mature market with little to no growth in the cold chain industry. It has been dominated by a number of domestic players for years, and since the economy is flat, this market is not high on the list of countries in which to invest.**

**Global Cold Chain Alliance Industry Member**

<sup>1</sup> Bureau of Economic Analysis; <http://bea.gov/international/factsheet/factsheet.cfm?Area=614>.

<sup>2</sup> The World Bank; <http://worldbank.org>.

<sup>3</sup> Business Monitor Online; <http://bmo.bmiresearch.com>.

<sup>4</sup> Ministry of Economy, Trade and Industry; "E-Commerce Market Survey"; [http://www.meti.go.jp/english/press/2015/0529\\_02.html](http://www.meti.go.jp/english/press/2015/0529_02.html).

<sup>5</sup> Business Monitor Online; <http://bmo.bmiresearch.com>.

<sup>6</sup> World Economic Forum; "Human Capital Report 2015"; [http://www3.weforum.org/docs/WEF\\_Human\\_Capital\\_Report\\_2015.pdf](http://www3.weforum.org/docs/WEF_Human_Capital_Report_2015.pdf).

<sup>7</sup> World Economic Forum 2015; "Global Competitiveness Report 2015-2016"; [http://www3.weforum.org/docs/gcr/2015-2016/Global\\_Competitiveness\\_Report\\_2015-2016.pdf](http://www3.weforum.org/docs/gcr/2015-2016/Global_Competitiveness_Report_2015-2016.pdf).

<sup>8</sup> World Bank 2014; "Connecting to Compete: Trade Logistics in the Global Economy"; [http://lpi.worldbank.org/sites/default/files/LPI\\_Report\\_2014.pdf](http://lpi.worldbank.org/sites/default/files/LPI_Report_2014.pdf).

<sup>9</sup> World Bank 2016; "Doing Business 2016: Measuring Regulatory Quality and Efficiency"; <http://www.doingbusiness.org/-/media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB16-Full-Report.pdf>.