



“Light at the end of the tunnel, or is it just an oncoming truck?”

Survey idea and technical implementation by the Finnish Chamber of Commerce in Japan



Business Confidence Survey – Autumn 2002

Survey Background

About the FCIG and the survey

The Foreign Chambers Information Group (FCIG) is an informal organization made up of foreign chambers of commerce and business groups in Japan mainly for the purpose of information exchange and to develop the activities of the organizations.

The FCIG conducted the first Business Confidence survey in April 2002, based on a format developed by the Finnish Chamber of Commerce in Japan. This is the second survey and the intention is to conduct these surveys twice a year to create a foreign companies business barometer.

The survey is headed by a task force consisting of representatives for the ACCJ, BCCJ, CCCJ and FCCJ.

Purpose of the survey

1. Provide chambers with better information on what their members think about the current state of the Japanese economy and their own businesses, and note problems and future plans in the Japanese market
2. Create a valid sentiment on how foreign companies view the Japanese market
3. Enable comparisons between the sentiments of participating chambers and between North American and European companies
4. Obtain reliable data on how foreign companies perform in Japan and how they feel about the business climate in Japan. This information can be used to counter or reflect the negative publicity about Japan in the home countries of the chamber members



Business Confidence Survey – Autumn 2002

Participating Organizations



The American Chamber
of Commerce in Japan



The Australian-New
Zealand Chamber of
Commerce in Japan



The British Chamber of
Commerce in Japan



The Canadian Chamber
of Commerce in Japan



The Danish Chamber of
Commerce in Japan



The Finnish Chamber of
Commerce in Japan



The French Chamber of
Commerce in Japan



The German Chamber of
Commerce and Industry in Japan



The Italian Chamber of
Commerce in Japan

Norwegian Business Forum

Norwegian Business Forum



The Netherlands Chamber
of Commerce in Japan



The Swedish Chamber of
Commerce and Industry in Japan



The Swiss Chamber of Commerce
and Industry in Japan



Business Confidence Survey – Autumn 2002

About the Survey

Survey period *9 – 25 October, 2002*

Notes

Some chambers had a shorter survey period.

Survey method *online only*

The survey forms were made by FCCJ and all responses were submitted to the FCCJ web server.

Survey population *2,300 companies*

Depending on chamber, survey was sent out to all members (individuals), only to companies or only to foreign affiliated companies.

Survey questions *2 questions on economy*
 4 on company performance
 1 on reasons behind changes
 1 on strategies in Japan
 3 on office rent situation
 Free Comments
 Company profile
 Contact information

One main objective with the form was to make it simple to understand, and to fill in. As basically the same form has been used twice in surveys conducted by FCCJ we knew that it would work. Only one question was added to this FCIG survey; regarding the respondents opinions on how the regulatory environment has changed.




The contact information was optional, to encourage as many as possible to submit the form, without privacy concerns. However, 64 % gave their contact information.

Although all 10 questions were marked compulsory in the form, we did not apply any error checking not to discourage respondents with messages like " *You forgot to fill in question 2, please go back to the form*". Because of this, each question does not have same number of responses.



Business Confidence Survey – Autumn 2002

The Survey Form


 This survey is supported by:
 

 Foreign Chambers Information Group

BUSINESS CONFIDENCE SURVEY - AUTUMN 2002

Please fill in the form below and click **Submit**.
Note that fields marked * are compulsory.

1. *Your opinion on Japan's economic situation for the next 6 and 12 months?

	next 6 months	next 12 months
A) Strong improvement	<input type="radio"/>	<input type="radio"/>
B) Some improvement	<input type="radio"/>	<input type="radio"/>
C) No change	<input type="radio"/>	<input type="radio"/>
D) Some decline	<input type="radio"/>	<input type="radio"/>
E) Strong decline	<input type="radio"/>	<input type="radio"/>

2. *Your company's sales revenues for the past 6 months and estimate for next 6 months?

	past 6 months	next 6 months
A) Strong improvement	<input type="radio"/>	<input type="radio"/>
B) Some improvement	<input type="radio"/>	<input type="radio"/>
C) No change	<input type="radio"/>	<input type="radio"/>
D) Some decline	<input type="radio"/>	<input type="radio"/>
E) Strong decline	<input type="radio"/>	<input type="radio"/>

3. *Your company's profitability for the past 6 months and estimate for next 6 months?

	past 6 months	next 6 months
A) Strong improvement	<input type="radio"/>	<input type="radio"/>
B) Some improvement	<input type="radio"/>	<input type="radio"/>
C) No change	<input type="radio"/>	<input type="radio"/>
D) Some decline	<input type="radio"/>	<input type="radio"/>
E) Strong decline	<input type="radio"/>	<input type="radio"/>

4. *Main reasons behind the changes in your business result.

Our own efforts Comment:
 Additional or less resources Comment:
 Exchange rates Comment:
 Change in competitive situation Comment:
 Other, what:

5. *Your company's strategy in Japan ?

Seeking growth and expansion, why:
 Sustaining current level, comment :
 Downsizing, why:
 Considering withdrawing, why:

6. *Has your office rent and related costs changed in the past 12 months and what do you expect for the next 12 months?

	past 12 months	next 12 months
A) Strong increase (+10%<)	<input type="radio"/>	<input type="radio"/>
B) Some increase (+1 - 9%)	<input type="radio"/>	<input type="radio"/>
C) No change	<input type="radio"/>	<input type="radio"/>
D) Some decline (-1 - 9%)	<input type="radio"/>	<input type="radio"/>
E) Strong decline (>-10%)	<input type="radio"/>	<input type="radio"/>

7. * Are you planning to relocate your business/office in Japan within the next 12 months?

Yes - and why:
 No plans
 Don't know

8. Anything you like to bring to the attention of your chamber regarding your business?
 (e.g. regulatory problems, trade barriers)

***Company Profile**

Type of business:

Company Size: (number of employees in Japan)

Years established in Japan:

Contact Information (optional)

Your name:

Company/Organization:

E-mail:

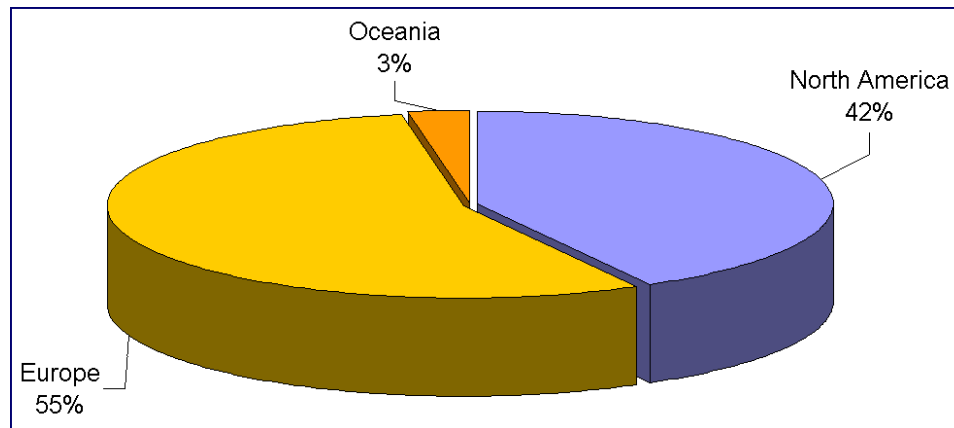
Thank you for your cooperation!

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Survey Responses

Total number of responses: 386 Average response rate: 17 %

Shares of total responses - by Area



Largest number of responses

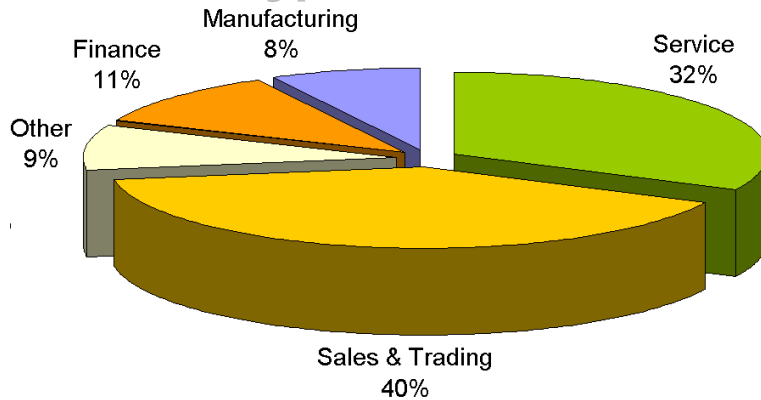
American Chamber	- 155	French Chamber	- 38
German Chamber	- 48	Finnish Chamber	- 30
Swiss Chamber	- 39	Danish Chamber	- 17



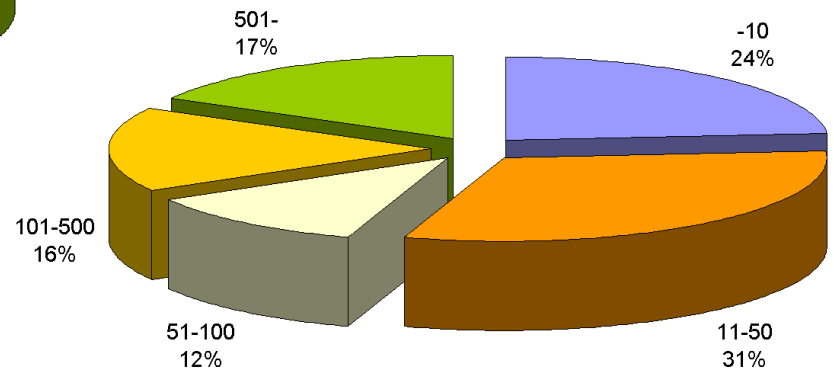
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Company Demographics

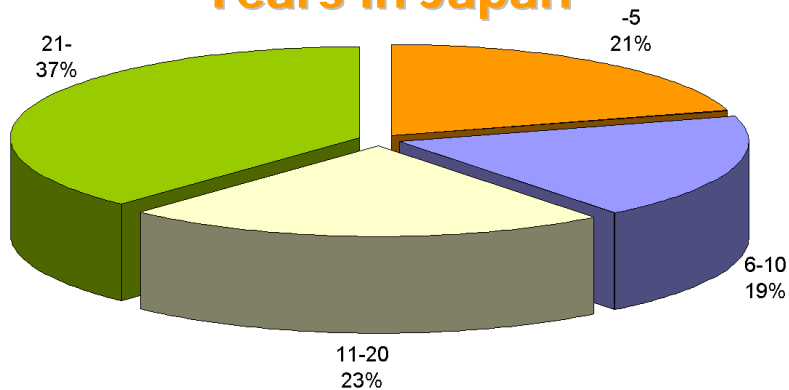
Type of business



Number of employees



Years in Japan










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Survey Analysis Methods

- 1.1. Japan's economic situation next **6** months
- 1.2. Japan's economic situation next **12** months
- 2.1. Sales during the **past** 6 months
- 2.2. Sales during the **next** 6 months
- 3.1. Profitability during the **past** 6 months
- 3.2. Profitability during the **next** 6 months

Legend

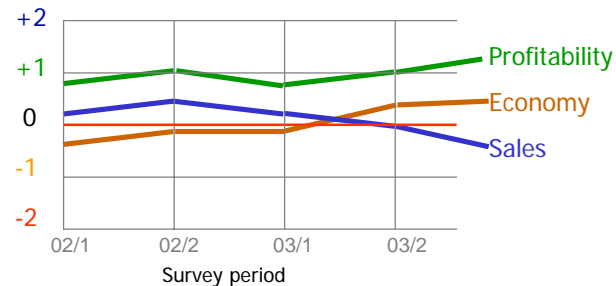
- A. Strong improvement = +2 
- B. Some improvement = +1 
- C. No change = 0 
- D. Some decline = -1 
- E. Strong decline = -2 

$$\text{INDEX} = (A_n * 2 + B_n * 1 + D_n * -1 + E_n * -2) / \text{TOTAL}$$

- 4. Reasons behind changes
- 5. Company strategy in Japan
- 6. Change in office rents
- 7. Relocation plans
- 8. Comments

The index makes it possible to compare results from consecutive surveys and to create graphs on how the sentiments change over time.

EXAMPLE

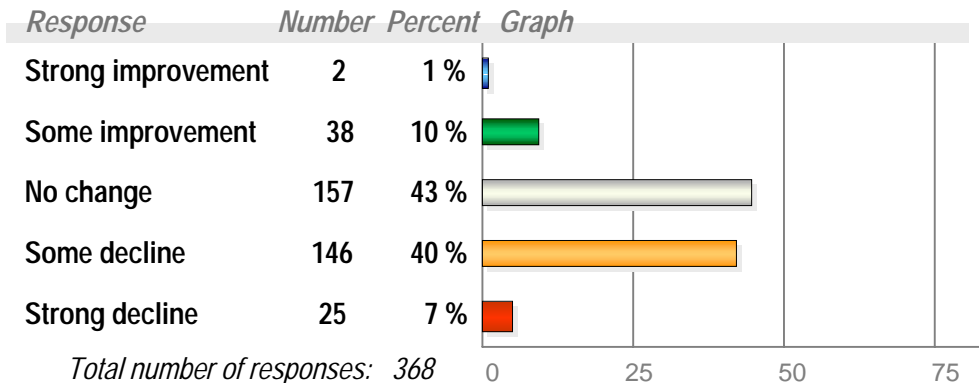


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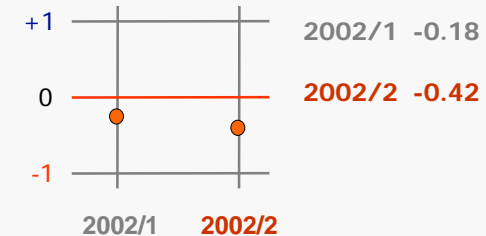
1.1. Japan's economic situation for the next 6 months

TOTAL FOR SURVEY

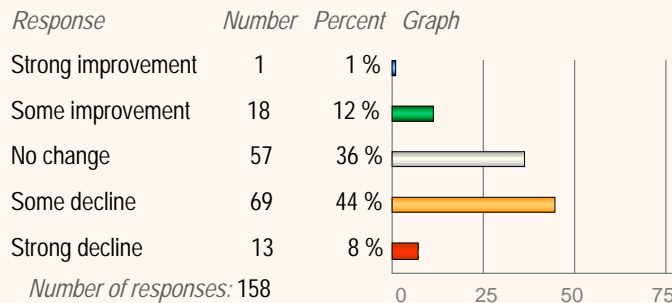
INDEX - 0.42



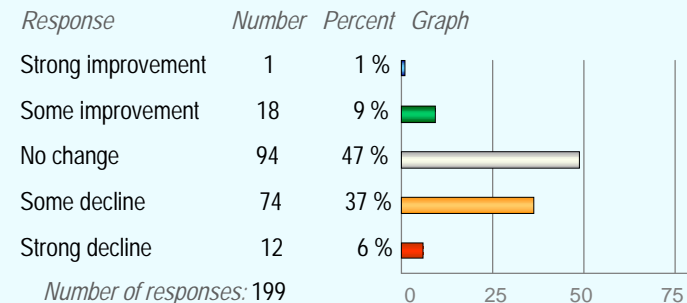
Compared to previous survey



North American companies -0.47



European companies -0.39



Business Confidence Survey – Autumn 2002

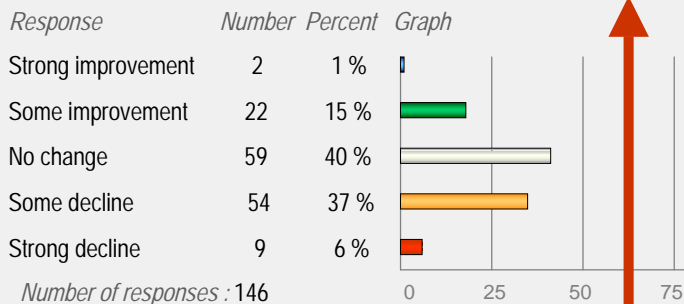
1.1. Japan's economic situation for the next 6 months

By type of business

TOTAL INDEX **-0.42**

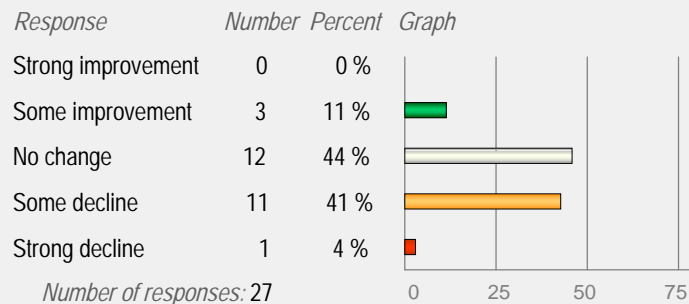
Sales & Trading

-0.32



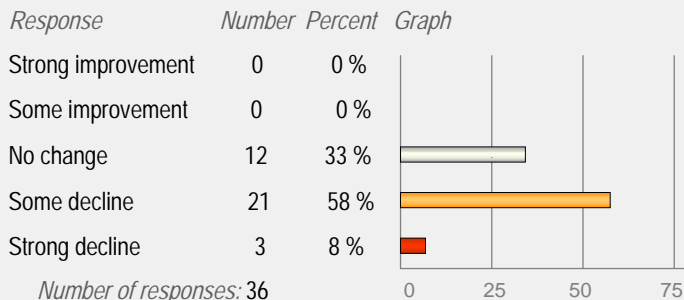
Manufacturing

-0.37



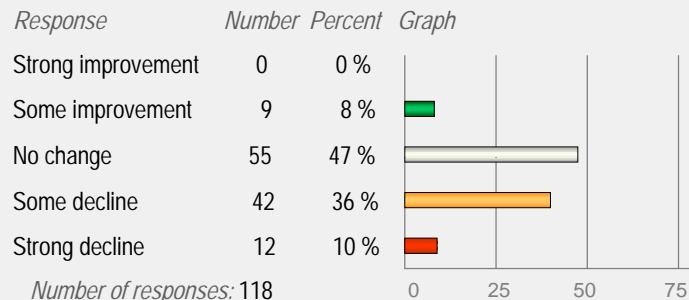
Finance

-0.75



Service

-0.48

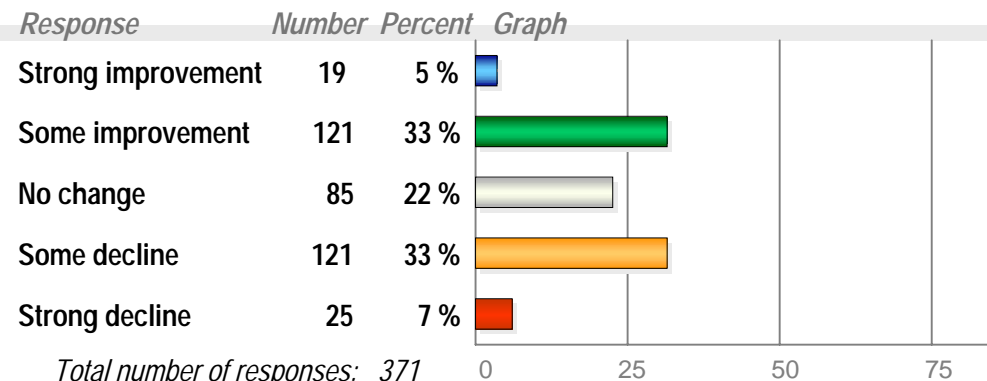


Business Confidence Survey – Autumn 2002

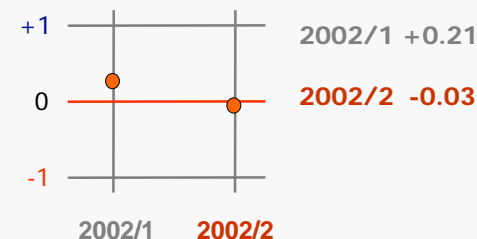
1.2. Japan's economic situation for the next 12 months

TOTAL FOR SURVEY

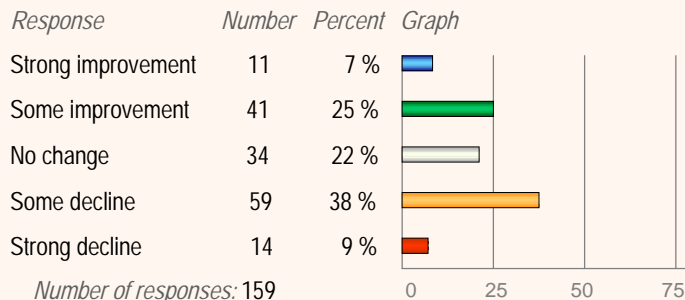
INDEX - 0.03



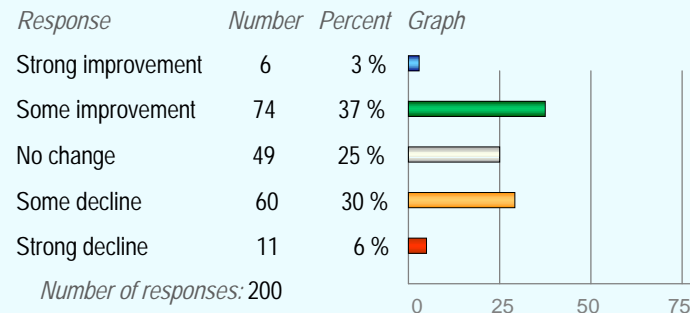
Compared to previous survey



North American companies -0.15



European companies +0.02





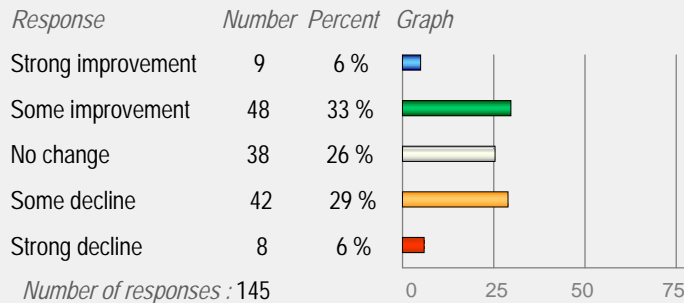
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1.2. Japan's economic situation for the next 12 months (2)

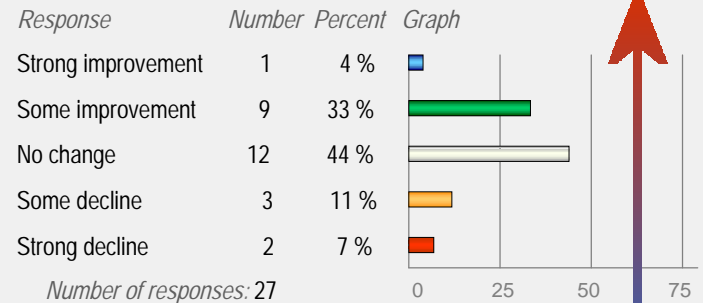
By type of business

TOTAL INDEX **-0.03**

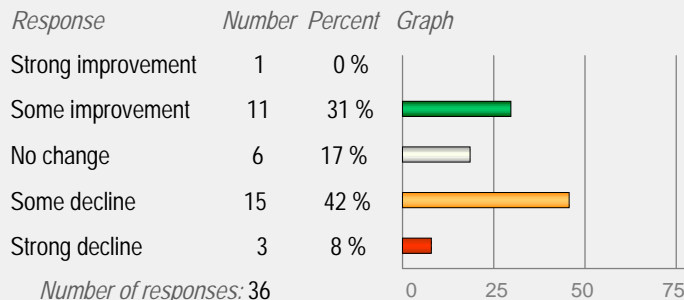
Sales & Trading **+0.06**



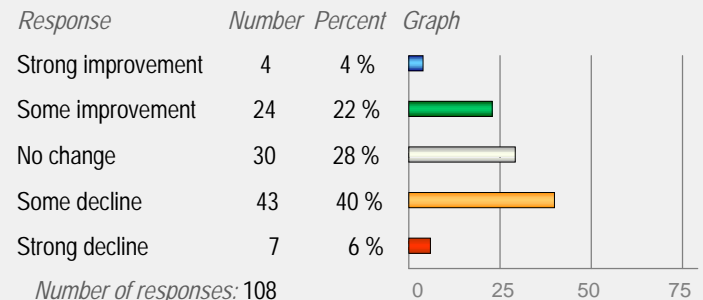
Manufacturing **+0.15**



Finance **-0.22**



Service **-0.23**



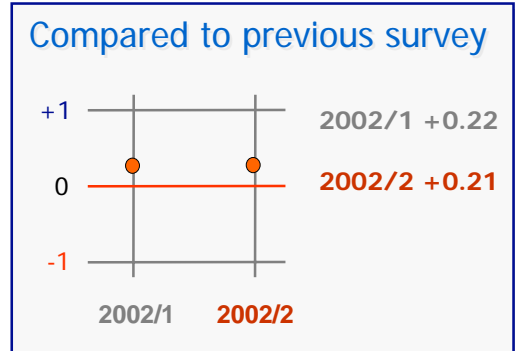
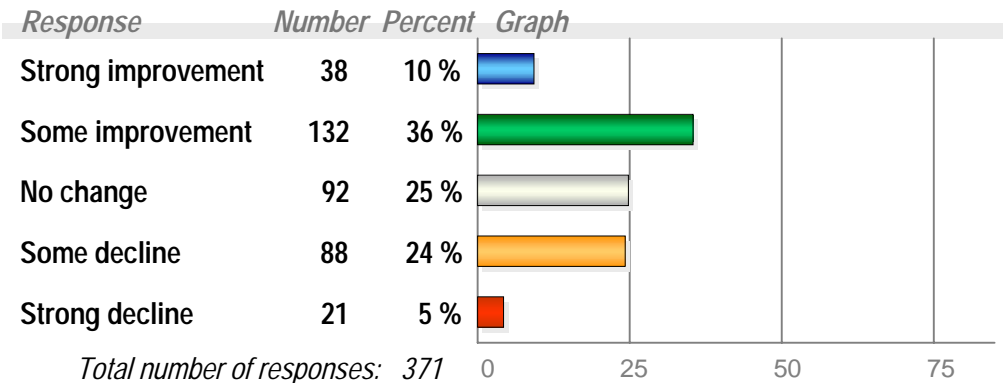


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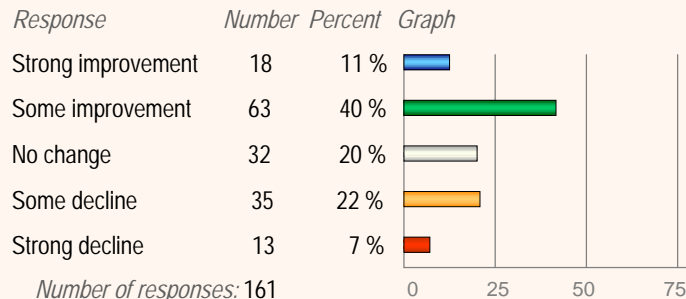
2.1. Sales during the **past** 6 months

TOTAL FOR SURVEY

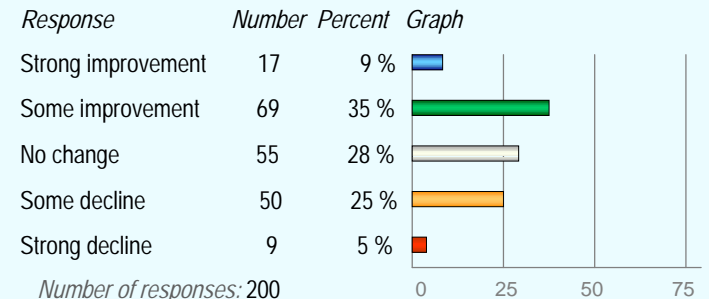
INDEX + 0.21



North American companies **+0.24**



European companies **+0.18**





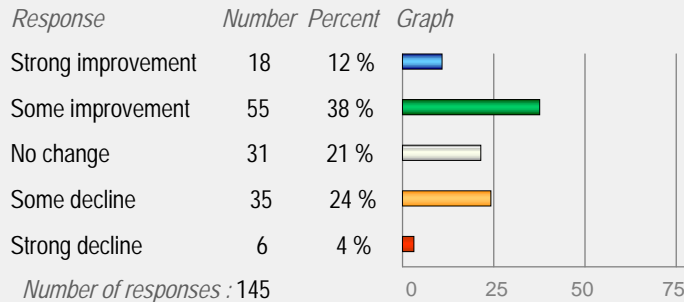
Business Confidence Survey – Autumn 2002

2.1. Sales during the **past** 6 months (2)

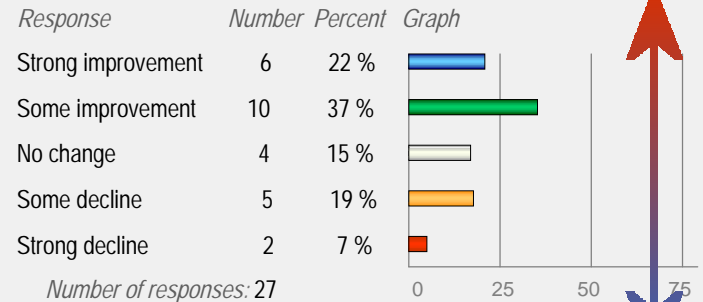
By type of business

TOTAL INDEX **+0.21**

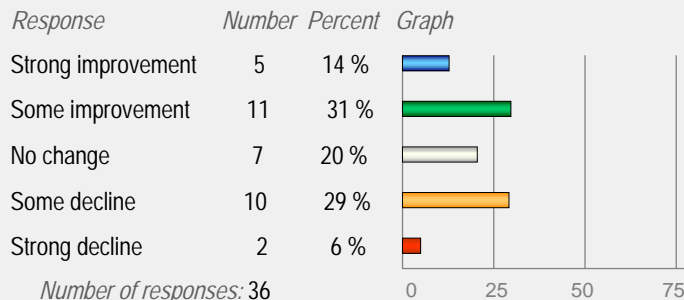
Sales & Trading **+0.30**



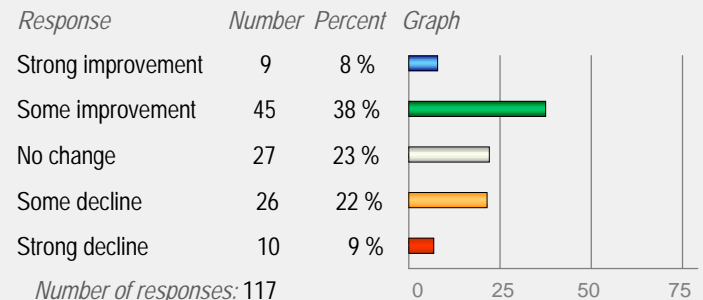
Manufacturing **+0.48**



Finance **+0.20**



Service **+0.15**

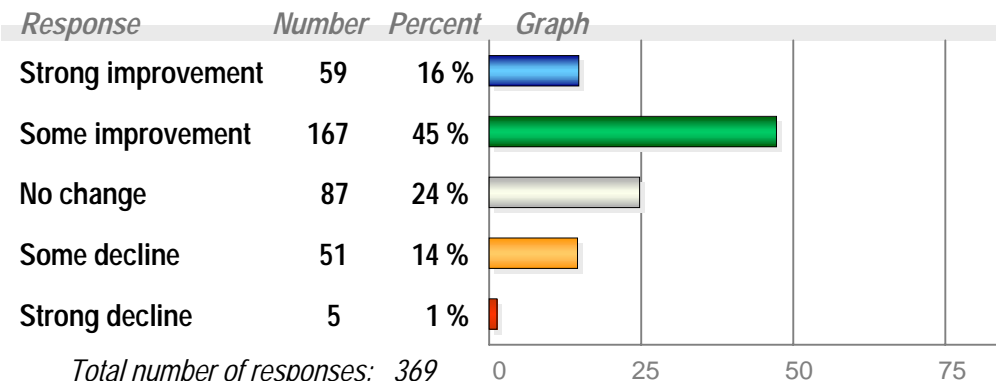


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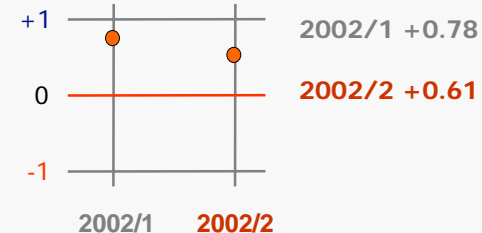
2.2. Sales during the **next** 6 months

TOTAL FOR SURVEY

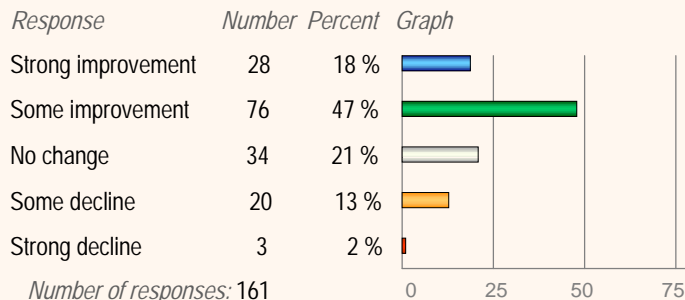
INDEX + 0.61



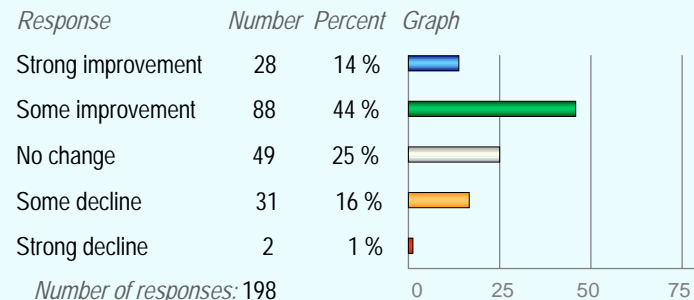
Compared to previous survey



North American companies **+0.66**



European companies **+0.55**



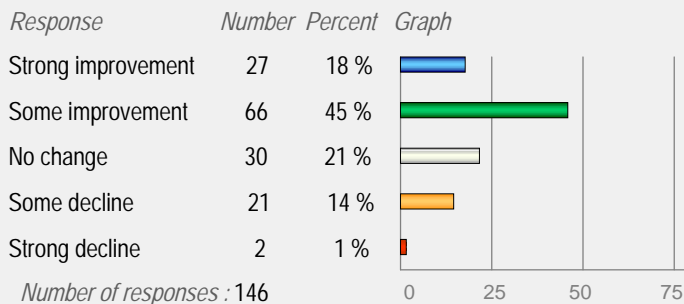
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2.2. Sales during the **next** 6 months (2)

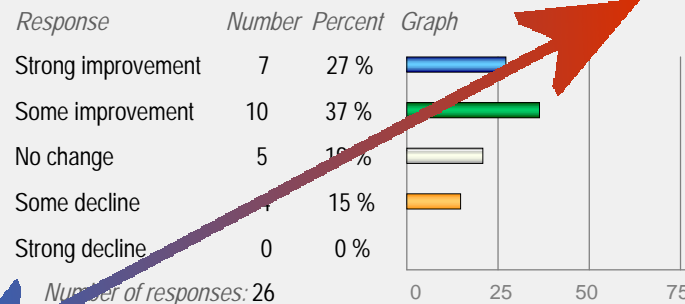
By type of business

TOTAL INDEX +0.61

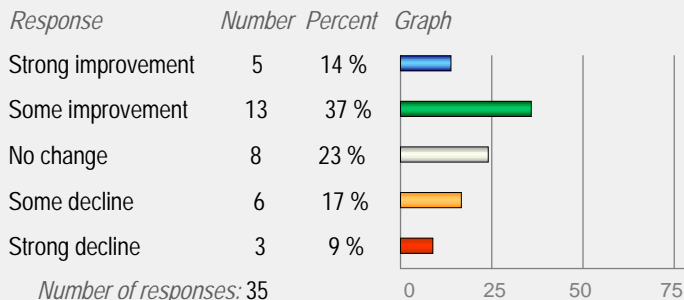
Sales & Trading +0.65



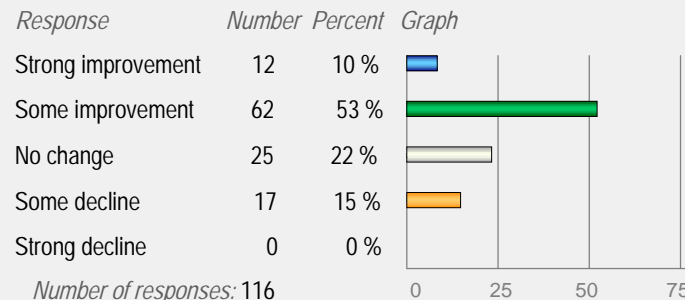
Manufacturing +0.77



Finance +0.31



Service +0.59

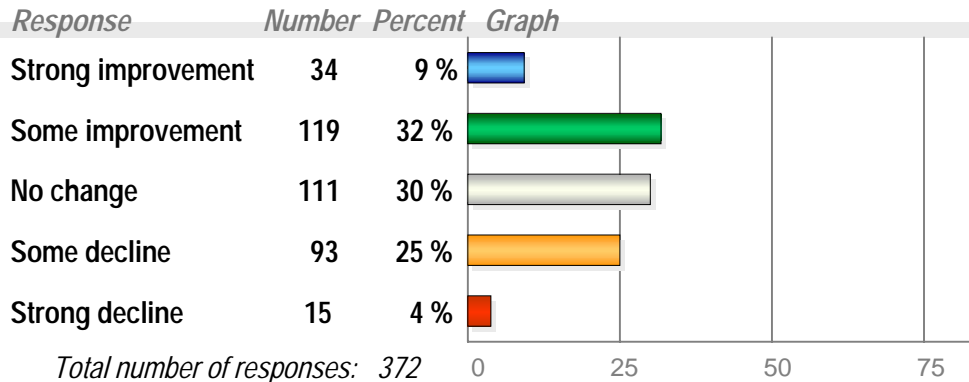


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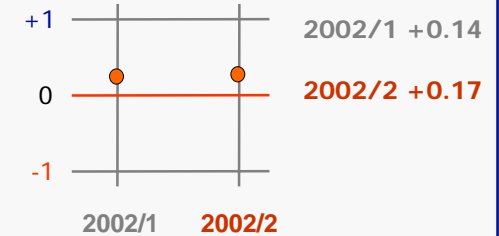
3.1. Profitability during the **past** 6 months

TOTAL FOR SURVEY

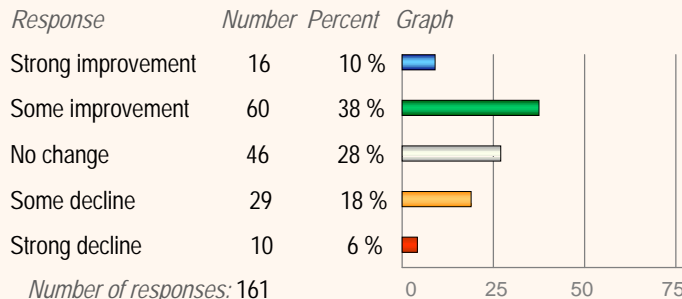
INDEX + 0.17



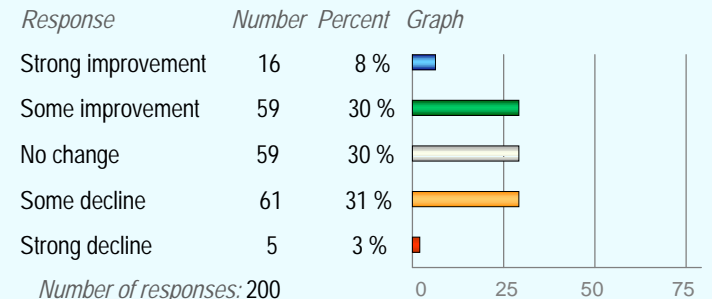
Compared to previous survey



North American companies **+0.27**



European companies **+0.10**



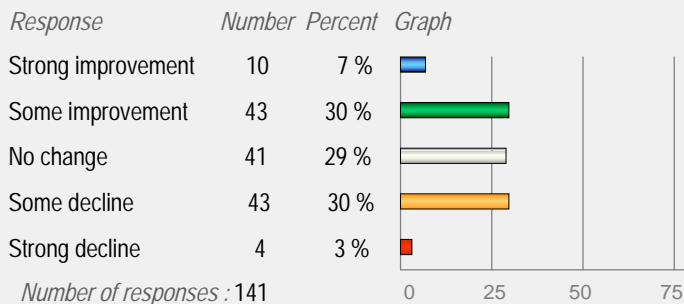
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3.1. Profitability during the **past** 6 months (2)

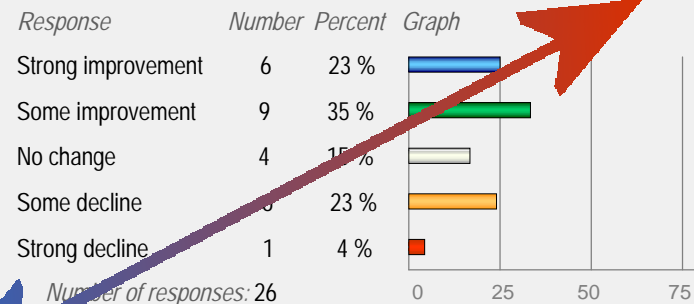
By type of business

TOTAL INDEX **+0.17**

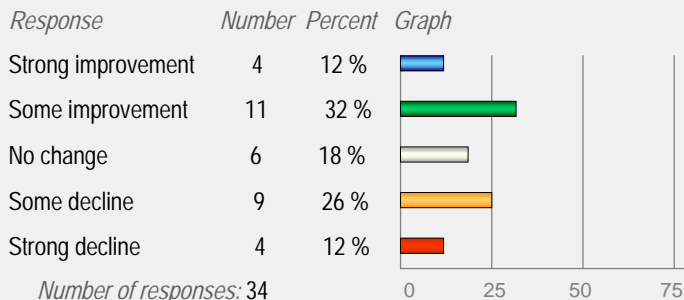
Sales & Trading **+0.09**



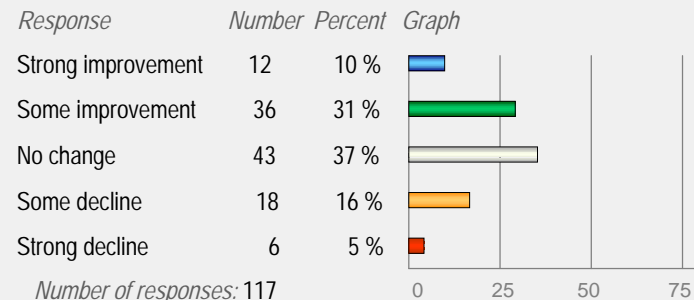
Manufacturing **+0.50**



Finance **+0.05**



Service **+0.26**

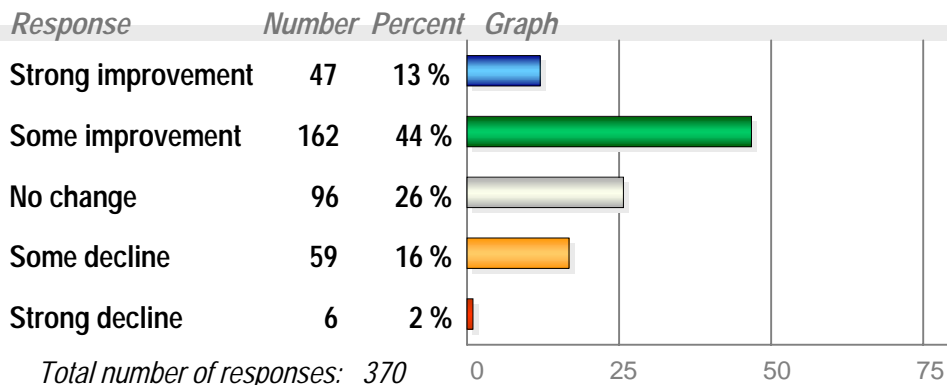


Business Confidence Survey – Autumn 2002

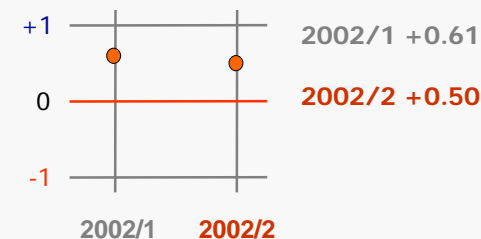
3.2. Profitability during the **next** 6 months

TOTAL FOR SURVEY

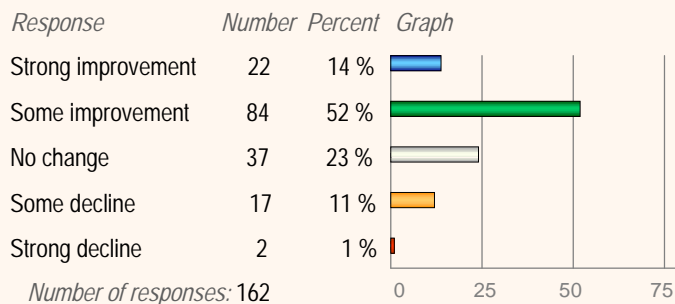
INDEX + 0.50



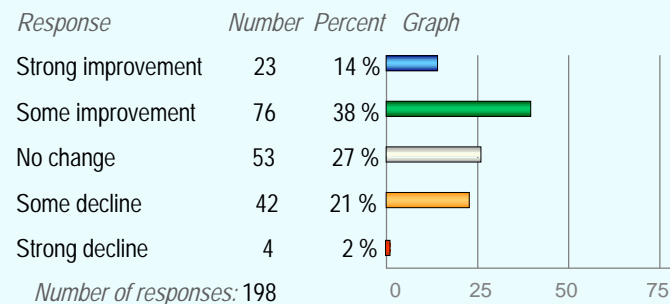
Compared to previous survey



North American companies +0.66



European companies +0.36



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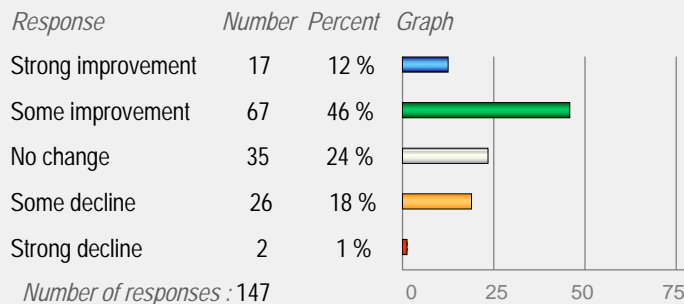
3.2. Profitability during the **next** 6 months (2)

By type of business

TOTAL INDEX +0.50

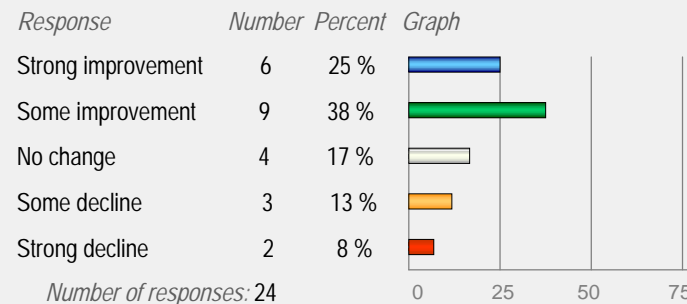
Sales & Trading

+0.48



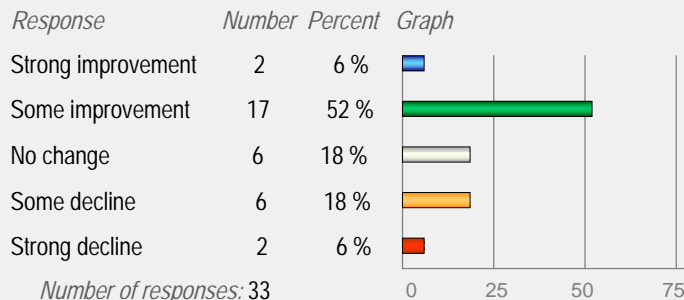
Manufacturing

+0.58



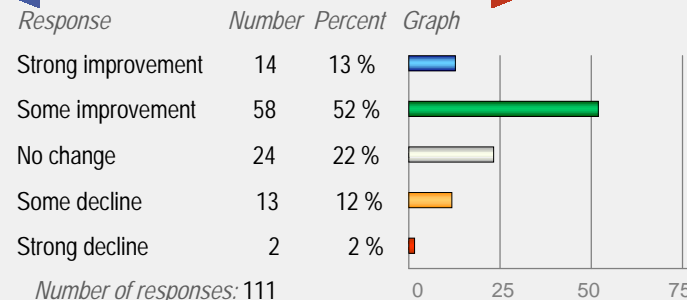
Finance

+0.33



Service

+0.62



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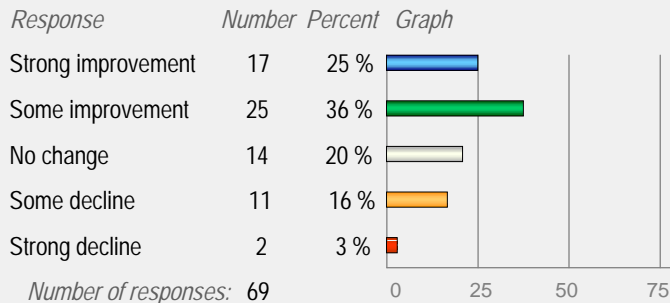
3.2. Profitability during the **next** 6 months (3)

By “years in Japan”

TOTAL INDEX +0.50

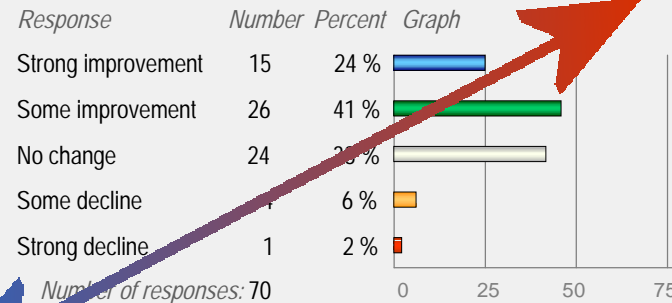
Less than 5 years

+0.64



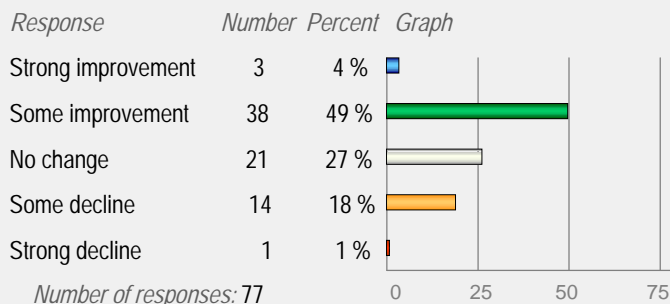
5-10 years

+0.71



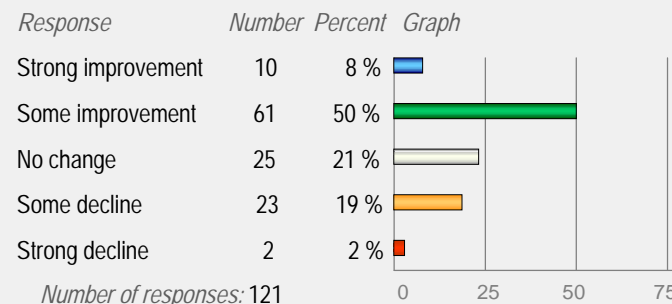
11 – 20 years

+0.36



More than 20 years

+0.45



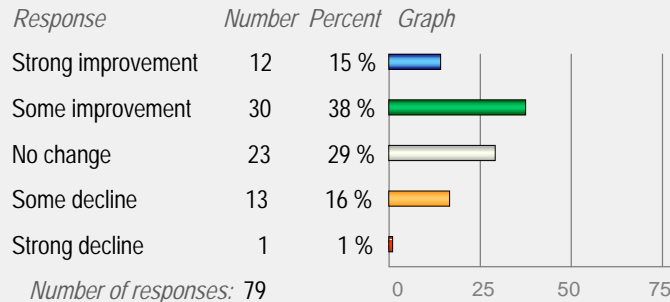
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3.2. Profitability during the **next** 6 months (4)

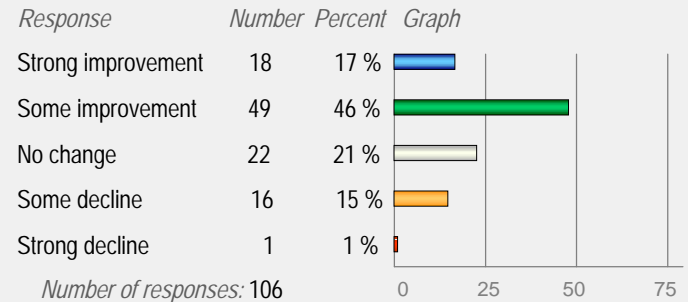
By Company size

TOTAL INDEX +0.50

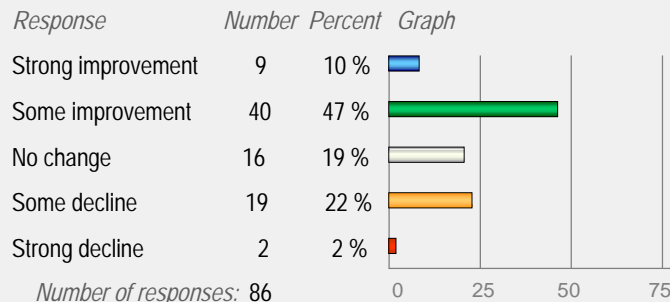
Less than 10 employees **+0.49**



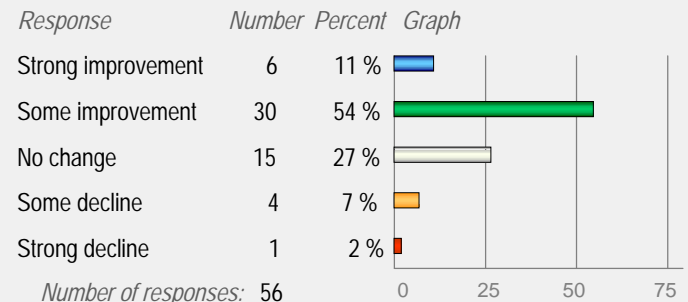
10-50 employees **+0.63**



51-500 employees **+0.41**



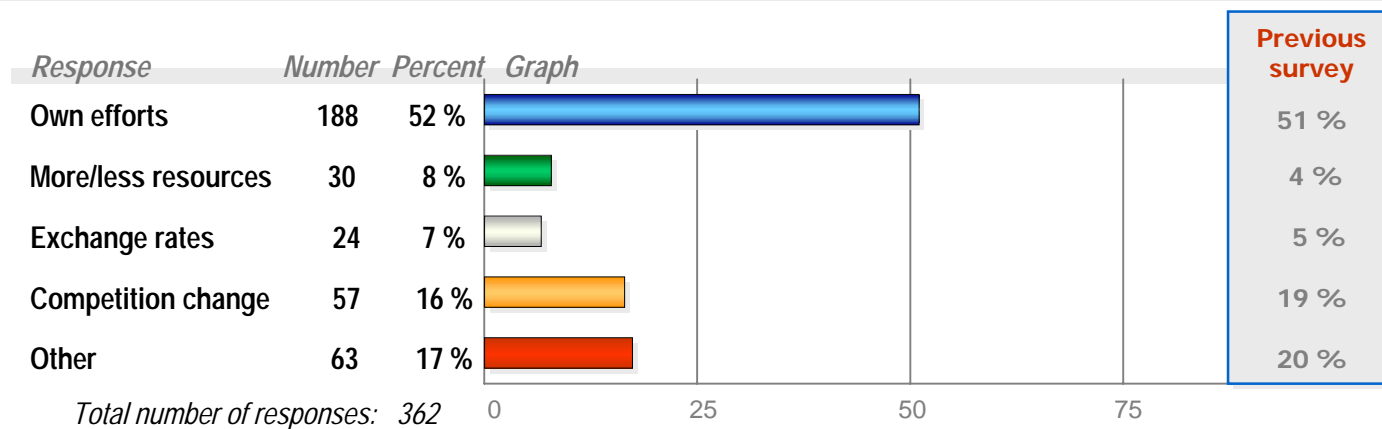
Over 500 employees **+0.64**





Business Confidence Survey – Autumn 2002

4. Reasons behind the changes in business performance



Some comments from respondents

- ✓ Our products are meeting the market need better than earlier
- ✓ Mix of own effort and an expanding market
- ✓ Rationalization of distribution network
- ✓ Core business refocusing
- ✓ More robust business processes and more employee accountability
- ✓ Product development to meet Japanese requirements will advance
- ✓ Opportunities with Japanese corp's reorganizing themselves to ward better services and therefore returns
- ✓ Increased sales opportunities, New product lines, increased sales activities
- ✓ Investments in IT systems
- ✓ More marketing, more model homes etc.
- ✓ Focus on niche products & sectors



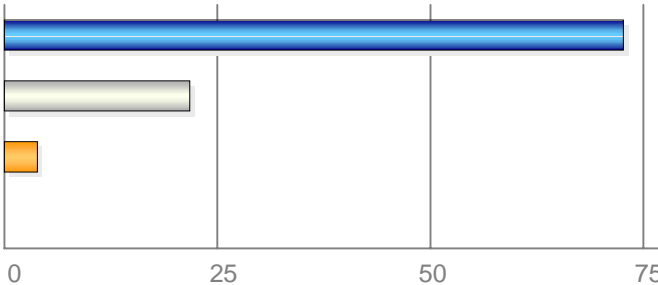
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5. Strategies in Japan

TOTAL FOR SURVEY

Response Number Percent Graph

Growth	262	72 %	
Sustain current	81	22 %	
Downsizing	19	5 %	
Consider withdrawal	1	0 %	



Previous survey

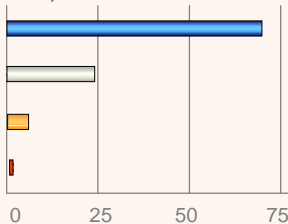
77 %
20 %
3 %
0 %

Total number of responses: 363

North American companies

Response Number Percent Graph

Growth	107	68 %	
Sustain current	38	24 %	
Downsizing	11	7 %	
Consider withdrawal	1	1 %	

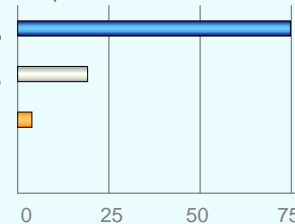


Number of responses: 157

European companies

Response Number Percent Graph

Growth	147	75 %	
Sustain current	41	21 %	
Downsizing	8	4 %	
Consider withdrawal	0	0 %	



Number of responses: 196



Business Confidence Survey – Autumn 2002

5. Strategies in Japan - Comments

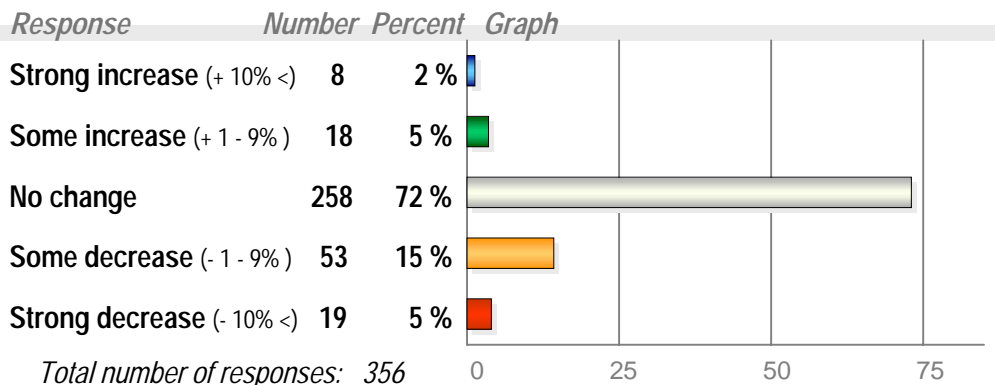
- ✓ Aiming for market leadership in new businesses
- ✓ As the economy falters, companies need to improve how they conduct business. This provides us with a great opportunity.
- ✓ Large Japanese companies are now starting to open up to our services.
- ✓ Based upon our speculation that the fewer players will survive toward 2010
- ✓ Because Japan is a key country for our company, 2nd biggest after USA.
- ✓ Because there is a positive political attitude towards our industry
- ✓ Believing in long term growth, now is the time to invest
- ✓ Big market potential in our segment
- ✓ Competitors are going bankrupt
- ✓ Despite no growth, the market is still big
- ✓ Good growth opportunities available - Good market condition - Good potential - Great business chances
- ✓ In recession times, we are focusing on the development of new services on potential-growth niche markets on the long-term (5 years horizon). When the economy picks up again, we should be ready.
- ✓ It is a good time to take market shares from the weak competitors
- ✓ Key global market.
- ✓ Large market, target double sales in 3 years
- ✓ New / high value products, growth through alliances / acquisitions and lean infrastructure will allow us to exploit domestic weakness by doing a better job of being able to meet real customer needs
- ✓ Less competitive than Europe
- ✓ Many opportunities - many opportunities exist - many opportunities left

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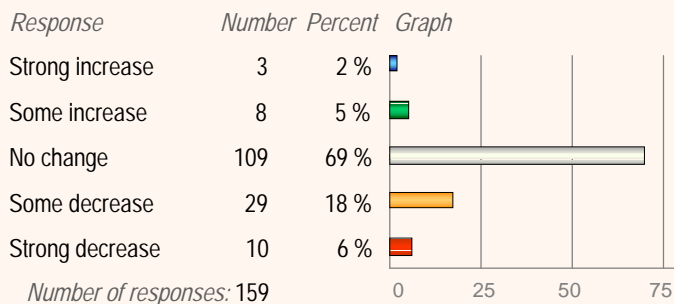
6.1. Has your office rent changed in the **past** 12 months?

TOTAL FOR SURVEY

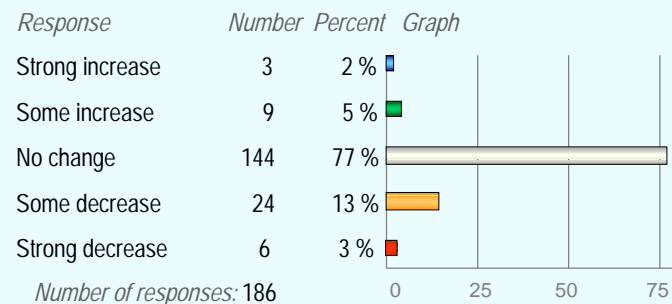
INDEX - 0.16



North American companies -0.22



European companies -0.11

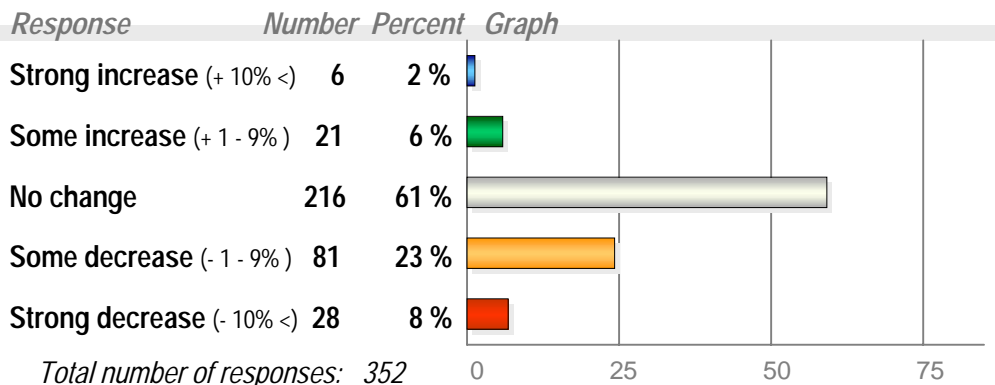


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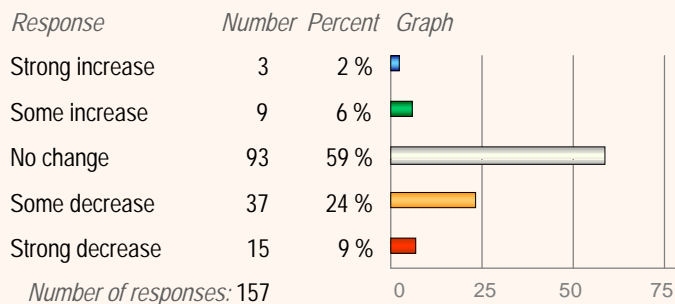
6.2. Do you expect your office rent to change the **next** 12 months?

TOTAL FOR SURVEY

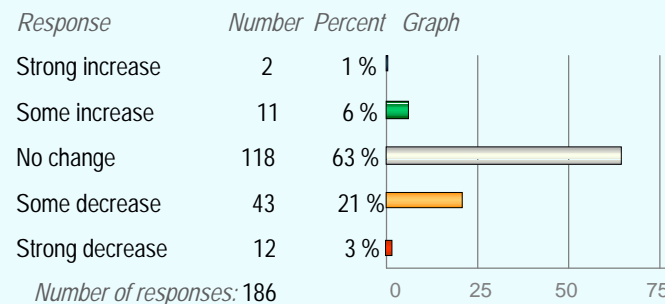
INDEX - 0.29



North American companies -0.33



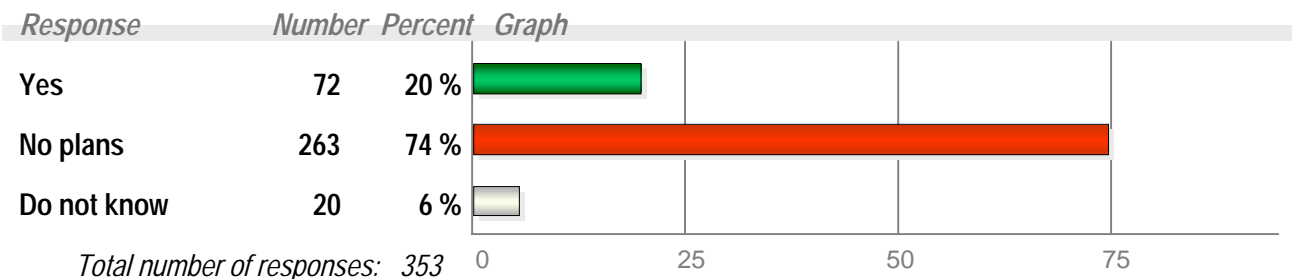
European companies -0.28



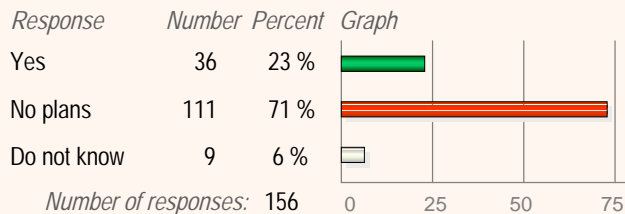
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7. Planning to relocate your business/office in next 12 months?

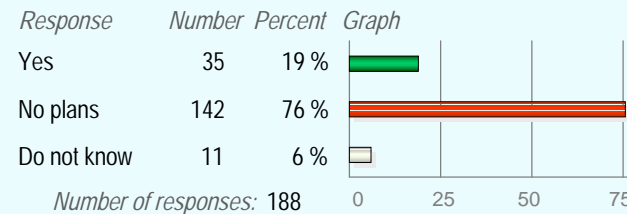
TOTAL FOR SURVEY



North American companies



European companies





Business Confidence Survey – Autumn 2002

General Comments

Exorbitant transport cost and other charges prevail liberation of food additives taxation issues to be addressed

Still very difficult to remove non performing staff, Regulatory Product approval seems unnecessary Local Capital Requirement for new companies still difficult.

Already being addressed by appropriate committee of the EBC

Although Japan talks a strong game for new deregulation, they continue to be unable to fix even the relatively simpler problems of long standing such as the right of access for foreign law firms to this Japanese market on an open and unrestricted basis.

Anti competitive behavior of dominant telecom operators

Approval of GMO-products in Japan by MHLW very time consuming and lengthy

as a foreign company we are still not given equal opportunities e.g. if we offer a lower price the local company is given the opportunity to match vice versa we lose the business without given the chance to make a counter offer

As regulatory environment continues come closer into alignment with global standards, we will continue to expand and do well.

Business environment and business practices are changing to a more open, flexible and western style. This is changing the competitive environment and creating more opportunities for foreign companies.

Childish protectionism!



Business Confidence Survey – Autumn 2002

General Comments (2)

China, Korea and Taiwan will be the major success factor even for the Japan office.

Continued government inaction related to economic policy has caused severe restrictions in capital spending due to uncertainty about the future.

Customs reform is necessary in streamlining business opportunities for all businesses which import or export goods. Refer ACCJ transport and Logistics committee.

Deregulation was very much in favor of our company. There are still more deregulatory measures needed but for Japanese standard the current deregulation level is more than one could have expect. Foreign insurance companies through Article 197 IBL which applies only to foreign companies)are still discriminated against with regards to holding capital in Japan.

Difficulties in raising awareness of mother company of the necessity to treat Japanese customers' requirements on a top priority basis: one of the key to succeed in Japan. Volatility of the JPY is a constant problem

Expect more capacity cut among Japanese uncompetitive players in the field. And more global standard in operating K.K.should be pushed.

Hiring qualified application engineers and IT consultants adaptable to foreign company environment has been and remains the main bottleneck

How EU proceeds with WTO negotiations? What is the view or EU in respect with FTA movement? Fair treatment of imported foods vs. local foods.

I do not see Japan as a core growth region due to fundamentally limited economic growth combined with strong resistance to reform.

In IT sector the number of "survivors" is few but those that survive will have great future potential.

Business Confidence Survey – Autumn 2002

General Comments (3)

Issue of 'recruiting license' typical of use of 'guidelines' versus law in Japan. Although, this has not hindered our business, it has been quoted by one client (ironically, and American firm) as the reason not to do business with us, although we are a domestic Japanese company.

(..deleted..) should learn some common sense in business here in Japan. They should stop thinking that forcefulness will help them here.

Japan has to adopt more international business style, ethics and standards

Lack of future thinking

Major concern about the way the banking industry is being "bailed" out by the government. It is the "head in the sand" approach. Delay the problem until it goes away on its own. Sustaining poorly performing companies is a bad strategy. Two problems: -Stock purchase program - Delay of Demand deposit guarantee plan Both these will hurt rather than help in the long run. Banking sector needs to be cleaned up ASAP. A major business for our company is the banking sector and these actions make the future very uncertain.

MHLW regulatory practices have the impact of delaying the entry of new medical technologies in Japan. This increases cost to the system and hampers growth of supplying companies.

New regulatory environment, working with Pension sub-committee to influence regulators to move in a direction to increase the efficient development of the new DC pension market place

No specific barriers to doing business in Japan other than the poor state of the economy but this should correct itself over the next 12 months bringing increased opportunities.

No problems - hard work overcomes anything

Business Confidence Survey – Autumn 2002

Summary

Looking into the crystal ball... The first 6 months:

- ❑ When looking at Japan's economic situation for the next 6 months, we saw the largest group of respondents at 43% indicate they expect no change, while 40% indicated they foresee a decline in the economic climate.
- ❑ When comparing the combined sentiment of US and Canadian respondents to those of the Europeans, the European responses showed slightly more optimism.
- ❑ The overall index showed - 0.42, compared to - 0.18 in the April survey.

Further Crystal ball gazing... the next 12 months:

- ❑ Although the sentiments for the next 12 months are slightly more positive, the index is still negative, at - 0.03. This is a fairly strong downward trend from the April survey which showed + 0.21.
- ❑ Again here, the Europeans see the economic development more favorably.
- ❑ By type of business... Finance and Services were notably more negative than others.
- ❑ **Conclusion: the survey shows that foreign companies do not expect any improvement in the Japanese economy in the coming 12 months, at best it would remain unchanged.**

Business Confidence Survey – Autumn 2002

Summary (2)

What is in store for sales?

The past 6 months...

- ❑ Sales during the past 6 months have developed on the same level as for the preceding six months. Index for April survey was +0.22, this fall survey indicates +0.21.
- ❑ An interesting comparison; in the April survey the respondents expected the sales for the next 6 months to grow by an index of +0.78, but the actual result was +0.21.
- ❑ By type of business, Manufacturing achieved the best sales, with an index of +0.48, while Services was lowest at +0.15.

The next 6 months...

- ❑ For the next six months the respondents once again expect a significant improvement in sales – index +0.61, which however is slightly lower than in the April survey +0.78.
- ❑ North American respondents see more improvement, +0.66 compared with +0.55 for the Europeans.
- ❑ By type of business, Manufacturing was the most positive at +0.77, while Finance was lowest at +0.31, indicating a significant difference.

Business Confidence Survey – Autumn 2002

Summary (3)

Profitability, the past 6 months...

- ❑ Profitability in the past six months improved slightly from the previous survey +0.17 compared to +0.14, although, again the companies forecast a stronger improvement in the April survey +0.61 compared to actual results.
- ❑ North American performed better than the Europeans, showing +0.27 compared to +0.10.
- ❑ When looking at sectors, the results were the same as sales, with Manufacturing leading the way at +0.50 and Finance trailing at +0.06.

And the coming six months? Further improvement.

- ❑ Profitability in the next six months is expected to improve, with an index of +0.50, and although this is somewhat lower than in April +0.61, only 18 % of the companies forecast a decline in profitability.
- ❑ North American are again more positive, at +0.66 compared to +0.36 for the Europeans.
- ❑ By type of business, Service is the most positive at +0.62, followed by manufacturing +0.58.
- ❑ When comparing by company size, those with 10-50 employees and those with over 500 forecast the highest improvement in profitability +0.63 and +0.64.

Business Confidence Survey – Autumn 2002

Summary (4)

Strategies in Japan

- ❑ Despite the fact that respondents do not expect any turn for the better in the Japanese economy in the coming 12 months, they still have a strong expectation of positive development of their own businesses.
- ❑ Foreign businesses still see Japan as a land of opportunity with 72% looking for further growth in the market and 22 % to expecting to sustain their current level.
- ❑ **Only 1 company of the 386 surveyed is considering withdrawing from the market.**
- ❑ European companies were slightly more positive in this aspect with 75 % seeking growth compared to 68 % for the North American respondents. Only 4 % of the Europeans plan to downsize, and 7 % from North America.

Is it possible that the Europeans have more perseverance and patience than their North American counterparts?