



ASIA PACIFIC
FOUNDATION
OF CANADA

FONDATION
ASIE PACIFIQUE
DU CANADA

JAMES REID'S FISHING RODS: FROM HOBBYIST TO LUXURY RETAILER

E-COMMERCE IN JAPAN:
A CANADIAN PERSPECTIVE







CASE STUDIES

THE FOLLOWING CASE STUDIES illustrate real-life examples of firms considering entry to the Japanese market with an e-commerce platform as the major component of their strategy. The cases are not intended to demonstrate correct or incorrect approaches to participating in the Japanese market. Rather, they serve to provide illustrations of how firms recognize opportunities, embark on an initiative, encounter positive and negative trends, and in so doing attempt to profit from the Japanese market. Ideally, the reader should be able to place themselves in the shoes of the protagonist in the case and question whether they would have embarked on the same strategies or have chosen to do things differently.

CASE STUDY I: JAMES REID'S FISHING RODS

CASE STUDY I: JAMES REID'S¹ FISHING RODS: FROM HOBBYIST TO LUXURY RETAIL

While working as a full-time mechanic and fishing whenever he could, James Reid found that he was never satisfied with the quality of the off-the-shelf rods that were sold commercially. He thought that he might build his own rod. He started with graphite, but, wanting something that was more authentic, traditional, and craftsman-like, Reid bought a vintage bamboo rod on eBay that he spent a long time restoring to its original condition. Working in the evenings from his home in North Vancouver, British Columbia, Reid subsequently restored around 35 vintage bamboo rods at the request of enthusiasts, before deciding that it would be even more challenging to build his own. After being approached to build a rod for a wealthy angler, Reid finally decided to quit his job as a mechanic and to become a full-time rod builder in 2012. By that time, he had sufficient orders to keep him busy for a year.

Bamboo rod enthusiasts form a tight consumer community who love to compare notes and talk about fish, fishing, and their equipment. Word spread rapidly about the very special rods that James Reid was making, and so he was able to rely on word of mouth as the main source of customer leads. He also became very active in two online fishing forums dedicated to the art and craft of the bamboo rod. These forums enabled Reid to interact directly with anglers, answer questions about the rods he makes, and to display photographs of his work.

¹ The front section of this case is based largely on Rousseau, E., Pitt, L.F., McCarthy, I., and Hannah, D. (2017) *JM Reid Bamboo Rods*, Case Study of the Beedie School of Business, Simon Fraser University.



Manufacturing Bamboo Rods

A JM Reid bamboo rod is not made from a single piece of cane. Rather, a piece of imported bamboo is first scraped clean, and the knots in the cane smoothed down. Then the piece of bamboo is cut into straight, thinner strips, and these are heat-treated. Six strips are joined together very precisely to form a long, thin, tapered hexagonal pole, which becomes the rod. This part of manufacturing, referred to as making the “rod blank,” takes up about 75% of the total manufacturing time. The other 25% of the manufacturing time includes attaching the wooden reel seat to the base of the rod and attaching the line guides (the small hoops through which the line moves from the reel to the end of the rod). Each of these is attached by winding silk thread around each of the two bases of the guide to the rod itself. The silk binding then receives a number of coats of varnish, both to strengthen it and to add to its aesthetic appeal.

The different rod models are made for different types of fishing and conditions (for a full description of the different rods, see the section on the JM Reid website: <http://www.jmreidbamboo.com/rods/>). Each rod is custom made for the client, depending on where and how he fishes. Reid makes and delivers between 30 and 35 rods annually. He has considered employing workers to help him in an effort to boost production and has tried this with little success. As Reid says, “It’s really difficult finding someone with the right skills and dedication. I’ve also had retirees offer to work for nothing just to be able to enjoy the pleasure of crafting a product like this. However, I find I spend more time supervising them and fixing their mistakes, and this distracts me from my own work. I’d really prefer not to do this.”

Reid is about to undertake an investment in machinery of around C\$15,000, which he estimates would allow him to craft an additional six bamboo rods each year.

Prices of rods vary according to the rod model. Model 8052, a standard trout rod, sells for around US\$1,400, and the costs of raw materials for this are around US\$225. Model 11973, a summer run rod, sells for around US\$2,000, and the costs of raw materials for this are

approximately US\$360. Reid's highest priced rods are about US\$2,500, and these include some extra options such as a three or four piece single or double hand rod. Again, the cost of the raw material is quite low (under US\$400), but this does not take into consideration the many hours of labour that Reid put into crafting these special, customized rods.

The Potential for Fibreglass Rods

Many modern fishing rods are made from fibreglass, which gives them both strength and flexibility. Essentially, it was fibreglass rods that replaced bamboo rods for most anglers in the latter half of the 20th century. They are generally stronger and less susceptible to cracking than graphite rods, and also less expensive overall. Reid decided to do a test run of fibreglass rods in early 2016. He purchased a number of blanks from a manufacturer and finished them in his own distinctive style. However, the manufacturer refused to make the blanks in a more distinctive colour for Reid, who wanted something unique that would stand out as "his rods." He has continued negotiations with another fibreglass rod manufacturer who will cast the blanks in a unique colour for Reid, on condition that he takes a larger quantity. Reid believes that he could produce a "few hundred" of these rods a year, and that they would be a "bread and butter" line.

Other Merchandise

Thus far, Reid has sold a limited number of JM Reid fishing shirts and caps, mostly at the resorts where he has fished as an artist in residence, or directly to clients. He also produced a very limited run of engraved hook gauges and fly boxes. Reid produced around a hundred gauges and a hundred fly boxes, which were snapped up rapidly by enthusiasts at premium prices. "I could probably have ordered many thousands of each from China at about a tenth of the cost," Reid says, "and they might also have been sold easily. However, I think that would have cheapened my brand. As it is now these have all become collectors' pieces, and sometimes sell on eBay and on anglers' forums for a lot more than the original price."

Marketing

Word of mouth from bamboo rod aficionados and his website are Reid's major marketing communication vehicles. He has always been very active on various online forums like www.speypages.com, and the attention he gets on these forums has been important for building his reputation. He also has a presence on Instagram, where he has more than 3,000 followers, and he posts about his activities regularly.²

Many of Reid's wealthy clients invite him on their fishing trips, often to luxury lodges in locations inaccessible to the ordinary weekend angler, and certainly beyond their wallets. He considers this face time with his clients to be very important, and promotional, but he also admits that it is a lot of fun. "What I love about my business," Reid enthuses, "is that I have a lot of freedom, a flexible schedule, free trips, and a great quality of life. I'm really doing what I love." A number of luxury fishing lodges invite him to pay them complimentary all-inclusive visits, where he can interact with their guests, and of course many of these then become Reid's clients.

² <https://www.instagram.com/j.m.reid-bamboo/>

The Japanese Opportunity

During one of these visits, Reid met a very wealthy Japanese fly-fishing enthusiast who begged him to make and sell him a rod. By chance, Reid was putting the final touches to a rod that he had intended to keep for himself, and he was so taken aback by the Japanese angler's genuine enthusiasm that he agreed to let him purchase the rod. A few months later the angler contacted Reid and invited him to join him and a small group of close friends as a guest at a luxury fishing lodge on the Skeena River, in Northern British Columbia.

Reid enjoyed his time spent fishing with his Japanese companions. They spent long nights talking about fishing, and the visitors enthusiastically told him of their fishing activities and pursuits in their home country. These included trout-fishing season on the Nagara River in central Gifu Prefecture, fishing for taimen on Shumarinai Lake, and fishing for rainbow and brown trout in the rivers and lakes among the mountains of Nagano and Gunma prefectures. His new Japanese friends also talked enthusiastically of Reid selling rods in Japan, especially if he were to market fibreglass rods under the JM Reid brand, in which case he would be able to increase his production and sales significantly.

Reid was pessimistic about selling his products in Japan. For a start, he argued, he had no distribution channels and would need to set these up. Also, he mainly sold from his website, and this would have to be translated into Japanese, and logistics would need to be put into place. His new friends quickly dispelled these concerns. "You don't set up a conventional distribution channel," they said, "you're too small for that. And no one will ever find your website, so forget that as well. Simply use what's there already. Amazon is huge in Japan. But Rakuten is even bigger and better. Start there." Reid began to read up all he could on Rakuten and Amazon Japan.

Amazon.com and Japan

Amazon.com, based in Seattle, Washington, was founded by Jeff Bezos on July 5, 1994. Initially, the company started as an online bookseller, before moving into recorded music (still in the days of CDs and cassettes), and then into movies (video cassettes and DVDs). Today the company sells just about everything and has become the largest internet retailer in the world as measured by revenue and market capitalization, and second largest after Alibaba Group in terms of total sales. Apart from Amazon.com in the United States, the company has separate retail websites for the United Kingdom, France, Canada, Germany, Italy, Spain, the Netherlands, Australia, Brazil, Japan, China, India, and Mexico. By February 2018 Amazon was the fourth most valuable public company in the world, and the eighth-largest employer in the United States.

Bezos believed that being first was critical to his success: "There's nothing about our model that can't be copied over time. But you know, McDonald's got copied. And it still built a huge, multibillion-dollar company. A lot of it comes down to the brand name. Brand names are more important online than they are in the physical world".³ He also chose a company name that began with "A" because he knew that it would occur at the top of any list that was alphabetized.

³ Murphy, 2013.

Today Amazon.com operates retail websites for Sears Canada, Bebe Stores, Marks & Spencer, Mothercare, and Lacoste. For many companies Amazon also provides a unified multichannel platform where a customer can interact with the retail website, stand-alone in-store terminals, or phone-based customer service agents. Almost all of the company's online sales come from third-party sellers who sell products on the Amazon website. Associates receive a commission for referring customers to Amazon by placing links to Amazon on their websites, if the referral results in a sale. Today, worldwide, Amazon has almost 1 million associates. The company lets anyone sell nearly anything using its platform. In addition to the associates program, there is now a program that lets those associates build entire websites based on Amazon's platform.

Amazon Japan opened in 2000 by selling books only. While the company has expanded into most of the categories sold today by its US parent, the most popular categories in Japan are still books, magazines, DVDs, and video games. Market research reveals that Amazon Japan trails the homegrown competitor Rakuten by a slight margin. In April 2017 online marketing research firm DI Marketing reported that 70.2% of digital buyers in Japan used Rakuten, while 66.7% used Amazon Japan.⁴

Rakuten

Three years after Jeff Bezos founded Amazon.com, Hiroshi Mikitani launched Rakuten in Tokyo in 1997. Today Rakuten (pronounced "luck ten" and meaning "optimism") is the largest e-commerce company in Japan and is also among the largest in the world by sales. The company provides e-commerce, digital content, and communications services to over 1 billion members worldwide, and many refer to it as the "Amazon of Japan."

Rakuten's major expansion outside of Japan began in 2005, and this was mainly done through acquisitions and joint ventures. One of its best-known acquisitions was that of Canadian e-book and content provider Kobo, and more prominent recent investments have been in the social network Pinterest and the ride-share firm Lyft. The company's total revenues were US\$7.2B in 2016.

Mikitani believed that setting up as an online shopping mall that would permit merchants to establish an online presence without having to control everything themselves would be a good business model. Rakuten charged smaller commissions than other online alternatives and also gave merchants more controls over how they would set up and customize their storefronts.

Transpacific Enterprises (TE), a Tokyo-based marketing strategy firm, sees Rakuten this way: "If you've ever tried to search online for a small or medium-sized B2C business in Japan, you probably had mixed luck. The results were sparse, and you thought, surely there are more businesses in the third-largest economy in the world with 79.1% of the population online?"⁵ The reason for this, TE explains, is that most smaller retailers in Japan don't set up and own their own e-commerce websites, and most of the more than 20 million Japanese consumers who shop online each day don't look for them. Rather, these smaller merchants rely on

⁴ <https://www.emarketer.com/Article/Amazons-Efforts-Japan-Remain-Dogged/1016095>

⁵ <http://www.transpacific.jp/2014/11/where-are-all-the-websites-how-rakuten-dominates-e-commerce-in-japan/?lang=en&lang=en>

Rakuten. Whereas in countries like the United States and Canada, many smaller retailers who sell on Amazon will still have their own web presence, in Japan, small vendors rely on Rakuten, as do the millions of Japanese consumers.

TE speculates, however, that this will change in the future. Certainly, Rakuten offers easy setup and very high traffic. However, many smaller retailers currently using the platform may decide that this comes at the expense of customization, differentiation, and most importantly of all, control over branding.

The comparisons provided between US-based e-commerce giant Amazon.com and the Japanese e-commerce behemoth Rakuten provide useful indicators for all firms considering entry into the Japanese online market. Obviously, Reid will need to consider his options carefully. Essentially, he has four choices: *First*, he can simply rely on his own website and Instagram presence. While this won't require any additional effort, it is unlikely that Japanese buyers will rush to the website, and they might find dealing with the current North American conceptualization difficult. *Second*, he could use both Amazon and Rakuten in Japan. This would give him optimal exposure since both websites are widely used by Japanese customers. However, this would also mean spreading his already thinly spread attention even further and might be problematic. *Third* and *fourth*, he could decide to focus his marketing efforts on either Amazon or Rakuten. If either of these were to be his decision, he might want to take note of the difference between the two, as summarized in the table below:

AMAZON JAPAN VERSUS RAKUTEN: A COMPARISON	
AMAZON JAPAN	RAKUTEN
The world's largest online retailer, and one of the world's largest companies	Largest online retailer in Japan
Used by 66.7% of Japanese consumers	Used by 70.2% of Japanese consumers
For everyone	Very targeted
Not particularly customizable for individual vendors	Very customizable for individual vendors
Less control for individual vendors	More control for individual vendors
Vendor still relies on the company's main website	Vendors can construct their own page on the website; they are less reliant on the company

As Reid pondered the different options for expanding into the Japanese market, he discovered an interesting fact about this group of consumers: those that he had sold rods to (through the connections with the Japanese fishing enthusiasts he made on his trip) were keeping their rods on display. In other words, they weren't using them, but instead displaying them as prized possessions. Reid was surprised to learn this and realized that his approach to the Japanese customer would have to be different from his approach to customers from North America. Reid had always spent a great deal of time with his customers, discussing their fishing needs and the technical specifications that the rod would need in order to hook a great catch. Reid realized the importance of knowing his new customers and considered how this new knowledge would influence his choice of e-commerce platform.

Key Takeaways

- » Think carefully about the platform that you use, because selling from an independent website is unlikely to work in Japan. Amazon is a worldwide brand and if you want to expand to other areas, especially in Asia, it may be a more universal platform when compared with Rakuten, which is very specific to Japan.
- » Japanese consumers are used to extremely high-quality and locally produced goods. Be “local” in how you engage the market and how you present yourself. Again, people in Japan love things from overseas, but it has to be served in the right way. A great example in Tokyo is a very popular Japanese Italian restaurant that serves Italian food in Japanese style. While Japanese people may say they love Italian, authentic Italian food probably wouldn't go down well, especially in the mass market.
- » Social capital is a valuable asset in Japan since the typical consumer can be wary of foreign brands. Building connections, such as the ones that Reid had with the Japanese fishing enthusiasts, is an important part of establishing brand presence and can serve as a conduit for additional connections and resources when expanding to Japan. Reid can use his online presence to continue to connect with these enthusiasts and to build a community around his Japan venture.
- » Realize that not all your customers are the same. Customers need to be segmented, usually by geographic area, but also by needs. Similar to Reid, who discovered that some Japanese customers may not use a fishing rod for fishing, but instead put it on display, firms that are expanding beyond their home market must work to understand their customers in order to build a successful market entry strategy.



