Example 11

Occupied by the Soviet Union in 1945, administered by Russia, claimed by Japan.
Sales data for 2001 in yen was generated using a ratio. The average rate of increase for the previous years was 7 percent. The data for 2000 was multiplied by 1.07 to get the figure for 2001.

The data for 2001 in U.S. Dollars was found using an exchange rate of 120Y to every $1. The 2001 yen figure was divided by 120 to get the dollar amount.

Source: #8
Japan: Demographics

- Population: 126,771,662

- Age Structure:
  - 0-14 years (10.64%)
  - 15-30 years (11.83%)
  - 31-45 years (23.53%)
  - 46-65 years (15.45%)
  - 66+ years (21.55%)

- Sex ratio: at birth: 1.05 male(s)/female

Source: #15
Japan: A Strong Economy

- Displays government-industry cooperation
- Strong work ethic
- Mastery of high technology
- Small defense allocation (1% of GDP)

Source: #7, 4
Japan: Milk it For All it’s Worth

- Second most technologically powerful economy in the world
- Third largest economy in the world (behind China and the U.S.)

Source: #25
Japan: Utilizing the Keiretsu

- Highly important to build strong, long-lasting relationships

- Manufacturers, suppliers, and distributors work together to form these closely knit groups

- Guarantee of life-time employment for substantial portion of urban work force
Japan: Economy Pros and Cons

- Cons:
  - Crowding of habitable land area
  - Aging population

- Pros:
  - Robotics is long-term strength—410,000 of the worlds working robots

Source: #4
Economy: World Trade

- Exchange rate: yen per U.S. dollar – 117.10 (January 2001)

- Industry relies on imported raw materials and fuels

- One of world’s largest fishing fleets: accounting for nearly 15% of global catch
Economy: Gross Domestic Product

- GDP: purchasing power parity - $3.5 trillion
- GDP - Real Growth Rate: 1.3%
- GDP - Per Capita: $24,000
Industry: Technologically Advanced

- Motor vehicles
- Electronic equipment
- Machine tools
- Steel
- Ships
- Chemicals
- Textiles
- Processed foods

Source #25
Industry: Export Partners

- U.S. 30%
- Taiwan 7%
- South Korea 6.4%
- China 6.2%
- Hong Kong 5.6%

Source: #4
Economy: DVD Friendly

- First country to adopt DVD technology
- Spent $187.7 million on DVD rentals in 2000
- 2nd highest DVD distributor revenues: $217 million in 2000

Source: #28
Political Environment

Constitutional Monarchy with Parliamentary Government

Legal System: Modeled after European civil law system (English-American influence)

Judicial Review of legislative acts in Supreme Court
Industry Forecast

- In 2001 VHS rental led DVD rental with a 70% market share.

- The Japan Video Association (JVA) predicts a 289.3 billion yen DVD software market in 2005.

- The DVD selling market is expected to be three times larger than the DVD rental market.

Source: #13, 5
Industry Forecast

The projected sales in yen were generated using ratios derived from sales history. The average rate of increase for sales in yen was 7 percent per year. The data for 2002 was generated by multiplying 2001 sales data by 1.07, and so on for each year.

The U.S. Dollar figures were generated by using the 2001 exchange rate of 120Y to every $1. In each year, yen figures were divided by 120 to generate the corresponding dollar amount.

Source: #28
Branches of Government

- **Executive Branch**: Chief of State (*Emperor AKIHITO*—since Jan. 7, 1989), Head of Government (*Prime Minister Junichiro KOIZUMI*), Cabinet

- **Legislative Branch**: House of Councillors, Sangi-in (252 seats), and House of Representatives, Shungi-in (480 seats)

- **Judicial Branch**: Supreme Court

Source: #7
Other Relevant Information

- Focus groups directed toward predicting consumer behavior.

- Determine if people will rent or buy in the future.

- Determine the price levels that are acceptable to consumers.
Technological Environment

- Adoption of technology
  - Video-on-demand
  - PS2/X-Box
  - VHS out DVD in

Source: #12, 13
Competition

- Blockbuster in and out
- Tsutaya targets video rental chain in Japan
  - 83 out of 12,333
- Few franchises
Target Market

- Women accounted for 60% of the total VHS rentals in 2000.

- Our ideal age group is anyone from 18-45 years old.

- Focus on middle to upper class individuals.
Our Recommendation

► We have decided to reject the proposal to enter into the DVD/VHS market.

► People buy DVD/VHS products rather than rent.

► Far too many competitors that each own minimal margins.
Summary

- Presentation overview
- Questions
References

1. "Alarm Call for Blockbuster, in these early days of digital television where nobody can accurately predict which services will find public approval, few doubt the potential of video-on-demand." *International Broadcast Engineer* (2002).


8."Consumer Spending on Video Rental: South Africa, Asia and Australasia." *Screen Digest International Media Market Data.* (1999)


