

Navigating Eastwards ~ Forging Pathways into the Japan Market ~

August 2023

By: Ryota Yamazaki (Director, IGPI Singapore)
Thean Zhi Hao (Associate, IGPI Singapore)

Exploring new markets overseas is becoming a strategic imperative among Singapore companies.

As business landscapes evolve, exploring new markets and expanding overseas have become a key priority for many Singapore companies. This is particularly evident among Small and Medium-sized Enterprises (SMEs), which are increasingly recognising the immense potential that lies beyond their domestic borders. The DBS annual SME Pulse Check survey conducted at the end of 2022 revealed that over 60% of SMEs in Singapore have indicated overseas expansion as a key business priority¹. This is contributed by the reopening of borders along with support from government schemes such as the enhanced Enterprise Financing Scheme² announced in Budget 2023, which enables local companies to gain access to financing across all stages of growth.

Among the array of enticing markets, Japan has emerged as a particularly alluring destination for Singaporean businesses. Apart from having a large consumer market backed by sizable economy, bilateral agreements were signed between both nations in May 2022 to boost the flow of entrepreneurs and enterprises by promoting greater access to start-up and innovation ecosystems³. Initiatives such as business matching sessions to connect Singapore and Japanese firms with accelerators, business partners and investors, are put in place to empower businesses to build market knowledge and tap into new opportunities, deepening their networks in the process.

Japan has seen growing interest among Singapore companies from diverse industries, as exemplified by various market entries in the past year.

Drawn by the influx of tourists into Japan in a post-pandemic era, five-star resort hotel operators from Singapore, **Capella Hotels & Resorts** and **Banyan Tree Holdings**, have announced plans to enter the Japanese market. Capella Hotels & Resorts intends to open its first Japanese hotel in Kyoto as early as the summer of 2025⁴, located on Yamatojji-dori in the historic Miyagawa-chō district⁵. The office of renowned architect Kengo Kuma, which designed the Japan National Stadium for the 2020 Tokyo Olympics, is supervising the construction. On the other hand, Banyan Tree Holdings plans to open flagship hotels in Kyoto and Hakone from now through 2026. These hotels aim to provide signature standards of

¹ The Straits Times: Exploring new markets, expanding overseas key priorities for most Singapore SMEs: Survey (21 Mar 2023): <https://www.straitstimes.com/business/exploring-new-markets-and-expanding-overseas-are-top-priorities-for-most-s-pore-smes-survey>

² For more details, please visit: <https://www.enterprisesg.gov.sg/financial-support/enterprise-financing-scheme>

³ CNA: Singapore, Japan ink agreements on promoting start-ups, digital transformation for governments (26 May 2023): <https://www.channelnewsasia.com/singapore/singapore-japan-ink-agreements-promoting-start-ups-digital-transformation-governments-2709716>

⁴ Nikkei Asia: Thai, Singapore hotel groups target Japan's tourism boom (26 Jun 2023):

<https://asia.nikkei.com/Business/Travel-Leisure/Thai-Singapore-hotel-groups-target-Japan-s-tourism-boom>

⁵ Artist's impression of the upcoming Capella Kyoto: <https://capellahotels.com/en/capella-kyoto>

service that will serve as a benchmark for all future Banyan Tree locations in Japan⁶. The presence of Singapore hotel groups in Japan contributes to enhancing tourism infrastructure while attracting affluent visitors to experience premium accommodations.

Shifting the focus to a more mass-market brand, Singapore design studio **Beyond the Vines** launched its first international pop-up store in Tokyo in March 2023 as it seeks to grow its international presence⁷. The brand, known for its minimalist and contemporary designs, has gained popularity in Singapore and other Southeast Asian markets. Its entry into Japan reflects its recognition of the country's vibrant fashion scene, and the opening in Tokyo allows the brand to tap into the city's fashion-conscious consumer base. While the initial pop-up store only lasted for a week, Beyond the Vines has since launched another pop-up at Miyashita Park North in Shibuya, which will remain at the location for a month until the end of July 2023. The expansion demonstrates Singapore's fashion industry's potential to resonate with the Japanese market.

On the technology front, Singapore-headquartered Fintech company **M-DAQ Global** has announced the opening of its Japanese office in Fukuoka in September 2022⁸. The company specialises in providing currency conversion and payment solutions, enabling businesses to transact seamlessly across different currencies. It sees opening a subsidiary office in Fukuoka as a natural fit for a myriad of reasons, including its similarity to Singapore in terms of the active collaboration between private and public sectors to develop innovative solutions for business needs and quality of life improvements. M-DAQ has since commenced discussions with the Fukuoka City Government, Kyushu Railway Company and other entities to improve the foreign currency user experience when making retail and travel transactions. This expansion highlights Singapore's ability to deliver advanced financial services on an international scale.

In addition to Singapore companies that entered the Japan market recently, others are exploring pathways through trade exhibitions. The Franchising and Licensing Association (FLA) has led a delegation made up of popular Singapore brands including Crystal Jade, Five Star Chicken Rice, Playmade and iJooz, in forming the Singapore Pavilion exhibiting at the 40th Japan International Franchise Show in March 2023. Through this event, local companies sought potential business partners to carry their brand, while gaining an initial sense of their product acceptance in Japan.

These activities underscore the increasing interest and capabilities of Singaporean companies in capturing opportunities in the Japanese market. With that being said, entering the Japanese market presents a set of unique challenges for Singaporean companies, ranging from language and communication barriers to cultural nuances and intense competition. Overcoming these obstacles is crucial for successful market entry.

Public agencies such as Enterprise Singapore and JETRO offer a multitude of initiatives to provide support for Singaporean companies venturing into the Japanese market.

Enterprise Singapore assists Singaporean companies in their internationalisation efforts by providing various support initiatives, including grants and market access programs, to facilitate

⁶ Banyan Tree Group Press Release (Jun 2022): <https://www.banyantree.com/assets/2022-06/220624-banyan-tree-group-debuts-japan.pdf>

⁷ Inside Retail: Singapore's Beyond The Vines to open first store in Japan (15 Mar 2023): <https://insideretail.asia/2023/03/15/singapores-beyond-the-vines-opens-first-store-in-japan/>

⁸ Technode Global: Singapore's M-DAQ Global Opens Japan Office as part of international expansion (13 Sep 2022): <https://technode.global/2022/09/13/singapores-m-daq-global-opens-japan-office-as-part-of-international-expansion/#>

market entry. For instance, the Market Readiness Assistance (MRA) Grant offers financial support to Singaporean companies to defray a significant portion of eligible costs associated with market entry activities, helping businesses assess market potential, establish networks and promote their products or services⁹.

Hailing from Japan, **JETRO (Japan External Trade Organisation)** operates in Singapore with the mission of promoting trade and investment between Japan and Singapore. 'Invest Japan' serves as a platform to attract and assist Singaporean companies interested in establishing a presence in Japan. Through this initiative, JETRO offers support services including consultation services on company incorporation, networking opportunities and temporary business office facilities in Japan among others to help Singapore companies make a more informed decision prior to market entry¹⁰.

In addition to support from the public sector, local companies can leverage the expertise and guidance by IGPI, a Singapore-based Japanese management consulting firm.

IGPI Singapore offers a range of services to support Singapore businesses in their overseas expansion. Services can be broadly divided into:

- **Management consulting**, where we help companies identify growth opportunities, develop strategies to establish a presence in the target market. In the process, we often employ business matching techniques to find suitable local partners which could be crucial to successful market entry
- **M&A advisory**, where we guide companies through the end-to-end deal process, ensuring successful transactions

Our past and current engagements include:

- Supporting a local F&B chain in its market entry into Japan, including performing a market study, identifying and selecting the most suitable strategic partner
- Supporting a local wholesaler and retailer in its market entry into Japan through business matching, by shortlisting promising partners and facilitating discussions towards the formation of the partnership
- Organising missions trips to Tokyo with various industry associations, where we led delegations made up of senior executives from Singapore companies to gain insight into doing business in Japan

IGPI Singapore can support your company in its market entry into Japan and maximise its chances of success – [Get in touch with us!](#)

⁹ For more details, please visit: <https://www.enterprisesg.gov.sg/financial-support/market-readiness-assistance-grant>

¹⁰ For more details, please visit: <https://www.jetro.go.jp/singapore/investinjapan.html#>

About the authors

Mr. Ryota Yamazaki is the Director of IGPI Singapore. Before joining IGPI, Ryota worked in Deloitte Consulting in Singapore, where he was a leader in the areas of Consumer Business and Supply Chain & Logistics in Southeast Asia. His areas of expertise are Strategy & Operations such as market entry, Route-to-Market (RTM) strategy, business due diligence, and PMI. He started his career with A.P. Moller-Maersk Group as a management trainee and also worked for Kurt Salmon, where he had vast project experiences especially in Supply Chain & Logistics for the retail and consumer goods clients. Ryota graduated from the Faculty of Economics at Keio University.

Mr. Zhi Hao Thean is an Associate at IGPI Singapore. Zhi Hao started his career with IGPI. He graduated from Singapore Management University with a Bachelor of Business Management, majoring in Finance. During his time at IGPI, he is involved in multiple engagements pertaining to market entry, strategy development and benchmarking studies across diverse industries.

About IGPI

Industrial Growth Platform Inc. (IGPI) is a premier Japanese business consulting firm with presence and coverage across Asian markets. IGPI was established by former members of Industrial Revitalization Corporation of Japan (IRCJ) in 2007. IRCJ, a US \$100 billion Japanese sovereign wealth fund, is known as one of the most successful turn-around funds supported by the Japanese government.

In 2017, IGPI collaborated with Japan Bank for International Cooperation (JBIC) to form JBIC IG, providing investment advisory services and supporting overseas investment. In 2019, JBIC along with BaltCap has jointly established Nordic Ninja, a €100 million venture capital fund to focus on deep tech sectors such as autonomous mobility, digital health, AR/VR/MR, artificial intelligence, robotics and IoT in the Nordic and Baltic region. In 2019, IGPI established IGPI Technology to focus in the area of science and technology. The company invests in technological ventures and provides hands-on management support. The company also provides business development support towards commercialisation and monetisation of technologies.

This material is intended merely for reference purposes based on our experience and is not intended to be comprehensive and does not constitute as advice. Information contained in this material has been obtained from sources believed to be reliable, but IGPI does not represent or warrant the quality, completeness and accuracy of such information. All rights reserved by IGPI.