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9B12M025

COLLISION COURSE: SELLING EUROPEAN HIGH PERFORMANCE MOTORCYCLES IN JAPAN

Jeff Hicks and Derek Lehmberg wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

TAKASAKI, JAPAN, MONDAY, MAY 3, 2006 6:20 AM

Not long after sunrise, Nobu Katoh stepped aboard one of Japan's famed Shinkansen bullet trains and settled in for the two-hour daily commute into Tokyo. It was a long journey, but Katoh valued the uninterrupted time to work and reflect, before diving into what often turned out to be some fairly stressful days as director of sales and marketing in Japan for Tommasi Motorcycles, an Italian manufacturer of high performance motorcycles. On this particular day, however, the time to reflect was cut short by an incoming call.

"Katoh san, good morning. This is Saito, from Kansai Motorsports, your dealer in Osaka."

"Yes, Saito san, good morning."

"Apologies for calling so early, but I assumed you were already on the train?"

"Yes, I'm on the way to the office now. So how can I help you?"

"I know we have a meeting scheduled for nine this morning to discuss the summer sales campaign, but I'd like to ask, would it be possible for Mr. Bonardi to join us?"

"To join us for our nine o'clock meeting? You mean today?" asked Katoh in surprise.

"Yes. Is that a problem?"

"Well, no," answered Katoh, hesitantly. "Uh, no, not at all, but, well —"

"I know my English is poor, and Mr. Bonardi doesn't speak Japanese, but you could translate for us, right?"

"Of course, if need be. I'll call his secretary and see if he's available. But, can I ask, is something wrong?"

"Well, frankly, yes. I do have a few concerns," replied Saito.

"If it's about the sales figures we discussed last month, it's been corrected. I can have one of my staff prepare some reports for our meeting if you'd like."

"No, that's been resolved, thank you."

"Something else then? Please go ahead," urged Katoh.

"I think it's better if we discussed them in person, but, to be honest, there are a number of things, and it's nothing we haven't discussed many times before. I and many of the other dealers continue to feel that JNO[1] simply does not understand the Japan market. We feel the voice of the dealer is not being heard. I appreciate your efforts over the years to ensure our needs and concerns get through to JNO and Tomassi, but I thought it would also be useful to pay a visit in person. It was a discussion I had with your consultants yesterday that set all this in motion. I realized I should have introduced myself in person to your president long ago, just to show our commitment to improving the relationship between the dealer network and JNO. "

"OK, then. And you're referring to the consultants from Horizon, correct?" asked Katoh.

"Yes. We discussed the new software and the websites, but you already know my opinion on that. Sophisticated IT systems, better customer data — they're not the answer; not for this market. Sales in Japan are driven by relationships, not data. If they're serious about this market, they ought to be looking at the product line, at the product mix, how people actually use their bikes in Japan, traffic, parking and so on. Our conversation drifted away from IT, and toward these kinds of issues, and especially the dealers' relationship with JNO. I admit I got carried away and I really gave them an earful. They didn't seem too surprised though, and their Japanese was excellent."

"Their Japanese was excellent? Sorry, I don't understand, you mean Suzuki san?" asked Katoh.

"No, it was two foreign guys," explained Saito. After a long silence he added "Hello? Katoh san?"

"Yes, I'm here. I just thought it would be Suzuki doing the interviews. Where were they from? Were they American?"

"No, British, I think" said Saito.

"OK. And they did the interviews in Japanese?"

"Yes, with no problem," replied Saito.

"Interesting," said Katoh. "Anyway, I'll check with Mr. Bonardi's secretary about his availability and get back with you, ok?"

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[1] *Tommasi referred to its central office responsible for operations in Japan as the "Japan National Office" or JNO.*

"Yes," replied Saito. "And thanks for your accommodation on short notice. I look forward to seeing you later this morning."

It was the beginning of another challenging day for Nobu Katoh. Although his official title was director of sales and marketing, the majority of Katoh's time was spent coordinating and reconciling the often-conflicting views of the Japanese dealer network with those of JNO executive staff, most of whom — including the president, Mr. Bonardi — were expatriates who did not speak Japanese, just as most of his own staff did not speak fluent English.

From the dealers' perspective, JNO did not understand the local market conditions. "Get the product mix and the positioning right, and we could double sales in Japan, even in this down economy," one of them had told Katoh just last week. From JNO's perspective, they had more experience and a global perspective on how to best position and sell their product. Katoh's belief was that both perspectives had merit, and he often found himself brokering communications in order to keep both 'sides' happy. Katoh also viewed himself an important measure of continuity for Tommasi Motorcycles in Japan, as dealers joined or left the network, and as the presidency of Tommasi — an expat assignment filled by up-and-coming executives from Europe — rotated every three years. The role of broker was one for which Katoh, among all the staff of Tommasi Motorcycles Japan, was uniquely qualified. Not only was Katoh fluent in English, but he also had a good understanding of European culture as well, spending several years in Europe with a previous employer after obtaining an MBA from London Business School. Preoccupying Katoh the remainder of his commute that day, however, was the unexpected appearance of two bi-lingual consultants now threatening to upset the precarious balance between locals and foreigners.

SHINJUKU STATION, TOKYO, 7:05AM

In a cramped and crowded coffee shop inside Tokyo's Shinjuku station, two consultants from Horizon, LLP, Brett Clarke and Alex Dixon, squeezed into a booth to discuss their upcoming meeting, scheduled for later that morning with the president of Tommasi Motorcycles.

"Eleven quid for coffee and croissants," Clarke complained.

"You should be used to those prices by now — you've been here for years," chided Dixon. "And you must admit, the coffee and croissant will be perfect, of course, just as they always are. Why not just 'go native' like most expats in Japan eventually do? You'll be happier that way."

"So desu ne . . ." nodded Clarke, jokingly using an intentionally poor Japanese accent.

"That's better!" said Dixon. "More importantly, are you sure you want to go ahead with this — the presentation and the appendix? There's some pretty inflammatory language in there, and don't forget that globally, this system implementation is a 10 million dollar project for us. And are you sure you don't want to talk with their sales and marketing director first? What was his name? Katoh san?"

Shaking his head, Clarke replied, "Suzuki san says he hasn't told Katoh san about us; hasn't told him we're joining the interviews."

"Wow, ok. I wonder why Suzuki hasn't told him?" asked Dixon.

"Not sure. He said Katoh san could be 'difficult' at times. Anyway, I shared our latest draft with Suzuki, and he definitely thought it was appropriate for us to go direct to Bonardi, even if Katoh got upset."

"Right. Easy for him to say — we're the messenger likely to be killed! And why is he not joining us today?"

"He said he thought it would have more impact coming from us. Plus, truth be told, I don't think Suzuki feels his English is good enough to make the points and the nuances clear," explained Clarke.

Horizon, LLP was a large, UK-based management consultancy charged with the worldwide roll-out of Tommasi's new customer data management software application. In anticipation of the upcoming 'go-live' in June, Tommasi's IT department had asked Suzuki of Horizon to conduct 'information sessions' for each of the largest dealerships, to explain the application's functionality and implementation schedule, and to gather feedback. However, after completing just a few of the scheduled 16 interviews, it became abundantly clear the dealers had a lot more than the new application on their minds, as each in turn took the opportunity to voice their dissatisfaction with Tommasi Japan. Looking to bolster his team for the remaining interviews, Suzuki had asked two additional Horizon consultants, Clarke and Dixon — both with several years of relevant industry experience in Japan and in Europe — to join him.

Most of the subsequent interviews followed a similar pattern: Horizon would begin with a 10-15 minute overview of the new application, processes and supporting websites, which was invariably followed by an hour or more of the dealers' complaints and advice for Tommasi. At first, the consultants planned to capture some of the key points from these non-IT related discussions, and place them in an appendix to their final report. However, with more than half of the interviews still remaining, the insights into the relationship between the dealers and the national office had clearly begun to overshadow both the importance and the urgency of the project's original mandate. The question the consultants now faced was whether to share the complaints with the client, and risk upsetting a globally important client relationship, or to simply deliver on the original mandate of briefing the dealers on the new system.

"Look, I'm not at all sure how Bonardi is going to react, but I think we should go ahead with it," said Clarke. "Just lay it all out there. He needs to hear this stuff. I don't think he's getting clear communication from the field at all. Besides, we're delivering on the agreed upon scope — the information sessions — and a lot more, even if the appendix part will be a fairly bitter pill for him to swallow! But seriously, I just don't think very many of our competitors would have been able to get this level of information. It's an important part of the value we bring, right? You know, just like we always brag about in our proposals: 'Seasoned consultants with both language and cultural fluency,' or something like that? Well, here it is; this is what 'language and cultural fluency' look like in practice. We're delivering on that promise. We can do a briefing on the application, but the much more important message Bonardi needs to hear is that the dealer network has little if any remaining trust in Tommasi. Now come on, we better run — the trains here run perfectly on time too, you know."

PRESIDENT'S OFFICE, TOMMASI MOTORCYCLES JAPAN, 7:30AM

"After the tone, please state your name, and then press pound," prompted the phone system.

"Fabio Bonardi" said Fabio Bonardi, president of Tommasi Motorcycles Japan, as he joined the weekly conference call with his European colleagues at Tommasi HQ, including his boss, Luca Peluso, senior vice-president of sales and operations.

"Good morning, Fabio," began Peluso.

"And good evening to you all!" replied Bonardi.

"Fabio, it's just the two of us on the phone today. I told the others I'd brief them in the morning. I wanted to talk to you in private about the new executive compensation plan for Europe, the one you've been helping us develop. The board has moved its meeting up by two weeks, from the 30th of this month to the 17th, and they've asked if we could be ready to present on that date."

"Ok, I think that's feasible. In fact, I think we'll be able to produce a first draft of the presentation by the end of this week, right?" said Bonardi.

"Yes, I think so. There's another thing. I'd like to know if you'd be willing to travel here and deliver the presentation to the board," asked Peluso.

"Sure, I could probably rearrange my schedule, but why me? I certainly wouldn't want to upstage you or anyone else there."

"Fabio, it's a very good plan. I'm certain it will be approved, and many of the core ideas are yours. But more importantly, as I've told you before, there's still a tremendous amount of respect and loyalty for you here. We all know your assignment to Japan is a temporary one, and I want to make sure you stay well connected here in Europe. This is a perfect opportunity for you to maintain your visibility with the top people. We've all seen those studies that say, what is it? Something like 70 per cent of expats leave the organization within a year of their return? For your career, and for the sake of the company, I don't want to see that happen. So, what do you think? Can you make it?"

"How could I refuse?" said Bonardi. I'll make the trip, and I really appreciate your support, as always."

"It's my pleasure, and thank you. We really look forward to having you back here permanently. How is everything else going there, by the way?"

"Going well, thanks. I hear sales are beginning to pick up a little as we approach summer."

"How about the new system roll-out?" asked Peluso.

"So far so good. We're more or less on schedule."

"How do the dealers feel about it?"

"From what I hear they're quite enthusiastic," replied Bonardi. "For the first time, instead of flying blind, they're going to have some real customer data in their hands, for planning, forecasting, campaigns, the whole thing."

"No technical issues?"

"Not that I know of, but then again, the consultants from Horizon have requested a meeting with me. Not sure what that's about, but—"

"Excuse me, sir" said Bonardi's secretary, Nishitani, as she entered his office. "Mr. Katoh would like to know if you're available to join him in a meeting at eight this morning with Mr. Saito, the dealer principal from Osaka. I told him you had another appointment at the same time, but he wanted me to ask you."

"I'm already scheduled to meet with the consultants from Horizon. Can you call Horizon and ask them if they can postpone until nine o'clock?" asked Bonardi.

"They've already arrived, sir," replied Nishitani.

"OK, well, then let's do this. Tell Katoh san I will join him and Mr. Saito, and I'll probably ask the consultants to join us later. Please ask them to wait for a few minutes."

"Yes, sir."

"Sorry to keep you waiting, Luca," said Bonardi, returning to the phone. "It looks like it's going to be a busy day around here."

"What's going on?" queried Peluso.

"Not sure, but the owner of one of our largest dealerships is dropping by, unannounced no less. And the consultants who've been doing the dealer interviews are here as well. It should make for an interesting discussion."

BACKGROUND: THE HISTORY OF MOTORCYCLES IN JAPAN

While modern Japan is well known for its prominence in the automobile market, motorcycles have also played an important and colorful role in Japan's economic and industrial history. Motorcycles made their debut in Japan in 1895 — one year before the first four-wheeled automobile was imported — with the demonstration in Hibiya, Tokyo, of a German-made Hildebrand and Wolfmuller, a four-stroke model with a top speed of around 28 mph. The Japanese Imperial Army began importing Harley-Davidson motorcycles in 1912, while the Tokyo Metropolitan Police Department opted for the US-made Indian, due to similar preferences with police departments in the United States that valued the Indian's left-handed throttle mechanism, which allowed the mostly right-handed officers to control their speed while drawing their firearm.[2]

Motorcycle manufacturing also played an important role in Japan's post-war industrial reconstruction. Compared to automobile and truck production, motorcycle manufacturing was less capital intensive. This, along with an excess of technical and engineering talent in the workforce, gave rise to more than 200 domestic manufacturers by 1953.[3] Since many of these manufacturers were small, shop-based enterprises, they were essentially ignored by Japan's Ministry of International Trade and Industry (MITI), and did not benefit from the subsidies handed out by MITI to the automobile and other manufacturing sectors. With very limited capital, a lack of government subsidies and a large number of small, but able competitors, firms had to compete on the basis of design, innovation and quality. Competition was extremely fierce, and by 1973, after one of the most well-known and severe industry shakeouts in the post-war period, only

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[2] *Jeffery W. Alexander, University of British Columbia Press, Vancouver, 2008.*
[3] *M. Kato, Firm Survival and the Evolution of Market Structure: The Case of the Japanese Motorcycle Industry, Hitotsubashi University, Tokyo, 2008.*

four manufacturers survived. Perhaps unsurprisingly, the four firms left standing — the now familiar Honda, Kawasaki, Suzuki and Yamaha — went on to dominate the market globally.

The Japan motorcycle market continued to grow throughout the remainder of the 1970s and 80s, but peaked in the early 1990s. In 1993, there were 133,413 new registrations of bikes with displacement of 250cc and larger. By 2006, registrations of similar sized bikes had fallen to 82,388 units, and the total number of motorcycles operating on Japanese roads stood at 3.3 million.[4]

IMPORTS

Imported motorcycles, however, had been capturing an increasing share of the Japanese market, and the slowing growth of the overall market had hit domestic manufacturers more than importers. Since 1993, the share of import brands in the Japanese motorcycle market had increased every year except for one,[5] and in 2006, imports accounted for roughly 28 per cent of the new motorcycles sold in Japan[6]. This included some "reverse import" vehicles produced by Japanese manufacturers in other countries. In 2006, Harley-Davidson was selling more than 12,000 units per year in Japan.[7]

Motorcycles were imported by subsidiaries of the motorcycle manufacturers, independent distributors and individuals. Foreign motorcycles generally had to pass an initial inspection by the government transport bureau before they could be registered and ridden in Japan. Some smaller motorcycles could be registered without physical inspection if identical models had previously been inspected and registered.

Compared to models of domestic manufacturers, imported motorcycles had larger displacement engines. In 2006, Motorcycles with 800cc and larger engines, such as those imported by Tomassi, represented 87 per cent of imports to Japan by units, and 92 per cent by value.[8]

Foreign motorcycles in Japan were typically priced higher than in other developed countries, and higher compared to the equivalent models of Japanese manufacturers as well. For example, the 2006 BMW R 1200 GS was priced at $14,700 in the United States and approximately 2.3 million yen in Japan ($19,500 at the average 2006 exchange rate of 116 yen to the dollar). The 2006 Harley Davidson Sportster 1200 Roadster was priced at $8,595 in the United States and roughly 1.3 million yen in Japan (or $10,800 at the average 2006 exchange rate).[9] To compare, the Harley cost 26 per cent more in Japan than in the United States, while the BMW had a 32 per cent higher price in Japan given exchange rates of the time.

TIERED LICENSING SYSTSEM

Japan has a tiered system for motorcycle licensing, with differing standards for rider examinations, tax and insurance requirements for each tier, which vary according to engine displacement. 'Ōgata' or 'large scale' refers to the top tier, for motorcycles with displacement of 400cc or larger. In 2006, the popularity of the ōgata bikes was growing among customers. However, some government and consumer safety

[4] *Data from Automobile Registration Information Association, www.airia.or.jp/number/index.html, accessed December 23, 2011. Of the 3.3 million total motorcycles on Japanese roads, 1.9 million had 250cc and larger displacement.*
[5] *Japan Automobile Importers Association, "Imported Car Market of Japan," 2010.*
[6] *Ibid.*
[7] *Harley-Davidson, public correspondence to the Office of the United States Trade Representative, March 3, 2006.*
[8] *Ibid.*
[9] *Historical list prices in the United States were retrieved from www.motorcycle.com, accessed March 7, 2012. Japanese historical prices were obtained from www.goobike.com and bike.yahoo.co.jp, both accessed March 7, 2012. Exchange rates were calculated based upon Bank of Japan statistics.*

groups opposed the proliferation of these large bikes on the grounds that they were too fast and powerful for the small and often winding roads in Japan. Import manufacturers responded, stating domestic manufacturers and the prefectural and national government use the 'ōgata' distinction as a hidden trade barrier, favoring domestic manufacturers and their smaller machines. Riders applying for the ōgata license faced a stringent examination that was considerably more difficult than the exam for the smaller 'chūgata' classification, which applied to motorcycles of 125cc up to 400cc.

QUALITY EXPECTATIONS

Japanese customers were renowned for their high expectations of product quality. Before they could be delivered to the customer, even newly imported motorcycles had to be thoroughly checked — and occasionally repaired — by the manufacturer. The paint finish quality was a particularly frequent cause of complaints for purchasers of foreign motorcycles in Japan. Minor blemishes that would go unnoticed by European or American customers often resulted in defect complaints by customers in Japan.

FINANCING

Customers purchased motorcycles in cash or with a loan. Loans were often arranged by the manufacturer's financial service subsidiaries, but were also available from other sources. Compared with consumers in many other developed markets, Japanese were conservative and tended to prefer to pay cash rather than borrow money. However, due to the rising prices of high-end motorcycles in particular, financing was becoming more common, with some lenders offering terms of up to 12 years.

THE TOMMASI DEALER NETWORK

The Tommasi dealership network was comprised of 16 independently owned dealerships. Dealers sold and serviced Tommasi motorcycles, along with competing manufacturers, both domestic and foreign. They also arranged loans for buyers through a financing company owned by Tommasi. The dealer network mainly covered the larger cities and regions with substantial populations. To reduce the potential for price competition between dealerships, each dealer was given an exclusive geographic area.

Being independently owned, each dealer had its own way of doing business. Tommasi attempted to standardize the customer experience in some ways. While signage and displays were relatively standard, other aspects of dealer operations varied.

Events and campaigns were a favored method for generating sales and product awareness. Some were initiated and planned by Tommasi, while others were sponsored by the individual dealer without Tommasi involvement. As a result, approaches to events varied as well. One dealer commented, "An event is not a party, it is a hard sell. We track interactions each sales person has with each potential customer — before, during and after the event. We hold our sales people directly responsible for making sales at each event."

The Tommasi dealership network was very different from their Japanese competitors. While domestic producers such as Honda and Suzuki also sold through independent dealers, they also had manufacturer-owned dealership subsidiaries as well. Manufacturer-owned dealers had locations throughout Japan, and offered only their parent company's products for sale. A Japanese consumer buying from a manufacturer-owned dealer location in Tokyo could get service at other locations of the same dealership throughout the country. Since the Tommasi system was comprised entirely of independent dealers, each time the customer went to a different location, they were in effect going to a different dealership. The large scale of the domestic producer networks encouraged greater standardization absent from Tommasi dealerships.

PRESIDENT'S CONFERENCE ROOM, TOMMASI MOTORCYCLES JAPAN, 8:00AM

"Good morning," said Katoh as he and Saito entered the conference room. "Mr. Bonardi, I'd like you to meet Koji Saito, owner of the Kansai Motorsports in Osaka and Kyoto. Saito san, this is Fabio Bonardi, president of Tommasi Japan."

"It's a pleasure to meet you, Mr. Saito," said Bonardi, extending his hand.

"The pleasure is mine, and thank you for agreeing to meet on such short notice," replied Saito, shaking Bonardi's hand.

"Not at all, Mr. Saito. We're glad to have you here. Please, have a seat."

"Japan is a small country after all, and we're only a few hours away by train, so I'm afraid I don't have any excuse for not visiting you before now," offered Saito.

"That's true for me as well. Next time, it's my turn to visit you. Let me offer you some tea," he added as Nishitani entered, as if on cue. "I don't think we have a formal agenda, so please, tell me what's on your mind."

"The main reason I'm here, Mr. Bonardi," began Saito, "is I would like to reiterate to you and Mr. Katoh, and all of your colleagues at JNO, the dealers are committed to the success of Tommasi in Japan. We think the relations between the dealers and Tommasi in Japan should be improved and maintained. I don't speak for everyone of course, but I do know most of the other owners personally, and I know they feel the same."

"That's great to hear, and I can assure you, we feel the same way. That's why we're excited about this new customer data system. Confidentially," explained Bonardi, "I can tell you it's a 10 million dollar investment for us globally, and a significant portion of that is specifically for the Japan market. The third largest group of users, by the way, are the dealerships here in Japan."

"We appreciate this effort, but I must also say, Mr. Bonardi, this is a good example of where we see a lack of connection with Tommasi."

"How so?" asked Bonardi, obviously puzzled.

"My understanding is that the new application delivers primarily customer data, for forecasting, tracking and follow-up on leads, campaigns, other things."

"That's right, and there's a lot more, including internal web sites, campaign management, reporting and segmentation. Over the past couple of weeks, we've had some consultants visiting key dealerships to make sure they understand the functionality."

"Yes, from Horizon? I met with them yesterday. The point, however, is that while I agree the system will provide data, selling these types of imported high-end, high performance motorcycles in Japan is simply not a data-driven business, Mr. Bonardi. It's a relationship-driven business, just like most businesses in Japan. Perhaps this sounds like a cliché, but it's really true."

Leaning forward, Saito continued. "I know every single one of my customers by name. In many cases, I've visited them in their homes or apartments. And our sales managers and sales people—they know the customers much better, much more than I do. We try to provide a good working environment, and we have very low turnover. Sales forecasting is not a report from a system, it's something our sales managers do every single morning, as a group, together. Everyone comes in and sits down and discusses prospects, leads, sales, lost sales, problems — everything. So even if we could get everyone to input all their data — and we both know that has always been a challenge for any sales team or any kind of sales system — we have no plans to suspend these kinds of daily meetings. It's not clear to us what the benefits of the new application will be, and for whom."

"I do understand the importance of relationships in Japan, Mr. Saito," countered Bonardi, "and I don't think we've ever suggested the system will be a replacement for talented sales people, just something to help them do their work better, and more effectively. What I've been hearing, by the way, is that most of the dealerships are enthusiastic about the system."

"As I mentioned," said Saito, "I don't represent the opinion of all the dealers, but I do speak with a number of them regularly."

"And that reminds me, Katoh san, the consultants from Horizon are here now. I was thinking they could join us and give us an update on their interviews."

"Suzuki san is here now?" asked Katoh.

"No, not Suzuki san, but the other two, Dixon and Clarke," replied Bonardi. "I originally had a meeting scheduled with them at eight, but I asked them to wait. Mr. Saito, if it's ok with you, I'd like to ask them to join us."

"Sure, that's fine with me. I'd also like to hear their report on what other dealers are saying," said Saito.

"OK, then, let's have them join us. Katoh san, will that be ok?"

"Wouldn't it be better to wait until Suzuki san can join them?" asked Katoh. "He's the one that's been leading the interviews."

"Suzuki san wasn't with them yesterday," Saito interjected. "It was just Dixon and Clarke. I think they have a pretty good understanding of the issues."

"OK, so then I'd like to ask them to join us," responded Bonardi. "Nishitani san, we'll move to the board room, and please bring in the Horizon people."

TOMMASI MOTORCYCLES JAPAN BOARD ROOM, 8:15AM

"Sorry to keep you waiting, gentleman," offered Bonardi as Clarke and Dixon entered the board room. "And I guess you both met Mr. Saito yesterday in Osaka? Ok, good. I didn't have a chance to look at the agenda you forwarded, and we can get to that, but we've been talking about the new customer data application, and the dealer's reactions. We'd like to hear the feedback. How many interviews so far?"

"Seven, sir," said Clarke. "Seven out of a total of sixteen scheduled. Those seven are mostly in and around Osaka, Kobe and Kyoto."

"OK, and how are those going? How do they feel about the application and the system launch? You don't have to mention the specific dealership names, but what are you hearing?"

"About the system?" asked Clarke.

"Well, yes, and also in general, what are you hearing?" replied Bonardi.

"About the system, most are aware of the upcoming launch. Most have seen the newsletter you've been sending out."

"That's good. Any issues? Are they looking forward to the launch?"

"Well, to be honest, I'd say they're aware of the coming launch — certainly the IT people are in the dealerships large enough to have an IT staff. I wouldn't say they are overly enthusiastic — they're aware of it, and more or less prepared for the launch."

"But no specific complaints or issues? No technical problems? Connectivity? User testing going ok?" asked Bonardi.

Nodding his head, Clarke replied, "Some minor issues, but nothing beyond what's expected."

"Sounds rather uneventful. Are you conducting the interviews in English or Japanese?"

"In Japanese, sir. Mr. Suzuki from our team usually begins the interviews, but I don't think language is an issue, if I may say so. Both of us have been based here in Tokyo for a few years now."

"But would you say they're being open with you? You're having good, engaged conversations with them?" asked Bonardi.

"Yes, I'd say we're having very engaged conversations, and we've been able to collect a lot of information and opinions. It's just that much of it doesn't concern the new system."

"What does it concern?" asked Bonardi.

"We start off with that topic, but soon the conversation invariably shifts," replied Clarke.

"Gentlemen, you can speak openly," said Bonardi. "Saito san and I were just talking about the need to improve relations between JNO and the dealers. So please, what have been the topics of conversation?"

"Sir, the dealers have had a lot to say," began Clarke. "And I'm afraid, to be honest, that the majority of it is not so positive. It has to do with JNO. In fact, that was our purpose for requesting this meeting. We've collected a lot of information that's outside our original mandate. And it's come to the point now that we felt we couldn't keep it to ourselves any longer. We see it as our responsibility to, in addition to our original task, bring this other information to your attention."

"Ok, well let's hear it," replied Bonardi. "Mr. Saito is here, but that's good. If there are issues, we need to get it out into the open. Please go ahead."

"To summarize, the chief complaint, Mr. Bonardi, is that the dealerships simply do not feel that JNO has a clear understanding of the Japan market. They acknowledge the investment you and Tommasi are making in this new application, but most feel it is misdirected. They feel the application and the supporting system do not meet the local market needs here in Japan. In fact, they point to this system as the latest example of this disconnect between their needs and what JNO puts forward."

"If it's a matter of training, we could increase the effort we're putting into that, increase the number of classes we have scheduled," offered Katoh.

"Our opinion, Katoh san," replied Clarke, "is that there are bigger issues that need attention."

"Please elaborate," directed Bonardi.

"One example," began Dixon, "is that the dealers feel pressured by JNO to sell more of the larger models, the G & S series, because margins are higher, even though sales of the smaller displacement models are growing just as fast, even faster in some cases. Many dealers have to make pre-delivery adjustments, due to differences in the gasoline formulation between here and Europe. Some of the print advertising has also been a concern — some consumer groups complain it encourages unsafe riding on public roads and highways. Several mentioned some of the accessories, like the riding leathers and helmets, for example, are not sized correctly for the local market. As you know, dealers have to purchase these accessories, and many now have quite a bit of inventory they cannot sell."

"I see," said Bonardi, now frowning. "Please continue."

"Parts availability is a lingering concern," continued Clarke. "We're aware of the improvements you've made in the last few years to the supply chain, and that stock-outs are down to nominal levels. However, as you may know, some years ago, as foreign manufacturers were just beginning to enter the Japanese market, maintenance and parts availability issues were common. Even a few problems can contribute to a lingering perception that foreign bikes are simply not as trouble-free as domestic products. Another issue is paint quality."

"Paint quality?" interjected Bonardi. "Well, I must say that is unexpected. I know we do a thorough inspection of every bike upon arrival, and before they are shipped to the dealers. Almost all the bikes pass the inspection, but once in a while we have some very minor damage during shipment. Even so, all these are problems are fully repaired. "

"But with respect, sir," said Saito, "those are Tommasi quality checks. The standards for quality at the local dealers are different."

"All the dealers we've spoken with so far said that almost half of their motorcycles require minor touch-ups to the paint before being put in the showroom," said Dixon.

"Half of their inventory?" asked Bonardi.

"Yes, sir," replied Dixon.

Turning to face Katoh, Bonardi probed, "Were you aware of these issues?"

"Formerly, we did have a program in place, similar to the one you're describing, a more rigorous inspection right at the port, right as the bikes were unloaded," answered Katoh.

"We weren't aware of that inspection," said Saito. "We had asked something like that be implemented. But you said 'formerly'?"

"Yes, the program was discontinued," said Katoh.

"By whom?" asked Bonardi.

"By your predecessor, sir," replied Dixon.

"Do you recall why it was discontinued?" asked Bonardi.

"If I recall," replied Katoh, "it was because the dealers were asking we do everything we could to cut the time between when the inventory arrived at the port, and when it was delivered to the dealerships."

"Yes, I think that's right," offered Saito. "Although I don't believe we understood getting the inventory quicker also meant we would miss out on an important quality check."

"OK, is there anything else?" asked Bonardi.

"Other dealers offer programs," said Saito, "such as no-cost or low-cost maintenance programs to their customers. In most cases, they don't inform JNO of these after-market programs because they are afraid of interference by Tommasi. The dealerships absorb the cost of these programs, and pass very little of it on to the customer. They also sell at a discount some of the options and accessories that are less popular in Japan, and that cost is absorbed by the dealers as well. It's been at least two years since JNO invited us to review the options and accessories for the Japanese market."

"OK. Katoh san, are these findings and comments similar to what you hear from the field?" queried Bonardi.

"To some extent, with some dealers, yes," replied Katoh.

"Then there was the fuel injection issue, said Saito. "The problem was eventually resolved, but it took several months."

"Now that one, I'm afraid, was out of our hands," countered Bonardi. "I also recall we sent out repair kits and a technical bulletin to all the dealerships the very same day we were notified by our legal team."

"The legal team?" asked Saito.

"Yes. You weren't aware that we were sued for patent infringement?" asked Bonardi.

"No, I wasn't aware," replied Saito. "What was the issue?"

"The company that made that tiny little part, the one that would fix the injection — they sued us for patent infringement. Apparently, it was an issue only in Japan. Eventually the claim was dropped, but at the request of our legal team, we were unable to send out the new parts for about three months. Katoh san, wasn't that included in the newsletter—I mean the cause of the delay?" queried Bonardi.

"No sir, it was not," replied Katoh.

"But why not? Why wouldn't we have just explained what was going on?"

"To be honest sir, we thought it would sound like an excuse," explained Katoh. "That was last spring, and you recall it occurred right after we had finally resolved the inventory shortage of brake pads. At least twice, we'd announced that we had them in stock, and each time, we had to send out a revised communication. No sooner was that resolved when this fuel injection issue came along. We knew we had found a mechanical work-around, and our legal counsel was confident the patent issue would be resolved in our favor within a couple of months, so we thought it would be best to not share all the details, and then send out one communication, along with repair kits, after everything was resolved."

Turning to Saito and the consultants, Bonardi said, "I'm almost afraid to ask, but is there anything else?"

"Well, actually yes," replied Clarke, exchanging glances with Saito, and passing a copy of their 45-page interim findings across the table to Bonardi.

Picking up the report and shaking his head, Bonardi sighed, "I simply was not aware of all these issues. Obviously I need to do a much better job of staying in touch, but Katoh san, I still think we could have communicated more effectively with the dealers — and with ourselves, it sounds like."

"If I may, Mr. Bonardi," said Saito, "we don't always make our views known so clearly to JNO because frankly, we're not sure the message would get through. What I mean is, we're not sure who's in charge here. Of course we know your name, but most of us dealers have never met you, and we know, again to speak frankly, that this is a temporary assignment for you. I myself tried some years back to develop a relationship with the president at that time. We had some productive meetings, but I still remember calling here one day to make an appointment. The receptionist said 'Sorry, he's returned to Europe,' and then they asked if I'd like to make an appointment with his replacement — those are the exact words she used. She said make an appointment with 'his replacement.' She didn't even mention his name, and I didn't ask."

"Mr. Saito, I appreciate your candor," said Bonardi. "I apologize for the poor state of our relations with you and the dealer network. Horizon, it sounds like you've made some quality connections with the dealerships in a very short amount of time. Clearly, we have a lot of work to do here. I'm going to make a suggestion that, if you're all available, we spend another hour or so here, and get all the main issues out on the table. Then let's adjourn for today, and schedule a meeting as soon as we can, with a group of representative dealers, Horizon, our own IT staff, Katoh san and some of your staff. Perhaps we should also think of a one-day off-site meeting, at our expense, of course. Together with our dealer network, we need to decide on and get moving in a new direction for Tommasi in Japan."

Later that evening, during their respective homeward-bound commutes, the participants reflected on the events that brought them all together so unexpectedly, and what the next few months would bring for Tommasi in Japan. For Bonardi, aboard the Meguro subway line, the key questions were: How to restore trustful relations between the dealership network and JNO? Was a re-organization of Tommasi's Sales and Marketing function in order, and what would it look like? How to balance global product and marketing strategies with local needs? In the future, should Tommasi end the tradition of having a European expat in charge of Japan, and place a Japanese citizen in charge instead? And perhaps most importantly, whose decisions were these — his or those of his successor, due to arrive the following spring?

Aboard the crowded Yamanote train line, the consultants had a different set of concerns.

"So, do you think we'll still have a job tomorrow?" asked Dixon.

Clarke reflected for a moment, then said, "Not sure. I think so. I hope so, but it's interesting, don't you think? Turns out the cultural and language fluency we always brag about aren't always such a welcome skill set. Did you see the look on Katoh's face? Poor guy. You know he hates us right now. I hope he doesn't think we were trying to ambush him. I think I understand what Suzuki may have been referring to."

"You mean when he said Katoh could be 'difficult'?" asked Dixon.

"Precisely," replied Clarke. "So much for all those case studies that talk about how cultural fluency is a critical success factor for international business! And about going native, do you think that's really possible here for us? Ever? Or are we more effective as obvious outsiders?"

In Kansai, the Nozomi Shinkansen from Tokyo slowed to a stop at Osaka station. Koji Saito stepped out, walked through the station, and took the elevator to the underground parking garage.

"I wonder if Tommasi is serious about making some changes?" he thought to himself. "They should be. There's a lot more untapped potential in this market. I wonder if they'll ever put a Japanese person in charge?" Then, with a chuckle, "Or maybe I ought to give that system of theirs a second chance."

At 10:05 PM and still an hour from reaching his station, Katoh lay up against the train window, fast asleep. On his lap was a note pad with several sketches of organization charts and process diagrams. Across the top was written "Improving Communications at Tommasi Japan."