

C I N T R A F O R

Working Paper 60

[Back to Publications List](#)

The Changing Japanese Housing Market: An Assessment of US Export Strategies for Prefabricated Wooden Housing and Building Materials

Ivan L. Eastin and Anne Rahikainen. 1997

Executive Summary

Introduction

The Japanese market for prefabricated homes and wooden building materials has tremendous potential for US firms, particularly those located in the Pacific Northwest. For example, exports of prefabricated housing to Japan increased by 51% from 1994 to 1995, with 81% of these exports originating from the Pacific Northwest. Despite this success, Japan is a relatively new market to most US firms and more information is required before US firms can fully take advantage of the opportunities that exist. This research project was developed to provide a broader understanding of the Japanese market for prefabricated homes and wooden building materials, and to identify the problems that exporters must overcome in order to compete effectively in Japan.

The objectives of this project were: (a) to perform a competitive assessment of the Japanese market for imported prefabricated housing and wooden building materials, (b) to identify those marketing strategies that are being employed by US manufacturers to compete successfully in Japan, and (c) to identify the tariff and non-tariff barriers that are perceived to adversely impact the competitiveness of US firms in Japan.

The results of this research study were derived from a census of prefabricated housing manufacturers, export consolidators, and Japanese trading companies currently exporting their products to the Japanese market. The final sample frame included sixty-six firms: fifty-one in Washington and fifteen in Oregon. Sixteen of the companies manufactured prefabricated housing, while thirty-four were export consolidators, and sixteen were subsidiaries of Japanese trading companies. The final response rate for the survey was 70%, with responses being received from 75% of the prefabricated housing manufacturers, and 79% of the export consolidators, but just 47% of the Japanese trading companies.

Results

Prefabricated housing exporters in Washington and Oregon can be characterized as being small to medium-sized firms with annual sales of less than \$10 million and employing less than 25 employees. Most of the firms have been exporting to Japan for a relatively short time, usually less than five years. However, prefabricated housing manufacturers appear to be highly involved in the Japanese market, as indicated by the fact that approximately half of the respondents generated more than 50% of their annual sales revenue from exporting to Japan.

The promotional strategies used by the survey respondents were fairly limited, a fact which might be attributed to the small size of the respondents and their limited financial resources. A majority of the respondents indicated that they relied on product brochures, word-of-mouth referrals, and trade shows to promote their products. Promotional strategies that required a higher commitment of financial resources, such as establishing a model home or product showroom in Japan, were employed less frequently than the other strategies.

In general, the distribution channels for wood products exports in Japan are complex, consisting of several layers of intermediaries. However, the results of this research indicate that many of the prefabricated housing manufacturers and export consolidators have been successful in bypassing the traditional Japanese distribution channels. Approximately half of the respondents indicated that their primary channel of distribution involves selling their products directly to Japanese home builders. This strategy provides these firms with substantial cost savings, helping to increase the competitiveness of US prefabricated homes and building materials in the Japanese market.

Most respondents considered the establishment of a strong personal relationship with their Japanese customers as one of the most important factors for succeeding in the Japanese market. This factor was rated as being more important than any other single marketing factor by each of the three groups of respondents included in the study. Other marketing factors that were perceived to be important included providing after-sales service, short delivery times, and technical assistance to the customer.

Product adaptation was also considered to be an important factor for succeeding in Japan. In fact, all of the prefabricated housing manufacturers and 88% of the export consolidators reported that they modify their product to some extent for their Japanese customers. The most common types of product adaptation included changing the design of the home to include a tatami room and/or a genkan (Japanese-style entryway), utilizing higher quality materials in those products exported to Japan, and translating product brochures, installation instructions, and technical information into Japanese.

JAS and JIS product certification of building materials and the Japanese building code were perceived to be non-tariff trade barriers that had a substantial negative impact on the competitiveness of US prefabricated houses and building materials in Japan. Two other factors, the difference between US/Japan construction technology and inefficient transfer of US construction technology, were also perceived to be non-tariff barriers that restricted the competitiveness of US firms in Japan. It is interesting to note that in many cases the US subsidiaries of Japanese trading companies perceived the various trade barriers as having a greater impact on competitiveness than did the US firms. This was particularly true with respect to the complexity of the distribution channels in Japan and the import tariffs for prefabricated houses and building materials.

The vast majority of the prefabricated housing units exported from the US to Japan are manufactured using 2x4 construction technology. This poses a problem given the fact that most of the survey respondents reported that Japanese architects, contractors, and carpenters do not possess a strong understanding of 2x4 technology. In addition, many respondents stressed the fact that Japanese residential contractors seldom utilize the construction management techniques that are widely used in the US residential construction industry. As a result, construction costs are more than twice as high in Japan as in the US. But perhaps more important from a long-term strategic market development perspective is the fact that this basic lack of understanding regarding 2x4 construction technology can adversely impact the quality of 2x4 homes built in Japan and reduce their long-term performance. Either of these factors could potentially erode the competitive position of US prefabricated housing and wooden building materials in the event that substandard products and/or product performance adversely affect Japanese consumer perception of US products.

Not surprisingly, survey respondents indicated that the efficient transfer of 2x4 construction technology was an important component of their marketing mix, with approximately 85% of the respondents utilizing some type of strategy to address the issue of technology transfer. The three most widely employed types of technical assistance were: providing customers with installation instructions and/or product brochures, providing customers with seminars and/or on-site technical training, and sending over carpenters and/or construction site supervisors to ensure the quality of the construction work. Unfortunately, current Japanese immigration law makes it very difficult for US contractors and carpenters to obtain the work visas that are required to work in Japan. When asked to indicate what strategy would be most effective in transferring 2x4 construction technology to Japan, almost half of the respondents indicated that they favored providing training for Japanese construction professionals.

The results of this study indicate that prefabricated housing manufacturers and export consolidators in the Pacific Northwest are strategically poised to take advantage of current housing policies in Japan that

promote imported housing and building materials. Despite the fact that many of the participants in these industries are relatively new to the Japanese market, a large number are already experiencing success. In particular, these firms have demonstrated the ability to take advantage of the new competitive environment in Japan by developing strong business relationships with their customers and partners and developing distribution channels that bypass the traditional extended and costly distribution system. Given the strengthening Japanese economy, the opportunities for imported housing and building materials in Japan appear to be bright.

Full Report \$20.00: [To Ordering Instructions](#)

Back to [Publications List](#)