1 Introduction

Several characteristics of present day Japan combine to create a significant opportunity for Canadian manufacturers of quality millwork products. These are the rapid growth in the demand for western style housing and commercial outlets, the strength of the yen coupled with decreasing domestic forest resources and the traditional Japanese concern for quality and value. An additional motivating factor is the apparently significant position already enjoyed by a number of North American companies.

The objectives of this study, commissioned from KF International, a member of the Strategy Analysis International consulting group by the Canadian Embassy in Tokyo, are to provide Canadian millwork manufacturers with a basis on which to decide whether to invest the time required to develop business in Japan and to then plan how to approach the market. For those who are already exporting to Japan this study will hopefully serve to review current strategies and then to expand sales in the coming years.

Data was obtained through interviews with Japanese industry associations, government agencies and companies involved in the industry. Information on Canadian-made products was obtained from representative Canadian manufacturers with the assistance of the Canadian Lumbermen's Association.

Lumber Imports

Before the late 1960s, Japan's lumber demand was met largely by domestic resources. At the highest point, 1967, over 65 per cent, or approximately 50 million m^3 of the country's lumber needs were met by domestic supply sources. A downturn in supply and declining price competitiveness against imported lumber resulted in increased reliance on foreign resources. By 1969, imported lumber represented over 50 per cent of Japan's market and, since 1981, has ranged from 65 to 70 per cent. (Demand and imports are indicated in Table 1.)

Currently, over 60 per cent of the demand for lumber in Japan is for millwork products, a little over 20 per cent for pulp/chips, and over 10 per cent for plywood. Moreover, 80 per cent of millwork products and 50 per cent of plywood are used in housing construction.

Table 1

Japan's Lumber Demand

Year	Demand *(Million m^3)*	Imports *(%)*
1984	91.4	64
1985	92.9	64
1986	94.5	67
1987	103.1	70
1988 est.	104.8	71

Factors Affecting Demand

In Japan, the materials used in the manufacture of millwork products, including flooring, staircases, panelling and mouldings, largely consist of laminated wood and plywood. The extensive use of these materials is primarily attributed to the lack of domestic resources; ease of handling and maintenance compared to solid-wood products; product uniformity in terms of size, quality and texture; and confidence about quality and service.

Laminated wood also allows considerable leeway, when compared with solid wood, for product development. For example, soundproofing materials can be sandwiched between layers of wood; such materials would have to be separately installed in the case of solid wood. For home builders and other related end users, such built-in features as sound and heat absorption are attractive, and cost and time efficient.

In Japan, there is a growing shortage of skilled craftspersons who are capable of handling sawmill products, particularly flooring. In response, Japanese building materials and components suppliers have focussed on providing easy-to-install products requiring little in terms of after-sales service and maintenance. On the whole, the advances made with respect to this effort have been largely in laminated wood and plywood products.

Among end users, this market-oriented user-friendly effort by Japanese suppliers is considered to be lacking in their foreign counterparts. In the event of problems, end users consider the after-sales service response of a domestic manufacturer/supplier much more efficient compared to that of importers. Hence, their preferences lean toward domestically manufactured products.