

Thailand and Indonesia (71 per cent), with the remainder split almost equally between Europe and North America. In upholstered furniture, which is a small but growing part of the import mix, imports increased 5.6 per cent last year (for a total of 6.3 billion yen). Furniture components remain stable at 45.7 billion yen, less than a 1 per cent increase over 1994 figures.

With the exception of China (whose exports to Japan grew by 41.3 per cent to 19.6 billion yen last year), imports from Southeast Asia have lost some ground. Compared with the previous year, Taiwan, for example, increased exports by only 7.15 per cent, Thailand by 1.5 per cent and Indonesia by 5.3 per cent. The slower growth of imports from Southeast Asia underlines the shift in consumer fashion that was identified by industry analysts last year.

The size of the retail market for wooden furniture in Japan is estimated at more than 4 trillion yen, and Japanese consumers favour products offering a good balance of quality, style and price. Canada is viewed as an excellent source of wooden furniture, but price, quality and, to some degree, size will determine the long-term success of Canadian companies in this market.

While the office furniture market continues to be stagnant as flat growth affects business bottom lines, institutional and contract furniture sales prospects are buoyant. At least partly because of the high yen, not only have imports increased in this sector of the market, but architects and designers are often insisting that foreign companies be invited to bid for furniture contracts, especially as trends in the contract furniture market move toward less expensive furniture. Japan is still committed to increasing its hospital and residential care facilities. Although development is lagging behind earlier

predictions, analysts agree that this will be an important growth sector.

Modifications in the existing distribution channels in Japan are being made as retailers increasingly import directly for their own stores. This new trend is resulting in significant benefits for the retailer and the consumer. Usually, the price of imported furniture distributed through the conventional channels is almost three to four times the retail price in the exporting country. Direct importing can keep prices low, and retailers can minimize their risk by selling unsold inventory to distributors outside their market area. Consumers benefit from the lower prices, larger style ranges and innovative designs.

Japanese companies will generally import products on an exclusive basis to control not only their own market area, but also areas where they sell that same product to other distributors. In these cases, Japanese retailers/importers may prefer to deal with companies without local agents, since the extra percentage of commission can adversely affect the profit margin. In selecting a Japanese import agent, Canadian manufacturers have to decide whether they are in the market for the short or long term. In some cases, an exclusive agreement with an importer might limit the ability of exporters to penetrate regional markets in Japan.

THE ACTION PLAN

Japan is an increasingly important destination for Canadian furniture exports and, as a market, merits the development of a focused, long-term approach supported by industry leaders, associations, and the federal and provincial governments. It is the intent of the Action Plan to position Canada over time in Japan as a significant supplier of quality