

One potential direct link is with 2 x 4 housing manufacturers. The leading 2 x 4 house manufacturers as of 1988 are presented in Table 25. The market leader is Mitsui Home with a 25 per cent share of the then 23 000 unit market. The other five leaders each held between 3 and 6 per cent market share.

**Table 25**

**Leading 2x4 Contractors – 1988**

Contractor	Units	Market Share (%)
Mitsui Home	10 400	25.1
Taihei Jutaku	2 262	5.5
Sekisui Chemical	2 000	4.8
Kinoshita Komuten	1 500	3.6
Taisei Kensetsu	1 400	3.4
Sekisui House	1 200	2.9
Other	22 731	54.8
Total	41 493	100.0

Source: Yano Economic Research.

### Successful Business Practices

The two most important points in Japanese business are to maintain a long-term view and to build a long-lasting relationship with customers. One of the most common errors made by foreign exporters is to change Japanese agents/importers every two or three years because of unsatisfactory business performance.

In Japan, frequent changes of importing agents usually lead to Japanese end users believing the exporter has problems with their products or services, or are simply difficult to deal with.

The Japanese are wary of new suppliers and new brands from abroad. In particular, they are concerned about after-sales support service capability. It takes a fairly long period of time, therefore, to establish a strong and acceptable reputation in Japan.

Although Bruce is handled successfully by Nittobo, it was a success based on 10 years of work and a significant investment on the part of the Japanese importer. The two companies firmly committed themselves to the Japanese market despite the relatively limited business opportunities available in the flooring industry. They also made a sizeable investment in brochures and catalogues which were distributed to carpenters free of charge at the outset of the business.

### Pricing

Due to the complex nature of the Japanese distribution system, domestic manufacturers must set their prices to allow satisfactory profit margins at each level of distribution. Moreover, the final price to end users is usually about 3.5 times more than the actual manufacturing cost.

Distributor and dealer margins range between 15 and 20 per cent. Those for architects and contractors are approximately 12 per cent.

For imported products there are two main rules to be considered. For new and superior products, the original list price is converted to yen and then tripled. If the product to be imported is the equivalent of a Japanese product but priced lower, the converted price is raised 50 per cent.

One thing to be considered in pricing is that Japanese end users are not particularly price sensitive. For instance, even if a budget limitation should exist, an end user would be willing to pay more if he gets a desirable product or brand; value is attached to image.

If a product's price is too low, an end user tends to think the product is inferior. On the other hand, distributors and contractors prefer not to handle cheaper products. This leaves little room for profit margins.

### Tariff and Non-Tariff Barriers

There are no specific regulations prohibiting the import and sales of the millwork products studied in this report. The only issues which may limit sales are building codes and fire regulations.

The only formal industrial standards that exist for millwork products are for flooring. These, and other standards applicable to panelling and staircases, are discussed in Chapters 2 and 3.

As there are no clear categories for flooring, staircases, panelling and moulding, actual import duty may differ by custom officer. The following percentages are provided as import tariff guidelines:

- Flooring 5.0
- Staircases 3.9
- Panelling 5.0
- Moulding 3.9