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Changing Competitive Process, Marketing Behavior, and Wider Market Access in Japan

Yoshio Kajihara
Abstract

International specialization, overseas direct investment and international transfer of technology are developing rapidly. International distribution of products is more and more enlarging its channel. As a result, international industrial structure is being built up on a world wide scale. On the other hand, although various policies are adopted to open up markets for foreign products, Japan has not attained a high degree of import such as United States of America and Western advanced countries.

Many countries in the world have been urging Japan to make its market more accessible. Meanwhile certain factors inherent to the Japanese economic system, which are somehow restricting competition have gradually surfaced: Opportunities for price competition are strained by the government regulations as well as by the Japanese distribution system which is hardly responsive to supply sources, thus producing a market price discrimination between home and abroad. In this paper, marketing power of manufacturer with special reference highly differentiating Strategies, independent consumer behavior implications for marketing, the decreasing importance of manufacturer’s role and the increasing involvement of retailers, and wider market access in Japan are examined.

In the price sensitive American and European markets, new products based on advanced technologies are sometimes launched without making such an excessive product differentiation as is often done in Japan. In these cases, the price competitiveness is critical to market success. In the Japanese market, however, manufacturers have been continually introducing the product differentiation and using it as a driving force to promote the
development of products as well as in the competition in technology. Consumers have tended to react to new differentiated products continually rather than to prices, and as a result, differentiation in products and related distribution channels developed to a high degree. The marketing and distribution system has become less responsive to prices, resulting in differentials in market prices between Japan, America and Europe. Globalization of economy too is pressing for transformation of the Japanese type marketing and distribution system. But it is behavior of consumers that has far more contributed to changes in the mechanism for competition, and the Japanese system has begun to change itself.

Consumer behavior analysis by manufacturers could have been properly used in order to learn consumers' needs and attitudes, to adopt their supply behavior for obtaining satisfaction of consumers; but, in many cases in Japan, it has been utilized to set up a footing upon which to manipulate consumers. Manufacturers, by comprehending the whole process of consumer behavior, have been enabled to use some such footings in integrated marketing program, and have come to dominated consumers. Though consumers are not dominated by manufacturers in their choice behavior itself, and are simply manipulated by manufacturers in their conduct; as illustrated in the high rate of failure in cases of the new products, manufacturers have often failed in their strategies aiming at consumers. Even if their needs were quite notable, product development was not carried out when the market seemed small or when the rate of success in developments was considered low; and manufacturers have made an enormous amount of investment in product differentiation and advertising for creating mass demand. In product differentiation, the emphasis was placed upon the creation of singularities for sales promotion, rather than improving with new
technology fundamental functions of products; product differentiation was repeatedly changed so as to force consumers to make repurchases; while in parallel with this reinforcement of product differentiation, cost reduction was sought after, at times sacrificing product's safety, reliability and durability in pursuit of a higher profit rate. It is true that new technology development was achieved in supplying big market: but the technology development has often included factors to endanger the health and life of consumers, and has polluted the environment. It must have been possible to enable advertising to give to market product and price information necessary for selecting and consuming goods, and to aid consumer's well planned purchase; in actuality, however, instead of making advertising supply information needed for selection of goods, vast quantities of investment have been made in the repetition of simple sales slogans, for introducing new products only with different features in them for urging consumers to buy goods. Consumers have been obliged to hear and see the same things again repeatedly, and have been restrained in their free choices of goods. Furthermore, such advertisement has even worked on consumers to divert their attention from defects in the product. An enormous used products also have been left after the mass supply to market and acceleration of repurchasing; which fact together with the above mentioned environmental pollution caused by new technology, has tended to lead consumer's to disaster.1

After the oil crisis, however, the number of consumers who had been apt to be influenced by marketing strategies of manufacturers and who had formed a major market, was doomed to fall drastically under the soaring prices. This reversed behavior of consumers, moreover, was not a simple attempt to save but was directed to the independent behaviors and that became a serious problem in marketing to manufacturers. The indepent
behaviors of consumers to mean their resistance against manufacturers' consumer controlling behaviors such as differentiation of products, of stores, and a vast quantity of advertising and against prices. Consumers' tendency toward free selection of brands and stores was realized.

Changing Power Relationships Among Marketing Channel Participants

During the recession succeeded by the oil crisis, under conditions that the increase in real income cannot be expected too much, consumers reacting to essential qualities and prices of goods more and more in order to maintain their standards of living have stopped persisting in particular brands and have come to select brands freely. They have also come to select stores freely, so as to make comparisons concerning products and prices among stores.

Such changes in consumers' behaviors forcibly modify the distribution processes that have been controlled by manufacturers so far. It has become difficult for manufacturers to control consumers by differentiation of products and a vast quantity of advertising; the bases of marketing channel control is in crisis. Manufacturers have been put under circumstances where they can not but compete in technology and prices in order to endure the free judgments of consumers, thus manufactures are put under conditions that they cannot interfere in retailers' assortments and price behaviors, unless they are prepared for the decrease in opportunities of sales and for retailer's dissatisfaction. In other words, the execution of marketing strategies which are adjusted to and integrated for the retail market has now become risky to manufactures, and in some cases, they
have no other choice but to leave part of the marketing processes to retailers' independent behaviors. On the other hand, retailers now need to keep a wide variety of brands of keen competition and to adopt competitive pricing; also, creative behaviors as required by the real state of market are now necessary for them. Now the channel control of manufacturers is obliged to retreat. Moreover, there is a case where the development of supermarkets and discount stores quicken the retreat of the channel by manufacturers.

Manufacturers which appeal directly to the final market with product differentiation and mass advertising can include necessary wholesalers and retail stores as constituents of channel, by offering wholesalers and retail stores comparatively reliable and stable sales opportunities and can organize and maintain the controllable and efficient united marketing channel system.

It becomes the opportunity to organize a new marketing channel system in the case where manufacturers introduce new products. The introduction of new products into competitive market with great development investment needs an adjusted and united marketing channel; and as the organization of such a marketing system was possible by product differentiation and mass advertising, in all introduction of new products such a marketing channel with strong control by manufacturers appeared. Manufacturers came to try to strengthen their power of competition and enlarge profit to the final market by adjusting and integrating marketing efforts. Thus as for marketing channel, manufactures came to make special efforts to establish the system which makes it possible to influence the force of control as extension of their own system. Wholesalers and retail stores were systematized; stocking and selling behavior of these wholesalers and
retail stores came to be controlled in exchanges of guarantee of sales opportunities.

In Japan, such organization of wholesalers and retail stores was already seen before World War II in cases of cars, etc. Since 1960 or so after the war, this organization has been developed by manufacturers in many product fields such as electric home appliances, cosmetics, synthetic detergents, musical instruments, etc.

Under the channel control by manufacturers, all the main marketing problems are solved at the level of manufacturers and with profit and sales of manufacturers as a standard, wholesalers and retail stores which are included in marketing channel cannot take parts in solving marketing problems. However, the development of supermarkets and discount stores comes to interfere in such a marketing channel under the control of manufacturers. Such discount retail stores as supermarkets in Japan which began to develop around 1960, did not have such an innovative character as seen in the United States; but with discount from retail prices instructed by manufacturers or from common retail process and with introduction of selling method which makes possible the consumers' option and highly convenient shopping these discount retail stores came to have their own power to attract consumers. Besides, discount retail stores became large in scale by permeating through mass market; manufacturers were forced to use discount stores to achieve broad market contact. It is difficult for manufacturers to control the behavior of discount stores as they please, and the parts of marketing policy by manufacturers which are amended by these retail stores are increasing.

Specialty stores including affiliated retailers have succeeded in claiming an equal voice with manufacturers and in advancing sales/profit by an
assortment of rival brands. It means that retailers have modified sales programs of manufacturers, which still have a great influence on Japanese distribution system as a whole.

Though manufacturers admit affiliated retailers the freedom of pricing which causes competition in price among retailers, it often includes a reduced margin rate of retailers. As consumers become alert to prices, and as general demands in any industry will not expand so much, manufacturers must compete actively in price not only in manufacturers level but also in distribution level.

Under the tendency toward consumers' free choice of stores, manufacturers are forced to use various distribution channels including supermarkets; and the restrictive channel policy which can be called a fundamental condition for the channel control, that is the strategy which limits constituent members of channel is now being denied. Under the tendency toward consumers' free choice of brands, it becomes difficult for manufacturers to control consumers by product differentiation and mass advertising; the base of the channel control starting to shake. Manufacturers are driven into the condition in which they must enter into technological competition and price competition which can stand free valuation by consumers; and are put in a situation where it is hard for them to interfere in assortments of goods and price behavior of retail stores, unless they are ready for decrease of sales opportunities and complaints of retail stores.

It becomes risky for manufacturers to practice marketing strategy which is adjusted and united for retail market; and cases are seen in which manufacturers are forced to depend on retailers' strategies for marketing. An assortment of competitive brands and adoption of competitive price become essential for the retail stores, and creative market behavior
becomes necessary.

Nevertheless, the marketing channel in which discount retail stores succeed in forcing their way is only seen in the case of industry which is not highly concentrated, or if so, it has comparatively many opportunities of competition with competitive surrounding firms. In highly concentrated industries, it is not necessarily enough for discount retail stores to force their way in channel. Moreover, in the fields in which the industry is not highly concentrated but has great product differentiation and where consumers stick strongly to specific brands, manufacturers adopt restrictive channel policy, many of them succeeding in stopping the invasion of discount stores. However, the tendency toward independent consumer behavior seen in recent Japan forces on a larger scale the manufacturers channel control to retreat. Such changes in consumer behavior modify former channel controlled by manufacturers. Under the tendency toward consumers' free choice of stores, manufacturers are forced to use various distribution channels including supermarkets; and the restrictive channel policy which can be called a fundamental condition for the channel control, that is the policy which limit constituent members of channel is now being denied. Under the tendency toward consumers' free choice brands, it becomes difficult for manufacturers to control consumers by product differentiation and mass advertising; the base of the channel control is starting to shake.

Consumers who strengthening their resistance to marketing behavior of manufacturers and recovering their independence are becoming more interested in advertising, but many consumers complain about shortage of information conveyed by advertising. Consumers demand detailed information to select brands and goods, especially technical information, but advertising cannot correspond enough to this. Consumers become more
suspicious of advertising and manufacturers are forced to supply highly reliable information through personal communication. The condition becomes that manufacturers must depend on retail stores to convey reliable and detailed information to consumers. Besides such situations, manufacturers are being obliged to depend on retail stores to absorb requests from consumers. In the high growth period when consumers reacted well to marketing strategies, manufacturers built up a hypotheses on consumers' requests and accordingly made product plans, creating great demand by intensive sales promotion. However, for the present consumers who show great resistance to marketing strategies, this method is not suitable; thus it becomes necessary for manufacturers to make sure of consumers' requests in detail. Manufacturers are being obliged to get information to decide on product specifications and the sales method through retailers who always come into contact with consumers and can hear consumers' requests directly.

Retailers are fundamentally placed where they can get in direct contact with consumers, and are qualified to be the most adequate medium concerning information supply for consumers, and answering their needs and complaints. Nevertheless, retailers now do not effectively carry out such functions as informed, nor manufacturers do not rightly evaluate this qualification of retailers and have not established any system yet to support the execution of such functions. However, consumers ready for independent behaviors and alert to information are press retailers to reinforce such functions, and manufacturers are occasionally obliged to act accordingly.
Price Competition in Distribution Process.

In the case of Japan, although it is small, the effects must be appreciated to a certain degree of the fact that innovative retailers (large scale discount retailers such as supermarkets) have introduced price competition into the distribution process where manufacturers' control had been under reinforcement. The influences of large scale discount retailers must be considered in a wide scope, as a factor which besides destroying a part of monopolistic manufacturers' channel control through the countervailing power introduced price competition into distribution process promoted the independence of retailers in general, and further more, caused price and technology competition among manufacturers. Even in a highly concentrated monopolistic industry, if discount retailers have successfully come into the distribution processes there, price competition comes to proceed as among retailers among monopolistic manufacturers, contradicting their intentions. Motivated by such an introduction of price competition by discount retailers, the means to control of manufacturers over the ultimate demand tend to become powerless; retailers, on the contrary, partly with the help of penetration into retailers of innovational ways of sales, come to offer consumers' own independent chances in selection by a variety of stocks and prices in many brands and come to exercise their singular customer attracting force on consumers who have influenced by prices begun free brand choice. Manufacturers come to depend upon retailers more as to customer attracting power for sales, and it gets hard for them to control retailers of their own will. Moreover, the range of free selection of stores for consumers is enlarged by the diversification of retail systems caused by the interference of innovatory retailers and by the extension of geographical
mobility of consumers; this fact must oblige manufacturers to supply the market through various channels, must make restrictive channel policy unfavorable, and the control of manufacturers over retailers even more difficult. In general, when manufacturers aim at a wide scale penetration into market, they cannot but depend upon discount retailers, and in part obey their interferences; particularly in cases where the brand already has been accepted in market so that manufacturers’ special efforts to create demand are not necessary, or where the competition among brands is severe there large scale retailers’ interfering force is usually great to manufacturers.

Furthermore, the large scale retailer comes to integrate the manufacturing process and to establish the “private brands”; but it should be taken account of that there is a limit to the use of these private brands, and thus to its role in the introduction of competition. In general, private brands are accepted by consumers at lower prices than those of manufacturers “national brands” only when such national brands have been introduced into market and have secured their places there. Moreover, as the means of promotion, private brands are chiefly their prices, products are usually those alone in which technological differentiation are not extensive, and products whose demand freely flows among brands. The essential qualities of private brand products are not necessarily inferior to those of national brands; however, their brands can be received simply on the criterion of price comparison with national brands because retailers cannot keep up nation wide demand creation system for their brands. Especially in Japan the private brands status is often low in comparison with that of the national brands. From now on, the private brand status in market will tend to rise higher for reasons that the private brands will be evaluated new as consumers come to judge products better than before; that consumers will be able to bear more risks
with the increasing income; or that is conversely, they will start to react to prices more alertly. In Japan, nevertheless, as having been mentioned above, the private brand status is usually low and the range of product development is narrow for retailers; thus it follows that a manufacturing process integration on a huge scale is regarded as nearly impossible. Also, it cannot be denied that large scale retailers, whose merit consists fundamentally in the variety in their assortments, are basically suited to ask for concession as free judges for the wide supply source rather than for the manufacturing process integration. Therefore, the effects may not be expected too much of the competition introduction by retailers who have achieved the manufacturing process integration; only with respect to ensuring a stable supply source for retailers, such an integration may be supposed to grow valuable in the future. However, retailers still need to down their production investment to the lowest limit possible, and to maintain the free choice (for customers) of supply sources at the highest level. Yet such private brands as are ordered to product specifications alone can choose where to place the orders on the ground of the prices in competition with manufacturers' national brands; thus it might be that they are free from the rigidity as in the case of the manufacturing process integration, and that they can maintain the promotion chiefly with appeals in prices. It is also possible that some reduced prices are allowed, when they have been first supplied from manufacturers under the name of the private brands. However, in all events, the introduction of price competition among manufacturers is in consideration of the private brand status in market inevitably less effective than the direct discount of manufacturers' brands.

At any rate, as to private brands, it is only that some effective role can be expected of them in pressing upon the manufacturers' market
dominance and in somewhat checking its monopolistic behavior in pricing; and though expected of some, they cannot go so far as to organize a new channel that is capable of resisting the channel controlled by manufacturers. It should be noted further what motivates the introduction of private brands is often the desire to obtain a high profit steady. The revolutionary point of discount retailers lies in correcting manufacturers' demand creating policy and monopolistic behavior in pricing; Private brands adopt the low price policy against national brands simply because their status is still low; that they want to intensify product differentiation if possible, to advertise on a nation wide scale, and to fortify their competitive standing as to set up conditions under which monopolistic behavior in pricing is viable. Private brands will be a medium through which retailers who have accomplished their own market status develop a monopolistic behavior in pricing.

Concentration in Distribution

The concentration in distribution is interrupted at a considerably low level when other revolutionary retailers have developed. Also, a retailer that has reached a governing market share in local market is perhaps for the existence of many competitive proximal retailers or for the competitive pressure of other innovatory retailers, restrained in the monopolistic market behavior.

Nevertheless, it is a fact that in market concentrated to some extend a few large scale retailers were seen to act in an oligopolistic way. It is a fact that such concentration of the retail market on a few large scale retailers might be dangerous as a possible basis of such retailers' monopolistic behavior as can be seen in large cities. This is to say large scale retailers
adopt the low price and innovatory policy for the purpose of forcing their way in market; once they have reached a satisfactory position in market, they become price leaders of proximal retailers, come to reduce the discount rate to increase their investment in store differentiation in order to maintain high prices seemingly acceptable. Especially in Japan, up to recently consumers’ buying activities centered on and around large cities, which naturally causes discount retailers to be located likewise; and such locations were liable to lead to high entry costs, soon reducing the discount rate, and their monopolistic behavior became conspicuous. However, the range of the classes of consumers sensitive to discount prices is now widening and mobility of consumers is increasing; therefore, although in Japan such an opportunity is quite limited, retailers having already achieved a potent positions in local market may be in danger, if they cut down the discount rate of inducing the entry of new retailers at a still higher rate of discount, and thus a their monopolistic behavior is considerably restrained.

In the case of manufacturers, competition in technological innovation which effectually reduces product costs is promoted in parallel; accordingly the industry often achieves a dynamic development where competition is carried on, among successful firms in technological innovation, on the ground of technically new products and at a lower level of prices. However, in the distribution, accomplishments cannot be successive in the innovation in sales and management methods which innovation offers new chances for price competition; therefore, it becomes necessary, to restore non price competition and to control price competition at a comparatively early stage, so as to avoid the passage to destructive competition. For example, the efforts of supermarkets to minimize the possible changes of direct price competition among themselves can be suspected in the following facts; price cutting
As counter attacks are not frequently seen among themselves; the same products are hardly ever advertised as "special offers" by plural supermarkets at a time; a direct correlation is not always existent between the price levels of advertised goods and those goods not advertised. In fact, though monopolistic retailers stock goods on a large scale and in different constitutions, and interdependence among stores is complicated, making it hard for them to react to one another in rivalry and such conditions have supported by the policy of raising and lowering prices often, produced opportunities for price competition among large scale retailers, or between a large scale retailer and other retailers nearby. But in the case where the rate of concentration was high, such conditions as mentioned above were the ground just as they were of monopolistic behavior as well.

Changing Consumer Behavior in Information-driven Society

Through the rapid aggravation of the inflation by the Oil Crisis in 1973, consumers have offered more resistance to marketing with product differentiation, store differentiation, repeated mass advertising and monopolistic high prices. They tried to have their own planning for purchasing, independently and carefully, not controlled by manufactureres. Consumers became carefully to examine product specifications, performance, and price. Despite active price comparisons, consumers are increasingly inclined to pay more for higher grade products. Manufacturers are driven into the condition in which they must enter into technological competition and price competition which can stand free valuation by consumers. Some of the firms tried to answer consumers' demands by strengthening basic functions of goods, eliminating excessive functions, improving safety and adopting
competitive prices. Marketing policies in major manufacturers became gradually to be appreciated by many consumers. However, retailers did not seize this opportunity for struggling with manufacturers. During the high growth years of 1980s, manufacturers have minimized the room of price competition by differentiating products and unique marketing. The balance of power did not shift to retailers. Major manufacturers have resumed market power in affecting distribution process.

Notwithstanding the ever strengthening of the yen against the dollar which continues from the fall of 1985, a Japan's current surplus has been growing. In concurrence with this, many countries in the world have been urging Japan to make its market more accessible. Japan has not attained a high degree of import such as Western advanced countries, and is condemned internationally for it's market closedness. Meanwhile certain factors inherent to the Japanese economy system, which are somehow restricting competition have gradually surfaced: Opportunities for price competition are restrained by the government regulations as well as by the Japanese distribution system which is hardly responsive to supply sources, thus producing price differentials between products in home and abroad. The information on price differentials have widely been permeated among consumers. Criticism is voiced against the waste of resources and the destruction of environment in both of which a very shorter range product cycle running and greater emphasis on product variety is deeply involved.

With the increase of their information, knowledge and intelligence, consumers have come to use not only information obtained from their own experiences, but a wide range of accurate information made available through various media; this trend has become so conspicuous that it has developed into behavioral changes of consumers.
Conventional behavior of consumers has not come to be perpetuated after all due to their increased use of information. So far, consumers have made choices in a way of reducing the alternative goods offered, by referring to information obtained through past experiences in purchase and use.

Consumers has now begun to behave as problem solvers who always use a wide range of information available from various sources, thereby lessening effects of a marketing strategy intended to induce consumers' choice to some specific brand of product by offering highly differentiated product and mass advertising. The consumers are responsive to the prices and make changes in their brand choices. They do not stick to specific brands, but widen the range of their brand alternatives for choices after acquiring some knowledge about brands for themselves. The consumers do not only react to prices more keenly but also to the differences in quality and the technological differences of products.

Furthermore, manufacturers are now forced to modify their present marketing strategy in operation. So far, they have taken advantage of offering a wide variety of alternatives, enabled by the frequent introduction of new differentiated products, to manipulate consumers rather than facilitate their choice for benefits. But, the improved ability to access and process information on the side of consumers means that they are extricating themselves from such manipulation, thus urging manufacturers to modify the marketing behavior.

Globalization of economy too is pressing for transformation of the Japanese type marketing and distribution system. But it is the behavior of consumers that has far more contributed to changes in the competition process, and the Japanese marketing system has begun to change itself.

As compared with the Western countries the Japanese society has
kept a stabilized structure with a little of mobility. But the development of information systems innovative behavior in recent years has been facilitating the Japanese society to change: The long term social relationship is falling down, and is being replaced by a structure that is mobility oriented; Movement of labor forces among enterprises is being intensified, and dealings beyond affiliate companies are increasing with respect to not only finished products but parts or raw materials. Changes of the distribution relationship taking place in recent years conform partly in structural reform of the Japanese society, and this shows that a real trend toward changes is now firmly built in.

A society with high mobility will stimulate such competition as brings about lots of good performances. It will have a driving force to achieve innovation. When the Japanese society has turned into a mobility oriented society, Japanese Type groupism based on hierarchical relationships which supports stability will also have to undergo transformation.

Progress of information society and ever increasing internationalization will eventually lead even such the Japanese type groupism to change: Groups will open their doors more widely, and though in varying degrees, they will fundamentally tie together for innovation. Groups will develop into flexible structures where contribution by each member is maximized. These will hold true for enterprise groups.

Changes of the distribution system are in a huge trend of the structural change of society. Manufacturers must concentrate their efforts to achieve innovation of a high value for the society, rejecting the strategy to manipulate consumers by continual introductions of highly differentiated products. They also must try to seize new business opportunities by responding quickly to the competitive market and establishing free distribution
and trade relationships.

Notes


2) *Ibid.*, pp. 7–56

In Japan, in relation to the characteristics of consumerism that public opinion is not in favor of the consumers, it is not so effective. The tendency toward independent consumer behavior is forcing business firms to turn to the product policy that emphasizes substantial qualities of goods, and to establish free relationships in distribution processes. The consumerism has not influenced the tendency toward the independent consumer behavior. It cannot be affirmed that the Japanese consumerism has played a positive role in recovering the consumer independence in behavior after the oil crisis. The consumerism in Japan does not generally reflect the consumer's demands and need. (*Ibid.*, pp. 57–69)

3) *Ibid.*, pp. 73–95


5) Manufacturers first affiliated wholesalers into sales companies using territorial restrictions. Next, retailers were systematized under specific distribution program such as a rebate program which increases monopolistic rates of selling. Toward administered retailers, some manufacturers adopted a special correspondence policy which would arrange business connection with distributors, or territorial restrictions. In this way manufacturers have organized administered channels in Japan. These administered channel has obtained effects to get rid of competition among the same brand, which manufacturers never anticipated in distributing their brands, and to carry out their own sale programs. It is administered channel system that limits entry in industrial structure. In spite of harmful effects which restrict competition to some extent, administered channel system has some merits. It advances rationalization or production efficiency, and enables manufacturers to formulate their production and sale plans. Particularly, administered
channel system makes marketing new products easier, makes a sound, paying, and developing investment, and keeps mass sale possible. Administered shops can offer better after sale service. (Ibid., pp. 74–75)

Manufacturers' distribution control in Japan is strongly exemplified in the auto assembly manufacturers' control over the dealers. In Japanese auto industry, the top two manufacturers, which have advanced concentration since the beginning of 1970, now get a large share by 60% in the market. If the next three manufacturers are included, all of the big five have a share by approximately 85%.

In the distribution of new cars, a motor sales company (an agent exclusively given a permission by an auto manufacturer) and dealers stand between manufacturers and users, and sometimes, there are some sub-dealers between dealers and users. Both manufacturers and sales companies control over dealers by means of holding stocks, appointing executives, and financing. Until 1992 most manufacturers prohibit dealers from trading in their rival manufactured goods. Almost half of manufacturers put restrictions on the types of cars they can deal in. In addition, auto manufacturers and motor sales companies forbid dealers to trade in machine parts, appliances like air conditioners produced by other companies. In many cases, manufacturers and sales companies adopt the closed territory distribution by which only one dealer has a permission to sell a certain type of car in a certain district, or take location system which limits a dealer's business territory. Most manufacturers and sales companies impose sales norm in dealers that have monopoly or sales territory. Auto manufacturers and sales companies usually adopt the cumulative rebate system.

The earning rate of assemble manufacturers has been above the average rate of all kings of industries as well as of manufacturing, for exports have remained at a rather high level. Especially the top two firms have realized a large profit. On the other hand, not a few dealers of small scale have been deficit ridden. The earning rate of auto dealers is rather low among retailers of major manufactured goods, when it is examined from the point of ratio of current profit to current sales or ratio of current profit to total capital. (Idid., pp. 113–116)

6) It is the manufacturers that carry out innovative measures in production or in the development of the products and create the marketing programs. The manufacturers should naturally be responsible in the final consumers market. The channel leadership
may be taken at the manufacturer level. It is possible, of course, to be the situation of the manufacturers advancing the innovative programs under the leadership of the retailers (chain stores). This is partly true of the goods under the private brands. In general, however, the retailers are most concerned about the programs which will have direct effects on the consumer's purchasing behavior, for they have immediate contacts with the consumers and promote sales toward the consumers. On the other hand, manufacturers usually endeavor to develop products to meet the needs of the consumers from a long term perspective. Though the goods under the private brand have gained support from a lot of consumers, they must be evaluated on the condition that they are developed under the standard of the famous brand of manufacturer's goods. When the retailers hold the leadership in the distribution channel, innovative measures can easily be incorporated into the distribution process. If this is carried out at the cost of the innovation in product and production, however, this will bring about a serious problem. The manufacturers with leadership should compete with one another. At the same time, when the leadership is taken at the manufacturer level, entry is easy at the retailer level and an opportunity for free competition at that level is guaranteed. The manufacturers should make the programs in consideration with free competition at the distribution level. (Idid., pp. 136-139)


9) Idid., pp. 22-41


We have evolved the theory of competition which evaluate a price competition including the effects of controlling product differentiation and mass advertising, and the improvement of technology. (Ibid., pp. 1 - 22)
POLICY RESEARCH PROJECT INTERNATIONALIZATION
OF JAPANESE ECONOMY

The Project:
Aims to conduct a comprehensive investigation of developing patterns of Japanese marketing/distribution system in the growing internationalization of competition; and attempts to analyze policies for further opening Japanese market. Publishes research results in Government Printings and Annual Reports in English and Japanese; and Holds Conferences periodically in Tokyo to disseminate research results to Managers of Enterprises, Academics and Government Officials.

The project has started in 1986 to examine changing consumer behavior implications for marketing and market mechanism in Japan with special reference to the key issues of wider access to the market.

The Project's Surveys:
1. 1974 National Survey of Consumer Behavior
   Survey subjects: Consumers in Tokyo, Osaka, Nagoya, Fukuoka, Kitakyushu, Nagasaki andSendai.
   The number of questionnaires returned/completed: 1,093
   Summary:
   The consumers do not prefer to a specific brand or major manufactures' brands as much as before.

2. 1975 National Survey of Consumer Behavior
   Survey period: August–September, 1975
   Survey subjects: Consumers in Chiba, Tokyo, Yokohama, Kawasaki, Nagoya, Kobe, Kitakyushu, Fukuoka, Nagasaki.
   The number of questionnaires returned/completed: 1,330
   Summary:
   The consumers maintain their characteristics of purchasing behavior under inflation examined by the '74 study.
3. 1976 National Survey of Consumer Behavior
Survey period: August–September, 1976
Survey subjects: Consumers in Tokyo,
   Funabashi, Tokorozawa,
   Osaka, Toyonaka,
   Fukuoka, Nagasaki.
The number of questionnaires returned / completed: 1,322

Summary:
As for prices, consumers believe in manufacturers' programs while they strongly support the retailers' original plans with which to reduce the list prices. Retailers play a larger part in communications with the consumers.

4. 1979 National Survey of Consumer Behavior
Survey Subjects: Consumers in Tokyo,
   Funabashi, Kyoto,
   Osaka, Kobe, Fukuoka,
   Kumamoto, Nagasaki.
The number of questionnaires returned / completed: 1,117

Summary:
The consumers still make selections against store differentiation. The consumers ask for information as they become more independent of the marketing programs offered by the corporations. The consumers have few opportunities to gain reliable information from the manufacturers and retailers, they depend on other people to collect information about brands or stores much more than before. They look upon manufacturers' direct grievance machinery as inconvenient. It is necessary for the manufacturers to arrange grievance machinery through the retailers.

5. 1981 National Survey of Consumer Behavior
Survey period: August–September, 1981
Survey subjects: Consumers in Tokyo and Chiba

6. 1985/1988 International Survey on the interrelationships between manufacturers and distribution firms in Japan
Survey Period: June–September, 1985
       June–September, 1988
Survey subjects: Retailers in Tokyo,
   Yokohama, Osaka, Kobe,
   Hiroshima, Fukuoka
   and Nagasaki in 1985
   and 1988
Survey items: Cosmetics, Apparels,
   Household electric appliances, Automobiles
The number of questionnaires returned / completed: 512

Summary:
The changing behavior of consumers has led to the change in manufacturers' channel control a part of marketing policy by manufacturers comes to be modified by retail stores, and the opportunity to raise the status of retail stores in marketing is coming into existence. Moreover, there is a case where the development of supermarkets and discount mass merchandisers quickens the retreat of the channel control by manufacturers.

Survey period: Jane–August, 1992 / 1994
Survey subject: Consumers in Tokyo, Yokohama, Kyoto, Osaka, Hyogo, New York, California, Virginia, North Carolina and others.
The number of questionnaires returned / completed as to Japan: 1,441
as to U. S. A.: 495
Survey items: Processed foods (such as cereal, soup, frozen food, etc.), Fundamental apparels (such as underwear, stocking, cutter shirt, etc.), Fashionable apparels (such as dress, blouse, skirt, etc.), Small household electric appliances (such as radio, mixer, hair drier, etc.), Major household electric appliances (such as television set, refrigerator, air conditioner, etc.), Automobiles.

Summary:
Consumer has now begun to behave as problem solvers who always use a wide range of information available from various sources, thereby lessening effects of marketing strategy intended to induce consumers' choice to some specific brand of product by offering highly differentiated product. But, still Japanese consumers continue to have excessive high demand on product quality and extra services. Hence, the openness of Japan's market is being limited.

Major Publications in English:


2) _______, *Information, Communication, and Business Behavior*, 1986


5) _______, *Changing Pattern of Consumer Behavior and Marketing in Japan*, 1990


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